Overview of Options and Preliminary Identification of Some Potential Impacts

Agenda Item H.11.a, Attachment 3

Table 1. Community Stability Holdback Options
- Community Stability Holdback Option 1 – Quota pounds to collaboratives based on merit of proposals
- Community Stability Holdback Option 2 – Quota shares to qualified communities

Table 2. Community Involvement Option
- 1 Option

Table 3. Community Impact Control Mechanisms
- Quota Restrictions (6 options)
- New Entrant Provisions (3 options)

Stability Holdback Option 1

- Main Decision Areas Within Option 1
  - Percent for holdback
  - Criteria for allocation (utilization, value added, local labor, public works, port dependence, amount of quota)

Stability Holdback Option 2

- Main Decision Areas Within Option 2
  - Percent for holdback
  - Governing entities to represent ports (port/harbor dist)
  - Geographic boundaries
  - Performance standards
  - Qualifying criteria
  - Allocation formula
  - Transferability among communities
  - Community accumulation caps
  - Transferability among individuals
Stability Holdback Option 1

- Potential Impacts and Issues
  - Where collaboratives arise, communities can benefit through
    - Increased stability in product flow
    - Increased employment
  - Increased interaction within and between communities through allocative committee and collaboratives
  - Quantitative evaluation criteria are likely to be imperfect, controversial and may require ongoing policy decisions

Stability Holdback Option 1 (cont’d)

- Potential Impacts and Issues (cont’d)
  - Additional administrative costs for Council and NMFS
  - Increased complexity
  - Decreased initial allocation to others or reallocation among quota share holders
  - Possible reduction in potential economic efficiency gains

Stability Holdback Option 2

- Potential Impacts and Issues
  - Communities that receive shares benefit from initial allocation
  - Positive effect on economic stability for these communities

Stability Holdback Option 2 (cont’d)

- Potential Impacts and Issues (cont’d)
  - Increased interaction within communities
  - Nonprofits can provide representation for small communities
  - Decreased initial allocation to others or reallocation among quota share holders
  - Possible reduction in potential economic efficiency gains
Stability Holdback Option 2 (cont’d)

- Potential Impacts and Issues (cont’d)
  - Policy challenges associated with establishing community boundaries
  - Decision needed as to whether Federal standards would be required
  - Increased complexity

Community Involvement Option

- Potential impacts and issues
  - Advisory body provides a contact point for communities
  - Likely increase in articulation of community needs within the Council process
  - Additional administrative costs for the Council

Table 2. Community Involvement Option

The Council would convene a committee comprised of representatives from West Coast regions, ports, processors and fishermen.

Table 3. Community Impact Control Mechanism Options – Quota Restrictions (6 Options)

1. Temporary prohibition of Quota Share Transfers (included)
2. Geographic restriction on transfer of quota shares and pounds (where owners live)
3. Geographic restriction on area of landing/catch
4. Limited entry for ports
5. Partial leasing prohibition
6. Owner on board requirement
1. Temporary Restriction on Transfer

- Impacts and Issues
  - Promotes increased fishermen knowledge of asset value prior to sales.
  - Prevents immediate concentration.
  - Slows geographic redistribution.
  - Delays some benefits.
  - May initially decrease quota share value.
  - May be circumvented by private contract.

2. Geographic restriction on quota transfers
   2a Absolute
   2b Right Of First Refusal (cont'd)

- Impacts and Issues (cont’d)
  - 2a Absolute
    • More difficult to aggregate/consolidate fishing
  - 2b Right of First Refusal (ROFR)
    • Slows transactions
    • Increases transaction costs (private and public)
    • Potentially circumvented

2. Geographic restriction on quota transfers
   2a Absolute
   2b Right Of First Refusal

- Impacts and Issues
  - Requires setting area boundaries
  - Requires rules for determining the geographic area with which a person is associated
  - May influence but does not restrict where fish are landed and processed
  - May indirectly maintain some of the benefits associated with quota share ownership
  - Increased administrative complexity and costs
  - May decrease quota value

3. Area of landing/catch restrictions

- Impacts and Issues
  - Requires designation of areas
  - Division of shares among more geographic areas may make it more difficult to aggregate and consolidate fishing activities
  - May decrease quota value
  - May stabilize fishing grounds for locally dependent communities
  - May directly (landing restrict) or indirectly (catch restrict) stabilize local landings
4. Limited Entry for Ports

- Impacts and Issues
  - Requires designation of geographic boundaries for port areas
  - Potential controversy over qualification requirements
  - Potentially limits future development of economically viable and beneficial operations in other ports
  - May reduce enforcement costs
  - May increase administrative costs

5. Partial Leasing Prohibition

- Impacts and Issues
  - Unclear how a leasing restriction would work for nonvessel owners
  - May assists in prevention of absentee ownership
  - Restriction could be circumvented by a private contract
  - May decrease quota share value
  - May increase administrative costs

6. Owner on Board Requirement

- Impacts and Issues
  - Provisions needed to deal with
    - corporations, partnerships, etc. (suboptions)
    - coverage of overages after landing (Option 8a - 50%)
  - Increases the likelihood that the quota share owner will be a member of the community and that the associated revenue and activities will benefit the community
  - Decreases operational flexibility and increases costs
  - May decrease quota share value
  - Increases administrative costs
  - Changes social relationships

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Table 3. Community Impact Control Mechanism Options (cont’d)

**Opportunity for New Entrants (3 Options)**

- Potential Criteria to Qualify as New Entrant
  - no initial allocation
  - owns some quota share but for fewer than X years
  - crew/vessel/permit owner/community
- **Fixed % Revoked and Reissued Annually (lottery or equal)**
- **Confiscated Shares Reissued** (lottery or equal)
- **Increases in Trawl Allocation** (lottery or equal)
  - Base Shares
  - Expansion Shares
Reissuance to New Entrants
(General – Options 7, 8, and 9)

- Impacts and Issues
  - With the right criteria, new entrants may be more likely to be members of coastal communities
  - New entrants may have to acquire additional quota shares to hold the right mix of species (or transfer quota received)
  - Increases administrative costs
  - Responds to M-S Act requirements to consider provisions for new entrants

7. Annual Revocation and Reissuance to New Entrants

- Impacts and Issues
  - Provides a consistent flow to “new entrants”
  - Makes it more difficult to maintain quota shares and not use them
  - May decrease quota share value

8. Shares Revoked for Illegal Activities Reissued to New Entrants

- Impacts and Issues
  - Uncertain and uneven flow of quota for reissuance.

9. Increases in Trawl Allocation Distributed to New Entrants

- Impacts and Issues
  - Increased complexity
  - Reduces stewardship incentives for holders of baseline shares
  - May decrease quota share value.