

SCIENTIFIC AND STATISTICAL COMMITTEE REPORT ON TRAWL INDIVIDUAL
QUOTA ANALYSIS – REVIEW OF STAGE I DOCUMENT

Jim Seger (PFMC) and Marcus Hartley (Northern Economics Inc.) briefed the Scientific and Statistical Committee (SSC) on the Stage 1 Draft – IFQs and Permit Stacking Alternatives in the Limited Entry Trawl Fishery (Agenda Item F.3.b, Attachment 1 and REVISED Attachment 1 ERRATA).

The SSC has several comments on the proposed methods:

- Analysis of the alternatives is a work in progress and a number of different data sources and approaches are being proposed. This analysis will generate a huge amount of output. To facilitate analysis and eventual consideration of results, it would help to narrow the scope of components and elements under each alternative. In addition, the SSC requests that the Consulting Team narrow the number of indicators being considered. Changes in the RCA boundaries and other aspects of management besides the current system of cumulative trip limits, were not considered, which seems inconsistent with the goal of the IFQ program to reduce bycatch.
- An objective of the IFQ program is to reduce bycatch and discard mortality. However, some elements for each alternative distinguish between low-OY and high-OY situations using thresholds, for example B25%, with quota shares becoming inactive if abundance is less than the threshold. In this case, management of the fishery would revert to cumulative trip limits, which raises a consistency issue. In other words, any benefits of the IFQ program for reducing bycatch would be forfeited for overfished stocks because the incentive for doing so would be lost. In any case, the SSC recommends basing the low-OY situation on whether the stock is considered overfished.
- Instead of basing significance of the effects from the alternatives on an arbitrary level (i.e. 20%), the SSC recommends reporting results in terms of the actual percentage change, or at least indicate the approximate level (20-30%, 30-40%, etc.).
- The Consulting Team suggests that an interview-based approach be used to obtain information from “key informants” to “quantify the likely changes under each alternative.” While this type of information is important for understanding the current structure of the fishery, the SSC is skeptical that such information can be used as a reliable basis for evaluating future changes under hypothetical conditions (i.e. different scenarios and alternatives).
- The Stage 1 Draft document provides an overview of five models (Initial Allocation, Industry Consolidation, Incidental Catch, Observer Cost, and Profitability) that would be developed for an analysis of the alternatives. However, descriptions of these models is rather general, and it was not possible for the SSC to evaluate the structure of these models at this time. Most of the SSC discussion focused on the Incidental Catch model. An important point is that modeling on a tow-by-tow basis may not be reliable and raises

the question of how to handle relatively rare “disaster tows” that generate large amounts of bycatch. Regarding the Consolidation and Profitability models, the SSC recommends that effects on employment (e.g. crew shares) should be included as a main component of the analysis.

- The issue of dealing with changes in market power between harvesters and processors is important, and unsettled according to the Consulting Team. The SSC recommends reviewing current literature on this subject [e.g. Matulich, S., and M. Clark. 2003. North Pacific Halibut and Sablefish IFQ Policy Design: Quantifying the Impacts on Processors, *Marine Resource Economics*, 18(2), 149-166.].
- The SSC discussed potential problems in the initial allocation if healthy and overfished stocks are not treated differently. Specifically, past catch may work well for establishing the initial allocation of permits for healthy stocks. However, this type of allocation rule could create a perverse reward for vessels with the highest levels of catch for overfished species. An alternative is a uniform allocation of quota shares for these stocks.

Finally, the SSC wishes to highlight the complexity of the efficiency and equity trade-offs that are likely to occur under any IFQ program, and for the possibility of unforeseen consequences. The Consulting Team indicated that a range of estimates for potential efficiency gains (i.e. benefits), and costs of implementation, should be available to inform the Council after the analysis proposed in the Stage 1 Draft document is complete.

PFMC
06/13/06