

Fixed-Term Catch Shares as an Additional “Plug In” Option for Analysis.

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Why consider an additional alternative for
analysis?

The goal is to get more of the good with less of the bad. *We have options.*

U.S. Commission on Ocean Policy Recommendation:

... assign quota shares for a limited period of time to reduce confusion concerning public ownership of living marine resources, allow managers flexibility to manage fisheries adaptively, and provide stability to fishermen for investment decisions.

[USCOP 2004:290]

1) Good (very good) things can happen when
you assign catches.

- * racing stops/slows
- * fish smarter not harder
 - * safety gains (but...)
- * product enhancements
- * finer attainment of TACs
 - * less lost gear

2) Bad things can happen when the original assignment is: free, in perpetuity, and based on catch history.

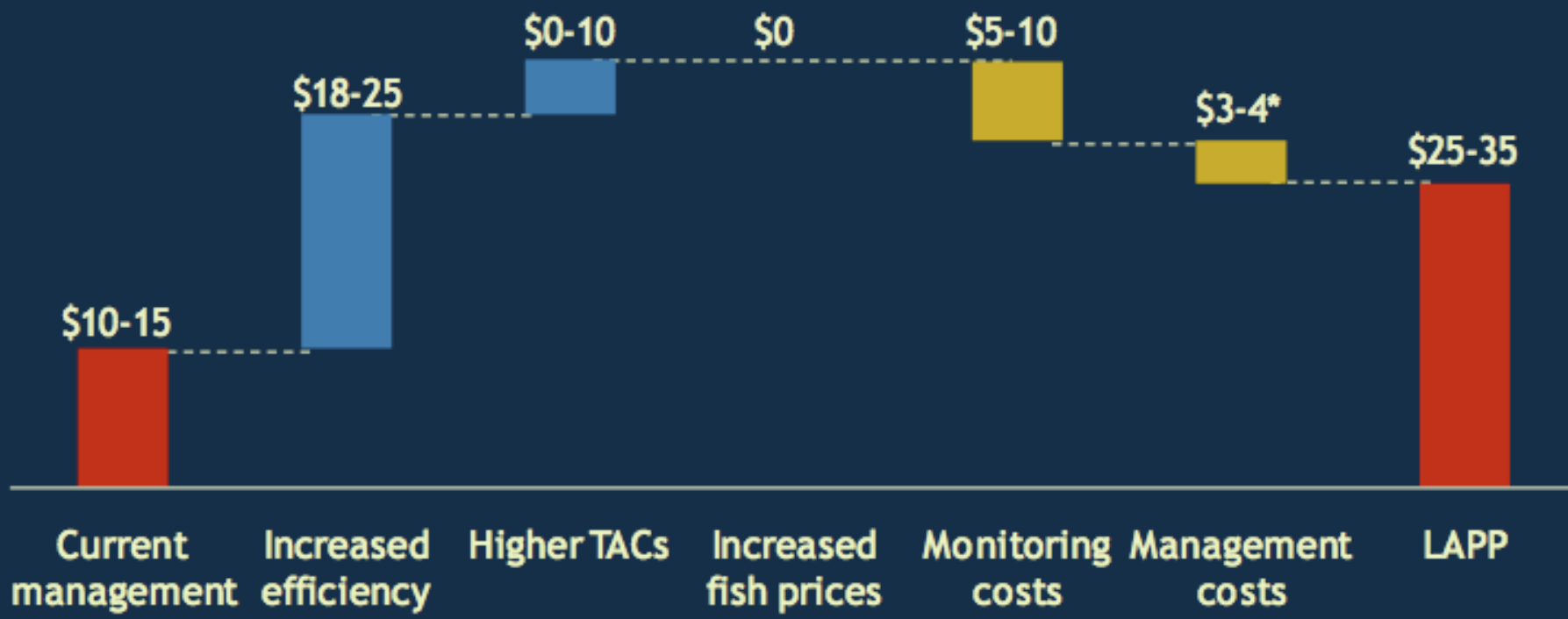
Currently, the initial allocation is an exercise in the government “picking winners”

(antithesis of a ‘market solution’)

- Speculative "fishing for history"
- Inter-generational equity concerns (new entry opportunities)
- Intra-generational equity concerns
- Concerns for the social and economic impacts on coastal fishing communities
- Increasingly intense jockeying by harvesters and processors to benefit from the all-important initial allocation

- Missed opportunities for management *and* industry flexibility

EXHIBIT 2: Economic benefits and additional costs of LAPP implementation
Change in NPV of fishery, \$M



The overall fishery may benefit economically from a LAPP, although the cost of buying the quota of exiting fishermen may consume much, if not the majority, of the fishery's overall gains.

[Redstone Group, 2007:1]

Current participants/investments deserve recognition, but do all other generations of new entrants deserve this...?

(especially if there is an option that could be *analyzed*)

... assign quota shares for a limited period of time to reduce confusion concerning public ownership of living marine resources, allow managers flexibility to manage fisheries adaptively, and provide stability to fishermen for investment decisions.

[USCOP 2004:290]

OK... fixed-term catch shares, same benefits, additional benefits, lower costs. Sounds great...

but how?

Initial Fishery

QS distributed based on history as per Council preferences for initial allocation

Transition Fishery

features history-based QS *and* gradually increasing % of fixed-term QS accessible through open, transparent market(s)

Final Stage Fishery

continual staggered offerings of fixed-term QS accessible through open, transparent market(s) , markets partitioned to meet broad Council objectives

An Example

Initial Fishery

QS good for 5 years, allocated by Council preferred option recognizing catch history.

(This is the same as current Council approach to initial allocation but featuring fixed-term shares.)

Transition Fishery

Beginning in year 6, 10% per year of initial allocation of QS is withheld and placed in a pool for access by royalty lease auctions (for new 10 year shares). Pools could be partitioned by gear, vessel size, etc.

In this example, the overall length of the transition fishery would be 10 years but combined with the 5 years of the Initial Fishery, there is 15 year transition period overall recognizing historic participants.

Final Stage Fishery

Staggered offerings of fixed-term QS accessible through open, transparent markets, markets partitioned to meet broad Council objectives.

Staggered offerings important to ensure that individual portfolios of QS do not all expire at the same time.

* lease proceeds could go towards management costs, research, and buyout funds if desired/necessary

10-19-07

Mr. Donald K. Hansen
Chairman
Pacific Fishery Management Council
7700 NE Ambassador Place, Suite 101
Portland, Oregon 97220-1384

Received 11/6/07
after deadlines
Agenda Item D.7
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Dear Chairman Hansen and members of the Pacific Fishery Management Council:

This allocation of quota is just another way for Larger companies (AKA Pacific Choice) to control more of the market. This company holds such a large market share and does anything and everything to hold that share; this just is one way to make it legal for them to push us smaller processors out of business. We are already being squeezed out of our crab markets directly and indirectly thro practices that border legal. No matter how many business names they acquire it does not cover up, their control on our markets.

I am a fish buyer/processor from Charleston, OR and I am writing to ask you to oppose initial allocation of quota to processors in the IFQ program for the west coast trawl fleet. If quota is allocated to processors based on processing history, it will have a disastrous effect on small processors/buyers up and down the coast. We are barley surviving now; this Quota will just finish all of us small buyers off.

The way the alternatives are currently structured only a handful of the very largest processors would be eligible to receive any allocation. Such an allocation system will enable that small number of large processors to become even larger, and will make it easier for them to continue to squeeze out small processors/buyers. Large processors will become the beneficiaries of an even larger market advantage eliminating the potential for small buyers/processors to partner with fishermen on innovative marketing arrangements.

There is absolutely no justification for a giveaway of public trust resources to a handful of very large processing companies that will create such devastating impacts for other processors/buyers who are not entitled to receive a piece of the allocation pie. Please oppose initial allocation of quota to processors. I can not see any benefit to this proposed quota, for anyone except one or two larger companies. We fight an uphill battle everyday against these companies, please to not give them the power to squeeze the smaller companies out through a legal IFQ Program, they already play dirty enough as it is.

Sincerely,


Marvin Warman