

# **TRAWL RATIONALIZATION**

## **ISSUE: ADAPTIVE MANAGEMENT PROGRAM QP PASS-THROUGH**

### **Council Decision Document**

**PREPARED BY  
THE PACIFIC FISHERY MANAGEMENT COUNCIL  
7700 NE AMBASSADOR PLACE, SUITE 101  
PORTLAND, OR 97220  
503-820-2280  
[WWW.PCOUNCIL.ORG](http://WWW.PCOUNCIL.ORG)**

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# CHAPTER 1 PURPOSE AND NEED FOR THE PROPOSED ACTION

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## 1.1 Introduction

This document provides background information and analyses for

a provision that would extend the current method for annual distribution of quota pounds (QP)—a pass-through to quota share (QS) holders in proportion to their QS holdings—issued for the QS set aside for the Adaptive Management Program (AMP)—10% of the nonwhiting QS.<sup>1</sup>

The AMP was adopted by the Council as part of its trawl rationalization program, Amendment 20 to the Pacific Coast Groundfish Fishery Management Plan (FMP). The proposed actions would require an amendment to the regulations implementing the groundfish FMP. If the regulatory amendments are implemented, the description of the trawl rationalization program contained in Appendix E to the groundfish FMP would automatically be revised to reflect the regulatory modification. The proposed action must conform to the Magnuson-Stevens Fishery Conservation and Management Act (MSA), the principal legal basis for fishery management within the Exclusive Economic Zone (EEZ), which extends from the outer boundary of the territorial sea to a distance of 200 nautical miles from shore.

## 1.2 Description of the Proposed Action

The proposed action is to amend the regulations implementing the groundfish FMP to change provisions related to the distribution of QP issued for the QS set aside for the AMP.

## 1.3 Purpose and Need for the Proposed Action

Under the Amendment 20 trawl rationalization program, an IFQ system was adopted for the shoreside trawl fishery. That catch share system includes a set aside of 10 percent of the nonwhiting QS for an AMP. The AMP QP, issued each year for those QS, are to be distributed to address the following objectives.

- Community stability
- Processor stability
- Conservation
- Unintended/Unforeseen consequences of IFQ management.
- Facilitating new entrants.

For the first four years of the program, the annually issued AMP QP have been passed through to the QS holders in proportion to their holdings of QS. The catch share program originally specified that the Council would develop alternative criteria for distribution of the AMP QP beginning in year 3 of the program. In 2011, the Council recommended an extension of the pass-through until the end of 2014 due to concern that given the other high priority trailing actions that the Council was working on alternative criteria might not be developed and implemented by 2013, in which case there would be no procedure in place for distribution of the AMP QP. Subsequent to that time, the Council has not prioritized the development of a pass-through formula due to the absence of an adequately pressing need. With the pass-through due to expire at the end of this year and no alternative criteria yet developed, the Council

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<sup>1</sup> In this document, all references to QS include halibut individual bycatch quota (IBQ) quota shares and all references to QP include the related halibut IBQ quota pounds.

is once again considering options to extend the pro rata pass-through so that the fish authorized for harvest through the biennial specifications process will be continue to available to benefit the fishing industry, dependent communities, and consumers.

# CHAPTER 2 DESCRIPTION OF THE ALTERNATIVES AND COUNCIL ACTION

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## 2.1 Alternatives

At its March 2014 meeting, the Council adopted a range of alternatives for final consideration at its June 2014 meeting.

**No Action Alternative:** Beginning in 2015, the QP associated with the QS set-aside for AMP purposes will be distributed in accordance with procedures developed under the AMP provisions adopted under Amendment 20.

**Action Alternative 1:** The AMP QP allocation procedures will be considered as part of the five year review and the pass-through procedure used since 2011 will be continued

Suboption A: through 2017.

Suboption B: until the implementation of regulations resulting from the 5-year review.

**Action Alternative 2.** The pass-through procedures used since 2011 will be continued until procedures are developed as specified in the AMP provisions of Amendment 20.

## 2.2 Rationale for Council Final Action

To be developed.

# CHAPTER 3    IMPACTS

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## **3.1      Direct and Indirect Impacts to the Physical and Biological Environment**

Under the No Action Alternative, there may be a reduction of trawl IFQ sector impacts starting in 2015, if no alternative means are developed for distribution of the AMP QP and assuming that resolution of the situation would not qualify for emergency action. Under the action alternatives, there would be no impacts relative to a 2013-2014 baseline and the trawl allocation authorized under the 2015-2016 groundfish specifications. The alternatives provide the trawlers an opportunity to fully harvest the allocations authorized and analyzed under other fishery management actions. The action alternatives would allow full harvest of the authorized allocations; and there would be no difference among any of the action alternatives with respect to impacts on the physical and biological environments. Under any of the alternatives, at any time the Council would be free to recommend either another extension of the pass-through or an earlier than specified end to the pass-through. All alternatives leave the adaptive management program in place in its current form.

## **3.2      Direct and Indirect Impacts to the Socioeconomic Environment**

The main socio-economic impacts of the No Action Alternative are the possibility of a 10 percent reduction in the shoreside nonwhiting trawl harvest starting in 2015 and the attendant adverse social and economic impacts that would be experienced by the fishing industry, fishing communities, and consumers.

Under any of the action alternatives, at any time the Council would be free to recommend either another extension of the pass-through or an earlier than specified end to the pass-through. Therefore, the primary impacts of action alternatives relate to administrative burden of making changes to the pass-through provisions and QS holder expectations regarding whether the pass-through will be continued.

A regulatory amendment would be required for all action alternatives; and to implement alternative criteria all action alternatives would require a future regulatory amendment; but the action alternatives vary with respect to the time at which, or whether, the Council would either have to recommend alternative criteria or recommend another extension. Under Alternative 1, Suboption A, which continues the pass-through through 2017, another Council final action would be required sometime in 2016 or no later than June of 2017. The deadline for action would depend on the complexity of the criteria to be implemented (including the possibility that there would be another continuation of the pass-through). Alternative 1, Suboption B terminates the pass-through as of the date of regulatory actions coming out of the five year review of the trawl rationalization program, and presumes that review will be conducted in 2016, after data from year five of the program is available. It also presumes that the review would lead to some additional regulatory modifications. For Suboption B, it is not clear whether the end of the pass-through would be triggered if the review process did not generate any regulatory actions. Depending on the time required for the review and the time required to generate and act on alternatives in response to information developed during the review, the continuation of the pass-through would likely be to a date comparable to or later than what would occur under Suboption A. Suboption B would continue the pass-through to a time (after the five year review) when the Council might have more information on the utility of implementing alternative criteria for the distribution of the AMP QP. However, this is not to say that adequate information might not be available before that time. Under Alternative 2, the pass-through would be extended indefinitely but the QS set aside for the AMP would remain in place, facilitating implementation of alternative criteria at any time the Council and NMFS decided they were needed. If the ultimate outcome is that the AMP pass-through continues and alternative distribution criteria are never developed, then Alternative 2 will have been the lowest administrative cost alternative.

All of the alternatives, including No Action, entail some uncertainty, which may affect QS pricing. QS prices are likely to vary depending on whether traders anticipate a long-term continuation of the pass-through. If expectation of a long-term continuation of the pass-through is built into QS prices, this would likely generate resistance to future proposals for alternative distributions. If the Council is relatively certain it will eventually recommend implementation of alternative criteria for distribution of AMP QP, then a continuation of the pass-through for a specified amount of time might increase the probability that QS transactions are priced properly with respect to the reasonably expected value of the annually issued QP, relative to an open ended continuation of the pass-through.