Safe Harbors in the Pacific IFQ Program

Risk Pools

Community Fishing Associations

Quota Share as Collateral in Financing
Bycatch cooperatives (risk pools)
- Request that control limits not apply in specific circumstances

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Community fishing associations
- Request that higher accumulation limits apply for associations formed under specific criteria
Bycatch cooperatives (risk pools)

- Overfished species catch variability and uncertainty = large financial risk to individual fishermen under the IFQ program, and
- “Disaster tows” pose a collective risk to the entire fishery
- Risk management is often handled through collective, insurance-like mechanisms
  - Risk pools fall under this category
Risk pools (cont)

Why is an exception to the control definition necessary?

- Literature and examples in other fisheries indicate highly successful arrangements exert control over members which may span multiple years.
- These actions are necessary to reduce individual risk.
- Necessary to reduce collective risk to the entire fleet and to respond to events which pose a collective problem.
Possible activities of a risk pool

- Implementing time/area closures on members
  - May apply differently to vessels depending upon bycatch performance, quota pounds brought by each members, or other
- Implementing tie up provisions based on members performance
- Imposing financial rewards and penalties based upon bycatch performance
- Specifying that vessels cannot leave the pool until they’ve satisfied obligations
- Requiring that quota pounds be transferred from vessel to vessel (prevent quota hoarding)
- Others
Community Fishing Associations

- A community-scale entity can take into account the needs of community-level interests.
- This entity can manage fishery activity to respond to the needs of:
  - Individual fishermen
  - Processors
  - Community support business
  - Support fishery/marine infrastructure
  - Facilitate new entry (subject to limited entry license requirement)
  - Preserve local community culture and identity

- These interests are inherently different from:
  - A private, for profit corporation
  - A national or regional level initiative
Creating another institution in fishery management

**Objective Scale**
- National
- Regional
- State
- Local
- Individual

**Institution Scale**
- Magnuson Act
- Regional FMC
- DFG/DFW
- IFQ
Justifying a higher accumulation limit for a local-scale institution

What elements and activities are representative of a “healthy fishing community”?

- “Sufficient” landings of seafood
- Processing and/or value added activity
- Vessels which homeport in the marina and use local services
- Trans-generational participation
- Cultural values and community identity
- Others

A community is defined by more than just landings!
Justifying a higher accumulation limit for a local-scale institution (cont)

- Factors that promote fishing community health
  - Landings sufficient to support several vessels
  - Relative certainty over future harvest volume
  - Residency of fishermen, processors, and support business in the local community

- Sufficient quota share held by entities within the community can facilitate “healthy” community activity
  - “…entities within the community…”
  - “…sufficient quota…”
Justifying a higher accumulation limit (cont)

- Existing accumulation limits do not appear to allow an entity to control enough quota share to meet the envisioned needs of a community (such as those specified previously)
  - Existing limits will allow an entity to control enough QS to effectively operate 2 full time trawl vessels

- Moderately higher limits for specific institutions operating under specific standards can both:
  - Allow for enough control over fishery activity to acknowledge the needs of communities, and
  - Prevent abuse from entities which may seek to use the exception to their own benefit.
A CFA must do the following:

- Identify how it intends to meet the goals for CFAs which are identified by the PFMC
- Receive support from the local municipal government
- File associated paperwork and performance reports with NMFS and PFMC
- Contract out to a group of harvesters which are members of an FCMA cooperative
- No owner may have more than one vessel using CFA QP.
PFMC Goals and Objectives

Local Governing Body

CFA Board
at least 5 members

FCMA Coop Vessels
one vessel per owner

← CFA answers to both the PFMC/NMFS and the local government

← Board is comprised of representatives from the community

← FCMA harvesters are contracted by CFA to balance harvester/processor negotiations

← One vessel per owner limit to prevent domination by one large harvester
Interaction between CFA and AMP

1. Council is obligated to develop an AMP program based on T-rat decision

2. Proposed rule indicates that social factors which exist in MSA will be addressed via AMP and CFAs

3. At present time there does not appear to be a clear, efficient pathway toward AMP development
   - Formulaic process presents difficulties in meeting objectives due to nuances in community and other needs
   - NMFS-based process requires NMFS to undertake significant administration
   - PFMC-based process may look like an EFP process, requiring significant time in Council

4. CFAs could administer some portion of AMP, if AMP purpose is consistent with CFA function
   - This does not preclude other avenues for AMP
Hypothetical process for AMP and CFA development

- PFMC begins amendment process to allow formation of CFAs in fall 2010
  - CFAs required to have standards which are complimentary to AMP
- Regulations drafted in 2011, allowing formation of CFAs in 2012
- PFMC begins amendment process for AMP in late 2011/early 2012
  - Process outlines entities which are eligible to receive AMP quota, and standards they must meet in order to do so
- PFMC role is largely left to a periodic allocation decision
  - PFMC can also modify AMP and CFA standards
Quota share as collateral in financing

- Many lenders that finance fishing businesses desire QS as collateral.
- Using QS as collateral implies that a lender must be able to either take possession of QS or cause QS to be sold in the event of default.
  - This is a form of QS control.
- To facilitate financing, an exception to the control rule for permissible lending practices appears necessary.
Proposed Financing Exception

- Specific practices would be exempted
  - Any entity can engage in lending practices, so long as they adhere to permitted practices

- Exception would extend to lending activities only if loan agreements do not dictate delivery terms
  - No delivery time or location requirement
  - No ex-vessel price or price formula