

REPORT OF THE AD HOC GROUND FISH TRAWL INDIVIDUAL QUOTA COMMITTEE

The Ad Hoc Groundfish Trawl Individual Quota Committee (TIQC) met October 28 and 29, 2003. All members were present. Substantial progress was made on the initial specification of the provisions for an individual quota (IQ) program alternative. This progress report solicits Council comment or action on:

- TIQC charge and the goals for an individual quota (IQ) program.
- TIQC recommendation for a control date.

The report also provides the Council with:

- The projected time line for action presented to the committee.
- An initial draft of the elements for a program.

The TIQC views the development of an IQ program to cover limited entry trawl landings to be a matter of utmost urgency and asks the Council to do everything possible to enlist the assistance needed to move forward rapidly on this issue. This should include finding a way to make use of the assistance offered from outside sources.

The TIQC would like to meet again as soon as information has been developed to assist the committee in evaluating, refining, and further developing the proposals. The target period for the next meeting is late-January early-February.

The TIQC received a report from Mr. Bill Robinson, NMFS, on the administration policy with respect to IQs for processors. He reviewed Dr. Hogarth's recent comments to congress on the issue and the Department of Justice opinion. Ms. Eileen Cooney, NOAA General Counsel, reviewed National Environmental Policy Act (NEPA) and Magnuson-Stevens Fishery Conservation and Management Act (MSA) requirements as they pertain to the committee task.

Committee Charge and Goals for Individual Quotas

The draft charge given the TIQC was, essentially, to provide assistance to the Council in scoping alternatives and impacts in support of MSA and NEPA processes and to specifically identify provisions for an IQ program.

The statement of need (problem statement) and goals determine the types of alternatives to status quo and IQ programs that should be considered in this process. The goals to be addressed should be closely related to the statement of need. The draft charge provided to the committee was stated in the context of the Council Strategic Plan capacity reduction goal. The committee believes capacity reduction should not be the primary goal addressed by the IQ program and suggests the Council endorse the following as the preliminary goals for this process.

- Provide for a well-managed system for protection and conservation of groundfish resources.
- Provide for a viable and efficient groundfish industry.
- Provide for a fair and equitable distribution of fishery benefits.
- Provide for a safe fishery.

A list of objectives related to these goals is provided as part of the section of this report on elements of the program. Also provided, there is a draft statement of need. Based on these goals and objectives and the statement of need, the committee suggests its draft charge be as follows.

The TIQC is charged with assisting the Council in developing an IQ program to address problems identified in the statement of need, together with reasonable alternatives to such a program. In meeting this charge the committee should provide supporting rationale for recommendations and ensure its recommendations take into account other standards and criteria contained in the Magnuson-Stevens Fishery Management and Conservation Act and other applicable law, as well as, public comment received during scoping processes. Additionally, the committee should assist the Council in identifying critical impacts that should be analyzed.

Control Date

The committee recommends the Council adopt a control date of November 6, 2003. The date should cover the issuance of individual fishing quota to all potential initial recipients, possibly, but not necessarily including, and not limited to, vessel owners, permit owners, vessel operators, crew, and first receivers (processors and buyers).

Time Line for Action

The committee was presented with a possible time line for implementing a an IQ program (Table 1). Under the time line, if the Council chooses to recommend an IQ program, it would not be implemented until the start of 2007. It is the committee's hope that the resources can be found to stay on this schedule, and if possible, accelerate it.

Outline of Some Potential Elements for an IQ Program - DRAFT

The following is an outline of possible provisions that the Ad Hoc Trawl Individual Quota Committee may recommend be adopted for consideration. This is a draft developed at the committees first meeting and may change substantially before a final recommendation is made to the Council. Part of the process of developing alternatives will include consideration of comments received during a formal scoping period to commence after the announcement of intent to prepare an EIS and culminating prior to the development of the committees final recommendation. Comments received during the scoping period will be available for both committee and Council consideration.

There are two types of options identified in this report: (1) options identified for further consideration, and (2) options considered that the committee recommends be rejected. A later committee report will provide explanation for why the committee recommends the Council reject consideration of certain options. Options considered but rejected will also be identified and discussed in analyses.

Terminology and Acronyms

IQ - Individual Quota	(fishing or processing)
IFQ - Individual Fishing Quota	(must be held for harvesting)
QS - Quotas Shares	(percent of total quota allocated to an individual)
Quota Pounds - Annual Individual Quota	(pounds allocated annually based on the quota share held)
IPQ - Individual Processing Quota	(must be held for processing)
ICA - Incidental Catch Allowance	(an amount of catch available to a harvesting sector to cover bycatch, not allocated individually)
IBQ - Individual Bycatch Quota	(must be held for the catch and discard of certain species)
Buyer/Processor - All references to buyers or processors are references to the first receiver of a vessels catch.	

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Statement of Need

THE FOLLOWING TEXT WAS DRAFTED BASED ON COMMITTEE DISCUSSION BUT HAS NOT YET BEEN REVIEWED BY THE ENTIRE COMMITTEE.

Management of the West Coast groundfish trawl fishery has become economically unsustainable and marked by serious biological and social concerns.

Considerable opportunity is being forgone in an economically stressed fishery. The trawl groundfish fishery is a multispecies fishery. The OYs for many overfished species have been set extremely low and significantly constrain the industry's ability to fully harvest the available OY of target species, wasting opportunity. Harvest rules that are not flexible enough to take into account the tow by tow and trip by trip variation in species composition that is natural to the fishery result in discard and additional wastage. Moreover, where average discard rates are applied to estimated bycatch of overfished species there is little direct incentive for individual vessels to do everything possible to avoid take of species for which there are significant conservation concerns, such as overfished species. The benefits of actions the individual takes to reduce incidental catch are distributed over the entire fleet. The reduced harvest opportunity and wastage is placing significant additional economic stress on an already overstressed industry.

The current management regime provides a single set of management regulations that attempts to accommodate a wide variety of fishing business strategies and operational concerns. For example, historically the Council has tried to maintain a year-round groundfish fishery. Such a pattern works well for some business strategies in the industry but there has been substantial comment from fishers that would prefer being able to pursue more of a seasonal strategy with respect to groundfish. The current management system does not have the flexibility to accommodate disparate interests such as these. Nor does it have the sophistication, information, and ability to make timely responses necessary to react to changes in market, weather, and harvest conditions that occur during the fishing year. The ability to react to changing conditions is key to conducting an efficient fishery in a manner that is safe for the participants.

As regulations become more restrictive, an increasing portion of the landings are discarded at sea and managers must rely on bycatch estimates as part of the accounting for total mortality, a method less reliable than the weighing that could occur if the discarded incidental catch were landed instead. In an economically stressed environment, uncertainties about average bycatch rates become highly controversial and there is significant pressure on managers to be less conservative in their estimates.

Fishing communities are adversely affected by deterioration of the industry. Communities have a vital interest in the economic viability of the industry, the income and employment opportunities it provides and the safety of participants in the fishery.

Options identified for further consideration:

1. Any harvest taken under a groundfish LE trawl permit regardless of gear used—e.g. when using pink shrimp trawl or any other open access gear. For those species covered by the program, IQ would be required for all harvest counted against the LE trawl fishery under the current system.
2. Groundfish taken with groundfish trawl gear under an LE trawl permit. A separate accommodation would be required to cover any landings made by vessels with an LE trawl permit that are not made with groundfish trawl gear.

Incidental Catch Allowances (ICA)

The options are to include or not include ICAs as part of the program.

1. ICAs would be for groundfish species not retained by certain sectors of the groundfish fishery, primarily the at-sea whiting sectors. ICAs would cover the take of these bycatch species.
2. If ICAs are not created, IFQ or IBQ would be required to cover bycatch of IQ species that are not retained by a particular sector.

Individual Bycatch Quota and Prohibited Species (IBQ)

The main options are to include or not include IBQ as part of the program.

1. IBQ would be required to cover certain species caught but not retained. The scope for IBQ might include prohibited species such as halibut and salmon, and/or groundfish species that would not be retained by a particular sector (such as widow rockfish bycatch in the at-sea whiting sectors). IBQ would be required for all bycatch species caught on a trip for which IFQ species are landed. Catch taken under IBQ may not be retained whereas catch taken under IFQ may be retained or discarded.

A suboption was proposed under which retention of certain currently prohibited species would be allowed, if taken under individual quota. In this case the IBQs would function similarly to IFQ.

2. If IBQ is not created, harvest of bycatch species would be managed and allocated as they are under the current system.

Regulated Activity

Options identified for further consideration:

1. Harvesting (IFQ) - “One Pie”
2. Harvesting and Processing (IFQ/IPQ) - “Two Pie” (no restriction on which buyer fish is sold to as long as the buyer holds IPQ)

Options identified but rejected:

Community quotas.

Geographic Restrictions

Consider whether the IQ would also designate a fishing area in which the harvest must occur. Inclusion of area restrictions should be based solely on need to address stock conservation concerns.

Sector Allocation

Options identified for further consideration:

1. Status quo allocations among sectors (may be feasible if IQ species are those taken only by trawl gears)
2. Status quo allocation among sectors but split trawl allocation (needed if IQs are only for groundfish taken with groundfish trawl gear and not for groundfish taken by trawl limited entry vessels with other gear)
3. Allocate species that are not currently allocated between trawl and other sectors (needed if IQ is required for all groundfish species).
4. Allocate some groundfish between incidental and target strategies. (needed only if ICAs or groundfish IBQs are created).

(Options are not necessarily mutually exclusive).

Initial IQ Allocation

Eligibility to Receive an Initial Allocation of IFQ

Options identified for further consideration:

1. Allocate IFQ to Permit Owners (Current)
2. Allocate IFQ to Vessel Owners
3. Allocate IFQs to Permit-Owners/Vessel-Owners/Processors (consider all combinations - allocate to ownership at the time of initial allocation, where relevant)
4. Allocate to High Bidder in Auction (eligibility rules for participation to be developed)

Options identified but rejected.

1. Allocate IFQ to permit owners at time of landings
2. Allocate to lottery entrant (eligibility rules for participation to be developed)
3. Allocate to crew or skippers.
4. Allocate to communities.

Eligibility to Receive an Initial Allocation of IPQ

The committee did not discuss eligibility requirements for IPQ.

Amount of Initial IFQ Allocation

Vessel/Permit Related Allocation

Options identified for further consideration

1. Determined in Auction

2. Some Mix of Criteria that Might Include
 - a. Catch History (For certain species, consider allocating a portion based on an estimate of bycatch.)
 - b. Equal Sharing
 - i. Equally allocate QS represented by catch history of those vessels/permits bought back among those vessels/permits with catch history for the species.
 - ii. Some other equal sharing basis.
3. Catch History Only (For certain species, consider allocating a portion based on an estimate of bycatch.)

Option considered but rejected: Vessel Length

Processor/Buyer (1st Receiver) Related IFQ (1 pie)

Options identified for further consideration:

1. 1st Receiver Purchase History of Groundfish Trawl Landings (lbs)
 2. Participate in Auction
- Note: Processors may also receive some IFQ based on their ownership of vessels (vertical integration).

(Options for percent of the total IFQ allocated among processors: XX%, XX%, XX% *to be revisited*)

Amount of Initial IPQ Allocation

Processor/Buyer (1st Receiver) Related IPQ (2 pie)

Options identified for further consideration:

1. 1st Receiver Purchase History of Groundfish Trawl Landings (lbs)
2. Participate in Auction

Recent Participation Requirement (Harvesting and Processing?)

Option identified for further consideration:

1. No recent participation requirement
2. Recent participation required to be eligible for an initial allocation.

(All permits would still be eligible to fish IFQ acquired through later transfer)

A recent participation requirement necessitates establishing a qualification period. Options identified for further consideration:

1. 1998-2003 (# of trips and/or # of yrs required to be specified)
2. 2000-2003 (small footrope period, # of trips and/or # of yrs required to be specified)

The recent participation requirement would not be sector specific with respect to shoreside and at-sea deliveries.

Allocation Periods for Catch History (Harvest and Processing)

If allocation is to be based on landings history a period will need to be used to define what landings count toward catch history. Option identified for further consideration:

1. 1994-2003
2. 1994-1999 (presmall footrope)
3. 2000-2003 (small footrope period)
4. 1998-2003

Analysis: Concentration relative to some base year (cumulative distribution)
Individual vessel change in catch relative to some base year (scattergram)

Catch History of Permits that Have Been Combined

Permits are combined to create single permits with a larger vessel size endorsement.
Option identified for further consideration:

1. Consider all catch history of the permits that have been combined to be part of the catch history of the permit resulting from the combination.
2. The combined permit will have only the catch history associated with its permit number (catch history of other permits with which it has been combined will not accrue to the combined permit).

IQ Holding Requirements

In order to be “fished,” quota pounds must be registered to a vessel. With respect to when the quota pounds must be held, the following options were considered:

1. at time of landing
2. within 30 days of landing, no fishing until landing is covered.

An option considered but rejected was: prior to departure from port.

The vessel-owner/permit-owner/permit-holder/vessel-operator is responsible for ensuring the landing is covered by quota pounds (*agency staffs to discuss and report to committee*).

Transferability Rules

Transfer of IQ to a Different Sector for Use

IFQ options identified for further consideration:

1. IFQ must be used within the sector for which it was issued.
2. IFQ may be traded between sectors managed under the IQ program.

IBQ options identified for further consideration:

1. Prohibit transfers outside the trawl sector.
2. Allow transfers to gears that are legal for the species and allow those gears to retain harvest taken under IBQ.

No sector specific IPQs have been discussed to date.

Eligible Owners (Who May Own)

These options apply to both IFQ and IPQ and both QS and quota pounds.

Options identified for further consideration:

1. Anyone eligible to own a US documented vessel
2. Only stakeholders may own -
 - a. Owners of LE permits (*For committee consideration: also include permit lessees and vessel owners and lessees?*)
 - b. Skipper/crew, (a certain number of days at sea on a commercial fishing operation is required before IFQ can be purchased)
 - c. Processors/buyers

Duration of Transfer

These options apply to both IFQ and IPQ and both QS and quota pounds.

Options identified for further consideration:

1. Permanent transfers only
2. Leasing and permanent transfers

(For committee consideration: restrict transfer to leasing only in the first x years of the program?)

Time of Sale

These options apply to both IFQ and IPQ, and to QS but not to Quota pounds.

Options identified for further consideration:

1. Any time during the year
2. Transactions only at end of year

Quota pounds would be transferable any time during the year.

Divisibility

- QS: nearly unrestricted divisibility - “many decimal points”
- Quota pounds: 1 lb

The option of requiring quota shares and quota pounds be held in larger blocks was rejected from consideration in order to provide greater flexibility in entry and exit and for matching IFQ/IPQ to harvest.

Liens

Liens (Use as Collateral) - Pledging IQs as collateral is a matter of private contract, independent of the government program. Placement of a lien would not affect the government’s ability to sanction or revoke the IFQ/IPQ for violations.

Accumulation Limits

Caps would be considered to limit the amount of IFQ/IPQ held. The caps may be for individual species and/or total holdings. If an entity was eligible to receive more than the cap as part of the initial allocation that entity would be allowed to receive and use the amount in excess. (Option implicitly rejected from consideration: require someone receiving more than the cap to divest themselves of the excess shares.)

Consider the need for separate caps for

- Ownership
- Control (ownership and lease)
- Use by a vessel

Vertical Integration Limit

Options to limit vertical integration were rejected. Vertical integration occurs when a single entity operates at several levels in the harvest and distribution chain, e.g. owns both a catcher vessel and a processing facility.

Rollover to a Following Year

Rollover would allow unused quota pounds to be used in a subsequent year. The amount that could be used in a subsequent year would be limited.

Options identified for consideration:

1. 10% rollover (no rollover allowance for overfished species)
2. 20% rollover (5% rollover allowance for overfished species)
3. 30% rollover (full rollover allowance for overfished species)

Use-or-Lose Provisions

Option identified for further consideration:

1. Include use-or-lose provisions (consider how to treat leases, medical exceptions, and partial use)
2. Do not include use-or-lose provisions

Monitoring Landings

An observer program may be needed to monitor landings. Elements of the observer program might include one or more of the following.

1. Onboard Compliance Observer (20% - 100%)
2. Dockside (Delivery Location) Compliance Observer (20% - 100%)
3. Onboard and Dockside Observer
4. 100% Hailing Requirement and Lesser % of Landings Observed
5. Exemption for Smaller Vessels

6. Video Monitoring System (Including all Components Necessary to Make Effective)

The skills of compliance observer may or may not be different from those generally required for Federal fishery observers.

Cost Recovery/Sharing

Options for further consideration

1. Landings Fee (max of 3% under current MS-Act)
2. Privatization of Elements of the Management System
 - Monitoring IFQ Landings (e.g. industry pays for their own observers)
 - Fish Tickets
 - Stock Assessments

Penalties

Subject for future agency report.

Program Sunset Provisions

The committee recommends that automatic sunset provisions for the program not be considered. The program should include a review period, built in performance monitoring, and opportunity for adjustments to the program.

TABLE 1. Timeline for consideration of an IQ program for the groundfish trawl industry.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2003													
Council			Mtg	Mtg		Mtg			Mtg		Mtg		
TIQC										Mtg		Mtg?	
NEPA - Scoping											Notice of Intent to prepare an EIS		
Analysts											Draft Scoping Doc		
2004													
Council			Mtg	Mtg		Mtg			Mtg		Mtg- Adopt Final Set of Alternatives for DEIS		
TIQC	Mtg				Mtg		Mtg			Mtg		Mtg	
NEPA - Scoping			Hrg at Cncl Mtg	Hrg at Cncl Mtg		Hrg at Cncl Mtg, End Scoping							
Analysts								Draft Post Scoping Doc				Draft Formal PDEIS	
			Monitoring and Tracking Capability Assessment - Ongoing With Reports to TIQC										
			Initial Allocation Analysis and Discussion Documents for TIQC										
2005													
Council			Mtg - Preferred Alternative Adopted	Mtg		Mtg - Final Council Decision			Mtg - Review Draft Regs	Submission to Secy of Commerce	Mtg		
TIQC			Mtg										
NEPA - EIS				DEIS - 4/26			FEIS 7/31						
Analysts			---Draft Formal PDEIS by 2/1---				---Draft FEIS---						
Agencies											Begin Monitoring System Implementation (Fed and State)		
2006													
Council			Mtg	Mtg		Mtg			Mtg		Mtg		
Agencies													
			ROD signed Approve/Dis approve					Application, Issuance, Appeals					
2007													
Council			Mtg	Mtg		Mtg			Mtg		Mtg		
			TIQ Program Begins 01/01/07										

PDEIS = Preliminary draft EIS. DEIS = Draft EIS. FEIS = Final EIS. ROD = record of decision.