

## TRAWL PERMIT STACKING WORK GROUP REPORT

The Ad Hoc Trawl Permit Stacking Work Group met February 26, 2002. The Work Group:

- (1) Developed a draft problem statement and goals and objectives.
- (2) Identified major alternatives that should be considered as part of the analytical package.
- (3) Agreed on a number of key provisions for the trawl permit stacking program.
- (4) Requested analysis on the effect of various implementations of trawl permit stacking on vessel cumulative limits.
- (5) Identified a number of key trade-off considerations that should be taken into account in developing permit stacking options.
- (6) Planned its next meeting for fall of 2002.

Attached to this report is the beginnings of the analytical package which will support consideration of whether or not a trawl permit stacking should be recommended. The attachment includes the draft problem statement, goals and objectives, a listing of the major alternatives for analysis, and key elements for a permit stacking program. The Work Group identified the 2004 season as the earliest season for which a permit stacking program could be implemented.

### **Summary of Main Requests for Council Guidance and Work Group Recommendation**

*The Work Group requests Council guidance on:*

1. The degree to which the Work Group should develop the major alternatives to permit stacking (e.g. an individual fishing quota *program*).
2. *The appropriateness of the draft problems statement, goals and objectives.*

*Work Group recommendation:*

*Even though work has begun on developing a trawl permit stacking alternative, the Work Group believes the Council should continue to support a trawl permit buyback program as the first priority for addressing overcapacity in the trawl fleet.*

### **Major Alternatives for Consideration**

The Council charged the Work Group with developing several options for Council consideration, including an individual quota program. The following are the major alternatives the Work Group believes should be addressed in the analysis:

- Status Quo (Continue Current Management Structure)
- Buyback
- Trawl Permit Stacking
- Individual Quotas
- Fleet Reduction by Requiring Requalification for Permits Based on Landings

***Request for Council Guidance:*** *The Work Group is uncertain about the degree to which it should develop alternatives for individual quotas or requalification for permits. In addition to the Work Group time required to fully develop these major alternatives, a substantial amount of analytical support would be required.*

**Individual Quotas.** *Some of the issues requiring detailed deliberation include:*

*Initial allocation  
Individual quota divisibility, separability, and transferability  
Minimizing incentives for discard  
Tracking the transfer of individual quotas  
Monitoring landings and field enforcement*

**Requalification for Permits.** *Some of the issues requiring detailed deliberation include:*

*History to be used for requalification (permit, vessel, owner, other)  
Specific levels of participation required for requalification  
Time period to be used for requalification*

In developing the alternatives, the Council also charged the Work Group with considering the relation between buyback programs and trawl permit stacking. Permit stacking may dilute the effect of a buyback program and may increase the costs of such a program.

**Work Group Recommendation:** *The Work Group believes that a trawl buyback program should continue to be the first priority alternative for reduction of trawl fleet capacity.*

#### **Draft Problem Statement**

The draft problem statement is provided in the attachment to this report. The statement is based on the strategic plan problem statement pertaining to overcapacity. Elements of the problem statement not pertaining to trawl fixed gear were eliminated. Additional detail was provided on the stresses created in the harvest sector, processing sector, and communities.

#### **Draft Goals and Objectives**

The draft goals and objectives are provided in the attachment to this report. The draft goal is the first part of the goal related to capacity reduction, as adopted in the strategic plan. Objectives were derived from the problem statement.

#### **Main Provisions for a Trawl Permit Stacking Program**

There was agreement in the Work Group on all features of the permit stacking alternative except for (1) the basis for, and amount of, credit that should be provided for stacked permits; and (2) whether the length endorsement on stacked permits would need to be in line with the length of the vessel. The agreed upon features are detailed in the attachment to this report. The Work Group would recommend that stacked permits be required to have a length endorsement appropriate for the vessel only if a full limit is provided for the stacked permit (see discussion below on "full" and "partial" limits).

The Work Group considered but rejected recommendation of options for a number of elements that were considered as part of the fixed gear sablefish permit stacking program. The Work Group noted that each of the following provisions (except the last) would impose restrictions that extend beyond those necessary to implement a trawl permit stacking program and would directly affect the activities of holders of permits that do not choose to stack permits (as well as those choosing to stack permits).

#### **Limits on the Number of Permits That May Be Owned**

The Work Group recommends the Council continue to rely on the approach of the Amendment 6 limited entry program: i.e., depend on antitrust measures to prevent excessive aggregation of permit ownership.

#### **Limits on Entry to At-Sea Processing**

This provision of the fixed gear sablefish program was intended to provide provide some relief for processors that would be adversely affected by stacking. However, it goes beyond the provisions needed to achieve trawl permit stacking program. It imposes a **direct** restriction on the activities of holders of permits that do not choose to stack (as well as those choosing to stack). The Work Group did not want to take up this ancillary issue at this time.

### **Owner-on-Board Requirements**

The owner-on-board provision for fixed gear sablefish vessels was believed to be needed in order to maintain an important social characteristic of the fleet: the owner-operated vessel. Representatives of the trawl fishery on the Work Group did not believe this characteristic to be as important for the trawl fleet.

### **U.S. Citizenship Requirements**

The Work Group recommends the Council continue to rely on the approach of the Amendment 6 limited entry program: i.e., require that only persons eligible to own U.S. fishing vessels be allowed to own a fixed gear limited entry permit.

### **Advance Notice of Intent to Land**

Trawlers land fish at fewer locations than fixed gear sablefish vessels and believe the locations at which they land are adequately monitored. Fixed gear sablefish vessels, particularly smaller vessels, have greater locational flexibility in landing fish than do trawl vessels. Therefore, an advance notice of intent to land may be less relevant for the trawl fishery than it was for the fixed gear sablefish fishery.

### **Declaration of Intent to Stack**

The purpose of the declaration of intent to stack provision would be to help managers anticipate expected harvest levels and appropriately adjust trip limits before the start of the fishing year or in advance of the start of a cumulative limit period. The Work Group rejected this option because in order for the information to be useful in setting the annual specifications it would likely need to be provided almost a year in advance of the fishing year.

### **Amount of the Additional Cumulative Limits to be Provided for Stacked Permits**

The element of the trawl stacking program that is likely to be most controversial is the amount of the additional cumulative limit to be provided for stacked permits.

The following were identified as possible options for the amount of the additional cumulative limit that would be provided when a permit is stacked.

- Option 1. Full cumulative limit
- Option 2. Partial cumulative limit based on
  - Suboption 2a. A fixed proportion of the total cumulative limit (adjustable over time).
  - Suboption 2b. A relationship between permit length and the amount of the cumulative limit.
  - Suboption 2c. catch history (different partial limits for different permits depending on associated catch history).

Other options suggested included dividing the permits into subgroups depending on whether the associated vessel was a full-time or part-time participant in the groundfish fishery and on the associated vessel's target fisheries.

In discerning between these options there are two types of limits of concern:

Base Limit: The limit associated with a permit that has not been stacked.

Stacked Limit: The limited associated with a permit that has been stacked.

Under the "full limit" option, the "base limit" and the "stacked limit" would be the same. Under the "partial limit" option, the vessel would have a "base limit" associated with a permit with a size endorsement appropriate for the vessel. Additionally, the vessel would have a "stacked limit" for each additional permit stacked on the vessel. The "stacked limit" would be less than the "base limit." In evaluating options, the following are some of the key trade-offs to be considered.

#### **Key Trade-off 1**

When a permit is stacked, if the harvest of a species or species group taken under the permit is greater than the harvest of the species or species group taken under the permit prior to the time it was stacked, the cumulative limit for that species or species group will need to be reduced in order to keep the fleet within the annual harvest (within the optimum yield [OY]).

Under the "full limit" option, it is expected the cumulative limits for all permits would decline as a result of permit stacking. Under the "partial limit" option there may be some opportunity to maintain base limits at levels similar to what they would be without permit stacking.

#### **Key Trade-off 2**

If permits are allowed to move between segments of the groundfish fishery, there will be more opportunity for the erosion of base limits in the segments to which permits are moved.

This trade-off is a variation on the first trade-off identified. One concern about the stacking of permits is the potential transfer of effort from one segment of the fishery to another segment, for example, the stacking of a permit used in the nearshore trawl fishery onto a permit mainly used in the Dover sole/thornyhead/trawl-caught sablefish complex (DTS) fishery. In this situation, the only way to prevent the erosion of the base limit in the DTS fishery would be to provide no additional DTS cumulative limit for the stacked permit. If prevention of such transfers is desirable, then consideration of some kind of a species group endorsement might be appropriate.

#### **Key Trade-off 3:**

The smaller the cumulative limit for a stacked permit (relative to an unstacked permit or "base permit") the less likely it is that stacking will occur.

Smaller limits for a stacked permits will result in less permit stacking than would be expected if full limits were provided for stacked permits. Smaller limits may make it less likely that vessels stacking permits will outbid vessels using the permit as a "base" permit.

#### **Next Meeting Planned for Fall 2002**

Due to workload considerations, the Work Group does not intend to meet again until next fall, at which time additional information will be available to continue with development of the permit stacking alternative.

Draft Regulatory Package for Trawl Permit Stacking  
March 21, 2002

**Abstract**

**1.0 Introduction**

**1.1 Organization of This Document**

This is a draft document which when developed in its entirety will fulfill numerous analytical requirements associated with actions taken under the Magnuson-Stevens Act. In addition to the requirements of the Magnuson-Stevens Act, this document will meet analytical requirements of the National Environmental Policy Act (NEPA), Executive Order 12866, the Regulatory Flexibility Act and other applicable laws.

[INSERT REMAINDER OF DESCRIPTION WHEN DOCUMENT IS FINALIZED FOR PUBLIC REVIEW]

**1.2 Purpose and Need**

**1.2.1 Problem for Resolution**

The following is the problem statement on overcapacity contained in the strategic plan. A number of deletions and insertions are recommended in order to adapt this problem statement to the specifics of a permit stacking program. Deleted text is struck through and insertions are underlined.

Overcapacity in the groundfish fishery is at the base of many other problems in the fishery. Overcapitalization often drives fisheries management choices and undermines the effectiveness of management changes. The groundfish fishery has been managed for many years with trip limits and cumulative period landing limits in order to allow the fishery to operate year round. Year-round fishing opportunity is important to the maintenance of processing plants and related jobs in coastal communities. To reduce management-induced discards, trip limits have been replaced by cumulative period landings limits with the time periods for the limits increasing over time. As OYs have declined, so have the cumulative landing limits. With lower landing limits and higher gear efficiency, the opportunities for discards have increased. Small landing limits are reallocative (shifting harvest from larger to smaller producers) and exacerbate the economic inefficiencies resulting from too many boats chasing too few fish.

In addition to the discard, wastage, reallocation, and efficiency problems growing out of reduced landing limits, the fleet is suffering economically from reduced income that has resulted from declines in total harvests. The economic survival problem would be lessened if the per pound exvessel value had increased commensurate with the decrease in total landings or if efficiency gains were enough to compensate for reductions in gross revenues. However, neither has been the case. Low profit levels are leading to deferred investment in vessel maintenance and needed safety gear, resulting in increasingly hazardous conditions in an already hazardous occupation. Impacts of reduced harvest levels are not limited to the harvest sector. As a result of reduced product volume processors and wholesalers are finding their share of the market diminishing. Their diminished place in the market makes it more difficult for them to move pulses of fish that come through when trawlers make large landings. This difficulty ultimately translates to reduced exprocessor and wholesale prices.

According to the Scientific and Statistical Committee (SSC): "The 1994 limited entry program was not sufficiently restrictive to address the overcapitalization that existed at the time of the program's inception. Moreover, the gap between harvest capacity and groundfish OYs that existed in 1994 has widened as stocks continue their downward decline, new scientific information has become available clarifying the extent and gravity of this decline, and OYs have been reduced to unprecedented low levels."

Due to political, economic, and biological complexities of West Coast groundfish management, there has been little progress in reducing harvest capacity. These complexities have stalled efforts to develop an industry-funded buyback program for the limited entry trawl fishery

Reducing capacity in the fishery is fundamentally necessary to reducing overfishing, minimizing bycatch and improving the economic outlook for the West Coast fishing industry. Capacity reduction should not be seen as just another type of management measure. Capacity reduction must be a key element of any plan to ensure management effectiveness and economic viability of the West Coast groundfish fishery. Without significant groundfish capacity reduction, the Council will continue to find it difficult, if not impossible, to achieve many of the conservation and economic objectives of the groundfish fishery management plan.

### **1.2.2 Goal and Objectives**

#### **Goal**

The following goal for the trawl permit stacking is taken from the first two sentences of the strategic plan goal for capacity reduction.

To have a level of harvest capacity in the fishery that is appropriate for a sustainable harvest and low discard rates, and which results in a fishery that is diverse, stable, and profitable. This reduced capacity should lead to more effective management for many other fishery problems.

#### **Objectives for Permit Stacking**

- Increase Economic Efficiency of the Trawl Fleet.
- Increase Economic Viability of Groundfish Trawlers After Program is Implemented.
- Reduce Management Induced Discards in the Trawl Fishery to Facilitate Better Assessment of Total Mortality and Reduce Economic Wastage.
- Reduce Incidental Harvest of Stocks Being Rebuilt.
- Increase Operational Flexibility.
- Meet Processor, Market and Community Needs for Product Flow from Groundfish.

## **2.0 Alternatives**

All reasonable alternatives need to be addressed in the analytical documents. Rationale should be provided for any alternative that addresses the need for action but is not given detailed consideration.

### **2.1 Alternatives Considered In This Analysis**

#### **Status Quo (Continue Current Management Structure)**

Description to be developed.

#### **Buyback**

Details to be specified.

## **Trawl Permit Stacking**

### **Provision 1: Basic Stacking**

Participants in the limited entry trawl fishery would be allowed to register multiple trawl endorsed permits for a single vessel (allowed to stack permits). The vessel would have to have at least one trawl permit with a length endorsement appropriate for the size of the vessel, the base permit. The vessel could stack a permit with any size length endorsement.

There would be two types of cumulative limits:

- Base Limit      The limit associated with a permit that has not been stacked.
- Stacked Limit    The limited associated with a permit that has been stacked.

The vessel would be able to land a base limit for the base permit plus additional stacked limits for each stacked permits.

### **Provision 2: The Stacked Limits**

For each additional stacked permit a vessel would be able to land:

- Option 1.    A full cumulative limit (the base limit).
- Option 2.    A partial cumulative limit.

However, for some species the Council may consider not providing additional cumulative limits when permits are stacked. The partial cumulative limit could be based on:

- Suboption 2a.    A fixed proportion of the total cumulative limit (adjustable over time).
- Suboption 2b.    A relationship between permit length and the amount of the cumulative limit.
- Suboption 2c.    Catch history (different partial limits for different permits depending on associated catch history).

### **Provision 3: Stacked Permits May be Unstacked**

Unstacked permits would take their original (prestacked) form with respect to the size endorsement on the permit and other features of the permit. A stacked permit could be unstacked and placed on another vessel, serving as the base permit for that vessel. This flexibility will encourage stacking but any reduction in capacity resulting from permit stacking would not be permanent.

### **Provision 4: Limits on Permit Transfers**

Permits could be transferred any time but only one time per calendar year. Transfers would become effective at the start of the subsequent cumulative limit period.

The limited entry program currently restricts permit transfers to one transfer per calendar year. Increasing the number of transfers to more than once per calendar year would encourage more intense use of the permit, particularly in the context of permit stacking. A vessel out of the groundfish fishery for a short period for maintenance or to take part in other fisheries time might lease its permit to another vessel for the duration of its absence from the fishery. This increase in use of the permit would result in a reduction in the base cumulative limits.

Making permit transfers effective at the start of the subsequent cumulative limit period is intended to simplify the monitoring of landings. This provision means that only one vessel would be able to fish on a permit during any cumulative limit period.

## **Provisions Rejected**

Unlike the fixed gear sablefish stacking program, the proposed program for the stacking of trawl permits would not impose limits on the number of permits stacked on a single vessel or the number of permits owned by one entity. Limits on the number of permits stacked was rejected because with partial limits, vessels may need to stack a substantial number of permits in order to achieve a reasonable economically viable harvest level. Limits on the number of permits owned by a single entity was rejected, because of the complexity of such limits and the trawl industry representatives belief the control rule relied on for Amendment 6 (antitrust law) is sufficient.

## **Individual Quotas**

Details to be developed (guidance from the Council requested).

## **Fleet Reduction by Requiring Requalification for Permits Based on Landings**

Details to be developed (guidance from the Council requested).

## **2.2 Alternatives Considered but Rejected for Further Analysis for Cause**

Removal of all limits (i.e., derby fishery).

Stacking Seasons.

Partial Year Fishery.