

AD HOC GROUND FISH TRAWL INDIVIDUAL QUOTA COMMITTEE REPORT
NOVEMBER 2004

The Ad Hoc Groundfish Trawl Individual Quota Committee (TIQC) met October 25-26, 2004 to develop recommendations for the Council on preliminary alternatives for analysis. The TIQC reviewed some analysis and results from public scoping that pertained to its discussions. TIQC deliberations were complex and time consuming. During the meeting it became apparent that thorough consideration of each topic will require substantial meeting time and require analytical documents carefully focused to address the issues before the TIQC. In order to provide the TIQC with adequate meeting time to consider the alternatives and to provide analysts with the opportunity to develop needed documentation in advance of the meeting, the TIQC would like to proceed in a more step-wise fashion. Specifically, the TIQC would like to convene two to three additional meetings, each meeting focused on particular parts of the IFQ alternative, with adequate time between meetings for the development of needed supporting documentation. The first of these meetings would be scheduled for the middle of the week of January 26, 2005. The TIQC would provide progress reports to the Council in the spring.

One of the first orders of business at the TIQC's meeting was discussion of the Council Chair's request that the TIQC reconsider their decision rules and revisit its previous votes on processor issues in light of the recently changed membership on the TIQC. A report to the Council on this issue was requested for this meeting. Hence forward, the TIQC will strive to achieve consensus but when consensus, cannot be achieved, the TIQC will report majority and minority views. The TIQC will revisit previous votes as the related topics come up during its meetings.

The TIQC began working through the Decision Step Summary (Agenda Item E.6.a, Attachment 3). It completed work on the first three items and left off part way through item 4.a. "Design Tools, IFQs." Item 4.a. is covered in Appendix A. The TIQC completed its discussions through Section A.4 of the appendix. There were extensive discussions on Sections A.5 and A.6, discussions which will need to be completed at a subsequent meeting. Decisions of the TIQC are presented here in the order they are taken up in the Decision Step Summary. At the end of this report is a request for a legal opinion on an issue that does not fall entirely under another category in the Decision Step Summary.

TIQC actions fall into two categories: (1) recommendations for narrowing and refining options and (2) information requests. With respect to the first task, the TIQC would be interested in any additional guidance the Council may want to provide pertaining to the direction of TIQC deliberations. With respect to information requests, the TIQC would ask that these requests be tasked out, as appropriate.

1. Goals and Objectives and Scope of Action

Goals and Objectives - The TIQC reviewed the Independent Experts Panel (IEP) recommendation that the goals and objectives be modified and has the following comments on those recommendations:

Restore the deleted clause in Objective 2 “while taking the available harvest.” While most may assume the resource is to be harvested, the TIQC believes it is important to explicitly state and recognize the balance between conservation and use implied by the wording in the original statement of this objective.

Restore Objective 9 (previously Objective 12) with the indicated changes. Again, the TIQC believes it is important to explicitly state this objective. It is not comfortable with the IEP approach of assuming it would be understood Objective 9 is covered under more general goals and objectives.

Recommendation: Revise IEP report Objective 2 and restore a revised Objective 9 to read as follows.

Objective 2: Minimize negative ecological impacts while taking the available harvest.

Objective 9: Promote measurable economic and employment benefits through the seafood ~~harvesting~~ catching processing, ~~and~~ distribution elements, and support sectors of the industry.

Scope of Action - The TIQC discussed the potential inclusion of other sectors in the IFQ program and, specifically, the possibility of allowing other sectors to enhance their fishing opportunity by acquiring trawl IFQ. TIQC members felt that a system which would allow other sectors to acquire trawl quota should also allow trawl fishers to acquire quota from other sectors.

In the long-run, such cross sector transfers are desirable and care should be taken to design a system that can be integrated with IFQ programs developed for other sectors. In the meantime, absent an opportunity for the trawl sector to acquire additional fishing opportunity from other sectors, allowing other sectors to purchase trawl IFQ would be unfair and premature.

Recommendation: Make no changes to the scope of action.

2. Definition of Status Quo and Baseline

The TIQC reviewed presentations on this issue and provided comments to authors on changes that will clarify the information provided. Related to the description of status quo is an assessment of discards and the reasons for these discards. An assessment of discards will help evaluate the benefits IFQs might generate if the program is designed to reduce discards. Progress by the Ad Hoc TIQ Analytical Team (TIQ A Team) on this issue is contingent, in part, on the provision of data from the West Coast Groundfish Observer Program. Data is needed on reasons for discards (as recorded by at-sea observers), and updated information is needed on the quantity of discards.

The TIQC was also informed of the need for increased enforcement effort under status quo management, and observer coverage might also increase under status quo. If there is to be cost sharing for the IFQ program, the trawl industry should not bear the burden of bringing these presently underfunded programs up to the level at which they should be under status quo.

Recommendation:

1. The TIQC requests the Council ask the West Coast Groundfish Observer Program to make needed discard information available to the TIQ Analytical Team, including updated bycatch rates and attendant data on the reported reasons for the discards. The form in which the data is provided should be that which allows for its timely use.
2. The TIQC asks that costs associated with status quo be clearly identified and not attributed to the IFQ program, particularly with respect to determination of industry cost sharing.

3. Alternative Tools

Recommendation: Under alternative tools, permit stacking and extended cumulative limit periods should be listed as separate choices rather than combined. This will provide the Council with more flexibility and clearer analysis of the suite of measures that might potentially be used to manage the fishery.

4. Tool Design - IFQs

Section A.1.0 - Portion of the Limited Entry (LE) Trawl Fleet Allocation for Which IFQs are Required

The TIQC recommends the adoption of Option 2c as the preferred option. Option 2 limits the scope of the IFQ program to LE trawl vessels using groundfish trawl gear. Another means needs to be identified for managing open access gear used by these vessels. Under Suboption c, a portion of the current LE allocation would be reallocated to the open access fishery. Thus, LE trawl vessels fishing with nontrawl gear would fish in common under regulations and quota applying to the remainder of the open access fleet. Under Option 2c all who fish with open access gear would be treated the same. Any other option or suboption would create two classes of open access fishers fishing under different regulations.

The amount to be reallocated from trawl to the open access sector could be based on the catch of LE trawl vessels using open access gear during the period used to allocate IFQ, except that for shrimp trawlers, the reallocation should be based on the period after shrimp finfish excluders were required. The TIQC requested a forecast of the amount of fish that would be needed by LE trawl vessels using open access gear.

Recommendation:

1. Option 2c is the TIQC’s preferred option.
2. Request a projection of the amount of fish that would be needed by LE trawl vessels using open access gear.

Section A.2.0 Area Restrictions on IFQ

Area restrictions on the IFQ would reduce flexibility, and the information necessary to properly manage small areas may not be available.

Recommendation: Area restrictions on IFQ should be the minimum necessary to address biological concerns. Research should be undertaken on the problem of localized depletion and the need for area management.

Section A.3.0 IFQ and LE Permit Holding Requirements

The TIQC recommends Option 3, that a vessel:

- must be an LE trawl vessel to fish IFQ
- may not depart on a fishing trip if it has a deficit for any species (has caught fish in excess of the IFQ quota pounds held), and
- must acquire IFQ to cover its catch within 30 days of landing.

The industry would need flexibility in fishing under an IFQ program. The greater the opportunity to match catch to IFQ, the less incentive there would be for discards, and the more opportunity to acquire IFQ at a reasonable price. The Canadian program has shown that total allowable catches are rarely taken under their IFQ program, therefore, there appears to be little risk that optimum yield (OY) would be exceeded due to vessels catching fish for which they do not have IFQ and then not being able to acquire the needed IFQ after landing.

Recommendation: The TIQC recommends Option 3.

Section A.4.1 Transfer of IFQ to a Different Sector

This section should address transfer of IFQ among different segments of the trawl sector. Three options have been identified for segmentation of the trawl sector, the first of which is “no segmentation.”

	Division of Trawl Sectors		
Option 1:	One Trawl Sector		
Option 2:	Shoreside	Mothership	Catcher-Processor

Option 3:	Shoreside Whiting	Shoreside Nonwhiting	Mothership	Catcher-Processor

The options for Individual Bycatch Quota should be changed to eliminate the issue of the possible transfer of individual bycatch quota (IBQ) to a nontrawl sector.

Recommendations:

- Continue development of this option based on the above possible segmentation of the trawl sector.
- Request development of a criteria for distinguishing shoreside whiting from shoreside nonwhiting landings.
- IBQ Option 2 is the TIQC’s preferred option, except remove language that would allow transfer of IBQ to a nontrawl sector.

Section 4.2 Eligible Owners/holders (Who May Own/hold)

Allowing anyone to acquire IFQ would be a step toward addressing many concerns about community and other stakeholder ability to secure their interest and involvement in the fishery. For that reason, the TIQC recommends that any entity eligible to own a U.S. documented fishing vessel be allowed to own IFQ. The TIQC is concerned about the potential for someone to purchase and not use the IFQ, depriving the industry and communities of benefits from the fishery. The TIQC hopes to be able to address this concern through use-it-or-lose-it provisions.

Recommendation: Option 1 is the TIQC’s preferred option. Modify the language such that it reads as follows with respect to who may acquire IFQ: “Any entity eligible to own a U.S. documented fishing vessel.” Eliminate Option 2, with the caveat that ways be developed to ensure IFQ is used.

Section 4.3 Duration of Transfer - Leasing and Sale Production

Option 2 allows lease and sale of IFQ. A suboption under Option 2 would restrict permanent transfers of quota shares in the first year(s) of the program in order to allow industry members to become familiar with them and gain a greater understanding of their value. Concern was expressed that restrictions on transfers would have two negative effects. First, for the individual fisherman the initial allocation is not likely to match recent catch, and exchange of quota share among fishermen would likely be necessary to allow them to achieve their recent mix. Second, the transfer of IFQ among fishermen is necessary for fleet rationalization, and not allowing permanent transfers would delay rationalization.

Recommendation: Option 2 is the TIQC’s preferred option. Eliminate the suboption that would temporarily restrict transfers, and keep Option 1 for comparison.

Section 4.4 Time of Transfer

For administrative reasons, it may be necessary to prohibit quota share transfers during certain times of the year. The Council should keep both options (Option 1: allow year round transfers, and Option 2: allow transfers only at the end of the year).

Transfers may also be restricted if a vessel's IFQ account is in deficit (a "Transfer Embargo"). The transfer embargo provision should be revised such that the embargo would only apply to quota shares owned by the vessel. Individuals who lease their quota pounds to a vessel should not be penalized for the vessel's excess harvest. Additionally, a vessel may acquire quota pounds from multiple sources, and it would not be possible to associate the overage with any particular source of quota pounds.

Recommendation: Make no changes to the "Time of Year" options. Modify the "Transfer Embargo" provision such that it applies only to quota shares held by the vessel.

Section 4.5 Divisibility

The provisions allow for unlimited divisibility, and no options have been specified.

Recommendation: Make no changes.

Section 4.6 Liens

There are no options under the lien provision. To facilitate liens and increase the acceptance of IFQ as collateral for loans, there should be a publically available record of ownership and liens on IFQ. Ownership information should be made available because fish are a publically owned resource and public scrutiny of who holds harvest privileges should be allowed. A minority of the TIQC (4 members) believed that IFQ ownership information is not necessary to establish an effective lien registry and unnecessarily divulges information that should be kept confidential.

Recommendation: Encourage NMFS to establish the central lien registry system mandated under the Magnuson-Stevens Act, and specify that IFQ ownership information be available for public review.

Minority: Exclude recommendation on ownership.

Section 4.7 Accumulation Limits

The TIQC had extensive discussions on whether or not there should be different caps for different types of entities for example, one cap for permit owners, and other caps for processors, communities, crew members, etc. It was argued by some that processors need to be able to control larger portions of the IFQ in order to be economically competitive. While large, relative to the West Coast, the total product they would control through IFQ would be small in the context of combined West Coast, Alaskan, and British Columbia fisheries and markets. Small caps could put them out of business. Others argued that processors did not need to control IFQ in order to benefit from landings. Concern was expressed that if larger caps were created for

some entities, individuals would find ways to qualify for the larger cap (for example, by acquiring a processor license). Those supporting a separate cap for processors felt that qualifications could be established that would make it difficult to qualify for the larger cap unless a person truly belonged to that class of individuals. Four TIQC members wanted to include separate caps for processors and other entities as a recommended option for Council consideration in this report. There were nine in opposition to separate caps for different types of entities.

Recommendations:

- Include a no cap option for analysis.
- Add a 50% cap option to provide a more complete range of options.
- Clarify that different options may be selected for different columns of the caps option table (below).
- If the whiting sectors are segmented (Section A.4.1) there may need to be different caps for each sector.
- A person’s ownership interest in an entity should be taken into account when calculating that person’s holdings. For example, if a person has a 1% interest in a corporation, then only 1% of the IFQ owned by that corporation should count toward that person’s cap.

Options for IFQ concentration caps.

	Non-Whiting Groundfish			Whiting Fishery (Separate Matrix for Each Sector Specified in the Options Selected in Section 4.1)		
	Ownership	Control	Use by a Vessel	Ownership	Control	Use by a Vessel
Option 1	1%	1%	1%	5%	5%	5%
Option 2	5%	5%	5%	10%	10%	10%
Option 3	10%	10%	10%	25%	25%	25%
Option 4	50%	50%	50%	50%	50%	50%
Option 5	No Cap	No Cap	No Cap	No Cap	No Cap	No Cap

Minority: Provide different caps for different types of entities (e.g., processors, communities, etc.)

Section 4.8 Vertical Integrations

There are no options to limit vertical integration, and the TIQC is not recommending the creation of such limits.

Section A.12.0 Data Collection

This section was not specifically discussed during the meeting. However, TIQC members expressed concern about the limited availability of information for projecting effects of an IFQ program, particularly with respect to the trawl sector. Processors committed to providing analysts with cost information, and analysts were asked to provide processors with a lot of the

needed information. In early 2005, there will be a trawl cost survey that will collect information useful in the analysis of an IFQ program and other alternatives.

Section A.13.0 - Initial IFQ Allocation

Data Quality - This section was not specifically discussed during the meeting, however, related data quality issues were addressed. To apply an allocation formula based on catch history for a particular species, a method would need to be developed for attributing landings for which the species is coded as unspecified or as a species group. While on average it appears in some years that roughly 5% to 10% of the landings might fall into these categories, for some vessels the proportion is substantially larger. For the purpose of the allocation formula, a standardized method needs to be developed for allocating these landings to a particular species.

Recommendation: Request the development of a method for attributing all landings to a particular groundfish species for the purpose of the allocation of IFQ.

Acceptable Biological Catch/Optimum Yield Overages and Request for Legal Opinion

To the degree there is an expectation that the trawl IFQ fishery could be shut down early due to an overage in another sector, the IFQ fishery could be transformed into a race to catch allowable harvest before the fishery is closed.

Recommendations: If a sector exceeds its cap such that the OY will be exceeded, other sectors should not be shut down—so long as the OY is achieved on average over the long term. Any overage or underage that is rolled over from one year to the next should accrue to the sector generating the rollover.

The Council should request a formal legal opinion on the following:

1. If the OY or rebuilding target for overfished species is exceeded either through another sector going over its quota or from a single vessel harvesting in excess of its IFQ, would the IFQ fishery need to be shut down?

Closely related to this is the rollover provision (Section A.5.0). The rollover provision would allow a vessel to carryover from one year to the next some amount of an overage or underage of harvest, with respect to the IFQ held by the vessel.

2. If the rollover provision could result in the trawl fleet taking harvest in excess of its allocation in a particular year (to be made up in the following year) and, consequently, total catch in excess of the OY, would this provision be approvable?
3. If overages can be rolled over to a following year, could underages be rolled over—such that there would be a larger total allowable catch the following year?

PFMC
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