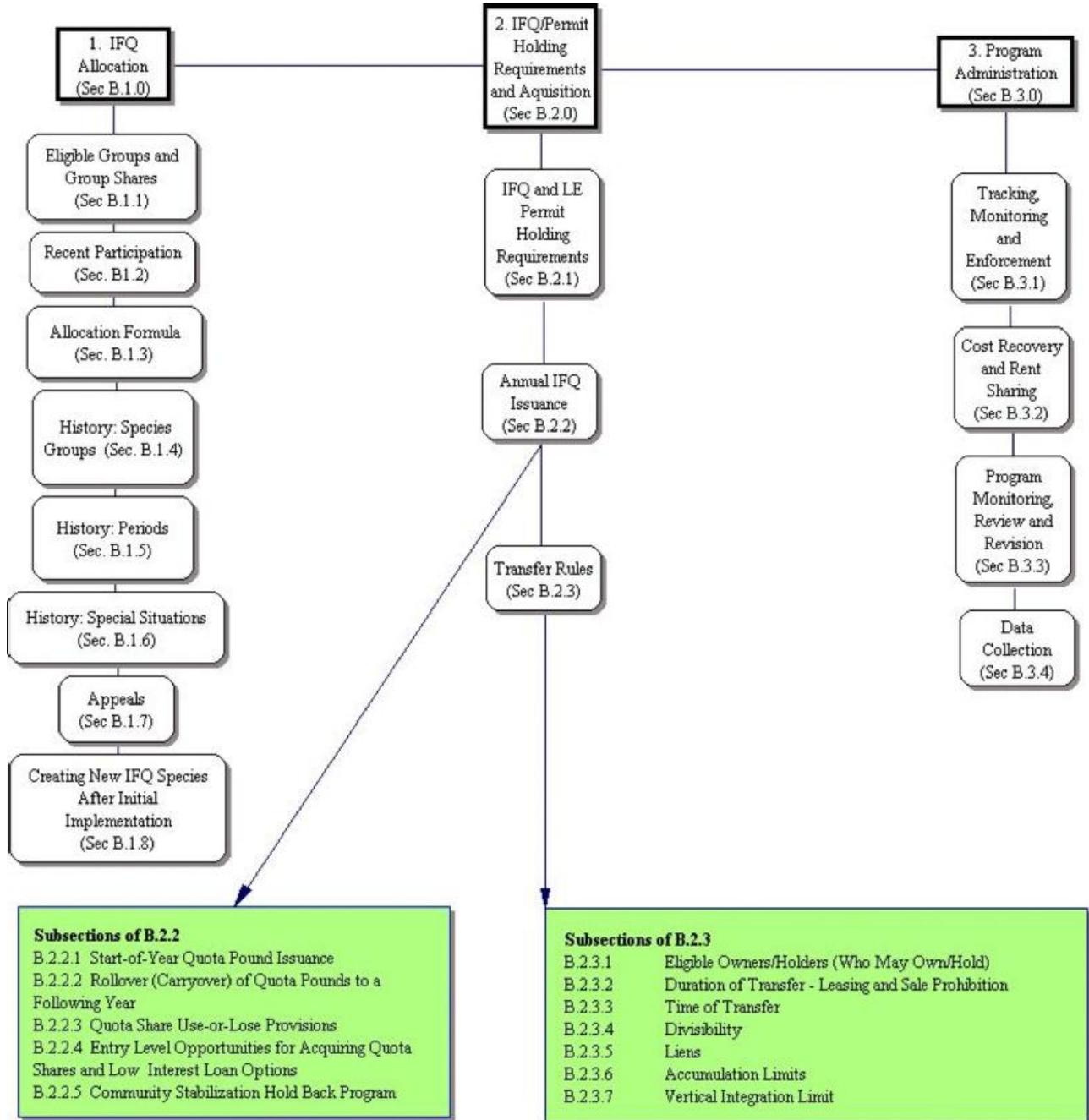


IFQ Program Primer

The design options covered in Appendix B of the scoping document are represented in the following diagram. Three pages of text follow providing a narrative description of the draft IFQ program and design options (**choice points are indicated in bold**). This narrative is provided as an orientation on how the design options fit together to create an IFQ program.



IFQ Program Design Elements (from Appendix B) General Description of the IFQ Program

Appendix B, Section B.1.0, IFQ Allocation

Section B.1.1, Eligible Groups and Group Shares

IFQ would be allocated to the following groups in the following proportions: . . . [e.g., **groundfish trawl permit holders (xx%)**, **groundfish trawl vessel owners (xx%)**, **processors (xx%)**]. Processors would be defined as . . . [FMP definition/alternative definition].

Section B.1.2, Recent Participation

In order to qualify for an initial allocation the applicant would . . . [**have to/not have to**] . . . demonstrate recent participation. If recent participation is required, the recent participation requirement for each group would be as follows: **make/receive at least . . . [X deliveries – number of deliveries to be determined]** . . . of trawl caught groundfish from . . . [**1998-2003 or 2000-2003**].

Section B.1.3, Allocation Formula

Those eligible for an initial allocation will be allocated quota shares based on the following formula:

[**0-100%**] of the quota share issued for the group would be issued based on history of catch/landings/processing;

[**0-100%**] of the quota share issued for the group would be issued based on equal sharing;

[**0-100%**] of the quota share issued for the group would be allocated through an auction.

(Formula's may vary among groups.)

Section B.1.4 and Section B.1.5, History: Species Groups and Periods

For IFQ allocated based on delivery history, the applicant's . . . [**total groundfish; total for each IFQ species or species group; or total for each species, species group, or proxy species**] . . . [**caught; landed; or processed**] (Section B.1.4) . . . will be calculated for . . . [**1994-2003, 1994-1999, 2000-2003, 1998-2003, or 1999-2004**] . . . , less . . . [**0, 1, 2, or 3**] . . . of the applicant's worst years. The calculation will be based on the applicant's . . . [**pounds, percent of total**] . . . for the relevant species/species group in each year. (Section B.1.5)

Section B.1.6, History: Special Situations

Permit history for combined permits would include the history . . . [**for all the permits that have been combined; for the permit originally associated with the permit number of the combined permit**]. Illegal deliveries would not count toward history. Catch in excess of trip limits, as authorized under an EFP and compensation fish . . . [**would/would not**] . . . count toward history.

Section B.1.7, Appeals

There would be no appeals process on the initial issuance of IFQ, other than that provided under the Administrative Procedures Act. Any proposed revisions to fishtickets would undergo review by state enforcement personnel prior to finalization of the revisions.

Section B.1.8, Creating New IFQ Species after Initial Implementation

When a management unit is subdivided, quota shares for that unit will be subdivided by issuing quota share holders amounts of shares for the subdivisions equivalent to their holdings of the

shares being subdivided. If a new management unit is established that is not a subset of an existing unit managed with IFQ, the Council will need to take action at that time to develop criteria for quota share allocation.

Appendix B, Section B.2.0, IFQ/Permit Holding Requirements and Acquisition

Section B.2.1, IFQ and LE Permit Holding Requirements

In order to be used, IFQ representing quota pounds would need to be registered for use with a particular vessel (deposited to the vessel's quota pound account). Only LE trawl vessels would be allowed to participate in the IFQ fishery. A vessel would need to acquire quota pounds to cover a particular landing. . . **[by the time of the landing, no more than 24 hours after the landing, no more than 30 days after the landing]**. A vessel . . . **[would not need to hold quota pounds; would need to hold at least xxx quota pounds]** . . . before leaving port on a fishing trip. An LE permit may not be transferred from any vessel for which there is deficit in the vessel's quota pound account for any species or species group (i.e., if the vessel has caught IFQ species not covered by quota pounds).

Subsection B.2.2.1, Start-of-Year Quota Pound Issuance and Subsection B.2.2.2, Rollover (Carryover) of Quota Pounds to a Following Year

Each year quota pounds would be issued to quota share holders based on the amounts of quota shares they hold (Subsection B.2.2.1). For species that are not overfished, a vessel . . . **[would/would not]**. . . be able to roll-over . . . **[up to . . . 5%, 10%, 20%, 30% . . . of its]** . . . unused quota pounds or cover an overage . . . **[of . . . 5%, 10%, 20%, 30%]** . . . with quota pounds from the following year. For overfished species, . . . **[a full; a partial; no]** . . . rollover allowance would be provided (Subsection B.2.2.2).

Subsection B.2.2.3, Quota Share Use-or-Lose Provisions

Quota share use would be monitored as part of the TIQ program review process. **[Quota shares not used in at least one of three years would be revoked . . . OR . . . During program review processes, if it is determined that significant portions of the available quotas shares are not being used (catch is not being recorded against quota pounds issued for those shares), use-or-lose or other provisions will be considered to encourage more complete utilization].**

Subsection B.2.2.4, Entry Level Opportunities for Acquiring Quota Shares and Low Interest Loan Options

There are many program features that would facilitate new entry and participation by small fishing operations (e.g., highly divisible access privileges as compared to limited entry licenses). Additional provisions for such purposes could include . . . **[none; a low interest loan program; provisions for new entrants to qualify for revoked shares being reissued (the latter two options are not mutually exclusive)].**

Subsection B.2.2.5, Community Stabilization Quota

A percentage of the quota pounds each year . . . **[would/would not]** . . . be held back from that allocated to quota share holders . . . **[0-25%, based on analysis]** . . . would be awarded to proposals from fishermen and processors working together to benefit the local community.

Section B.2.3, Transfer Rules

[Anyone eligible to own a U.S. documented fishing vessel; Anyone eligible to own or operate a U.S. documented fishing vessel; Stakeholders] . . . would be eligible to own or

otherwise control IFQ (quota shares or quota pounds) (Subsection B.2.3.1). Leasing . . . **[would/would not]** . . . be allowed (Subsection B.2.3.2). Quota pounds could be transferred any time during the year. Quota shares would be transferable . . . **[any time during the year/only at the end of the year]** (Subsection B.2.3.3). There would be no limit on the divisibility of quota shares for purpose of transfer. Quota pounds could be transferred in as little as single pound units (Subsection B.2.3.4). Liens on IFQ are a matter of private contract and would not be specifically limited by this program. A central registry might be created as part of the program administration (Subsection B.2.3.5). There . . . **[would/would not]** . . . be accumulation limits on the amounts of quota shares or pounds used on a vessel, owned, or controlled. The definition of control may extend beyond ownership and leasing. The range of limits being considered **varies from 1% to 50% to no cap**. The limits may **vary by species, segment of the fleet, or type of entity (e.g., vessel owner, permit owner, processor)**. Accumulation limits for groundfish in aggregate may also be different than limits for individual species (Subsection B.2.3.6). There would be no direct limits on vertical integration (Subsection B.2.3.7).

Appendix B, Section B.3.0, Program Administration

Enforcement for the IFQ program may include one or more of the following elements:

- onboard compliance monitors;
- dockside compliance monitors (20%-100%);
- hailing requirements, small vessel exemptions for onboard compliance monitors;
- video monitoring systems;
- full retention requirements;
- a vessel-specific bycatch reporting system;
- electronic landings tracking system;
- limited delivery ports;
- limited delivery sites;
- electronic IFQ tracking systems; and
- VMS.

Section B.3.1, Tracking, Monitoring, and Enforcement

These measures have been arrayed into the enforcement and monitoring programs provided in Table B.3-1. While some likely specifics are identified to facilitate program design and impact analysis, the FMP amendment language on this issue may be general, specifying the Secretary will promulgate regulations to establish an adequate monitoring and enforcement regime. Strong sanctions may be recommended along with provisions specifying illegal overages be forfeited and debited against the vessel's account. Fishing by the vessel would be suspended until the overage is covered. (Section B.3.1). As part of the program administration, a centralized publicly accessible registry for liens against quota shares would be requested with . . . **[all related ownership information/essential ownership information]**. (Also see Section B.3.4, Data Collection.)

Section B.3.2, Cost Recovery and Rent Sharing

Landings fees would be charged to cover program costs and, over time, some elements of the program may be privatized, as appropriate.

Section B.3.3, Program Monitoring, Review, and Revision

The IFQ program would not have a built-in sunset provision nor would quota shares be issued for fixed terms (i.e., IFQs would not expire after a certain number of years). The program would be revised as necessary through standard FMP and regulatory amendment processes. Information on certain aspects of program performance would be compiled annually, and a program review would be conducted every four years.

Section B.3.4, Data Collection

The data collection program . . . **[would/would not]** . . . be augmented to include the . . . **[expanded and mandatory; expanded voluntary]** . . . provision of economic data from the harvesting and processing industry. All data collected would be maintained in a confidential manner. Aspects of these provisions would require modification of the MSA. A central registry of IFQ shareholders and transactions would be maintained and include market value information. Government costs would also be tracked.