

Overview of Options and Preliminary Identification of Some Potential Impacts

Agenda Item H.11.a, Attachment 3

Table 1.	Community Stability Holdback Options	2 Options
Table 2.	Community Involvement Option	1 Option
Table 3.	Community Impact Control Mechanisms	9 Options
-	Quota Restrictions (6 options)	
-	New Entrant Provisions (3 options)	

Table 1. Community Stability Holdback Options

- Community Stability Holdback Option 1 – Quota pounds to collaboratives based on merit of proposals
- Community Stability Holdback Option 2 – Quota shares to qualified communities

Stability Holdback Option 1

- Main Decision Areas Within Option 1
 - Percent for holdback
 - Criteria for allocation (utilization, value added, local labor, public works, port dependence, amount of quota)

Stability Holdback Option 2

- Main Decision Areas Within Option 2
 - Percent for holdback
 - Governing entities to represent ports (port/harbor dist)
 - Geographic boundaries
 - Performance standards
 - Qualifying criteria
 - Allocation formula
 - Transferability among communities
 - Community accumulation caps
 - Transferability among individuals

Stability Holdback Option 1

- Potential Impacts and Issues
 - Where collaboratives arise, communities can benefit through
 - Increased stability in product flow
 - Increased employment
 - Increased interaction within and between communities through allocative committee and collaboratives
 - Quantitative evaluation criteria are likely to be imperfect, controversial and may require ongoing policy decisions

Stability Holdback Option 1 (cont'd)

- Potential Impacts and Issues (cont'd)
 - Additional administrative costs for Council and NMFS
 - Increased complexity
 - Decreased initial allocation to others or reallocation among quota share holders
 - Possible reduction in potential economic efficiency gains

Stability Holdback Option 2

- Potential Impacts and Issues
 - Communities that receive shares benefit from initial allocation
 - Positive effect on economic stability for these communities

Stability Holdback Option 2 (cont'd)

- Potential Impacts and Issues (cont'd)
 - Increased interaction within communities
 - Nonprofits can provide representation for small communities
 - Decreased initial allocation to others or reallocation among quota share holders
 - Possible reduction in potential economic efficiency gains

Stability Holdback Option 2 (cont'd)

- Potential Impacts and Issues (cont'd)
 - Policy challenges associated with establishing community boundaries
 - Decision needed as to whether Federal standards would be required
 - Increased complexity

Table 2. Community Involvement Option

The Council would convene a committee comprised of representatives from West Coast regions, ports, processors and fishermen.

Community Involvement Option

- Potential impacts and issues
 - Advisory body provides a contact point for communities
 - Likely increase in articulation of community needs within the Council process
 - Additional administrative costs for the Council

Table 3. Community Impact Control Mechanism Options – Quota Restrictions (6 Options)

1. *Temporary Prohibition of Quota Share Transfers (Included)*
2. Geographic restriction on transfer of quota shares and pounds (where owners live)
3. Geographic restriction on area of landing/catch
4. Limited entry for ports
5. Partial leasing prohibition
6. Owner on board requirement

1. Temporary Restriction on Transfer

- Impacts and Issues
 - Promotes increased fisherman knowledge of asset value prior to sales.
 - Prevents immediate concentration.
 - Slows geographic redistribution.
 - Delays some benefits.
 - May initially decrease quota share value.
 - May be circumvented by private contract.

2. Geographic restriction on quota transfers

2a Absolute 2b Right Of First Refusal

- Impacts and Issues
 - Requires setting area boundaries
 - Requires rules for determining the geographic area with which a person is associated
 - May influence but does not restrict where fish are landed and processed
 - May indirectly maintain some of the benefits associated with quota share ownership
 - Increased administrative complexity and costs
 - May decrease quota value

2. Geographic restriction on quota transfers

2a Absolute 2b Right Of First Refusal (cont'd)

- Impacts and Issues (cont'd)
 - 2a Absolute
 - More difficult to aggregate/consolidate fishing
 - 2b Right of First Refusal (ROFR)
 - Slows transactions
 - Increases transaction costs (private and public)
 - Potentially circumvented

3. Area of landing/catch restrictions

- Impacts and Issues
 - Requires designation of areas
 - Division of shares among more geographic areas may make it more difficult to aggregate and consolidate fishing activities
 - May decrease quota value
 - May stabilize fishing grounds for locally dependent communities
 - May directly (landing restrict) or indirectly (catch restrict) stabilize local landings

4. Limited Entry for Ports

- Impacts and Issues
 - Requires designation of geographic boundaries for port areas
 - Potential controversy over qualification requirements
 - Potentially limits future development of economically viable and beneficial operations in other ports
 - May reduce enforcement costs
 - May increase administrative costs

5. Partial Leasing Prohibition

- Impacts and Issues
 - Unclear how a leasing restriction would work for nonvessel owners
 - May assist in prevention of absentee ownership
 - Restriction could be circumvented by a private contract
 - May decrease quota share value
 - May increase administrative costs

6. Owner on Board Requirement

- Impacts and Issues
 - Provisions needed to deal with
 - corporations, partnerships, etc. (suboptions)
 - coverage of overages after landing (Option 6b – 50%)
 - Increases the likelihood that the quota share owner will be a member of the community and that the associated revenue and activities will benefit the community
 - Decreases operational flexibility and increases costs
 - May decrease quota share value
 - Increases administrative costs
 - Changes social relationships

Table 3. Community Impact Control Mechanism Options (cont'd)

Opportunity for New Entrants (3 Options)

- Potential Criteria to Qualify as New Entrant
 - no initial allocation
 - owns some quota share but for fewer than X years
 - crew/vessel/permit owner/community
- 7. Fixed % Revoked and Reissued Annually (lottery or equal)
- 8. Confiscated Shares Reissued (lottery or equal)
- 9. Increases in Trawl Allocation (lottery or equal)
 - Base Shares
 - Expansion Shares

Reissuance to New Entrants (General – Options 7, 8, and 9)

- Impacts and Issues
 - With the right criteria, new entrants may be more likely to be members of coastal communities
 - New entrants may have to acquire additional quota shares to hold the right mix of species (or transfer quota received)
 - Increases administrative costs
 - Responds to M-S Act requirements to consider provisions for new entrants

7. Annual Revocation and Reissuance to New Entrants

- Impacts and Issues
 - Provides a consistent flow to “new entrants”
 - Makes it more difficult to maintain quota shares and not use them
 - May decrease quota share value

8. Shares Revoked for Illegal Activities Reissued to New Entrants

- Impacts and Issues
 - Uncertain and uneven flow of quota for reissuance.

9. Increases in Trawl Allocation Distributed to New Entrants

- Impacts and Issues
 - Increased complexity
 - Reduces stewardship incentives for holders of baseline shares
 - May decrease quota share value.