

TRAWL INDIVIDUAL QUOTA COMMITTEE REPORT ON TRAWL INDIVIDUAL QUOTA: STAGE I ALTERNATIVES AND PROGRESS REPORT ON STAGE II

The Trawl Individual Quota Committee (TIQC) met on Sunday September 10, 2006 and addressed the following issues:

- Whiting Individual Fishing Quota (IFQ) Rollover Between Sectors
- Bycatch Management in the Whiting Fishery
- Whiting Co-operatives
- Community Stability Program

The TIQC has tentatively scheduled its next meeting for November 7 and 8, 2006.

Whiting IFQ Rollover Between Trawl Sectors

The TIQC worked on development of an option to allow the rollover of whiting IFQ from one whiting sector to another. The TIQC notes that the need to consider rollover mechanisms assumes that trawl sectors are maintained. Management Regime Alternatives 2 and 3 would maintain subdivision of the trawl sector divisions while Management Regime Alternative 4 would create a single trawl sector. While the decision on whether to have a single or subdivided trawl sector is a Council policy call, the TIQC discussed the tradeoffs underlying the decision on whether to maintain trawl sectors. These are summarized as follows.

Reasons for Maintaining Trawl Sector Subdivision

If the IFQ program does not include sector subdivisions, it is believed that the vast majority of the whiting would be sold to and taken by the catcher-processor sector. This would have adverse effects on communities and those invested in shoreside and mothership operations. Independent vessels, jobs on the vessels, and current ways of doing business could disappear. Losses to communities with investments in the fisheries, docks, and fish industry services could also be very significant.

There are values other than efficiency that are addressed in the objectives. Rationalization should not be allowed to increase efficiency without constraint. Preservation of the existing sectors would limit the potential for rapid, radical and unanticipated transformations under IFQs.

Reasons for Creating a Single Trawl Sector

The distribution of harvest among different trawl harvest modes should be market based. Artificial divisions should not be created to protect weak members of industry. While protection for markets and diversity may be desirable, costs associated with lost efficiency and program administration are too high. This tradeoff between the costs and benefits of maintaining sectors needs to be evaluated

by maintaining an option that would have no sector divisions.

Flexibility in the distribution of IFQ among sectors is needed to deal with unforeseen circumstances. The option proposed below for IFQ rollover between sectors is basically voluntary (based on declarations of intent). Given the voluntary nature of the rollover option, the only alternative which provides the needed flexibility is the alternative with one sector (Alternative 4).

Whiting Rollover Option

Assuming that the Council decides to move forward with alternatives that include subdivision of the trawl sector, the **TIQC recommends** that the following rollover option be analyzed.

- In advance of the season, any processors potentially interested in processing off/on the West Coast must declare that intent.
- For each sector with unused whiting IFQ, the National Marine Fishery Service will survey potential processors on Sept 15 (or another date which may be specified pre-season by the Council).
- If for any sector there is no interest/commitment to processing any of the remaining unused whiting IFQ for that sector then the whiting IFQ for that sector will be released from the sector constraint and may be used in any trawl sector.

Pros and Cons of a Whiting IFQ Rollover

The TIQC did not reach a consensus on whether or not a rollover option would be needed if sectors are maintained. The discussion on this issue is summarized as follows.

Reasons for No Whiting IFQ Rollover

Elimination of the rollover option would simplify the program and reduce program costs. If the program is implemented and there is a problem with fish being left on the table, a rollover option could be developed through a trailing amendment. Not including a rollover option would encourage innovation among those having difficulty using their IFQ. It is difficult to design a rollover system that would not be subject to manipulations that might have adverse conservation effects or effectively eliminate the sector divisions.

Reasons for a Whiting IFQ Rollover

A rollover would reduce the chance that fishermen, communities and consumers will forgo benefits by leaving fish in the water. For example, catcher vessel IFQ for mothership deliveries could be stranded and left unused if mothership processors decide not to participate at a level sufficient to take the available allocation.

Bycatch Species Management In the Whiting Fishery

Alternative 2 provides that there would be a separate pool of bycatch species for each sector. **The TIQC recommends** that an option be added to provide a single pool of bycatch species for all whiting sector deliveries. This option may provide the sectors with more flexibility to utilize the available bycatch while accessing their whiting IFQ. Options have yet to be developed for the possible rollover of bycatch species between sectors, if separate sectors are established.

Whiting Co-operatives

No consensus was reached on whether or not whiting co-operatives should be included in an alternative.

TIQC Whiting Sector and Nonwhiting Processor Member Recommendation: The Council should incorporate a co-op option for all whiting sectors as part of the permit stacking alternative and move it forward for analysis as part of the package. The TIQC should be directed to more fully develop the co-op options.

The **other members of the TIQC note** the co-op alternative as one for Council consideration but do not make a recommendation as to whether or not the Council should include the co-op option in one of the alternatives.

The TIQC believes some Congressional action may be required to allow co-ops involving shoreside processors.

Community Stability Program

The TIQC recommends that the Council incorporate all of the attached changes to the community stability program into the current version of the program (IFQ Program C) but at the same time notes there may be substantial administrative costs associated with a community stability program.

The intent of the community stability program is to economically benefit coastal communities. Market development and enhancement, flexibility/coordination with market forces, facilitation of new operations, and industry stabilization at the local level are all desired outcomes. While the program allows any partnership that includes an IFQ holder to apply for community stability quota, ideally the partnerships coming forward will involve fishermen, processors, and others associated with the community.

The community stability program is proposed to further the following IFQ objectives.

5. Increase stability for business planning.
7. Minimize adverse effects from an IFQ program on fishing communities to the extent practicable.
8. Promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry.

The TIQC notes that substantial additional work needs to be done in developing objective quantifiable criteria. Criteria should address objectives including stabilization, innovation, and employment opportunities. Development of objective quantitative criteria that are applicable across diverse communities and would appropriately rank proposals is a challenging task.

Further development of these alternatives requires additional technical expertise as well as general policy guidance of the type provided by the TIQC. If the Council is to move ahead with a community stability program, **the TIQC requests** that the Council provide the needed technical support.

PFMC
09/13/06

CHANGES TO THE COMMUNITY STABILITY PROGRAM PROVISIONS RECOMMENDED FOR CONSIDERATION. EXCERPT FROM TABLE 2-4.

Alternatives	Alt 2c	Alt 3a	Alt 3b	Alt 3c	Alt 4c
Component B.4 Community Provisions					
Element B.4.1 Adopt a community stability holdback program with the following provisions. A portion of annual quota pounds would be held back set aside and allocated for share holders (e.g. community partnerships). The proposals would be evaluated based on quantitative criteria that prioritizes community benefits. The quota pounds held back for this purpose will continue to be "trawl quota pounds" and must be used in a manner consistent with the scope of the trawl individual quota program.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Element B.4.2 Program Objectives. The Community Stability Program objectives reflect a subset of TIQ program objectives. Specific objectives include					
1) <u>Increase stability for business planning.</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2) <u>Minimize adverse effects from an IFQ program on fishing communities to the extent practical, and</u>					
3) <u>Promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry.</u>					
SubElement B.4.2.1 Set Aside. Some amount of the trawl QP would be set aside to be allocated to partnerships of QS owners/lessees and non-quota holders who submit proposals for using the community stability holdback program allocation in a manner that benefits communities. The total amount set aside for all such proposals would be as determined in Element 2.2.5	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
* It may be determined that the optimal period for these allocations is greater than one year.					
SubElement B.4.2.2 Management Body: A Council Appointed Committee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Committee Authority and Appointment: Magnuson-Stevens Act authority. Appointed by the Council. Recommendations would require approval by the					

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<p>Council before being forwarded to NMFS.</p> <p>Committee Role: Use specific measurable criteria to make recommendations to the Council on the amount of quota pounds to be allocated for proposals presented by QS owners/lessees for the purpose of achieving specific community development, enhancement, or stabilization goals.</p> <p>Composition: The committee would be composed of representatives of West Coast regions, port districts, processors, and fishermen as determined under a Council operating procedure.</p>								
<p><i>Option A (B.4.2.2)</i> Joint Staffing and Administration: Committee reports would be developed for the committee by the staff of the NMFS Limited Entry Office and related expenses would be included as part of program costs to be covered by fees. Other staffing functions would be carried out by the Council.</p>								
<p><i>Option B (B.4.2.2)</i> Council Staffing and Administration: All staffing functions would be carried out by the Council.</p>								
<p>SubElement B.4.2.3 Eligibility for Participation. Proposals may be submitted by partnerships of QS holders, including partnerships with QS holders and non-QS holders (e.g. community groups) or individual QS holders. QS holders may only participate in one proposal for any given time period.</p>								
<p>SubElement B.4.2.4 Criteria allocating among proposals. A set of quantitative criteria will be used to objectively determine the amount of QP to be allocated to a proposal. The Council may determine that for stability and planning reasons the allocations for some or all proposals should be for periods longer than 1 or 2 years.</p> <p>Future modifications of criteria. As the program progresses over time, the need to modify the criteria may arise. The criteria may be modified, deleted, or augmented as part of the biennial specifications process, or a three meeting process, so long as the modifications are consistent with the objectives identified for the Community Stability Program.</p> <p>Calculation of Allocation. Each criterion will be scaled such that they are evenly weighted and values fall between 0 and 1 (or between 0 and 100). Scores for all criteria would be added together to derive a single score for each proposal. The</p>								

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<p>scores for all proposals would be summed. The amount to be allocated to each collaborative proposal would be the score for that proposal divided by the sum of all scores times the total holdback for each species covered by the application.</p> <p><u>Seven potential criteria are listed in the following options. The Council may select one or all of the criteria options.</u></p> <p><u>The following are not necessarily mutually exclusive.</u></p> <p><u>The first three criteria are reasonably well developed, the other criteria probably need more development before they would be ready for use.</u></p> <p><u>Option A (B.4.2.4) Past Performance: The degree to which the quota committed to previous projects was utilized in accordance with the commitments made (does not apply to overfished species). This criterion comes into effect in the second year of the program. Past performance will not be available in the initial year.</u></p> <p><u>Option B (B.4.2.4) Quota pounds committed to the project by the applicants: The ex-vessel fair market value of all pounds committed (based on previous year's prices) will be summed and divided by the fair ex-vessel value of all pounds committed by all proposals. For this criterion, scores of all proposals will be scaled proportionally such that a score of 1 will be assigned to the proposal with the greatest amount of pounds committed to the proposal.</u></p> <p><u>Option C (B.4.2.4) Port Dependence: Proportion of port governing body revenue from activities of vessels, buyers, and processors divided by total port revenues. Proportion of revenues in all proposals will be adjusted proportionally such that the largest proportion of revenues receives a score of one.</u></p> <p><u>The remaining criteria probably need further review and development.</u></p> <p><u>Option D (B.4.2.4) Utilization: Proportion of raw product to be converted to consumptive and non-consumptive human use (including meal and fertilizer).</u></p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				
<p><u>The following are not necessarily mutually exclusive.</u></p> <p><u>The first three criteria are reasonably well developed, the other criteria probably need more development before they would be ready for use.</u></p> <p><u>Option A (B.4.2.4) Past Performance: The degree to which the quota committed to previous projects was utilized in accordance with the commitments made (does not apply to overfished species). This criterion comes into effect in the second year of the program. Past performance will not be available in the initial year.</u></p> <p><u>Option B (B.4.2.4) Quota pounds committed to the project by the applicants: The ex-vessel fair market value of all pounds committed (based on previous year's prices) will be summed and divided by the fair ex-vessel value of all pounds committed by all proposals. For this criterion, scores of all proposals will be scaled proportionally such that a score of 1 will be assigned to the proposal with the greatest amount of pounds committed to the proposal.</u></p> <p><u>Option C (B.4.2.4) Port Dependence: Proportion of port governing body revenue from activities of vessels, buyers, and processors divided by total port revenues. Proportion of revenues in all proposals will be adjusted proportionally such that the largest proportion of revenues receives a score of one.</u></p> <p><u>The remaining criteria probably need further review and development.</u></p> <p><u>Option D (B.4.2.4) Utilization: Proportion of raw product to be converted to consumptive and non-consumptive human use (including meal and fertilizer).</u></p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				

CHANGES TO THE COMMUNIT STABILITY PROGRAM PROVISIONS RECOMMENDED FOR CONSIDERATION. EXCERPT FROM TABLE 2-4.
~~times past performance on utilization commitments. Indicator of
wastage and potential pollution externalities.~~

~~Option E (B.4.2.4) Local Added Value: Fair market value of proposed exports from community divided by fair market value of ex-vessel landings. The committee will determine a fair market value for the proposed product and apply the same per pound market values to all proposals. (Apply as a past performance measure if advance commitment to product forms is not tenable). For this criterion, scores of all proposals will be scaled proportionally such that a score of 1 will be assigned to the proposal with the greatest added value ratio.~~

~~Option F (B.4.2.4) Local Labor 1: Local employees divided by total individuals employed (FTE) by the firms that are parties to the proposal.~~

~~Option G (B.4.2.4) Local Labor 2: Total local wages to be paid per dollar fair market value of proposed exports or final products. The committee will determine a fair market value for the proposed product and apply the same per pound market values to all proposals. Proportionally scale the scores of all proposals such that the proposal with the largest ratio is scaled to one.~~

~~Option H (B.4.2.4) Public Debt Related to Fisheries Development: For the port in which the landings will be made, the amount of public debt directly related to investments supporting the fishing industry and relying on fishing activity for debt recovery divided by the total amount of debt identified in all such proposals and scaled proportionally such that a score of 1 is assigned to the proposals benefiting ports with the greatest fishing infrastructure-related debts.~~

~~Option I (B.4.2.4) Public Investment Dedicated to Fisheries: For the port in which the landings will be made, the amount of public investments directly supporting the fishing industry divided by the total amount of other investments in the port (not related to fishing). Identify investments in all such proposals and scale proportionally such that a score of 1 is assigned to the proposals benefiting ports with the greatest fishing~~

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 industry related debts.

SubElement B.4.2.5 person through participation in a proposal will count toward accumulation caps.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SubElement B.4.2.6 be transferred as long as their use is consistent with the <u>original</u> proposal and fish are caught, handled and landed in all manners originally specified in the <u>original</u> proposal.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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