

**GROUND FISH MANAGEMENT TEAM REPORT ON TRAWL INDIVIDUAL QUOTAS:
STAGE I ALTERNATIVES AND PROGRESS REPORT ON STAGE II**

The Groundfish Management Team (GMT) would like to commend the substantial amount of work accomplished by the Trawl Individual Quota (TIQ) committee and Council staff in the development of the Stage 1 document. The GMT spent considerable time discussing the alternatives and design elements in preparation for the September 2006 Council meeting and at the September 2006 Council meeting. The primary focus of GMT discussion was on the management regime alternatives found in Table 2-1, and although there are substantial issues in tables other than 2-1, the GMT did not have time to fully discuss those issues. The GMT feels that further work needs to be done in identifying the implementation feasibility and management implications of the suite of alternatives prior to moving forward with the adoption of the alternatives for further analysis. This could be accomplished by identifying the elements that are critical and pivotal to the successful implementation of a TIQ program and that discussion and analysis of those elements could be provided prior to proceeding with the Stage 2 document. Enhancing the understanding of those critical elements would facilitate understanding and simplification of the alternatives in the Stage 1 document.

The GMT acknowledges that a number of competing workload priorities such as the essential fish habitat environmental impact statement (EIS), inseason management issues, and the 2007-2008 Annual Management Specifications EIS have limited the ability of the GMT, and others, to fully engage in the development of the elements of Stage I despite invitations from Council staff over the past 2 years. However, the GMT believes that input on the part of management and agency staff is critical in moving forward to reduce the complexity of the current document and provide comment on the practicability of components of the current alternatives.

The GMT provides some comment on Stage 1 in this statement, and has also provided additional comment directly to the TIQ Committee. However, we stress that these comments only represent the GMT's first critical evaluation, and we look forward to providing further input as the process unfolds.

An Overview of Concepts Discussed in the GMT Statement

- Overfished Species Management
 - The GMT discussed the integration of an individual fishing quota (IFQ) system with respect to the need to protect and rebuild overfished species and believes that while IFQs have the potential to assist the conservation of overfished species and the prosecution of the fishery under those constraints, the potential exists to exacerbate current problems in the West Coast Groundfish fishery if the IFQ program is not correctly constructed. Some of these concepts are found under the discussion of 'Race for Fish', 'Cumulative Catch Limits', and 'Groundfish Catch with Non-Trawl Gear'.
- Prohibited Species (salmon and Pacific halibut)
 - The GMT discussed how prohibited species would be impacted by the implementation of an IFQ program. The GMT believes that an IFQ program has the potential to reduce impacts to prohibited species if correctly constructed, and

that designing a program with this objective in mind would further the goals of bycatch minimization. This concept is discussed under 'Prohibited Species'.

- Race for Fish
 - While IFQ programs are widely believed to eliminate the race for fish, the GMT believes that overfished species and other species with Low optimum yields (OY) may encourage race for fish behavior if the IFQ program is not constructed to allow for cooperative type management or IFQ pooling. This concept is further discussed under 'Race for Fish'.
- Minimizing Disruption to Current Limited Entry (LE) Trawl Participants
 - The GMT discussed the impact to current LE trawl participants if an IFQ program were to be put in place and believes that substantial disruption could occur if an allocation scheme is solely based on landed catch history. The GMT identified several methods for a more equitable distribution of initial allocation. Some of those concepts are discussed under 'Minimize Disruption to Current Trawl Participants'.
- Gear Switching under an IFQ Program
 - Allowing vessels to switch gear under an IFQ program would help foster the flexibility necessary for fishers to appropriately balance IFQ accounts and prosecute the IFQ fishery. The GMT outlined an approach for allowing IFQ to be prosecuted with non-trawl groundfish gear.
- Holdback Provisions
 - One element that exists in the Stage 1 document is a holdback provision used to protect communities. The GMT believes that a holdback provision could be constructed to fulfill a more general purpose that includes community protection as well as conservation objectives, protection for crewmembers, and the testing of new gears for example.
- Area Management
- Cumulative Catch Limits

Achievement of Magnuson-Stevens Act and West Coast Groundfish FMP Objectives

IFQs are a management tool that has the potential to help foster the achievement of conservation and economic goals found in the Magnuson-Stevens Act (MSA) and the West Coast Groundfish fishery management plan (FMP). However, if a system is designed in an incorrect manner, there is a risk that such a system could exacerbate some of the problems that currently exist in the West Coast Groundfish fishery. Although many of the alternatives and design elements found within the current Stage 1 TIQ document are likely to help achieve MSA and FMP objectives, some of the alternatives and design elements may not, and indeed some elements may make matters worse.

Changes in Discard

Under each of the non-status quo alternatives identified in the Stage 1 document, it is anticipated that all of them would have the effect of reducing discards compared to status quo. This is because each of the alternatives is a total catch program (landings and discard mortality) whereas current management uses landed catch limits. Landed catch limits allow for regulatory discard and high grading whereas total catch limits may eliminate regulatory discard and eliminate the majority of incentives associated with high grading.

Race for Fish

One implied notion of an IFQ program is that fishers have the flexibility to operate in such a way that they manage their catch at an individual vessel level better than agencies can regulate them. This requires that individual vessel operators have a defensible guarantee of catch from year to year, and that amount of catch cannot be impacted by what another vessel does. However, if the quota held by one vessel is put at risk by another vessel, those vessels have an incentive to engage in race-for-fish behavior.

Assuming that the LE bottom trawl fleet obtains an 8.0 metric ton fleetwide allocation of canary rockfish, the average vessel would receive somewhere on the order of 100 pounds of canary rockfish for the year if divided equally. While fishers can influence the type and amount of species that are caught on a tow by tow basis, the probability that a single tow will catch more than that 100 pound amount of quota is relatively great even when trying to avoid canary rockfish. While the theory of a free flowing market would suggest that a vessel exceeding its quota amount would simply purchase more quota to cover that overage, reality suggests that to purchase quota there must be willing sellers of that quota. Given that canary is likely to constrain the catch of many target species there may not be any willing sellers of canary quota, and if there are, that quota is likely to be extremely expensive. In any case, a fisher with a canary overage may not be able to cover the overage with quota, which means that the sector would need to be closed down before each vessel has achieved their quota pounds for the year. Not doing so could mean exceeding the OY. This is a scenario where quota pounds are not defensible and encourages race for fish behavior.

For species where the allocation of quota is likely to result in extremely small amounts of annual pounds at the vessel level (such as canary rockfish), a mechanism that allows for pooling the catch of that species across multiple vessels is likely to reduce or eliminate the incentive to race for fish. Mechanisms such as fishing cooperatives in the whiting catcher processor fleet, and allowing for IFQ pooling in the BC trawl fleet, have proven to work in such a way that they counter the race for fish incentive and help to foster behavior that avoids impacts to non-abundant species. The GMT believes that allowing cooperative type management or IFQ pooling for constraining species should be considered for the successful implementation and operation of a Dedicated Access Program in the West Coast Groundfish fishery. The GMT notes that the current alternatives do not preclude the formation of cooperatives or pooling of IFQ.

Impacts to Prohibited Species (Salmon and Pacific Halibut)

Salmon and Pacific halibut are caught incidentally in the groundfish trawl fishery. An IFQ program has the potential to reduce the catch of these species, however prohibited species quota is not considered in any of the alternatives and design elements. While issuing IFQ for prohibited species is likely to be difficult and should be considered carefully, the conservation benefits of including salmon and Pacific halibut under an IFQ program are likely to be greater than not including those species under an IFQ program so long as fishers cannot benefit from the catch of prohibited species (e.g. prohibited species could not be retained).

Minimize Disruption to Current LE Trawl Participants

The approach identified for issuing quota to fishing vessels is by using historical landings prior to 2003. The fishery at that time was much different than the fishery today, and in particular, some of the overfished species were trawl targets. Under an IFQ program it is unlikely that any vessel would acquire enough IFQ to actively target overfished species, so allocating IFQ based

on a period when targeting on these species was common place may not be the best mechanism. If the objective is maintaining the catch and focus of the fishery on current target species, and maintaining current participants in the fishery, the Council may want to continue considering an allocation scheme that allocates overfished species based on a bycatch rate to target species, rather than historical landings of overfished species. Such a consideration would be a change to Component 2.

The alternatives for allocating species across sectors (Component 6) is currently described as a process that would compare the landed catch of species in the non-whiting shorebased sectors of the trawl fishery to total catch of species in the whiting fishery. Not including estimated discard mortality in the non-whiting shorebased fishery inherently biases the allocation scheme toward the whiting sectors of the trawl fishery and fails to take into account the actual catch that should be attributed to the non-whiting fishery.

Catch history attributed to vessels that participated in the buyback program could be attributed to future IFQ holders in several ways. One method discussed has been to identify the portion of groundfish caught by buyback trawlers during the qualifying period, and attribute that catch to current permit holders on an equal basis. The GMT would like to point out that this type of allocation scheme would give IFQ to active participants in the LE trawl fishery as well as to latent permits. Granting IFQ to latent permits would mean that active fishers would not receive access to fish species that are accessed under current management. If the intention is to not give IFQ to latent permits, a type of recent participation requirement could be considered to eliminate the granting of IFQ to latent trawl permits.

Groundfish Catch of Limited Entry Trawl Vessels Using Gears Other Than Groundfish Trawl Gear

Elements 3.1 and 3.2 identify mechanisms for dealing with the catch of groundfish made by trawl IFQ holders using gears other than trawl gear. These alternatives include counting that catch toward the trawl IFQ and the trawl IFQ sector allocation or not counting that catch toward IFQ and counting it toward the sector in which the vessel is participating. In order to simplify the alternatives within the Stage 1 document, this component could be eliminated. The GMT envisions this component could be eliminated by allowing vessels to transition between sectors without counting other sector groundfish catch against IFQ. For example, trawl IFQ holders could engage in the sablefish tier fishery without having catch that occurs in that fishery count toward IFQ pounds for the year. This would require that (A) vessels declare the fishery they are planning to engage in before leaving port, (B) that the allocation of groundfish be made based on the historical catch of LE trawl vessels while the trawl permit was active and while using trawl gear (catch made with non-trawl gear by a LE trawl permit while a permit is active would be attributed to the appropriate non-trawl sectors), and (C) this may require that sideboard type protection mechanisms be put in place for non-IFQ fisheries to ensure that those fisheries do not exceed their groundfish allocation, and to protect those other sectors from economic harm caused by a potential increase in effort on the part of IFQ holders.

In addition to the above method described to reduce the complexity of the existing alternatives, the GMT discussed whether gear switching to prosecute IFQ should be allowed. One notion of an IFQ program is that fishers can balance their catch more successfully than agencies can regulate that catch. Allowing IFQ holders to switch gears to prosecute their IFQ would help foster the flexibility necessary for fishers to balance their catch accounts and maximize economic

returns. Because different gears are likely to have different impacts to groundfish species (for example, yelloweye is primarily caught with hook and line gear and not trawl gear), if those species are covered under a correctly constructed IFQ program, gear switching should not cause conservation concerns or pose risks to other sectors of the fishery.

Cumulative Catch Limits

Alternative 2 includes IFQs for target species but manages other species with cumulative limits. This creates a management regime with two systems and could eliminate the potential bycatch gains that are usually attributed to managing overfished species with IFQ or something similar. Empirical studies have generally shown that under systems that operate like an IFQ program, the incidental catch of non-target species is reduced over time. Managing overfished species under a system that does not create the same incentives as an IFQ, or an IFQ-like program, jeopardizes the formation of some of the incentives and behavior that would lead to a reduction in the catch of overfished species. Elements in the Stage 1 document that include the use of cumulative catch limits could be replaced with mechanisms that allow pooling of IFQ or the formation of co-ops for managing those species. These programs would create the same type of bycatch reduction incentives as IFQs and are likely to result in less management complexity than a system with both IFQs and cumulative catch limits. However, allowing for IFQ pooling or the formation of co-ops for species that would otherwise be managed with cumulative catch limits could require that IFQ or co-op allocations be constructed without a formal allocation of those groundfish species. The GMT discussed three methods for granting dedicated access privileges for species without an allocation. One method discussed would involve maintaining the most recent status quo catch sharing across sectors and attributing IFQ or co-op allocations based on that amount and a particular vessels catch history. Another method would involve constructing an allocation formula that would be triggered if a dedicated access privilege program becomes necessary for a particular species. The third method could involve either status quo catch sharing across sectors or an allocation formula, but instead of allocating IFQ or co-op amounts based on catch history, the allocation could be made based on a ratio of species that are caught alongside the species that needs a dedicated access program. The GMT believes this type of mechanism would avoid the incentive of fishing for catch history (and targeting species that aren't currently targeted) that might occur if catch history is used to grant IFQ.

Community Holdback Provisions

An IFQ program has the potential to result in fleet consolidation. This means that some communities may lose relatively more (or all) of their trawl vessels and negatively impact some of those fishing dependent communities. While protecting communities from the unintended consequences of an IFQ program should continue to be considered, the GMT identified other issues for which a holdback provision could apply including holdbacks that can be used to protect crewmembers and holdbacks that could be used as a buffer to protect against the chance that a particular sector could catch more groundfish than is eventually allocated. The Council may want to consider designing a holdback provision that is more flexible and that can be used for socioeconomic considerations (such as one to protect communities and crewmembers), for conservation considerations (such as a buffer to help ensure that OYs are not exceeded), or to preserve opportunity for the development of new fisheries or new fishing methods.

Whiting Seasons

Elements 1.7 and 1.8 address the whiting season start date and the whiting season closing date. The current justification for having the whiting primary season start June 15 is because of the

impacts to Endangered Species Act listed salmon, and therefore, the GMT does not feel that the whiting season start date is necessarily an issue that is related to IFQ development. Therefore, in the interest of reducing the amount of complexity associated with moving forward on the IFQ program, the Council could consider eliminating the reconsideration of a whiting season start date or reconsider the whiting season start date after the IFQ program moves forward.

Single Sector

The GMT believes that there is merit in establishing limits on how much each sector can own/hold, and therefore the GMT is not in favor of establishing an IFQ system with only one sector. As an example, consider the difference between the at sea sector and the shoreside sector. Each sector is essentially operating on the different plane of revenues, and therefore, their purchasing power for trading IFQs is different. One sector obtains revenues from the catching and processing of groundfish (the at sea sector) and the other obtains revenues only from the catching of groundfish (shoreside catcher vessels). To illustrate this concept, consider a catcher processor vessel versus a shoreside catcher vessel. A catcher processor vessel essentially makes revenues off the catching and processing of whiting, whereas a shoreside whiting vessel makes money only off the catching of whiting. This means that a catcher processor would view whiting (and therefore whiting fishing quota) as more valuable than a shoreside catcher vessel (catching revenue plus processing revenue vs. catching revenue) and would be more likely to purchase fishing quota than a catcher vessel. This could result in less whiting landed shoreside than what would otherwise be the case. This would most likely be an inefficient transfer of quota because shoreside processors may not be considered in the decision of whether to purchase or sell IFQ, but would be impacted nonetheless. Without a carefully crafted set of regulations pertaining to IFQ trades between whiting sectors, the likely outcome would be a socially inefficient amount of IFQ being held in one sector.

Infrastructure Issues

A critical component of a successful IFQ program is quota tracking and monitoring (Component 4), and this requires that an appropriately designed observer program be put in place. The GMT believes that the structure and design of that observer program should be identified as quickly as possible in the process so that the appropriate analysis can proceed. For example, the observer roles could be concentrated upon biological sampling or compliance monitoring. The GMT also encourages further investigation into the feasibility of using electronic monitoring (e.g. cameras) in a multi-species trawl environment.

Furthermore, timelines and logistics for implementing a standardized electronic fish ticket reporting system and logbooks should be developed. The GMT recommends this as a priority because of the complexity of developing this system.

Area management issues

Given that the current broad-scale management approach likely falls short of addressing the spatial structure of some fish populations, a system that makes fishing effort even more fluid has the potential to exacerbate this situation. Concentration of quota shares in a region might make sense economically, but might have unforeseen biological consequences.

A process is outlined in the alternatives for how quota would be re-allocated if a stock is divided geographically into separate acceptable biological catches/OYs, after the IFQ program has been implemented. This procedure and other considerations need more detail, and therefore the GMT

supports the process option included under the non-status quo alternatives (Component 4, Table 2-1) that tasks a group to consider the need for additional regional management areas and other related management issues.

Recency requirement in initial sector allocation

Under Component 6 (Table 2-1), Alternatives 2 and 3, the application of a recency requirement is considered in the calculation of sector specific allocation within the trawl allocation. If this requirement is applied, the catch history of any permit that has not been active in recent years would be eliminated from the sector calculation. The GMT is concerned about the equity issues that could arise from this option. If a permit has historical catch but does not meet the recency requirement, these historical catches would be removed from the total sector's historical catches, thereby penalize the remaining permits by reducing the size of that sector relative to the other sectors. Therefore, the GMT recommends that the Council strike the recency requirement from Component 6 when calculating sector allocations. However, eliminating the recency requirement for sector allocation would not preclude the use of a recency requirement for the use of vessel or permit allocation of IFQ.

GMT Recommendations

1. Task the GMT and other state and federal managers to provide a more thorough review and comment at the November 2006 Council meeting.
2. Proceed with the intersector allocation process.
3. Begin the development of a standardized electronic fish ticket reporting system for West Coast fisheries.
4. Initiate discussions between council, Northwest Region, and the Northwest Fisheries Science Center on the use of cameras, observers, and other necessary infrastructure to monitor the TIQ fishery.
5. Identify and analyze the critical design elements associated with a West Coast Trawl Quota program.

PFMC
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