

**TRAWL INDIVIDUAL QUOTA COMMITTEE REPORT ON
 AMENDMENT 20: TRAWL RATIONALIZATION**

The Trawl Individual Quota Committee (TIQC) met October 11 & 12 in Seattle, WA and developed the recommendations contained in this report. The next TIQC meeting has not been scheduled. There are 18 members of the TIQC. The tribal representative and Washington trawl and Oregon trawl representatives were not present during the meeting. At the end of each recommendation is a note indicating whether the recommendation is a consensus or majority.

IFQs and Co-ops: Qualifying Eligibility and Allocation Time Periods	1
IFQs: Entities Qualifying for An Initial Allocation (A-2.1.1)	2
Initial Allocation to Processors	2
Successor In Interest for Shoreside Processors	3
Identification of the “Mothership Entity”	3
IFQs: Recent Participation Requirements (A-2.1.2)	4
IFQs: Allocating Overfished Species Using Target Species QS & Applying Bycatch Rates (A-2.1.3)	4
IFQs: Allocation of Rare Overfished Species Using and Auction Approach (A-2.1.3)	5
IFQs: Direct QS Reallocation After Initial Issuance (A-2.1.6)	6
With Changes in Management Areas	6
With Changes in Stock Status	6
IFQ: Vessel Quota Pound (QP) Minimum Holding Requirement (A-2.2.1)	7
IFQ: Vessel QP Overage Resolution (A-2.2.1)	7
IFQ: Accumulation Limits (A-2.2.3.e)	8
IFQ: Tracking and Monitoring, Estimates of Administrative Costs and Fee (A-2.3.1 and A-2.3.3)	9
IFQ: Mandatory Data Collection Requirement (A-2.3.2)	9
IFQ: Allocation of Pacific Halibut IBQ (A-4)	9
IFQ: Trading IFQ with Limited Entry Fixed Gear Vessels	9
IFQ: Vessel Size Endorsement (New)	10
IFQs and Co-ops: Bycatch Species Caps in the Whiting Fishery (A-5 and B)	10
Co-ops: Bycatch Management in the Mothership and Shoreside Sector Co-op Programs (B-1 and B-2)	11
Co-ops: Mothership Sector Co-op Alternative (B-1)	11
Co-ops: Continuation of the Shoreside Sector Co-op Program (B-2)	13
Co-ops: Mandatory Data Collection for Co-ops (New)	13

IFQs and Co-ops: Qualifying Eligibility and Allocation Time Periods

The TIQC discussed a number of aspects of the GAC recommendation to narrow the qualification periods to a single option for each sector and criteria. Concern was expressed as to whether the narrowed set of dates would provide a range adequate to meet NEPA requirements and whether a period that did not include years after 2003 would adequately address recent participation. On the other hand it was pointed out that the range could be narrowed if rationale was adequate; that the MSA requires “consideration” of recent participation (which is different from a requirement to actually use more recent catch history years); that there were other ways to take into account recent participation (e.g. allocating to harvesting vessels based on who currently owns a permit rather than who owned it at the time a landing was made); and that

allocating based on history occurring after the control date could have negative repercussions for the announcement of control dates in the future. It was also noted that requiring a number of years to be dropped penalizes those with consistent history; however, using a longer range of years rewards longevity.

The GAC recommendation indicated a possible problem with the use of 1997 as the start of some of the qualifying periods. The TIQC was informed that the main data quality issue of concern appeared to be that observers did not witness every delivery but relied on vessel logbooks for some 1997 at-sea deliveries. With respect to allocation based on whiting catch history, the TIQC did not express concern about this aspect of the data.

Recommendation: TIQC Recommendation: *Support the GAC recommendation for the MS C/V and MS qualifying years of 1997-2003 for both endorsement and permit qualification. (Majority)*

It was noted that 1997 is an appropriate start date because this is the first year that whiting was formally allocated to three sectors, and with respect to using 2003 vs. 2004, there was no difference in terms of who qualified. Those in opposition expressed concern that there be consistency in the periods used for the IFQ and co-op alternatives. A motion was put forward to add an option that would extend the qualifying period from 1997-2003 to 1997-2006, however, this motion failed. The rationale in support of the motion was to more heavily weight recent participation after 2003 and include all motherships that would qualify under the proposed Amendment 15.

The TIQC reviewed the full suite of recommendations for qualifying time periods recommended by the GAC and had no other formal recommendations.

IFQs: Entities Qualifying for an Initial Allocation (A-2.1.1)

Initial Allocation to Processors

The TIQC discussed the allocation of 50% of the whiting quota shares (QS) to processors. Those advocating for maintaining an option allocating 50% of whiting QS to processors noted that whiting processing tended to be more capital intensive than processing for nonwhiting groundfish species and that those in the whiting fishery were invested at a level to accommodate a race for fish that is not present under cumulative limit management in the nonwhiting fishery. One member suggested that whiting processors were 2/3 over capitalized. Those in opposition noted that a processor does not need to have QS in order to buy whiting while a vessel needs QS in order to harvest and that when joint production, original cost and depreciation issues are taken into account it was not clear that whiting processing was more capital intensive than nonwhiting processing or harvesting. With respect to the joint production argument, it was argued that vessels also engage in a variety of fisheries. With respect to the ultimate balance of the initial allocation of QS, it was noted that if processors get half the QS allocation and then also receive QS allocation for vessel permits they control, they would receive more than half the total QS.

TIQC Recommendation: *Change the option that would give QS to processors from a 50% processor share for all whiting sectors to a 25% processor share for all whiting sectors to make it consistent with the non-whiting shoreside processing option. (Majority)*

Successor in Interest for Shoreside Processors

The TIQC reviewed the rules for assigning history for “shoreside processing”¹ activities. The question asked was whether or not successor in interest should be recognized. If there is reason to give processors an initial allocation of QS, to not recognize successor in interest could disadvantage processing businesses bought during or since the allocation period as compared to those processing businesses that had not changed hands over that period. The TIQC discussed the idea that when an asset is purchased it is with the expectation of being able to recover the investment through use of the asset, that it is the buyer’s responsibility to make sure they acquire the key assets necessary to recover their investment, and that a processor’s ability to use a particular asset might not be substantially hampered if it does not receive IFQ (a processor does not need to have IFQ to receive fish from catcher vessels). It was also noted that there may be existing legal criteria relevant to determining successor in interest.

Successor in interest can be specified in a contract and if a contract does not specify successor in interest, NMFS should have criteria and a process for addressing conflicting claims to QS.

***Recommendation:** The TIQC endorses the GAC recommendation regarding the successor in interest issue with the understanding that NMFS will need to develop criteria to evaluate successor in interest and that this criteria should include consideration of the terms and intention of a contract. (Consensus)*

Identification of the “Mothership Entity”

The TIQC reviewed the GAC recommendation that the initial allocation of QS go to the owner of the mothership, unless there is a bareboat charter, in which case it will go to the charterer.

TIQC members described the ownership structure of several different motherships. The M/V Excellence was the only bareboat charter situation identified.² During public comment it was noted that there may be a number of places in the co-op alternative in which there are legitimate issues for public discussion but no options have been provided. One of these is the question of whether an initial allocation should go to the bare boat charterer or the owner of a vessel. Some concern was expressed that this issue was being raised late in the process and that the TIQC had not been presented complete information on the situation.

¹ If an allocation of QS goes to shoreside processors, one option would only give QS to the first receivers of trawl caught groundfish. This would approximate an allocation to first processors to the extent that the first receivers (buyers) and first processors are the same entity. A second option would modify this by specifying that the first receiver must have processed some trawl caught groundfish, and a third option would modify it by allowing a second receiver to receive credit for the processing history of the second receiver is the first processor and there is resolution of any conflicting claims between the first and second receivers.

² It was also noted that the Arctic Storm and Arctic Fjord are managed by the same company do not have identical ownership. A foreign company, Nichiro, has a 25% interest in the Golden Alaska.

Recommendation: *With respect to the entity that would receive the IFQ or mothership permit (co-op alternative), add a second option that would allocate to the owner and exclude the bare boat charterer (the current provision would allocate to the charterer in a bare boat charter situation). (Majority)*

IFQs: Recent Participation Requirements (A-2.1.2)

If processors receive harvester quota, they would get whiting and non-whiting quota shares. The TIQC split the discussion of the shoreside processor qualification requirements into two categories: whiting and non-whiting processors.

For the whiting fishery, a motion was presented to require at least 1 mt in each of any three years during the recent participation period. The 1 mt requirement is only 1/8000th of the average. However, the three year aspect of the requirement was viewed to indicate longevity, commitment, and investment in the fishery without screening out the smallest receivers. During discussion, the view was expressed that there should be as many buyers in the fishery as possible. Those opposing a more restrictive requirement felt that if the recent participation requirement means that fewer buyers each receive larger amounts, and if buyers receiving an initial allocation of QS have a competitive advantage over those screened out, then the recent participation requirement will make it more difficult to maintain a large number of geographically dispersed buyers. Additionally, the opinion was expressed that if QS is given to these small entities and they fail or divest themselves of the QS, this QS would be the source for new entrants. Receipt of an initial allocation may also provide some certainty for financing. The motion failed and a subsequent motion was the basis for the following TIQC recommendation. Some supporting the subsequent motion noted that the contrast of the lower threshold with the higher threshold would serve to illustrate the effect of fewer versus more initial recipients.

Recommendation: *Add two options for shoreside whiting processor qualification: 1) in the years 1998-2003 any company that bought 1 mt of whiting in any 2 of those years, and 2) 1 delivery of any size. (Consensus)*

Recommendation: *Add two options for shoreside non-whiting groundfish processor qualification: 1) 6 mt in each of 3 years, and 2) 1 delivery option. (Consensus)*

The TIQC discussed whether the non-whiting years should be the same as the whiting years. For shoreside whiting processors, the TIQC felt that picking 1998 as the starting year for qualification, rather than 1997, was appropriate because in 1998 the shoreside processing industry became more stable.

IFQs: Allocating Overfished Species Using Target Species QS & Applying Bycatch Rates (A-2.1.3)

In June, the Council approved a method for allocating overfished stocks based on a bycatch rate. Since the bycatch rate of overfished stocks can vary widely from one area to another, this method attempts to establish an area that vessels will fish in after the fishery is rationalized. The method adopted by the Council in June would use aggregated logbook data on a species by species basis to predict where vessels would fish under rationalization. In other words, if 90% of the trawl caught Pacific cod occurred north of Cape Mendocino, and shoreward of the trawl

RCA, each permit with Pacific cod catch history would be estimated to take 90% of its Pacific cod from that same area.

At its meeting, the GAC recommended that logbooks be used on an individual permit basis, and that where the permit caught target species between 2003 and 2006 would be the estimate for where the permit would catch its target species after the fishery was rationalized. The TIQC disagreed with this recommendation.

During discussion, the TIQC initially noted that fleet average logbook data would be more appropriate than individual permit logbook history during 2003-2006 because in more recent years vessels were forced to choose between fishing shoreward or seaward of the trawl RCA in the north. Since the catch history formula is based on the years 1994-2003, permits will receive QS for species that are found both shoreward and seaward of the RCA. Therefore, the TIQC initially discussed using fleet average logbook data so that each permit would be assigned both shoreward and seaward catch history. For example, one permit may have caught 100% of its Dover sole from areas seaward of the RCA over the 2003-2006 period, while on average the fleet may have harvested 70% of its Dover sole from areas seaward of the RCA, and 30% of its Dover sole from areas shoreward of the RCA. Using fleet averages would mean that the permit would receive credit based on fleet fishing patterns in areas shoreward and seaward of the RCA, and overfished species would be allocated accordingly.

After further deliberation on the issue, the TIQC decided to recommend the use of permit specific logbooks from 1994-2003. It was felt that using 1994-2003 logbooks to estimate fishing location in a rationalized fishery would align the allocation of overfished stocks better with the allocation of target species. Furthermore, it was felt that using 1994-2003 permit specific logbooks would be a better estimator for fishing location in a rationalized fishery because permits would overfished species allocations in proportion to their allocations of target species based on fishing activity during that period.

Recommendation: TIQC Recommendation: *The TIQC concurred with the GAC recommendation to use individual permit logbooks as part of the allocation formulas for both overfished species OS and halibut IBQ but recommends that 1994-2003 logbooks be used to determine the location of target species catch instead of 2003-2006 logbooks. (Consensus)*

IFQs: Allocation of Rare Overfished Species Using an Auction Approach (A-2.1.3)

During discussion it was noted that one of the attractive aspects of the auction approach was that it presented a way to distribute overfished species QP annually at a lower cost to those who needed it. This was preferred over allocation of QS for those species. Such QS might be held by those who don't need it to go fishing, but who might then extract a high price when the demand is high. The TIQC wondered if there were other ways to allocate overfished species quota on an "as needed" basis.

In regard to the auction idea, there was concern about the amount of time a vessel might have to be tied up. A two month timeframe for auctions might be preferred over quarterly. NMFS should supply the Council with information on how the timing might work for the auctions. There should be some consideration to anyone who isn't able to cover their deficit of rare species

covered in the first auction – should that person have bidding preference in the second auction? How would those preferences be established? How will “rare” overfished species be defined? When a species is no longer rare, how would its QS be allocated. What happens for those holding QS when a species becomes rare? A question was raised as to what would happen in the last auction of the year? If not all of the QP were needed by those with overages, what would happen to the remainder? If there were not enough QP for all the overages, what would happen to those harvesters with uncovered overages and to fleet fishing opportunity? Some TIQC members saw merit in issuing QS for these species and allowing the market to allocate.

An important part of the IFQ program is the incentive provided to encourage fishermen to avoid overfished species. Special attention needs to be paid to whether the incentives are adequate in whatever options are developed for alternative ways to distribute overfished species QP.

***Recommendation:** The TIQC recommends considering allocations of QP for rare overfished species on some alternative basis (a basis other than giving it to the holders of QS for those species). An auction, occurring periodically throughout the year, is one means of allocating QP for rare overfished species on an as needed basis. Work on the auction concept should continue. Other approaches should also be explored, keeping in mind the need to provide individual incentive for avoiding bycatch of overfished species. (Consensus)*

IFQs: Direct QS Reallocation after Initial Issuance (A-2.1.6)

With Changes in Management Areas

The TIQC reviewed the concept for moving management lines and combining areas designed to ensure that the management area changes do not result in a reduction or increase in the annual QP a person receives.

***Recommendation:** Concur with GAC recommendation to move forward with the option. (Consensus)*

With Changes in Stock Status

The TIQC reviewed the GAC recommendation. When an overfished stock is rebuilt that has previously been the subject of a target fishery, there should be a way to allocate those species so that they can be taken as needed as a target species in a directed fishery or as incidental catch in another directed fishery. Some members of the TIQC felt that QS for several of the overfished species that would be rebuilt in the near future should be allocated now. The transfer of QS for these species could be frozen for the time being. Others felt that it was not necessary to allocate the species now, but knowing the allocation rules that would be applied in the future would reduce uncertainty and create stability. Still other TIQC members felt that the rules for reallocation of overfished species should be developed at the time of rebuilding to avoid having to deal with a range of issues and definitions in the current deliberations.

A related recommendation on limiting transfers in the first years of the program is provided under “*Temporary Transfer Prohibition.*”

IFQ: Vessel Quota Pound (QP) Minimum Holding Requirement (A-2.2.1)

The TIQC noted that there would be significant penalties for those who take the risk of fishing without the QP they need. Vessels will also need to take into account delays that may occur while NMFS processes transfers. There was concern that the minimum holding requirement could remove needed QP from the market.

***Recommendation:** The TIQC endorsed the GAC recommendation, which was: Drop the option that would require a vessel to hold some minimum amount of QP before departing from port.*

IFQ: Vessel QP Overage Resolution (A-2.2.1)

Concern had been expressed that a disaster tow on a rare overfished species could result in a vessel being “tied up” (Option 1) for years trying to cover the overage. The extent of the “tie up” provision needs to be determined but at a minimum would likely prohibit a vessel from participating in any fishery that might take West Coast groundfish. This might be considered victimization of the fisherman. On this basis, an attempt had been made to develop alternative means of compliance.

The TIQC was advised that there are two legal questions to consider (1) does the option achieve a legitimate goal, and (2) does NMFS have the authority. Measures that are punitive without due process may not be approvable. The TIQC believed that Options 4 and 5 might not provide adequate due process to the harvester. The performance bond required under Option 3 also appeared to be problematic given Federal rules. It was noted that Option 2 might establish a cap on the price of overfished species quota (instead of buying overfished species quota, an individual would buy and surrender the alternative species).

Recommendation:

Retain

Option 1 (vessel ties up until the overage is covered with QP), and

*Option 2 (vessel ties up or can continue fishing by surrendering QS of other species)
and*

Drop

Option 3 (vessel ties up or can continue fishing by posting a bond).

Option 4 (vessel ties up or can continue by payment of an amount based on the target species typically associated with the overage) and

Option 5 (vessel ties up or can continue by payment of an amount based on fish on board)

IFQ: Temporary Transfer Prohibitions (A-2.2.3.c)

The discussion surrounding transferability suspension of QS started as part of the discussion of options for reallocating QS for overfished species once they are rebuilt. In that context, there was a discussion of the utility of prohibiting permanent transfer of QS during the first years of the program in order to allow fishermen to gain a better understanding of how the system will function and the value of the QS. QP could continue to be traded. Some TIQC members noted that at the start of the program everyone receives less than what they need and consolidation

occurs through trading. Preventing permanent transferability could hinder consolidation and might prevent people from both getting out of the fishery and from fishing. Other TIQC members felt that leasing quota pounds would take care of that. It was also noted that even with a prohibition on transfer of QS, individuals could still enter into private contracts which would obligate them to transfer of QS once the prohibition was lifted (i.e. the provision could be circumvented).

Recommendation: Direct Council staff to do an analysis of two scenarios: 1) all species quota shares are not permanently transferable in the first year and 2) no prohibition on transferability. (Consensus)

IFQ: Accumulation Limits (A-2.2.3.e)

The TIQC reviewed the GAC recommendation and discussed both accumulation limits and the grandfather exception (a clause allowing those who initially qualify for QS in excess of an accumulation limit to retain that excess). It was noted that the grandfather exception would create two classes of QS holders, those capped at the accumulation limits and those substantially above. Some TIQC members suggested that no grandfather exception or a limit on the grandfather clause might be a way to limit changes in market power that could result from the initial allocation. Eliminating or limiting the clause could also reduce the maximum possible disparity among initial recipients. On the other hand, the grandfather exception is intended to allow people to receive enough QS to continue their past levels of activity. In general QS allocation formulas tend to give people less than what they need to continue past activities. Elimination of the grandfather exception would reduce that further. The TIQC members agreed that there should be analysis of the program performance with and without the grandfather exception.

TIQC Recommendation: Three options should be included in the analysis: no grandfather clause, full grandfather clause, and a grandfather clause that is 2x the vessel accumulation limit cap. (Consensus)

The TIQC looked at the tables created to examine the accumulation cap issue. For species that were not fully utilized, the review of historic concentration levels may be misleading (for example, shortbelly rockfish). It was suggested that for calculating the percentage of fish caught by a vessel in a given year the OY be used as the denominator rather than total trawl landings. However, this would only work for trawl dominant species so for OYs that were not fully utilized some assumption would need to be made about an appropriate trawl portion for other species. It was also suggested that the tables show only the allocation years selected by the Council.

Some members of the TIQC suggested approaching the accumulation cap from a different tack. Rather than looking at the past, determine what we want the fleet to look like in the future. The control limit would then be a function of what kind of program the Council decides to develop.

IFQ: Tracking and Monitoring, Estimates of Administrative Costs and Fee (A-2.3.1 and A-2.3.3)

Dr. Steve Freese made a presentation on tracking and monitoring issues and the assessment of program costs for the purpose of determining fees. This issue will be reviewed again by the TIQC, probably in late spring. Some TIQC members felt that the difference in administrative costs between the co-op and IFQ programs will be an important part of the analysis. The TIQC encouraged Dr. Freese to examine costs in the North Pacific related to co-op and ITQ systems, while at the same time taking into account differences that have to do with such factors as number of participants.

IFQ: Mandatory Data Collection Requirement (A-2.3.2)

Dr. Todd Lee reported to the TIQC that current voluntary surveys are inadequate for assessing performance of a rationalization program. Mandatory surveys would provide 100% response rate, be more detailed, and should be started a couple of years before implementation to capture a baseline for monitoring the effects of a TIQ program. The TIQC noted challenges with respect to estimating capital costs. Some of the TIQC members felt that the level of detail requested in the survey was too onerous on industry and that there would be labor costs on the industry side to comply with the data request. Dr. Lee noted that the proposed data collection would be subject to Paperwork Reduction Act clearance, which required justification for the data being requested, including estimates of the industry related costs and burden hours. Additionally, some economic data submitted under mandatory requirements has a higher level of confidentiality protection. During a discussion of potential penalties for false submissions and the need for audits it was noted that submissions of false information could potentially be considered a criminal offense.

TIQC Guidance: Provide information on the number of man-hours each company will have to provide in order to comply with a mandatory data collection requirement. (Also see recommendation for mandatory data collection under the section of this report on co-ops).

IFQ: Allocation of Pacific Halibut IBQ (A-4)

Though a member of the TIQC noted that those who trawled in the north starting after 2003 would not receive halibut IBQ, the TIQC made the following consensus recommendation:

***TIQC Recommendation:** The TIQC concurred with the GAC recommendation to use individual permit logbooks as part of the allocation formulas for both overfished species QS and halibut IBQ but recommends that 1994-2003 logbooks be used to determine the location of target species catch instead of 2003-2006 logbooks. (Consensus)*

IFQ: Trading IFQ with Limited Entry Fixed Gear Vessels

The TIQC received a proposal from Mr. Robert Alverson (FVOA) and Washington to allow trawl IFQ for some species to be used by fixed gear vessels without trawl permits. TIQC members expressed concern that while the proposal reflects the general direction the fishery is

moving in, it is too late for this proposal to be part of the trawl rationalization analysis because there are so many unknowns. Additionally, TIQC members commented that this proposal would add more confusion in the first years, which is contradictory to the cooling off period proposed for quota share trading. The objective at this point is to simplify alternatives rather than complicate them. Additionally, the current makeup of the TIQC was not adequate for consideration of a proposal affecting the fixed gear fishery.

TIQC Recommendation: *This item should be tabled, and should be taken up as part of a future FMP amendment when there is time to fully discuss the issue. If the Council decides to have this analyzed, the TIQC recommends the following be included among things to be considered in specification of the option:*

- *payment of taxes for the buyback program,*
- *the need for 100% observation (100% accountability),*
- *adjustments that may be needed for accumulation caps,*
- *transferability of quota shares both ways between trawl and fixed gear,*
- *overfished species quota transferability among gear types,*
- *the bycatch rates to be used for allocation (if overfished species are allocated annually using a formula based on bycatch rates), and*
- *the Rockfish Conservation Areas that would apply. (No votes opposed, 2 abstentions)*

IFQ: Vessel Size Endorsement (New)

Part of the original FVOA proposal to allow fixed gear vessels to buy trawl IFQ included changing the limited entry permit size endorsement requirement. The TIQC discussed the need for a size endorsement under an IFQ system, and whether or not other fisheries would be affected if trawl vessels were not constrained by the size limit on their permits. Because other fisheries in which trawl vessels participate are constrained by limited entry systems which have their own size requirements, the TIQC does not believe that elimination of the size endorsement in a trawl IFQ program would have adverse effects for the groundfish trawl fleet or for the other fisheries in which these vessels participate. Additionally, elimination could result in efficiency gains within the trawl fleet.

Recommendation: *Remove the size limit endorsement under an IQ program. (Consensus)*

IFQs and Co-ops: Bycatch Species Caps in the Whiting Fishery (A-5 and B)

The TIQC reviewed draft guidelines developed by staff on how a determination would be made regarding which bycatch species would be managed with hard caps (both for the IFQ alternative in which there is no IFQ for bycatch species and under the co-op alternative). It was expressed that the determinations should be flexible to take into account changing conditions. Designation of cap species as part of the biennial specifications process might provide that flexibility. The TIQC was comfortable with the list of species that would be assumed to be “cap species” for the purpose of the analysis.

TIQC Recommendation: *Move ahead with the guidelines for determining which species will be managed using caps, in consultation with NMFS. (Consensus)*

Co-ops: Bycatch Management in the Mothership and Shoreside Sector Co-op Programs (B-1 and B-2)

During discussion of bycatch management under co-ops, it was noted that the amounts available would be so small and the frequency of disaster tow occurrences so rare and random, that the division of bycatch among co-ops might make it difficult for an individual co-op to cover a disaster tow within the co-op, particularly smaller co-ops with smaller whiting allocations. The main means of bycatch allocation discussed was pro rata allocation based on whiting allocations.

The concept of the inter-co-op agreement is not currently in the suite of options and needs to be added. The suggestion was made that no one be allowed to fish unless an inter-co-op is formed to manage bycatch, however, some felt this would give too much leverage to individual vessels or co-ops.

Some TIQC members believed that the provision of a co-op level allocation would provide incentive for those co-ops to join together in inter-co-ops in order to ensure they had access to the needed bycatch. At the same time, the division of allocation among co-ops would ensure that if inter-co-ops do not form, the fishery would not deteriorate into a race for bycatch.

It was noted that the allocation of bycatch to co-ops also implies an allocation of bycatch between the co-op and non-co-op fishery and it was suggested that the non-co-op fishery open later in the year (when potential bycatch problems would be lower) thus providing another incentive for vessels to form co-ops.

The alternative currently contains a roll-over option. Some TIQC members anticipate that cross-whiting-sector bycatch agreements might be reached and felt that bycatch quota exchange should be part of this program.

***TIQC Recommendation:** Endorse the GAC recommendation for an option to assign bycatch to co-ops and explicitly incorporate provisions for inter-co-op agreements, and keep the current option as well. (Consensus)*

Co-ops: Mothership Sector Co-op Alternative (B-1)

The TIQC discussed allowing catcher-processors to become motherships and vice versa in the same calendar year under the trawl rationalization program. It was noted that current regulations governing the sector allocations do not allow a vessel to operate as both a mothership and a catcher-processor in the same year. The current restriction prevents catcher-processors that have already covered their fixed costs from their operation in one sector from using their expanded harvest opportunity to lower their average costs and out compete those operating only in one sector. On the other hand, restriction of movement potentially imposes an inefficiency in a program designed to enhance efficiency. It was noted that the mothership sector was not united on this point and that therefore an additional option might be appropriate.

***TIQC Recommendation:** Add an option that would allow a vessel to operate both as a harvester and as a mothership in the same year. (Majority)*

Those advocating a limit on transfers to one per year viewed this as leveling the playing field for smaller companies that had fewer at-sea processors. A company with many ships could rotate ships through the mothership fishery, gaining the advantage of being able to supply catcher vessels with a year round market, while a company with only one ship would be absent from the market while participating in other fisheries (e.g. the Alaskan fishery) or experiencing a breakdown. In opposition, the view was also expressed that the sole purpose of the limit on the number of transfers was to alter the balance of market powers and that this was inconsistent with the stated objectives.

TIQC Recommendation: *Add an option to allow a mothership permit to be transferred once during a year. (Majority)*

Vessels that wish to change MS must first spend one year in the non-cooperative portion of the fishery. The rationale is that it creates stability in the market and constrains vessels from jumping between markets. In the non-co-op, the delivery can be to any licensed processor. In the co-op, you must deliver to the processor to which you last delivered. If a MS leaves the fishery, the co-op vessels that were delivering to that MS should then have the option to dissolve the co-op and go either into the non-co-op fishery or to another co-op (without spending a year in the non-co-op) or go into the non-co-op. The intent is to allow vessels in a co-op with no MS to go to another MS without having to go into the non-co-op for a period of time.

TIQC Guidance: Modify the mothership withdrawal provision to clarify the intent that when a mothership withdraws from the fishery and its permit is not transferred or a mutual agreement is not reached to transfer delivery to another mothership, a co-op vessel obligated to that mothership may go into another co-op of its choosing, keep the original co-op together and find another mothership but in either case will not have to go into the non-co-op fishery first. (Consensus)

The purpose to be reflected in the modified language is to provide some protection to processors and incentive for catcher vessels to bargain with processors in good faith. The disincentive is the requirement to participate for one year in the non-co-op fishery in order to move from one processor to another.

TIQC Guidance: Modify the processor tie provision for CVs moving among motherships to clarify the intent that the initial linkage of a CV to a MS is established based on the MS to which the CV chooses to deliver the majority of its fish in the most recent year that it fished before the program is implemented. Once the program is implemented, a CV is required to participate in the non-coop fishery when moving from one MS to another MS. (Consensus)

NMFS noted that some of language specifying the NMFS' role goes beyond the agency's view of the cooperative agreements, which are private agreements with provisions that would not be enforced by the agency, and some of the language was overly restrictive. In general, the TIQC agreed with this position and NMFS indicated that it would provide more specifics at a later date.

TIQC Guidance: NMFS should clarify what they will and will not do for implementation of the entire co-op option. (Consensus)

Co-ops: Continuation of the Shoreside Sector Co-op Program (B-2)

NOAA GC expressed concern as to whether the processor license program and processor ties that are part of the vessel co-op program would be permissible under the Magnuson-Stevens Act (MSA), in particular with respect to the shoreside processors. It was noted that Congress could change the law in such a way as to make the proposal permissible (as it did for the North Pacific when it enacted crab rationalization). The MSA requirement to analyze the allocation of harvest privileges to fishermen and processors working together in a co-operative manner was discussed and it was observed that the shoreside whiting co-op alternative would fulfill this requirement. At the same time, others felt that there are other ways that harvesters and processors might work together in a co-operative manner, for example through the formation of voluntary co-ops under an IFQ program. These should be reviewed. It was also noted that there were no shoreside harvesters present to represent their views when the GAC decided to recommend elimination of the option.

***TIQC Recommendation:** Move forward with this alternative, even with the advice that this option may not be legal, in order to comply with the MSA requirement. (Consensus)*

Co-ops: Mandatory Data Collection for Co-ops (New)

After hearing the report from Dr. Todd Lee on mandatory data collection for the IFQ program, the TIQC concurred with the GAC that similar provisions should be included as part of the co-op alternatives.

***Recommendation:** Add a mandatory data collection requirement to the co-op alternative. (Majority)*