

Groundfish Allocation Committee

Pacific Fishery Management Council
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The Groundfish Allocation Committee (GAC) met May 13-15 and developed the following recommendations for the Pacific Fishery Management Council (Council).

Rationalized Management of Sectors

- **The GAC recommends the Catcher/Processor (C/P) fleet be managed as a co-op.**

Rationale and comments: The benefits of a C/P co-op, including simplified management for National Marine Fisheries Service (NMFS) and good bycatch performance by this sector, are compelling reasons to go forward with the co-op option for the C/P fishery.

At the same time, some GAC members expressed two specific concerns about the co-op alternative. One of the concerns had to do with whether or not under this alternative the C/P co-op could dissolve into a derby fishery, and the other had to do with whether the co-op would be obligated to accept as a member anyone with a permit for a C/P vessel. Because there would not be a specific allocation other than that made to the C/P sector as a whole, under the proposed alternative if some vessels leave the co-op, the fishery could revert to a race for fish. Those vessels that leave the C/P co-op would not be able to take a portion of the C/P allocation with them for harvest in a separate non-co-op fishery, unlike co-ops proposed for the mothership (MS) and shoreside (SS) sectors. The harvest amount would be given as a whole to the C/P sector. To prevent a derby, non-co-op vessels would need a separate pool of target and bycatch fish, otherwise the non-co-op vessels could try to take as much of the sector share as they are able. If one of the C/P permits is sold to a new owner that is willing to abide by the co-op contract, could that owner join the co-op automatically, or would the existing co-op have authority over accepting the new entrant? These are both problems that could come up, which the Council may have to fix later rather than trying to craft the program in anticipation of these particular problems.

This recommendation would create a closed class or a limited access system, which is not the same as a Limited Access Privilege Program (LAPP) as defined in the Magnuson-Stevens Fishery Conservation and Management Act (MSA). Participation in a C/P co-op alternative would be entirely voluntary. If the Council determines that a greater degree of regulatory authority is needed some changes would be required to make it a regulatory co-op. Changes would also be required if the Council wishes the C/P co-op alternative to fit within the MSA definition of a LAPP.

The GAC recommends the Mothership whiting sector be managed as a co-op and identified the following as preferred options:

Topic	Sections	GAC Recommendations
For All Whiting Sectors (B-1)		
Annual Whiting Rollovers	B-1.2	Option 1: No rollover of unused whiting between sectors.
Bycatch Allocation Subdivision	B-1.3.1	Subdivision Option D: Subdivide bycatch allocation among whiting sectors and within sectors subdivide between co-op and non-co-op, and between co-ops.
Bycatch Management	B-1.3.2	Rollover Option 1: Unused bycatch maybe rolled over between sectors.
		No preferred option identified for bycatch buffer between co-op and non-co-op.
Mandatory Data Collection	B-1.5	No preferred option identified.
Adaptive Management	B-1.6	Up to 10% Adaptive Management (see detail in this report below).
Mothership (MS) Sector (B-2)		
Participation	B-2.1.c	Option 1: Vessel may not operate as a MS during a year in which it participates as a C/P.
Catcher Vessel Endorsement Qualifying Requirements	B-2.2.1.a	No preferred option for qualification or catch history years. Catch History Assignment: Keep current option and add 1994-2003 in for analysis,
Whiting Endorsement Transferability	B-2.2.1.b	Transfer Option 2: Whiting endorsement may be severed from permit and transferred.
Accumulation Limits	B-2.2.1.c	No preferred option identified.
MS Qualifying Entities	B-2.2.2.a	No preferred option identified.
Transferability	B-2.2.2.c(3)	Option 1: MS permit may not be transferred to a vessel engaged in harvest of whiting in the year of transfer.
	B-2.2.2.c(4)	No preferred option identified.
Usage Limit	B-2.2.2.d	No preferred option. Add in a 40% option for analysis.
Number of Co-ops	B-2.3.1	Co-op Formation Option 2: Multiple co-ops not required.
Co-op Agreement Standards	B-2.3.3	Waiting on NOAA GC opinion. No preferred option identified.
Processor Ties Formation of Ties	B-2.4	Option 1: Obligated delivery is 100% (all).
	B-2.4.1	Option 1: Obligated deliveries are based on deliveries made in the most recent year that a C/V fished before rationalization.
MS Withdrawal	B-2.4.3	No preferred option identified.

Gray = GAC did not identify a preferred option.

Rationale: A group representing a majority of the participants in this sector indicated that they prefer a co-op alternative. The GAC reviewed the general recommendation and specific options of this group as well as the minority positions and accepted the group's recommendations with certain exceptions. There may be a problem with using different catch history years for qualification and allocation and therefore there was no preferred alternative selected by the GAC for section 2.2.1 and an option was added for the allocation period (1994-2003). Another percentage (40%) was added to the Usage Limit (B-2.2.2.d) options to allow consolidation of the harvest to as few as three MS. This level of consolidation may be appropriate for efficient operations if there is a decline in the whiting biomass. For the Bycatch Allocation Subdivision provision (B-1.3.1), Options C and D are not different if only one co-op is formed. However, if there is more than one co-op, bycatch should be subdivided between co-ops. Option D, which the GAC recommended, would provide for that instance.

General GAC Guidance: The GAC asked the industry advisors for further explanation of "most recent year" meant with respect to the formation of processor ties – whether that was the implementation year, and further, what if implementation occurred in stages? The proponents of an MS co-op should be prepared to address those questions before the Council at the June meeting.

- The GAC recommends the trawl fishery be managed as 3 sectors (i.e., combine shoreside whiting and shoreside non-whiting into a single sector).

Rationale: Market flexibility and other advantages are greater under three sectors than under four. A single shoreside sector will help resolve bycatch allocation issues for the shoreside whiting fishery. Although the GAC understood the concerns about problems when one sector bleeds into another, there was greater concern over putting burdensome restrictions on a new program. Non-whiting vessels would be substantially better off as a result of rationalization, making it unlikely that whiting vessels would financially dominate non-whiting vessels by acquiring QS.

- The GAC recommends the single shoreside sector be managed with individual fishing quotas.

Rationale: The large number and wide diversity of participants and fishing strategies in this sector make it most conducive to management by individual fishing quotas, as identified and supported by the analysis presented by the Council staff.

Initial Allocation of Quota Shares (OS) to Processors

- The GAC recommends no initial allocation of quota shares for processors.
(NMFS abstained from voting.)

Rationale: In reaching this recommendation, the following factors were noted in the GAC discussion:

1. An initial allocation of quota shares to processors may erode the personal accountability for bycatch that QS are supposed to provide. A major goal of the program is to maintain mortality of overfished species within the limits specified in the rebuilding plans. To achieve this we need to clearly put responsibility on the fisherman and give them incentives for innovations that will allow them to increase their catch of target species while decreasing overfished species bycatch rates. Starting out with an initial allocation of QS to fishermen clearly puts the responsibility on fishermen.
2. While QS may be transferred to processors after the initial allocation, the two are quite different. The initial allocation is a decision made by the government while the subsequent distribution among sectors will be driven by each person's individual business decisions to buy and sell. For an entity that is granted the QS as part of the initial allocation, the incentives for optimal use, and hence for personal accountability, will be less than if they have to buy that allocation through the market place.
3. The bycatch rate reduction expected with an initial allocation to fishermen will result in increased landings of target species which will benefit the entire industry, including processors.
4. The language of the MSA indicates a strong intent to recognize harvesters.
5. Ultimately, both sides will benefit from the program and there is not a large disadvantage if processors are not given shares initially.
6. There is limited evidence on the need for an allocation to processors and the ramification of such an allocation is unclear. It does not appear that an allocation to processors will address concerns about the geographic distribution of harvest.
7. Consolidation is a concern and an initial allocation to processors may lead to greater consolidation.
8. The analysis indicates that currently there is not a level playing field between harvesters and processors and an initial allocation to processors may exacerbate that imbalance, especially given the degree of consolidation in the processing sector.
9. Long established relationships between processors and harvesters will continue to exist, there will not be widespread disintegration and relocation of these relationships.
10. The history of development of this program encompasses the identification of a continued harvester overcapacity problem and conception of the buyback program in 1996, the groundfish strategic plan, and the bycatch reduction amendment. The success of this long-term effort requires protection for those established in the fishery in order to increase the economic stability for all.

Also cited were a number of the summary points at the start of "Competitiveness" under the section for harvest vessels in the "Impact on Sector Health" section of A-2.1.1a in Appendix A.

It was noted that in other rationalization programs, such as crab rationalization in the North Pacific, certain safeguards are built in to protect communities and the market power balance. But those safeguards are not built into this west coast rationalization program. Without those safeguards, greater consolidation could happen along the coast. Initial allocation to processors does not guarantee survival of communities or address concerns about geographic shifts of processing.

In response to a question about the timing of the response to a request to the Department of Justice for a legal consultation around issues of concern related to allocation to processors and consolidation, National Oceanic and Atmospheric Administration General Counsel indicated that a response might be forthcoming this fall but would be dependent on litigation related workload in the intervening period.

Adaptive Management

- The GAC recommends the Adaptive Management option. The option should be specified to take up to 10 percent of the quota pounds off the top of each sector's allocation before distribution to the QS holders. Adaptive management Quota Pounds (QP) would be redistributed within the sector from which they were derived.

Rationale: Potential uses for Adaptive Management quota pounds included reducing processor harm, sustaining coastal communities, facilitating new entrants, and promoting and rewarding gear conversion and by catch reduction.

The GAC agreed that the opportunity to use adaptive management QP to provide incentives in response to unanticipated outcomes of the program is good to have, but the feasibility and complexity of the adaptive management program would depend on the administrative details. Administration could be either complicated or simple depending on the objectives of the program and criteria used to distribute the quota pounds. If the Adaptive Management provision left the distribution of these quota pounds up to NMFS, there might be an advisory group that would score the proposals and NMFS would do public notice and rule making. As NMFS develops that proposed rule, they would have questions on certain elements that were not totally fleshed out by the Council. NMFS would have to come back to the Council for answers or direction. If, on the other hand, the objectives and criteria are simple, the more complicated NMFS advisory group process could be avoided.

It was noted that the Adaptive Management provision in the draft Environmental Impact Statement (EIS) was vague on purpose because it is intended to be a tool to address unforeseen problems that should be as flexible and simple as possible.

There was general agreement that unused Adaptive Management quota pounds should be released back to the sector quota share holders for use.

An argument against Adaptive Management is that the industry cannot handle a 10 percent reduction off the top and still remain profitable. If there is legitimacy to this, the implementation of the Adaptive Management provision could be suspended for one or two biennial specifications process, two or four years respectively, since it might take some time to understand the unforeseen impacts of the trawl rationalization program.

Review (and elimination, if necessary) of the Adaptive Management provision would always be under the purview of the Council at any time. Formal review of the trawl rationalization program, and any program provisions, would occur four years after program implementation.

Species Coverage

- The GAC requested the Groundfish Management Team (GMT) and the (Trawl Individual Quota Committee (TIQC) look at which species should or should not be managed with quota shares or co-op allocations and make a recommendation to the Council in June 2008.

Formulas for Initial Allocation

- The GAC recommends that the preferred Allocation Formula (A-2.1.3) option is Option 2, an allocation based on equal division of the buy-back permits' pool of QS and allocation of remaining QS based on permit history.
(NMFS abstained from voting.)

Rationale: Option 2 seemed to be the fairest way to do the allocation. The QS allocation that results from Option 2, shows that no one would be strongly up or down as compared to the recent year average while an allocation based only on catch history showed highly varied results in comparison to recent periods. Option 2 maintains a compromise between equal sharing and current participants.

- For the permit history based portion of the formula (A-2.1.3), the GAC recommends Overfished Species Option 2 for the non-whiting fishery and Bycatch Option 2 for the whiting fishery. Both options are based on target species catch.

Rationale: These options will tend to allocate bycatch species to individuals in the proportion that they need to take the target species QS they are allocated.

- The GAC requested that the GMT evaluate further subdivisions in the bycatch rates for use in the formulas for allocating overfished species. Specifically, the GMT should look at the variation of bycatch in different areas, assess the utility of divisions in addition to the 40° 10' management line, provide more information to the Council in June 2008 regarding the three areas north and two areas south known to have different bycatch rates, and display that information in a simple graph.

Accumulation Limits and Grandfather Clause

- The GAC requested the TIQC look at the Accumulation Limit options and make a recommendation to the Council in June 2008.

Area Management

- The GAC requested the GMT and TIQC look at the Area Management options and make a recommendation to the Council in June 2008.

GAC Schedule of Future Meetings

The GAC will meet on July 9 & 10, 2008 in Portland, OR to discuss Open Access.

The GAC will meet on October 9 & 10, 2008 in Portland to review the draft Trawl Rationalization EIS before the November Council meeting and to review Tracking & Monitoring portion of the trawl rationalization program.