

GROUND FISH MANAGEMENT TEAM (GMT) REPORT ON AMENDMENT 20 – TRAWL RATIONALIZATION ON ACCUMULATION LIMITS AND DIVESTITURE

The Groundfish Management Team (GMT) report (Agenda Item E.11.b) identifies specific considerations for setting vessel usage limits for catch of overfished species. In that report, we recommended setting vessel limits higher than control limits as a means of providing vessels flexibility for unexpected bycatch events (“higher vessel limit” approach). We revisit an alternative approach in this report that would fashion the vessel limit as a maximum quota pound (QP) balance of overfished species that could be held in a vessel account at any one time (“unused QP limit” approach).

The GMT received a presentation on the unused QP limit from Mr. Jim Seger (Agenda Item E.11.a, Attachment 1, Staff Presentation) and find that his presentation effectively captured the pros and cons of the unused QP limit approach, including several that have come up during GMT discussion. After further consideration the GMT recommends the approach is a viable alternative to setting vessel limits higher than the control limits.

We originally suggested analysis of the unused QP limit approach in March based on two observations: (1) the Trawl Individual Quota (TIQ) program itself creates a strong disincentive on the use of bycatch QP; and, (2) given uncertain information, it would be difficult for the Council to identify the “right number that strikes the appropriate balance between “too high” and “too low.” We recognize that the tradeoff between vessel limits that are “too high” or “too low” is different for overfished species than for target species; for overfished species, the danger of setting vessel limits “too low” creates negative impacts for individual vessels (i.e., either the vessel is forced to tie up or additional QPs would need to be acquired, likely at a high price, to continue fishing), whereas vessel limits that are “too high” would likely have more of an indirect effect on fleet consolidation.

We can compare the two approaches to using the “too low” / “too high” framework we revisited in our main report. Both approaches to setting bycatch or overfished species QP limits would provide some hedge against “too low” limits. However, the higher vessel limit approach would appear more limited in this regard because there is a “hard cap” on usage. Yet, as long as the limit was close to the “right number”—or at least was not “too low”—we would expect the approach to sufficiently flexible.

The unused QP approach, on the other hand, has been thought of as possibly inferior on the “too high” side of the equation because it is theoretically a “limitless limit.” Yet, in discussing the issue, the GMT has been unable to conclude that the approach would, practically speaking, lead to higher fleet consolidation than the higher vessel limit approach.

We use canary rockfish to illustrate this conclusion. In our main report, under the higher vessel limit approach we would recommend setting the control limit at 4.4 percent and the vessel limit at 10 percent. This creates a gap that would allow a vessel at the 4.4 percent quota share (QS) limit to acquire an additional 5.6 percent QP each year, irrespective of whether any of the QP was used or not. The unused QP approach, in contrast, would set the QP vessel limit equal to the

QS control limit (4.4 percent). And, while it would theoretically allow a vessel to acquire more than 10 percent of the QP, the vessel would be required to *use* that 10 percent. It is therefore difficult to conclude that the fleet would more likely to achieve a higher average bycatch QP usage level under the unused QP approach—and hence a greater degree of consolidation—than under the higher vessel limit approach.

The other issue we used to contrast the two approaches centers on the distinction between *using* QP and *holding* QP. As referenced above, the TIQ program creates an incentive to not use bycatch QP. Yet, as we addresses in our main report, the TIQ program also creates two major incentives to hold onto QP for overfished species. Those incentives arise because holding bycatch QP allows the holder the ability to direct the use of that QP. The ability to direct the use of bycatch QP, in turn, grants the holder some degree of control over the fishery because bycatch QP constrains access to target species in this multispecies fishery. Preventing undue control over the fishery has been a major policy objective of the Council’s accumulation limits.

The other incentive to hold QP derives from the uncertainty of bycatch. As long as the potential for variable, large bycatch events exist, certain participants will seek to hold bycatch quota to cover the risk, perhaps to the detriment of proper QP market functioning.

The unused QP limit approach appears to be the superior approach for those most worried about the potential negative impacts associated with the holding of bycatch QP. Again, using canary rockfish as an example, our suggested higher vessel limit approach would allow vessels to acquire and hold 5.6 percent irrespective of use. In contrast, the unused QP limit is based on use and, by design, would prevent holding onto more than the control limit at one point in time.

In conclusion, the unused QP approach is not without risks and uncertainties, yet neither is higher vessel limit approach. There appears to be no appreciable difference in the effect of either approach on fleet consolidation or bycatch of overfished species. However, the unused QP limit approach would not have the same negative effects on the market as higher limits could.

PFMC
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