

Non-Whiting Shoreside IFQ Fishery Review

ISSUES AND NECESSARY SOLUTIONS

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The non-whiting West Coast IFQ trawl fishery is an economic sinkhole. Original advocates have publically declared it an “economic failure”. Aggregate non-whiting species landings attainment in 2015 was the worst yet at 20.2 percent.¹ Pacific Seafood lost 45 percent of our fillet workforce due to extended lapses of groundfish deliveries.

In September 2014 Pacific Seafood submitted a report² to the PFMC, followed by public testimony, on fundamental issues and potential solutions in the non-whiting IFQ fishery. The report contrasted the large variance in the British Columbia (BC) IFQ performance to the West Coast IFQ program. In post-testimony questioning, a Council member, emphatically stressed that we failed to point out the regulatory differences between the BC and the West Coast programs, along with MSA requirements. This in fact is the point.

The BC program was held to be an iconic example by the PFMC, a template for the West Coast. If the US regulatory framework is that divergent, how did the West Coast IFQ proponents expect it to replicate similar performance? Why did analysts neglect to distinguish regulatory differences, and fail to recognize the predictable disparity in operational and economic performances?

The Whiting Fishery functions well for all sectors. In stark contrast, the Amendment 20/21 program needs to be structurally overhauled before it destroys the non-whiting fishery. The 5 year Review is our opportunity.

¹ SEE SLIDE 7 FOR 2015 IFQ SHORESIDE HARVEST AND ACL ATTAINMENT PERCENTAGES.

² PFMC SEPTEMBER 2014, AGENDA ITEM J.1.D. SUPPLEMENTAL PUBLIC COMMENT 2: PACIFIC SEAFOOD, “OMNIBUS REGULATION CHANGE PRIORITIES”.

Top areas of poor performance:

1. Inconsistent fresh market supply chain.
2. Vessel and processor revenues are stagnant or reduced.
3. Costs to vessels and processors have increased → California trawl fishery is largely an artifact.
4. ACL attainment rates have decreased in aggregate.
5. Historic target species such as Dover sole have been underutilized.
6. The “trailing amendment” process is a regulatory quagmire creating more confusion for the industry.

IFQ program elements that require modification:

1. Net economic benefit and optimum yield must become a primary focus of the IFQ program as outlined in National Standard 1 and groundfish FMP A20 goals.³
2. Increase vessel usage limits for individual species, remove the aggregate non-whiting QS limit and the aggregate vessel usage limit → this will allow vessels to specialize which should lead to better ACL utilization, reduced costs and increase in quota value.
3. Eliminate the utilization of trawl IFQ sablefish QP by non-trawl gear, or alternatively allow trawl IFQ fishery participants access to the tier sablefish fishery's quota (i.e. allow two way trading between the two fisheries).
4. Decrease the cost of observer coverage by some combination of EM and decreased human coverage and/or provide subsidies to eligible participants.

³ See Slide 8 for NS 1 and FMP A20 goals.































Necessary elements that should be analyzed and potentially added to the IFQ program:

1. Regulatory flexibility should be the top priority → use in-season management structure to better balance catches with available quota. Instead of having a “hard cap” system where QS and QP vessel usage limits are fixed in perpetuity, the focus should be on a “soft cap” system where usage limits can be temporarily changed to allow for greater ACL utilization if catch rates are very low for example.
2. Analyze and possibly implement a coop system similar to other successful coops (AFA and other Alaska coops for example) where vessels would optimize *collective* and individual accountability to reduce bycatch while *achieving* optimum yield → create coop use caps instead of having individual vessel caps.
3. In the event of a large “lightning strike” where a vessel could be prohibited from fishing for more than a year, allow the vessel one-time access to any unharvested ACL at year end by paying a “penalty fee” and/or provide some other mechanism so that the vessel is not forced to be out of the fishery for several years.

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4. A new approach we believe worth consideration is to allow IFQ participants to sell catch deficits (think of it as “bond trading” vs “stock/equity trading”). This is a way to mitigate “lightning strikes”. The ability to spread large catch deficit over multiple vessel accounts could in many cases prevent vessels from being tied up for several years. Even if there is enough quota available in the IFQ pool and willingness of other participants to cover somebody’s large catch deficit, the vessel in jeopardy still might not be able to fish for multiple years because the total pounds in its vessel account would be significantly higher than the vessel usage limit.
5. Use the economic performance metrics to drive actionable response plan and in-season adjustment:
 - a. Create easy to read quarterly or semiannual performance report card in a timely manner.
 - b. Estimate “break-even species prices” to understand when economic viability is compromised.
 - c. Utilize downstream seafood market data from different government agencies to help assess the IFQ fishery performance (e.g. gaining or losing retail shelf space to tilapia, etc.).

NOAA West Coast Groundfish IFQ Application- FY 2015

IFQ Species	Sector Quota Pounds	Carryover Quota Pounds	Catch to Date	Quota Pounds Remaining	Percentage of TAC Harvested
Arrowtooth flounder	7,041,410	-	3,680,826	3,360,584	 52%
Bocaccio rockfish South of 40°10' N.	180,537	17,273	85,223	112,587	 43%
Canary rockfish	95,372	8,866	98,842	5,396	 95%
Chilipepper rockfish South of 40°10' N.	2,652,161	-	416,972	2,235,189	 16%
Cowcod South of 40°10' N.	3,175	187	832	2,530	 25%
Darkblotched rockfish	629,662	60,158	269,762	420,058	 39%
Dover sole	101,370,312	4,788,683	13,753,292	92,405,703	 13%
English sole	20,179,330	-	724,877	19,454,453	 4%
Lingcod North of 40°10' N.	2,498,543	-	408,620	2,089,923	 16%
Lingcod South of 40°10' N.	987,032	-	69,851	917,181	 7%
Longspine thornyheads North of 34°27' N.	6,530,820	384,413	1,693,928	5,221,305	 24%
Minor shelf rockfish North of 40°10' N.	2,406,787	-	73,704	2,333,083	 3%
Minor shelf rockfish South of 40°10' N.	423,728	2,196	19,676	406,248	 5%
Minor slope rockfish North of 40°10' N.	2,688,339	-	502,616	2,185,723	 19%
Minor slope rockfish South of 40°10' N.	934,738	26,453	153,212	807,979	 16%
Other flatfish	16,910,558	-	1,837,997	15,072,561	 11%
Pacific cod	2,273,870	223,576	831,541	1,665,905	 33%
Pacific halibut (IBQ) North of 40°10' N.	186,287	19,421	79,075	126,633	 38%
Pacific ocean perch North of 40°10' N.	261,138	23,921	109,926	175,133	 39%
Pacific whiting	274,712,403	-	128,712,290	146,000,113	 47%
Petrale sole	5,598,419	-	5,510,340	88,079	 98%
Sablefish North of 36° N.	4,848,781	198,725	4,857,975	189,531	 96%
Sablefish South of 36° N.	1,587,064	137,010	374,175	1,349,899	 22%
Shortspine thornyheads North of 34°27' N.	3,486,589	296,304	1,583,654	2,199,239	 42%
Shortspine thornyheads South of 34°27' N.	110,231	10,244	1,809	118,666	 2%
Splitnose rockfish South of 40°10' N.	3,569,901	-	61,642	3,508,259	 2%
Starry flounder	1,668,569	-	14,144	1,654,425	 1%
Widow rockfish	3,131,931	167,354	1,795,880	1,503,405	 54%
Yelloweye rockfish	2,205	172	78	2,299	 3%
Yellowtail rockfish North of 40°10' N.	10,126,162	-	3,196,463	6,929,699	 32%
Includes IFQ SS Whiting	477,096,054	6,364,956	170,919,222	312,541,788	35.35%
Non whitng IFQ species only	202,383,651	6,364,956	42,206,932	166,541,675	20.22%

- National Standard 1: *Conservation and management measures shall prevent overfishing while achieving, on a continuing basis, the optimum yield from each fishery for the United States fishing industry.*
- (A-20 FEIS) “The primary stated goal of Amendment 20 is: *Create and implement a capacity rationalization plan that increases net economic benefits, creates individual economic stability, provides for full utilization of the trawl sector allocation, considers environmental impacts, and achieves individual accountability of catch and bycatch.*” Additional stated objectives of Amendment 20 include: (#2) “provide for a viable, profitable, and efficient groundfish fishery,” (#4) “Increase operational flexibility,” (#5) “minimize adverse effects . . . on fishing communities,” and (#6) to “promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry.”

“Economists tend to trust that competitive markets are the most efficient means of distributing scarce resources (e.g., QP), but this may not be the case when these markets are inherently thin and must distribute multiple goods with jointly determined and highly uncertain values....

“The centralized decision-making of a large firm (whether an owner of vessels or a processor that owns or buys and distributes QP to the vessels that deliver fish to it) that can harness disparate information and/or can mitigate risk associated with uncertainty may actually be able to do a better job of maximizing value. It is notable that, in mature multispecies IFQ systems in New Zealand, Iceland, and British Columbia much of the quota share has been acquired by large firms, often by processors or vertically integrated firms with processing and harvesting capacity. Part of the reason for this is undoubtedly to increase their ability to build stable markets for their products by gaining control of what fish is landed when, but these firms are also able to move QP around to the vessels that fish to them to ensure it is used efficiently. **Cooperatives might achieve similar gains, depending on how they are organized and operated. Risk pools also play an important role....**

“Rules that at face value appear to be designed to make the market more competitive (e.g., aggregation limits, prohibiting subtracting quota cost from ex-vessel price) may actually constrain useful distribution mechanisms (e.g., risk pools and cooperatives), though they may also be necessary to avoid abuses of market power. There are likely to be trade-offs in terms of allowing useful organizational mechanisms for quota distribution and abuses that can occur as a result of centralized control and “market power...””

The Anatomy of a Multispecies Individual Fishing Quota (IFQ) “Market” in Development -

Daniel S. Holland and Karma Norman

Link: <http://spo.nmfs.noaa.gov/tm/TM158.pdf>