

TRAWL RATIONALIZATION

ISSUE: SEVERABILITY OF WHITING MOTHERSHIP CATCHER VESSEL ENDORSEMENTS/CATCH HISTORY

Council Decision Document

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Table of Contents

CHAPTER 1	Purpose and Need for the Proposed Action.....	3
1.1	Introduction	3
1.2	Description of the Proposed Action	3
1.2.1	Issue: Severability of Whiting Mothership Catcher Vessel Endorsements/Catch History.	3
1.3	Purpose and Need for the Proposed Action	3
1.3.1	Issue: Severability of Whiting Mothership Catcher Vessel Endorsements/Catch History.	3
CHAPTER 2	Description of the Alternatives.....	5
CHAPTER 3	Impacts	6
3.1	Issue: Severability of Whiting Mothership Catcher Vessel Endorsements/Catch History	6
3.1.1	Direct and Indirect Impacts to the Physical Environment, Including Habitat and Ecosystem, and Biological Environment	6
3.1.2	Direct and Indirect Impacts to the Socioeconomic Environment.....	6

List of Tables

Table 3-1. Mothership catcher vessel endorsement and associated whiting catch history assignments. .. 7

List of Figures

NO TABLE OF FIGURES ENTRIES FOUND.

CHAPTER 1 PURPOSE AND NEED FOR THE PROPOSED ACTION

1.1 Introduction

This document provides background information about, and analyses for, a provision that would allow the mothership catcher vessel (MS/CV) endorsement and/or associated catch history to be separated from the limited entry permit to which it was issued and transferred to a different limited entry trawl permit. The proposed action would require an amendment to the regulations implementing the Pacific Coast Groundfish Fishery Management Plan (FMP). If the regulatory amendment is implemented, the description of the trawl rationalization program contained in Appendix E to the groundfish FMP would automatically be revised to reflect the regulatory modification. The proposed action must conform to the Magnuson-Stevens Fishery Conservation and Management Act (MSA), the principal legal basis for fishery management within the Exclusive Economic Zone (EEZ), which extends from the outer boundary of the territorial sea to a distance of 200 nautical miles from shore.

1.2 Description of the Proposed Action

1.2.1 Issue: Severability of Whiting Mothership Catcher Vessel Endorsements/Catch History

The proposed action is to amend the regulations implementing the groundfish FMP to change provisions related to the transferability of MS/CV endorsements and/or catch history.

1.3 Purpose and Need for the Proposed Action

1.3.1 Issue: Severability of Whiting Mothership Catcher Vessel Endorsements/Catch History

Under Amendment 20 trawl rationalization (the catch shares program), MS/CV endorsements were issued for limited entry trawl permits that met required minimums for participation in the mothership sector of the whiting fishery. These endorsements included a catch history assignment based on the catch history of the individual permits during the allocation period. There are some permits that during the allocation period participated primarily in the shoreside fishery but had some relatively minor amounts of MS/CV catch history. These permits received MS/CV endorsements with some very small allocations of whiting catch history. In order to use the catch history associated with an MS/CV endorsement, the endorsed permit must join a co-op. Once a permit has joined the co-op the annual allocation associated with that permit's catch history is assigned to the co-op and any vessel in or fishing for the co-op, may harvest it. For any permit that does not join the co-op, the annual allocation associated with that permit's catch history is assigned to the non-co-op fishery. In the non-co-op fishery, any vessel with an MS/CV endorsement which has not joined the co-op competes with other

such vessels to harvest the non-co-op fishery allocation. If a number of vessels fishing for different motherships participate, the non-co-op fishery could likely encounter many of the problems associated with the traditional derby style fisheries. However, under the trawl rationalization program it is believed that not many (if any) vessels will choose to participate in the non-co-op fishery.

For the small amounts of mothership whiting catch history that some permits received, the burden (transaction costs) of joining a co-op may not be worth the benefits from that permit's allocation. Maintaining membership in the co-op and conducting the annual transfers would entail annual transaction costs for both the co-op and the permits receiving the small allocation. Alternatively, these permit holders could sell their permits to mothership whiting fishery participants; however, they might not want to because they need the permits for use in the shoreside fishery.

Given this situation, there are a number of concerns.

1. If permit holders with very small amounts of quota join co-ops each year, there will be transaction costs that may largely offset the benefits of the small allocation, reducing the overall efficiency and benefits from the trawl rationalization program.
2. If permits with very small amounts do not join a co-op, their allocations will automatically go to the non-co-op fishery where
 - a. it may go unharvested, if all other MS/CV endorsed permits have joined co-ops and the owners of the permits with small allocations do not have interest in gearing up for the mothership whiting fishery;
 - b. it may contribute toward an incentive for MS/CV endorsed permits to enter the non-co-op fishery instead of joining a co-op, decreasing the effectiveness of the trawl rationalization program.

In addressing these concerns, the purpose of this action is to reduce transaction costs, increase the probability that the fishery and communities are able to fully benefit from the allowable levels of whiting harvest, and reduce the chances that incentives will develop for vessels to enter into a non-co-op derby style fishery.

CHAPTER 2 DESCRIPTION OF THE ALTERNATIVES

2.1.1.1 Severability of Whiting Mothership Catcher Vessel Endorsements/Catch History

No Action Alternative -- Status quo. *The language on severability contained in Appendix E to the groundfish FMP (reflecting the regulatory language) would remain unchanged.*

Appendix E, Section B-2.1.1.b: The [MS/CV] whiting endorsement (together with the associated catch history) *may not be* severed from the groundfish LE trawl permit. Catch history associated with the whiting endorsement may not be subdivided.

Alternative 1 (Preliminary Preferred Alternative) –MS/CV Endorsement Severability. *Modify the regulations to achieve the following.*

- a. The MS/CV whiting endorsement (together with the associated catch history) *may be* severed from the groundfish LE trawl permit (the endorsement and catch history stay together).
- b. Catch history associated with the whiting endorsement may not be subdivided.
- c. The severed endorsement and catch history may be transferred together to any limited entry trawl permit (if the permit to which the MS/CV endorsement is transferred already has an MS/CV endorsement, multiple MS/CV endorsements would be stacked on the single permit).
- d. The endorsement and catch history would be maintained separately on the limited entry permit (i.e., stacked, but not merged or combined with any other endorsement or catch history on the permit). Such endorsements together with the catch history could later be transferred away from the permit.

Alternative 1 was developed by the Council at its November 2010 meeting. An alternative considered but not developed would have allowed the catch history to be transferred separate from the MS/CV endorsement. A trawl permit with an MS/CV endorsement alone, but without catch history, would confer little relative to a trawl permit that does not have an MS/CV endorsement. Vessels with MS/CV endorsed permits and those without MS/CV endorsed permits are allowed to fish for co-ops. A permit without an MS/CV endorsement permit is not allowed to formally join the co-op, while a permit with an MS/CV endorsement permit is. However, co-op membership of an MS/CV endorsed permit without any catch history would not provide an advantage to the co-op, except possibly by helping the co-op meet the minimum requirement for number members (B-2.2.3.b “A minimum of 20 percent of the CV(MS) permit holders are required to form a co-op”).

CHAPTER 3 IMPACTS

3.1 Issue: Severability of Whiting Mothership Catcher Vessel Endorsements/Catch History

Modification of the trawl rationalization program to allow the severance of MS/CV endorsements from limited entry trawl permits will not substantially impact the physical or biological environment. Its primary effects will be to on the distribution of benefits from the trawl rationalization program and socio-economic performance of the program.

3.1.1 Direct and Indirect Impacts to the Physical Environment, Including Habitat and Ecosystem, and Biological Environment

Under the alternative to status quo, potential impacts on the physical and biological would likely be minor. The means by which harvest is taken (trawl gear) would not be changed but there could be a minor effect on the level of harvest. In a separate process, regulations for the level of harvest in the whiting fishery are developed based on the assumption that all authorized harvest will be fully taken. As identified in the purpose and need statement (Section 1.3.1), under status quo permits with small amounts of catch history might not join co-ops, in which case their allocations will go to the non-co-op fishery. If no MS/CV endorsed vessels enter the non-co-op fishery, the allocations to the non-co-op fishery would go unharvested. Under the Alternative 1, it would become somewhat more likely that the authorized harvests would be fully taken.

3.1.2 Direct and Indirect Impacts to the Socioeconomic Environment

3.1.2.1 Fishery Impacts

Allowing MS/CV endorsement severability (moving catch history and MS/CV sector endorsements together as a unit from one LE trawl permit to another) and stacking multiple MS/CV endorsements on a single vessel will introduce additional flexibility into the management system. This flexibility will apply not only to the permits with small catch history allocations (as discussed in the purpose and need section) but to all permits with MS/CV endorsements.

The following permit data were provided by the National Marine Fisheries Service Limited Entry Permit Office. The table shows for various amounts of initial catch history allocations (classes), the number of mothership catcher vessel (MS/CV) permits receiving that amount, the average percent allocated per permit, the total percent for all permits in the row, and the cumulative total for that class and all classes receiving smaller amounts. The final column (added by Council staff) provides an estimate of the poundage equivalent of the average permit for each class, assuming a 25,000 mt allocation of whiting to the mothership at-sea sector.

Table 3-1. Mothership catcher vessel endorsement and associated whiting catch history assignments.

Class (by amount of total catch history)	Number of MS/CV Endorsed Permits	Percent of Total History Allocated			Pounds Assuming a 25,000 mt Allocation
		Average Per Permit	Total for Class	Cumulative Total	Average Per Permit
Permits with					
Under 0.5%	5	0.2	1.0	1.0	105,912
0.5 to 1.0 %	5	0.7	3.5	4.5	390,979
1.0% to 2.0%	7	1.5	10.2	14.7	804,678
2.0% to 3.0%	3	2.3	6.9	21.6	1,268,916
3.0% to 4.0%	6	3.4	20.5	42.1	1,883,568
4.0% to 5.0%	7	4.6	32.3	74.4	2,542,876
5% or greater	4	6.4	25.6	100.0	3,522,501
Total	37				

The flexibility provided by MS/CV endorsement transferability would allow individuals to stack MS/CV endorsements onto limited entry trawl permits and release unneeded limited entry trawl permits for use in the shoreside trawl fishery (which is managed under an IFQ program). Under its IFQ program, the shoreside trawl fleet is expected to consolidate. With substantially fewer trawl vessels operating a surplus of permits is expected to result. The surplus of permits from trawl vessels may be transferred to nontrawl vessels. Any vessels with a trawl permit (including nontrawl vessels) may use nontrawl gear to fish under the IFQ program. This is the result of the gear switching opportunities provided by the program. Allowing the severance of MS/CV endorsements from their limited entry permits would contribute to the pool of permits available for use by non-trawl vessels in the shoreside fishery (or by shoreside trawl vessels).

While increased program flexibility and the opportunity to sell off unneeded permits could make a marginal contribution to the likelihood that MS/CV catch history will be aggregated, accumulation limits in place for the MS/CV co-op program will continue to restrict the degree of consolidation.

3.1.2.2 Impacts on Communities

To the degree the flexibility provided by Alternative 1 reduces the number of events in which whiting is allocated to the MS/CV non-co-op fishery only to go unharvested, there will be more whiting caught to the benefit of communities reliant on the mothership whiting fishery.

3.1.2.3 Impacts on Agencies

Allowing the transfer of MS/CV endorsements may require some adjustments to the data systems in place to track transfers under the catch share program. Additionally, the flexibility provided by MS/CV endorsement transferability separate from the permit could increase the number of transactions which need to be processed by the NMSF Limited Entry Office, particularly when the regulations are first changed. Overtime, as endorsements are stacked the number of MS/CV endorsement holders would be expected to decline, potentially reducing paperwork, depending on the amount of transferring of stacked endorsements among permits.