

## March 2007 Council Action Summary

### Pacific Council Progress on the Trawl Rationalization Process:

The Pacific Fishery Management Council is in the process of considering a trawl rationalization program (previously referred to as Trawl Individual Quota (TIQ) program alternatives), which includes both an individual fishing quota alternative for all trawl sectors and a co-op alternative for the trawl whiting sectors. At its March 2007 meeting, the Council further refined the alternatives, as well as made changes to the program's goals and objectives.

### Adopted Changes to Program Goals and Objectives

The Council modified the goals and objectives of the trawl rationalization program, based primarily on the revisions proposed by Council member Phil Anderson, and as further modified by the TIQC. See Attachment 1 for the original goals and objectives and the adopted changes.

### Adopted Changes to Program Alternatives

With respect to the program alternatives, the Council adopted the majority of the recommendations forwarded by the Groundfish Allocation Committee (GAC) (Report of December 2006 meeting), with exceptions as proposed on the Council floor. The alternatives, as they stood prior to the Council's March 2007 actions can be found in [Agenda Item E.4.a, Attachment 1, March 2007](#). The alternatives as they would have stood if all of the GAC recommendations were adopted can be found in Attachment 1 to the GAC report on its December 2006 meeting ([Agenda Item E.4.b, GAC Report, March 2007](#)). A version of the alternatives as they stand after the Council's action will be posted at a later date.

In sum, the Council adopted changes to the program alternatives are as follows. [Underlining indicates where the Council action varied from the recommendation in the GAC report.]

#### ***Overall Rationalization System Alternatives***

1. Combine the individual fishing quota (IFQ) management regime and IFQ program alternatives into a single alternative providing IFQ management for all species, with the possibility of variations to address overfished species.
2. Eliminate the permit stacking alternative.
3. Continue with development of the co-op alternatives as part of a trawl rationalization program. Adopt the shoreside co-op proposal for analysis (Attachment 5).

#### ***A. Trawl Sector Management (applies to all rationalization system alternatives)***

4. Eliminate consideration of changing the whiting season opening date as part of this process.
5. Eliminate the "one trawl sector" option (there would be either three or four trawl subsectors).
6. Provide for gear switching (trawl permitted vessels may use IFQ to fish with any directed groundfish gear, except when they have a fixed gear permit and have declared that they are participating as a limited entry fixed gear vessel). Recognize that for trawl vessels fishing IFQ with longline gear, RCAs may need to be more conservative.

7. Eliminate the whiting quota pound (QP) rollover provision, with recognition that QP can be sold and so the market can instead be the mechanism to address the need for transfers.
8. Delete the placeholder for a sideboard provision (i.e. do not include sideboards in the initial implementation of the trawl rationalization program).
9. For purpose of subsector allocation based on fleet history, do not include the suboption that eliminates from the fleet history the history of permits that fail to meet recent participation requirements.
10. Adopt “cleanup” recommendations as proposed by the GAC (Attachment 2).

### ***B.1 Initial Allocation (applies to IFQ system only)***

11. Narrow the range of alternatives for initial allocation to processors, such that the most that would be allocated specifically to processors is 25 percent for non-whiting groundfish. For whiting only, maintain for analysis the 50 percent initial allocation to processors.
12. Analyze the following three options for how to attribute shoreside processing history to an entity. This modification eliminates references to the transfer of processing history with the transfer of a facility.
  - a. Option 1: Attribute to the receiver reported on the landing receipt.
  - b. Option 2: Attribute processing history to the receiver if that entity meets the definition of processor.
  - c. Option 3: Same as Option 1, except history may be reassigned to an entity not on the landings receipt, if parties agree or through an adjudication process.
13. Specify that the following options be analyzed for a recent participation requirement within the initial allocation calculation.

For permits:  
Zero, five, or ten landings/deliveries from 1998-2003 are required (number of landings to be set by the Council. [Note: “zero” is the equivalent of “no recent participation requirement.”])

For processors (mothership and shoreside), a level of activity to be determined is required from 1999-2004.
14. For the initial allocation of IFQ for overfished species, eliminate the equal allocation option and maintain the option of allocating overfished species based on overfished species catch history. Add an option that allocates overfished species catch history based on catch history of proxy (non-overfished) species, using the following calculation: Apply the weighted average bycatch rate from 2003-2006 to target species catch from 2003-2006, and normalize estimates to a percentage and then convert to a quota share.
15. Calculate a permit’s history using relative pounds, i.e. in the allocation formula each permit’s catch history for a year is expressed as a percent of the fleet total for that year.

### ***B.2 Permit/ Holding Requirements and Acquisition (applies to IFQ system only)***

16. Eliminate the 5 percent and 30 percent IFQ carryover options for both. For non-overfished and overfished species, maintain only a 10 percent IFQ carryover option and eliminate all other options.
17. Delete the placeholder for a use-or-lose provision that calls for the provision to be considered during program review.

18. Delete options for entry-level opportunities, with recognition that QS are infinitely divisible and so new entrants can buy into the fishery slowly.
19. Use the North Pacific Council's language to define who is eligible to own or hold IFQ.
20. With respect to transfers and leasing, only analyze an option that allows for transferable QS/QP and prohibits leasing of QS.
21. Analyze options for (1) vessel accumulation limits and (2) own or control accumulation limits in the analysis as specified in Attachment 3. These limits vary by species/species group and by sector. Use North Pacific rules for defining ownership or control.
22. Eliminate the community stability program and rely on other measures to address community concerns (e.g. area based management and potential regional fishery management associations).

### ***B.3 Program Administration (applies to IFQ system only)***

23. With respect to socio-economic data collection, delete Option 1 that allows for voluntary submission. Retain only Option 2, which requires mandatory submission.
24. Include an option for equitable sharing of observer costs, in order to consider mitigating the differentially large burden of observer costs on small vessels.
25. Change *Program Duration and Modification* to specify that "Four-year review process to start four years after implementation. Community advisory committee to review IFQ program performance."

### ***Intersector Allocations***

26. For purpose of allocation among the trawl sectors, do not include the catch history based suboption that would eliminate from the fleet history the history of permits that fail to meet recent participation requirements.

### **Adopted Tasking to Council Staff and Advisory Bodies**

27. Requested that Enforcement Consultants develop a recommended minimum number of QP required for departure for inclusion as an option. Bonds should be considered as an alternative enforcement mechanism.
28. In order to inform decision-making on the consideration of subdividing QS/QP by area, requested that managers develop information on area distribution and present this to the GAC in May 2007. Requested that Scientific and Statistical Committee's (SSC) groundfish subcommittee identifies species susceptible to localized depletion and other factors to consider in establishing biological regions. Requested analysis that aids in understanding the effect of area management on landings and IFQ tradability; the potential for area management to contribute to community stability; and the potential for area consolidation under a TIQ program and how that would affect conservation and economic concerns. Formation of a work group on area management may be considered in May.
29. Tasked the GAC and its advisors with recommending suggestions for other alternatives to address stranded capital problems. After that, Council staff are to develop a white paper exploring alternatives to address issues of "stranded capital."
30. Adopted the TIQC's recommendation that the Council ask NMFS to collect the information needed to evaluate ownership concentration, as part of the limited entry permit renewal process.

31. Initiate staff work on the monitoring issues identified by the GMT (Attachment 4) to the December GAC Report) and additional issues identified by the GAC. NMFS will take the first steps on this task.
32. Requested a discussion paper on the co-op alternatives covering why they are needed, why co-ops cannot be created without Federal regulation, the need for a closed class of processors, how co-ops can be developed that would not leave anyone out.
33. Analysis of gear switching should include a scenario in which a certain percent (e.g. 10%) of the vessels voluntarily switch to another gear on a permanent basis (convert).

## **Adopted Revisions to the Trawl Rationalization Goals, Objectives, and Constraints and Guiding Principles**

The Council originally adopted a set of Goals; Objectives; and Constraints and guiding principles in June 2005. These are listed below, along with the changes adopted in March 2007.

### **Goals**

1. ~~Increase regional and national net benefits including improvements in economic, social, environmental and fishery management objectives.~~
2. ~~Achieve capacity rationalization through market forces and create an environment for decision making that can rapidly and efficiently adjust to changing conditions.~~

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<sup>1</sup>.

### **Objectives**

1. Provide a mechanism for total catch accounting.
2. Provide for a viable, profitable, and efficient groundfish fishery.
3. ~~Minimize negative ecological impacts while taking the available harvest.~~
3. Reducee Promote practices that reduce bycatch and discard mortality and minimize ecological impacts.
5. ~~Promote individual accountability — responsibility for catch (landed catch and discards).~~
6. ~~Increase stability for business planning.~~
4. Increase operational flexibility.
5. Minimize adverse effects from an IFQ program on fishing communities and other fisheries to the extent practical.
6. Promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry.
7. Provide quality product for the consumer.
8. Increase safety in the fishery.

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<sup>1</sup> “Bycatch” is defined in the Magnuson-Stevens Act as: “species of fish which are harvested in a fishery, but which are not sold or kept for personal use, and includes economic discards and regulatory discards. Such term does not include fish released alive under a recreational catch and release fishery management program.”

## ***Constraints and Guiding Principles***

1. Taking into account the biological structure of the stocks including, but not limited to, populations and genetics.
2. Taking into account the need to ensure that the total OYs and Allowable Biological Catch (ABC) are not exceeded.
3. Minimize negative impacts resulting from localized concentrations of fishing effort.
4. Accounting for total groundfish mortality.
5. Avoiding provisions where the primary intent is a change in marketing power balance between harvesting and processing sectors.
6. Avoiding excessive quota concentration.
7. Providing efficient and effective monitoring and enforcement.
8. Designing a responsive review evaluation and modification mechanism.
9. Take into account the management and administrative costs of implementing and overseeing the IFQ or co-op program and complementary catch monitoring programs and the limited state and federal resources available.

## Clean-up Items

The Council also adopted the following clean-up items, which were forwarded via the December GAC Meeting Report.

- If necessary for program implementation, a “catcher-processor” permit designation may be created. However, it appears that IFQ could be implemented simply by identifying those permits with a catch-processor history as being “catcher-processor” permits for the purpose of implementation, without creating an endorsement.
- The treatment of the rare occurrences of stacked trawl permits will be relegated to a footnote until a proposal for resolution is developed and presented (as opposed to being maintained as a major policy choice).
- The TIQC recommended a change from limiting IFQ ownership to those eligible to “own or operate” a United States (US) document vessel to those eligible to “own or control” a US documented vessel. When possible language is brought forth on the requirements for owning IFQ, the GAC requested it be accompanied by a policy paper explaining the distinctions, particularly as compared to the currently proposed language.
- Leasing: Eliminate references to the leasing of quota pounds. When pounds are used there is no longer an asset to return to the lessor, therefore while pounds could be transferred temporarily for contingent use, the concept of leasing pounds is confusing and should be eliminated.
- Prohibit Transfers of Quota Shares in the Last Two Months: The GAC concurred that this can be left as a specification to be determined based on NMFS guidance on what is administratively required. It does not need to be a provision which is varied between options.
- Limited landing hours: Assign this question to the group looking at monitoring issues.
- Program review: Create framework language which will allow the Council to determine the appropriate timing for program review, in line with MSA requirements.

## Accumulation Limits

*The following accumulation limits were developed by the TIQC in February 2007 and adopted by the Council in March for initial analysis. Depending on the adopted definition of control, more conservative or liberal limits may be needed. The percentages provided are for the purpose of initiating analysis. After preliminary analysis, some adjustments may be needed.*

### Shoreside Nonwhiting Sector

- **Own or Control Accumulation Limit Options**

All Groundfish: 1.5%, 2.1%, 3%, or 5%.

Sablefish	1.7%
Dover sole	1.95%
Petrale sole	3.0%
English sole	7.0%
Sanddabs	27.6%
Other flats	9.1%
Longspine	2.1%
Shortspine	2.0%
Widow	3.6%
Yellowtail	3.5%
Canary	6.0%
Other Sebastes	6.6%

- **Permit Accumulation Limit Options**

For each species: Double the own or control limit

### Shoreside Whiting Sector

- **Own or Control Accumulation Limits**

5%, 10%, and 15%.

- **Permit Accumulation Limit Options**

7.5%, 10%, and 12%.

### Mothership Whiting Sector

- **Own or Control Accumulation Limits**

10%, 15%, and 25%. 50% rule for ownership affiliation.

- **Permit Accumulation Limit Options**  
20%, 30%, and 50%.

### ***Catcher-Processor Sector***

The catcher-processor sector will provide a proposal for accumulation limits.

### ***Whiting Sectors (Combined Shoreside/Mothership/Catcher-Processor)***

The following are cross-sector caps for the entire whiting fishery.

- **Own or Control Accumulation Limits**  
15%, 25%, 40%.
- **Permit Accumulation Limit Options**  
25%, 40%, 50%.

### ***Grandfather Clause***

A grandfather clause will apply to own or control accumulation limits. If a person is initially allocated QS in amounts in excess of the cap, that person may maintain ownership of the QS. The grandfather clause will expire with a change in ownership of the QS. Change in ownership is as defined below. Additionally, if the owner divests him or herself of some of the QS, the owner may not reacquire QS or QP in excess of the cap. Once under the cap, the grandfather clause expires and additional QS or QP may be acquired but not in excess of the ownership caps.

**Change in Ownership:** For the purpose of the grandfather clause, ownership of a legal entity is defined to change with the addition of a new member to the corporation, partnership or other legal entity. Members may leave without causing the grandfather clause to expire for that entity.

## **Considerations for the TIQ Monitoring Program Workgroup Tasks (Summary of GMT Recommendations)**

Staff Summary of GMT statement to the GAC:

1. assess the level and type of monitoring required to document total catch, if discards are allowed
2. assess the feasibility of full retention (including consideration of impacts on fishing and market practices as part of feasibility evaluation)
3. assess the feasibility of cameras to document full retention and identify fish species
4. assess feasibility of using cameras to document a partial retention requirement (discard some species but not others)
5. assess the effects of full retention on total mortality
6. analysis of the costs and effects of observers

There are a number of other issues that have surfaced during various GMT discussions that may also be appropriate considerations for this group. These include:

1. What is the feasibility and what are the infrastructure requirements for "time-of-landing" reporting of trip discard data, if they are to have a quality and reliability that can be used for enforcement purposes (i.e. equivalent in utility to a fish ticket)?
2. What data is feasible for observers to collect at sea, and what skill levels would be required?
3. Is it feasible to develop an at-sea monitoring requirement that would be less burdensome for small vessels?
4. How would the existing WCGOP be integrated with an IFQ monitoring program (would vessels have to carry two observers, could WCGOP fill the role for the IFQ program)?
5. What are the trade-offs that should be considered in evaluating private contract observers vs. government employees?
6. How might the observer program be structured to minimize costs (consider both from the perspective of government cost and private cost)?
7. What levels of supervisory and administrative support would be required for different approaches to organizing the observer program and how would costs be distributed between the government and private sector)?
8. What levels of service are to be provided (should a vessel be able to get an observer anywhere on the coast at any time?)

# Shoreside Whiting Cooperative Proposal for Analysis

March 8, 2007

**As presented by David Jincks and Tom Libby**

## **Permit Qualification for a Catcher Vessel Shoreside [CV(SS)] Endorsement.**

A limited entry permit will qualify for a CV(SS) endorsement (referred to as “CV(SS) permits) if it has a total of more than 500mt of whiting landings to shoreside processors from 2001 through 2004.

## **CV(SS) Co-op(s)**

CV(SS) permits shall be assigned to an initial Co-op with linkage to a qualified processor.

The linkage between CV(SS) permits and initial Co-Op qualified processors shall be determined on a pro-rata basis—based on a CV(SS) permit’s proportional landings to each qualified processor as a percent of the permit’s total landing history during the permit’s 10 best landings years from 1994 through 2004.

The initial Co-op assignment shall be for a mandatory two (2) years.

Most CV(SS) permits will likely make landings to more than one qualified shoreside processor during the first season of this program. Transfer of Co-op quota between permit holders will allow for a permit holder’s future seasons’ landings to be made exclusively to one processor.

For the purpose of the endorsement and initial Co-op allocation, CV(SS) permit landing history includes that of permits that were combined to generate the current permit.

Landing history, for vessels no longer in existence, shall be distributed on a pro-rata basis to each of the initial Co-ops. Landing history, for vessels with landings to a processor whose assets were purchased and the landing history expressly identified as an asset in the purchase agreement, shall remain with the purchasing entity. For landings history associated with a defunct or non-qualifying processor, that portion of a vessels quota would be linked to their other cooperatives on a proportional or pro-rata basis.

## **CV(SS) Permit Ownership:**

No individual or entity may own CV(SS) permits for which the allocation totals greater than [XX]% of the total whiting shoreside allocation.

## **Co-op Allocation:**

In every year, following the completion of the 2 year mandatory obligation, NMFS will determine the distribution to be given to each Co-op and to the non Co-op segment based on landing history calculations of CV(SS) permits registered to participate in each of the two segments for that year.

**Non Co-op Fishery:**

The total of all quota shares assigned to non Co-op participants shall be the quota for the non Co-op segment. That quota shall be available to all permit holders regardless of Co-op quota shares assigned to individual permit holders.

**Annual Registration.**

In every year, following the completion of the 2 year mandatory obligation, shoreside processors and CV(SS) permits participating in the shoreside sector must register with NMFS. At that time they must declare in which Co-op they will participate or if they plan to participate in the non-Co-op fishery for that declaration year.

Co-op agreements will be submitted to NMFS. Co-op agreements must distribute landings allocations to members based on the permit specific landing history calculation outlined above.

**Shoreside Processor Co-op Eligibility:**

An initial Co-op qualified shoreside processor is one that processed at least 1,000 mt of whiting in each of any two years from 1998 through 2004. Only these processors are eligible to participate in whiting cooperative in the first year of the program. Thereafter, any processor could be eligible to partner with vessels in a whiting cooperative, subject to the other provisions of this plan.

**A shoreside processor** is an operation, working on US soil, that takes landings of trawl-caught groundfish that has not been “processed at-sea” and that has not been “processed shoreside”; and that thereafter engages that particular fish in “shoreside processing.” Entities that received fish that have not undergone “at-sea processing” or “shoreside processing” (as defined in this paragraph) and sell that fish directly to consumers shall not be considered a “processor” for purposes of QS/QP allocations.

“**Shoreside Processing**” is defined as either of the following:

1. Any activity that takes place shoreside; and that involves:  
cutting groundfish into smaller portions; OR  
freezing, cooking, smoking, drying groundfish; OR  
packaging that groundfish for resale into 100 pound units or smaller for sale or distribution into a wholesale or retail market.
2. The purchase and redistribution into a wholesale or retail market of live groundfish from a harvesting vessel.

**Movement between Shoreside Processors.**

Following the two (2) year mandatory commitment to the initial assigned Co-op, permit holders can opt to be released of obligations to their assigned Co-op by participating in the non-Co-op fishery for a period of two to four years.

**Mutual Agreement Exception:**

By mutual agreement of the CV(SS) permit owner and shoreside processor to which the permit is obligated, at any time a permit may deliver to any shoreside processor other than that to which it is obligated. That transfer, or any transfer, may be made permanent if by mutual agreement between the original co-op processor and permit holder.

**Temporary Transfer of Allocation to CV(SS) Endorsed and unendorsed Permits:**

Owners of valid limited entry permits that are members of Co-ops are permitted to transfer Co-op allocations amongst other Co-op members. Such inter- or intra Co-op transfers must deliver Co-

op shares to the shoreside processor to which the allocation is obligated unless released by mutual agreement. Also, a Co-op allocation may be harvested by any catcher vessel holding a valid trawl limited entry permit (including one that does not have a CV(SS) endorsement). Whiting allocations are not permanently separable from a trawl limited entry permit. Allocations may not be transferred from the shoreside sector to another sector.

**CV(SS) Permit Combination to Achieve a Larger Size Endorsement:**

A CV(SS) endorsed permit that is combined with a limited entry trawl permit that is not CV(SS) endorsed or one that is CV(MS) endorsed will be reissued with the CV(SS) endorsement. If the other permit is CV(MS) endorsed, the CV(MS) endorsement will also be maintained on the resulting permit. However, CV(SS) and CV(MS) landings histories will be maintained separately on the resulting permit and be specific to participation in the sectors and to the processor for which the landings histories were originally determined. If a CV(SS) permit is combined with a CP permit, the CV(SS) endorsement and history will not be reissued on the combined permit. The size endorsement resulting from permit combinations will be determined based on the existing permit combination formula.

**Bycatch:**

Subdivide bycatch species allocation among each of the whiting sectors (see Sector Allocation).

**Sector Allocation**

Existing whiting trawl allocations to remain intact between shoreside whiting sector (42%), mothership sector (24%) and catcher-processor sector (34%). Bycatch species shall be allocated between the whiting sectors. The allocations will be made on a *pro-rata* basis relative to whiting allocated to each sector.

***Bycatch Rollover:***

Bycatch may be rolled over to the following year or transferred to another sector.