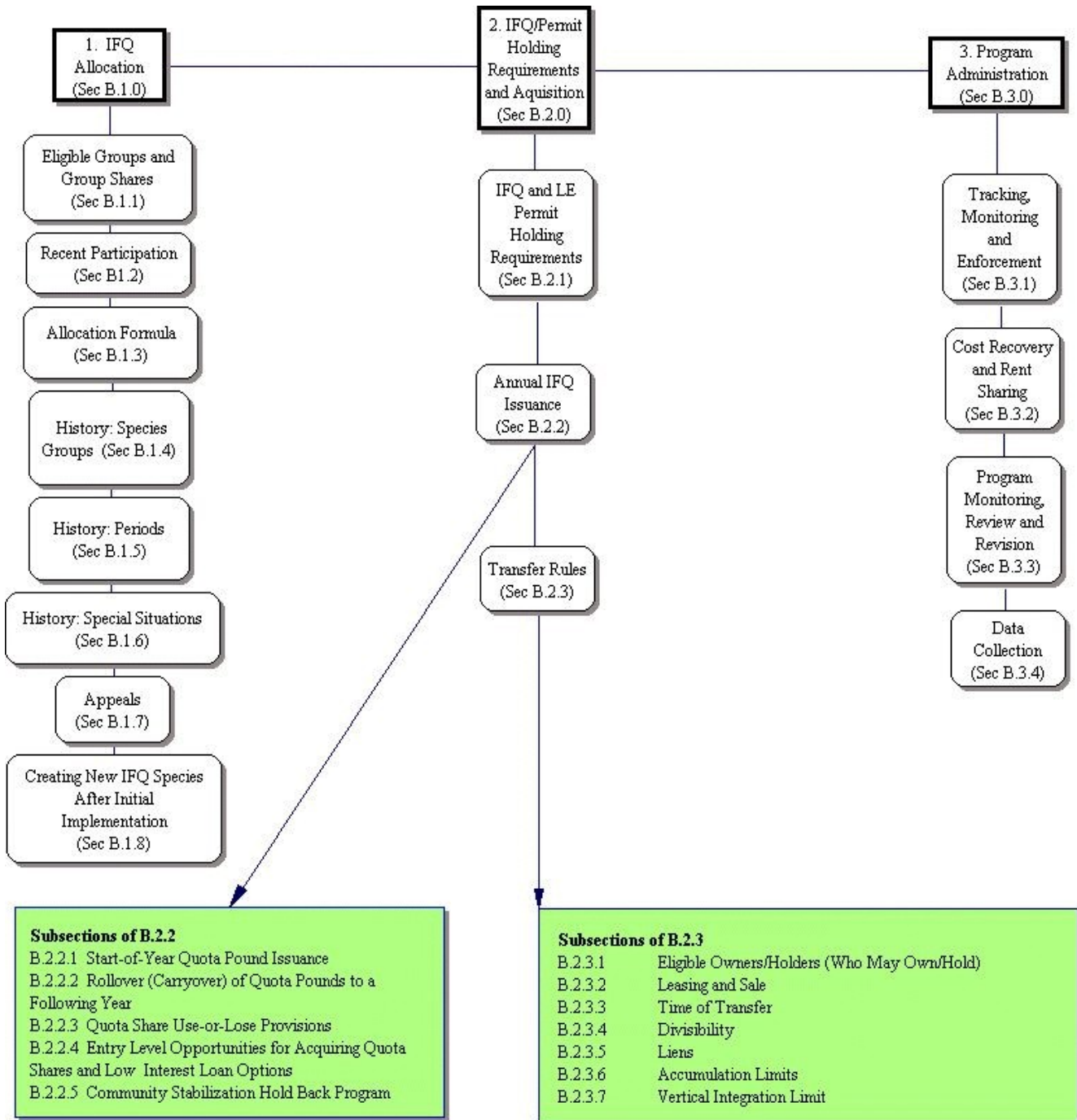


Overview of IFQ Program
Design Elements
(Appendix B)



General Description of the IFQ Program

IFQ Allocation (Section B.1.0 in Appendix B)

IFQ would be allocated to the following groups in the following proportions: . . . [e.g., **groundfish trawl permit holders (xx%)**, **groundfish trawl vessel owners (xx%)**, **processors (xx%)**]. Processors would be defined as . . . [FMP definition/alternative definition]. (*Section B.1.1*)

In order to qualify for an initial allocation the applicant would . . . [have to/not have to] . . . demonstrate recent participation. If recent participation is required, the recent participation requirement for each group would be as follows: make/receive at least . . . [**X deliveries – number of deliveries to be determined**] . . . of trawl caught groundfish from . . . [1998-2003, or 2000-2003]. (*Section B.1.2*)

Those eligible for an initial allocation will be allocated quota shares based on the following formula: [0-100%] of the quota share issued for the group would be issued based on history of catch/landings/processing; [0-100%] of the quota share issued for the group would be issued based on equal sharing. [0-100%] of the quota share issued for the group would be allocated through an auction; (Formula's may vary among groups, *Section B.1.3*)

For IFQ allocated based on delivery history, the applicant's . . . [**total groundfish; total for each IFQ species or species group; or total for each species, species group, or proxy species**] . . . [**caught; landed; or processed**] (*Section B.1.4*) . . . will be calculated for . . . [1994-2003, 1994-1999, 2000-2003, 1998-2003, or 1999-2004] . . . , less . . . [0, 1, 2 or 3] . . . of the applicant's worst years. The calculation will be based on the applicant's . . . [**pounds, percent of total**] . . . for the relevant species/species group in each year. (*Section B.1.5*)

Permit history for combined permits would include the history . . . [**for all the permits that have been combined; for the permit originally associated with the permit number of the combined permit**]. Illegal deliveries would not count toward history. Catch in excess of trip limits, as authorized under an EFP and compensation fish . . . [**would/would not**] . . . count toward history. (*Section B.1.6*)

There would be no appeals process on the initial issuance of IFQ, other than that provided under the Administrative Procedures Act. Any proposed revisions to fishtickets would undergo review by state enforcement personnel prior to finalization of the revisions. (*Section B.1.7*)

When a management unit is subdivided, quota shares for that unit will be subdivided by issuing quota share holders amounts of shares for the subdivisions equivalent to their holdings of the shares being subdivided. If a new management unit is established that is not a subset of an existing unit managed with IFQ, the Council will need to take action at that time to develop criteria for quota share allocation. (*Section 1.8*)

Holding Requirements and Acquisition (Section B.2.0 in Appendix B)

In order to be used, IFQ representing quota pounds would need to be registered for use with a particular vessel (deposited to the vessel's quota pound account). Only LE trawl vessels would be allowed to participate in the IFQ fishery. A vessel would need to acquire quota pounds to cover a particular landing. . . **[by the time of the landing, no more than 24 hours after the landing, no more than 30 days after the landing]**. A vessel . . . **[would not need to hold quota pounds; would need to hold at least xxx quota pounds]** . . . before leaving port on a fishing trip. An LE permit may not be transferred from any vessel for which there is deficit in the vessel's quota pound account for any species or species group (i.e. if the vessel has caught IFQ species not covered by quota pounds). (*Section B.2.1*)

Each year quota pounds would be issued to quota share holders based on the amounts of quota shares they hold. (*Section B.2.2.1*). For species that are not overfished, a vessel . . . **[would/would not]**. . . be able to roll-over . . . **[up to . . . 5%, 10%, 20%, 30% . . . of its]** . . . unused quota pounds or cover an overage . . . **[of . . . 5%, 10%, 20%, 30%]** . . . with quota pounds from the following year. For overfished species, . . . **[a full; a partial; no]** . . . rollover allowance would be provided. (*Section B.2.2.2*)

Quota share use would be monitored as part of the TIQ program review process. **[Quota shares not used in at least one of three years would be revoked . . . OR . . . During program review processes, if it is determined that significant portions of the available quotas shares are not being used (catch is not being recorded against quota pounds issued for those shares), use-or-lose or other provisions will be considered to encourage more complete utilization]**. (*Section 2.2.3*)

There are many program features that would facilitate new entry and participation by small fishing operations (e.g. highly divisible access privileges as compared to limited entry licenses). Additional provisions for such purposes could include . . . **[none; a low interest loan program; provisions for new entrants to qualify for revoked shares being reissued (the latter two options are not mutually exclusive)]**. (*Section B.2.2.4*)

A percentage of the quota pounds each year . . . **[would/would not]** . . . be held back from that allocated to quota share holders (0-25%, based on analysis) would be awarded to proposals from fishermen and processors working together to benefit the local community. (*Section 2.2.5*)

[Anyone eligible to own a US documented fishing vessel; Anyone eligible to own or operate a US documented fishing vessel; Stakeholders] . . . would be eligible to own or otherwise control IFQ (quota shares or quota pounds) (*Section B.2.3.1*). Leasing . . . **[would/would not]** . . . be allowed (*Section B.2.3.2*). Quota pounds could be transferred any time during the year. Quota shares would be transferrable . . . **[any time during the year/only at the end of the year]** (*Section B.2.3.3*). There would be no limit on the divisibility of quota shares for purpose of transfer. Quota pounds could be transferred in as little as single pound units (*Section B.2.3.4*). Liens on IFQ are a matter of private contract and would not be specifically limited by this program. A central registry might be created as part of the program administration (*Section B.2.3.5*). There . . . **[would/would not]** . . . be accumulation limits on the amounts of quota shares or pounds used on a vessel, owned, or

controlled. The definition of control may extend beyond ownership and leasing. The range of limits being considered **varies from 1% to 50% to no cap**. The limits may **vary by species, segment of the fleet, or type of entity (e.g. vessel owner, permit owner, processor)**. Accumulation limits for groundfish in aggregate may also be different than limits for individual species (*Section B.2.3.6*). There would be no direct limits on vertical integration (*Section B.2.3.7*).

Program Administration (Section B.3.0 in Appendix B)

Enforcement for the IFQ program may include one or more of the following elements:

- onboard compliance monitors;
- dockside compliance monitors (20%-100%);
- hailing requirements, small vessel exemptions for onboard compliance monitors;
- video monitoring systems;
- full retention requirements;
- a vessel-specific bycatch reporting system;
- electronic landings tracking system;
- limited delivery ports;
- limited delivery sites;
- electronic IFQ tracking systems, and
- VMS.

These measures have been arrayed into the enforcement and monitoring programs provided in Table B.3-1. While some likely specifics are identified to facilitate program design and impact analysis, the FMP amendment language on this issue may be general, specifying that the Secretary will promulgate regulations to establish an adequate monitoring and enforcement regime. Strong sanctions may be recommended along with provisions specifying that illegal overages be forfeited and debited against the vessel's account. Fishing by the vessel would be suspended until the overage is covered. (*Section B.3.1*). A part of the program administration, a centralized publicly accessible registry for liens against quota shares would be requested with . . . **[all related ownership information/essential ownership information]**. (*Section B.3.1*, also see Section B.3.4, Data Collection).

Landings fees would be charged to cover program costs and, over time, some elements of the program may be privatized, as appropriate. (*Section B.3.2*)

The IFQ program would not have a built-in sunset provision nor would quota shares be issued for fixed terms (i.e., IFQs would not expire after a certain number of years). The program would be revised as necessary through standard FMP and regulatory amendment processes. Information on certain aspects of program performance would be compiled annually and a program review would be conducted every 4 years. (*Section B.3.3*)

The data collection program . . . **[would/would not]** . . . be augmented to include the . . . **[expanded and mandatory; expanded voluntary]** . . . provision of economic data from the harvesting and processing industry. All data collected would be maintained in a confidential manner. Aspects of these provisions would require modification of the MSA. A central registry of IFQ shareholders and transactions would be maintained and include market value information. Government costs would also be tracked. (*Section B.3.4*)

List of Options from Appendix B, TIQC Recommendations and Public Comment

Options with bolded titles (e.g., “**Option 1**”) are those which the TIQC has included among the IFQ programs it is recommending (Option Table C-1 of Agenda Item C.5.a, Attachment 1). Other options are also provided, for possible discussion in the analysis.

Each set of public comments is provided in a text table for which the source of the comment is noted to the right. Organization acronyms used are as follows:

BSCC	.....	Bandon Submarine Cable Committee
CBTA	.....	Coos Bay Trawlers Association
CJC	.....	Coastal Jobs Coalition
ED	.....	Environmental Defense
FMA	.....	Fishermen’s Marketing Association
IPHC	.....	International Pacific Halibut Commission
MTC	.....	Midwater Trawlers Cooperative
PCFFA	.....	Pacific Coast Federation of Fishermens Associations
PMCC	.....	Pacific Marine Conservation Council
POORT	.....	Port Orford Ocean Resource Team
Survey (ED)	.....	Results from survey work done by Environmental Defense
UASC	.....	United Anglers of Southern California
WCSPA	.....	West Coast Seafood Processors Association

B.1.0 IFQ Allocation

Public Comment:

Comment	Source
Establish a control date for processors.	1 individual
Don’t make the shares so small that opportunity is reduced below current levels	1 individual

B.1.1 Eligible Groups and Group Shares

In order to qualify for quota share, an entity would have to be a member of an eligible group.

Groups Eligible for an Initial Allocation	
Option 1	Allocate IFQ to Current Permit Owners.
Option 2	Allocate IFQ to Vessel Owners.
Option 3 (see following table for Options 3a and 3b)	Allocate IFQs to Permit-Owners/Vessel-Owners/Processors (consider all combinations and allocate to ownership of the vessel or facility at the time of initial allocation, where relevant). Processor Percentages: 0%, 25%, 50%
Option 4	Allocate to High Bidder in Auction (eligibility rules for participation to be developed)—not legal under the current Magnuson-Stevens Act.

The TIQC recommended that Options 1 and 3 be maintained for the EIS. A minority supported maintaining Option 4 for purpose of analysis. The TIQC recommends against allocation to vessel owners rather than permit owners, because once the limited entry fishery was established most of the value of the fishery was capitalized into the value of the permit. The TIQC program recommendations contain the following three options.

Groups Eligible for an Initial Allocation: Options Included In TIQC IFQ Program Recommendations:

<i>Group</i>	<i>Option 1</i>	<i>Option 3a</i>	<i>Option 3b</i>
<i>Permit Owners</i>	100%	75%	50%
<i>Vessel Owners</i>	-	-	-
<i>Processors</i>	-	25%	50%
<i>High Bidder</i>	-	-	-

There was no TIQC consensus with respect to the definition of processors. Both of the following options were maintained in the TIQC program recommendations.

Definition of Processor

Option 1	<p>Limit Group Using Special IQ Program Definition: The processor is the entity which -</p> <ol style="list-style-type: none"> 1. after processing, sells his or her own LE-trawl-vessel caught groundfish directly to a wholesale or retail market; OR 2. buys unprocessed trawl-caught groundfish, processes it, and sells it to the wholesale or retail market. <p>The entity is defined as</p> <p>Suboption 1(a) the processing facility, and allocation goes to the current owner, unless leased, in which case it would go to the current lessee (Suboption 1(a)(i)) OR the current owner (Suboption 1(a)(ii))</p> <p>Suboption 1(b) the person processing (individual, partnership, corporation or other entity).</p>
Option 2	<p>FMP Definition "person, vessel, or facility that engages in processing; or receives live groundfish directly from a fishing vessel for retail sale without further processing." Same suboptions for definition of entities as in Option 1.</p>

Processors should only receive credit toward the allocation formulas for fish they process (fish passed through to another processor without processing should not be counted). Information beyond what is on fishtickets will be needed to substantiate processing activities (fishtickets do not indicate whether or not the entity receiving the fish processed it).

Public Comment:

Comment	Source
Allocate to processors that are NOT vertically integrated (do not own fishing operations)	1 individual
Allocate 50% to permit owners and 50% to primary processors.	CJC
Allocate to permits, processors (company or facility, to be decided) and communities handling more than 1% of the annual landings	WCSPA
Allocate to permit owners, processors and communities.	CJC
Allocate to skippers who can demonstrate dependence	ED and two individuals
Allocate to crew members	Survey (ED)
Allocate to communities	Survey (ED)
Allocate to processors	Survey (ED)
Do NOT allocate to processors	Survey (ED)

B.1.2 Qualifying Criteria: Recent Participation

Recent participation might be required to qualify for an initial allocation of quota shares.

Qualification Criteria: Recent Participation	
Option 1.	No recent participation requirement
Option 2.	Recent participation (1998-2003) required to be eligible for an initial allocation (one groundfish trawl landing/delivery of any groundfish species, or a minimum number of trips and/or number of yrs to be specified).
Option 3.	Same as Option 2 but the years would be 2000-2003.
Option 4. (This option applies only to shorebased processors and motherships. Option 1, 2 or 3 could be applied to vessels or processors.)	Same as Option 2 but the years would be 1999-2004.

The TIQC previously recommended that all options be maintained for the EIS. The TIQC program recommendations include only Options 1, 2, and 4.

Public Comment:

Comment	Source
Have a continuing recent participation requirement so that if IFQ are issued they do not go to individuals who have left the fishery.	1 individual

B.1.3 Elements of the Allocation "Formula"

Formulas would be used to allocate quota shares among members of eligible groups who meet the recent participation requirement (if any).

Vessel/Permit Related Allocation

Allocation Formula Options for Qualified Permits/Vessels				
Allocation Basis	Option 1	Option 2	Option 3	Option 4
Permit History	100%	Use permit catch/landings history for permits not bought back.	-	-
Augmented History (Catch/Landings History and/or Bycatch Estimate Based on Target Species) ^{a/}	-	-	100%	-
Equal Sharing	-	Catcher vessel permit owners: Equally split proportion of quota that could be attributed to bought back permits/vessels ^{b/} Incidentally harvested overfished species suboptions, either: (a) same as for other species OR (b) equally divide overfished species quota shares.	-	-
Auction	-	-	-	100%
Other	-	For catcher-processor permit owners, use an allocation schedule developed by unanimous consent of that sector (to be provided).	-	-

- a/ In some cases, history of target species, rather than bycatch or incidental catch, might be used to avoid rewarding those with high incidental catch rates.
- b/ Earlier versions of the equal sharing option included a statement that only those with catch history for a particular species would qualify for the equal share portion for that species (for example, a vessel that fished only south of Cape Mendocino would not qualify for quota shares for a management unit north of Cape Mendocino).

The TIQC previously recommended developing a suite of options covering the range of Options 1 through 4 for purpose of analysis. The majority of the TIQC voted to eliminate the auction option from detailed analysis and a minority supported maintaining it. The TIQC program recommendations contain only Option 2.

Processor Allocation

Allocation Formula Options for Qualified Processors		
Allocation Basis	Option 1	Option 2
Processing history of trawl groundfish landings received unprocessed	100%	-
Auction	-	100%

The majority of the TIQC voted to eliminate the auction option from detailed analysis and a minority supported maintaining it. The TIQC program recommendations contain only Option 1.

Public Comment:

Comment	Source
Measure landings history by value of product rather than weight of catch	Survey (ED)
Allocate based on an auction	CJC, WCSPA
Allocate based on an auction tiered for different types of operations	ED
Do NOT allocate based on an auction	1 individual

B.1.4 History: Species/Species Groups to Be Used for Allocation

Quota shares for a particular species or species group might be allocated based on an entity’s history catching/landing/processing that species or species group or their history catching/landing/processing some other species or species group. For the latter case, examples include use of a permit’s history of landings of all groundfish in aggregate to allocate quota shares of sablefish (Option 1), or use of a permit’s history of landing whiting as a proxy for allocating darkblotched (Option 3).

Landings History: Species/Species Group Options									
Option 1.	Allocate Quota Shares Base on Nonwhiting Groundfish (In Aggregate) and Whiting: Allocate quota shares for each species/species group based on relative amounts of total groundfish caught/landed or processed, except whiting. Use whiting history to allocate whiting IFQ. For permits applies to permit history; for processors applies to amounts processed.								
Option 2.	Allocate Quota Shares Based on Individual Species/Species Groups: Allocate quota shares for each species/species group based on relative amounts of each respective species/species group caught/landed or processed - for permits applies to permit history; for processors applies to amounts processed (Option 2).								
Option 3.	Individual Species/Species Groups Plus Proxies for Special Cases: Allocate IFQ for each species/species group based on relative amounts of each species/species group caught/landed or processed, except for each of the following species use the indicated proxy:								
	<table border="0"> <tr> <td style="text-align: center;">Species/Species Group</td> <td style="text-align: center;">Proxy Species/Species Group</td> </tr> <tr> <td style="text-align: center;">xxxxx</td> <td style="text-align: center;">xxxxxxxxxxxxxx</td> </tr> <tr> <td style="text-align: center;">xxxxx</td> <td style="text-align: center;">xxxxxxxxxxxxxx</td> </tr> <tr> <td style="text-align: center;">xxxxx</td> <td style="text-align: center;">xxxxxxxxxxxxxx</td> </tr> </table>	Species/Species Group	Proxy Species/Species Group	xxxxx	xxxxxxxxxxxxxx	xxxxx	xxxxxxxxxxxxxx	xxxxx	xxxxxxxxxxxxxx
Species/Species Group	Proxy Species/Species Group								
xxxxx	xxxxxxxxxxxxxx								
xxxxx	xxxxxxxxxxxxxx								
xxxxx	xxxxxxxxxxxxxx								
	For permits applies to permit history; for processors applies to amounts processed.								

The TIQC previously recommended maintaining Options 1 and 2 for analysis. Option 3 is presented to provide consistency with Option 3 of Section B.1.3. The TIQC program recommendations contain only Option 2.

Public Comments: None.

B.1.5 History: Allocation Periods

For the portion of the quota share allocation to be based on catch/landing/processing history, a period needs to be designated over which history will be evaluated. Options include the opportunity to drop a worst year as a way of taking into account potential hardships without creating a special appeals process. Different periods may be used for different groups.

History: Allocation Period Options			
Allocation Period Option	Number of Years in Allocation Period	SubOptions: Number of Worst Years to Drop from History	
		Suboption A	Suboption B
Option 1. 1994-2003	10	None	2 for whiting fishery history 3 for nonwhiting fishery history
Option 2. 1994-1999	6	None	1
Option 3. 2000-2003	4	None	None
Option 4. 1998-2003	6	None	1
Option 5. 1999-2004	6	None	2
(This option applies only to processors. Option 1-4 would be applied to vessels or processors).			

Previous to its last meeting, the TIQC recommended Options 1-4 for analysis. Option 5 was added at their May 2005 meeting, along with the option to drop three years as part of Option 1 Suboption B. The IFQ programs recommended by the TIQC include Option 1 Suboption B, Option 4 Suboption A, and Option 5 Suboption B.

The allocation formula can be constructed by summing all pounds across the allocation period or by weighting between years to take into account the relative opportunity available in each year. By weighting between years, a given number of pounds caught/landed or processed in years in which the aggregate catch was lower may entitle the applicant to more quota share than the same amount of pounds caught/landed or processed in a year in which the aggregate catch was higher.

Allocation Formula: Weighting Suboptions	
Suboption (i)	Absolute Pounds: Base allocation on a calculation using total pounds across all years (e.g. if total fleet landings were greater in 1994 than in 2003, a pound landed in 1994 will qualify an individual for the same amount of quota share as a pound landed in 2003)
Suboption (ii)	Relative Pounds: Base allocation on a calculation using the percent of the total for each species in each year (e.g. if total fleet landings were greater in 1994 than in 2003, landing 0.005% of the fish in 1994 would qualify an individual for the same amount of quota share as landing 0.005% of the fish in 2003).

The TIQC has recommended both weighting suboptions for analysis, and both options are contained in the TIQC IFQ program recommendations.

Public Comments: None.

B.1.6 History: Combined Permits and Other Exceptional Situations

Other categories of landings/catch to be considered for inclusion or exclusion as part of the landings history for purposes of allocation are provided in the following table.

History: Combined Permits and Other Exceptional Situations		
Exceptional Situation	Option 1	Option 2
Combined permits:	All Permits Count: Consider all landings history of the permits that have been combined to be part of the landings history of the permit resulting from the combination.	Only the Base Permit Counts: The combined permit would have only the landings history associated with its permit number (landings history of other permits with which it has been combined would not accrue to the combined permit).
Illegal landings/catch:	Don't count illegal landings/catch.	[not a reasonable option]
Landings in excess of trip limits, as authorized under an EFP	Do not count landings in excess of cumulative limits in place for the nonEFP fisheries.	Count all landings authorized under the EFP, including those in excess of the cumulative limits in place for the nonEFP fishery.
Compensation fish (fish taken as payment by vessels assisting in research)	Don't count compensation fish	Count such landings

The TIQC recommended IFQ programs include only Option 1 under each of the above exceptional situations. No serious consideration was given to counting illegal landings/catch.

Public Comments: None.

B.1.7 Initial Issuance Appeals Process

An appeals process will be needed to address disputes between permit applicants and the NMFS Limited Entry Permits office over landings records or other qualification criteria.

Only one provision identified thus far: Appeals would occur through processes consistent with the Administrative Procedures Act and any proposed revisions to fishtickets would undergo review by state enforcement personnel prior to finalization of the revisions.

Public Comments: None.

B.1.8 Creating New IFQ Species/Species Groups After initial Implementation

When a management unit is subdivided, quota shares for that unit will be subdivided by issuing quota share holders amounts of shares for the subdivisions equivalent to their holdings of the shares being subdivided. *(No other reasonable options have been identified.)*

If a new management unit is established that is not a subset of an existing unit managed with IFQ, the Council will need to take action at that time to develop criteria for quota share allocation.

Public Comments: None.

B.2.0 IFQ/Permit Holding Requirements and IFQ Acquisition (After Initial Allocation)

B.2.1 IFQ and LE Permit Holding Requirements

Currently, a trawl vessel must hold an LE permit in order to participate in the fishery. It is recommended here that this requirement be maintained with implementation of an IFQ program. Additionally, a determination is needed on when a vessel must hold the IFQ necessary to cover a particular catch.

IFQ and LE Permit Holding Requirement Options	
Option 1	Time of Landing: Register IFQ to the LE trawl vessel - vessels must cover the catch with IFQ representing pounds (i.e. quota pounds) at the time of landing.
Option 2	Within 24 Hours: Register IFQ to the LE trawl vessel - vessels must cover the catch with IFQ representing pounds (i.e. quota pounds) within 24 hours of the time of landing.
Option 3	Within 30 Days: Register IFQ to the LE trawl vessel - vessels must cover the catch with IFQ representing pounds (i.e. quota pounds) within 30 days of landing.

Note: For all options, only vessels with LE trawl permits would be allowed to participate in the IFQ fishery. For any vessel with an overage (catch not covered by quota) there would be no more fishing until the overage is covered. Additionally, for vessels with an overage, the limited entry permit cannot be sold or transferred until the deficit is cleared.

SUBOPTION: The above options may be combined with a suboption that requires that some threshold amount of unused IFQ be held at the time a vessel departs from port.

The TIQC IFQ program recommendations include only Option 3, however, all three options and the suboption should be considered as part of the analysis.

Public Comment: None.

B.2.2 Annual IFQ Issuance

B.2.2.1 Start-of-Year Quota Pound Issuance

Quota pounds are issued annually to quota share holders based on the amount of quota shares held. Quota shares are issued at the time of initial allocation. *(No other reasonable options have been identified.)*

Public Comment: None.

B.2.2.2 Rollover (Carryover) of Quota Pounds to a Following Year

A rollover provision allows unused quota pounds to be carried from one year to the next or an overage in one year to be covered by quota pounds from the following year. The rollover would not allow a vessel to use quota pounds from a following year to avoid penalty unless the overage occurs at the end of the year and a grace period is provided (e.g., 30 days, Option 3, Section B.2.1).

Provisions for nonoverfished and overfished species may be mixed-and-matched.

Rollover (Carryover) Options		
	Non-overfished Species	Overfished Species
Option 1	No rollover.	No rollover
Option 2	5% rollover	No rollover
Option 3	10% rollover	5% rollover
Option 4	20% rollover	5% rollover
Option 5	30% rollover	Full rollover (30% rollover under Option 5, 20% when matched with Option 4, etc.)

The TIQC IFQ program recommendations include Options 2, 3, and 5, however, all options should be considered in the analysis.

Public Comment: None.

B.2.2.3 Quota Share Use-or-Lose Provisions

A use-or-lose provision would be intended to ensure that communities and consumers benefit from available harvest opportunities.

Quota Share Use-or-Lose Options	
Option 1	Include use-or-lose provisions (e.g. must be used at least 1 year in 3).
Option 2	Do not include use-or-lose provisions.
Option 3	Do not include use-or-lose provisions but evaluate program performance: Identify the potential nonuse of IFQ as an issue to be evaluated in the program review process. Indicate that, depending on the findings of the evaluation, the program may be modified in the future to create use-or-lose or other provisions to address any concerns.

The TIQC IFQ program recommendations include Option 1 and 3, however, all three options should be considered as part of the analysis.

Public Comment: None.

B.2.2.4 Entry Level Opportunities for Acquiring Quota Shares and Low Interest Loan Options

Section 303(d)(5)(c) of the Magnuson-Stevens Act requires that any new program “considers the allocation of a portion of the annual harvest in the fishery for entry-level fishermen, small vessel owners, and crew members who do not hold or qualify for individual fishing quotas.” There are also provisions in the Magnuson-Stevens Act that allow for the creation of loan programs to finance small boat and entry level participation. Pursuant to consideration of these issues, the TIQC identified the following potential program elements.

Entry Level Opportunity Elements (NOT MUTUALLY EXCLUSIVE)	
Element 1	Provide a low interest loan program (qualification factors to be determined).
Element 2	Provide an opportunity for new entrants to qualify for shares revoked for program violations or, if there is a use-or-lose provision, non-use (qualification factors to be determined).

The TIQC recommendations for IFQ Program C include Element 2, and the other two programs (A and B) recommend that neither element be included. There was no support for Element 1 but it has been provided in order to ensure that all reasonable options are discussed.

Public Comment:

Comment	Source
Provide low interest loans for community nonprofit organizations to purchase IFQ	ED
Provide low interest loans for new entrants and younger fishermen to purchase IFQ	Survey (ED)
Allocate to new entrants or provide IFQ for purchase from: IFQ reclaimed from IFQ already distributed, IFQ created from increasing TAC, forced sale in an auction (each year existing IFQ holders would provide a portion of their IFQ for annual auction).	Survey (ED)
Provide low interest loans to assist "lease-dependent" fishermen	Survey (ED)

B.2.2.5 Community Stability Holdback

The TIQC discussed the issue of community needs with respect to IFQ program. The following proposal has been put forward and is included as part of Program C.

Set aside up to 25% of the nonwhiting shoreside trawl sector allocation each year and allocate that amount as quota pounds for joint fishermen/processor venture proposals, ranked on the basis of objective criteria that evaluate benefits to local communities. Criteria for these proposals would have to be developed but would include reference to the TIQ goals and objectives and encourage other community groups (Port, Chamber, etc.) to lend their support to the proposals being submitted. The program should be designed with simplicity, adaptability, fairness and potential revenue production as core elements.

Additional details on this proposal are provided in the TIQC report (June 2005).

Public Comment: None.

B.2.3 Transfer Rules

B.2.3.1 Eligible Owners/holders (Who May Own/hold)

The issue here is not who receives an initial allocation but rather who is eligible to acquire IFQ after the initial allocation. Similarly, in the options below the criteria for Options 1 and 2 are not whether an entity actually owns or operates a US documented fishing vessel, but rather whether or not they are eligible to do so.

Options for Eligible Owners/holders	
Option 1	Any entity eligible to own a US documented fishery vessel.
Option 2	Any entity eligible to own or operate a US documented fishing vessel.
Option 3	Stakeholders: include owners and lessees of LE permits or vessels, skippers/crew, processors, buyers, communities. (NOTE: If ownership is restricted to certain classes, criteria will need to be established to define membership in these classes.)

The TIQC's main concern is that anyone currently participating in the fishery should be allowed to continue to do so and to acquire IFQ. It is the TIQC's understanding that certain provisions of the AFA are currently allowing participation by a limited number of entities that would otherwise not be eligible to own a US documented fishing vessel. It is the TIQC's understanding that Option 2 would accommodate those entities but Option 1 may not. On this basis, the TIQC has included only Option 2 in its recommended IFQ programs. However, the other options shown here should be considered in the analysis.

Public Comment:

Comment	Source
Allow communities to form nonprofit organizations and acquire IFQs	ED

B.2.3.2 Leasing and Sale

Various programs around the world have included permanent or temporary restrictions on sale or leasing of quota shares for various reasons. Concerns with leasing relate to avoiding situations of absentee ownership.

Duration of Transfer - Quota Share Leasing and Sale Prohibition Options	
Option 1	Permanent quota share transfers only - leasing prohibited. Permanent transfers and leasing of quota pounds is allowed. (Note: Quota pounds are valid only for one year and expire at the end of the year (unless there is a rollover provision, see Section B.2.2.2); quota pound transfers do not affect ownership of the quota shares).
Option 2	Permanent transfers and leasing of quota shares and quota pounds allowed.
SubOption	Suboption: Prohibit all permanent transfers (leasing only) during the first year of the program.

The TIQC recommended IFQ programs include both Options 1 and 2 but not the suboption. However, the suboption is included for consideration in the analysis.

Public Comment:

Comment	Source
Compel quota holders who have historically leased their permits to others to continue to lease their IFQ to those individuals.	Survey (ED)

B.2.3.3 Limits on Time of Transfer

It may be necessary to prohibit the transfer of quota shares at certain times of year in order to facilitate administration of the program. A determination on this has not yet been made for the IFQ programs developed by the TIQC. Even if the transfer of quota shares is limited to certain times of year, quota pounds could be transferred at any time during the year. The following options have been specified.

Time of Year for Quota Share Transfer Options	
Option 1	Allow transfers of quota shares any time during year.
Option 2	Allow transfers of quota shares only at the end of year.

The TIQC IFQ program recommendations include only Option 1. The other option is maintained for purpose of analysis and possible need with respect to administration of the IFQ program.

On a related topic, an embargo on transfer of quota shares was considered for situations in which a vessel had catch not covered by quota pounds. However, because the quota shares underlying a vessel's quota pounds may be held by someone not directly associated with the vessel these options

were eliminated as not reasonable.^{1/} They were replaced with a limit on transfer of permits (see Section B.2.1).

Public Comment: None.

B.2.3.4 Divisibility

The following is a current list of design elements for quota share and quota pounds divisibility, as identified by the TIQC through the scoping process. Options have not been developed and the design elements are not mutually exclusive.

Elements of Divisibility Provisions	
Element 1.	Quota Shares: quota would be issued as a percentage of total available harvest; shares would be nearly unrestricted in their divisibility - "many decimal points."
Element 2.	Quota Pounds: annual quota would be issued in weight units (pounds); and would be divisible down to a single pound of fish

Both elements are included as part of the TIQC’s IFQ program recommendations.

Public Comments:

Comment	Source
Consider blocked quota shares	ED-Survey

B.2.3.5 Liens

Liens are a matter of private contractual arrangements. The TIQC believes that placement of liens should not be restricted and that liens can and should be facilitated through a central lien registry. Options for the central lien registry are covered in Section B.3.1.

Public Comment: None.

B.2.3.6 Accumulation Limits

The TIQC developed the following options for ownership, control and use. Note that different options can be selected for ownership, control or use limits and for different entities (permit holders, vessels, processors) and groundfish species, as well as for nonwhiting and whiting sectors. Limits for groundfish in aggregate may also be different than limits for individual species (for example, the aggregate groundfish limits (%) might be smaller than the individual species limits).

1/ The TIQC has recommended elimination of the transfer embargo options.

Transfer Embargo Options	
Option 1	Quota shares may not be transferred from any account for which there is a deficit of quota pounds (i.e., any account for which catch exceed quota pounds for at least one species.
Option 2	Quota share pounds may be transferred from an account even if it is deficit for some species.

Options for IFQ Concentration Limits						
	Non-Whiting Groundfish			Whiting Fishery (Separate Matrix for Each Sector Specified in the Options Selected in Section 2.1.1.4)		
	Ownership	Control	Use by a Vessel	Ownership	Control	Use by a Vessel
Option 1	1%	1%	1%	5%	5%	5%
Option 2	5%	5%	5%	10%	10%	10%
Option 3	10%	10%	10%	25%	25%	25%
Option 4	50%	50%	50%	50%	50%	50%
Option 5	No Cap	No Cap	No Cap	No Cap	No Cap	No Cap

Due to the unavailability of summary data, the limits included in the TIQC IFQ program recommendations are broad and not specific with respect to the various species or groups to which they might be applied. Once the needed summary data is available, it may be possible to craft more specific options for consideration. The TIQC recommends analysis of a broad the definition of control so as to cover more than just the leasing and buying of permits.

Public Comment:

	Source
Include a no-cap option	WCSPA
Consider different caps for different types of owners (e.g., vessels, buyers, communities)	WCSPA
Apply the same caps to all types of owners	1 individual
Caps for processors should take into account any IPQ held (NOTE: applies only if there is IPQ)	1 individual

B.2.3.7 Vertical Integration Limit

The TIQC recommended no additional limits on vertical integration other than what is provided through the accumulation limits.

Public Comment: None

B.3.0 Program Administration

B.3.1 Tracking IFQ, Monitoring Landings, and Enforcement

The following are possible elements for a tracking, monitoring and enforcement system.

Elements of Tracking Monitoring and Enforcement System	
Element 1.	Onboard compliance monitors (20%-100%)
Element 2.	Dockside compliance monitors (20%-100%)
Element 3.	Hailing requirements
Element 4.	Small vessel exemptions for onboard compliance observers
Element 5.	Video monitoring system
Element 6.	Full retention requirement
Element 7.	Upgraded bycatch reporting system
Element 8.	Electronic landings tracking system
Element 9.	Limited delivery ports
Element 10.	Limited delivery sites
Element 11.	Electronic IFQ tracking systems
Element 12.	Vessel monitoring system (VMS)

These elements have been tentatively arrayed into enforcement program options in Table B.3-1. Only Enforcement Programs 1, 2, and 3 are considered reasonably viable without reducing harvest

to compensate for noncompliance risk. Those three programs have been included in TIQC recommended IFQ programs.

The following are elements related to penalties for overages. Options have not been identified.

Elements of Provisions Related to Penalties	
Element 1.	Strong sanctions for violators.
Element 2.	Forfeiture and suspension until overage is covered. Illegal should be forfeited on landing and debited against the vessel's account. Additional enforcement action should be taken, as appropriate. Fishing would be suspended until quota ponds have been acquired to cover the overage.

Element 2 was developed by the TIQ Enforcement Group. The TIQC was highly supportive of strong sanctions for violators.

A lien registry might also be created as part of a quota share tracking system.

Lien Registry Options	
Option 1.	Create a central lien registry including all related ownership information.
Option 2.	Create a central lien registry but exclude all but essential ownership information.

Both lien registry options are included in the TIQC's IFQ program recommendations.

Public Comment:

Comment	Source
Require VMS and 100% observer coverage - shoreside and at-sea	ED
Analyze limits on number of ports to which deliveries are allowed	WCSPA

B.3.2 Cost Recovery/Sharing and Rent Extraction

Landings fees would be charged to cover program costs and, over time, some elements of the program may be privatized, as appropriate.

Elements of Cost Recovery/Sharing Rent Extraction Provisions	
Element 1.	Landings Fee (max of three percent under current Magnuson-Stevens Act).
Element 2.	Privatization of Elements of the Management System, for example: Monitoring IFQ Landings (e.g., industry pays for their own compliance monitors) Fish tickets (industry payment for Trawl IQ program landings information to be fed into a Federal electronic system)

Recommended IFQ Programs A and B state that “cost recovery should be only for management (not enforcement or science) and should be limited to 3% of exvessel value.” Recommended IFQ Program C states “Landings fee plus privatization of elements of the management system. In particular, monitoring of IFQ landings (e.g., industry pays for their own compliance monitors). Stock assessments should not be privatized and the electronic fish ticket system should not be privatized.”

Public Comment:

Comment	Source
An IFQ Program should have discrete and secure funding.	UASC
Include cost recovery provisions with a sliding scale for those that may be disadvantaged by such provisions	ED
Split all or a portion of observer costs evenly between quota holders.	Survey (ED)

B.3.3 Program Duration and Procedures for Program Performance Monitoring, Review, and Revision (Magnuson-Stevens Act (d)(5)(A))

Section 303(d)(5)(A) of the Magnuson-Stevens Act requires that any new program “establishes procedures and requirements for the review and revision of the terms of any .. [program], (including any revisions that may be necessary once a national policy with respect to individual fishing quota programs is implemented), and, if appropriate, for the renewal, reallocation, or reissuance of individual fishing quotas.”

Elements of Provisions Related to Performance Monitoring, Review and Revision		
Element 1	Revision Process	Standard for FMP and regulatory amendments
Element 2	Sunset Provisions and Fixed Term Entitlements	None (Sunset provisions and fixed term entitlements (i.e. IFQs that expire after a certain number of years) were considered and rejected from further analysis.
Element 3	Response to Forthcoming National Policy	Standard FMP and regulatory revision processes, clear public notice that the IFQ may be revoked and/or reissued and that the program may be modified or cancelled without compensation.
Element 4	Monitoring	Annual reports
Element 5	Review	Every four years

No options have been developed. All elements are included in all of the TIQC recommended IFQ programs. Among other factors, the review would include evaluation of whether or not there are localized depletion problems and whether or not quota shares are being utilized.

Public Comment:

Comment	Source
Consider a range of automatic sunset provisions (1-10 years)	PMCC
Consider sunset provisions with disposal of the quota in a manner that satisfies the public trust.	UASC
Include performance reviews	PMCC

B.3.4 Data Collection

Program review and monitoring will require adequate data collection.

Data Collection Options			
	Option 1: Expanded Mandatory	Option 2: Expanded Voluntary	Option 3: Status Quo
Limited Entry Trawl Industry (including processors)	Mandatory submission of economic data (expanded efforts compared to status quo)	Voluntary submission of economic data (expanded efforts compared to status quo)	Voluntary submission of economic data (status quo efforts)
Other Affected Sectors of the Fishing Industry	Voluntary submission of economic data	Voluntary submission of economic data	Voluntary submission of economic data
Central Ownership and Transaction Value Registry	Yes	Yes	No
Government Costs	Formal Monitoring	Formal Monitoring	Ad hoc Assessment

Options 1 and 2 are included in the TIQCs recommended IFQ programs. Option 3 should also be considered as part of the analysis. Option 1 would require a changes to the Magnuson-Stevens Act.

Public Comment: None.

Table B.3-1. TIQ Enforcement Group preliminary scoping of possible enforcement programs.

	Program 1 100% at-sea No Discards Elect. State FT 100% shore Limited hours Limited ports	Program 2 100% at-sea Discard+Bycatch Rep Sys Elect. State FT Partial shore Unlimited hours Limited sites	Program 3 100% at-sea (camera opt) Discard+Bycatch Rep Sys Elect. Fed Landings Sys Partial shore Unlimited hours Limited sites	Program 4	Program 5
At-Sea Monitoring	100% (Compliance Monitors)	100% (Compliance Monitors)	100% (Compliance Monitors or Camera)	Partial Compliance Monitor Coverage	None
Retention Requirement	Full Retention	Discards Allowed	Full if Camera, Discards Allowed if Compliance Monitor Present (see NOTE)	Discards Allowed if Compliance Monitors Present	Full Retention
Bycatch Reporting System Comparable to Landing Tracking System	Not needed	System Needed (electronic)	System Needed (electronic)	System Needed (electronic)	Not needed
Landing Tracking System	Electronic	Electronic	Parallel Electronic Federal System (maintain paper fishtickets)	Parallel Electronic Federal System (maintain paper fishtickets)	Paper Fishticket
Shorebased Monitoring	100%	Monitoring Opportunity (Based on Notice)	Monitoring Opportunity (Based on Notice)	Monitoring Opportunity (Based on Notice)	Monitoring Opportunity (Based on Notice)
Vessel Provides Advance Notice of Landing	Yes	Yes	Yes	Yes	Yes
Limited Landing Locations	Specified Ports	Site Licenses	Site Licenses	Specified Ports	Specified Ports
Electronic IFQ Reporting	Yes	Yes	Yes	Yes	Yes
Limited Landing Hours	Yes	No	No	Yes	No
Overall Assessment of Program Effectiveness	Programs provide adequate control with different degrees of cost and flexibility for the vessels. VMS is an assumed component of the enforcement environment.			Control inadequate. Compensation required through a reduction in the OY in anticipation of unreported landings.	

Small vessel provision: small vessels may apply for an exemption and carry a camera instead of an compliance monitors.

NOTE: For systems relying on cameras and a “no discard” rule, there may be a problem with not being able to discard prohibited species.