

UPDATE ON TRAWL INDIVIDUAL QUOTA (TIQ) PROCESS AND COMMUNITY CONCERNS

Process Update

The development of a West Coast Groundfish Trawl Individual Quota Environmental Impact Statement (EIS) is proceeding using \$250K provided by National Marine Fisheries Service (NMFS) for this purpose. A portion of this funding has been obligated to hold relevant meetings and support the intersector allocation EIS; however, the dominant amount has been obligated to work on the EIS process and document. The Council received notice that these funds were available on July 22, released a request for proposals on August 15 (Agenda Item H.11.a, Attachment 1), selected a contractor on September 23, and finalized agreement on the contract on October 12. Northern Economics Incorporated was selected to begin work on the EIS. Dr. Ed Waters has been contracted separately to develop information that will be used during Allocation Committee deliberations over resolution of intersector allocation issues. Additional funding will be requested to complete the EIS and intersector allocation process, however the \$250K received will sustain expected progress through early 2006.

Community Protection Options

At its June 2005 meeting, the Council adopted a range of TIQ alternatives for analysis (Agenda Item H.11.a, Attachment 2). While the alternatives adopted for analysis included options to control impacts on communities, such as allowing communities to hold quota and setting limits on quota accumulation, the Council directed the TIQ Analytical Team, in consultation with the Scientific and Statistical Committee (SSC), to draft a range of appropriate options to address community concerns for Council consideration at its November 2005 meeting. TIQ Analytical Team members Ms. Kate Quigley (NMFS, Northwest Region) and Ms. Suzanne Russell (NMFS, Northwest Science Center) took the lead in reviewing other IFQ programs from around the world to identify a set of potential tools for Council consideration. Their work was reviewed by the SSC at its September meeting. Using these general tools as a guide, Ms. Quigley and Ms. Russell then worked with Council staff to develop some example options that might be incorporated into the alternatives the Council adopted for analysis at its June meeting. The results, including example options, have been provided in the briefing materials for review by the Trawl Individual Quota Committee and other Council advisory bodies (Agenda Item H.11.a, Attachment 3).

As part of this effort, the Council directed consideration of the Government Accounting Office (GAO) report "Individual Fishing Quotas, Methods for Community Protection and New Entry Require Periodic Evaluation (GAO-04-277, February 2004) was reviewed (Agenda Item H.11.a, Attachment 3). This report notes:

"In considering methods to protect communities and facilitate new entry into IFQ fisheries, fishery managers face issues of efficiency and fairness, as well as design and implementation. Community protection and new entry methods are designed to achieve social objectives, but realizing these objectives may undermine economic efficiency and raise questions of equity."

The report notes that IFQ programs differ depending on the circumstances of the fishery and objectives of the program and states:

“Depending on the fishery, fishery managers may be willing to trade some potential gains in economic efficiency in exchange for the opportunity to protect fishing communities or facilitate new entry.”

The GAO report recommends that Regional Councils which design community protection measures, develop clearly defined and measurable objectives, build performance measures into the program, and monitor progress in meeting objectives. The report also notes that National Standard 8 requires that fishing communities be taken into account in Council recommendations.

Council Action:

Refine Community Related Options for Alternatives Adopted for Analysis.

Reference Materials:

1. Agenda Item H.11.a, Attachment 1: Section 2.1 of the Request for Proposals (6 pages) (**Full Document on CD**).
2. Agenda Item H.11.a, Attachment 2: Groundfish Trawl Individual Quotas for the Pacific Coast July 2005 Informational Report.
3. Agenda Item H.11.a, Attachment 3: Potential Options For Community Involvement And Control of Community Impacts, Developed As Directed By The Council (June, 2005).
4. Agenda Item H.11.a, Attachment 4: Executive Summary “Individual Fishing Quotas, Methods for Community Protection and New Entry Require Periodic Evaluation (GAO-04-277, February 2004) (**Full Document on CD**).

Agenda Order:

- a. Agenda Item Overview
- b. Reports and Comments of Advisory Bodies
- c. Public Comment
- d. **Council Action:** Refine Options

Jim Seger

PFMC
10/18/05

Section 2: Description of Specifications/Work Statement

Section 2.1 Scope of Work

The Pacific Fishery Management Council (Council) announces its formal Request for Proposals (RFP) for work on the first of a two phase project to assess the potential biological, economic and social effects of a groundfish trawl individual fishing quota program in a draft Supplemental Environmental Impact Statement, Regulatory Impact Review, Initial Regulatory Flexibility Analysis and Social Impact Analysis (EIS/RIR/IRFA/SIA). A principle focus of the assessment produced by the end of the second phase will be the estimation of direct, indirect and cumulative impacts on the human environment of proposed management alternatives in contrast with a no action alternative.

While this analytical project is being carried out in a two stage process, the current RFP covers only the first stage. The first stage entails the development of the introductory chapters, outline, and analytical framework/approach for the EIS/RIR/IRFA/SIA. It will entail the gathering of information and sufficient analysis to fully develop a detailed, specific and documented analytical framework/approach to address each feature of the alternatives and their likely impacts along with an assessment of the overall differences in impacts among the alternatives. The second stage will be the completion of the baseline and impact analysis on the basis of the product from the first stage.

The Council has identified seven management regime alternatives for consideration. One of the alternatives is a no action alternative, five would implement a trawl IFQ management regime, and one would implement a permit stacking management regime. The five IFQ management regime alternatives vary primarily in terms of the species covered and the complementary regulations used to manage nonIFQ species or species with very low OYs. An IFQ program can entail a variety of design features with respect to elements such as initial allocation; IFQ transfer; and program administration, monitoring and enforcement. The Council has developed three different IFQ program designs for consideration. The organization of the management regime and IFQ alternatives are described in the information sheet provided in the appendix to this RFP. Contract bidders should also be aware that additional detail on the provisions of the IFQ programs and some initial analysis have already been developed and may be requested from the Council office.

In conjunction and complementary to the development of IFQ alternatives, the Council is also working on the intersector allocations necessary to determine the amounts of each OY that will be available for the trawl fishery. This effort will not likely be completed until after the trawl IFQ program final decision. Adoption of a trawl IFQ program would not guarantee the trawl sector any particular share or amount of the available harvest.

Trawl harvest may increase or decrease in the future as a result of fluctuations in the OYs or changes in the intersector allocations over time. The analytical framework/approach should provide information useful in assessing the robustness of the alternatives and net impacts over a reasonable range of possible future trawl harvest levels.

The document to be provided at the end of the first stage is to include the following elements. These elements should appear in the format that will be used for the completed analytical package.

1. A glossary of terminology and list of acronyms.
2. The first two chapters of an EIS (introduction and alternatives) with the exception of sections summarizing impacts - Elements to be included in the first two chapters are provided in the example outline provided in the appendix to this RFP and will largely be drawn from the scoping summary and information documents provided by the Council. The main augmentation to be provided by the contractor is the summary of “Criteria Used to Evaluate the Impacts of the Proposed Action.”
3. An outline of sections for the baseline description of the affected environment and description of information to be included in each section - The information identified for inclusion should not be encyclopedic but rather relevant to and in support of issues to be covered in the impact analysis. Tables and figures should be specifically identified and described with respect to their content and the sources for the data to be used in each table. The production of blank tables with titles, labels and footnotes might be an efficient way to ensure that the descriptions provided are sufficiently complete with respect to the intent of this contract.
4. An outline of the impact analysis section(s) plus text explaining the analytical approach that will be used - The analytical text for each impact section should be the same as that which would be expected to appear in the completed analytical package but should stop short of assessing the impacts of the various alternatives and providing a comparison of results. Appendices should be specified, outlined and annotated with analytical approaches, as appropriate. Direct indirect and cumulative impacts should be explicitly addressed. Each impact section should
 - a. identify potential impacts,
 - b. identify criteria to be used in assessing each type of impact,
 - c. explain mechanisms of action that relate the proposed regulatory action to the impact and criteria,
 - d. specify the quantitative approach and metrics or qualitative approach for evaluating effect of the proposed action on the impact criteria,
 - e. identify impact thresholds (if already specified in policy documents),
 - f. detail the methods, models and data sets to be used in the analysis, and
 - g. provide background information and documentation explaining and substantiating the recommended analytical approach, including references.

In particular, the impacts considered should take into account concerns referenced during the scoping process. The impact analysis will not only need to address the tradeoffs between the major alternatives but also evaluate specific design features

- of the IFQ program. For example, the differences between using a 1998-2003 or a 1994-2003 qualifying period for the initial allocation of IFQ. Design options considered during scoping but not included as part of the IFQ program alternatives will also need to be covered in the analysis. This coverage should be such that one of the non-included features could be incorporated as part of the final Council action and the likely effects of such incorporation readily understood by the Council. A complete list of these design features can be found in Appendix B to the scoping document, available from the Council office.
5. An annotated outline for a section covering consistency with the groundfish FMP, goals and objectives for the current action, Magnuson Stevens Fishery Conservation and Management Act (MSA) national standards, and other applicable MSA provisions (such as Section 303(b)(6)). The annotated outline should indicate the information that will be used to assess performance with respect to these standards and criteria and its location in the impact analysis section.
 6. An annotated outline for a section covering cross cutting mandates (see example outline in the appendix to this RFP for a listing of mandates). The annotated outline should indicate the information that will be used to assess performance of the alternatives with respect to criteria in cross cutting mandates and its location in the impact analysis section.
 7. A list of preparers.
 8. A list of references.

The description of data sets should include a description of the fields to be included in the data sets, the level of aggregation, the scope of the data, and the source. An example description is as follows: a set of landings data including vessel identifier, species landed, weight and revenue; aggregated at the daily level; for nontribal trawl vessel groundfish landings taken with groundfish trawl gear under jurisdiction of the Council; and acquired from the PacFIN data system. The first phase, and this contract, do not cover the acquisition of data, except to the extent that the contractor may need to acquire some data to assess its utility for the proposed purposes.

The document transmitted to the Council is to be in Microsoft Word format with Microsoft Excel spreadsheets, as needed.

The work product resulting from the first phase should be sufficient to

1. ensure that when the analytical package is completed, if the outline and analytical framework/approach have been followed, all relevant impacts will have been addressed in a manner that meets Federal requirements pertaining to the analysis of regulatory proposals;
2. efficiently convey important results and allow reviewers to easily locate information central to the requirements of all relevant legislation, executive orders and guidelines.
3. provide analysts with substantial specific guidance on the approaches to be used and work to be done to complete each section of the impact analysis;

4. ensure that analysts working on different sections of the final document use consistent assumptions;
5. ensure that analysts working on different sections consider impacts across a consistent scope (e.g. time, entities, areas);
6. ensure that analysts do not duplicate efforts and that individual work products meet multiple needs; and
7. ensure that analysts are using consistent terminology (e.g., minimize the number of terms used for IFQs/ITQs/TIQs/IQs/Quota-Shares/Shares and standardize their usage.)

Proposals submitted should cover only those tasks covered under the first phase of this project as indicated in Section 2.1. After the first phase is complete, a separate process will be initiated to complete drafting of the analytical package.

Those submitting proposals should review and take into account initial analysis already conducted as part of the scoping process. This analysis is available on request from the Council office.

Groundfish Trawl Individual Quotas for the Pacific Coast July 2005 Informational Report

The Pacific Fishery Management Council is in the process of considering a multispecies individual fishing quota program for its limited entry trawl groundfish fishery. At its June 2005 meeting, the Council voted unanimously to send forward a set of alternatives for analysis in an environmental impact statement. Funds are now available to initiate the analysis but additional funds will be required to be take it to completion.

Fishery Context

The groundfish trawl fishery is a multispecies fishery managed under the West Coast Groundfish Fishery Management Plan, which covers more than 80 species, including rockfish, flatfish, sharks, and skates, as well as roundfish such as Pacific whiting, sablefish, lingcod, kelp greenling, and cabezone. A variety of trawl targeting strategies and types of groundfish trawl gear are used resulting in wide variation in the mix of species caught in a particular trawl tow. This situation creates significant challenges in managing the fishery. Recently, 92 permits out of 284 limited entry trawl permits were bought back through a largely, industry-funded buyback program, reducing the number of permits to 182 (including 10 catcher-processors). Since then two additional permits have been retired through permit combination, leaving 180 permits.

The limited entry trawl fishery is the largest component of the groundfish fishery generating about \$42 million in exvessel revenue in 2003 and \$62 million in exprocessor revenue. It is estimated that there were about \$82 million in community income impacts associated with this fishery.

2003 ¹ Commercial Fisheries	Groundfish			Other West Coast Fisheries	Total All West Coast EEZ Fisheries
	Limited Entry Trawl	All Other	Total Groundfish		
Exvessel Revenue	\$42 million	\$18 million	\$60 million	\$279 million	\$339 million
Percent of Groundfish	69%	31%	100%	-	-
Percent of All EEZ Fisheries	12%	5%	18%	82%	100%

¹ Groundfish are also harvested by the recreational fishery.

Policy Context

The Council has been interested in considering individual quota programs since the early 1990s. A simple, single-species individual quota program was developed for the limited entry fixed gear fishery in the early 1990s, was delayed due to a moratorium, then finally implemented in the form of a tiered permit stacking program in 2001. In 2000, the Council adopted a groundfish strategic plan calling for the consideration of IFQs and permit stacking for the trawl fishery. At that time consideration of IFQs was delayed due to a Magnuson Stevens Act moratorium on such programs. In the fall of 2004, the Council adopted a bycatch mitigation environmental impact statement (EIS) which called for the future use of individual fishing quotas (IFQs) to control bycatch.

Efforts to Date

The Council decided to initiate scoping for a trawl individual quota program at its September 2003 meeting. At its June 2005 meeting, having received the results from public scoping and comments from Council advisory bodies, the Council voted unanimously to send forward for analysis in a draft EIS a number of trawl individual quota (TIQ) alternatives covering harvest of West Coast groundfish, including Pacific whiting. This action was also unanimously recommended by the Council's Ad Hoc Trawl Individual Quota Committee which includes representation of whiting and nonwhiting sectors, shoreside and at-sea processors, communities, and environmentalists. The alternatives include IFQs but not individual processing quotas. The timeline for progressing on the draft EIS will depend on available funding.

The Council's June 2005 decision culminated a scoping process that spanned more than one-and-a-half years and included substantial work by a variety of Council committees. The Council's Ad Hoc TIQ Committee met five times, the Ad Hoc TIQ Enforcement Group met twice, the Ad Hoc TIQ Independent Experts Panel met twice, the Ad Hoc TIQ Analytical Team met four times, and three special public hearings were held. The result is a series of alternatives that present an integrated approach for managing the entire trawl fishery, take into account the complexities of the interactions among segments of the trawl fishery, and take into account interactions between the trawl fishery and other segments of the groundfish fishery.

Problem Statement

Despite the recently completed buyback program, management of the West Coast groundfish trawl fishery is still marked by serious biological, social, and economic concerns; and by discord between fishermen and managers and discord between different sectors of the fishery, similar to those cited in the U.S. Commission on Ocean Policy's 2004 report. The trawl fishery is viewed by many as economically unsustainable given the current status of the stocks and the various measures to protect these stocks. One major source of discord and concern stems from the management of bycatch, particularly of overfished species as described in the programmatic bycatch mitigation EIS. Through the bycatch mitigation program final EIS and draft Amendment 18, the Council has indicated its support for future use of IFQ programs to manage the non-tribal, commercial groundfish fisheries so that individual fishery participants have both more flexibility in how they choose to participate in the fishery and more accountability for how their individual actions affect the bycatch of overfished species in the groundfish fishery. The problem statement is as follows:

As a result of the legal requirement to minimize bycatch of overfished species, considerable harvest opportunity is being forgone in an economically stressed fishery. The trawl groundfish fishery is a multispecies fishery in which fishermen exert varying and limited control of the mix of species in their catch. The optimum yields (OYs) for many overfished species have been set at low levels that place a major constraint on the industry's ability to fully harvest the available OYs of the more abundant target species that co-occur with the overfished species, wasting economic opportunity. Average discard rates for the fleet are applied to projected bycatch of overfished species. These discard rates determine the degree to which managers must constrain the harvest of targeted species that co-occur with overfished species. These discard rates are developed over a long period of time and do not rapidly respond to changes in fishing behavior by individual vessels or for the fleet as a whole. Under this system, there is little direct incentive for individual vessels to do everything possible to avoid take of species for which there are conservation concerns, such as overfished species. In an economically stressed environment, uncertainties about average bycatch rates become highly controversial. As a consequence, there is discord between fishing fleets and managers when there is disagreement about decisions on estimates of bycatch. Thus, in the current system there are uncertainties about the accuracy of bycatch estimation, few incentives for the individual to reduce personal bycatch rates, and an associated loss of economic opportunity related to the harvest of target species.

The current management regime is not responsive to a wide variety of fishing business strategies and operational concerns. For example, historically the Pacific Council has tried to maintain a year-round groundfish fishery. Such a pattern works well for some business strategies in the industry, but there has been substantial comment from fishermen who would prefer being able to pursue a more seasonal groundfish fishing strategy. The current management system does not have the flexibility to accommodate these disparate interests. Nor does it have the sophistication, information, and ability to make timely responses necessary to react to changes in market, weather, and harvest conditions that occur during the fishing year. The ability to react to changing conditions is key to conducting an efficient fishery in a manner that is physically safe for the participants operating in the ocean environment.

Fishery stock depletion and economic deterioration of the fishery are concerns for fishing communities. Communities have a vital interest in the short-term and long-term economic viability of the industry, the income and employment opportunities it provides, and the safety of participants in the fishery.

In summary, management of the fishery is challenged with the competing goals of: minimizing bycatch, taking advantage of the available allowable harvests of more abundant stocks (including conducting safe and efficient harvest activities in a manner that optimizes net benefits over the short-term and long-term), increasing management efficiency, and responding to community interest.

Goals and Objectives

Goals

1. Increase regional and national net benefits including improvements in attainment of economic, social, and environmental objectives and attainment of 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.

Objectives

1. Provide for a viable, profitable, and efficient groundfish fishery.
2. Minimize negative ecological impact while taking the available harvest.
3. Reduce bycatch and discard mortality.
4. Promote individual accountability and responsibility for catch (landed catch and discards).
5. Increase stability for business planning.
6. Increase operational flexibility.
7. Minimize adverse effects from IFQs on fishing communities.
8. Promote measurable economic and employment benefits through the seafood catching, processing, distribution elements, and support sectors of the industry.
9. Provide quality product for the consumer.
10. Increase safety in the fishery.

Constraints and Guiding Principles

1. Take into account the biological structure of the stocks including such factors as populations and genetics.
2. Take into account the need to ensure that the total OYs and ABC for the trawl and all other sectors are not exceeded.
3. Account for total groundfish mortality.
4. Avoid provisions where the primary intent is a change in marketing power balance between harvesting and processing sectors.
5. Avoid excessive quota concentration.
6. Provide efficient and effective monitoring and enforcement.
7. Design a responsive review evaluation and modification mechanism.
8. Take into account the management and administrative costs of implementing and overseeing the IFQ program and complementary catch monitoring programs and the limited state and federal resources available.

Alternatives

The following are the management regime alternatives that will be analyzed in an EIS:

Alternative 1: Status Quo

Alternative 2: IFQs for Trawl Target Species and Species for Which Allocations Exist

Alternative 3: IFQs for All Groundfish Except the “Other Fish” Category of Groundfish **With** Adjustments at Low Harvest Levels

Alternative 4: IFQs for All Groundfish Except the “Other Fish” Category of Groundfish **Without** Adjustments at Low Harvest Levels

Alternative 5: IFQs for All Groundfish

Alternative 6: IFQs for Overfished Species Only

Alternative 7: Permit Stacking (one cumulative limit for each permit associated with a vessel)

These management regime alternatives are described in Table 1. As part of the development of an IFQ program the Council will also need to resolve a number of allocation issues between segments of the trawl fishery and between the trawl and other groundfish fisheries. Within trawl allocation will be addressed as part of the IFQ EIS and allocation between the trawl and other fisheries will be addressed as part of an intersector allocation EIS. This intersector allocation EIS is needed to support the Council's bycatch mitigation policies and resolving intersector allocations will be of assistance in the biennial specifications process.

There are a great variety of provisions that might be included in any IFQ program. Three unique IFQ programs have been developed for Council consideration (noted in the first and last rows of Table 1 as Programs A, B, and C) and are described in Table 2. At the time of the Council's final decision provisions can be mixed and matched between alternatives as long as the alternatives remain internally consistent and within the scope of the analysis.

The following is a general description of the IFQ program elements which are contained in Appendix B of the Scoping Results Summary and illustrated in Figure 1.

Appendix B, Section B.1.0, Initial IFQ Allocation

Section B.1.1, Eligible Groups and Group Shares

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

Section B.1.2, Recent Participation

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.1.3, Allocation Formula

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; and

[**0-100%**] of the quota share issued for the group would be allocated through an auction. (Formula's may vary among groups)

Section B.1.4 and Section B.1.5, History: Species Groups and Periods

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]** . . . 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.1.6, History: Special Situations

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.1.7, Appeals

There would be no appeals process on the initial issuance of IFQ, other than that provided by NMFS and consistent with the Administrative Procedures Act. Any proposed revisions to fishtickets would undergo review by state enforcement personnel prior to finalization of the revisions.

Section B.1.8, Creating New IFQ Species 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. 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.

Appendix B, Section B.2.0, Holding Requirements, Annual Issuance, Transfer

Section B.2.1, IFQ and Limited Entry (LE) Permit Holding Requirements

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 the catch for a particular trip. . . **[by the time of landing; no more than 24 hours after landing; no more than 30 days after 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). A vessel with a deficit in its quota pound account could not leave port.

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

Each year quota pounds would be issued to quota share holders based on the amounts of quota shares they hold. 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.

Subsection B.2.2.3, Quota Share Use-or-Lose Provisions

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].**

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

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)].**

Subsection B.2.2.5, Community Stabilization Quota

A percentage of the quota pounds each year . . . **[would/would not]** . . . be held back from that allocated to quota share holders . . . **[up to 25%; based on analysis]**. The amount held back would be awarded to proposals from fishermen and processors working together to benefit the local community.

Section B.2.3, Transfer Rules

[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). Leasing . . . **[would/would not]** . . . be allowed. 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]**. 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. 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. There . . . **[would/would not]** . . . be accumulation limits on the amounts of quota shares or pounds owned, controlled, or used on a vessel. 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 or species group. There would be no direct limits on vertical integration.

Appendix B, Section B.3.0, Administration

Section B.3.1, Tracking, Monitoring, and Enforcement

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
- vessel monitoring system.

These measures have been arrayed into the enforcement and monitoring programs provided in Table B.3-1 (Appendix B). 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. 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.3.2, Cost Recovery and Rent Sharing

Landings fees would be charged to cover program costs (up to Magnuson-Stevens Act (MSA) limits) and, over time, some elements of the program may be privatized, as appropriate.

Section B.3.3, Program Monitoring, Review and Revision

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.3.4, Data Collection

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.

Options indicated in this description have been arrayed into three IFQ programs (Table 2). Options not included in one of these programs will be discussed and analyzed to illustrate their merits relative to the options chosen. Table 3 isolates those program elements which distinguish the three IFQ programs from one another. Options for allocating catch among segments of the trawl fleet

(e.g., shoreside and at-sea) will be based on the catch history of each segment of the fleet during the period used for the IFQ allocation.

Figure 1. Outline of the IFQ program design elements from Appendix B of the scoping results document.

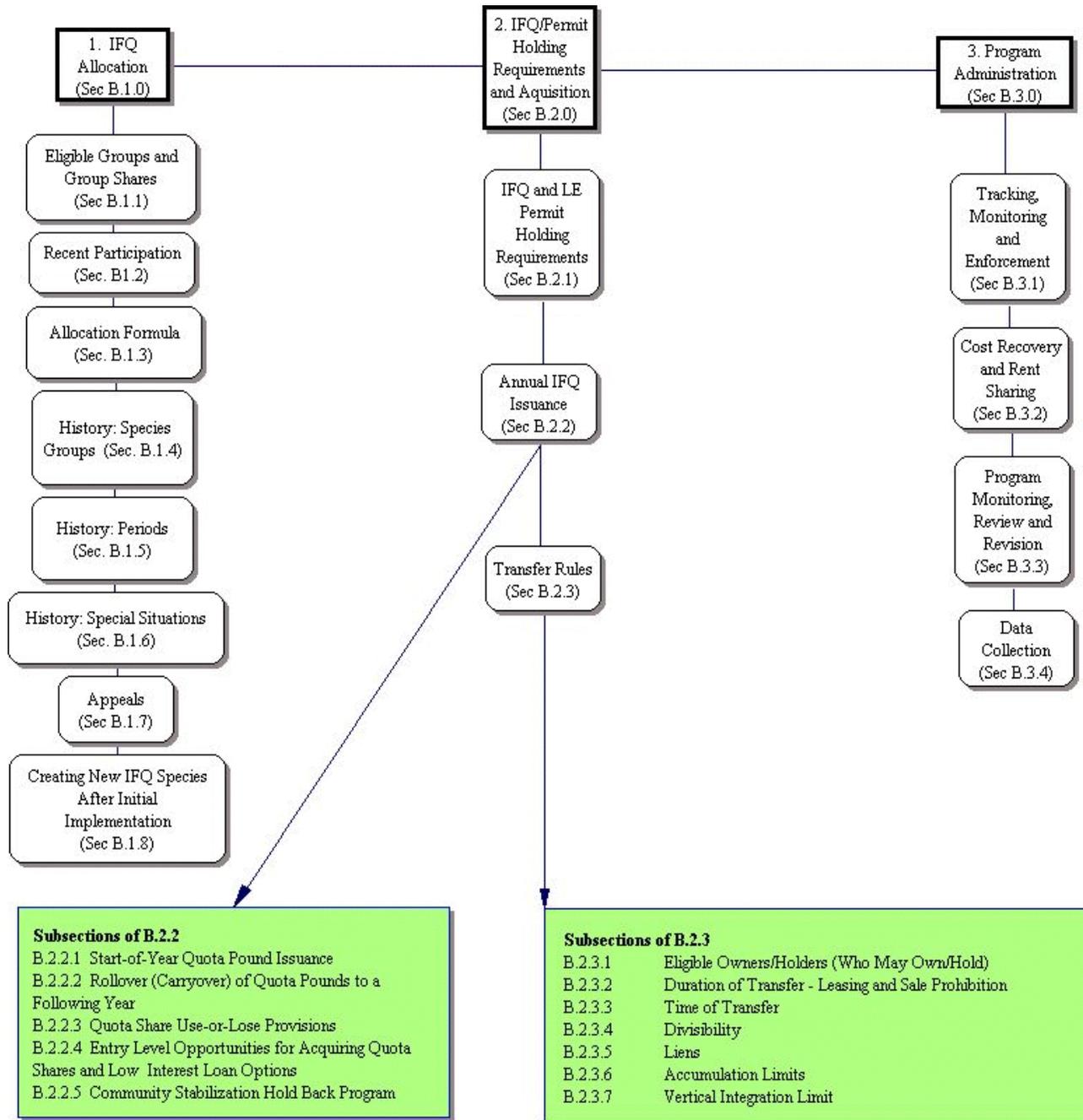


Table 1: Management regime alternatives for analysis, see end of table for Alternatives 5-7. (Page 1 of 3)

Species Groups and Management Tools				
Alt 1 - Status Quo	Alt 2 - IFQs for Trawl Target Groundfish	Alt 3 - IFQs for All Groundfish Except "Other Fish"^{a/}	Alt 4 - IFQs for All Groundfish	
IFQ Program				
IFQ Program to Be Applied (See Table 2)	Program C	Alternative 3A - Program A Alternative 3B - Program B Alternative 3C - Program C	Program C	
NonWhiting Fishery Management Tools and Species (Sections 2.1.1.1 - 2.1.1.3 of the Scoping Results Document)				
Primary Management Tools	-	Manage with IFQ for target species and species for which there is a trawl allocation.	Manage with IFQ for all groundfish except the "Other Fish" category of groundfish and except in situations in which the OY for the species is very low (see below).	Manage with IFQ for all groundfish. ^{b/}
	Cumulative landing limits for almost all nonwhiting species/species groups. ^{b/}	Transferable cumulative catch limits for other groundfish species managed with cumulative landing limits under status quo. ^{c/}	-	-
	Monitoring only for other species.	Monitoring only for other species.	Monitoring only for other species.	-
Adjustments for Low Harvest Levels	The Council may suspend intersector allocations when a species is overfished.	Low OY Management: Same as status quo plus. For IFQ species, management does not change with low OYs. If the OY for a nonIFQ species becomes extremely low (such as for a rebuilding species) manage with nontransferable cumulative catch limits. ^{d/e/f/} Low OY Threshold: Establish a threshold at which point a species would switch from incidental catch management to "Low OY management." (e.g., B _{25%})	Low OY Management: Same as status quo plus. If the OY for any species becomes extremely low, switch from IFQs for that species and instead manage the sector allocation as a pool using nontransferable cumulative catch limits to control catch. ^{g/h/} Decide on whether or not to use "Low OY management" as part of the biennial specifications process.	Same as status quo.

Table 1: Management regime alternatives for analysis, see end of table for Alternatives 5-7. (Page 2 of 3)

Species Groups and Management Tools				
	Alt 1 - Status Quo	Alt 2 - IFQs for Trawl Target Groundfish	Alt 3 - IFQs for All Groundfish Except "Other Fish"^{2a/}	Alt 4 - IFQs for All Groundfish
Whiting Fishery Management Tools and Species (Sections 2.1.1.1 - 2.1.1.3 of the Scoping Results Document)				
Primary Management Tools	No IFQ.	IFQ for whiting.	IFQ for whiting and all incidentally caught groundfish except the "Other Fish" category of groundfish.	IFQ for whiting and all incidentally caught groundfish species. ^{4/}
	Sector allocation with catch limited by season closure.	Possible continuation of seasons to control impacts on ESA listed salmon stocks.	Possible continuation of seasons to control impacts on ESA listed salmon stocks.	Possible continuation of seasons to control impacts on ESA listed salmon stocks.
	Possible season constraints to protect overfished species.	Sector catch caps for other incidentally caught nonwhiting groundfish species for which allocations have been established. No cumulative catch limits. Season closes when fleet catch cap is reached.	-	-
	Other species managed with monitoring only.	Monitoring only for other species.	Monitoring only for other species.	-
Trawl Sectors and Intersector Transfers (Section 2.1.1.4 of the Scoping Results Document)				
Sectors	Three Sectors: <ul style="list-style-type: none"> • shoreside deliveries • mothership deliveries • catcher-processor deliveries 	Four Sectors: <ul style="list-style-type: none"> • shoreside whiting deliveries • shoreside nonwhiting deliveries • mothership deliveries • catcher-processor deliveries (FROM 2.1.1.4 Option 3)	Three Sectors: <ul style="list-style-type: none"> • shoreside deliveries • mothership deliveries • catcher-processor deliveries (FROM 2.1.1.4 Option 2)	One Sector (FROM 2.1.1.4 Option 1)
Intersector Transfer/ Trading	Whiting: Sector allocations fixed by formula with procedure for midseason transfer of unused allocation. Nonwhiting species: There is no inseason transfer of catch opportunity between trawl sectors except through Council inseason management.	Whiting Option 1: IFQ nontransferable between trawl sectors. Option 2: IFQ nontransferable between trawl sectors with procedure for midseason rollover of unused IFQ to another sector. Nonwhiting species: Sector catch cap roll-over: Roll-over any unused incidental catch from one whiting sector to the next as the year progresses. ^{tv} Allow purchase of nonwhiting species IFQ from the nonwhiting sector. Such IFQ would be placed in the pool for vessels operating in the whiting sector.	Whiting IFQ nontransferable between trawl sectors. Nonwhiting species: Do not allow transfer of nonwhiting IFQ from one trawl sector to another.	No subdivision of whiting sectors (there may or may not be a subdivision for purposes of initial allocation).

Table 1: Management regime alternatives for analysis, see end of table for Alternatives 5-7. (Page 3 of 3)

Species Groups and Management Tools				
Alt 1 - Status Quo	Alt 2 - IFQs for Trawl Target Groundfish	Alt 3 - IFQs for All Groundfish Except "Other Fish" ^{a/}	Alt 4 - IFQs for All Groundfish	
Groundfish Catch of Limited Entry Trawl Vessels Using Gears Other Than Groundfish Trawl (Section 2.1.1.5 of the Scoping Results Document, Options are Relevant for IFQ Catch Control Only)				
Trawl Vessel Exempted Gear Quota Accounting and Catch Control (Includes Exempted Trawl and Exempted Nontrawl Gears)	<u>Exempted gear</u> catch by LE trawl vessels counts against LE allocation (trawl and fixed gear) ^{f/} but is subject to open access (OA) trip limits.	<u>Exempted gear</u> - IFQ is not required. Catch counts against the OA allocation and is managed as part of the OA fishery. Some catch will be allocated from the LE trawl to OA fishery. (FROM 2.1.1.5 Opt 2C)	<u>Exempted gear</u> - IFQ required. Catch counts against LE Trawl. Open access catch control regulations apply. (FROM 2.1.1.5 Option 1A)	<u>Exempted gear</u> - IFQ required. Catch counts against LE Trawl. Open access trip limits do not apply. (FROM 2.1.1.5 Option 1B)
Trawl Vessel Longline and Fish Pot Without LE Endorsement (Fixed Gear Gear Quota Accounting and Catch Control)	<u>Longline and fishpot</u> catch by LE trawl vessels counts against LE allocation (trawl and fixed gear) ^{f/} but is subject to open access trip limits.	<u>Longline and fishpot</u> - IFQ required. Catch counts against LE Trawl. LE fixed gear catch control regulations apply. (FROM 2.1.1.5 Option 1A)	<u>Longline and fishpot</u> - IFQ required. Catch counts against LE Trawl. LE fixed catch control regulations do not apply. (FROM 2.1.1.5 Option 1B)	<u>Longline and fishpot</u> - IFQ required. Catch counts against LE Trawl. LE fixed catch control regulations do not apply. (FROM 2.1.1.5 Option 1B)
Alternative 5: IFQ for All Groundfish Species - same as Alternative 4 except provide IFQ for the "Other Fish" category of groundfish (uses IFQ Program C).				
Alternative 6: IFQ for Overfished Species Only - same as Alternative 4, but provide IFQ only for overfished species (uses IFQ Program C).				
Alternative 7: Cumulative Catch Limits and Permit Stacking - same as status quo except, change from cumulative landing limits to cumulative catch limits, allow vessels to take one cumulative limit for each permit stacked on the vessel. Only one of the permits associated with a vessel would need to have the appropriate length endorsements, additional trawl endorsed permits could be stacked without penalty or restriction related to the length endorsement. Stacking would be limited to a maximum of three permits. A monitoring and enforcement program would require 100% at-sea coverage with observers or with cameras and a full retention requirement. (Note: needed monitoring and enforcement provisions and other requirements for the IFQ program alternatives are provided in Table 2).				

- a/ "Other Fish" is a groundfish category that includes sharks, skates, rays, ratfish, morids, genadiers, kelp greenling, and Pacific cod.
- b/ Currently only the "Other Fish" category is not covered by a cumulative limit for the trawl fishery.
- c/ NonIFQ Species - Trawl share based on biennial Council decision. 1. Transferable cumulative catch limit between vessels within period (full or partial limit transfers, depending on length of limit period). 2. Any transfers between vessels are temporary.
- d/ Eliminate the transferability of cumulative catch limits and implement season closure for the affected species on reaching the fleet limit for that species.
- e/ Retention allowances within the catch limits may vary based on annual management measure decisions.
- f/ Other measures to keep bycatch rates low may stay in place (e.g., Rockfish Conservation Areas).
- g/ Implement season closure for the affected species on reaching the fleet limit for that species.
- h/ There would not be a rollover from the nonwhiting to whiting sector.
- i/ With the exception of sablefish for which there is a separate LE trawl allocation against which such catch is counted.

Table 2. IFQ program design alternatives, for analysis, (section and option numbers in parentheses refer to Appendix B of the Scoping Results Document). (Page 1 of 5)

	IFQ Program A	IFQ Program B	IFQ Program C
B.1.0 IFQ Allocation			
B.1.1 Eligible Groups	Allocate 50% of quota shares to current permit owners and 50% to processors (Option 3b).	<p>Eligible Group Suboption B-1. Allocate 100% of quota shares to current permit owners (Option 1 from Appendix B).</p> <p>Eligible Group Suboption B-2. Allocate 100% of quota shares for nonwhiting species to current permit owners and 50% of the quota shares for whiting species to current permit owners. Allocate 50% of the quota shares for whiting species to processors. (New Option, June 2005)</p> <p>Eligible Group Suboption B-3. 90% of quota shares to current permit owners and 10% to processors (New Option, June 2005).</p>	Allocate 75% of quota shares to current permit owners and 25% to processors (Option 3a).
Processor Definition:	Use special IFQ Program definition (processors: receive and process unprocessed fish; or catch and process) (Option 1).	Use FMP Definition (processors process unprocessed and already processed fish or receive live fish for resale) (Option 2).	Same as Program A.
B.1.2 Qualifying Criteria: Recent Participation	<p>Harvesters (including catcher-processors): 1998-2003 participation required in order to qualify for an initial allocation of quota shares (number of trips or years to be specified) (Option 2).</p> <p>For shoreside processors and motherships: 1999-2004 recent participation requirement (number of trips or years to be specified). (Option 4).</p>	<p>All Members of Eligible Groups: No recent participation required in order to qualify for an initial allocation of quota shares (Option 1).</p> <p>OR</p> <p>All Members of Eligible Groups: 1998-2003 participation required (one trawl groundfish landing/delivery of any groundfish species) in order to qualify for an initial allocation of quota shares (Option 2).</p>	Same as Program A.

Table 2. IFQ program design alternatives, for analysis, (section and option numbers in parentheses refer to Appendix B of the Scoping Results Document). (Page 2 of 5)

	IFQ Program A	IFQ Program B	IFQ Program C
B.1.3 Elements of the Allocation “Formula”			
Vessel/Permit Related Allocation	Catcher vessel permit owners will receive quota shares based on their permit history plus an equal division of the quota that could be attributed to permit history of bought-back permits (catcher-processors permit owners will not receive a portion of the quota shares distributed on an equal sharing basis) (Option 2). Suboptions for incidentally caught overfished species, either: (a) same as for other species OR (b) equally divide quota for incidentally caught overfished species. For catcher-processors permit owners, use an allocation schedule developed by unanimous consent of that sector (to be provided).	Same as Program A, except no special catcher-processor schedule.	Same as Program A.
Processor Allocation	Processors are allocated quota shares based entirely on the processing of groundfish trawl landings received unprocessed (Option 1).	No Allocation.	Same as Program A.
B.1.4 History: Species/Species Groups to Be Used for Allocation	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).	Same as Program A, except applies only to permit catch/landings history (i.e., there is no processor allocation).	Same as Program A.
B.1.5 History: Allocation Periods			
Periods/Years to Drop:	Vessels: 1994-2003 Drop 2 years for whiting sector fishing (applies to incidental harvest and whiting). Drop 3 years for nonwhiting sector fishing (Option 1, Suboption B) Shore Processors: 1999-2004 Drop 2 years . (Option 5, Suboption B) Motherships: 1998-2003. No opportunity to drop worst year. (Option 4, Suboption A)	Same as Program A for vessels but no allocations for shore processors or motherships.	Same as Program A.
Weighting Among Years:	Absolute pounds - no weighting between years (Suboption (i)).	Relative pounds (calculate history based on the entity's percent share of each year's total) (Suboption (ii)).	Same as Program B.

Table 2. IFQ program design alternatives, for analysis, (section and option numbers in parentheses refer to Appendix B of the Scoping Results Document). (Page 3 of 5)

		IFQ Program A	IFQ Program B	IFQ Program C
B.1.6 History: Combined Permits and Other Exceptional Situations				
Combined permits:	All permits count. History of the permits combined into a single permit goes to the resulting permit (Option 1).	Same as Program A.	Same as Program A.	Same as Program A.
Illegal landings/catch:	Don't count	Same as Program A.	Same as Program A.	Same as Program A.
Landings in excess of trip limits, as authorized under an EFP:	Don't count landings in excess of the cumulative limit in place for the nonEFP fishery.	Same as Program A.	Same as Program A.	Same as Program A.
Compensation fish:	Don't count.	Same as Program A.	Same as Program A.	Same as Program A.
B.1.7 Initial Issuance Appeals Process	Only one provision has been identified: Appeals would occur through processes developed by NMFS. NMFS will develop a proposal for an internal appeals process and bring it to the Council for consideration. Any proposed revisions to fishtickets would undergo review by state enforcement personnel prior to finalization of the revisions.			
B.1.8 Creating New IFQ Species/Species Groups After initial Implementation	Only one practical option has been identified: 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.			
B.2.0 IFQ/Permit Holding Requirements and IFQ Acquisition (After Initial Allocation)				
B.2.1 IFQ and LE Permit Holding Requirements	Catch must be covered with quota pounds within 30 days of the landing (Option 3). Only LE trawl vessels would be allowed to participate in the IFQ fishery. For any vessel with an overage (landings not covered by quota) there would be no more fishing by the vessel 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. A possible suboption would require some amount of quota pounds be held prior to departure from port (to be analyzed).	Same as Program A	Same as Program A	Same as Program A
B.2.2 Annual IFQ Issuance				
B.2.2.1 Start-of-Year Quota Pound Issuance	Only one practical option has been identified: Quota pounds are issued annually to share holders based on the amount of quota shares they held. (Quota shares are issued at the time of initial IFQ allocation).			
B.2.2.2 Rollover (Carryover) of Quota Pounds to a Following Year				
Nonoverfished	10% rollover for nonoverfished species (Option 3)	30% rollover for nonoverfished species (Option 5)	5% rollover for nonoverfished species (Option 2)	
Overfished	5% rollover for overfished species (Option 3)	Full (30%) rollover allowance for overfished species (Option 5)	No rollover allowance for overfished species (Option 2)	

Table 2. IFQ program design alternatives, for analysis, (section and option numbers in parentheses refer to Appendix B of the Scoping Results Document). (Page 4 of 5)

		IFQ Program A	IFQ Program B	IFQ Program C
B.2.2.3	Quota Share Use-or-Lose Provisions	Do not include a use-or-lose provision but evaluate need as part of future program reviews (Option 3).	Same as Program A	Same as Program A
B.2.2.4	Entry Level Opportunities for Acquiring Quota Shares and Low Interest Loan Options	No special provisions.	No special provisions.	Provide new entrants an opportunity to qualify for revoked shares and shares lost due to non-use (if such non-use provisions are created) (Element 2)
B.2.2.5	Community Stability Hold Back	No special provisions.	No special provisions.	Set aside up to 25% of the nonwhiting shoreside trawl sector allocation each year and allocate that share as quota pounds for joint fishermen/processor venture proposals, ranked on the basis of objective criteria that evaluate benefits to local communities.
B.2.3	Transfer Rules			
B.2.3.1	Eligible Owners/holders (Who May Own/hold)	Any entity eligible to own or operate a US documented fishing vessel. (Option 2) TIQC intent: preserve opportunity for existing participants)	Same as Program A	Same as Program A
B.2.3.2	Duration of Transfer - Leasing and Sale	Permanent transfers and leasing of quota shares and quota pounds allowed. (Option 2)	Permanent quota share transfers only--leasing prohibited. Permanent transfers and leasing of quota pounds allowed. (Option 1)	Same as Program A
B.2.3.3	Limits on Time of Transfer	Allow transfers of quota shares any time during year (Option 1).	Prohibit transfer of quota shares during the last two months of the year.	Same as Program A
B.2.3.4	Divisibility	Only one practical option has been identified: Quota Shares: nearly unrestricted divisibility - "many decimal points." Quota Pounds: divisible to the single pound		
B.2.3.5	Liens	No options have been proposed to restrict liens. Liens can and should be facilitated through a central lien registry. Options for the central lien registry are covered in Section B.3.1.		
B.2.3.6	Accumulation Limits	50% or No Limits (Option 5).	Consider all limits as suboptions	Suboption: Most restrictive limits(1% or 5% Suboption: Intermediate level limits (10% or 25%)
B.2.3.7	Vertical Integration Limit	Only one option has been identified: No additional limits on vertical integration beyond those already provided through accumulation limits.		

Table 2. IFQ program design alternatives, for analysis, (section and option numbers in parentheses refer to Appendix B of the Scoping Results Document). (Page 5 of 5)

	IFQ Program A	IFQ Program B	IFQ Program C
B.3.0 Program Administration			
B.3.1 Tracking IFQ, Monitoring Landings, and Enforcement (see Table B.3-1)	<p>Enforcement Program 2 100% at-sea monitors (observers) Discards allowed</p> <p>Upgraded bycatch reporting system needed Electronic landings tracking</p> <p>Shoreside monitoring opportunity Advance notice of landing Licenses for delivery sites Electronic IFQ reporting Unlimited landing hours VMS</p>	<p>Enforcement Program 1 100% at-sea monitors (observers) Full retention required</p> <p>No upgraded bycatch reporting system needed Electronic landings tracking</p> <p>100% shoreside monitoring Advance notice of landing Limited ports of landing Electronic IFQ reporting Limited landing hours VMS</p>	<p>Enforcement Program 3 100% at-sea monitors (observers) or cameras Discards allowed if at-sea monitor is present (otherwise full retention) Upgraded bycatch reporting system needed Parallel federal electronic landings tracking</p> <p>Shoreside monitoring opportunity Advance notice of landing Licenses for delivery sites Electronic IFQ reporting Unlimited landing hours VMS</p>
Quota Share Tracking	Create a central lien registry but exclude all but essential ownership information (Option 2).	Create a central lien registry including all related ownership information (Option 1).	Same as Program B.
B.3.2 Cost Recovery/Sharing and Rent Extraction	<p>Cost recovery for management (not enforcement or science).</p> <p>Up to 3% of exvessel value, the limit specified in the Magnuson-Stevens Act.</p>	<p>Cost recovery for management (not enforcement or science).</p> <p>Up to 3% of exvessel value, the limit specified in the Magnuson-Stevens Act.</p>	<p>Full cost recovery: Landings fee plus privatization of elements of the management system. In particular, privatization for 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.</p>
B.3.3 Program Duration and Procedures for Program Performance Monitoring, Review, and Revision (Magnuson-Stevens Act (d)(5)(A))	A four year review process is specified along with review criteria. 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. Standard fishery management plan and regulatory amendment procedures will be used to modify the program.		
B.3.4 Data Collection	Expanded voluntary submission of economic data (Option 2).	Expanded mandatory submission of economic data (Option 1).	Expanded mandatory submission of economic data (Option 1).

Table 3. Comparison of provisions that vary among the IFQ programs.

Program A	Program B	Program C
Initial Allocation of Quota Shares, Section B.1.0		
<i>Eligible Groups:</i> 50% to current permit owners; 50% to processors.	<i>Eligible Group Suboption B-3:</i> 100% to current permit owners.	<i>Eligible Groups:</i> 75% to current permit owners; 25% to processors.
	<i>Eligible Group Suboption B-3:</i> Nonwhiting--100% to current permit owners. Whiting--50% to current permit owners; 50% to processors.	
	<i>Eligible Group Suboption B-3:</i> 90% to current permit owners; 10% to processors.	
<i>Processor Definition:</i> Use special IFQ Program definition (processors: receive and process unprocessed fish; or catch and process).	<i>Processor Definition:</i> Use FMP Definition (processors process unprocessed and already processed fish or receive live fish for resale).	<i>Processor Definition:</i> Same as Program B.
<i>Recent Participation Periods:</i> Harvesters, including catcher processors--1998-2003. Shoreside Processors and Motherships--1999-2004.	<i>Recent Participation Option B-1:</i> None. <i>Recent Participation Option B-2:</i> 1998-2003.	<i>Recent Participation Periods:</i> Same as Program A.
<i>Weighting Among Years:</i> Use pounds from each year to calculate catch history.	<i>Weighting Among Years:</i> Use percent of total pounds for the year to calculate catch history for each year.	<i>Weighting Among Years:</i> Same as Program B.
IFQ/Permit Holding Requirements and IFQ Acquisition, Section B.2.0		
<i>Rollover to Following Year:</i> 10% for nonoverfished species and 5% for overfished species.	<i>Rollover to Following Year:</i> 30% for nonoverfished species and 30% for overfished species.	<i>Rollover to Following Year:</i> 5% for nonoverfished species and none for overfished species.
<i>New entrant provisions:</i> No special provisions.	<i>New entrant provisions:</i> No special provisions.	<i>New entrant provisions:</i> Lottery for new entrants to acquire revoked shares.
<i>Community Stability Holdback:</i> None.	<i>Community Stability Holdback:</i> None.	<i>Community Stability Holdback:</i> up to 25%.
<i>Leasing:</i> Allowed.	<i>Leasing:</i> Prohibited.	<i>Leasing:</i> Allowed.
<i>Transfer Period:</i> Year round	<i>Transfer Period:</i> January-October	<i>Transfer Period:</i> Year round
<i>Accumulation Limits:</i> 50% or none.	<i>Accumulation Limits:</i> Consider all limits as suboptions.	<i>Accumulation Limit Suboption C-1:</i> 1% or 5% <i>Accumulation Limit Suboption C-2:</i> 10% or 25%
Program Administration, Section B.3.0		
<i>Enforcement Program 2:</i> 100% at-sea monitoring (observer), discards allowed. 100% shoreside monitoring. Upgraded bycatch reporting. Electronic state landings tracking system. Licenses required for delivery sites. Unlimited landing hours.	<i>Enforcement Program 1:</i> 100% at-sea monitoring (observer), full retention required. 100% shoreside monitoring. Electronic state landings tracking system. Limited ports of landing, no licenses required for delivery sites. Limited landing hours.	<i>Enforcement Program 3:</i> 100% at-sea monitoring (video or observer), discards allowed unless monitoring is with video cameras. Upgraded bycatch reporting. Federal electronic landings tracking system parallel to state system. Opportunity to monitor shoreside. Licenses required for delivery sites. Unlimited landing hours.
<i>Central lien registry:</i> Limited to necessary ownership information.	<i>Central lien registry:</i> With all ownership information.	<i>Central lien registry:</i> With all ownership information.
<i>Cost Recovery:</i> Up to 3%.	<i>Cost Recovery:</i> Up to 3%.	<i>Cost Recovery:</i> Full.
<i>Data Collection:</i> Expanded voluntary.	<i>Data Collection:</i> Expanded mandatory.	<i>Data Collection:</i> Expanded mandatory.

POTENTIAL OPTIONS FOR COMMUNITY INVOLVEMENT AND
CONTROL OF COMMUNITY IMPACTS,
DEVELOPED AS DIRECTED BY THE COUNCIL (JUNE, 2005)

As directed by the Council at its June 2005 meeting, the Analytical Team has developed options to address community concerns, in consultation with the Scientific and Statistical Committee. The Council's June 2005 National Environmental Policy Act (NEPA) scoping results document included various goals, objectives and constraints for the proposed groundfish trawl IQ program. Objective #7 specifically concerns communities and calls for "minimization of adverse effects from IFQs on fishing communities to the extent practical". Adverse effects can result from at least two features of IFQ management: 1) initial allocation of quota and 2) transferability of quota (NRC, 1999). Testimony presented to the NRC committee tasked with examination of individual fishing quotas, indicated that improving economic efficiency "can dramatically alter the characteristics of a fishery and can have significant social implications" including loss of employment and revenues (NRC, 1999). Other potentially adverse effects include a change in the power relationship between quota holders and crew that do not hold quota (McCay, 1995), changes in familial traditions and community perceptions (McCay, 1995), and change in the power relationship between processors and harvesters.

Based on a review of community involvement and impact control mechanisms in other individual quota programs (Appendix), three types of options have been identified that may address community concerns:

1. Direct Allocations (Community Stability Holdbacks) (Table 1)

These options hold back a portion of the trawl allocation for uses designed to benefit communities.

- Direct Allocation Option 1: the hold back would be allocated to fishermen/processor collaboratives which submit proposals designed to benefit communities. It resembles the B.C. Groundfish Development Quota program and a program submitted to Ch. 2 of the NEPA Scoping Results document on IFQs. The GDQ program is discussed in the Appendix.
- Direct Allocation Option 2: the sets aside would be allocated to and managed for specific communities. It resembles some of the elements of the Alaska programs and discussed in the Appendix.

2. Community Involvement¹ (Table 2)

The community involvement option provides formal representation for communities in the fishery policy process.

This option resembles a committee established in the Shetland Islands and discussed in the Appendix.

¹ A general term describing various ways that representatives of coastal municipalities can provide input to the Council regarding the proposed individual fishing quota program.

3. Community Impact Control² (Table 3)

The community impact control options are IFQ program design elements which provide direct or indirect control of impacts on communities.

Restrictions on Quota Share/Pounds Transferability, Landings and Catch

Option 1: Prohibit Quota Sales Temporarily

Option 2: Geographic Restriction on Transfer

Option 2a: Absolute Restriction

Option 2b: Right of First Refusal

Option 3: Area Of Landing/Catch Restrictions

Option 3a: Area of Landing Restriction

Option 3b: Area of Catch Restriction

Option 4: Limited Entry for Ports

Option 5: Partial Leasing Prohibition

Option 6: Owner-on-Board Requirement

Option 6a: Owner-on-board for all of the quota

Option 6b: Owner-on-board for 50% of the quota.

Suboption i: Prohibit ownership by entities other than individuals and nonprofit organizations representing communities,

Suboption ii: Allow the requirement to be met by the presence of any owners with at least a certain interest in the quota pounds being fished (e.g. 20%).

Redistribution to New Entrants

Option 7: Annual Revocation and Reissuance to New Entrants --

Option 7a – By Lottery:

Option 7b – By Equal Allocation

Option 8: Distribute Revoked Shares to New Entrants

Option 9: Increases in Allocation

NOTE: None of the options described here are mutually exclusive. For example, it would be possible to adopt both community stability holdback options.

The following tables outline options that can be incorporated into the IQ Alternatives chosen by the Council for analysis in June 2005. The options are intended to provide a range of programs and mechanisms that have been used by IQ fisheries around the world. Details on where and how these types of programs and mechanisms are used are included in the attached Appendix along with a table explaining the purpose of each general type of mechanism.

Included in the tables are recommendations on sections in which the new options should be placed, if accepted by the Council. These are initial recommendations and latitude should be provided to the drafters to make adjustments that may improve the logic of the organization, as they become apparent.

² A general term describing various rules and regulations that directly or indirectly provide port districts and groups of fishermen economic, social, and cultural benefits.

Table 1. Community stability holdback options (renumber B.2.2.5 as B.4 and incorporate one or both of the following).		
	Community Stability Holdback Option 1	Community Stability Holdback Option 2
General Description	<p>A portion of annual quota pounds held back and allocated to vertically integrated (fishermen/processor) collaborative ventures based on quantitative evaluation criteria which place priority on community benefits.</p> <p>The shares held back for this purpose will continue to be “trawl shares” and must be used in a manner consistent with the scope of the trawl individual quota program.</p>	<p>A portion of the quota shares allocated to nonprofit organizations representing port districts or other jurisdictions designated to act for fishing community interest. The port districts is the example used in this option and is intended to encompass both port and harbor districts.</p> <p>The shares held back for this purpose will continue to be “trawl shares” and must be used in a manner consistent with the scope of the trawl individual quota program.</p>
Holdback	<p>Amount of the total annual* quota pounds allocated for the stability hold back:</p> <p>Suboption A: 20%</p> <p>Suboption B: 10%</p> <p>Suboption C: 5%</p> <p>Suboption D: 5% in year one, increasing by 5% percentage each year until the total set aside is 20%.</p> <p>* It may be determined that the optimal period for these allocations is greater than one year.</p>	<p>Amount of the trawl allocation allocated for the stability hold back:</p> <p>Suboption A: 20%</p> <p>Suboption B: 10%</p> <p>Suboption C: 5%</p> <p>Suboption D: 5% in year one, increasing by 5% percentage each year until the total set aside is 20% (each year in which there is an increase, quota shares held by others will be diminished by 5% to offset the 5% increase for the stability holdback).</p>
Holdback Management Body³	<p style="text-align: center;">Council Committee</p> <p>Committee Authority and Appointment: Magnuson-Stevens Act authority. Appointed by the Council. Recommendations would require approval by the Council before being forwarded to NMFS.</p> <p>Committee Role: Make recommendations to Council (based on specific measurable criteria) on allocation of a specific amount of quota pounds to vertically integrated collaboratives (“teams” of processors and fishermen⁴) for the purpose of achieving specific community development, enhancement, or stabilization goals.</p> <p>Composition: Representatives from West Coast regions, port districts, processors, and fishermen established under a Council operating procedure.</p>	<p style="text-align: center;">Nonprofit Organization</p> <p>Nonprofit Organization Authority and Appointment: Established under community based non-profit organizations. The non-profit organizations would be required to be approved by the port district. Only one non-profit from each qualifying port district would be eligible to apply for an allocation. A single nonprofit could represent multiple port districts. NMFS would certify that these standards are met by any applicant for community quota.</p> <p>Non-Profit Organizations Role: Manage the community holdback quota allocated to the port district it represents. The non-profit organizations would contract with fishermen and make transfers of quota through the NMFS Limited Entry Office in a fashion similar to any other entity holding quota. Thus transfers would be subject to Federal rules restricting transfers, for example, accumulation limits. . These private contracts may specify a payment from the fishermen to</p>

³ A body (here, a committee or nonprofit organization) tasked with managing hold back quota either by providing allocation recommendations to the Council or distributing quota allocated to it by the Council/NMFS.

⁴ A definition is needed for “fishermen.” Is this to include some or all of the following: limited entry permit owners/lessees, vessel owners, licensed crew members, any crew members (WA does not require licenses for crew members), anyone holding quota shares?

Table 1. Community stability holdback options (renumber B.2.2.5 as B.4 and incorporate one or both of the following).		
	Community Stability Holdback Option 1	Community Stability Holdback Option 2
	<p>Staffing and Administration: Option A: Committee reports to be developed for the committee by the staff of the NMFS Limited Entry Office and related expenses to be included as part of program costs to be covered by fees. Other staffing functions to be carried out by the Council. Option B: All staffing functions to be carried out by the Council.</p>	<p>the nonprofit or otherwise obligate and constrain how the fishermen choose to use or transfer the quota according to directions provided by the port district.</p> <p>Composition: Determined locally.</p> <p>Staffing and Administration: Local nonprofit organizations. Possibly operating on proceeds generated from the quota shares allocated to the organizations.</p>
Eligibility for participation	Vertically integrated collaborations that submit proposals. A person (fisherman or processor) may only participate in one collaborative agreement.	<p>Qualifying port districts: Suboption A: No restrictions Suboption B: With landings history > 0 during the period used for allocation of quota shares to limited entry permit holder (based on where landings are made) Suboption C: With landings history > 0 during the period used for allocation of quota shares to limited entry permit holder (based on permit holder residence⁵)</p>
Allocation Criteria	<p>Basis for allocating among collaborative agreement proposals.</p> <p>A set of quantitative criteria will be developed that can be applied to objectively determine the amount of quota pounds to be allocated for each proposal received from a collaborative. A list of potential criteria some of which may or may not be included by the Council as part of the final list adopted, is provided in a footnote.⁶ Comment will be</p>	<p>Basis for initial distribution of community stability holdback among port districts.</p> <p>Under each of these options, each qualified port district would be eligible to qualify for an allocation, even if represented by a nonprofit organization that also represents other port districts.</p> <p>Suboption A: Lottery⁷ (Each qualified port district is eligible to enter</p>

⁵ Wherever the “residence” is used to specify an option, criteria will have to be established for determining residents, particularly for persons who may hold quota shares but have operations in multiple geographic locations. One option may be to use the address listed on Federal tax records.

⁶ Example quantitative criteria to be used in objectively evaluating and weighting collaborative proposals.

Past Performance: Proportion of performance on past commitments for each criteria. (where applicable, does not apply to overfished species).

Utilization: Proportion of raw product to be converted to consumptive and non-consumptive human use (including meal and fertilizer) times past performance on utilization commitments. Indicator of wastage and potential pollution externalities.

Local Added Value: Fair market value of proposed exports from community divided by fair market value of exvessel landings. The allocation committee will determine a fair market value and apply the same per pound market values to all proposals. (Apply as a past performance measure if advance commitment to product forms is not tenable). For this criteria, scores of all proposals will be scaled proportionally such that a score of 1 will be assigned to the proposal with the greatest added value ratio.

Local Labor 1: Local employees divided by total individuals employed (FTE) by the firms that are parties to the collaborative agreement.

Local Labor 2: Total local wages to be paid per dollar fair market value of proposed exports or final products. Proportionally scale the scores of all proposals such that the proposal with the largest ratio is scaled to one.

Table 1. Community stability holdback options (renumber B.2.2.5 as B.4 and incorporate one or both of the following).		
	Community Stability Holdback Option 1	Community Stability Holdback Option 2
	<p>solicited from the public on these and other criteria that should be used, if any.</p> <p>Each criteria will be scaled such that they are evenly weighted and values fall between 0 and 1 (or between 0 and 100).</p> <p>Calculation of Allocation Add scores for all criteria together to derive a single score for each proposal. Sum the scores for all proposals. The amount to be allocated to each collaborative proposal will be the score for that proposal divided by the sum of all scores times the total holdback for each species covered by the application.</p>	<p>a lottery for coastwide shares and those shares specific to their geographic area. Shares will be distributed in blocks. The number of blocks for each type of quota will be twice the number of lottery entrants and every entrant will have an equal chance of winning each block.</p> <p>Suboption B: Port district landings history – allocate based on port district landings history using the same period and number-of-years-to-be-counted used for the allocation of quota shares to permit owners (Section B.1.5).</p> <p>Suboption C: Equal allocation among qualified port districts.</p> <p>Suboption D: Auctions.⁷ (not currently permissible under the MagnusonStevens Act).</p> <p>Restriction on transfer of quota shares issued to communities.</p> <p>Sub option: Community annual pounds can be distributed only to individuals and may not be distributed or transferred to other types of legal entities.</p>
Transfers between communities	NA	<p>Transferability of community quota between participating port districts</p> <p>Suboption A: No</p> <p>Suboption B: Yes</p>
Accumulation	The additional quota shares acquired by a person through participation in a collaborative will, count toward accumulation caps.	The amount of quota shares controlled by any single port district may not exceed X% of the total quota shares of that type.

Amount of quota pounds committed to the project by the applicants. The exvessel fair market value of all pound committed (based on previous years prices) will be summed and divided by the fair exvessel value of all pounds committed by all proposals. For this criteria, scores of all proposals will be scaled proportionally such that a score of 1 will be assigned to the proposal with the greatest amount of pounds committed.

Public Debt Related to Fisheries Development: For the port in which the landings will be made, the amount of public debt directly related to investments supporting the fishing industry and relying on fishing activity for debt recovery divided by the total amount of debt identified in all such proposals and scaled proportionally such that a score of 1 is assigned to the proposals benefiting ports with the greatest fishing infrastructure related debts.

Public Investment Dedicated to Fisheries: For the port in which the landings will be made, the amount of public investments directly supporting the fishing industry divided by the total amount of such investments identified in all such proposals and scaled proportionally such that a score of 1 is assigned to the proposals benefiting ports with the greatest fishing industry related debts.

Port Dependence: Proportion of port revenue from activities of vessels, buyers, and processors divided by total port revenues. Proportion of revenues in all proposals will be adjusted proportionally such that the largest proportion of revenues receives a score of one..

Other Criteria: To be identified through public comment.

⁷ If there are other reasonable allocation criteria that might be considered, such as recent or historic participation (Magnuson-Stevens Act, Section 303(b)(6)), a lottery might be considered contrary to the Magnuson-Stevens Act and arbitrary.

Table 1. Community stability holdback options (renumber B.2.2.5 as B.4 and incorporate one or both of the following).		
	Community Stability Holdback Option 1	Community Stability Holdback Option 2
Limits		<p>Suboptions: 1%, 5%, 20%, 25%</p> <p>The additional quota shares acquired by a person through from a port district will count toward that person's accumulation caps.</p>
Transferability Between Persons Receiving the Holdback Quota for Use	<p>Quota pounds may be transferred as long as they stay within the same collaborative and are handled and landed in all manners originally specified in the collaborative proposal, with the exception of the change in the relative amounts landed by each collaborative participant.</p>	<p>Suboption A: Not transferable, pounds issued for community holdback quota shares must be returned to the port district holding the shares. They may not be transferred to another person.</p> <p>Suboption B: Transferable, but landings must be made in the port district holding the shares for which the pounds were issued.</p> <p>Suboption C: Transferable, but the person to whom a transfer is made must reside in the port district OR in the county(ies) containing the port district, OR within XX miles of the port district boundary (COUNCIL TO CHOOSE ONE)</p> <p>Suboption D. Transferable but the port district or its representative has the right to review any transfers of quota pounds outside its designated boundaries and has the right of first refusal (ROFR). Depending on how the program is established and structured the ROFR can be written within a leasing contract, handled by a committee of community members, or handled by the non-profit organization.</p> <p>Suboption D. Suboption B and Suboption C.</p> <p>Suboption E: Port districts individually determine the transfer restrictions that will bind those to whom their shares are distributed and specify those restrictions in private contracts. Other rules of the IFQ program will continue to apply (e.g. accumulation limits, limits on time of transfer, etc.)</p>

Table 2. Community Involvement Option (incorporate in Section B.2.2 as part of the “Monitoring Program Performance” provisions)	
Community Advisory Committee⁸	The Council will convene a committee comprised of representatives from West Coast regions, port districts, processors, and fishermen. The committee would meet at Council discretion to make recommendations to the Council pertaining specifically to the proposed individual fishing quota program and its impacts to port districts, regions, processors and fishermen. ⁹

Table 3. Community Impact Control Mechanism Options (not mutually exclusive)	
Existing Impact Control Mechanisms	It should be noted that some community impact control mechanisms have already been incorporated into the alternatives chosen for analysis, including the following: 1) <i>Allowing communities to hold quota (Section B.2.3.1)</i> ; 2) <i>Setting limits on quota accumulation (Section B.2.3.6)</i> ; 3) <i>Allocations of whiting and nonwhiting groundfish species for shoreside and at-sea delivery (Options 2 and 3 of Section 2.1.1.4)</i> .
Quota Restrictions	<p>Option 1: Prohibit Quota Sales Temporarily – Temporarily prohibit quota share transfer after initial allocation (In Section B.2.3.2, the Option 2 suboption would prohibit permanent transfers of quota shares during the first year of the program. The suboption will be discussed in the analysis but is not included as part of one of the three IFQ program alternatives adopted for analysis.)</p> <p>Option 2: Geographic Restriction on Transfer (Incorporate as an option(s) in new sections: B.1.9 and B.2.3.8). Option 2a: Absolute Restriction: Place geographic restrictions on quota share and quota pound transfers (but not necessarily for overfished species). Method for associating quota shares with a geographic area: Any quota initially issued to the resident of a coastal county may only be transferred to other residents of that coastal county. Any quota initially issued to a Washington-Oregon-California resident who is not a resident of a coastal county may only be transferred to other residents of that state. Any quota initially issued to a resident of a state other than Washington, Oregon or California may be transferred to owners residing in any geographic locality. Geographic areas larger or smaller than coastal county may be considered (e.g. INPFC area boundaries) See footnote 5 regarding identification of residence. . Option 2b: Right of First Refusal: Geographic assignments will be made as in 2a, but transfers outside of an area may occur if the shares or pounds are first put up for sale to any entity within the designated geographic area, including nonprofit organizations representing the community (right of first refusal (ROFR)).</p> <p>Option 3: Area Of Landing/Catch Restrictions (Incorporate as an option(s) in Section 2.1.1 -- Option 3a: The species and species groups for which quota shares are issued will be subdivided by area of landing (but not necessarily for overfished species). The initial area divisions for landings will correspond to INPFC area and existing regional management lines. The Council may make further modifications to the areas before or after initial implementation.) Option 3b: The species and species groups for which quota shares are issued will be subdivided by area of catch (but not necessarily for</p>

⁶ A committee not tasked with allocating quota.

⁹ The committee might meet at least annually for the first four years of the program to discuss problems related to the IFQ program and make recommendations for adjustments to the program. After the first four years, the committee might meet at least once every four years to provide advice and comment on the four year program review.

	<p>overfished species). The initial area divisions will be by INPFC area and existing regional management lines. The Council may make further modifications to the areas before or after initial implementation.</p> <p>Option 4: Limited Entry for Ports– Identify the current groundfish trawl ports and do not allow groundfish trawl landings to be made at other ports. Base the current list on those ports receiving groundfish caught with groundfish trawl gear by trawl limited entry vessels during the quota share allocation period. (Incorporate under a new section B.2.4, Restrictions on Use)</p> <p>Option 5: Partial Leasing Prohibition -- Prohibit quota share owners from leasing more than 50% of their quota shares or pounds each year (for species other than overfished species). Exempt nonprofit organizations representing communities. (Incorporate as an option in Section B.2.3.2)</p> <p>Option 6: Owner-on-Board Requirement</p> <p>Option 6a: Require that the owner of quota shares used for a landing be onboard the vessel while it is fishing (for species other than overfished species).</p> <p>Option 6b: Require that the owners of at least 50% of the quota share used for a landing be onboard the vessel while it is fishing (for species other than overfished species).</p> <p>For both options</p> <ul style="list-style-type: none"> • Provide a grandfather clause exempting initial recipients from this requirement. The grandfather clause would expire when ownership of the quota shares changes. For corporations, partnerships and other such entities a change would be deemed to occur with the addition of a new member to the ownership organization but not with the subtraction of an existing member. • Exempt nonprofit organizations representing communities. • For corporations partnerships and other such entities: <ul style="list-style-type: none"> Suboption i: Prohibit ownership by entities other than individuals and nonprofit organizations representing communities, Suboption ii: Allow the requirement to be met by the presence of any owners with at least a certain percent interest in the quota pounds being fished (e.g. 20%). <p>(Incorporate Option 6 as part of Section B.2.1)</p>
<p>Redistribution to New Entrants</p>	<p>For purposes of these options, a new entrant is an individual or nonprofit community organization that has owned quota shares for less than a specified period of time (e.g. three years) and did not receive an initial allocation. In order to qualify for a redistribution, the new entrant must own some quota share and be a licensed crew member, vessel operator, vessel owner, or nonprofit organization or governing body representing a community. Crew members, and vessel operators must be able to demonstrate at-sea experience in the West Coast groundfish trawl fishery (for example, 3 months). Vessel owners may qualify only if all individual owners of the vessel are new entrants (e.g. all participants in a partnership or all with an ownership in a corporation owning a vessel).</p> <p>Option 7: Annual Revocation and Reissuance to New Entrants -- Each year 5% of the total quota shares will be reissued to new entrants. Quota shares to be reissued will</p> <p>Option 7a -- Lottery: be divided into equal blocks of a number equal to . . . [i twice; ii half] . . . the number of new entrants and be distributed through a random lottery in which every participant has an opportunity to receive each block. After reissuance, blocks will be divisible, subject to the same restrictions as all other quota shares. Lottery shares may not be awarded that would result in a person exceeding its accumulation cap.</p> <p>Option 7b -- Equal Allocation: equally divided among all new entrants. (Incorporate Option 6 as part of Section B.2.2.4).</p>

Option 8: Distribute Revoked Shares to New Entrants – Distribute to new entrants quota reclaimed through forfeiture due to fishermen non-compliance available. Distribution will be through one of the methods listed under Option 7.

(Already provided as a potential design element in the alternatives adopted for analysis, see Section B.2.2.4, Element 2).

Option 9: Increases in Allocation--Set aside, for distribution to new entrants, increases in annual trawl allocation above that provided in the first year of the program, as described below. Allocation may change through a change in the OY or the intersector allocation rules. Distribution will be through one of the methods listed under Option 7. (Incorporate Option 9 as part of Section B.2.2.1 and 2.2.4)

Establishing Baseline Shares and Quota Pounds: A baseline amount of quota pounds for each management unit will be established in the first year of the program, based on the trawl fishery’s allocation in that year. The shares issued at the time of initial program implementation will be termed “base shares.” Base shares will entitle the base share holder to quota pounds from the baseline amount.

Issuance of Expansions Shares: Expansion shares will be issued in each year in which there is an increase in the trawl allocation above that which had occurred in any previous year, including the baseline year. Expansion shares will apply only to the amount of the allocation above the baseline amount. Expansion shares issued in different years will be equivalent to one another in terms of the amount of pounds issued annually for each expansion share.¹⁰ The amount of pounds issued annually for each expansion share will likely vary from the amount issued for each baseline share.

All Variation Above the Baseline to Be Absorbed by Holders of Expansion Shares: Once expansion shares have been issued, any decrease in the trawl allocation will be taken up entirely by the expansion shares, until the baseline amount is reached (pounds per expansion share equal zero). Contractions below the baseline amount will be absorbed proportionally by holders of the base shares. Expansion shares will not entitle the holder to quota pounds unless the trawl allocation is above the baseline amount.

All shares transferable. After initial issuance, all shares will be transferable such that persons may acquire and hold both base shares and expansion shares.

¹⁰ One method of achieving this end would be to issue one expansion share for each pound of increase.

Appendix: Community Involvement Programs and Community Impact Control Mechanisms Used in ITQ Systems

Introduction

In June 2005, the Council asked NMFS, in consultation with the SSC, to draft a range of appropriate alternatives that reflect community involvement in ITQ systems for Council consideration at the November 2005 meeting. This document summarizes the experiences of several fisheries that have incorporated community involvement and community impact control mechanisms into their IQ management programs. Section 1 of this document provides summary information on various community involvement and protection mechanisms. This list includes mechanisms discussed in the GAO's document, "Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation" (2004). Section 2 provides more detailed information about several community involvement and protection mechanisms used by fisheries in British Columbia, Alaska, Shetland Islands and Iceland. Detailed information includes: a) a description of each fishery, b) the reasons for community involvement, c) the management structure that community involvement mechanisms are used under, and d) the design elements each fishery has implemented that affect communities. Information about the description of the fishery, reasons for community involvement and management structure under which the fishery is prosecuted is provided to give the reader some context regarding the environment in which the community involvement mechanisms operate. The variance in the amount of detail provided between different programs is a result of information availability. In general, this document does not discuss the impacts of the various community involvement and protection mechanisms. This task will be undertaken in the EIS.

Section #1: Summary of Community Involvement and Protection Mechanisms

This section presents summarized information about community involvement and protection mechanisms. The paragraphs below review the mechanisms for community involvement and protection identified through our own research presented in Section 2 and mechanisms identified by the GAO (2004) in their study "Methods for Community Protection and New Entry Require Periodic Evaluation" for community protection and new entry. Table 1 generalizes the community involvement and protection mechanisms summarized in this section, and divides them into various categories as a means of condensing a large amount of information.

Community Involvement

Several programs have been developed to allow communities, specifically, the option for involvement in the fisheries management decision-making process. They include:

- ❖ **Creation of non-profit organizations representing communities that require partnering with industry members to gain access to the fishing resource.** CDQ groups accepted proposals from the industry and selected proposals that met their common goals (*Western Alaska Community Development Quota Program*).

- ❖ **Creation of corporations that hold and then “lease” annual IFQ permit amounts to community residents** (*Gulf of Alaska Community Quota Share Purchase Program*).
- ❖ **Creation of non-profit organizations** with Board members that represent municipalities, regions, groups of fishermen, processors, and shoreworkers **that make recommendations regarding allocation of a portion of the TAC to partnerships of processors and harvesters. Allocation recommendations are based on objectives that provide some economic, social, or cultural benefit to communities** (*British Columbia GDA*).
- ❖ **Creation of organizations with individuals representing communities**, fishermen, processors, environmental groups, and fisheries scientists **that make recommendations on implementation of new fisheries management regulations and alteration to current fisheries management regulations** (*Shetland Islands SSMO*).
- ❖ **Creation of organizations representing communities and fishermen that obtain funds to purchase annual quota in order to make it available for communal use** by fishermen within a fishing organization and purchase of annual quota in order to make it available for communal use by new entrants (*Shetland Islands SFPO and SLAP program*).

Community Protection

Various mechanisms have been used to help protect: geographically located communities, groups of individuals (ex: new entrants, shoreworkers, and current harvesters), social and cultural amenities, diversity of fishing communities, support industries (ex; shipbuilders), and others from negative impacts of IQ implementation. These include:

- ❖ **Create rules regarding who is eligible to hold/trade quota** to protect certain groups of fishery participants. For example,
 - Allow crew members to own quota (*Alaska*)
 - Allow communities to hold quota (*Alaska*)
 - Restrict ownership of quota to individual vessel owners only
- ❖ **Prohibit quota sales permanently** to help prevent movement of quota out of communities (*Norway*).
- ❖ **Prohibit quota sales temporarily after initial allocation** to prevent premature sale and give fishermen time to make better informed decisions.
- ❖ **Place geographic restrictions on quota transfers or leases** to protect communities (*Alaska crab*).
- ❖ **Limit quota leasing** as a way to minimize the number of “absentee” quota holders. For example, prohibit quota holders from leasing more than 50 percent of their quota pounds each year (*Iceland*).
- ❖ **Set limits on quota accumulation** to ensure a certain minimum number of harvesters (*Alaska, Iceland, BC, others*).

- ❖ **Establish separate quota for different sectors of the fishery.**
- ❖ **Require quota holders to be on their vessels.** This inhibits speculative quota trading by those not invested in the fishery (*Alaska halibut*).
- ❖ **Restrict landings to particular ports** that there is an interest in protecting.
- ❖ **Facilitate quota access to new entrants.** Because it is often prohibitively expensive to enter an IQ fishery without an initial allocation, other fisheries have: a) implemented specific program design elements that enable and/or facilitate quota access to new entrants, b) set aside quota for new entrants specifically, and c) developed methods to distribute quota in order to facilitate entry post initial allocation (see below).

Specific program design elements that enable and/or facilitate quota access to new entrants include:

- Transferability of quota (i.e. allow quota to be bought/sold and leased); and
- Designation of blocks of small amounts of quota. Management agencies can place a cap on the number of blocks held. This enables smaller (and therefore less expensive) purchases of quota than might otherwise be available.

Some ways to access quota to set aside for new entrants include:

- Set aside a portion of the total quota specifically for new entrants;
- Buy or reclaim quota from existing quota holders (reclaimed quota could be obtained through forfeiture due to fishermen non-compliance);
- Issue quota for a fixed period of time and then roll it over for distribution to new entrants. An illustration of how this might work is provided in GAO (2004):

...a rollover system has been proposed for Australia's New South Wales fishery under which fishery managers would issue quota for a finite period of time (e.g., 30 years) under one set of program rules and, periodically (e.g., every 10 years), quota holders would have the opportunity to choose whether to continue to participate in the old system or move their quota into a new system with different rules for another 30 years.

and

- Set aside increases in annual total quota for distribution to new entrants.

Some methods of distributing quota to new entrants include:

- Sell quota through an auction;
- Distribute quota by lottery; and
- Distribute quota to individuals who meet certain criteria (for example, some minimum amount of fishing experience)

As the value of quota increases, affordability of quota becomes an issue for new entrants. To make the quota more affordable, loans, grants and/or subsidies could also be used (GAO, 2004).

Table 1 generalizes the community involvement and protection mechanisms summarized in this section, and provides brief description and/or purpose information on each. Community involvement mechanisms are grouped into: “Organizations with quota allocation tasks” and “Organizations with no quota allocation tasks”. Community impact control mechanisms are listed without categorization.

Table 1. Generalized Community Involvement and Community impact control mechanisms (based on IFQ program descriptions).

Community Involvement Mechanisms	Description and Purpose
A. Mechanisms with quota allocation	
1. Community organizations that hold quota and lease annual quota to community residents	This type of program would provide community members access to quota that may be too expensive or inaccessible under normal conditions. A non-profit organization is established that represents specific communities and serves as an organizational element for purchasing quota and making the quota available to individuals within member communities. The organization may be responsible for returning benefits from leases to the community in the form of community development, or they may just provide the infrastructure required for individuals in communities to access quota shares. Reporting requirements to NMFS are likely to be required to track quota shares and any use caps or other unique community measures that may be included in a community program.
2. Organizations representing communities that “partner” with industry members to access fishing resources	This option may provide a bridge between communities without strong fishing infrastructures, but with a strong fishing culture to become more engaged in the fishery and benefit from the resource. Non-profit organizations can be established to help smaller communities whom are unlikely to have the infrastructure and resources to participate in a fishery off-shore. These organizations can serve as the link between industry members and these smaller communities. Communities may be allocated quota shares that the non-profit organization would manage and return revenue to the community. Industry members may enter into specific agreements with the non-profit organization to gain access to this designated community quota. Agreements would be required for the non-profit organization and its roles and responsibilities to its member communities and industry groups would yield some economic benefit to the communities in exchange for the access to the community quota share.
3. Organizations representing communities that allocate a portion of the total quota to various individuals that propose to benefit communities through use of the allocated quota.	This option creates a coastwide organization with Board members representing municipalities, regions, groups of fishermen, processors, and shoreworkers. Board members review proposals made by fishermen and processors to harvest a portion of the total quota the organization is responsible for making recommendations about. Allocation recommendations are based on predetermined objectives that provide some economic, social or cultural benefit to communities. A predetermined formula is used to rank the annual proposals.
B. Mechanisms without quota allocation responsibilities	
1. Organizations representing communities that make recommendations on implementation of new fisheries management regulations and alteration to current fisheries management regulations	The organization could make recommendations pertaining specifically to the proposed individual fishing quota program and its impacts to communities.
Community impact control mechanisms	
Description and Purpose	
1. Allow communities to hold quota	This enables communities to purchase quota for use by area residents.
2. Allow crew to hold quota	This would allow crew that meet designated criteria to hold quota. The quota may move between vessels with the crew member or be restricted to specific vessels within the crews’ community of origin, essentially a regional restriction. Transferability may be limited to those who hold crew quota shares.
3. Allow only vessel owners to hold quota	This type of restriction typically seeks to prevent quota ownership for speculation purposes and large corporate ownership of quota. Vessel owners are likely to live in coastal communities.
4. Prohibit quota sales permanently	This restriction prevents concentration of quota ownership and slows geographic re-distribution of quota.
5. Prohibit quota sales temporarily after initial allocation	This restriction typically seeks to encourage quota owners to educate themselves about the value of the fishery and their quota under a new system. In this way, individuals can more carefully consider the impacts of their transfer decisions. This prevents immediate concentration of quota ownership and slows geographic re-distribution of quota. During this restriction on quota transferability, information about the future value of the fishery and quota may become evident. Typically, quota value increases over time following initial allocation as people’s confidence in the system increases and the value of the asset becomes more apparent.

6. Area based management	While this mechanism is sometimes established based on biological characteristics of the stocks, it has been suggested that it could also be used to protect coastal communities from localized depletion of stocks off their coastline.
7. Place geographic restrictions on quota transfers	This restriction could designate quota to a particular region and deny transfer of quota between regions. This restriction may or may not be successful in controlling where landings occur but could help prevent permanent geographic relocation of large numbers of vessels.
8. Limit quota leasing	Limitation on quota leases could provide a way to minimize the number of “absentee” quota holders. For example, quota holders could be prohibited from leasing more than 50% of their quota pounds each year. If quota holders live in coastal communities, this mechanism can help ensure that the benefits they receive from IFQ ownership are shared with their local community.
9. Set limits on quota accumulation	This commonly used mechanism typically places upper limits or caps on ownership, use and sometimes control of quota. In this way, the fishery is assured of some minimum number of fishery participants, including communities and community members. Quota accumulation limits can help maintain dispersion of benefits geographically.
10. Establish separate quota pools for different sectors of the fishery	This mechanism established specific amounts of quota share to different groups of individuals. As long as transfers are not allowed to occur between quota pools, to some degree, re-distribution of quota can be controlled. This mechanism can help ensure a more widely dispersed distribution of benefits to coastal communities than might occur otherwise.
11. Require quota owners to fish their own quota	This aims to prevent “absentee ownership” or “armchair fisherman” and therefore in turn benefits coastal communities where the fishermen live.
12. Restrict landings to specific ports	This mechanism could be employed for both socioeconomic goals and enforcement feasibility. This mechanism helps ensure the economic viability of particular coastal communities.
13. Facilitate new entry by setting aside a portion of the total quota for new entrants only	This mechanism enhances future access to a limited system for those who may wish to enter post implementation. This mechanism may be useful if very little quota is expected to be available for purchase or lease. Quota distribution could occur through lottery or some other method. The amount of quota set aside for distribution could be taken “off the top” of the TAC, reclaimed through forfeiture of quota due to non-compliance or be a result of annual increases in the TAC. Using this mechanism to create additional participation options for fishermen without quota could benefit coastal communities if new entrants reside in those areas. This mechanism can also help ensure a wider geographic distribution of benefits than a situation where the set aside methods redistribute to current quota owners. The option might also make it more difficult for some to hold and not use quota over a long period of time (and, by not using, depriving fishing communities of the benefits of the fishery).
14. Designate blocks of small amounts of quota	Designation of a portion of the TAC as blocks of small amounts of quota enables smaller and therefore less expensive purchases of quota that might not otherwise be available. Restrictions on combining small blocks to create larger blocks can help keep small blocks available and more affordable. This can benefit small vessel operations and new entrants who live in coastal communities.
15. Issue quota for a fixed period of time and then roll it over for re-distribution to new entrants and current participants	This mechanism could provide enhanced opportunity for new entrants whom did not qualify or were not initially involved in the original allocation process to enter the program after the program is established. This mechanism could prevent consolidation and geographic concentration of quota. This mechanism could help distribute the benefits of the fishery more widely than might otherwise occur.

Note: Some of these community involvement and community impact control mechanisms listed here are already incorporated into the Alternatives identified by the PFMC for analysis.

Section #2: Specific Fishery Program Information

To review, the Council asked NMFS, in consultation with the SSC, to draft a range of appropriate alternatives that reflect community involvement in ITQ systems for Council consideration at the November 2005 meeting. Section #1 of this report presented a list of mechanisms used by various fisheries to involve and protect communities impacted by IQ programs. This section provides more detailed information about the community involvement and protection mechanisms included in Section #1. Each fishery summary includes: a) a description of each fishery, b) the reasons for community involvement, c) the management structure that community involvement mechanisms are used under, and d) the design elements each fishery has implemented that affect communities.

British Columbia Groundfish Trawl Fishery

Description of the Fishery

The British Columbia groundfish trawl fishery is a multispecies fishery that harvests over 25 species of fish in 55 different area quota allocations. Each year, 80 percent of the groundfish Total Allowable Catch (TAC) is allocated as Individual Vessel Quotas (IVQs) and 20 percent are set aside for allocation by the Minister of Fisheries, subject to advice given to him by the Groundfish Development Authority (GDA), an organization created for this purpose and discussed below. Two programs are facilitated by the GDA: the Groundfish Development Quota (GDQ) program and the Code of Conduct Quota (CCQ) program. The GDQ program in particular has objectives that seek to benefit communities.

Reasons for Community Involvement in the IVQ process

The GDA was established as a result of an agreement between the Department of Fisheries and Oceans (DFO), the B.C. Ministry of Agriculture, Fisheries and Food (MAFF) and the Coastal Community Network (CCN) and fishing industry participants. In their report regarding a review of the GDA in 2003, an industry committee summarizes the process by which the GDA was created following closure of the groundfish trawl fishery halfway through the 1995-96 season. Statements on key turning points include:

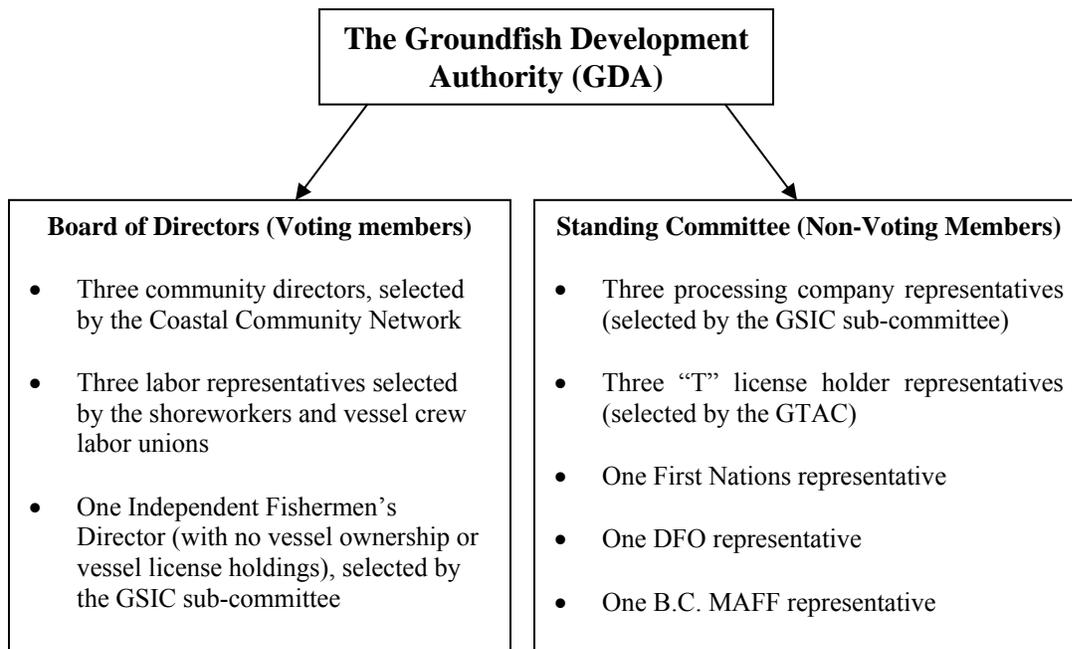
- ❖ *...As discussions on workable options became negotiations, it was clear that a new system which conferred 100 percent of quota to vessels was not acceptable to some of the interests formally represented in the process;*
- ❖ *The interests on the Groundfish Special Industry Committee who argued to implement a 100 percent IVQ system were not successful;*
- ❖ *A system whereby some portion of available quota would be owned/held/administered to non-vessel owners became inevitable – a range of options were discussed, including enterprise (processor) allocations, and community-owned quota;*
- ❖ *The compromise achieved was that non-vessel owning interests – specifically communities and unions representing both fishermen and shore-workers – would influence the allocation of 20 percent of available quota to vessels, through the GDA...(GSIC, 2003).*

Management Structure

The groundfish trawl fishery operates according to the Pacific Region Integrated Fisheries Management Plan. The Plan outlines the operation of the GDA. The Groundfish Development Authority (GDA), among other objectives, was created to allow for community involvement in management of the groundfish trawl fishery.

The Groundfish Development Authority (GDA) provides advice to the Minister of Fisheries on allocations of the Groundfish Development Quota (GDQ) and Code of Conduct Quota (CCQ). Seven members comprise the Board of Directors (voting members) and nine advisors sit on the Standing Committee (non-voting members that provide background information and expertise to the Board of Directors). Figure 1 provides more information about representation on the GDA.

Figure 1. Representatives comprising the GDA (GDA, 2005).



British Columbia’s Coastal Community Network referred to in Figure 1 was created as a representative council with a mandate to promote the economic and social well-being of West Coast communities and ensure local access to the natural resources that have sustained them for generations. Members of the Coastal Community Network are Regional Districts, Tribal Councils and other private and corporate members of the communities that border on B.C.’s tidal waters (CCN, 2005).

Code of Conduct Quota (CCQ)

The advice provided by the GDA with regards to CCQ is based on general principles, guidelines and an allocation procedure. The CCQ program was designed to ensure fair treatment of crew¹¹

¹¹ “Fair treatment of crew’ means that crew sharing arrangements will not be adversely affected by the introduction of an IVQ system. This includes, but is not limited to, the following: 1) crewmembers will not be asked to contribute to the cost of the vessel/T license’s IVQ allocation, 2) crewmembers will not be asked to contribute to the cost of

and safe vessel operation. It is intended to alleviate changes to crew shares that occur solely as a result of the introduction of an IVQ system and is not intended to enforce minimum standards or minimum crew shares on trawl licensees. Regarding allocation, at the beginning of each year, DFO assigns the CCQ to each licensed vessel based on the vessel's IVQ holding for that year. If a complaint is made to the GDA by a crewmember or other person, and found to be valid, a recommendation is made to the Minister of Fisheries and Oceans to withhold the quota. A confidential complaints procedure protects the crewmember bringing the complaint. A complaint can be made by a crewmember, a legal representative or a third party who believes that a crewmember has been unfairly treated or his safety compromised according to established guidelines. A complaints process directs the executive director of the Groundfish Development Authority on how to proceed. If CCQ principles are found to have been violated and resolution of the conflict cannot be achieved by any other means, the GDA Board may issue a letter of warning and/or recommendation to the Minister that all or part of the vessel's CCQ be withheld for the following season (GDA, 2005).

Groundfish Development Quota (GDQ)

The GDQ program distributes two hake allocations (10 percent of the TAC for Gulf and Offshore hake) and a groundfish allocation (10 percent of each quota species area group TAC). Under the GDQ program, the GDA receives proposals prepared by one or more processor(s) or buyer(s) and one or more licensed vessel owner(s). Each proposal must detail aspects of the operation of processors and vessels committing quota to the processors with regard to the GDA objectives. The GDA considers the benefits of each proposal and how well they contribute to the following objectives (details on the intent of each objective is included as a footnote):

- 1) Market Stabilization
 - The intent of this objective is to encourage market stability by eliminating the race for fish and allowing a more stable pace of landings throughout the year (GDA, 2005).
- 2) Maintain Existing Processing Capability
 - The intent of this objective is to recognize the importance of maintaining existing processing for reasons of jobs, tax investments, community infrastructure, etc. by mitigating against sudden wholesale change in location of processing while allowing for the evolution of a healthy processing sector (GDA, 2005).
- 3) Employment Stabilization in the Groundfish Industry
 - The intent of this objective is to ensure that the proponent's plans reflect the concept that an IQ fishery should generate more shoreworker stability by spreading landings out more uniformly over the entire year and by providing more certainty of plant operations. With respect to vessel crew employment, it was recognized that DFO licensing is the main engine that determines job security within the groundfish trawl industry, and that part of the rationale for an IQ fishery was to rationalize the fleet at a lower level. However, once that new level has been achieved, this objective looks at the stabilization of vessel crew employment (GDA, 2005).
- 4) Economic Development and Benefits in Coastal Communities

replacing original allocated quota that is moved off the vessel/T license by the original owner (that is, the owner of the vessel/T license at April 1, 1997), 3) crewmembers will not be coerced into contributing to the leasing of additional IVQ, or any other non-traditional costs associated with the operation of the vessel" (GDA, 2005).

- The GSIC Sub-Committee defined coastal communities as all locations that rely, at least in part, on the fishing industry for their economic viability. To ensure that economic benefits generated by the groundfish and hake industries contribute to the economic viability and growth of all stakeholders including processing companies, vessel owners, shoreworkers, vessel crews and secondary service industries in coastal communities (GDA, 2005).
- 5) Increasing the Value of Groundfish Production
 - The intent of this objective is to ensure that the proponent is taking full advantage of the opportunities presented by an IVQ system to achieve the best possible rate of return for product through wise use of the resource (GDA, 2005).
 - 6) Industry Training Opportunities
 - The intent of this objective is to ensure that workforces in the groundfish industry are properly trained to work safely and efficiently in order to fulfill the other objectives with respect to increased production value, market stability, and economic benefits (GDA, 2005).
 - 7) Sustainable Fishing Practices
 - The intent of this objective is to encourage operators to utilize the highest percentage of their holdings out of the water in a manner that makes best use of all fish caught while adhering to recognized sustainable management practices designed to ensure long-term sustainability of the stocks (GDA, 2005).

Assessment Criteria have been developed and are included in the Groundfish Development Authority Operations Plan. The assessment criteria are used by the GDA to rank proposals. The criteria are directly related to the objectives of the program.

There is also a Proposal Allocation Formula and a License Allocation Formula. The Proposed Allocation Formula¹², which is applied to the data included in the GDQ proposals, is used to rank proposals. The factors used in the Proposal Allocation Formula include:

- (1) verifiable production history over the past three seasons of the processing company/buyer or companies/buyers in the application (25 percent of the weight in the formula),
- (2) the total amount of IVQ all vessels in the application commit to the plan (25 percent of the weight in the formula), and
- (3) “a rating as determined by the GDA based on the GDA objectives, on the performance of the proponent in meeting his previous year’s production goals and, in the case of new entrants or innovative new ideas, perceived merit of proposed production plans” (50 percent of the weight in the formula) (GDA, 2005; GSIC, 2003).

The License Allocation Formula¹³ is used to determine the amount of quota an application receives.

Other characteristics of the program include:

¹² $GDQ_{\text{Proposal}} = \{[(3 \text{ year groundfish history} * \text{GDA Rating}) / \sum (3 \text{ year groundfish history} * \text{GDA Rating})] + [(IVQ \text{ Committed} * \text{GDA Rating}) / (\sum (IVQ \text{ committed} * \text{GDA Rating}))]\} / (2 * GDQ)$

¹³ $GDQ_{\text{License}} = GDQ_{\text{Proposal}} * (IVQ \text{ Committed}_{\text{License}} / IVQ \text{ Committed}_{\text{Proposal}})$

- GDQ are non-transferable.
- Each year, a flat submission fee is charged by the GDA for each proposal.
- An additional per pound¹⁴ fee is charged to cover operational costs of the GDA. The fee is assessed based on a calculation of quota holdings. Failure to pay fees results in forfeiture of GDQ for that season.
- Guidelines and a Commitment Compliance Review Process have been established to help in determining catch delivery compliance or non-compliance.

Additional Design Elements that Affect Communities

Ownership and holdings (leasing) caps

Both species caps (4-10 percent depending on species) and individual vessel quota holdings caps (2 percent cap on total amount held by an individual license holder) exist in the B.C. groundfish fishery.

Transferability

GDQ and CCQ are not transferable.

Community held quota

Although only groundfish vessel owners holders are able to hold quota, vessel owners can hold GDQ, which are used for purposes of furthering community development goals.

New entrants program

The GDQ program allows for allocation of GDQ to new entrants. The formulas used by the GDA, however, disadvantage new entrants compared to those individuals with a history of quota holdings and prior use of GDQ.

Area based quota management

While area based quotas can potentially be used to help protect certain coastal areas, in the B.C. groundfish trawl fishery, area based quota were not used for this reason. Area based quota were developed based on stock geographic location.

Western Alaska Community Development Quota Program

Description of the Fishery

The Western Alaska Community Development Quota (CDQ) is a multi-species fishery for the Bering Sea and Aleutian Island (BSAI) region of Alaska. The Bering Sea is encompassed by Russia on the west, the Bering Strait to the north, the west coast of Alaska to the east and the Aleutian Islands to the south, encompassing an estimated 800,000 square kilometers. The unique character of the continental shelf yields a productive ecosystem. The multi-species fishery includes, but is not limited to pollock, sablefish, halibut, multi-species groundfish and crab. CDQ pollock allocations are 10 percent of the TAC, while 7.5 percent is allocated to CDQ for most multi-species and crab fisheries. The CDQ program is unique to this region of Alaska and has objectives to reach community development goals.

¹⁴ Individual species pounds are converted to groundfish equivalent pounds (GFE) through a series of conversion ratios based on species-specific ex-vessel values.

Reasons for Community Involvement in the CDQ Process

The concept of the CDQ program was initially proposed during the mid- 1980's after the transition of the Bering Sea fisheries from foreign to domestic fisheries. Domestic fleets with larger vessels, inshore and offshore sectors and catcher-processor arrangements yielded great benefits to the domestic fishery. However, this domestic fishery was not heavily based in Alaska, rather many vessels hailed from Washington State. As a result, the Alaskan Native fishermen of rural western Alaska yielded no benefits from the fishery. These fishermen came from small villages that required economic support and development to gain any benefit from the surrounding fishery.

In 1990, approximately 25 percent of the populations of these small villages were living beneath the poverty line. The English language, housing, utilities and phones were all examples of modern day necessities that did not exist in these communities. Resulting impacts included poor health, poor sanitation, high rates of infectious diseases and low standards of living. Community development was required to stabilize these rural and remote communities.

By 1992, the North Pacific Fishery Management Council (NPFMC) finalized the regulations and procedures for the CDQ program which were then made permanent with the 1996 reauthorization of the Magnuson-Stevens Fishery Management and Conservation Act (MSFMCA). The creation of the CDQ program now provided an opportunity for the Alaskan Native communities to gain some source of economic income and participate in development programs.

Management Structure

The CDQ program has a complex management structure that can be separated into two general categories. One category includes the government structure, both federal and state governments, while the second category pertains to the CDQ groups.

Government Structure

NMFS and the Council

Initially the CDQ program was approved by the Secretary of Commerce for the BSAI Pollock fishery and was expanded with the 1996 revisions to the MSFCMA to include CDQs for groundfish and crab under Fishery Management Plans (FMP). Community eligibility criteria were established, CDQ groups, a CDQ Team, an application process and allocation process were all developed. Community criteria and CDQ groups will be addressed in the next section.

NMFS's role in the CDQ process includes ensuring the implementation of federal regulations, and providing final recommendations to the Secretary, who holds overall authority in the allocation process. Federal staff also participates in the monitoring of the program to include daily catch monitoring, debriefing of fishery observers, regulation writing and program review (Alaska 2003). NMFS is also responsible for reviewing, recommending and adjusting Community Development Plan (CDP) applications forwarded from the State of Alaska CDP process. These recommendations are provided to the Secretary of Commerce for final approval.

Allocations occur for all commercially valued species in the BSAI; however, the management of each species group varies slightly according to species. The NPFMC and NMFS manage the multi-species groundfish fishery in the BSAI. The commercial crab fisheries in the BSAI are primarily regulated by the Alaska Board of Fisheries, and the Alaska Department of Fish and Game (ADF&G) as designated by the Council (NRC 1999). The International Pacific Halibut Commission (IPHC) manages the commercial halibut fishery. Once the TACs are assigned and approved by the respective parties, the portion that is allocated to the CDQ program is then further broken down for distribution to the specific CDQ groups. The State of Alaska recommends the distribution of the allocation between the groups and the NMFS reviews the allocation recommendations and through the council process the allocations to specific CDQ groups are determined, with the final authorization made by the Secretary of Commerce.

NMFS is responsible for reviewing Community Development Plans (CDP) provided by the state to ensure that the plans meet all applicable requirements and have the required letter of support from member communities.

The State of Alaska

Daily administration of the CDQ program was delegated to the State of Alaska by the Secretary of Commerce. As a result of this responsibility, the state implemented regulations under Alaska State Code 6AAC 93. The State of Alaska is responsible for the review of CDQ proposals, provides allocation recommendations, and conducts ongoing monitoring of each CDQ group's performance. The Governor of Alaska designated a CDQ team comprised of representatives from multiple State of Alaska agencies (Alaska 2003). The CDQ team manages the CDP process, which is an application process for the CDQ groups entering the competitive process for CDQ allocation. The process includes applications, application evaluations, public hearings and final application review. The CDQ Team makes recommendations of applications to the Governor, who consults with the NPFMC, and sends any final findings and rationale to NMFS.

Community and Industry Structure

Communities

The communities in the CDQ program are typically small rural isolated villages. These communities in Western Alaska are some of the most economically depressed in the United States. The goals of the CDQ program are to provide capital generated from long-term commercial fishing activities to these fishing communities. To qualify for the CDQ program, community eligibility criteria were established as follows:

- ❖ Location within 50 nautical miles of the Bering Sea
- ❖ Native village, as defined by the Alaska Native Land Claims Settlement Act
- ❖ Residents conduct over 50 percent of their current commercial or subsistence fishing effort in the waters of the Bering Sea
- ❖ No previously developed harvesting or processing capacity sufficient to support substantial groundfish fisheries participation

During the implementation of the program, 56 communities were identified to qualify for the program. Over the years, additional communities were added to a current total of 65

communities involved in the program. Eligibility criteria for communities allow for communities to petition inclusion in the program if they were not initially selected for participation in the program. Approximately 9 communities were added through this process after the initial determinations of eligible communities.

Due to the economically depressed atmosphere of the communities, none of the communities had the resources to participate in the offshore commercial fisheries. As a result, industry partners with the resources were sought out and located in a process that established CDQ groups.

CDQ Groups

In the process of seeking organization of the CDQ eligible communities, management agencies held planning meetings and CDQ groups were essentially “self-determined” based on cultural boundaries and regional similarities (Alaska 2003). Each CDQ group represents multiple communities within its regional area. The CDQ groups are non-profit organizations and each group has a Board of Directors. The Board is composed of at least one representative from each CDQ community represented in a particular CDQ group, and state regulations require that at minimum three-quarters of the board is comprised of commercial or subsistence fishermen.

CDQ groups required partnering with the industry members to gain access to the fishing resources. CDQ groups accepted proposals from the industry and selected proposals that met their common goals. An arrangement of royalty payments from the industry to the CDQ groups, for use of the CDQ allocation for each group was determined. The funding from the royalty payments is then used by the CDQ group to meet community development goals. Examples of goals include but are not limited to: the development of port and harbor facilities, business planning services, boat and gear revolving loan programs, training and educational scholarships.

CDQ groups must prepare a CDP during the states application period in order to competitively be considered for CDQ allocation.

Design Elements that Affect Communities

Eligibility Criteria

The eligibility criteria discussed above limits participation in the program to targeted small, rural and economically depressed communities.

CDQ Allocation

Allocations for the CDQ program are specific to the affected communities and their represented groups. The CDQ program is allocated 10 percent of Pollock, 7.5 percent of crab and all other groundfish species, 20 percent if sablefish, and 20-100 percent of halibut (varied on halibut management areas) TACs in the BSAI.

Transferability

Communities may transfer quota with other CDQ groups, but cannot transfer quota outside the CDQ program. Requirements are outlined within the federal regulations.

Community Development

CDQ groups must invest in activities and investments that contribute to the development of their member communities, and a large percentage of those activities are targeted fisheries-related projects.

Community Representation

Requirements to include representatives from each community on the board of directors for the relevant CDQ group may be considered as community representation in the CDQ group planning process. Resources from the use of the CDQ allocations are required to be directed to the representative communities.

Gulf of Alaska Community Quota Share Purchase Program

Description of Fishery

The Gulf of Alaska (GOA) halibut and sablefish fisheries moved from a limited access management system to an IFQ program with quota shares in 1995. Consolidation under the IFQ program resulting in economic hardship for small communities led to the development of the Community Quota Share (QS) Purchase Program, which became effective in June 2004. The intention of the QS program is to provide an option for eligible GOA communities to purchase halibut and sablefish QS.

Reasons for Community Involvement in the QS program

Consolidation of IFQ QS in larger communities along with the poor prices for salmon resulted in declining access to IFQ QS for smaller communities. Leaders of these smaller communities organized themselves into the Gulf of Alaska Coastal Communities Coalition (GOACCC), whose purpose was to advocate for a solution to the access problem for smaller coastal communities. Their efforts were successful with the development of the Community QS Purchase Program.

Management Structure

The program was approved by the NPFMC in April of 2002 and became effective in June of 2004. Eligibility criteria were established, and the Final Rule directs the development of non-profit organizations to act on behalf of eligible communities. These non-profit organizations are referred to as Community Quota Entities (CQE), and may represent more than one community.

NMFS and the Council

The NPFMC initially identified a list of 42 qualified communities. Any additional communities that wish to apply for qualification for the program must seek NPFMC action and approval from the Secretary of Commerce.

NMFS reviews applications from CQE's requesting eligibility to participate in the program. NMFS provides the State of Alaska with copies of the applications. The State has 30 days to provide comments, which NMFS will consider before certifying a CQE. Once CQE's are established, NMFS reviews annual reports required from the CQEs and takes any corrective action if reports are not filed.

Communities

Communities that are targeted to participate in this program are usually small rural communities that may have lost access to diverse fisheries with the consolidation of the QS in the IFQ program. In order to qualify as a community under this program, eligibility criteria are as follows:

- ❖ Population of less than 1500 persons based on the 2000 United States Census
- ❖ Have direct saltwater access
- ❖ Lack direct road access to communities with a population greater than 1500 persons
- ❖ Have historic participation in the halibut and sablefish fisheries
- ❖ Be specifically designated by the NPFMC.

Initially 42 communities were identified and designated in the Final Rule (69 FR 23681, April 30, 2004). Designation of additional qualified communities requires action by the NPFMC and the Secretary of Commerce. Communities that were not initially identified through the Council process as eligible communities can seek qualification through the council process. All communities are represented by a CQE, but may not be represented by more than one CQE.

Community Quota Entities

CQEs must apply to NMFS for certification to participate in the GOA QS program. Once certified as a CQE, they hold and then “lease” annual IFQ permit amounts to community residents (Smith 2004). CQE’s are new corporations that were organized after April of 2002, are organized under Alaska State Law, and have the support of one or more eligible communities. Regulations identify how support must be obtained and how support varies between tribal governments, city councils, municipalities and communities too small to have these governmental structures.

Once the CQE qualifies for the program, it is issued a Transfer Eligibility Certificate, and obtains its QS through transfer. The CQE then leases the QS to individual permanent community residents to fish. The CQE can obtain new QS and transfer QS within the regulatory restrictions for transfer and QS caps.

The CQE is responsible for submitting annual reports to NMFS. The reports contain information detailing the use of the QS by its member communities and individuals from communities. If an annual report is not submitted, the CQE will be suspended from holding QS until the report is submitted and reviewed by NMFS. The CQE is responsible for remaining in compliance with the CQE program regulations, and is subject to participation barriers if non-compliance is determined.

Individuals

Regulations indicate criteria for individuals who are eligible to lease quota from a CQE. An eligible individual must be a permanent resident of the community the CQE is representing. The individual must have maintained a domicile in the represented community for a minimum of 12 months prior to applying for QS.

An individual who leases QS from a CQE may not designate a skipper to fish the community IFQ; the QS must be fished by the designated individual. Individuals who hold leases of IFQ

from CQEs are considered IFQ permit holders and are subject to the same regulations as the aforementioned group.

In addition to permanent residents, IFQ crew members who have demonstrated at least 150 days fishing experience or whom have received QS by initial issuance may also be eligible to receive CQE QS.

Design Elements that Affect Communities

Use Caps for Individual Communities

Caps for holdings under the Community QS Purchase Program are the same as those for individuals under the existing program and are identified in the respective federal regulations. Examples of use caps include 0.5 percent of all GOA halibut QS, 1 percent of all sablefish QS, and 1 percent of SE sablefish QS.

Cumulative Use Caps for All Communities

Cumulative caps limit the total amount of holding for all participant communities within the Community QS Purchase Program. Caps were determined for the first seven years of the program starting with a limit of 3 percent for the first year increasing by 3 percent each consecutive year up to 21 percent during the seventh year. These cap amounts are subject to review during the program review process by the Council. These caps apply to both halibut and sablefish.

Block Limits

Block limits of QS were established in the initial IFQ program to prevent consolidation of blocked QS and allow for smaller less expensive blocked QS to remain on the market. The regulations for blocked QS apply to the community allocations as well. Block limits are set at 10 blocks of halibut and 5 blocks of sablefish in any one management area. In addition, CQE's are prohibited from purchasing or transferring small QS blocks that may be "swept up" to form larger blocks. Specific limits per specific areas are identified in the federal regulations.

Bering Sea and Aleutian Island (BSAI) Crab Rationalization Program

Description of Fishery

The BSAI crab fisheries are managed under the Bering Sea and Aleutian Islands King and Tanner Crab FMP. Specific species identified in Final Rule (70 FR 10174, March 2, 2005) are included in the Crab Rationalization program and no longer require a License Limitation Program (LLP) license from the previous management structure. The Final Rule identifies several crab fisheries that are excluded from the Crab Rationalization Program and still require LLP permits. The program issues quota share (QS) allocations, processor quota share (PQS) allocation, IFQ, individual processor quota (IPQ), crew QS, has structure for harvesting cooperatives, CDQ allocations and provides options for community protection measures.

Reasons for Community Involvement in the Fishery

The Crab Rationalization Program aims to remove excess capacity, diminish the race for fish and increase safety. The program provides for revitalization of the economic benefits of the crab

fisheries, provides for conservation to increase the efficacy of crab rebuilding strategies and measures of the program aim to limit geographic shifts of fishing resources outside communities. Small entities and communities in the program will have an opportunity to stabilize their economic benefit and gain more consistent returns from the fishery.

Management Structure

The program was approved by the NPFMC in April of 2003 and became effective on April 1, 2005. Community purchase provisions and community protection measures were included in the development of the program. Eligibility criteria were established, and the Final Rule provides for the development of non-profit organizations to purchase shares on behalf of eligible communities. These non-profit organizations are referred to as Eligible Crab Communities Organizations (ECCOs).

NMFS and the Council

NMFS has played a large role in the implementation of the program. The application process was handled completely by NMFS, which included notification of application periods, tracking of applications, processing challenges to initial quota share allocations based on historical catch and public outreach activities. NMFS has developed a computer system to track most activity for the program to include transfers, caps, fees and quota issuance. Annually, the agency issues quota shares for program participants whom have met and continue to meet program eligibility requirements throughout the year. NMFS also approves all transfer requests. A transfer does not become effective without being processed through NMFS, manage the landings reporting system, collect cost recovery fees and support enforcement efforts.

Eligible Crab Communities and EEC Organizations

Eligible Crab Communities (EECs) can qualify to purchase quota shares and utilize community protection measures if they have at least 3 percent of the initial PQS allocation of any BSAI crab fishery. It was determined that nine communities qualified, however, some differences between the communities led to some specific program elements to be waived or applied uniquely to some communities¹⁵. ECCOs are responsible for purchasing quota share and leasing the IFQ to community members. They must submit an annual report to NMFS and meet designated performance standards. ECCOs are not restricted in their use of revenues from the leasing of programs.

Design Elements that Affect Communities¹⁶

CDQ Allocations

Allocations of the TAC for program crab fisheries to CDQ groups have been increased from 7.5 percent to 10 percent. In addition to allocation increases, the CDQ program was expanded to

¹⁵ Examples of unique considerations may be seen in Adak. Adak has a special allocation of Aleutian golden king crab TAC, an ROFT is not required due to direct allocations, and allocation under the rationalization program must be utilized for development in Adak.

¹⁶ Please note that the Crab Rationalization program has many types of QS that may be held by crew, processors, cooperatives etc. While QS held by these type of QS holders may have impacts on a community, for the purpose of this paper we have only identified the design elements that are directly designed for communities.

include two crab fisheries the Eastern Aleutian Islands golden king crab fishery and the Western Aleutian Islands red king crab fishery. CDQ groups are eligible to obtain crab QS and PQS by transfer, but are still subject to use caps.

Regionalization

Regional delivery requirements for QS are intended to preserve the historic geographic distribution of landing in the fisheries. Specific QS is regionally designated and crab harvested with regionally designated IFQ will be required to be delivered to a processor in the designated region. In addition, a processor with regionally designated IPQ is required to accept delivery of and process crab in the designated region.

Community Protection Measures

Various community protection measures were established to minimize adverse impacts of the program on communities. To qualify for these protection measures, communities must have had 3 percent or more of the initial PQS allocation of qualified landings in any crab fishery included in the program. Nine Eligible Crab Communities (ECCs) were determined. The community protection measures are a “Cooling Off” Period, Right of First Refusal (ROFR) and QS purchase.

“Cooling Off” Period

Until July 1, 2007, PQS and IPQ based on processing history earned in an EEC generally cannot be transferred from that community. The use of IPQ outside the community during this period is limited to 20 percent of the IPQ each year, except for specific hardship provisions. This protection measure should limit geographic distribution of QS outside communities in the initial years of the rationalization program.

Right of First Refusal (ROFR)

Before the issuance of PQS by NMFS, an EEC may establish a contract with that PQS holder which guarantees the EEC first rights to any PQS proposed for sale for use outside that community. EECs will have a ROFR on the transfer of PQS and IPQ originating from processing history in the community if the transfer will result in relocation or use of the shares outside the community. Specifications of a ROFR may vary by EEC community based on the characteristics of the community. For example, Adak is not eligible for ROFR provision because the community is to receive a direct allocation, and Kodiak must have a ROFR from communities in the GOA in a specific latitude range.

Community QS Purchase

Any non-CDQ community in which 3 percent or more of any crab fishery was processed, an EEC, can form a non-profit organization referred to as an eligible crab community organization (ECCO). The ECCO can purchase QS and lease the IFQ to community residents, and is limited to the amount of QS and IFQ it can use. The ECCO is required to submit an annual report to NMFS.

Sea Time Waiver

Sea time eligibility requirements for the purchase of QS are waived for CDQ groups and community entities in EECs, allowing those communities to build and maintain local interests in

harvesting. CDQ groups and EECs are eligible to purchase PQS but are not permitted to purchase Crew QS.

Shetland Islands Fisheries

Description of the Fishery

The Shetland Islands economy is heavily dependent on fishing, and alternative employment opportunities are limited. Almost a quarter of the workforce in Shetland Islands is employed in the seafood industry and over 80 percent of all exports consist of fish and fish products. A fleet of about 150 boats fish for groundfish (cod, haddock, monkfish, whiting and saithe), herring, mackerel, blue whiting, sand eels and shellfish (lobster, crab, scallops and whelks) (Goodlad, 1999).

Reasons for Community Involvement in the Fishery

As the cost of acquiring quota increased, concern developed that “a fisheries dependent community such as Shetland could see its quota traded out of the islands and thereby lose its marine resource base for the future. It was this fear that drove the Shetland Producer Organization to investigate the innovation of community owned fish quotas” (Goodlad, 2004).

In the shellfish fisheries, the lack of effective regulation in the Shetland shellfish fishery had resulted in overexploitation, stock decline and subsequent decrease in earnings. In the case of the shellfish fishery, the Shetland Fishermen’s Association (SFA), a representative organization of Shetland fishermen, advocated for a fundamental change in the way shellfish stocks are managed. They sought a regional approach to regulation of the shellfish fishery through introduction of new legislation, without success. Eventually, the SFA employed existing legislation in the form of a Regulating Order to enable community based management. A Regulating Order “enables a fishery to be managed by an organization set up for the purpose of conserving the stock and improving the fishery” (Goodlad, 2004).

Management Structure

UK fisheries, of which the Shetland Islands are a part, are managed through distribution of annual quota to producer organizations (POs) and fortnightly or monthly quota to individuals. Distribution of quota to POs is called sectoral quota management while distribution of quota to individuals is called non-sectoral management. In the Shetland Islands, the Shetland Fish Producers Organization Ltd (SFPO) used a Government program to purchase fish quota in association with the decommissioning of vessels/licenses. The purpose of the effort was to hold the quota in common ownership for all vessels to use. The local government of Shetland, called the Shetland Islands Council (SIC) also invested in quotas in order to secure a pool of community held quota. The SFPO holds this quota for the SIC. The two quota pools amount to 37 percent held in community ownership.

Efforts by two fishing industry organizations in the Shetland Islands, the Shetland Fish Producers Organization Ltd (SFPO) and the Shetland Fishermen’s Association (SFO), have resulted in two separate vehicles for community involvement in management of the marine resource. Efforts by the SFPO resulted in a significant amount of community ownership of groundfish quota while

efforts by the SFO resulted in community based management of Shetland’s shellfish fisheries. Both methods for community involvement are explained below.

The Shetland Fish Producers Organization Ltd and the New Entrants Program

The SFPO purchased pool of quota, described above, is used to supplement its members’ and future generations’ quota allocations. Due to the increased cost of entry into the Shetland Islands fisheries by new entrants, the other quota pool is used to help new entrants establish themselves in the industry. The new entrants lease quota by paying a portion of their earnings to the SFPO. In this way, the new entrants are able to fish without buying quota¹⁷.

The Shetland Fishermen’s Association and Community Shellfish Fisheries Management

In the case of the Shetland shellfish fisheries, the Shetland Fishermen’s Association (SFA) helped to establish a management group called the Shetland Shellfish Management Organization (SSMO). The SSMO is comprised of local government representatives, community councils, shellfish processors, environmental groups, fisheries scientists, and the SFA. The SSMO applied for establishment of a Regulating Order that extended management of the shellfish stocks out to 6 miles from shore, limited permit ownership to fishermen with historic fishery participation and other effort restrictions, and managed a stock enhancement scheme. The Regulating Order was established in 2000.

Iceland

Description of the Fishery

Iceland is heavily dependent on fish resources with communities on all areas of the coast participating in the fisheries. Fish products account for approximately 80 percent of exports in Iceland. The groundfish fishery is the most important Icelandic fishery in value with landings of cod, haddock, saith, redfish and Greenland halibut. There are also pelagic fisheries based on capelin and herring. Shrimp, lobster and scallop fisheries are important to a lesser degree.

IQ implementation began with certain fisheries in 1975. By 1991, a complete uniform system of ITQs had been implemented for all fisheries (19 species and over 30 substocks) in Iceland (Arnason, 2004). There were 1497 licensed vessels fishing Icelandic waters in 2002 (Arnason, 2004). Fishing ports numbered 61 in 1996 (Eythorssen, 2000). Quota are permanent, divisible and transferable. In addition to ITQ regulations, fishing vessels are restricted by other measures including gear use, mesh size and closed areas restrictions.

Reasons for Past and Current Use of Community Protection Measures

¹⁷ The following table was included in GAO (2004) showing leasing fees charged for use of the community fish quota.

Percent of quota borrowed	Percent of quota already held	Fee charged (based on revenues from landings)
100	0	6.0 percent of all landings
80	20	4.8 percent on 80 percent of the landings
50	50	3.0 percent on 50 percent of the landings
20	80	1.2 percent on 20 percent of the landings

The overall aim of Iceland's Fisheries Management Act 1990 is to protect marine resources in order to bring about an economic and efficient utilization of stocks and thereby to support the seafood industry and secure employment in the country. Runolfsson and Arnason (1997) write, "The fishing industry' size relative to the whole economy means that any fisheries' policy has far reaching implications for the economy. The fishing industry is a major determinant of personal incomes and income distribution and in many parts of Iceland the fishing industry is virtually the only basis for economic activity."

Management Structure

The Iceland Ministry of Fisheries is responsible for management of the Icelandic fisheries and the implementation of legislation to this effect. The Marine Research Institute is the centre of scientific research for marine resources and responsible for recommendation of the annual TAC for the stocks subject to catch restrictions. The Directorate of Fisheries and the Coast Guard are responsible for ensuring compliance with the Fisheries Management Act. The Iceland Directorate of Fisheries administers the fisheries' daily activities. Governance of Icelandic fisheries is based on the 1990 Fisheries Management Act. Annual quotas are distributed based on each individual's percentage of ownership of quota share for each species and the TAC. Management and surveillance of the ITQ system relies heavily on landings data and a real time computer system that reports the landings data.

For the most part, the fishing industry is vertically integrated. Regarding employment, Icelandic fishermen belong to different unions and associations depending on whether they are deckhands, officers, engineers, or vessel owners. Small boat owners also belong to an association. These organizations, to some degree, have representation on different task forces and committees appointed by the Government for reviewing fisheries policy.

Design Elements that Affect Communities

Ownership caps

A maximum of 8-12% of the share of total quota can be held by a vessel owner. A cap of 10-20% is in place for individual species.

Geographic Restrictions on Quota Transfers

Under geographic restrictions, annual vessel quota transfers were only allowed to occur between vessels within the same geographic region with the intent of stabilizing local employment (Runolfsson and Arnason, 1997). These annual vessel quota transfers were reviewed by regional fisher's unions and local authorities.

"Right of First Refusal"

Transfers outside of a particular region were subject to what is referred to as a "community right of first refusal" rule, which provided the community an opportunity to purchase vessels (which, at the time, had to have quota attached to them) at the market rate with their designated annual quota from within the community before the vessels were sold outside of the community (GAO, 2004). However, few inter-regional transfers were actually blocked (Runolfsson and Arnason, 1997). There have not ever been any regional restrictions on the transferability of TAC shares.

Emergency Community Quota Allocations

The “emergency community quota allocations” allocate small blocks of quota to communities harmed by transfer of quota out of their area. Other protection measures used in the past include a rule that allowed small vessels (less than 6 tons), to opt to fish under days at sea restrictions instead of ITQs.

Restrictions on Quota Leasing

A vessel is allowed to transfer some of its quota between fishing years, but the vessel loses its quota if it catches less than 50 percent of its total quota in two subsequent years. Another rule specifies that the net transfer of quota from any vessel must not exceed 50 percent within a single year (Icelandic Ministry of Fisheries, 2005). Information was not available on the purpose of this rule.

Table 2 lists the community involvement and protection mechanisms summarized in this section, and divides them into various categories as a means of condensing a large amount of information. Community involvement mechanisms are categorized again into one of two groups: “Organizations with quota allocation tasks” and “Organizations with no quota allocation tasks”. Community impact control mechanisms are divided into one of four groups: “Quota accumulation caps”, “Protection mechanisms enabled through eligibility restrictions/qualifications”, “Protection mechanisms enabled through transferability restrictions” and “Other”. Other appropriate groups could have been created. The authors of this document note that this categorization was chosen for convenience only.

Table 2. Summary of Community Involvement and Protection Mechanisms by Fishery.

	Community Involvement Mechanisms		Community impact control mechanisms			
	<i>Organizations with quota allocation tasks</i>	<i>Organizations with no quota allocation tasks</i>	<i>Quota accumulation caps</i>	<i>Protection mechanisms enabled through eligibility restrictions/qualifications</i>	<i>Protection mechanisms enabled through transferability restrictions</i>	<i>Other protection mechanisms</i>
British Columbia Groundfish Trawl Fishery	An organization called the Groundfish Development Authority (GDA) provides recommendations to the Minister of Fisheries on allocation of 10% of the TAC for purposes of encouraging appropriate treatment of crew and 10% of the TAC for purposes of community development.		Species caps (4-10% depending on species) Individual vessel quota holdings caps (2% cap on total amount held by an individual vessel license holder)		Restrictions on the amount of quota that can be temporarily transferred (leased) each year is expected to be implemented in 2006.	
Shetland Islands	An industry group called The Shetland Fish Producers Organization Ltd. (SFPO) manages two pools of quota. The first pool was purchased by the SFPO and is used to supplement its members' quota allocations. The second pool of quota was purchased by the local government and is managed by the SFPO. This second pool of quota is available to be leased out to new entrants. These two quota pools amount to 37% of the total quota held in community ownership.	The Shetland Fisherman's Association established a management group for Shetland shellfish fisheries using current legislation. The management group is comprised of local government representatives, community councils, shellfish processors, environmental groups, fisheries scientists and fishing industry representatives. The management group established a limited entry program, effort restrictions, and manages a stock enhancement scheme.		Community organizations can purchase quota.		
Iceland		Icelandic fishermen belong to various unions and associations depending on whether they are deckhands, officers, engineers, or vessel owners. To some degree, these organizations have representation on different task forces and committees appointed by the Government for reviewing fisheries policy.	A cap of 10-20% is in place for individual species. A maximum of 8-12% of the share of total quota can be held by a vessel owner.	Quota holdings are limited to owners of fishing vessels.	Geographic restrictions on annual vessel quota transfers specify that transfers are only allowed to occur between vessels within the same geographic region. When quota was transferred outside the region, the community had an opportunity to purchase vessels and quota. This is called "community right of first refusal". A vessel is allowed to transfer some of its quota between fishing years, but	Emergency community quota allocations are used to allocate small blocks of quota to communities harmed by transfer of quota out of their area. At one time, small vessels were allowed to opt to fish under days at sea restrictions instead of ITQs.

	Community Involvement Mechanisms		Community impact control mechanisms			
	<i>Organizations with quota allocation tasks</i>	<i>Organizations with no quota allocation tasks</i>	<i>Quota accumulation caps</i>	<i>Protection mechanisms enabled through eligibility restrictions/qualifications</i>	<i>Protection mechanisms enabled through transferability restrictions</i>	<i>Other protection mechanisms</i>
					<p>the vessel loses its quota if it caught less than 50% of its total quota in two subsequent years.</p> <p>The net transfer of quota from any vessel must not exceed 50% within a single year.</p>	
Western Alaska Community Development Program	<p>Regulations provide for a 7.5% allocation of multi-species and crab fisheries TAX and 10% of Pollock allocations.</p> <p>The State of Alaska provides allocation recommendations to NMFS and the council for CDQ groups.</p> <p>CDQ groups determine use of quota and allocation to industry groups to best support their development goals.</p>		<p>CDQ group caps are set at 33% of the total CDQ program allocation.</p>	<p>Eligibility Criteria for communities are:</p> <ul style="list-style-type: none"> • Location within 50 nautical miles of the Bering Sea • Native village ad defined by the Alaska Native Land Claims Settlement Act • Residents conduct over 50% of their current commercial or subsistence fishing effort in the waters of the Bering Sea • No previously developed harvesting or processing capacity sufficient to support substantial groundfish fisheries participation. 	<p>Transfer of CDQ is only permissible between CDQ groups and many not be transferred outside the CDQ program.</p>	<p>CDQ groups are required to invest in fisheries-related projects within their represented communities. These goals are identified in the Community Development Plans submitted by the CDQ groups. Development plans are required to be considered for CDQ allocations. Allocations are based on the CDQ groups meeting the community development goals outlined in their development plans.</p>
Gulf of Alaska Community Quota Share Purchase Program		<p>The NMFS and the NPFMC established the infrastructure for the program to allow for the establishment of community Quota Entities (CQEs) whom may purchase and lease IFQ to community residents. No allocations are required, as this is a quota share purchase program. Annual reports are reviewed by the agency to ensure compliance with the program requirements.</p>	<p>Caps for holdings are the same as those for individuals under the existing program. Any community resident is limited to holding IFQ permits not to exceed 50,000 lb each, of sablefish and halibut IFQ from any source.</p> <p>Vessel limits specifically identify where no vessel on which IFQ is leased from the community QS program, can fish in excess of 50,000 lbs each of halibut and sablefish, inclusive of all IFQ</p>	<p>Eligibility criteria for the communities are:</p> <ul style="list-style-type: none"> • Population of less than 1500 persons based on the 2000 United States Census • Have direct saltwater access • Lack direct access to communities with a population greater than 1500 persons • Have historic participation in the halibut and sablefish fisheries • Be specifically designated by NPFMC <p>If not initially qualified by the NPFMC during the establishment of the program, communities can seek</p>	<p>Transferability restrictions exist on block units, where CQE's are prohibited from purchasing or transferring small QS blocks that may be combined to form larger blocks, referred to as 'swept up.'</p> <p>Specific and detailed transferability restrictions with reference to vessel types (size) and area location are identified in the Final Rule.</p>	<p>Leasing guidance and restrictions specific to communities have been established. Only permanent residents of the community represented by the CQE are eligible to lease IFQ from community held QS. Residency is determined by affirmation of a domicile maintained in the community from which the IFQ is leased for 12 consecutive months immediately preceding the time when the residency assertion is made. Applicants can not claim residency in any other community, state, territory, or country for that period of time.</p> <p>Sale restrictions prohibit a CQE from selling its QS unless the sale will generate revenues to improve, sustain, or expand the</p>

	Community Involvement Mechanisms		Community impact control mechanisms			
	<i>Organizations with quota allocation tasks</i>	<i>Organizations with no quota allocation tasks</i>	<i>Quota accumulation caps</i>	<i>Protection mechanisms enabled through eligibility restrictions/qualifications</i>	<i>Protection mechanisms enabled through transferability restrictions</i>	<i>Other protection mechanisms</i>
			<p>fished aboard that vessel.</p> <p>Cumulative use caps limit the total holdings for all participant communities. The cap levels start at 3% of the halibut QS and 3% of the sablefish QS and increase by 3% each year for a total of 21% by the seventh year of the program. These limits are subject to review during the fifth year review of the program.</p>	<p>qualification through Council review.</p>		<p>opportunities for community residents to participate in the IFQ fisheries.</p>
Bering Sea and Aleutian Islands Crab Rationalization Program		<p>Eligibility purchase program with no allocation. Infrastructure of program administration is established and managed by NMFS. This includes criteria for the establishment of eligible crab communities to form non-profit organizations to obtain and lease IFQ to community residents.</p>	<p>Individual communities are held to the same use caps as individual harvest share holders in the crab rationalization program and CDQ groups have caps as well. Caps vary based on species, geographic location, and QS holder and are detailed in the Final Rule.</p>	<p>Communities that have at least 3% of the initial PQS allocation of any BSAI fishery can qualify to become an Eligible Crab Community (ECC) and for an EEC organization to purchase IFQ and lease it to community residents.</p>	<p>No ownership or transfer restrictions apply to specific community held harvest shares.</p>	

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Highlights of GAO-04-277, a report to congressional requesters

INDIVIDUAL FISHING QUOTAS

Agenda Item H.11.a

Attachment 4

November 2005

Methods for Community Protection and New Entry Require Periodic Evaluation

Why GAO Did This Study

To assist in deliberations on individual fishing quota (IFQ) programs, GAO determined (1) the methods available for protecting the economic viability of fishing communities and facilitating new entry into IFQ fisheries, (2) the key issues faced by fishery managers in protecting communities and facilitating new entry, and (3) the comparative advantages and disadvantages of the IFQ system and the fishery cooperative approach.

What GAO Recommends

GAO recommends that the Director of the National Marine Fisheries Service (NMFS) ensure that regional fishery management councils that are designing community protection and new entry methods for new or existing IFQ programs

- Develop clearly defined and measurable community protection and new entry objectives.
- Build performance measures into the design of the IFQ program.
- Monitor progress in meeting the community protection and new entry objectives.

www.gao.gov/cgi-bin/getrpt?GAO-04-277.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Anu Mittal at (202) 512-3841 or mittala@gao.gov.

What GAO Found

Several methods are available for protecting the economic viability of fishing communities and facilitating new entry into IFQ fisheries. The easiest and most direct way to help protect communities under an IFQ program is to allow the communities themselves to hold quota. Fishery managers can also help communities by adopting rules aimed at protecting certain groups of fishery participants. Methods for facilitating new entry principally fall into three categories: (1) adopting transfer rules on selling or leasing quota that help make quota more available and affordable to new entrants; (2) setting aside quota for new entrants; and (3) providing economic assistance, such as loans and subsidies, to new entrants.

In considering methods to protect communities and facilitate new entry into IFQ fisheries, fishery managers face issues of efficiency and fairness, as well as design and implementation. Community protection and new entry methods are designed to achieve social objectives, but realizing these objectives may undermine economic efficiency and raise questions of equity. For example, allowing communities to hold quota may result in a loss of economic efficiency because communities may not have the knowledge and skills to manage the quota effectively. Similarly, rules to protect communities or facilitate new entry may appear to favor one group of fishermen over another. Furthermore, community protection and new entry methods raise a number of design and implementation challenges. For example, according to fishery experts, defining a community can be challenging because communities can be defined in geographic and nongeographic ways. Similarly, loans or grants may help provide new entrants with the capital needed to purchase quota, but they may also contribute to further quota price increases. Given the various issues that fishery managers face in developing community protection and new entry methods, it is unlikely that any single method can protect every type of fishing community or facilitate new entry into every IFQ fishery. Deciding which method(s) to use is made more challenging because fishery managers have not conducted comprehensive evaluations of how IFQ programs protect communities or facilitate new entry.

In comparing the key features of IFQ programs and U.S. fishery cooperatives, we found that each approach has advantages and disadvantages in terms of regulatory and management framework, number of participants, quota allocation and transfer, and monitoring and enforcement. Specifically, in terms of regulatory and management framework, IFQ programs have greater stability than cooperatives because they are established by federal regulations, while cooperatives are voluntary contractual arrangements. In terms of quota allocation and transfer, IFQ programs are open in that they allow the transfer of quota to new entrants, whereas cooperatives are exclusive by contractual arrangement among members. In terms of monitoring and enforcement, IFQ programs are viewed as being more difficult to administer, because NMFS must monitor individual participants, while cooperatives are viewed to be simpler for NMFS to administer, because NMFS monitors only one entity—the cooperative. For some fisheries, a combined approach may be beneficial. For example, a cooperative of IFQ quota holders can combine an IFQ program's stability with a cooperative's collaboration to help manage the fishery.