

Addressing Community Concerns in the
Development of Individual Fishing Quota Program
Alternatives for the Pacific Groundfish Trawl Sector

A Survey of Community Stakeholders

Submitted by Environmental Defense, Sept. 6, 2004



Preface

This report was sponsored by Environmental Defense and intended to provide objective, constructive information for the Pacific Fishery Management Council process to evaluate design elements as it considers a potential individual fishing quota program for the Pacific groundfish trawl fleet. The information in this report does not necessarily reflect our positions on the Council process or how we believe the Council should address and mitigate the community impacts of a potential quota program.

Environmental Defense is a participant on the Trawl Individual Quota Committee, which is charged with providing the Council with information for the council's alternatives analysis under NEPA. We believe a well-structured IFQ program can lead to significant environmental and economic benefits for the groundfish fishery, but only if the program addresses valid community concerns and provides sideboards to protect the interests of communities and ecosystem values. As stated in this report, "community" is an elusive term and means different things to different people. Defining this term is one of the significant challenges facing the PFMC and its stakeholders.

We encourage the broadest possible participation in this process by community activists, residents, local elected officials, and others who have a direct or indirect stake in the future of the groundfish fishery.

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0. Executive Summary

In this report, we are primarily concerned with identifying and addressing potential social costs of the transition to individual quota management in the groundfish fishery. After two months of outreach to diverse community members along the Pacific Coast from Washington through Northern California, we have documented the following concerns and observations. There is significant concern from community members, which is reflected both in specific comments about the Council process and about the IFQ program itself, regarding the transition to IFQ management. In addition, there is generalized fear of change under a new and unfamiliar management system.

PROCESS CONCERNS

- Many interviewees felt a lack of assurance that Council and IFQ committee will address community concerns in the IFQ program; several community leaders encouraged the Council to be forthcoming in acknowledging and addressing the community impact of management decisions in order to build trust.
- Several articulated the incongruity of trawl IFQ development process with the full scope of potential impacts, including impacts on other parts of the trawl fishery, other fisheries, and on communities. Parallel processes to develop recommendations for IFQ program elements to address such concerns may be needed.
- Many we spoke with expressed the difficulty of assessing IFQ program before inter-sectoral allocations are made; lack of specific program elements to address community concerns (they are too general)
- Many cited the potential high costs associated with participating in process as the reason they are not engaged
- Many of those interviewed believed there was high potential that legitimate concerns would be dismissed because addressing them would be overly complex (for example, some in favor of community quota allocations recognize the difficulty of allocation and effectively managing quotas).

PROGRAM DESIGN CONCERNS

- Several interviewees acknowledged the tension between economic evolution and personal interest, arguing that while management policy should not unduly harm

or help specific communities, neither should it stand in the way of letting markets inspire appropriate community change.

- Several observed that the line between addressing community concerns and protectionism is subtle but very important, and the Council should consider it in weighing program design issues.
- Most of the potential specific concerns are directly related to the market-forces inherent in IFQ programs, based on implicit or explicit assumptions that IFQs can be transferred freely with no constraints {?}.
- Specific concerns related to market forces included fear of excessive consolidation of IFQs in both harvesting and processing sectors; job loss and abandoned ports
- Several interviewees asserted that the IFQ program should pay for itself as a matter of principle; current limitation on fees may need to be lifted to make this possible.
- Many of those interviewed stressed that although they had concerns about localized impacts, they recognized the aggregate benefits of an IFQ program and that there were tools available to address community concerns.
- Most people felt that a strengthened fishing industry was good for fishing communities.
- Many asserted that any transition in the industry should be controlled so that effects on communities, even if unavoidable or on some level desirable, develop at a measured pace and to a reasonable extent so as to avoid real social disruption.
- Many stressed the need to clearly describe and address anticipated impacts, though more difficult, would better serve the public than ignoring the side effects of rationalization.

Program design elements exist that can mitigate or address most of these community concerns. Although numerous approaches are available, three primary tools seem to have been met with receptivity by the stakeholders we spoke with.

- First, A system of appropriately designed community quotas or alternatively, a system such as British Columbia's Groundfish Development Authority, can provide an ongoing mechanism for communities to maintain a fishing industry locally.

- Second, geographic limits on quota use, whether used to designate landing or harvesting locations, can ensure dispersion of fishing effort, continued industry distribution along the coast, and even engagement in specific ports.
- Third, quota accumulation limits can be used to prevent excessive industry consolidation, corporate control of the industry, and monopoly profit extraction.

We hope that this report provides insight into the community-related tradeoffs inherent in design of an IFQ system, and that it is helpful in showing a way forward that effectively addresses these concerns.

1. Introduction

1.1 Purpose

This report seeks to identify community interests and concerns related to the design and implementation of an Individual Fishing Quota system in the Pacific coast limited entry trawl groundfish fishery. It is intended primarily to complement the public scoping process and ensure that community concerns are adequately represented from the outset as the Pacific Fisheries Management Council decision-making process continues. Accordingly, the report contains information on both alternatives (or program design elements) that should be considered and the types of impacts that should be covered in the environmental analysis. In addition, it includes general observations based on outreach efforts that may be of value in characterizing community-related implications of fishery management decisions.

Absent community input, the alternatives are less likely to address issues of local concern. We hope that this report will be of use in informing the scoping process so that community concerns can be effectively addressed as the environmental analysis continues.

1.2 Methods

1.2.1 Defining Community

Any effort by the PFMC to describe or address community concerns must first define community. This definition will in turn direct the scope of the evaluation efforts and the weighing of comments from specific stakeholders. In addition, several methods of addressing community concerns require some body or institution to act on behalf of the community (for example by holding and managing quota shares); some agreement on a definition of community is required to implement many of the design elements included in this report.

Despite the importance of defining community, this report has made no effort to judge community membership. The Magnuson-Stevens Act specifies that a fishing community is “one that substantially depends on, or is engaged in, harvesting or processing fishery resources to meet social and economic needs.”¹ NMFS also provides guidance suggesting defining communities geographically, though others have chosen to describe community based on other criteria (such as involvement in a single supply chain or use of a specific gear type).² In deference to this uncertainty, our outreach efforts made no specific inclusions or exclusions (e.g. we did not assume that vessel owners are in the community but seafood restaurants are not) but rather attempted to listen to all concerns. Similarly, this report makes no effort to judge or rank the concerns it articulates; this effort is left to the Council and the analytical work of the EIS process.

1.2.2 Research Methods

The information contained in this report was collected during eight weeks of outreach from June 28 to August 23, 2004. During that period, we contacted nearly 100 individuals and organizations including fishermen, processors, crewmembers, port representatives, city, county, state, and federal government representatives, non-governmental organizations, and other interested parties.³ Often one interview would lead us to other contacts that would provide different perspective. In addition, we attended the Council scoping hearings in Seattle and Newport, Oregon on July 20 and 27 respectively, Environmental Defense sponsored a forum on a sustainable groundfish fishery in Newport on July 27 and, we attended community meetings sponsored by the Marine Fish Conservation Network and Pacific Marine Conservation Council in Astoria, Oregon and Port Townsend, Washington on July 13 and 14. Every effort was made to include the entire diversity of viewpoints and we regret if some concerns or policy options were not discovered by our outreach efforts. At the same time, the diversity of opinion included in this report was not the result of a scientific sampling process, and as such may not mirror the actual distribution of concerns in the community population. Infrequently expressed concerns are presented alongside concerns expressed by many individuals.

1.2.3 Validity of Claims

Many of the assertions and arguments reproduced in this report necessarily involve projections of future events. We have made every effort to accurately present interviewees’ viewpoints and to include differing opinions where present. However, we have made no attempt to evaluate the validity of individual viewpoints or to quantitatively evaluate the likelihood or magnitude of projected consequences of IQ program adoption. Instead, this report identifies impact areas that should be covered in

¹GAO-04-277, *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation*. United States General Accounting Office, Washington, D.C.: February 2004, page 16.

² *ibid.*

³ For additional information on those contacted in the course of our research, see appendix A.

the Council's full environmental analysis. Also, the presentation of a concern or potential solution should not be interpreted as an endorsement of a particular viewpoint, and Environmental Defense is not advocating that the Council adopt all of the program design elements included in this report.

1.2.4 Data and Causality

One challenge to designing and implementing community protections under an IFQ program relates to determining whether outcomes were caused by the program or merely coincident with them. Given the complex and integrated economics of fisheries, it can be difficult to determine the causes of changes in communities. For example, in the Vancouver Island town of Ucluelet, economic hardship that some attributed to the IFQ program were more likely caused by declines in the salmon and forestry industries.⁴ Clearly these difficulties assessing the scope of IFQ impacts complicate efforts to incorporate design elements to address them. Efforts are underway at the National Marine Fisheries Service to measure economic and community baseline conditions to facilitate tracking IFQ program effects, which should help in addressing this challenge.⁵

2. Findings

2.1 General Observations

2.1.1 Scope of Impacts, Scope of Process

One theme that arose frequently in the course of interviews was the incongruity of the Council's trawl IQ process with the full scope of potential program effects. In short, there was concern that while the planning process limits itself to the limited entry trawl fishery, decisions made for managing that fishery will affect other sectors of the groundfish fishery, other fisheries, and communities. Further, some fear that the scope of the present council process will preclude consideration of mitigation measures in affected communities that are not participants in the trawl fishery. Similarly, outreach and analysis efforts may overlook these impacts on areas at the periphery of the trawl fishery, reducing the likelihood that these concerns will be addressed in the EIS alternatives.

⁴ Rose Davison, statement at ED Forum on a Sustainable Groundfish Fishery, Newport, OR 7-27-04.

⁵ These efforts are being undertaken by a team including Suzanne Russell at the Northwest Fisheries Science Center. Among the initial output of their efforts will be a series of short community profiles that will include demographic data as well as information on the extent to which communities are engaged in and dependent on specific fisheries. Another effort to characterize communities engaged in fishing has been undertaken by the Pacific States Marine Fisheries Commission. Their report *West Coast Marine Fishing Community Descriptions* by Jennifer Langdon-Pollock is available at: http://www.psmfc.org/efin/docs/communities_2004/communities_entirereport.pdf.

The separation of the trawl IFQ EIS from the inter-sectoral allocation EIS is another source of tension in the process. Several participants identified the difficulty in evaluating the prospect of a trawl IFQ before allocation of the total allowable catch between sectors. This was of particular concern to participants in other fisheries and some conservation interests.

2.1.2 Lack of Assurance

A source of uncertainty in the decision-making process revolves around establishing a ‘vision’ for the trawl fishery under an IQ program. Tension between some goals and objectives cause concern for stakeholders. For example, goal 6 of “capacity rationalization through market forces” is potentially at odds with objective 8 to “avoid excessive quota concentration.” Potentially conflicting goals and objectives leave community members unclear as to the council’s vision of the fishery under IQ management. Several of the objectives that might serve to assuage community concerns have yet to be specified and remain general, including objectives 8 and 11, “avoid excessive quota concentration” and “minimize adverse effects on fishing communities to the extent practical.”⁶ As a result, communities have no assurance yet that their concerns will be adequately addressed, and some community members are inclined to oppose the entire process rather than engage under these circumstances. This reflects distrust of government resource management expressed by many in economically distressed coastal communities.

Additional outreach and explanation of opportunities for public comment from community interests and actual demonstrations of a commitment to community concerns (e.g., direction from the Council to the IFQ committee) might help to assuage concerns related to a perceived incomplete ‘vision,’ bring those currently opposed into the management process, and result in a better crafted IQ program. We hope that this report can inform the process and ensure that community concerns are considered early in the analysis.

2.1.3 Information Gap

Perhaps the single greatest finding of our outreach was that most community members were not informed about the Council’s trawl IQ process. Still others were aware of the process, but had chosen not to engage or comment based on some analysis of the cost in terms of time and effort. Several people mentioned that they anticipated weighing in once the alternatives were developed, but that until the options were formulated, they had no way of knowing how the changes would affect them. Of course, failure to voice their concerns at the scoping phase increases the likelihood that those concerns will not be addressed in the alternatives. We hope that this report can inform the scoping process and

⁶ Pacific Fishery Management Council. *Information for Public Scoping of Dedicated Access Privileges for the Pacific Coast Limited Entry Trawl Groundfish Fishery*. Portland, OR: June 2004. page 1-5

formulation of the alternatives so that the eventual outcomes will address community needs.

Though appreciative of our outreach efforts, some of those interviewed expressed disappointment that the Council did not more actively solicit community input at the scoping stage. Several community leaders encouraged the Council to be forthcoming in acknowledging and addressing the community impact of management decisions in order to build trust that has been damaged by perceived past government disregard for resource-dependent communities.

2.1.4 Management Costs

Management cost is another issue in IQ program design. While it is widely accepted that IQ management can increase the value of a fishery by rationalizing production, this increase comes with significant program management costs. These costs include not only the program design process, but also ongoing administration, monitoring, enforcement, and research. Costs incurred in efforts to address community or other concerns can also be significant. In theory, the increased economic surplus from IFQ management can be used to compensate those adversely affected by distribution of program benefits. In practice, however, at some point program costs can rival the increase in surplus afforded by IFQ management.

Several interviewees mentioned that any IFQ program should pay for its own management as a matter of principle. However, there is a statutory limit on the amount of fishery revenue that can be used for management. Some fear that the current 3% cap under the Magnuson-Stevens Act may be inadequate to fully offset program costs.⁷ The Council will need to consider this limitation when designing the quota program, especially as it weighs the additional costs imposed as community concerns are considered.

2.2 Tradeoffs

Our outreach revealed that many community concerns about IFQs are directly linked to the market-based mechanics of an IQ system. In this context, there are significant tradeoffs present in balancing efficiency and equity considerations to arrive at an appropriately ‘controlled’ rationalization.⁸ This finding is consistent with previous experience in this fishery.⁹ The dynamics of some of these tradeoffs are addressed below.

⁷ PL 94-265 Sec. 304 (d)(2)(B)

⁸ The concept of a ‘controlled rationalization’ is taken from the British Columbia Groundfish Trawl Individual Vessel Quota program, where it is used to describe a level of rationalization and fleet reduction that balances economic sustainability with community protections.

⁹ “The case studies also demonstrate that the objectives of fishery management can work against each other. Tradeoffs often exist among equity, efficiency, resilience, and

2.2.1 Complexity versus Simplicity

A significant tension in the IFQ design debate is the difficulty of capturing the diversity and volume of legitimate concerns (both community and otherwise) in a program that will be not be too complex to function. Many of those interviewed recognized that it is tempting to dismiss legitimate concerns because addressing them would be overly complex. For example, some in favor of community quota allocations recognize the difficulty of allocation and effectively managing quotas. In fact, several port managers and local government officials said that though they would like to see community quotas, they would not want to manage them. Similarly, poor information on historical participation makes allocation of community shares to crew or processing workers very difficult, though there are arguments legitimizing their claim to shares.

The council decision to proceed with an IFQ plan in the limited entry trawl sector of the fishery instead of in all sectors is seen by some of those interviewed as a triumph of pragmatism over “the economist’s dream” of an IFQ program allowing trading of IFQ between sectors. As explained above, the simplification (both political and eventually operational) won by this limited scope may make it difficult to address concerns of non-trawlers who fear program effects despite falling outside the scope of the plan. Parallel processes to develop recommendations for IFQ program elements to address such concerns may be needed. Similarly, the wider the field of community concerns the Council attempts to address, the more complex the political environment of program design will become. Again, a trade-off between the theoretical ideal and the pragmatic must be made in a way that will still accord adequate consideration to legitimate community concerns. At the same time, some are concerned that too many people are getting involved in management who are not direct stakeholders.

One important consideration within the discussion of system complexity is the distinction between one-time measures and ongoing program design features. Addressing community issues through one-time steps at program outset can be less complex than using program design elements that will perpetuate as the rules of the system. For example, a one-time initial community allocation is administratively simpler than an ongoing requirement that a quota be landed in a particular port. One-time measures also hold the potential of maximizing efficiency because ongoing market forces will be less encumbered. Further, the program design process affords an opportunity to develop complex allocations in an inclusive co-management forum that may not be available after program implementation. At the same time, despite their potential inefficiencies, ongoing design modifications can accomplish different goals than one-time measures.

stewardship.” Hanna, S.S. “User participation and fishery management performance within the Pacific Fishery Management Council.” *Ocean & Coastal Management*, Vol. 26, No. 0, pp. 19, 1995.

2.2.2 Remedial versus preemptive measures

One major issue involved with IFQ program design is the question of when to address community concerns. Some argue that it is important to address possible impact preemptively at the outset through either program design or quota allocation, while others prefer to consider and address problems *post facto* through periodic evaluations and remedial actions. Each approach has advantages and disadvantages.

2.2.2.1 Preemption

Addressing community concerns preemptively has the advantage of showing stakeholders and community interests that their needs will be met. It is a greater investment in stakeholder participation and empowerment at the outset of the process, but this initial time investment can reduce the need for analyses of impacts, program retooling, or enforcement after the program has begun.¹⁰ Further, several people expressed concern that the complex nature of these problems requires a complete discussion and should not be relegated to a secondary forum or postponed. The ability of a *post facto* review process to dynamically address socioeconomic problems in a relevant timeframe is another concern. Many of the socioeconomic concerns involve unemployment as a byproduct of consolidation or other changes under IFQs; these are rapidly developing problems that require rapid response and may be exacerbated if they are addressed by a cumbersome bureaucratic process. The need for a social safety net begins immediately when the problem develops; it is a small consolation to the community that a programmatic review will potentially address immediate problems in the future.

Inevitably, an effort to identify, quantify, and address all conceivable community concerns when designing a program will demand a huge investment of time and resources. Even given a real commitment to solve all problems, it will still be necessary to address new or unanticipated effects as the program is underway. Several interviewees pointed out that the fishing industry is very unpredictable and that efforts to anticipate future industry conditions would be, inevitably, incorrect to some extent. In this context, preemptive efforts to address community concerns can be seen as having clear efficiency cost but uncertain benefit because the anticipated problems they aim to solve may not develop. While I agree with this, it seems like an editorial comment that might antagonize some]

Preemptive addressing of community impacts also is in direct tension with several council goals because most methods of addressing community impacts are by definition restrictions of market forces. At the extreme, preemptive addressing of all community concerns (including, for example, preventing all job loss through consolidation) would

¹⁰ “A co-management process is associated with high *ex ante* and low *ex post* transaction costs.” in Hanna, Susan S. “Co-management.” in *Limiting Access to Marine Fisheries: Keeping the Focus on Conservation*. Karyn L. Gimbel, ed. Center for Marine Conservation and World Wildlife Fund US, Washington, D.C.

lock in the industry status quo and represents a failure to achieve several Council goals, including those of providing a viable and efficient groundfish industry, increasing net benefits that arise from the fishery, and rationalizing capacity.¹¹ Conversely, maximizing the market incentives to capacity rationalization would entail ignoring some if not all community concerns. In sum, the goals of addressing community concerns and allowing market forces to enable fishery rationalization are somewhat at odds, and the Council will need to struggle with where in the continuum a ‘controlled rationalization’ appropriate to this fishery lies.¹²

2.2.2.2 Remediation

Addressing community concerns through reviews after program implementation has the major advantage of using resources to address actual rather than potential problems. At the same time, this approach may reduce stakeholder and community buy-in and participation, creating conditions conducive to failure. In addition, problems may be more difficult to address once they have actually been realized (consider excessive consolidation or unemployment). Also, *post facto* rule changes to address community problems could have an efficiency cost. Investments made absent any new conditions, would change values.

Addressing concerns *post facto* could lead some to believe that the Council is expediting IQ program implementation without ensuring that communities are protected, and might reduce community support for an IQ program. There is a fear that postponing difficult and controversial issues would both preclude adequate discussion and restrict the possible response options. (For example, if it is decided after initial allocation that some quotas should be allocated to communities, where do managers obtain those quotas?) Given the difficulty of addressing these issues, some feel that leaving them until a program is operational would mean they would never be addressed. An ongoing mechanism for redress, such as British Columbia’s mandatory three-year review process and GDA (see section 2.3.1 Community Quotas), is one approach to ensuring that *post facto* impacts are considered.

The question of whether to address community concerns preemptively or remedially is closely linked to other issues of the decision-making process, tradeoffs between equity protections and efficiency, and definition of community and what constitutes a valid community concern. Again, the Council will have to decide where it would like the IFQ program to lie on the continuum between these two poles, balancing preemptive measures with processes for program review, evaluation, and remedial action.

¹¹ Pacific Fishery Management Council. *Information for Public Scoping of Dedicated Access Privileges for the Pacific Coast Limited Entry Trawl Groundfish Fishery*. Portland, OR: June 2004. page 1-4.

¹² GAO-04-277, *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation*. United States General Accounting Office, Washington, D.C.: February 2004, page 7.

2.2.3 Addressing Concerns Versus Protectionism

A final tradeoff that pervades all discussion of addressing community concerns is the question of when community security becomes protectionism. Several of those contacted for this report acknowledged the tension between economic evolution and personal interest, arguing that while management policy should not unduly harm or help specific communities, neither should it stand in the way of letting markets inspire appropriate community change. One harbormaster mentioned that though it was unfortunate that commercial fishing boats are leaving his port and negatively impacting the finances of both the port and local ancillary businesses, it would not be appropriate to protect the ports by requiring the boats to stay. Similar themes underlie many of the community concerns in this report. While most agreed that it is important to recognize community needs even if the eventual goal is to transition out of fishing in a certain place, measures extended into perpetuity begin to look like protectionism. As such, their short-term community value is offset by their long-term harm to efficiency.

Several general strategies emerged as possible ways of addressing community concerns while avoiding ongoing economic distortions. The first is to have all structural protections of specific communities slowly disintegrate. Under such a system, for example, the number of quota shares restricted to community X would decrease by 5% annually so that though there would be no initial exodus of fishing vessels, the community would not be unduly protected from competition into the future. Another means of avoiding protectionism while still addressing community concerns is to use one-time transfers rather than ongoing rules so that efficiency is safeguarded. The transfers, whether of quotas or in the form of a payment, would not effect behavior in the same way as a landing restriction and thus would not hinder efficiency. Lastly, an ongoing forum for addressing community development and concerns could be created, similar to the Groundfish Development Authority (GDA) in the British Columbia Individual Vessel Quota program (see section 2.3.1 Community Quotas). Annual consideration of community development by the GDA helps guard against protectionism by allowing protections to evolve with market conditions, as reflected in joint fisherman-processor marketing proposals.

The line between addressing community concerns and protectionism is subtle but very important, and the Council should consider it in weighing program design issues.

2.3 Solution Strategies

There are four primary approaches to addressing community concerns under IFQ programs: community quotas, geographically limited quotas, accumulation limits, and transfer payments. Principle aspects of each of these approaches are presented below.

2.3.1 Community Quotas

Community Quotas are programs designating that some fishing quota be used to benefit communities. The most straightforward community quota system involves allocating quotas directly to a community. The community, in turn, can then use the quotas as it pleases to safeguard its interest. Typical uses include outright sale of the quotas (in which case the quota allocation is essentially a transfer payment), sale or lease of the quotas upon certain conditions (for example local landing and processing of fish), and community operation of fishing vessels and/or processing plants using the quotas. In addition, the quotas can be used to leverage fishermen to bring their own individual quotas to fish in the local port, thus providing the seed to grow or maintain a local fishing fleet. Some governing body must manage quotas assigned to communities. Possible administrators include port districts, city or county governments, or local non-profit corporations established express for the purpose. For example, in the Chatham Islands of New Zealand, quotas were assigned to a community trust and are in turn leased to fishermen to keep the fishing industry in the community.¹³

There are arguments against community quotas. First, some question the premise that communities deserve quotas, primarily based on recent perceived antipathy to commercial fishing in some ports. In this context, they view community quotas as rent seeking and a resource grab. Others point out that many communities do not want quotas, because their economic development strategies involve transitioning out of commercial fisheries. Another argument against community quotas is that it makes no sense, on efficiency grounds, to tie quota to communities, especially as time passes. The assumption behind this argument is that community governance of quotas will not provide sufficient profit motive to efficiently use the resource, perhaps because of competing goals. In any event, if the goal is to safeguard communities against rapid, socially disruptive changes due to IQs, then some sort of disintegration of community quotas may be appropriate to guard against enshrining the local fishing industry in perpetuity. Finally, some are concerned that community quotas are a first step towards processing quotas, especially considering that they are often managed with a single processor. The Chignik cooperative in Alaska was cited as an example of this, where, according to one observer, the co-op marketing plan amounted to an unwarranted gifting of the fishery landings to a single processor.

Alternatives to Quota

An alternative to community quotas is the British Columbia Groundfish Development Quota (GDQ) program. Under that system, a portion (10%) of each individual quota is withheld and is available to the fishermen based on the merits of joint fishermen-processor proposals in meeting the community development vision of the program. Each

¹³ GAO-04-277, *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation*. United States General Accounting Office, Washington, D.C.: February 2004, page 9.

proposal is judged by the Groundfish Development Authority (GDA); a governing body with representation from community and labor interests. Similarly, another 10% of each individual quota is available contingent on fair treatment of crew, as arbitrated by the GDA. These shares, known as Code of Conduct Quota (CCQ), can be withheld from the vessel if crewmembers bring complaints about treatment to the GDA. An initial review of the BC program concludes that “the GDA, through GDQ and CCQ advice, serves as a “conscience” for the industry- causing the industry to plan ahead and be mindful of the broader impacts of quota usage decisions”¹⁴, including community concerns, employment, labor conditions, and sustainable fishing practices. An ongoing forum for addressing community and labor concerns, such as the GDA, can be an effective alternative to attempting to address all potential concerns during initial program design.

Alternatively, an IQ program could incorporate a community right of first refusal, ensuring that local fishermen had the opportunity to purchase any shares before they are transferred out of a community, but not assigning any quotas to public ownership. This feature was used in the Iceland IVQ program.¹⁵ Clearly a demarcation of community standing is necessary prior to implementing such an approach.

2.3.2 Geographically Limited Quotas

Limits on quotas can be used to control geographic distribution of fishing effort. There are three general approaches to geographic restrictions. Quotas can restrict where one harvests, lands, or both harvests and lands fish. As with many other program design elements, greater limitation of quotas allows more control of outcomes but at greater efficiency cost. Restriction of harvest area only controls dispersion of fishing effort, and can encourage distribution of landing ports. Restriction of landing ports can ensure distribution of landings and encourage dispersion of fishing effort. A dual restriction approach can ensure both dispersion of fishing and distribution of landings.

Geographic limitations on fishing can be made based on either biological or socioeconomic criteria. Whichever approach is used in delineating fishing boundaries, it is likely that the distribution will partially serve both conservation and socioeconomic goals. Several interviewees mentioned that they were in favor of delimitations based on biological criteria only, because socioeconomic restrictions are contrary to a market-based approach, and can result in inefficiently low levels of harvest in certain areas. At the same time, many people acknowledged that there was inadequate biological data to

¹⁴ Review of the Groundfish Trawl Individual Vessel Quota/ Groundfish Development Authority Plan: Discussion Paper. Groundfish Trawl Special Industry Committee, 29 September 1999.)

¹⁵ GAO-04-277, *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation*. United States General Accounting Office, Washington, D.C.: February 2004, page 10.

accurately delineate separate stocks. Still others were involved in research efforts that could eventually provide the scientific basis for geographic harvest limitations to protect certain stocks.¹⁶

Others advocate geographic restrictions by region even absent biological data. They point out that such restrictions can still have significant conservation and social benefits even when not based on perfect information.

Similar concerns led one interviewee to point out the need to shape quota in response to varied species biomass along the coast. He argued that it makes no sense to establish a quota system that treats all areas as equal, resulting in unusable quotas of different species in different areas. Indeed, participants in the British Columbia IVQ groundfish fishery have reported that it is difficult to assemble a package of quotas that directly corresponds to the species mix actually fished.¹⁷ Separate quotas for each species could allow trade to address this imbalance, though regional restrictions should certainly take varied biomass into account when inter-area allocations are contemplated.

Geographic limits on quota can be imposed either by the council at time of program design, or by quota holders themselves as a condition of lease, sale, or use. This use of independent contracts to limit quotas may be of particular interest in the case of community quotas (see section 2.3.1 above). Further, some feel that provisions of the Magnuson-Stevens Act requiring equal treatment between states may limit council authority to implement geographic restrictions.¹⁸ In this case, private contractual restrictions could be an alternative approach.

2.3.3 Accumulation Limits

Accumulation limits place a cap on the total amount of quota a single entity can possess. They are designed to guard against excessive industry consolidation, and serve to encourage decentralization of fishing along the coast, protect local economies, prevent corporate or investor takeover of the resource, and guard against monopoly rent extraction or abuse of market power. As the NRC explains, antitrust provisions alone have not been adequate to ensure optimal share distribution.¹⁹ In this context, ownership caps may be appropriate.

¹⁶ These efforts have been undertaken by the Port Orford Ocean Resources Team

¹⁷ Bruce Turris and Ron Gorman, Environmental Defense Forum on a Sustainable Groundfish Fishery, Newport, OR, July 27, 2004.

¹⁸ PL 94-265 sec. 301 (a) (4).

¹⁹ Committee to Review Individual Fishing Quotas: National Research Council. *Sharing the Fish: Toward a National Policy on Individual Fishing Quotas*. National Academy Press, Washington, D.C.: 1999. page 209.

The council's scoping document contemplates caps of 1, 5, or 10% in the non-whiting groundfish fishery. At the same time, it alludes to some of the practical difficulties of cap implementation and enforcement by contemplating separate caps for ownership, control, and use by a vessel.²⁰ In particular, there is concern that trusts, partnerships, subsidiary structures, or other legal arrangements could be used to skirt accumulation caps. Indeed, a recent GAO report on the Surfclam and Ocean Quahog IQ program found that "different quota holders of record are often part of a single corporation or family business that, in effect, controls many holdings."²¹ This highlights the importance of continued attention to this issue.

Finally, there are questions of accumulation limits and allocation. In particular, an allocation formula could assign quotas to one entity in excess of accumulation caps. This is an especially strong possibility for vertically integrated operations if quota allocation considers both harvesting and processing capacity. The council will have to consider this eventuality when formulating both allocation and accumulation policy. Two initial options include forced disposal of quotas in excess of accumulation caps (perhaps through an auction) or allocation based on some formula up to the accumulation caps.

2.3.4 Transfer Payments

A fourth approach to addressing distributional impacts and community concerns is through the use of transfer payments as a means of compensation. This is the approach used frequently in other contexts, including litigation, insurance claims, tax credits, and some social programs. In the context of a quota program, transfers can be either made outright to address some known concern or be contingent upon future events. An example of the latter would be a trust fund program distributing loans or grants to assist displaced workers, small business, or public works projects made less solvent by industry changes under quotas.

The funding of transfer payments can be accomplished in different ways. A levy on quotas or fishery revenues could be used to allow the industry to fund a program. A portion of the increases in TAC could be auctioned as quotas to raise money. Another option is to direct compliance fines from fishery participants into dedicated accounts. Alternatively, assistance from local, state, or federal government could provide financing.

Regardless of the precise fundraising mechanism, transfer payments tend to attract skepticism for the same reason they may be effective; they allow an easy way to widely distribute compensation in varying amounts to diverse parties. Some view this as an open

²⁰ Pacific Fishery Management Council. *Information for Public Scoping of Dedicated Access Privileges for the Pacific Coast Limited Entry Trawl Groundfish Fishery*. Portland, OR: June 2004. page A-9.

²¹ GAO-03-159. *Individual Fishing Quotas: Better Information Could Improve Program Management*. United States General Accounting Office, Washington, D.C.: December 2002, page 3.

invitation to rent seeking as peripheral interests attempt to get a ‘piece of the pie.’ Oppositely, many argue that because the negative effect of an IQ program on some party is small, transfer payments are the appropriate mechanism to provide due compensation, and that to ignore concerns simply because they are minor is inequitable. Others prefer non-monetary compensation and resist being ‘bought out.’ Structurally, payments funded by quota sales or levies on quota use are equivalent to distribution of quotas in lieu of dollars, because quota recipients can always convert their allocation to cash through sale.

A central point is that even though transfer payments may leave quotas untouched, they are a real cost of program administration. The economic surplus created by an IQ program is limited and this should be taken into account when incorporating transfer payments in program design. Many people feel strongly that all aspects of program operation, including mitigation of community impacts, should be self-funding, though some fear that this will not likely be possible initially. There is the possibility that the industry could increase its share of program funding as stocks rebuild and profits increase. This would avoid imposing large initial costs on a struggling fishery.

Transfer payments have an efficiency benefit over other design elements because they do not affect behavior or alter economic incentives in the future. Thus, they can be used to address community concerns without compromising the market-based goals of the program.

Finally, some form of governance body is required to administer payments. In the case of transfers that accompany initial allocation, the Council could play this role. However, programs to manage trust funds or grant programs could use a special committee or non-profit organization for this goal. Clearly, broad stakeholder representation on any such board would be beneficial.

2.4 Specific Community Concerns and Potential Solutions

Individual Fishing Quotas are widely acknowledged by community members to hold exceptional potential to stabilize groundfish trawling and make the industry more profitable. Several community leaders prefaced their discussion of their concerns by stating that programs that help the fishing industry are good for fishing communities, and thus it is appropriate to preface our discussion of their concerns with the same comment. There is significant agreement that quotas represent a promising opportunity to correct some fundamental problems in groundfish management, and support of the program is widespread contingent upon ensuring a measured transition that adequately addresses community concerns. The issues discussed in this section should be viewed in this context.

This section identifies community concerns as expressed by those interviewed and then mentions potential ways of addressing them, if any. Concerns are grouped first between the trawl fishery and outside of the trawl fishery and then ordered by general topic. Potential solutions to the concerns follow the description of the concern and can be

grouped into two generic categories.²² Solutions either involve transfers or allocations, in which a party is given something (a quota, money, job training, information) to offset the effect of the IQ on them or rules in which system design features protect community interests. Examples of rules include requirements that owners be on board a boat while it is fishing quota or restrictions on where a boat can land its fish. For the few concerns related primarily to misunderstanding or abstract interests, a symbolic policy response, such as a clarifying statement, may be appropriate.

2.4.1 Impacts within the trawl fishery and related communities.

These concerns are presented by topic area.

2.4.1.1 Labor

1. Concern: The social structure between crew and boat owners needs to be maintained.

Crewmembers and others are concerned that the establishment of quota will disrupt the traditional social structure on board vessels, skewing the power balance unduly towards the owners of quotas (assumed to be the boat owners/captains). There is a widespread desire to recognize crew participation in the industry, though many acknowledge that a distribution of quotas to crew would be complicated. Oppositely, some question the commitment of crew to the industry, and imply that they do not deserve any special concessions. Further, they argue, good crewmembers are always in high demand, and therefore no specific protections are required. Finally, one interviewee mentioned that “the crew can drown just as well as the captain”, and that they should not be penalized for limited past dedication to what was at times a marginal industry offering inadequate compensation and great risk. In addition, crewmembers have traditionally engaged in much unpaid labor in repairing and maintaining boats and gear in preparation for the fishing season. This labor brought only the chance to work for a percentage of the catch, and if harvests were low, went uncompensated. There is fear that with a change in market power wrought by quota, crew might find themselves treated as sharecroppers.

Potential Solutions:

Crew quota allocation: Although undoubtedly complicated to establish, an initial allocation to crew could ensure that labor has some leverage in negotiating working conditions on boats.

Labor stipulations on quota use: Quotas could be distributed to boat owners but qualified with worker protections. These could either be explicitly regulatory or provide some incentive to treat crew well. In British Columbia, 10% of quota allocations can be

²² GAO-04-277, *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation*. United States General Accounting Office, Washington, D.C.: February 2004, page 3.

withheld from the vessel if a board that which includes labor representation finds the quota holder is treating the crew unfairly. Also, quotas could be taxed to fund crew protections such as unemployment insurance, pensions, or health care. Alternatively, a minimum base wage could be required in addition to any percentage-based compensation to ensure some safeguard against unpaid labor in the event of poor harvests. (See sections 2.3.1 Community Quotas and 2.3.4 Transfer Payments).

2. Concern: Fishery workers need to be protected.

There is widespread concern that seafood industry workers be protected from shifts in the industry due to quota introduction. Most people recognize that a quota system will make the industry more profitable and will allow for better jobs, although there may be some job losses as rationalization and capacity reduction occurs. In this context, many communities are concerned both about safeguarding jobs and ensuring that the unemployed have access to appropriate social services. There is a major community concern that these impacts are made clear to the public and be addressed at the outset.

Potential Solutions:

Geographic restrictions on quotas: Geographic limits on quotas, whether in the form of landing restrictions or harvest areas, can help ensure that the industry and its benefits do not become overly concentrated in small areas. This can maintain an equitable distribution of fishing jobs, and ensure that no single community is disproportionately affected. (See section 2.3.2 Geographically Limited Quotas)

Concentration limits on quotas: The fear of reduction in jobs is once aspect of a larger concern about excessive industry concentration, which though it may maximize efficiency, might not distribute benefits in a socially desirable way. One of the primary means of ensuring that rationalization is controlled is to establish limits on quota share accumulation. (See section 2.3.3 Accumulation Limits)

Worker protection fund: Some portion of the increased surplus from industry rationalization could be reserved in a fund to assist those who become unemployed. Possible uses for funds include as unemployment insurance, worker retraining, health care, and pension funds. One problem with this approach is that the unemployment is likely to occur before the surplus funds are available to address it. A specific industry fund is particularly appropriate due to the structure of employment in fishing where many employees, especially crew, are technically independent contractors who do not have the same access to unemployment insurance as corporate or government employees.

Outreach program: A further problem related to unemployment is that some unemployed workers have had difficulty in the past accessing existing social services. An outreach program could be established to assist industry refugees in availing themselves to public services and making the transition to other industries. This approach enjoys a successful

precedent in the Groundfish Disaster Outreach Program, and there is no reason why a similar approach could not work in the context of IQs.²³

2.4.1.2 Capital

1. Concern: Non-mobile capital must be protected

Although advocated primarily by processors, this is a concern held also by ports and other local support businesses. There is a fear that establishing quota could allow trawl fishermen, who would then control the catch, to leave certain ports in favor of other landing locations. In this event, the significant fixed investments of the processing and other sectors would lose value. In addition to this distributional problem, the precedent of disregard for processing stability could decrease incentives to future investment, damaging the industry as a whole. Further, in some fisheries, there is evidence of an economic overcapacity in the processing sector parallel to that of harvesters; in these cases the arguments about the need to allow fleet rationalization in a manner that avoids widespread bankruptcy apply to processing.²⁴ This is arguably the case with surimi production in the whiting sector of the groundfish trawl fishery. Others argue that because processors are diversified in other fisheries and there will be a continuing market for fish processing, no action is required to safeguard processing capital.

Potential Solutions:

Quota allocation to processors: An initial allocation of quotas to processors based on their capital investment (and its potential to be stranded) offers one solution. These quotas would give processors the ability to attract fishermen with additional quota, and would ensure that they could continue operations. There is some concern that an allocation in perpetuity would be protectionist and could shield processors from competition, causing inefficiency. This could be addressed by reducing the allocation as time progresses (disintegrating quota) or by limiting the original allocation so that it does not confer undue market power. Alternatively, processor quotas could be issued contingent on their use at original facilities, to ensure that a processor will not choose to consolidate operations with assistance from a program designed to protect non-mobile capital.

Transfer payments: Transfer payments to processors to compensate for stranded capital are an alternative to quota allocation. They could be distributed at quota allocation or *post facto* based on evidence of stranded capital. Transfer payments have the major advantage

²³ More information on the Groundfish Disaster Outreach Program is available on the GDOP website at: www.heads-up.net/gdop/

²⁴ See Matulich, Scott C. and Murat Sever. "Reconsidering the Initial Allocation of ITQs: The Search for a Pareto-Safe Allocation Between Fishing and Processing Sectors." *Land Economics*. May 1999. 75(2):203-19.

of not distorting market power by conferring ongoing protection to recipients. (See section 2.3.4 Transfer Payments)

Geographic restrictions on quota: Geographic restrictions on quota can ensure that capital is not stranded, by requiring continued landings in traditional ports. Thus, processors can be assured that processing would continue in the ports where they are invested. (See section 2.3.2 Geographically Limited Quotas)

2.4.1.3 Consolidation

1. Concern: Distribution of fleet could become overly concentrated in certain areas under quota.

Several community members mentioned concern that the current distribution of vessels (and therefore effort, processing, and environmental impact) along the coast was appropriately dispersed, but that quotas might lead to geographic concentration.

Potential Solutions:

Geographic restrictions on quota: Restrictions could address the concern directly, by forcing landings in certain ports or regions, or indirectly, by forcing harvesters to fish in specific areas, thus creating an incentive to remain in ports near their fishing grounds. (See section 2.3.2 Geographically Limited Quotas)

2. Concern: IQ system will impede new entry into the fishery.

Some community members feared that the advent of a quota system would erect an additional financial barrier to entry in the fishery due to the cost of purchasing quotas. This in turn could be a drain on the vitality of ports, fishing communities, and local businesses. Some feel that this price barrier is exacerbated because quotas are inflationary, perhaps intrinsically, but also due to expanding demand created by allowing communities, processors, and others to hold quota and to the establishment of a lien registry. The council should be cognizant of this possibility when considering who can own quotas.

On the other hand, some have pointed out that under the present management regime, there is already a financial barrier to entry because a prospective fisherman needs to purchase a limited entry permit to participate. In this context, they argue, an IQ will not pose an additional significant barrier. Also, the increased economic security afforded by a quota-managed fishery will be attractive to new entrants, even if at some additional cost. Finally, some note that barriers to new entry are entirely consistent with the program goal of reducing overcapitalization.

Potential Solutions:

The US General Accounting Office report *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation* (GAO-04-277) discusses several ways of facilitating new entry into a quota managed fishery including:

Blocking quota: Ownership limits can be placed on certain packages or blocks of quota so that a fisherman can only own a single block. Because the blocked quota cannot be combined with other quotas (unblocked quota), it is worth less and is less expensive for new entrants to purchase.

Set asides for new entry: Some quotas can be made available for new entrant purchase or grant. Quotas could be obtained by reclaiming already distributed quotas, creating new quotas from increases in TAC, forcing quota holders to sell a portion of their quotas in an annual auction.

Loans: Loans or grants can assist certain groups (new entrants, younger fishermen) in buying quota. (See section 2.3.4 Transfer Payments)

Community quotas: Community quotas can be managed to assist new fishery entrants. (See section 2.3.1 Community Quotas)

3. Concern: Small vessel viability may be threatened under an IQ system.

Small boat owners and ports that serve primarily small boats have expressed concern that an IQ system might disproportionately impact these vessels. These concerns exist for small boat owners within and outside the trawl sector. Both groups are concerned that consolidation and economies of scale made possible by quotas could leave small vessels less competitive. Also, for participants in the trawl fleet, there is concern that if boats were forced to cover their own management costs (as under some versions of 100% on-board observer coverage), these costs in percentage terms would have a greater impact on small vessels.

Potential Solutions:

Blocked quota shares: Blocked quota shares, as in the Alaskan IQ system, can protect small boat participation by ensuring that blocks of shares appropriate to small vessel use are less expensive, on a per pound basis, than quotas available to large vessels.²⁵ This is accomplished by restricting ownership of blocked shares so that a person can only own one block. The blocks are generally too small to meet the needs of larger boats so are

²⁵ For additional discussion of blocked quota shares, see GAO-04-277, *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation*. United States General Accounting Office, Washington, D.C.: February 2004, page 11.

sought only by the small boat market. Lower demand for these shares reduces their price, giving small boat owners an advantage.

Observer cost sharing: Concerns about disproportionate observer costs for small boats could be addressed by cost sharing programs. Total costs could be split evenly between all quota holders, or some combination of sharing and personal financing could be created to ensure that observer costs are considered in planning decisions to safeguard efficiency.

Small boat allocation: Quotas could be divided into different classes with restrictions based on boat length. This would ensure that small boats were not outbid for quotas by reserving a pool of shares for use only by small boats. This approach has been used in Iceland to maintain vessel size diversity.²⁶

4. Concern: Investors or corporations will control the fishery

There is significant fear that the advent of a quota system will allow outside investors or corporation to buy the fishery and manage it from afar on a 'sharecropper' model.

Potential Solutions:

Accumulation limits: Regulatory limits on the amount of quotas an entity can hold can prevent excessive control of the fishery by a single actor. (See section 2.3.3 Accumulation Limits)

Owner-on-board requirement: A requirement that the quota owner be on board the vessel when the quotas are being harvested can safeguard against outside investor control of the fishery. This has been used in the Alaskan Halibut and sablefish IFQ program as a requirement for those who entered the program by purchasing quotas (rather than receiving an initial allocation of quotas). The intent was to ensure that new purchasers were interested in fishing rather than in holding the quota as a financial asset.²⁷ In practice, this regulation can proved cumbersome and difficult to enforce.

5. Concern: Consolidation in the processing sector

Concerns about excessive consolidation in the processing sector have been raised on dual grounds. First, several people are concerned about the effects of market power that they perceive as ascendant in the processing sector. They argued that any IQ program should either be neutral on this issue or should actively reduce processor control. Second, some

²⁶ For additional discussion of blocked quota shares, see GAO-04-277, *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation*. United States General Accounting Office, Washington, D.C.: February 2004, page 10.

²⁷ GAO-04-277, *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation*. United States General Accounting Office, Washington, D.C.: February 2004, page 11.

recognized the unique circumstances in this fishery that may be used to justify a significant processor allocation or some other approach to recognition of investment/stranded capital, but feared that it will be inappropriately exported to set a bad precedent in other IFQ programs.

Potential Solutions:

Avoid quota allocation to processors: Avoiding the allocation of quota to processors (potentially opting instead for transfer payments or another way of recognizing stranded capital) would safeguard against increasing processor market power.

Accumulation limits: Strict accumulation limits could also safeguard against excessive gains in market power. (See section 2.3.3 Accumulation Limits)

Explicit policy statement: The Council could issue an explicit statement discouraging the use of any fishery specific measures (including, in this case, a large allocation of quotas to processors) as a precedent in other fisheries, instead explaining that this policy was a response to a local special case.

2.4.1.4 Ports

1. Concern: IQs might lead fishermen or processors to leave ports.

This generic concern has several variations, all of which share some solutions (though other solutions are problem specific). General solutions are discussed here, with more specific measures addressing the specific concerns below.

Potential Solutions:

Community quotas: Community quotas could maintain a local fishing industry. (See section 2.3.1 Community Quotas)

Geographic restrictions on quotas: Geographic restrictions on quotas could encourage fishermen and processors to stay in a given port. (See section 2.3.2 Geographically Limited Quotas)

1a. Concern: Cost recovery for fishery related public works projects could be jeopardized if IQs lead fishermen or processors away from ports.

Several people expressed concern that if the fishing industry leaves a port, fishery related infrastructure, often publicly financed, could become insolvent. Examples include ice machines, port improvements, and processing plant water supplies. In addition, port managers pointed out that in some cases fishermen abandon their old boats and leave them to sink in harbors. This imposes legal or boat removal costs on ports.

Potential Solution:

Stranded capital grant program: A fund could be to be distributed as grants to assist capital projects that struggle due to IQs. (See section 2.3.4 Transfer Payments)

1b. Concern: IQ could cause fishermen to leave ports and this would hurt local business.

There is widespread fear that if an IQ program prompted the fishing industry to leave a port, this would be bad for local business in general. At the same time, the aggregate effect of an IQ should increase the value of the fishery, and thus may increase the multiplier in the regional economy. Also, some ports are transitioning to tourism and might see little or no impact from the departure of a fishery, especially if new redevelopment occupies areas formerly used by commercial fishing (bay-front condos, recreational boating in ports).

Potential Solution:

Local business grant program: A fund could be established to assist either specific business affected negatively by IQs or to fund business development. (See section 2.3.4 Transfer Payments)

1c. Concern: IQs could cause the industry to leave town and impact the local tax base.

The departure of fishermen or processors from a town could harm the local tax base.

Potential Solution:

Municipal revenue sharing: A revenue sharing arrangement between currently active groundfish trawl ports could potentially mitigate this problem.

1d. Concern: IQ could cause the fishing industry to leave ports and this would impact community culture/tourism.

There is some concern that the value of a commercial fishing industry in creating atmosphere of value in tourism could be lost if the fishing industry leaves town. Oppositely, some feel that proximity to a harbor, even if filled with sailboats, has the same value. Eliminating fishery related odors could also positively affect tourism.

1e. Concern: IQ could lead fishermen to leave the industry or community and would leave a civic leadership vacuum.

2.4.1.5 Conservation

1. Concern: Coast wide quotas will not protect specific areas from overexploitation

Community members representing diverse interests expressed concern about the inadequacy of coast wide quotas in safeguarding specific areas from overexploitation. This was of particular concern given the expectation of some consolidation of quotas, and harvest, under IQs.

Potential Solutions:

Geographic restrictions on quota: Geographic restrictions on quota, whether applied to landing or harvest locations, have the potential to limit concentrated fishing effort and control its effects. (See section 2.3.2 Geographically Limited Quotas)

2. Concern: A quota system will not adequately protect the marine environment.

Some community members are concerned that a quota system, in attempting to maximize the economic value of the fishery, may not adequately protect the marine environment. This reflects the perception that there is no council vision for a sustainable fishery and no consensus on the eventual goal fishery beyond capacity reduction. Others are specifically interested in ensuring that the environment captures some of the surplus resulting from a quota program through enhanced research or conservation.

Potential Solutions:

100% observer coverage: Concerns about over-harvesting, high grading, and dumping of by-catch species can be alleviated by establishing a program of 100% observer coverage.

Environmental sharing of TAC increases: Several people expressed concern about what would happen in the fishery as harvest levels increase, unclear as to how the additional available fish would be managed. Solutions that dedicate a portion of trawl TAC increases to either lower impact gears or environmental set asides can address conservation concerns.

Marine reserves: One way to ensure the protection of the marine environment is to combine a quota system with the creation of marine reserves closed to fishing. This would have the effect of creating geographically dispersed refuge for older fish that are increasingly seen as key in reproduction due to sporadic successful recruitment of rockfish.²⁸

²⁸ Berkeley, Steven A., Mark A. Hixon, Ralph J. Larson, and Milton S. Love. "Fisheries Sustainability via Protection of Age Structure and Spatial Distribution of Fish Populations." in *Fisheries*. August 2004.

Input controls: Traditional input controls can be combined with the personal accountability of an IQ system to prioritize resource conservation in the fishery. There is a concern that under quotas the disincentives to over harvest (having to buy more quotas to cover harvest and excess by-catch) also could operate as a license to over fish for the right price. Gear restrictions, area closures, and other effort controls combined with quotas could discredit this view.

Long term quotas: Ensuring that quotas are assigned on a long-term basis can help foster resource stewardship among fishermen. “When tenure is long term, incentives for rates of use become more compatible with the timeframes of ecological systems and are protected from the tyranny of short-term decisions.”²⁹ This long-term view can reduce the incentives to exploit and then abandon a resource.

Research or conservation fund: Using part of the surplus from IQ establishment or increases in the TAC, a fund could be established to fund ongoing work in environmental research and conservation. (See section 2.3.4 Transfer Payments)

2.4.1.6 Allocation

1. Concern: Allocation should accurately reflect participation in the fishery

Some fishing communities are comprised of boat owners who do not own permits, but rather lease them in order to participate in groundfish trawling. There is a concern that if allocation accrues to the permit owner based on permit history, then the actual participants in the fishery may not receive any allocation while the permit owners will receive a significant windfall. An additional concern is that leasing of quotas will be prohibitively expensive for these fishermen, and they will be forced to stop fishing, negatively impacting local economies.

Potential Solutions:

Allocations based on participation: Quota allocation could be based in whole or in part on actual participation in the fishery, ensuring that non-permit holder participants will receive quotas.

Allocation lease guarantees/ right of first refusal: Allocation provisions could compel permit holders who have historically leased their permits to others to continue doing so for a time. Alternatively, leasers could be given right of first refusal either to the lease or sale of quotas allocated to the holder of a permit they have historically leased.

²⁹ Hanna, Susan. “Designing Institutions for the Environment.” *Policy Forum*. January 24, 1996. page 124.

Grant or loan programs: A program of grant or loan assistance could be established to ensure that lease-dependent fishermen are able to secure quotas. (See section 2.3.4 Transfer Payments)

2.4.2 Impacts outside of the trawl fishery and related communities

These concerns are presented by topic area.

2.4.2.1 Other Fisheries

1. Concern: Quotas will exacerbate spillover into other fisheries.

There is widespread community concern that IQs, while reducing overcapitalization and enhancing profitability in the groundfish trawl fishery, will cause a spillover of effort into other fisheries. This spillover will exacerbate overcapitalization problems in those fisheries and reduce profitability, impacting communities. Spillover, it is argued, will come both through capacity reduction that frees boats to participate in other fisheries and new wealth that trawlers will have available to invest from quota sales. Others counter that while spillover is real and the need to rationalize fisheries is not confined to groundfish trawling, a trawl quota program is an important step in an ongoing effort to reduce capacity in fisheries coast wide.

Potential Solutions:

Restrictions on use of trawl boats that leave the industry: A restriction could be used to limit the extent to which effort could be transferred out of the groundfish trawl sector. Some portion of an individual's quota allocation could be contingent accepting these limitations.

Buyback in other fisheries: A buyback could be used in other fisheries to offset the spillover effect.

2.4.2.2 Process

1. Concern: The trawl IQ process is being expedited by the council at cost of 'inadequate consideration of concerns.'

Some community members feel that the council is being too hasty in its consideration of a trawl IQ, and is expediting the process by artificially limiting the scope of its analysis to trawl-only concerns. The argument is that there are many inter- and ex-sector concerns that will not be considered due to this approach. Further, some feel that this is being done under the false pretense of a safety emergency in the trawl fleet.

Potential Solutions:

Expand the process to consider other sectors: The council could expand the scope of the IQ analysis to include the entire groundfish fishery.

Add non-trawl and other fishery representation to the TIQC: In recognition of the impact a trawl IQ is likely to have on other sectors of the groundfish fishery and other fisheries, the TIQC could be expanded to include representation from these sectors.

2.4.2.3 Ports

2. Concern: Changes in the trawl industry under IQs will negatively impact other commercial fishing ports.

There is concern that increased fishing pressure due to consolidation made viable by IQs could harm other fisheries that occur in proximity to groundfish trawling. Further, some ports (Port Orford, for example) do not have the ability to replace a displaced commercial fishing fleet with recreational boats; this poses a financial problem for local port districts.

Potential Solutions:

Geographic restrictions on quota: Restricting trawl quotas geographically can help prevent concentration of harvesting efforts in specific areas, reducing localized impacts on other fleets. (See section 2.3.2 Geographically Limited Quotas)

Community quotas: Several communities concerned about trawl IQ impacts on their non-trawl fishery were enthusiastic about the concept of community quotas that could ensure a continuing commercial fishery in their ports. Inter-sectoral transferability seems to be prerequisite to an allocation to non-trawl communities, unless such an allocation was seen as a transfer payment that would in turn be sold by the community. (See section 2.3.1 Community Quotas)

Transfer payments: Proven impacts to other ports could be mitigated with transfer payments, though this might prove both complicated and unsatisfactory to impacted communities who prefer to continue to fish rather than be “bought out”. (See section 2.3.4 Transfer Payments)

Trawl closure areas: Certain areas could be set aside for fishing only with non-trawl gear, to ensure the viability of non-trawl fisheries in specific areas.

2.4.2.4 Conservation

1. Concern: The trawl IQ rewards high impact trawlers, when as a policy matter lower impact fishing techniques should be promoted.

Although the trawl IQ process is by most accounts a major step towards individual accountability, reduction of by-catch, and lower impact fishing, some members of non-trawl communities feel that the council should establish incentives for fishermen to fish in other ways.

Potential Solution:

Set-asides for other gear types: If the council wishes, as a policy matter, to promote non-trawl fishing, this can be accomplished in many ways. Some portion of increases in the TAC could be set aside to increase allocations to other gear types. For example, when the TAC increases, 50% of this increase could be retained by trawl quota holders and 50% could be used to increase the number of tons allocated to other gears.

2.4.2.5 Allocation

1. Concern: Equity of allocation outside of the trawl fleet

Several people from communities and fisheries outside the trawl fleet had equity concerns about the trawl IQ allocation. By allocating a quota of certain species, such as Lingcod, to the trawl sector to cover by-catch, critics argue that the council is rewarding a dirty fishery that cannot avoid impacting over-fished species. They feel that hook and line and other gear types, who will get no such by-catch allocation, are being penalized for having the ability to fish cleanly.

There is a perception that by establishing a trawl IQ before quota systems in other gears, the trawl fleet will have a guaranteed share of the coast wide TAC and any reductions in harvest will only affect other gear types. This may reflect an assumption that quotas will be allocated as tons of fish rather than as a percentage of the TAC.

An additional fear of participants in other gear sectors and fisheries is that an IQ based on catch histories will give trawlers an advantage if there ever is a transition to quota that are transferable between sectors. That is, trawlers will receive large allocations based on their catch volumes and will then be able to switch to other gears, and enjoy an inequitably large share of the fishery. This fear is exasperated by the feeling that productivity declines caused by trawl-inflicted habitat degradation has resulted in decreased recent harvests in other gear sectors that could eventually translate into lower catch allocations to those boats.

Potential Solutions:

Although the structure of the EIS process, in dealing with trawl gear first, precludes several means of addressing inter-sectoral concerns (it is hard to imagine the trawl IQ assigning quotas to hook and line boats, for example), there are still some ways that these concerns can be mitigated.

Set asides of TAC increases for other gear types: A percentage of TAC increases could be used to transfer some of the inter-sectoral allocation to other gear types. This is appropriate if the council wishes to make promoting these gear types a priority. The

question of whether to use increases in TACs of over fished species to expand trawling or make an allocation to other gears is important and should be addressed in advance. Besides conservation and equity concerns, there are economic arguments for redistributing certain by-catch species to other sectors. Participants in other fisheries (e.g. salmon troll) have argued that rockfish are more valuable as by-catch facilitating expansion of other fisheries.

Trawl exposure areas: Certain areas could be set aside for fishing only with non-trawl gear.

Statement on eventual inter-gear transferability: Although no policy can address concerns about transferability between gears until that effort is undertaken, the council could make some statement acknowledging the issue.

Redistribution of some quotas upon inter-gear transfer: Another viable eventual policy option could require redistribution of a portion of quotas to existing quota holders in some sector when trawl quotas are transferred to that sector. For example, a trawler whose quota is worth 1% of the TAC might transfer .1% of the TAC to existing hook-and-line fishermen as a condition of his transferring his quota to that sector. This could help ensure some continuity of market structure in the event that barriers between gear sectors are removed, although there would likely be some efficiency cost because such an approach amounts to a tax on inter-sector transfers.

Value-based quotas: Originally proposed as a safeguard against high grading, value based IQs could also work to protect value-added harvest methods such as hook-and-line live harvest. By awarding quotas based on the value of the catch, high-value but small volume fisheries (such as live rockfish) would be advantaged when compared to an allocation based on catch volume alone.

2. Concern: Allocation based on past history prevents other gear types from fishing for traditionally trawl caught fish.

There is a concern that some species that are traditionally caught predominantly by the trawl fleet (e.g. Dover sole), will be allocated in their entire TAC to the trawl fleet, precluding the opportunity for other gear types to develop fisheries for those species.

Potential Solution:

Potential Solution:

Reallocate some of the fish in the inter-sectoral allocation: Although this solution does not pertain to the Trawl IQ EIS, the issue could be addressed in the inter-sectoral allocation EIS by not allocating the entire catch of some species to a particular gear.

**Addressing Community Concerns in the Development of Individual Fishing Quota
Program Alternatives for the Pacific Groundfish Trawl Sector: A Survey of
Community Stakeholders
Submitted by Environmental Defense**

Appendix A: Additional information on those contacted for this report.

We contacted over 100 individuals or representatives of organizations in the course of our outreach efforts. Initially, we used a list of coastwide community contacts compiled by the Ginny Goblirsch, community representative on the Trawl Individual Quota Committee. As we contacted those on that list, many interviewees referred us to other contacts. In addition, we met several other community members at the events listed in section 1.2.2. On the other hand, there were some individuals or groups we were unable to speak with due to logistical difficulties.

The matrix below represents an effort to characterize the breadth of our outreach efforts without providing specific information on individuals. Contacts are described by primary role and location.

	Fishermen	Crew	Processors	Port Officials	Elected Officials	Agency Staff	NGO	Extension Academic
United States						4		
Pacific Coast			3			1	2	
Washington State					12			
Cities								
Bellingham	2							
Pt Townsend	1							
Neah Bay	1							
Westport	1			2	1			
Willapa Harbor				1				
Ilwaco				1	1			
Long Beach					1			
Counties								
Pacific					1			
Grays Harbor					3			
Oregon State					11	1	3	1
Cities								
Astoria				2	1			1
Garibaldi				1	1			
Pacific City	1							
Newport	2	4		1	2			1
Coos Bay				2	1			
Port Orford							1	
Brookings	2			1	1			
Counties								
Lincoln					1			
Coos					1			
Curry				1	2			
California State								
Cities								
Crescent City				1	1			
Eureka				1	2			
Fort Bragg				1	1			
Counties								
Del Norte					1			
Humbolt					1			
Mendocino					1			
British Columbia	1		1	1		2		