NEW ENGLAND FISHERY MANAGEMENT COUNCIL

Amendment 1 to the Herring FMP: Draft Quota Allocation and DAS Options

Herring Committee/Advisory Panel Meeting

March 1-2, 2004

H4 Effort Option 3 – Quota Allocation Program

This set of measures is intended to address the following Amendment 1 objectives:

5. Provide for long-term, efficient, and full utilization of the optimum yield from the herring fishery…
6. Prevent excess capacity in the harvesting sector.
7. Minimize, to the extent practicable, the race to fish for Atlantic herring in all management areas.
8. Provide, to the extent practicable, controlled opportunities for fishermen and vessels in other mid-Atlantic and New England fisheries.

Under this option, a program which allocates fishing quota could be implemented to further control effort and prevent overcapacity and overcapitalization. Vessels involved would be able to fish whenever it is most profitable for them without fear of a fishery closure or a "derby." Because one of the effects of quota allocation programs is eliminating the race to fish, the current splitting of Area 1A TAC into two seasons would not apply.

The limited access program proposed in this amendment could be used to define the initial participants. Then, to allocate quota to vessel owners, more information about the participants would be used such as quantities landed, years in the fishery, or recent effort. However, once the initial allocation is made, the limited access program would dissolve. Alternatively, quota could be allocated to any vessel owner with documented landings of herring over a specified time frame.

There are two proposed methods for allocating quota: (1) individual quota allocations, and (2) group allocations. These methods assign shares of area-specific TACs to individual vessels or groups of vessels. Harvest and landings will be tracked by area and the corresponding area TACs will be reduced accordingly. This will require vessel monitoring systems for all vessels with quota shares and enforcement of reporting at the dock. This means that vessels or groups could receive allocations of quota from up to four separate management areas. Each vessel's (or each vessel group's) area allocation, and the landings from those management areas, would need to be tracked by area.

The criteria described below determine the allocation of quota to individual owners of vessels or groups. The formulas for allocating quota give a higher weight to recent history. The reason for this is that logbooks were not required in the herring fishery until the FMP was implemented in 2000. Also, recent history better reflects current investment in and dependence on the herring

fishery. The tradeoff between past and recent history is consistent with similar programs in the U.S. and complies with Magnuson Act guidance.

H5 Initial Individual Quota (IQ) Allocations

This option allocates quota to individual vessel owners. The formulas for establishing baseline allocations, for use in subsequent years, are described below.

Area 1 (would apply to all of Area 1 or 1A and 1B separately) – To determine a vessel owner's initial share of the TAC, Area 1 (or 1A and 1B separately) landings of herring from 1975 to 2003 are used (however, years prior to 2000 are discounted – see schedule below). These years are chosen because 1975 is the earliest year of the qualification criteria. However, if limited access is used to initially define those eligible for an allocation, then the period used to calculate average landings will correspond to the limited access qualification period. Since reporting was not required for herring vessels prior to 2000, landings must be verified through a combination of NMFS logbook, dealer data and dealer receipts.

Before including a year's landings in the average, a portion is taken according to the following schedule:
2000 +: 100%
1999: 90%
1998: 80%
1997: 70%
1996: 60%
1995: 50%
1994: 40%
1975 to 1993: 30%

The three highest years (after discounting) are averaged. Each vessel's average is then divided by the sum of all vessels' averages to establish a percentage.

For the initial allocation only, if the sum of vessel averages is greater than the Area 1 (or 1A and 1B separately) net TAC (i.e., that which is available to allocate after accounting for set-asides), then the individual vessel percentages are applied directly to the net TAC to calculate the quantity of herring for that vessel. However, if the Area 1 net TAC is larger than the sum of vessel averages, the difference is allocated equally among all eligible vessels. The final vessel shares determined by either of these methods are then used to divide future year net TACs.

From 2000 forward, in which landings are not discounted, if a vessel owner can document that the vessel was being repaired or modified for a significant portion of a year or was lost at sea, then a year prior to 2000 may be used, and not discounted, to calculate average landings.

The adjusted yearly landing figures, excluding years with no landings, are used to calculate a vessel average.

Areas 2 and 3 – To determine a vessel owner's initial share of the net TAC, Area 2 and 3 landings of herring from 1975 to 2003 are used (however, years prior to 2000 are discounted – see schedule below). These years are chosen because 1975 is the earliest year of the qualification criteria. However, if limited access is used to initially define those eligible for an allocation, then the period used to calculate average landings will correspond to the limited access qualification period. Since reporting was not required for herring vessels prior to 2000, landings must be verified through a combination of NMFS logbook, dealer data and dealer receipts.

Before including a year's landings in the average, a portion is taken according to the following schedule:
2000 +: 100%
1999: 90%
1998: 80%
1997: 70%
1996: 60%
1995: 50%
1994: 40%
1975 to 1993: 30%

The year with the highest quantity of herring landings (after discounting) is selected for each vessel. Each vessel's highest year of herring landings is then divided by the sum of all vessels' high year landings to establish a percentage. This percentage is then multiplied by the sum of all vessels' highest year to determine an initial quantity per vessel.

Since Area 2 and 3 have not been fully utilized, there will be an undistributed portion of the net TACs. This remaining portion of the net TACs can be distributed in a number of ways (see discussion below). Whatever method is used, the final vessel shares are then used to divide future year net TACs.

Options for Allocating the Un-used Portions of the Area 2 and 3 Net TACs

- Distribute quota evenly among vessels that received a base allocation
- Distribute quota according to vessel shares which were determined in the base allocation
- Auction the quota and use the fees to cover the cost of managing the program
- Release quota in X metric ton units through a lottery system. Vessels must land a unit of quota before re-entering the lottery.
- Allow quota to be caught by any vessel with a base allocation. Effort would be controlled by DAS, days-out, or layover days.
- Allow quota to be caught by any vessel with a herring permit. Effort would be controlled by DAS, days-out, or layover days.

H5 Group Allocations

Unlike individual vessel allocations, allocations to groups must coincide with limited access. Since groups will be self-selected (see below), leaving the fishery open access could hinder the formation of groups. The combination of hard TACs and limited access will define groups of vessels that will have access to the TACs simply by qualifying to fish in a management area. However, without moving beyond this point, these vessels could race for quota unless effort is limited by additional effort controls. An alternative to this is for the group defined by a limited access option, or a self-selected sub-group, to cooperate and develop agreements to share quota. Vessels which do not choose to cooperate are placed in a competitive fishery and their allocation is determined by whatever method is used for the self-selected groups. However, they will be subject to additional effort controls as described in Section XXX. Alternatively, these vessels could form an IQ fishery.

Self-selected groups might be based on common fishing practices, vessel characteristics, community organization, common homeport, common port of landing, common fishing area, or marketing arrangements, but this would not be required. Since membership would not necessarily be based on any common vessel or gear characteristics this alternative offers a great deal of flexibility in the formation of groups. A group of permit holders would simply agree to cooperate and submit a binding plan for management of that group's allocation of TAC. The degree of cooperation could range from legally establishing a fishing cooperative (there can also be a wide range of cooperation within a cooperative; from joint harvesting to joint marketing and purchases of supplies) to a plan which simply sub-divides the TAC or a measure of effort. Vessels within the group would be allowed to pool harvesting resources and consolidate operations in fewer vessels if they desired. One of the major benefits of self-selecting groups is that they provide incentives to self-govern, therefore, reducing the need for Council-mandated measures. They also provide a mechanism for capacity reduction through consolidation.

Formation of a Group

Participation in a self-selecting group would be voluntary. Vessels that did not decide to join would remain in a common pool which would fish under the constraints impose by the Council. Individuals that wished to form a group and receive an allocation would be required to submit a proposal for formation of a group and a legally binding plan of operations which would require approval from the Regional Administrator. These would be agreed upon and signed by all members of the group. The benefits of group formation could be economic, social, and/or environmental. For example, benefits could be gained through cooperatively developing group rules in a participatory management process, gaining greater resource stewardship by obtaining a sense of ownership, and/or reducing the cost of operations.

Preparation of a group formation proposal and operations plan
The formation proposal and operations plan submitted by a self-selecting group must have, at a minimum, the following components:

- A list of all participants and a contract signed by all participants indicating their agreement to abide by the operations plan accompanying the proposal.
- An operations plan detailing the following:
  - A list of all vessels that would be part of the group;
  - An association name, address, phone number, and the name and contact information for a group representative (a manager or director) through which the NMFS can contact regarding group management issues;
  - The original distribution of catch history within the group;
  - A plan and analysis to show how the group will avoid exceeding their allocated TACs. This plan should include provisions for monitoring and enforcement of the group regulations, including documentation of both landings and discards;
  - Rules for entry and exit to the group (see more on this in next section) including procedures for removing or disciplining members of the group who do not abide by its rules. Rules for entry and exit must also define how catch history that is developed by vessels participating in a group is assigned to each vessel;
  - Procedure for notifying the National Marine Fisheries Service if a member is expelled from the group for violation of group regulations.
  - A process through which the group plan can be amended.

An appropriate NEPA document assessing the impacts of forming the group must be prepared. There are three options for preparing this document:

1. As part of the Council's periodic adjustment process
2. Written by the group applicants and reviewed by NMFS
3. Written by the group applicants, submitted to NMFS through the Council

The contracts drawn up for the whiting and pollock cooperatives on the West Coast and Alaska might serve as a guide for determining the form and content of these plans.

Group Review and Approval
Once a group organizes and prepares a group operations plan, the plan must be reviewed and approval given before the group can operate. There are two options for this process.

Option 1 – Streamlined Approval Process: The group will submit its operations plan to the RA. NMFS will conduct a preliminary review of the application, and, if it determines the application is complete, will publish a notice in the *Federal Register* asking for comment on the proposed group with a 30 day comment period. After reviewing all comments received, NMFS will either approve or reject the application and authorize the group to operate in accordance with its operations plan. NMFS will advise the Council of any changes in resource

allocations that result due to approval of the group.

Option 2 –Periodic Adjustment Process: A group will submit its operations plan to the Council no less than one year prior to the date that it plans to begin operations. The Council will consider this plan in the course of the periodic adjustment process and will implement it through that process.

Movement Between Sectors
Options for guidelines on movement between groups:

Option 1: Allow for open movement between groups on a fishing year basis. In other words, all selections for the upcoming year must be made prior to the start of the fishing year but the obligation only holds until the end of that fishing year.

Discussion: At the beginning of this management program, many individuals might be uncomfortable making a long-term commitment to a group for a variety of reasons. By allowing them to make a short-term commitment, the whole network of groups will be able to self-organize over the initial years of the program. However, this approach might lead to such instability among and within groups and compromise their long term success.

Option 2: Require a multi-year commitment for participation within a group. This can range from 2-10 years depending on the structure of the group.

Discussion: This requirement will give groups adequate time to organize their members and develop group parameters. Mandating a longer-term commitment to a group will urge members to work together to create a cohesive unit and ensure the success of the group.

Option 3: Allow for each group to set their own rules on movement.
Discussion: By not mandating the commitment time to a group and allowing the groups to set their own rules, the group might be more successful in the long-term. This success will be realized, while working within their allocation, the group will be largely self-regulating. A code of conduct for all groups should be developed by the Council or by industry with Council approval.

Allocation of TAC

The allocation of TAC will be based on one of two options:

Option 1 - Sum of Individual Vessel Allocations: To determine the amount of quota to allocate to a group of vessel or those in the common pool, the IQ method described in Section XXX above would be applied at the individual vessel level, and the sum of the vessel shares would be allocated to the group.

Option 2 - IQ Methods Applied at the Group Level: To determine the amount of quota to allocate to a group of vessel or those in the common pool, the IQ method described in Section XXX above would be applied at the group level. That is, for the vessels that

form an Area 1 group, the Area 1 landings for each year (after discounting) are summed. The three highest years are averaged. Each group's average is then divided by the sum of all group averages to determine shares.

For Areas 2 and 3, a similar approach is used except the highest year is used rather than an average of three years.

Enforcement of Group Provisions
It will be the responsibility of each group to enforce any provisions adopted through procedures established in the operations plan and agreed to through the group contract. Ultimately, a group may desire to expel a member due to repeated violations of group provisions. Once a vessel enters into a group, it cannot fish during that fishing year under the regulations that apply to the common pool. In other words, if a vessel is expelled from a group, it cannot participate in the herring fishery during the remainder of that fishing year.

For the purposes of enforcement, a group is a legal entity that can be subject to NMFS enforcement action for violations of the regulations pertaining to groups. Vessels operating within a group are responsible for judgments against the group.

If a group exceeds its TAC, the group's quota will be reduced in the following year and the group may be subject to enforcement action. If the group exceeds its TAC repeatedly, the group's share can be permanently reduced as a penalty or the group's authorization to operate withdrawn.

H5 Trading
For any of the allocation options described above (vessel owners or groups), **trading of quota may be permitted or prohibited**.

> **Trading permitted** – Transfer of herring quota will be administered by the NMFS (see Program and Administration Monitoring). Quota can be transferred from one owner to another on a permanent or temporary basis. If traded on a permanent basis, then all subsequent yearly issuances of quota are to the new owner. After quota is issued at the beginning of the fishing year, within year (temporary) transfers of quota will be authorized and recorded by the NMFS.
>
> For the first two years of Amendment 1, trading may only occur on a temporary basis. This will allow for a period of price discovery where the market gains information and experience with short term values before determining long term values.
>
> **Trading prohibited** – Permanent or temporary transfers of quota will not be permitted. For individual vessel owners, each year's allocation will be issued to the owner identified at the implementation of Amendment 1 unless the quota is bequeathed. For groups, the quota will continue to be allocated to the groups

identified at the implementation of Amendment 1 and no trading of quota is permitted between groups. Within group subdivision of quota is permitted.

H5 Measures to Address "Excessive Shares"

National Standard 4 of the Magnuson-Stevens Act states that:

"If it becomes necessary to allocate or assign fishing privileges among various United States fishermen, such allocation shall be… carried out in such manner that no particular individual, corporation, or other entity acquires an excessive share of such privileges."

NOAA's guidelines on the *avoidance of excessive share* portion of this standard (see 50 CFR Ch.VI: 600.325) state that "an allocation scheme must be designed to deter any person or other entity from acquiring an excessive share of fishing privileges, and to avoid creating conditions fostering inordinate control, by buyers or sellers, that would not otherwise exist."

Neither the language in National Standard 4 nor the NOAA guidelines specifically define excessive share. A GAO report on Individual Fishing Quotas (GAO report # GAO-03-159) recommends that the NOAA develop guidance on factors to consider when regional councils define what would constitute an excessive share in future IFQ programs. In response to the GAO recommendation (see Appendix V), NOAA agrees but notes that caps are not necessarily appropriate in all new IFQ fisheries. NOAA also stated that it will conduct research to provide guidance on the three categories of factors: (1) market effects, (2) distributional issues, and (3) equity considerations.

The first step in determining if an economic threshold should be set to deter market power is to analyze the market. Given that U.S. caught Atlantic herring is just one component of a large international market for herring, it is unlikely that market power could be exerted by a participant with even a large share of quota. However, if the market analysis shows that market power could be exerted, further analysis using market and production data would be needed to set a maximum individual share level.

Given the particular aspects of the Northeast U.S. herring fishery, these analyses may need to be done on an area and/or market basis.

H5 Program Administration and Monitoring

The NMFS will administer and monitor the ownership and trading of area specific quota shares. All transfers must be approved by the NMFS, as described above, and a database will be maintained that will include the details of the transfer. This database will track prices, quantities, and owner information.

The tracking and enforcement of herring landings and the management of quota share accounts will be managed by the NMFS.

On a yearly basis, the NMFS will issue herring quota that will represent a fixed quantity of herring. Quota holders will have an account with the NMFS and, as herring is landed, debits will be made to the account through the use of a credit card/ATM/internet system. The accounting system will allow account holders and enforcement personnel real-time access to account balances. Quantity of landed herring will be measured at the dock.

Vessels are required to notify the NMFS of their intention to land herring three hours prior to landing so that enforcement personnel may be deployed.

Herring may only be bought by registered buyers who are required to report purchases of herring to the quota accounting system. Tender vessels are required to register as a herring buyers.

Vessel monitoring systems are required on vessels with quota shares so that landings reported at the dock as coming from a specific area can be verified.

H4 Effort Option 4 – Days-at-Sea (DAS) Management Program

This set of measures is intended to address the following Amendment 1 objectives:

5. Provide for long-term, efficient, and full utilization of the optimum yield from the herring fishery…
6. Prevent excess capacity in the harvesting sector.
7. Minimize, to the extent practicable, the race to fish for Atlantic herring in all management areas
8. Provide, to the extent practicable, controlled opportunities for fishermen and vessels in other mid-Atlantic and New England fisheries.

In lieu of quota allocations to minimize harvest costs and improve contracting and planning, a less precise tool is used. Under this option, Days-at-Sea (DAS) are used to allocate fishing opportunity to those qualifying for an area limited access program. Permits are required to land herring and are only available to those vessels defined by the limited access program for a particular area (with the exception of development permits – see below). With an allocation of DAS, a vessel can plan the fishing year and minimize costs of harvest around that guaranteed set of fishing days.

These methods assign shares of area specific DAS to individual vessels. DAS and landings will be tracked by area. This will require vessel monitoring and call-in systems for all vessels with DAS shares. This means that vessels could receive allocations of DAS from up to four separate management areas. Each vessel's DAS allocation, and the landings from those management areas, would need to be tracked by area.

The total amount of DAS allocated depends on the TAC available and the mix of vessels in the limited access program. In association with those choices, the method described below will determine the number of DAS per vessel.

Since a DAS will result in different amounts of herring landings for different size vessels, vessel upgrade restrictions are required.

A DAS is defined as one 24-hour period. For example, if a vessel fishes for 14 hours, one DAS will be used. If a vessel fishes for 26 hours, two DAS will be used.

H5 DAS Proxy

Area 1 (would apply to all of Area 1 or 1A and 1B separately) - The DAS proxy approach for allocating DAS to individual vessels uses the IQ percentages of TAC as described in Section XXX. The percentages are converted to metric tons of herring depending on the TAC levels chosen by the Council. Then, average catch per DAS is calculated on an individual vessel basis. Of the time period for which the vessel qualified for the management area, the three most recent years of landings and effort data are used to calculate an average catch per DAS. To convert to DAS, the metric ton allocation is divided by the average catch per DAS.

This method for allocating DAS establishes a baseline but since the herring TACs are "hard", not targets, an area may close early if the allocations are too high. Therefore, allocations will be adjusted according to when the area closed the previous year. For example, if an area closed after nine months (75% of the season), each vessel's allocation is reduced by 25% for the subsequent year. If TACs are not reached by the end of the year, allocations will be increased by a percentage that is projected to align effort with a full season. DAS may also be adjusted in conjunction with changes in TACs.

Vessels must declare at the beginning of a trip that they intend to use Area 1 DAS and may only fish for herring in Area 1 during that trip. A DAS call-in system administered by the NMFS will be used to track DAS usage.

Areas 2 and 3 (combined) – As is done for Area 1, the Area 2 and 3 IQ allocations form the basis for converting metric tons to DAS. The only difference pertains to the treatment of "un-used" Area 2 and 3 quota. Under the DAS allocation program, this quota is not distributed to vessels before converting tonnage to DAS. The total percentage of the used portion of TAC that is associated with the first tier of DAS allocations will be the benchmark for subsequent adjustments of DAS (whether due to a TAC change or to a mismatch with the season length). This initial group of vessels will be issued "conservation" permits and will be limited by their allocation of DAS. The un-used portion of the TAC will be he held in reserve for use by a second tier permit called a development permit. Separate tracking of conservation and development TACs will be required.

Vessels must declare at the beginning of a trip that they intend to use Area 2 or 3 conservation DAS and can only fish for herring in the area they declare at the beginning of the trip. A DAS call-in system administered by the NMFS will be used to track conservation DAS usage.

Development Permits – Development permits may be obtained by any vessel, including those with Area 2 or 3 conservation and Area 1 DAS permits, and authorizes the landing of herring for the year of issue only. There are two options for controlling effort:

Open access – Development permits will be issued to as many vessels as apply. Effort or catch will not be limited. When the Area 2 or 3 "Development" TAC is reached those vessels with development permits may no longer fish for herring in Area 2 or 3 unless they have a balance of Area 2 or 3 conservation DAS.

Development DAS – For the first year of Amendment 1, blocks of development DAS will be issued to as many vessels as apply. A block will consist of 10 development DAS. Vessels must declare at the beginning of a trip that they intend to use Area 2 or 3 development DAS and can only fish for herring in the declared area during that trip. A DAS call-in system administered by the NMFS will be used to track development DAS usage.

During the first year of Amendment 1, DAS blocks will be authorized on a first-come-first-serve basis. Only when a block is used up can a vessel apply for an additional block of DAS.

When either Area 2 or 3 "Development" TAC is reached those vessels with development permits may no longer fish for herring in the area unless they have a balance of Area 2 or 3 conservation DAS.

The NMFS will use catch, effort, and vessel characteristic information, collected from the first year of the program, to calibrate the conversion of TAC to DAS by vessel gear/size categories. Then, in subsequent years TAC can be allocated at the beginning of the year, in DAS equivalences, to vessels through a lottery system. This will reduce incentives to race for development TAC.

Questions for Herring Committee/Council

Critical Questions:

1. Will trading of quota and/or DAS be permitted?

Discussion: The answer to this question is critical for further development of this alternative. Many of the questions listed below hinge on the trading issue.

As it is currently written, if trading is prohibited, groups of vessels with individual allocations could not form a group and share quota. If full tradability is not desired, another option could be to allow groups to form around individual allocation and share quota on a temporary basis. If this approach is taken, then a detailed plan for the redistribution would need to be submitted to the NMFS for enforcement purposes.

2. Should the number of initial participants (those who receive an initial quota/DAS share) be limited (through one of the proposed qualification criteria), or should the initial allocation of quota/DAS be based on current participants and/or those with landings history over a specific time frame?

Discussion: One of the implications of not defining the initial participants through limited access is that a large number of vessels would receive small allocations. There are over 500 vessels with reported landings during 1988 – 2002. Of these, 9 to 57 vessels qualify under the various qualification criteria. If trading is permitted, then these small shares will be redistributed. Some may remain un-used. If trading is not permitted, many of the small allocations would not return enough revenue to make it economical to harvest.

If the limited access options are not used to define the initial participants, then a decision will need to be made regarding which year should be used to begin counting history for quota allocation.

3. Should provisions be developed for allocation/access to crew members and new entrants? If so, how should allocations be determined?

4. Once allocations are made, should the mix of share holders by gear or area be maintained?

5. How will the un-used portion of Area 2 and 3 TAC be utilized or allocated – see options above?

Discussion: During PDT discussions of this issue, concern was raised about creating an incentive to speculatively fish for the un-used portion of the Area 2 and 3 TACs in order to "create history" for any subsequent limited access or allocation program. This issue is broader than just quota or DAS allocation issues since it also pertains to the choice of limited access options in these areas (i.e., open vs. controlled access). The PDT did not come to any conclusions on this issue and debated what the extent of the problem might be recognizing that speculative fishing involves a cost if there is no market for the herring that is caught. The PDT also recognized that creating history could result in financial gain that would be worth the short-term costs.

In choosing an approach to allocating the un-used portion of Area 2 and 3 TAC, the PDT would like the Committee to consider this issue and, depending on the choice, provide some ideas on dealing with the speculative fishing issue if it is a concern.

Other Questions:

1. Will there be restrictions on who can own quota/DAS? Will it be required that the owner of quota/DAS share also be the operator of the fishing vessel?

Discussion: With initial allocations to vessel owners and if trading is permitted, having no ownership restrictions could result in allocations being owned by foreign interests, environmental groups, municipalities, processors, and others not directly involved in the harvest of herring. There may be reasons why open ownership is desired and there may be reasons why it may not be desired. These issues should be considered and guidance provided to the PDT. It also should be noted that it is not common in this fishery for owners of vessels to also be operators.

2. How will incidental catch permits be incorporated into a quota allocation program? And, related to this question, should 100% of an area's net TAC be allocated?

Discussion: There are two types of incidental catch permits proposed for Amendment 1. One type identifies specific vessels with squid/mackerel/butterfish or whiting permits and allows for trip limits of 15 to 25 metric tons. The other type is open access and allows for trip limits of 1, 3, or 5 metric tons. With an area specific quota allocation program, there would need to be some accommodation for these trip limit landings or the overall TAC would be exceeded. One way to address the problem would be to specify a set-aside for incidental catch.

3. Should there be a minimum size for self-selected groups?

4. Will administrative costs be recovered and, if so, how?

Discussion: There will be an administrative cost to managing and enforcing an allocation program. The cost of managing a quota allocation program will be higher than a DAS program but both will use agency resources. Administrative costs could be collected through a landings tax as is done in the Alaska Region halibut and sablefish IFQ program or through auctioning the un-used portion of the Area 2 and 3 TAC.

5. For group allocations which require the submission of an operations plan, what degree of involvement is required of the Council and/or the NMFS in the design of the plan and the choice of management options.

Discussion: Regarding the level of involvement, there are two extremes. One extreme is to assign quota to a group and take a hands-off approach in which the group provides a minimal amount of detail as to how they will mange their quota. The NMFS and the Council, in this case, would only be concerned with whether the group exceeded its allocation or not. The other extreme is to be highly involved with the choice of group management measures whereby the Council and the NMFS are informed about and actively involved in the enforcement of the measures. There may be positive and negative aspects of each extreme and it is likely that a choice somewhere in between is most appropriate. In order to further develop this option, the PDT would like further direction from the Herring Committee on this issue.