Lessons Learned: Groundfish DAS Leasing Program

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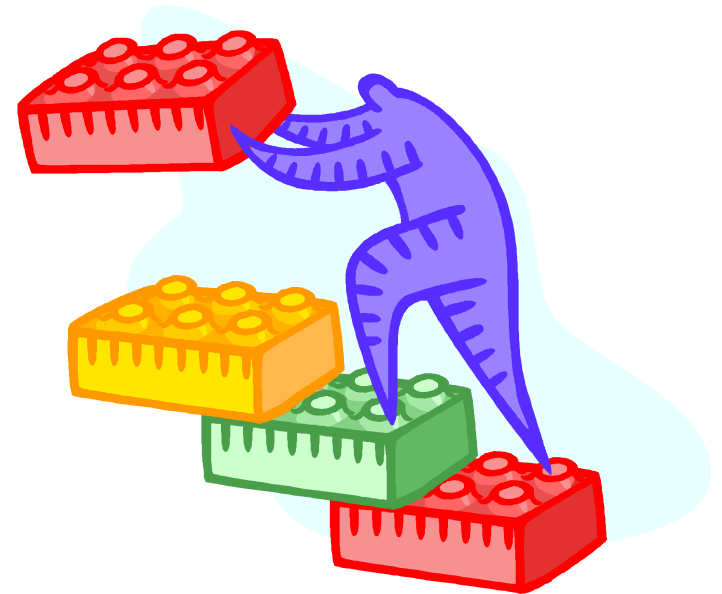
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DAS Leasing Program History

- **Purpose:** Increase economic efficiency of fleet

- Proposed in 2003 by NMFS, but never implemented
  - Concern that large vessels would outcompete small vessels
  - Concern that fishing effort and landings would increase

- First implemented under Amendment 13 (2004)

- Revised in several actions:
  - FW 40B (2005)
  - FW 42 (2006)
  - A16 (2010)

Major Elements

1. Eligibility to participate
2. Permit limitations
3. Size/horsepower limitations
4. DAS leasing cap
5. Lease duration
6. Fishing history accounting
7. Linkage with monkfish DAS
8. Sunset provision

Eligibility to Participate

- **Purpose**: Restrict who can lease DAS

- **Original Measures**:
  - All valid limited access groundfish DAS permits
  - Permits in CPH could not participate
    - Concern that latent effort may be activated

- **Changes**:
  1. CPH allowed to participate in 2010
     - Administrative barrier that can be circumvented
     - Effort controls alleviate concern about impacts of permit reactivation

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Permit Limitations

- **Purpose**: Prevent increase in fishing mortality by leasing DAS to vessels subject to different effort controls

- **Original Measures**:
  - Category D permits cannot lease to other permit types
  - Sector vessels cannot lease DAS to/from non-sector vessels

- **Changes**:
  - None to date

Size/Horsepower Limitations

- **Purpose:** Preserve character of fleet and help ensure conservation neutrality

- **Original Measures:**
  - Leases restricted by 10% size and 20% HP upgrades
  - Leasing size/HP baseline established

- **Changes:**
  1. Limited corrections to DAS baseline allowed (2004)
  2. One-time leasing baseline downgrade allowed (2005)
  3. Sectors exempted from leasing size/HP restrictions (2010)

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Leasing Cap

- **Purpose:** Reduce the possibility that a vessel will accumulate excess DAS

- **Original Measures:**
  - Vessels could lease-in DAS up to 2001 DAS allocation

- **Changes:**
  1. Leasing cap eliminated in 2010
     - Could be circumvented by DAS transfer program
     - Cap prevented vessels from obtaining enough DAS to remain profitable given DAS allocation reductions and overhead costs

Lease Duration

- **Purpose:** Simplify administration

- **Original Measures:**
  - Leases valid for 1 year only
  - No sub-leasing of DAS
  - Carry-over DAS cannot be leased

- Changes:
  - None to date

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Fishing History Accounting

- **Purpose:** Simplify administration, and alleviate concern that leasing DAS will affect future allocation decisions based on DAS usage history

- **Original Measures:**
  - DAS use history for leased DAS retained by <u>seller</u>
  - Landings history on leased DAS retained by <u>buyer</u>
  - Leased DAS are considered to be used first

- **Changes:**
  - None to date

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Linkage with Monkfish DAS

- **Purpose:** Preserve existing regulations linking groundfish DAS with monkfish DAS

- **Original Measures:**
  - Monkfish DAS forfeited for each groundfish DAS leased out to another vessel
  - Leased-in DAS will be linked with monkfish DAS

- **Changes:**
  - None to date

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Sunset Provision

- **Purpose**: Ensure Council periodically considers impacts of program to make necessary adjustments

- **Original Measures**:
  - Leasing program would expire within 2 years

- **Changes**:
  1. Program extended indefinitely in 2006
     - To preserve flexibility to adapt to ongoing effort controls

DAS Leasing Program: Lessons Learned

1. Program can be designed to address several issues
2. Preventing CPH participation is not effective
3. Permit restrictions help control effort shifts
4. Fishing history accounting can help alleviate concerns over future allocation decisions*
5. Sunset provision is likely unnecessary
6. Effectiveness of program depends on existence/effectiveness of DAS Transfer Program

DAS Leasing Impacts

1. Number of DAS leased and vessels participating increased over time

2. Price paid per DAS generally increased over time*

3. Prices varied by port

4. DAS shifted from inactive to active ports/states (southern ports to northern for groundfish)

5. Leasing may not be conservation neutral (effort and mortality likely increased on GOM stocks)

Application to Monkfish Amendment 6

1. Determine purpose(s) of leasing program
2. Decide if DAS Transfer Program is necessary
3. Develop measures to address purpose(s) of leasing
   - Efficiency – few limitations, all can participate, etc.
   - Latent effort – only active permits, leasing cap, etc.
   - Effort shifts – Area-specific DAS or prorating leases
4. Ensure conservation neutrality
   - Only allow leasing between A/C and B/D permits
   - Apply upgrade restrictions, if necessary

Thank you!

Questions?

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DAS Transfer Program History

- Purpose:
  1. Increase economic opportunity and flexibility
  2. Maintain the character of the existing fleet, and
  3. Achieve long-term reduction in fishing effort (capacity reduction)

- First implemented under Amendment 13 (2004)

- Revised in several actions:
  - FW 40B (2005)
  - FW 42 (2006)
  - A16 (2010)

Major Elements

1. Eligibility to participate (same as DAS Leasing)

2. Size/horsepower baseline (same as DAS Leasing)

3. Conservation tax

4. Vessel retirement and permit cancellation

5. Interaction with DAS Leasing Program

6. Permit restrictions

Size/Horsepower Restrictions

- **Purpose:** Prevent increase in fishing mortality by leasing DAS between vessels of different size

- **Original Measures:**
  - DAS Transfer Program baseline (same as leasing)
  - Transfers restricted by 10% size & 20% HP upgrades

- **Changes:**
  1. Smaller vessel baseline adopted, unless upgrade used
     - Prevents increasing in baseline through series of transfers

Conservation Tax

- **Purpose:** Reduce impact of reactivation of latent effort

- **Original Measures:**
  - 40% reduction of all Cat. A and B DAS transferred
  - 90% reduction of all Cat. C DAS transferred

- **Changes:**
  1. Conservation tax reduced to 20% for A/B DAS (2005)
  2. Conservation tax applied to lowest DAS allocation (2006)
  3. Conservation tax eliminated completely in 2010
     - Facilitate consolidation and provide flexibility
     - Conservation gains were never realized

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Vessel Retirement and Permit Cancellation

- **Purpose:** Prevent redirection of effort in other fisheries

- **Original Measures:**
  - Transferring vessel must retire from all fisheries
  - Non-groundfish permits cannot transfer & are cancelled

- **Changes:**
  1. Retirement provision eliminated (2006)
  2. Non-groundfish permits can also be transferred (2006)
     - Facilitate consolidation and provide flexibility
     - Conservation gains were never realized

Interactions with DAS Leasing Program

- **Purpose**: To ensure accurate DAS and landings tracking

- **Original Measures**:
  - None

- **Changes**:
  1. Prohibit permit from leasing DAS and then transferring DAS later in the same year (2006)

DAS Transfer Impacts

1. No perceptible regional shifts in effort
   - Most DAS transferred were within the same state

2. Price data was inconclusive
   - Data suggest price/DAS was higher than leases

3. Average vessel receiving DAS was 53′ long & 323 HP

4. Most transferring vessels retired

5. Program did eliminate small number of allocated DAS

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DAS Transfer Program Lessons Learned

1. Program can be designed to address many issues (efficiency, latent effort reduction, effort transfer)

2. Retirement requirements and restrictions for transferring other permits prevented participation

3. DAS Leasing Program impacted Transfer Program
   - Leasing cap removal eliminated incentive to transfer
   - No leasing tax made leases more attractive
   - DAS leasing prices were lower overall than transfer price

Other Measures Considered

1. Prorating DAS leased by vessel horsepower group (instead of using upgrade provisions)

2. Applying the same conservation tax to DAS leases (reduce incentives to lease rather than transfer DAS)

3. Phasing in use of transferred DAS over time (to prevent rapid activation of effort)

4. Conservation tax window

5. Removal of proxy vessel instead of transferring one

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