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## NEFMC Workshop on Accumulation Limits and Fleet Diversity June 9<sup>th</sup>, 2011

### Summary

#### Overview:

On June 9<sup>th</sup>, 2011, the New England Fishery Management Council (NEFMC) hosted a workshop on the topic of fleet diversity and accumulation limits for the northeast multispecies fishery. The meeting was attended by members of the Council's Groundfish Committee, Groundfish Advisory Panel, Groundfish Plan Development Team, socioeconomic experts from the Council's Scientific and Statistical Committee, and roughly 30 members of the public.

The workshop convened with a presentation from NEFMC staff that highlighted previous Council action on the issue, the purpose of the workshop, and a concise overview of different types of accumulation limits and management measures related to fleet diversity. Participants then broke into four discussion groups led by outside facilitators. A fifth discussion group was also formed comprised of members of the public who were in attendance. Through structured facilitation, the groups were tasked to discuss two broad topics and provide answers to the following questions:

1. Which goals are more important related to diversity and accumulation limits? (Topic 1)
2. What is an "excessive share"? (Topic 1)
3. Should diversity goals and accumulation limits be responsive to changing industry conditions? (Topic 1)
4. What range of measures should the Council consider for managing quota? (Topic 2)
5. How do these measures relate to diversity recommendations from the morning session? (Topic 2)

After the small group discussions, participants reconvened and presented the outcomes of their discussions. Several major themes emerged from the group reports, and these are described below.

Some of the groups were able to form consensus statements, while others were more successful in generating lists of ideas. Because of this, the following themes should not be viewed as a representation of the views of all or even most of the participants but rather as topics that arose for discussion, which the Council may wish to consider in future actions related to this issue.

#### Themes from Topic 1 (Goals and Objectives for the Groundfish Fleet):

*Goals could be linked to maintaining certain characteristics of the current fleet*

- Many of the groups concluded that diversity can have different meanings to different people. However, several groups attempted to identify characteristics of the fleet that can be considered to constitute its diversity and therefore may be desirable to maintain. These included vessel size, gear type, geographic area, and level of participation in various fisheries. Also, some recommended that inshore and offshore fleets should be maintained. A "balanced" geographic distribution of permits across states and regions was a strong consideration for many groups (and one qualified that this should be considered "to the extent possible"). Finally, several groups recommended ensuring access to new entrants and a reasonable number of participants.

*Goals should be community-driven*

- Several of the workshop groups recommended that goals (and possibly reviews of those goals) be community-specific and driven by the needs of individual communities. The rationale for this included that increased community control will empower communities to protect their own interests, and that decentralization of management was desirable. Many participants felt that communities should be enabled to define their own economic objectives appropriate to their own fisheries and markets. Since communities in New England are very different from each other, participants discussed that a one-size-fits-all approach to diversity may not be appropriate, but rather that the Council could set up a system for each community to decide how they will best operate. However, many participants also pointed out that it was important to remember that this is a public trust resource and the Council needs to maintain oversight of the resource.
- Some groups recommended formal recognition of Community Fishing Association-type structures to enable communities to purchase, hold, and disperse quota.
- There was much discussion about what constitutes a “community”. One group identified it as “a group, whether based on the fishery, geographically, or by gear type, which broadly represents the common intent of a group of people who work together to achieve common objectives.” Some people felt that sectors could be counted as these types of communities.

*Obtaining optimum yield (OY) should be a major priority*

- At least two of the five groups recommended this as the most important goal for diversity, using the rationale that enhancing the ability to catch more fish will allow for more participation in the fishery. People suggested that input controls are impacting on the ability to achieve OY, and that it was critical for accountability measures to be effective and in place, including for the recreational fleet.

*It is difficult to define what would constitute an “excessive share”*

- Many participants did not feel comfortable defining this term, although some offered that it would constitute “a level of control that negatively affects the fishery”. Groups generally agreed that it was important to prevent against this, but disagreed on what an exact definition would be. Other suggestions include that it would be necessary to prevent excessive access to the resource in order to prevent extraction of disproportionate economic rents from other permit holders, and that it was more important to guard against excessive *opportunity* than excessive shares. One group recommended that this be applied to any person, permit bank, or entity.
- Most of the groups agreed that further analysis should be conducted to determine how to define this concept. One group felt strongly that the units of measure for this analysis should be permits. Others recommended that excessive shares should be defined on a stock-by-stock basis and in response to changing conditions. It was suggested that the analysis should be conducted by the PDT or an outside consultant, and it should define the thresholds where an entity can start to control the leasing market, seafood market, and access to the fishery. Finally, one group recommended that the analysis should address how current anti-trust laws address excessive shares and whether they may be sufficient in lieu of accumulation caps.

*More information is needed about the effects of Amendment 16*

- There was some consensus that more information would be needed on the effects of sector implementation in order to proceed with the construction of a definition for, and an analysis of, fleet diversity. Participants felt that the sector review workshop anticipated for fall 2011 would provide useful information about this, but some suggested that analyses should be ongoing and not only occur once. One group noted that it has taken several years for people to get used to systems of catch shares in other regions.

*Goals and limits should be reassessed after a few years in the same way as FMPs*

- There was mixed opinion on this theme. While one group recommended that a review of diversity and accumulation limits should become part of the SAFE report (e.g. annually, or possibly biennially), and the Council could determine if future action is needed after a review of updated information on fleet diversity and consolidation, other groups felt that goals would need to be carefully developed in order to stand the test of time and should not be revisited. Some felt that there would need to be very strong rationale in order to change goals and management decisions based on diversity, and others thought that any changes would need to be industry-driven once individuals had made long-term business plans around measures involving control of quota.

*Having a more affordable fishery could be considered as a goal*

- Several groups recommended that the Council consider affordability of participation in the fishery as a goal. One example was given that vessels needed to be safer and more economically viable, so any goals that are developed should take that into account.

*Effects on shore-side infrastructure should be considered*

- Most of the groups included some comments in their recommendations about maintaining infrastructure if consolidation is to occur. No specific suggestions on how to construct goals for infrastructure services were provided by the groups.

Themes from Topic 2 (Accumulation Limits and Diversity Measures):

*Quota set-asides could be considered as a tool for meeting several goals*

- Several groups discussed the idea of using set-asides for various purposes, including access for new entrants, ensuring diversity, for vulnerable fisheries (e.g. handgear), or to lease to participants with less than thirty percent ownership in the fishery in an auction. Some people commented that the set-asides could be implemented in the future as the resource recovers, and that they could be designed as sector-specific rather than industry-wide.

*Accumulation limits should be different for different stocks and fisheries*

- Most groups seemed to generally agree that if accumulation limits were considered, they should be set by species and be related to assessment results.

*The Council could consider a cap based on the numbers of permits held*

- Several groups suggested this as the first strategy to be considered with regard to accumulation limits. The rationale was that this would be more straightforward and would help provide more regulatory stability for the industry at a time when they are faced with a very difficult environment for business planning.

*Enhancing regulatory flexibility may be a way to promote diversity*

- Some groups recommended that, instead of new measures to protect diversity, enacting fewer measures or reducing existing measures would allow participants to choose more diverse fishing practices. One group asserted the best way to promote diversity would be to remove regulations, not to add new ones, as current regulations force fishermen into specific and inflexible boxes. Some people stated that diversity measures had already been adopted, including the consolidation that occurred with Amendment 13 and the possibility of buying a C day permit and allocation to enter the fishery.

*A mechanism for grandfathering individuals could be desirable if accumulation limits are adopted*

- Several participants discussed the possibility of having current owners grandfathered out of a cap, while having subsequent generations comply with the caps. There were some comments expressing aversion to the idea of forced divestiture.

*Ownership caps could be considered IF there is a problem with fleet diversity*

- Most groups discussed whether there was a problem with fleet diversity, and had wide disagreement. If a problem was perceived to occur, then at least one group recommended that this outcome should be seen as a move to control the amount of fish fished by an individual within a sector.

*Measures could be developed by communities or sectors*

- There were many recommendations that the system should reflect fishery and community types, and that if communities are given the tools to determine their own objectives, they will be protected against vertical integration. One group recommended that CFA-like structures could be developed by the Council to do this, and several groups recommended that sectors might be able to develop community goals. Examples of the types of measures that were cited as having potential to be developed in this way included vessel caps, new entrants, owner/operator clauses, accumulation limits, and more.

*Council should review if quota is being held and not fished*

- Several groups had discussions about the principle of holding quota that the owner is not fishing. Groups suggested that one person should not be able to lease out their quota in perpetuity and that all participants in a sector should be required to put their PSC on the table and not hold on to it.

*Permit banks may play a role in allocating quota to protect diversity, but the Council should review them for effectiveness*

- The discussion groups differentiated between permit banks and sectors in that permit banks are given money to reallocate quota to certain vessels and not all vessels. This could affect the market of permits for all participants. In general, some felt that there should be Council oversight and periodic review to make sure that state permit banks are not “unfair” to other vessels and that they are consistent with the overall goals of the FMP (along with CFAs and sectors). Some recommended further discussion on the construction of opportunities for permit banks.

*The percent of the overall ACE controlled by any one sector is irrelevant*

- Many groups concluded that sectors caps should not be considered, because a sector that controlled a large share of the total fishery could simply divide itself in name only.

*Leasing measures should be carefully considered, as there are many issues associated with restrictions on leasing*

- One group suggested that measures be considered to promote end-of-year leasing so that ACE did not go unfished. Another suggestion was having the leasing fee be tied to the level of fish controlled by the lessee (i.e. participants with a higher percentage of ACE must pay more to lease additional fish). Groups mentioned that leased fish could be broken into blocks of incremental size to make them more affordable. Finally, several people talked about considering measures that would disincentivize leasing out ACE in perpetuity and promote the availability of ACE for owner-operators.

*ITQs could be examined*

- A number of participants expressed the opinion that moving to an ITQ system would make the issue of dealing with excessive shares more straightforward. An example was given that, with an ITQ, quota could be allocated 80% to vessels owners, 10% to crew, and 10% to shore-side infrastructure.

*Measures should be considered which make the fishery more affordable to participants*

- Suggestions for measures to consider included that fish leased from permit banks come with business planning advice, caps on lease prices, breaking leased fish into blocks, use-it-or-lose-it provisions, reallocating uncaught sector fish, access to new entrants, set asides, expansion of loan programs for new and existing participants, expansion of the access to capital, owner-operator and owner-on-board requirements, a transfer tax to fund new entrants, and an auction for new entrants.
- One group requested an analysis of what a rebuilt fleet would look like in terms of capacity, and a clear number of how many boats the fishery can support.

Other Topics:

Several of the groups recommended data needs for consideration of the workshop topics, in addition to those included in the theme descriptions above. These included:

- Analysis on efficacy of the permit bank program
- How active vessels are distributed among ports
- Details of groundfish permit ownership
- Suggestion to review P.6 of Clay, Pinto da Silva, Kitts for potential indices
- Definition of “part-time”/ “full time” and income (or %) should not be considered a measure
- % active vs. inactive vessels
- Analysis of measures of economic efficiency
- Tracking how well we are achieving OY and fully utilizing resource
- Supply chain analysis, to inform community objectives and business planning
- Assess what the optimum number of vessels would be for the GF fishery based on profitability of a fully rebuilt resource.