



Groundfish Permit Buyout: Facts and Fallacies

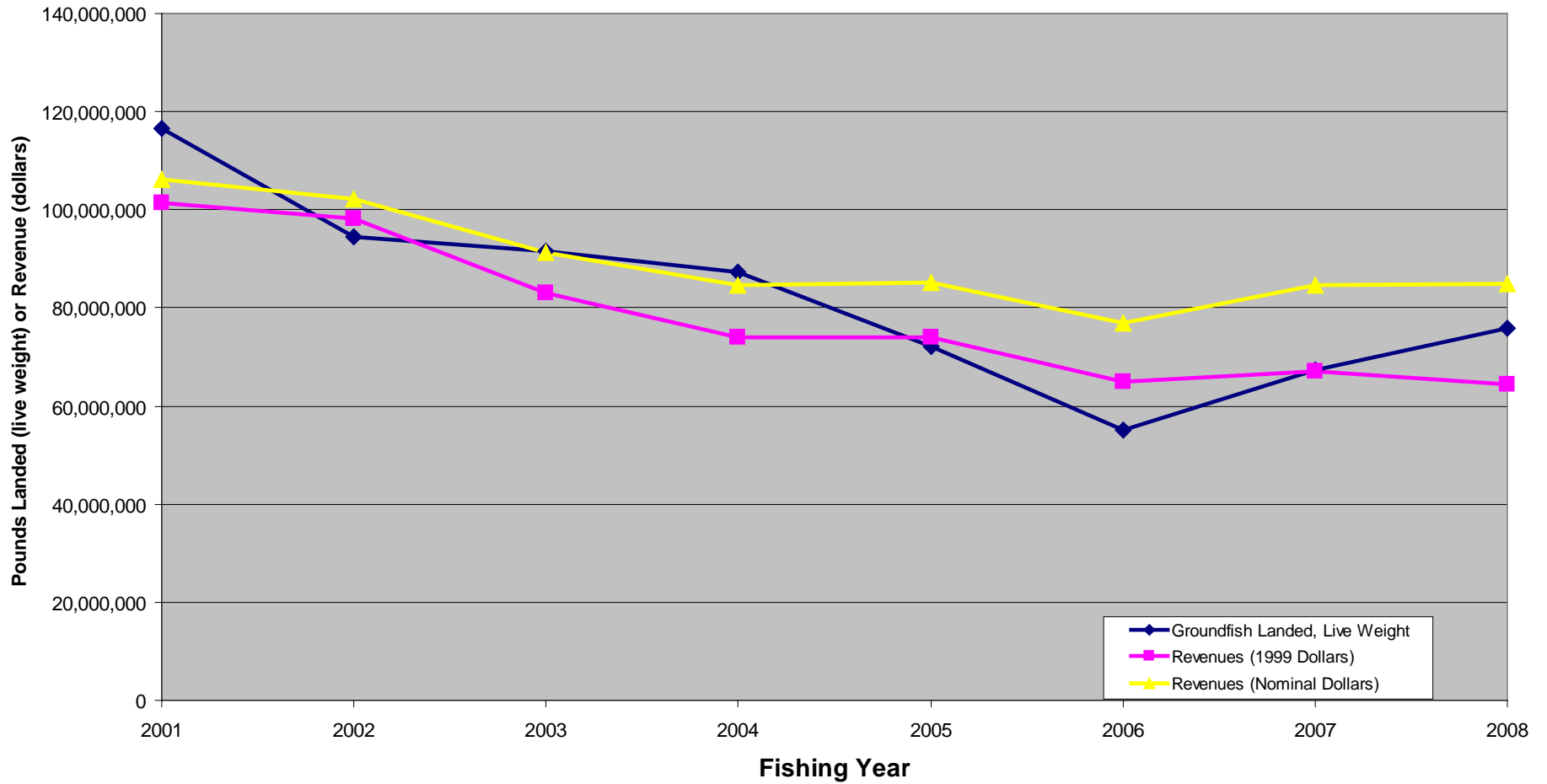
New England Fishery
Management Council
April 29, 2010

Overview

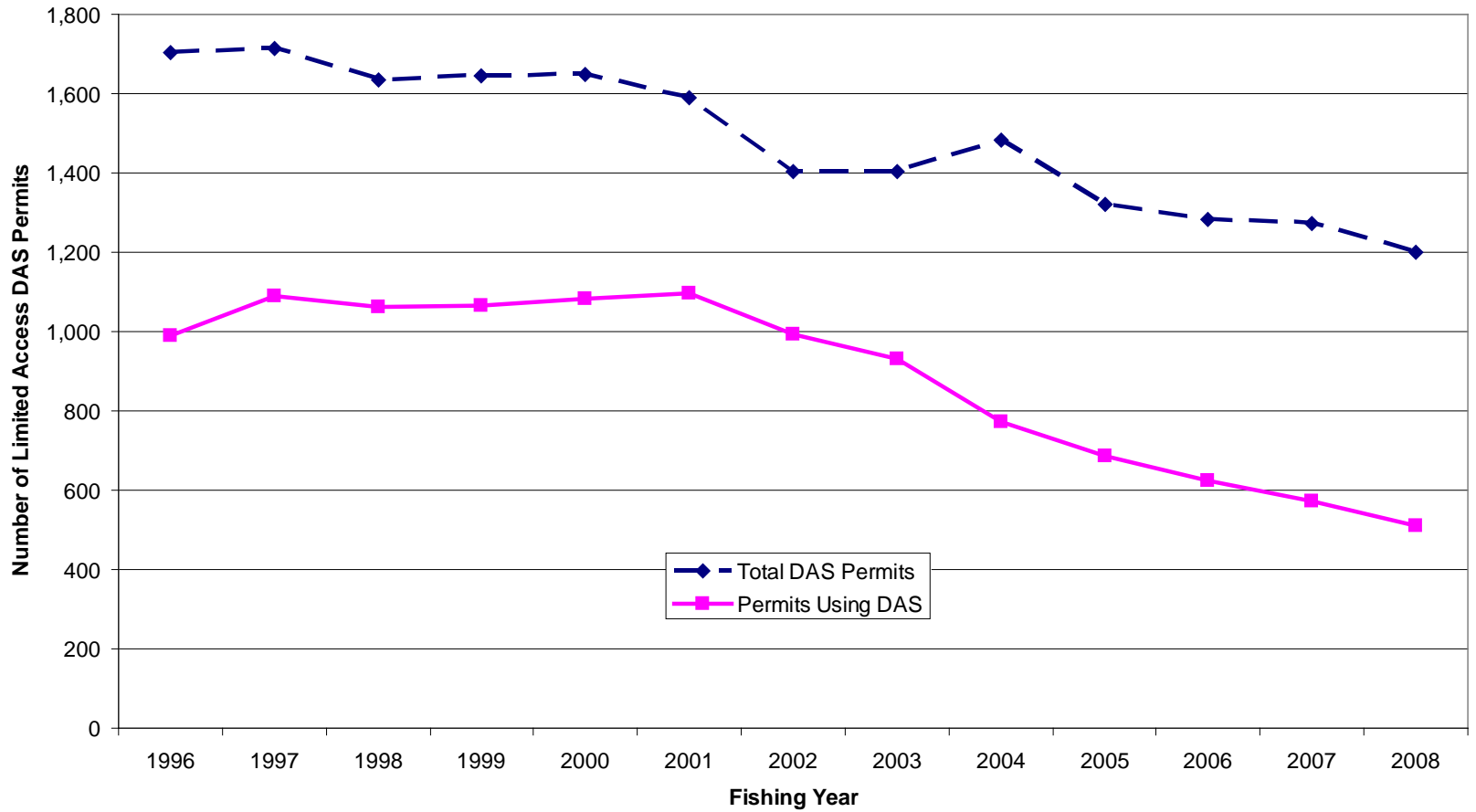


- Status of the fishery
- Overview of Magnuson-Stevens Act requirements for a buyout
- History of New England buyouts
- Recent buyouts elsewhere in the U.S.

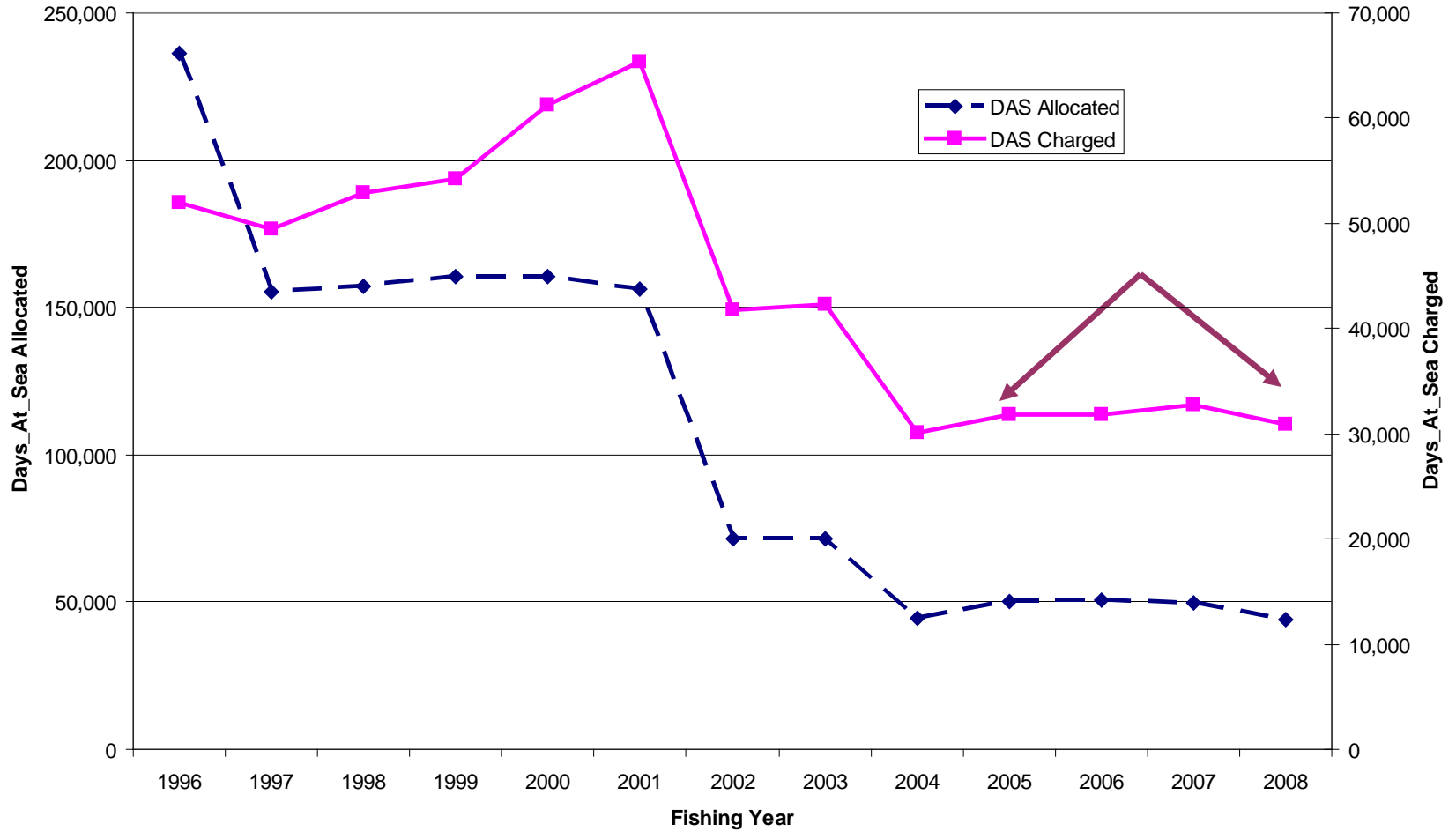
Groundfish Landings and Revenues



Multispecies DAS Permits



Multispecies DAS Trends



Mortality Trends

	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	D				
GOM GOM Cod F 5-7																																						1.6		
GOM GOM Haddock F 6-8																																							7.7	
GOM CC/GOM YTF F 4-5																																							1.4	
GOM Plaice F 6-9																																							1.7	
GOM Pollock EI																																							2.3	
GOM Atlantic Halibut Relative F																																							2.2	
GOM White Hake F 6																																							1.4	
GOM Witch F 8-9																																							1.9	
GOM GM/GB Windowpane EI																																							5.5	
GB GB Cod F 5-8																																							1.4	
GB GB Haddock F 5-7																																							1.6	
GB GB YTF F 4-5																																							1.6	
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SNE/MA SNE/MA WFL F 4-5																																							1.1	
SNE/MA SNE/MA Windowpane EI																																							7.3	
SNE/MA Ocean Pout EI																																								4.2

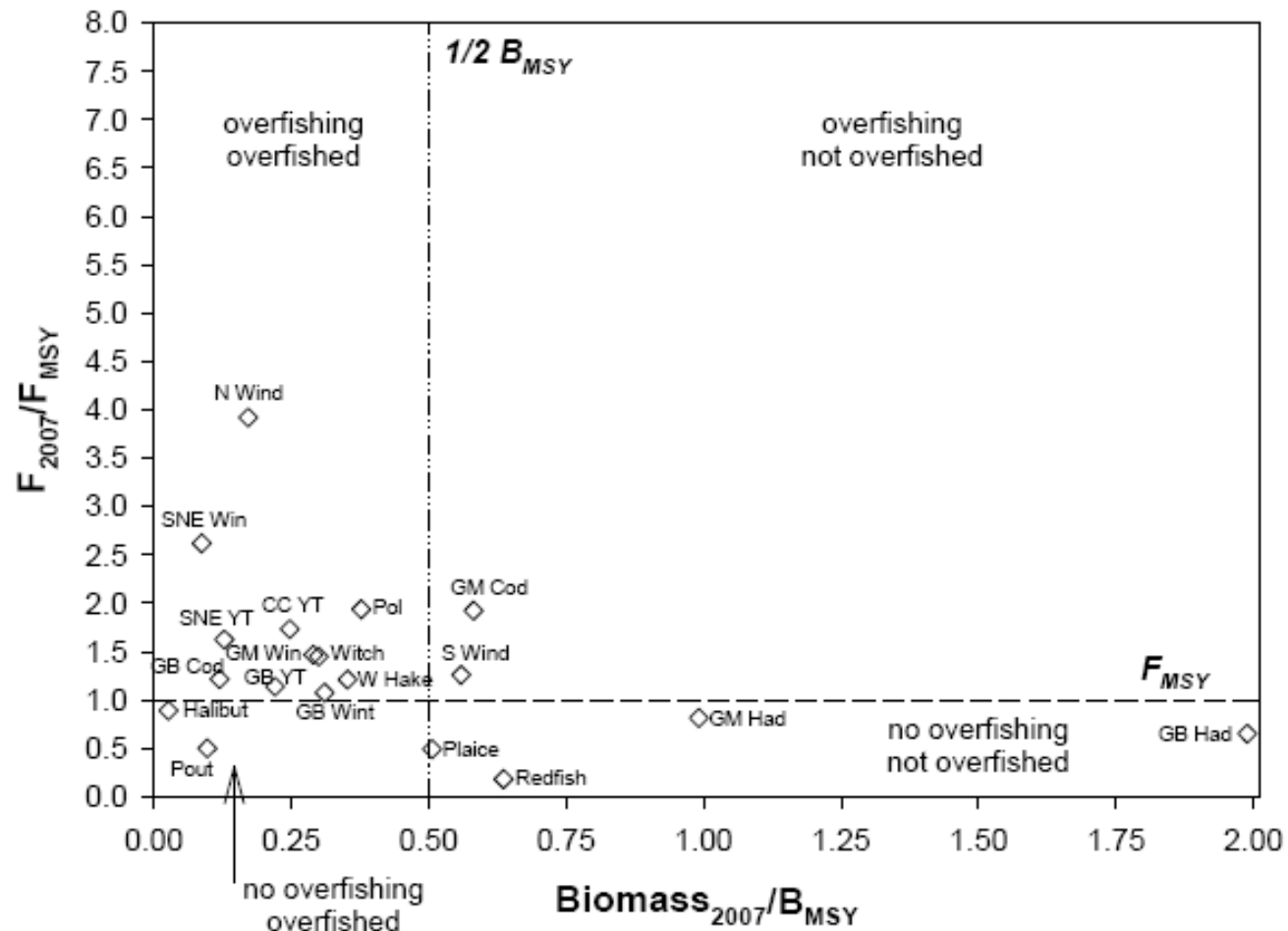
Legend



D = Measure of Dispersion: Range/Median

GARM III Status

2007 Groundfish Stock Status



Types of Buyouts



- Industry-funded vs. subsidized
- Magnuson framework vs. special legislation
- Capacity reduction vs. disaster assistance

Buyback Steps: Business Plan



- Prepared by harvesters and specifies a detailed reduction methodology
- Must show maximum sustained reduction in fishing capacity, at least cost, in minimum time
- Must prevent replacement of removed capacity
- Includes specifications of who is eligible and terms of bidding
- Includes loan's repayment term and fee rate
- Includes an assessment of program's potential impact on other fisheries
- Specify names and addresses of all fish buyers who are expected to receive deliveries
- Specify any amendments to the FMP that may be required
- Demonstrate a substantial degree of potential voter support
- Plan for how fish will be allocated after the reduction

Buyback Steps: Request



- NMFS cannot start unless request is made by Council or Governor
 - Must be joint request if fishery subject to more than one Council
- Public hearing required before request
- Must include all key aspects of business plan
- Request includes actual reduction amendment or endorsement of amendment specifications

Buyback Steps: Referendum



- Permit holders receive ballots from NOAA
- Of those who vote, 2/3 must approve program
- If referendum fails, process ends or NOAA requests amendments of business plan

How long does it take?



	Time/Days	Min.	Avg.	Max.
Business Plan		180	270	360
FMC Request		180	270	360
NOAA Accept or Reject		60	90	120
Develop Implementation Plan		100	150	200
Conduct Pre-Bidding Referendum		30	30	30
Final Implementation Plan		90	135	180
Bidding		30	30	30
Payment and Cancel Permits		30	60	90
Implement Fee System		30	60	90
	Total Days	730	1125	1520

Past NE Buyback Programs



- Fishing Vessel Buyout (1996-1998)
 - “To demonstrate that a vessel removal program can be successfully designed and implemented and can be an effective tool...”
 - Pilot buyout (1996)
 - Expanded buyout (1998)

- Permit Buyout (2001)
 - “...revoke multispecies permits...to obtain maximum sustained reduction in fishing capacity at the least cost in the minimum period of time...”
 - Intent: reduce latent effort

Fishing Vessel Buyout



- Removed vessels and permits
- Limited access permits
- 65% of gross revenues from regulated groundfish
- Bid/average groundfish revenue
- Pilot buyout: \$2 million, 11 vessels removed
- Expanded buyout: \$23 million, 68 vessels removed

Permit Buyout



- Removed permits, not vessels
- Limited access permits
- No income requirement
- Bid/divided by capacity output of vessel
- 245 permits removed for \$9.6 million.

Lessons Learned



- Combined programs removed about 20% of capacity output from the groundfish fishery
- Programs are more effective when capacity-based selection criteria are used
- Both programs were the result of special legislation (i.e. not implemented under M-S Act buyout provisions)

Other U.S. Buyouts



- NOAA funded \$46 million disaster assistance buybacks for Pacific salmon, Texas shrimp, and LI lobster

- \$90 million NOAA buyback of BSAI pollock
 - Authorized under special legislation
 - Generally followed Magnuson framework
 - Was 83% financed.

- Also Bering Sea crab and Pacific GF. None fully implemented under MSA.

Summary



- Different types of buyouts: under Magnuson or through special legislation
- Magnuson framework initiated by industry
 - complex, time-consuming process
- Past New England buyouts removed:
 - 79 vessels and cost \$25 million
 - 245 permits and cost \$10 million
- No buyout has been implemented completely under Magnuson in U.S. to date