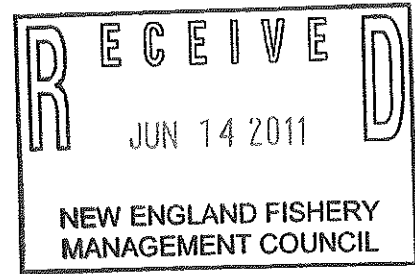


#12a

# Additional Correspondence





June 14, 2011

Mr. John Pappalardo, Chair, New England Fishery Management Council  
Mr. Rip Cunningham, Chair, Groundfish Oversight Committee

VIA ELECTRONIC MAIL

Dear John and Rip:

As follow-up to the June 9, 2011 workshop on accumulation limits and fleet diversity in the groundfish fishery, the undersigned members of the Council's Groundfish Advisory Panel make the following observations and recommendations.

For several years the groundfish fleet has "under-fished" its total allowable catch of several species. The most direct way to achieve an economically viable fleet that includes vessels of all sizes, and healthy, vibrant fishing communities throughout the region, would be to close the gap between catch and scientifically determined catch limits.

***The Council should make it a top priority to identify, modify and/or remove impediments to achieving optimum yield from the NE groundfish resource.***

Although an appropriate number of vessels that would match the harvest limits of the NE groundfish resource has not been articulated, it is generally understood and accepted that the groundfish fleet is overcapitalized. Over several years, the Council has attempted to effect consolidation through successive frameworks and amendments to the fishery management plan.

While consolidation has been steadily occurring in the groundfish fleet, some have recently expressed a concern about "excessive" consolidation. However, no one has yet articulated a minimum number of vessels and/or owners that would constitute a maximum consolidation limit.

It is also generally understood that the groundfish fleet is of advanced age, and that the majority of boats will need to be replaced by newer, safer, and more fuel efficient boats within the next decade. To achieve that expensive goal, individuals must be able to accumulate significant revenue. At current ownership levels, few individuals have the capital required for vessel replacement.

***With respect to concerns about excessive consolidation, we recommend that the Council conduct an analysis of an ownership cap on groundfish permits that would prevent disenfranchisement of current owners, encourage the consolidation that is still needed to reduce overcapitalization and increase economic viability, preserve sector prerogatives to maintain membership diversity, and protect against market power. We recommend this single focus in order to realize the quickest implementation possible, so that excessive consolidation, as yet to be defined, does not occur.***

A cap on permit ownership could be implemented quickly, would be consistent with the ownership cap in the scallop fishery, and consistent with the "excessive share" requirement of National Standard 4.

The Council has expressed a desire to protect "fleet diversity". Although a definition of fleet diversity has not been articulated, we assume this means the Council would like the fishery to maintain a minimum number of vessels across all vessel sizes.

Over \$20 million in public and private funds has been earmarked by States and certain fishing communities for the purpose of providing opportunities for small scale fishermen and fishing communities to acquire fishing privileges. These permit banks will likely make a major contribution to achieving fleet diversity goals.

cc: m, ah, council

***The Council should, in consultation with its Groundfish Advisory Panel, establish a process for the formation of Community Fishing Associations (CFA). The process should define organizational standards, should require CFAs to establish goals and objectives consistent with the FMP, and should include a requirement for CFAs to report to the Council on progress towards meeting those goals.***

This would empower those interested to develop a "community a sustainability plan" that they could use to help acquire the resources needed to meet the plans goals and objectives. Given the vast differences in values held by different fishing ports, we see a decided advantage to allowing communities to define a vision and goals as opposed to the Council attempting to do so.

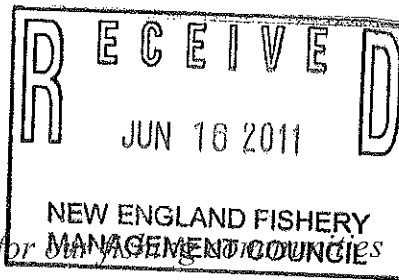
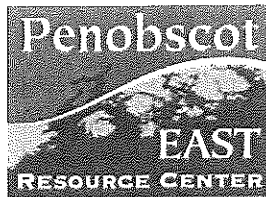
Some have suggested (albeit without documentation) that fleet diversity can be achieved by restricting ownership levels and allocation trades. We believe it would be difficult and ultimately unlikely that the Council could protect fleet diversity with market input controls, given the strong likelihood of unintended negative effects.

***The Council should not impose restraints on the flow of allocation trades or leases between individuals, sectors, and/or vessel classes. Such restraints are incompatible with the fundamental concept that sectors themselves should decide when, how, and by whom the sector's allocation should be utilized. Trade restraints would limit Sectors' ability to pursue their own diversity goals, such as providing allocation to new entrants, or giving preference to owner-operators, specific vessel classes, and/or gear types.***

As always, we appreciate your consideration of our views.

Vincent Balzano  
Carl Bouchard  
Chris Brown  
Bill Gerencer  
Emilie Litsinger  
Jan Margesen

Jackie Odell  
Paul Parker  
Maggie Raymond  
Mike Russo  
Hank Soule



PO Box 27  
13 ATLANTIC AVENUE  
STONINGTON, ME 04681  
(207) 367-2708  
WWW.PENOBSCOTEAST.ORG

Making a future for ~~MANAGEMENT COUNCILS~~

June 16, 2011

**HATCHERY STEERING COMMITTEE**

GLENN BILLINGS  
KATHLEEN BILLINGS-PEZARIS  
DICK BRIDGES  
FOY BROWN  
BUTCH CIOMEI  
LANCE CIOMEI  
SETH CIOMEI  
DICK LARRABEE JR.  
FRANK GOTWALS  
STEVE ROBBINS III  
STEVE ROSEN  
DAVID TARR  
PAUL VENNO

**BOARD OF DIRECTORS**

WALTER REED, CHAIR  
TED HOSKINS, VICE-CHAIR  
TOM COLWELL, TREASURER  
CHARLIE OSBORN, SECRETARY

TED AMES  
CHANDLER BARBOUR  
DWIGHT CARVER  
DENNIS DAMON  
ANNE HAYDEN  
DAVID HEANSSLER  
JENNIFER LARRABEE  
PAUL LEWIS  
CHUCK LUCAS  
PAUL VENNO

**EXECUTIVE DIRECTOR**

ROBIN ALDEN

**DOWNEAST GROUND FISH**

**INITIATIVE DIRECTOR**  
AARON DORITY

**FISHERIES SCIENCE AND**

**LEADERSHIP ADVISOR**  
CARLA GUENTHER, PHD

**ADMINISTRATIVE DIRECTOR**

BOBBI BILLINGS

**COMMUNITY LIAISON**

HOLLY EATON

Mr. John Pappalardo, Chair, and Mr. Rip Cunningham, Vice Chair, New England Fishery Management Council

John, Rip, and members of the Council,

The Accumulation Limits workshop held in Danvers, MA on June 9<sup>th</sup> was a valuable first step for the Council to begin to understand both the problems facing the industry regarding excessive consolidation, as well as an array of creative ideas to address these problems. While no one expected all participants to reach consensus on questions of fleet diversity, the value of the workshop was the opportunity that it afforded a wide spectrum of participants to freely offer their ideas. Council and committee meetings generally don't provide this opportunity because of the need to address numerous issues on a compressed timeframe.

In my workgroup, which included Council members, industry members, Council staff, and others, we discussed several ideas to address fleet diversity. However, we did not define excessive shares. This should not be surprising – we don't yet have a thorough analysis of the first year of sectors, and everyone is reluctant to set arbitrary limits. We did however agree that fleet diversity should be described in terms of vessel size, gear type, and geographic location – as the Council has done before.

Ideas from my workgroup included:

- Establishing a set-aside with some portion of rebuilt groundfish biomass. This could be used for new entrants, or for fishermen who received an initial allocation below a given threshold, or for incentivizing sustainable fishing practices, or to reward active fishermen rather than "armchair" fishermen, or any number of other possibilities. However, rebuilt stock biomass should not simply continue to add additional pounds of fish to permits that already have the largest allocations.
- Setting an accumulation cap on ownership by an individual or corporate entity. If the cap is set such that one or more owners currently exceed the cap, then one avenue is to require immediate divestiture to comply with the cap. Another, perhaps more palatable approach, is for the cap to grandfather in current owners, but to require compliance in the second and all subsequent generations. For example, a grandfathered owner may be required

to sell to multiple individuals. This may require modification of existing permits if any single permit exceeds an accumulation cap. Mechanisms such as this have been used in other quota managed fisheries.

- Creating a 10% set-aside and providing this ACE to those fishermen who have less than a 30% ownership in the fishery. This ACE could be auctioned, and the proceeds could be used to defray monitoring costs.
- Establishing incentives for fishermen to remain active, rather than become permanent lessors. For example, after X number of years of leasing all, or a majority of one's ACE, the PSC would be reduced by a percentage in subsequent years.
- Limiting initial allocations to X years and then a percentage of the allocation goes back to a pool (or it all goes back to a pool). This would apply to both active and inactive fishermen. This process could be staggered.

While the industry and fishery managers may not wish to pursue a large number of improvements to the existing system, it is very helpful to have these concepts "on the table" for discussion.

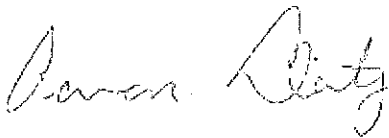
Recently, some have discussed the potential value of capping permit ownership, rather than capping ACE. It is important to note that a cap on permits is not only ineffective in stemming excessive share in the fishery, but may be counterproductive by giving a false sense of accomplishment.

Finally, accumulation limits are not synonymous with input controls – they are limits, like catch limits. Accumulation limits are simply a necessary structure for any output control system.

#### **NOAA-sponsored, state-operated permit banks**

The Groundfish Committee recently passed a motion requiring these permit banks to require states to return to the Council for approval to use any additional funds that they receive – regardless of whether those funds come from federal or state sources. This motion is flawed because it moves beyond oversight to establish burdensome restrictions on a state's ability to provide for its fishermen and communities. Amendment 17 sought to streamline the state-operated permit bank process – at the Council's direction. This motion runs counter to the Council's original intent in Amendment 17 and should not receive Council support.

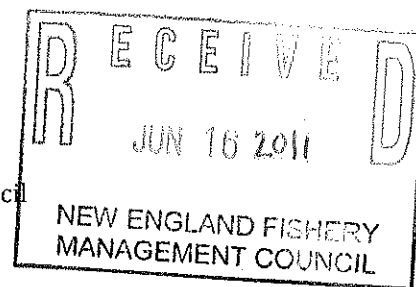
Thank you for your consideration,



Aaron Dority  
Sector Manager, Northeast Coastal Communities Sector  
Director, Downeast Groundfish Initiative, Penobscot East Resource Center

June 15, 2011

Mr. John Pappalardo, Chair, New England Fishery Management Council  
Mr. Rip Cunningham, Chair, Groundfish Oversight Committee



Dear Mr. Pappalardo and Mr. Cunningham,

In response to the June 9, 2011 workshop on accumulation limits and fleet diversity in the groundfish fishery, a wide range of fishermen and community leaders put together a list of problem statements and recommendations to help inform the direction moving forward.

Included in the problem statement are the following issues:

- Consolidation is hurting communities and driving the distribution of quota in one direction: towards the large-scale.
- Lack of protections is leading toward a less diverse fleet, which hurts infrastructure as well as access to local fish.
- The fishery is becoming unaffordable for independent fishermen.
- There were inherent inequities with the initial allocation that have not been addressed.

The problem statement issues contradict many of the Council's stated goals. The following Council motion passed June 23, 2010:

1. Maintain inshore and offshore fleets;
2. To the extent possible, maintain a diverse groundfish fishery, including different gear types, vessel sizes, geographic locations, and levels of participation;
3. Maintain a balance in the geographic distribution of landings to protect fishing communities and the infrastructure they provide; and
4. Prohibit any person from acquiring excessive access to the resource, in order to prevent extraction of disproportionate economic rents from other permits holders.

To achieve Council goals it is recommended that Council members take the following actions:

- Limit the share of the catch (ACE) of any one fisherman or fishing operation.
- Anchor fishing access and privileges to fishing communities.
- Incentivize and reward owner operators.
- Ensure affordable access for new fishermen looking to enter the fishery.
- Foster and promote affordability for access to the rights to fish.

The undersigned group of fishermen and community leaders urge the Council to take the recommendations and create workable mechanisms that lead New England's groundfish fishery to a more diverse fleet, that maintains inshore and offshore fleets, and prohibits any person from acquiring excessive access to the resource.

Sincerely,

## WHO FISHES MATTERS PROTECT FLEET DIVERSITY

### WHAT WE FACE

- Consolidation is hurting communities and driving the distribution of quota in one direction: towards the large-scale.
- Lack of protections is leading toward a less diverse fleet which hurts infrastructure as well as access to local fish.
- The fishery is becoming unaffordable for independent fishermen.
- There were inherent inequities with the initial allocation that have not been addressed.

### WHAT WE WANT

To ensure diversity of the fishing fleet and prevent excessive consolidation for the well being of the marine ecosystem, our fishing communities and our source of seafood.

*"If you honestly care about fish stocks and future of our greatly diverse fishing fleet, we must consider some form of safety measures to ensure its survival."*

- Fisherman testimony at June 2010 NEFMC meeting

## NEW ENGLAND CAN LEAD THE WAY

### WHERE WE WANT TO GO

- A fishery that is more affordable.
- A fishery where owner-operators have more freedom and opportunity.
- A fishery where active fishing remains more attractive than leasing.
- A fishery that is more diverse.

### HOW WE GET THERE

- Anchor fishing access and privileges to fishing communities.
- Limit share of the catch of any one fisherman or fishing operation.
- Incentivize and reward owner operators.
- Ensure affordable access for new fishermen looking to enter the fishery.
- Foster and promote affordability for access to the rights to fish.

### TO THE NEW ENGLAND FISHERIES MANAGEMENT COUNCIL,

The Council discussion related to Fleet Diversity and Excessive Consolidation is an opportunity to make the Groundfish fishery more fair and equitable for New England fishermen and coastal communities. I urge you to consider the principals above and take action as soon as possible.

---

Signature

---

Print Name and Contact Info.



Ed Snell  
Commercial Fisherman  
Portland, ME

Naz Sanfilippo  
Commercial Fisherman  
Gloucester, MA

Phil Karlin  
Commercial Fisherman  
Mattituck, NY

Ed Barrett  
President Sector X  
Commercial Fisherman  
Plymouth, MA

Brian Pearce  
Commercial Fisherman  
North Yarmouth, ME

Jay Driscoll  
President Sectors XI, XII  
Commercial Fisherman  
Rye, NY

Tom Dority  
Commercial Fisherman  
Nantucket, MA

Aaron Dority  
NCCS Sector Manager  
Director, Downeast  
Groundfish Initiative,  
Stonington, Maine

Eat Local Food  
Coalition of Maine

Greg and Todd Mayhew  
Commercial Fishermen  
Martha's Vineyard, MA

Paul Parker  
Chatham, MA

Lou Frattarelli  
Narragansett Bay  
Seafood Co-op  
Commercial Fisherman  
Bristol, RI

Hannah Mellion  
Farm Fresh  
Rhode Island  
Providence, RI

Mike Pratt  
Commercial Fisherman  
Canton, MA

Ken Tolley  
Commercial Fisherman  
Chatham, MA

Jamie Hayward  
Commercial Fisherman  
Eliot, ME

Billy Chaprales  
Commercial Fisherman  
Sandwich, MA

Ted Hoskins  
Penobscot East Resource  
Center  
Belize Commercial  
Fishermen's Advisory  
Council

Padi and Mike  
Anderson,  
Commercial Fisherman  
Rye, New Hampshire

Carolyn and Eddie  
Eastman  
Eastman's Fish Market  
Commercial Fisherman  
Seabrook, NH

Rob and Maria Odlin  
Commercial Fisherman  
Portland, ME

Kevin McDonough  
Commercial Fisherman  
Plymouth, MA

BG Brown  
Commercial Fisherman  
Gloucester, MA

Kirk Kirkwonson  
Commercial Fisherman  
Gloucester, MA

Ron Borjesson  
Commercial Fisherman  
Sandwich, MA

Al Cattone  
Commercial Fisherman  
Gloucester, MA

Chuck Etzel  
Commercial Fisherman  
Montauk, NY

Charlie Mansfield  
Commercial Fisherman  
Plymouth, MA

Tim Barrett  
Commercial Fisherman  
Plymouth, MA

Jennifer Brewer, Ph.D.  
Assistant Professor  
East Carolina University

Jason Joyce  
Commercial Fisherman  
Swans Island, ME

Dan Eagan  
Commercial Fisherman  
Bristol, RI

John Barrett  
Commercial Fisherman  
Cohasset, MA

Shareen Davis  
Monomoy Trap  
Company  
Cape Cod CSF  
West Chatham, MA

Katherine Ozer  
Executive Director  
National Family Farm  
Coalition

Dwight Carver  
Commercial Fisherman  
Jonesport, ME

John Gray  
Commercial Fisherman  
Plymouth, MA

Daniel Wallace  
Board Member Eat Local  
Foods Coalition of Maine  
Portland, ME

Jim Keating  
Commercial Fisherman  
Plymouth, MA

Mark Gallagher  
Commercial Fisherman  
Hanover, MA

Wes Brighton  
Commercial Fisherman  
Martha's Vineyard, MA

Henry McCarthy  
Commercial Fisherman  
Duxbury, MA

Scott Irwin  
Commercial Fisherman  
Plymouth, MA

Susan West  
Hatteras Connection  
Hatteras Island, NC

John Dings  
Commercial Fisherman  
Situata, MA

Ryan Tolley  
Commercial Fisherman  
Chatham, MA

Angela Sanfilippo  
Gloucester Fisherman's  
Wives Association  
Gloucester, MA

Paul McCarthy  
Commercial Fisherman  
Duxbury, MA

Christina Lizzi  
Fish Campaign  
Food and Water Watch

Kevin Shay  
Commercial Fisherman  
Situata, MA

Doug and Beth Germain  
Commercial Fisherman  
Gloucester, MA

Stephen Welch  
Commercial Fisherman  
Situata, MA

Tom Dorman  
Eat Local Foods  
Coalition of Maine  
Board of Directors

Amanda Beal  
M.S. Candidate  
Agriculture, Food &  
Environment  
Friedman School of  
Nutrition Science and  
Policy  
Tufts University

Stu Tolley  
Commercial Fisherman  
Chatham, MA

Ted Ames  
Commercial Fisherman  
Scientist  
Stonington, ME

Monique Coombs  
Lobsters on the Fly  
Orrs Island, ME

Sara Randall  
School of Policy and  
International Affairs  
School of Marine Science  
Graduate Assistant  
University of Maine

Andy Burt  
Maine Council of  
Churches  
Portland, ME

Kathi and Jim Turner  
Turner's Seafood Corp.  
Gloucester, MA

Ernie Eldredge  
John Eldredge  
Chatham Fisheries  
Stage Harbor  
West Chatham, MA

Andrew Lang  
Commercial Fisherman  
New Castle, NH

Steve Winterson  
Commercial Fisherman  
Weymouth, MA

Willa Kammerer  
Portland, ME

Ellen Tyler  
MS Agriculture, Food &  
Environment  
Friedman School of  
Nutrition  
Tufts University

Kate Harris  
Belfast Food Co-op  
Belfast, ME

Katie Eagan  
Commercial Fisherman  
Bristol, RI

Teddy Diggs  
Head Chef, Homeport  
Restaurant  
Martha's Vineyard, MA

Northwest Atlantic  
Marine Alliance

Gary McDonnell  
Commercial Fisherman  
Situata, MA

Shannon Eldredge  
Fishing family  
Chatham, MA

James "howdy"  
Houghton  
Downeast Foodshed  
PO Box 445  
Bar Harbor ME

Tracy Frisch  
Greenwich, NY

Jim Whedby  
Commercial Fisherman  
Hanover, MA

Brian Paine  
Commercial Fisherman  
Plymouth, MA

Kim Libby  
Fishing family  
Port Clyde, ME

Meri Ratzel  
Harwich, MA

Kathy McQuarrie  
Fishing family  
New Hampshire

Steve Gilman  
Stillwater, NY

John Welch  
Fishing family  
Situata, MA

Elizabeth Rectanus  
Fishing family  
Situata, MA

Ron Spencer  
Nadic, MA

Paul Welch  
Fishing family  
Situata, MA

Karen Stephanie  
Fishing family  
Sandwich, MA

Chad Hunter  
Plymouth, MA

Mike McQuarrie  
Fishing family  
Situata, MA

Brendan and Jason  
Stephanie  
Sandwich, MA

Brian Connolly  
Waltham, MA

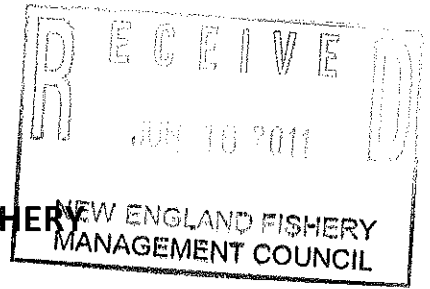
Russ Burgess  
Plymouth, MA

Judy Keating  
Fishing family  
Plymouth, MA

Weslie Welch  
Fishing family  
Plymouth, MA

Thomas Guild  
Braintree, MA

**MAINTAINING FLEET DIVERSITY  
IN THE NEW ENGLAND GROUND FISH FISHERY**



**By  
The Northwest Atlantic Marine Alliance**

**To  
The New England Fisheries Management Council**

**RE:  
The Workshop to Address Fleet Diversity and  
Excessive Consolidation in the Groundfish Fishery**

**June 5, 2011**



## SUMMARY

The Northwest Atlantic Marine Alliance applauds NEFMC for undertaking a workshop to address Fleet Diversity and for taking a broad look at relevant issues and options.

Research shows that in Catch Share examples around the world, consolidation has occurred as a virtually inevitable by-product. Once consolidation happens, it can be difficult or impossible to reverse. Similarly, evidence of consolidation in New England groundfish sectors continues to mount. The remaining question becomes: how much consolidation is acceptable, in what portions of the industry, and at what rate?

Research also demonstrates that no single regulatory mechanism or incentive is likely to stop consolidation. A number of carefully-crafted mechanisms and incentives, implemented as a **comprehensive approach, and tied directly to specific fleet diversity goals**, may be more effective in reaching management objectives. This also includes the assessment of program success and opportunities for subsequent adaptive adjustment in response to future changes in the fishery.

The following pages describe some of the available options to achieve the Council's goals to maintain a diverse fleet and prohibit excessive access to the resource, as summarized in the NEFMC Motion of June 23, 2010:

1. Maintain inshore and offshore fleets;
2. To the extent possible, maintain a diverse groundfish fishery, including different gear types, vessel sizes, geographic locations, and levels of participation;
3. Maintain a balance in the geographic distribution of landings to protect fishing communities and the infrastructure they provide; and
4. Prohibit any person from acquiring excessive access to the resource, in order to prevent extraction of disproportionate economic rents from other permits holders.

With this in mind, we recommend consideration of the following options:

1. **Allow for quota set-asides that invest in fishing communities and allow affordable access for new entrants.**
2. **Foster an affordable fishery through leasing policies and costs that do not disproportionately impact portions of the fleet.**
3. **Create owner-operator incentives.**
4. **Limit the concentration of quota.**
5. **Work toward longer-term changes in a management approach that will facilitate a more incentive-based strategy for maintaining fleet diversity, including spatial management and market considerations.**

We urge that workshop participants consider any proposed options against the entire slate of goals. **No single option can meet all of them.** Rather, like a toolbox, each option may help to reach one or more goals, each will do some jobs better than others, and they will prove more effective if implemented jointly.

## **QUOTA SET-ASIDES**

Quota set-aside programs can and have contributed to the success of Catch Share programs around North America. Quota set-asides can offer certain ecological and socio-economic advantages and contribute to the following NEFMC goals:

- Support fleet diversity by allowing disenfranchised fishing communities to continue participation in the fishery.
- Incentivize conservation measures and fishing practices, for example gear modifications, to align with management's ecological goals.
- Allow for new entrants to have affordable access to the fishery.

### **Examples of Quota Set-Asides:**

- The Alaska Groundfish, Halibut, Crab, and Salmon fisheries utilize a Community Development Quota (CDQ) program. In 2009 between 7.5% and 10% of the TAC was set aside. 65 communities participated. The program generated \$110 million in wages, education, and training benefits as well as \$500 million in revenue to fund docks, harbors, and construction of processing facilities.
- The Canadian Pacific Groundfish Fishery sets aside 10% of the TAC to a crew protection program and 10% to a community development program.
- The US Pacific Groundfish fishery sets aside 10% of the TAC for an Adaptive Management Program (AMP), which is used to mitigate unintended impacts of the new system on communities and processors.
- The Alaska Halibut and Sablefish Fishery sets aside a Community Quota Entity (CQE) program that allows marginalized communities to purchase quota from the federal government at current market rate and then lease back to local residents.

### **Example of how a Quota Set-Aside Program might look in New England:**

10% of the TAC is set-aside for the purposes of mitigating the 'unintentional' consequences of Sector Management and leading managers closer to their goals and objectives. Quota set-asides can be tied to an increase in TAC. The set-aside can be distributed in many ways and is a very flexible tool for fisheries managers to direct effort toward defined goals. Set-aside recipients may include:

- Community Fishing Associations (CFAs) that meet NEFMC approved criteria
- Permit Banks that align with NEFMC goals and objectives
- Fishermen who meet NEFMC approved criteria
- Qualified new entrants such as crew

### **Prognosis for success or failure**

- Quota set-asides work best as an incentive program to direct the fishery to a desired outcome
- Quota set-asides alone cannot ensure a diverse fleet
- Quota set-asides prove to be a highly adaptive tool that can be used in conjunction with other management measures to address a variety of goals

## **FOSTER AN AFFORDABLE FISHERY**

Problems that face New England fishermen because of the high cost of leasing include:

- High costs are preventing anyone with a low initial allocation who hopes to continue to fish from being able to do so.
  - Punishing part-time groundfishermen (because their allocation is lower, their variable costs of quota leasing are higher than for fishermen who received a larger allocation.)
  - Resulting in minimal profit for fishermen who depend on leasing
- Punishing those who target the most valuable stocks, especially GOM cod (particularly fixed gear fishermen)
- Rewarding absentee quota owners who can lease for profit without fishing
- Rewarding those who have a large initial allocation, and providing an incentive to lease rather than to fish.
- Disproportionately rewarding those who land a large volume of fish,
  - Rewarding those who catch large volumes of other stocks (dabs, redfish, hake, etc.)

### **Example 1: Gillnetter from New Hampshire**

If he leased out all of his quota, he would make \$90,000 – without fishing. To earn the same amount from fishing, after paying for crew, gas, insurance, maintenance, and other costs, the price for his fish would have to average \$2.15, whereas his average price in 2009 was \$1.50. He loves fishing and wants to continue, but the incentive to be an “armchair” fisherman is overwhelming.

### **Example 2: Jig fisherman and longliner from the South Shore, MA.**

He fished with his father for years, and bought a permit with DAS but poor catch history a few years ago. Because of his low initial allocation, he has to lease a large amount of his fish. He targets cod, but can only afford to pay 75 cents per pound. Members in his own sector are reluctant to lease to him because they can make nearly double that price by leasing to fishermen in other sectors.

### **Prognosis for success or failure**

- One possible outcome: Researchers studying the halibut fishery in British Columbia, found that 79% of the quota was leased out instead of being fished by the quota owners, and more than half of the operating vessels leased more than 50% of their catch (2009). The crew fared even worse. They lost 73% of their share between 1990, when catch shares started, and 2007. <sup>1</sup>
- An alternative to achieve a successful Catch Share program: Last year, Ecotrust published “Fair Catch: Ten ways to improve the catch share proposal for the West Coast trawl fishery,” outlining economic, social, and ecological recommendations for that fishery, including:
  - “Foster an affordable fishery by limiting quota to active fishermen”, and
  - “Regulating quota leasing to prevent unfair profiting from absentee quota ownership, and to prevent perpetual leasing.

---

<sup>1</sup> Pinkerton E, Edwards D. The elephant in the room: The hidden cost of leasing transferable fishing quotas. Marine Policy 33 (2009) 707-713.



## **OWNER-OPERATOR INCENTIVES**

Carefully constructed and implemented owner-operator provisions can act to directly limit consolidation and promote fleet diversity.

The NEFMC goals directly acknowledge and affirm the value and importance of preserving owner-operators as part of a diverse fleet. Owner-operated firms were the norm in our groundfish fishery until recent years. Owner-operators tend to be family and community-based, with long term interests that foster stewardship of the resource, the marine environment, and coastal communities. These firms offer certain ecological and socio-economic advantages:

- Promoting owner-operator provisions supports federal standards requiring the sustained participation of small owner-operated fishing vessels and fishing communities
- Owner-operators are more likely to hire local crew, contract with local shoreside services, and spend fishing profits locally, thereby supporting local communities and regional economic development. They also tend to be more spread out, supporting the geographic distribution of landings to protect fishing communities and infrastructure
- Owner-operators, especially those with smaller boats, pay closer attention to what is going on in the fish populations and marine ecology. This knowledge is deeply useful to society's understanding of how the marine ecosystem works and is key for adaptive and eco-system based management,
- Because owner-operators often have relatively small firms, in aggregate they can adapt to changes in ecological and economic conditions more efficiently than a smaller number of larger firms.

### **Examples of owner-operator incentives for New England:**

A number of options could incentivize the retention of an owner-operator portion of the fleet, each with a different balance of benefits and limitations. Among them are:

- Reward owner-operators, such as by annually allocating a pool of quota set-aside for that purpose. (See also "Quota Set-Asides")
- Reward permit or quota transfers by lease or sale from a non-owner-operator to an owner-operator.
- Penalize permit or quota transfers by lease or sale from an owner-operator to a non-owner-operator.
- Revert permits or quota that is not owner-operated for some number of years (whether unused or used by non-owner-operators) into a general pool for reallocation.

### **Prognosis for Success or Failure**

- Owner-operator provisions can work in conjunction with other diversity measures to support NEFMC goals.
- If other market and management conditions allow incentives for consolidation and vertical integration of the industry to rise, the spirit of owner-operator provisions can be circumvented by ostensible owner-operators who rely on financing from processors or other investors, and thereby lose autonomy in business decisions. Correspondingly, some benefits of the owner-operator firm structure outlined above would also be lost.
- Maintaining an owner-operator portion of the fleet can help support the Council's longer term scientific and management goals

## **QUOTA ACCUMULATION RESTRICTIONS AND ALLOCATION MEASURES**

Decisions about the allocation and accumulation of quota and rules governing its transfer will determine what the fisheries and fishing community economies will look like for any system of fisheries management that is based on catch limits, such as sectors in New England. Allocation measures and accumulation restrictions determine which boats and which ports survive, and thus who fishes. They can also be used to determine the diversity and distribution of the fleet, and will also affect the diversity and distribution of fish species and populations. Allocation measures may support the following NEFMC goals:

- Prevent excessive consolidation of the New England fishing fleet that results in fewer small scale fishing boats and fewer fishing ports.
- Contribute to the vitality and diversity of fishing communities and the New England fishing fleet.
- Help conserve and recover the natural distribution of fish populations and biological diversity.

### **Possible allocation and accumulation control measures for New England**

- Accumulation caps: establish limits on ownership of quota to prevent the amassing of quota into the hands of a few entities (caps of 2%-10% of TAC are typical in other regions and the appropriate effective level would have to be determined for New England and possibly for different sections of the region);
- Transferability: limit accumulation through rules on quota transfers. (See also “Foster an affordable fishery”)
- Prohibit quota ownership by non-fishing entities, other than approved permit banks, and quota never to be traded for investment purposes.
- Re-evaluate allocation formulas once clear goals and objectives have been defined for the New England fishing fleet as a whole (e.g. through a visioning process) and ecosystem based fisheries management is implemented.
- Consider allocations for defined nearshore waters: boats over a specified length not eligible to receive nearshore allocation. (i.e. divide the inshore and offshore fleets to conserve fleet diversity, see also “Long term measures to support a diverse fleet”).

### **Prognosis for success or failure**

- Limiting accumulation of quota, through caps and/or transfer rules, can preserve the small boat fleet while allowing the program to gain momentum without consolidation.
- How long accumulation limits are needed or whether they should be more restrictive in the beginning is something that must be assessed with respect to clear goals and objectives for the fleet (i.e. adaptable to outcomes).
- Quota accumulation caps alone won't stop consolidation if other measures are not in place, because there are ways to fool the system.
- In particular for New England issues around allocation percentages are difficult due to the variety of species associated with each permit.
- Allocation formulas can enable flexibility for ecosystem based fisheries management.
- Incentives to divide offshore and nearshore fleets will significantly reduce consolidation and enhance fleet diversity.

## **LONG TERM CONSIDERATIONS FOR ENSURING A DIVERSE FLEET**

The effectiveness of most options under present consideration to prevent or slow consolidation and loss of fleet diversity (including those supported here by NAMA) will depend on how powerful the financial incentives become to circumvent the spirit of any implemented regulations, limits, or incentives. If anticipated profits from consolidation and vertical integration of harvest and processing sectors are high, highly capitalized firms will find ways around the best-intentioned rules or restrictions. As groundfish stocks and market value grow, more capitalized firms will become more motivated to control not only processing activities, but also harvesting activities. They might seek to be legally recognized as owners of boats, or as owners, lessors, or lessees of catch shares; or they may seek to control boats and shares through financial arrangements with owners, lessors, and lessees, without taking legal ownership. Consolidation-related socio-economic and ecological impacts could be similar under either scenario.

The following policy options would dis-incentivize undue groundfish industry consolidation, including through non-ownership financial investment, without intervening directly in share allocations. They can be considered as longer term, more enforceable, and less administratively burdensome options, especially if short-term options are implemented in the interim. If some level of consolidation is inevitable under catch shares, it makes sense to also ensure opportunities for smaller firms are secured for the future of the fishery.

### **Create smaller-scale fishing and management areas**

Creating separate fishing and management areas can help discourage industry consolidation. Creating two areas, one inshore and one offshore, would discourage consolidation of the fleet and shoreside portions of the industry. Creating a few smaller areas would more strongly discourage consolidation.

Additionally, emerging scientific consensus supports finer scale management of groundfish populations. Creating protections for the nearshore fleet such as, share set-asides, smaller-scale leasing opportunities, owner-operator incentives, or share accumulation limits would help discourage consolidation among the nearshore fleet, and support management objectives such as protecting spawning aggregations.

Although the offshore and inshore fleets might continue to consolidate if managed separately, incentives to consolidate inshore would be limited to some extent. Reasons for this are several. Among them:

1. Larger boats do not necessarily outcompete smaller boats over time when fishing inshore, partly due to the seasonal availability of inshore groundfish populations, and partly due to the lower fixed costs of running and maintaining smaller boats.
2. Inshore groundfish populations and a smaller boat fleet area is less attractive to vertically integrated fish processing and distribution systems likely to consolidate fleet ownership, partly due to the seasonal availability of fish product, and partly due to the greater difficulty of consolidating ex-vessel markets among a larger number of smaller boats in a larger number of smaller harbors.

3. If small firms no longer anticipate that their businesses and shares will be consolidated by larger firms, they can invest in the longer term stewardship of the resource, and are more likely to support resource conservation measures.

#### **Transparency in the leasing and sale of quota**

Requiring the full disclosure of transactions of leased or sold quota supports the principles of a free, fair and open market. Fishermen who know the prices being paid for quota can make informed decisions about investing or divesting their allocations. Fishermen are not only used to watching and timing the market for price fluctuations, one could argue it is an essential skill of a successful fisherman.

A free, fair and open market also supports the goals of maintaining a diverse fleet by preventing entities from depressing or inflating prices in order to manipulate the dockside and/or quota market. Those in favor of a free market approach to fisheries should also support an open and fair market that does not favor one group over another.

#### **Allocation by location, conservation and scale**

Current allocation is based on history. Other factors can and should be included in allocation formulas to meet the goals and objectives of fisheries managers. A more diverse combination of allocation parameters will naturally serve to support the goals of maintaining a diverse fleet. Using additional parameters could also balance and rectify the perceived inequities of allocation by history alone.

- Scale-based allocation: Spatial distribution of quota that corresponds to scales of ecological parameters and distribution and movements of subpopulations of fish;
- Conservation-based allocation: Distribute spatially-based quota among those sectors with fishermen who have demonstrated fishing habits and methods guided by principles of conservation;
- Location-based allocation: Allocations based on distribution of fish populations and not transferable to other populations.

## **APPENDIX A: STATED GOALS AND OBJECTIVES.**

### **COUNCIL MOTION**

On June 23, 2010, the New England Fishery Management Council passed a motion stating the following goals related to the issues of diversity and consolidation:

- A.** 1) Maintain inshore and offshore fleets;
- B.** 2) To the extent possible, maintain a diverse groundfish fishery, including different gear types, vessel sizes, geographic locations, and levels of participation;
- C.** 3) Maintain a balance in the geographic distribution of landings to protect fishing communities and the infrastructure they provide; and
- D.** 4) Prohibit any person from acquiring excessive access to the resource, in order to prevent extraction of disproportionate economic rents from other permits holders.

### **MULTI-SPECIES FMP AMMENDMENT 16**

- E.** Goal 2) Create a management system so that fleet capacity will be commensurate with resource status so as to achieve goals of economic efficiency and biological conservation and that encourages diversity within the fishery.
- F.** Goal 3) Maintain a directed commercial and recreational fishery for northeast multispecies.
- G.** Goal 4) Minimize, to the extent practicable, adverse impacts on fishing communities and shoreside infrastructure.
- H.** Goal 5) Provide reasonable and regulated access to the groundfish species covered in this plan to all members of the public of the United States for seafood consumption and recreational purposes.
- I.** Obj 7) To the extent possible, maintain a diverse groundfish fishery, including different gear types, vessel sizes, geographic locations, and levels of participation.

### **MSA AND NATIONAL STANDARDS**

- J.** NS 4) Allocation fair and equitable
- K.** NS 5) Promote efficiency
- L.** NS 7) Minimize costs
- M.** NS 8) Minimize impacts to fishing communities
- N.** NS 9) Minimize by catch
- O.** NS 10) Promote Safety

### **Section 303A, Part (d)(5)**

- P.** Promote the sustained participation of small owner-operated fishing vessels and fishing communities
- Q.** Address excessive consolidation
- R.** Quota set-asides for entry-level and small vessel owner-operators, captains, crew, and fishing communities
- S.** No excessive shares

