

Status Update: Development of Amendment 18 to the Multispecies FMP

Groundfish Oversight Committee
Groundfish Advisory Panel
joint meeting
March 6, 2013



Outline

1. Today's goal
2. Background
 1. Amendment 18 objectives
 2. National Standard 4
 3. Activity to date
 4. Public input to date
3. Recent fishery management & performance
4. Potential data analysis
5. Questions to open discussion



Today's goal

Goal

Develop a plan to move forward with Amendment 18.

Discussion Questions

- Given recent management actions and environmental conditions, are the objectives of Amendment 18 still worth pursuing? Are there other objectives worth pursuing?
- Are there desired outcomes of Amendment 18 that the Committee can agree upon?
- What additional information and analyses do the Committee need at this point?
- Is a regulatory approach necessary?



Amendment 18 objectives

As outlined in the scoping document*

1. To consider the establishment of accumulation caps for the groundfish fishery;
2. To consider issues associated with fleet diversity in the multispecies fishery.



**approved by the NEFMC September 28, 2011.*

National Standard 4

National Standard 4

“If it becomes necessary to allocate or assign fishing privileges among various United States fishermen, such allocation shall be:

- A. fair and equitable to all such fishermen;*
- B. reasonably calculated to promote conservation; and*
- C. carried out in such manner that no particular individual, corporation, or other entity acquires an **excessive share** of such privileges.”*

National Standard 4 Guidelines

*“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.”*



Note: Applies to all fisheries, not just LAPPs.

What is “excessive”?

There is no widely-accepted, standard definition or measure of “excessive shares” in fisheries.

Economists and managers generally considered it to include issues of **market power** and **equitable opportunity** to participate in a fishery.

Market Power = the ability to profitably control the price of a product that has limited substitutes (*e.g. Anderson 2008*).

Equitable Opportunity = ???



Timeline - 2010

| | |
|-----------------|--|
| Jan. 21 | NMFS letter to NEFMC expressing interest in collaborating on measures to address the negative impacts of permit consolidation. |
| Jun. 23 | NEFMC vote to maintain inshore and offshore fleets, diversity in the fishery, prohibit any person from acquiring excessive access to the resource. |
| Sept. 17 | NEFMC staff produce draft white paper on fleet diversity, allocation, and excessive shares. |
| Sept. 30 | NEFMC vote to establish individual accumulation caps in the next appropriate action. |
| Nov. 16 | NEFMC approves 2011 priorities, including preparing an amendment to consider fleet diversity and accumulation caps. |
| Dec. 20 | NEFMC staff produce draft notice of intent to prepare an EIS and hold public scoping meetings. |



Timeline - 2011

| | |
|-------------------|---|
| Jan. 27 | NEFMC vote to determine the degree of groundfish fleet consolidation and fishing privileges have accumulated for individual permit holders under A16 and the socioeconomic impacts of permit banks. NEFMC voted to ask NMFS for a control date. |
| Apr. 7 | Control date published by NMFS. |
| Apr. 28 | NEFMC vote to not postpone discussion of accumulation caps until after the sector workshop. NEFMC vote to establish an ad hoc Groundfish Accumulation Limit Committee (Groundfish Committee, PDT, AP, SSC) to hold a workshop on accumulation limits and submit options to the Council for consideration. |
| Jun. 9 | NEFMC Accumulations Limits Workshop. |
| Jun. 22 | NEFMC staff reports on Accumulation Limits Workshop. |
| Sept. 28 | NEFMC approves A18 scoping document. |
| Oct. 25-26 | NEFMC Sector "Lessons Learned" Workshop. |
| Nov. 16 | NEFMC approves 2012 priorities, including development of A18. |
| Dec. 21 | Federal Register publishes NEFMC notice of intent to prepare and EIS and hold public scoping meetings. |



Timeline - 2012

| | |
|-------------------|---|
| Jan. 17-31 | NEFMC holds 10 public scoping meetings. |
| Feb. 1 | NEFMC hears summary of scoping meetings. |
| Mar. 1 | A18 scoping period closes. |
| Jun. 11 | NEFMC staff produce summary of public comments. |
| Jun. 21 | NEFMC hears summary of scoping meetings. |
| Nov. 15 | NEFMC approves 2013 priorities, including continued development of A18. |



Timeline - 2013

| | |
|--------------------|--|
| Mar. 6 | Joint Committee/AP meeting. |
| April 17 | Committee meeting, focus on work of the Closed Area Technical Team. (<i>& ½ day on 16th?</i>) |
| April 23-25 | NEFMC meeting. |
| June 18-20 | NEFMC meeting. |

- Next Committee and AP meetings TBD.
- Having an Amendment 18 document ready for a NEFMC vote by its November 2013 meeting is unlikely.



Public input

1. Accumulation Limits workshop (June 2011)
2. Scoping period (Dec. 2011 – Mar. 2012)
3. Correspondence outside the scoping period



Accumulation Limits Workshop

- Held June 9, 2011
- Attendees
 - Groundfish Committee, AP, PDT
 - SSC Socioeconomic experts
 - 30 members of the public
 - Several facilitators
- Summary presented to NEFMC June 22, 2011



Scoping period

- Dec. 21, 2011 – March 1, 2012
- Ten scoping meetings held
- Written comments submitted
- Summary presented to NEFMC June 21, 2012
- Subsequent requests from the public for more quantitative detail



Scoping comments

Duplicates removed:

| | | Total | Supports A18 objectives | Opposes A18 objectives | General/ unrelated |
|------|----------------------|-------|----------------------------|---------------------------|-----------------------|
| Oral | University Scientist | 2 | 2 | | |
| | Fishing Organization | 5 | 3 | 2 | |
| | Non-fishing Org. | 5 | 5 | | |
| | State Agency | 1 | | | 1 |
| | Other Citizen | 2 | 1 | | 1 |
| | Fisherman | 37 | 22 | 5 | 10 |
| | Fishing Corporation | 4 | 2 | 2 | |

| | | | | | |
|---------|----------------------|----|----|---|---|
| Written | University Scientist | 3 | 3 | | |
| | Fishing Organization | 6 | 1 | 3 | 2 |
| | Non-fishing Org. | 17 | 15 | 1 | 1 |
| | State Agency | 1 | 1 | | |
| | Other Citizen | 12 | 12 | | |
| | Fisherman | 14 | 9 | 5 | |
| | Fishing Corporation | 2 | 1 | 1 | |



Other correspondence

| Outside scoping period | Comments | Duplicates | Total |
|------------------------------|----------|------------|-------|
| Jan. 1, 2011 – Dec. 20, 2011 | 5 | 2 | 7 |
| Mar. 2, 2012 – Mar. 1, 2013 | 16 | 3 | 19 |

| Duplicates removed: | Supports A18 objectives | Opposes A18 objectives | Mixed | Concerns w/ process | Indirect concerns w/ industry viability |
|-----------------------|-------------------------|------------------------|----------|---------------------|---|
| Organizations: | | | | | |
| Fishing Assoc. | 3 | | | 2 | 2 |
| Non-fishing NGO | 2 | | | | |
| State Agency | 1 | | | 1 | |
| Individuals:* | | | | | |
| Fisherman | 2 | 1 | | 1 | 4 |
| Other Citizen | 1 | | | | |
| Mixed group | 1 | | 1 | 1 | |
| Total | 10 | 1 | 1 | 5 | 6 |



**Some comments represent multiple people.*

Public input: Questions

- Accumulation Caps
 - How should harvest capacity match the availability of quota?
 - At what point does reduction in overcapitalization result in the control of excessive shares of the fishery?
 - If an ownership cap is established, would there be grandfathering of entities whose present ownership level exceeds said cap?



Public input: Questions

- Fleet Diversity
 - Should a “Fleet Diversity” goal be specifically defined?
 - Can the industry and fishing communities maintain fleet diversity on their own or are regulatory approaches necessary?
 - Are permit banks helping to maintain fleet diversity?
 - Could fleet diversity be maintained by:
 - increasing industry flexibility?
 - increasing opportunity to harvest optimum yield?
 - restricting ACE leases between vessels of different size categories?
 - creating sub-ACLs for specific permit categories?
 - limiting fishing area by vessel size?



Public input: Questions

- General
 - Do we have sufficient data on and clear definition of ownership entities in the fishery?
 - Would this amendment decrease flexibility and profitability for the industry?
 - Would this amendment make management even more complicated?



Public input: Desired outcomes

- Accumulation caps
 - Match capital with quota availability, while ensuring access to an economically viable number of participants.
 - Prevent windfall gains to a small number of individuals at the expense of others.
 - Prevent market control and price-fixing by a small number of owners.
 - Status quo.



Public input: Desired outcomes

- Fleet Diversity
 - Provide opportunity for a variety of vessel, gear, ownership entity types and ports to be active in the fishery.
 - Enable fishing communities to define diversity goals and have a degree of local control.
 - Maintain participation of rural and historic ports in the fishery.
 - Provide opportunity for new entrants in the fishery.
 - Maintain viability of shoreside infrastructure and the inshore and offshore fleets.
 - Status quo.



Public input: Potential measures

- Accumulation Caps
 - Set caps
 - Limit the number of permits that can be owned or controlled.
 - Limit PSC or ACE that can be owned or controlled, per stock in the fishery or multispecies fishery-wide.
 - Set limits per permit, owner, permit bank, or sector.
 - Set-asides
 - For new entrants.
 - For small components of the fishery.
 - Implement set-asides as the resource recovers.
 - Enable community associations to purchase and disperse quota (community permit banks).
 - Implement dealer and/or processor quotas.
 - Enact “use it or lose it” provisions for ACE.



Public input: Potential measures

- Fleet Diversity
 - Limit transferability
 - Of permits, PSC, and ACE within vessel classes (size, horsepower).
 - When permits are sold, limit transfer out of state.
 - Leasing
 - Cap quota leasing prices.
 - Set baseline criteria for leasing.
 - Limit quota from small vessels to be leased by large vessels.
 - Prevent leasing of 100% of one's allocation.
 - Geographically-based measures
 - Require that a portion of landings occur in the same port or state in which groundfish were landed during the PSC qualifying years.
 - Implement vessel size or horsepower upper limits in specific (inshore) areas.
 - Set a boundary line to separate where inshore and offshore boats may fish.
 - Prevent fishing in multiple stock areas of a species in a single trip.
 - Implement measures fleet-wide or separately for inshore and offshore fleets.



Public input: Non-regulatory approaches

Non-regulatory structures could be developed that would meet the objectives that the Council has identified related to maintaining diversity and limiting accumulation.

An example:

- Give sectors the latitude to create their own processes for maintaining an active fleet that reflects the diversity (e.g. vessels, owners, ports) of their membership.
- Develop criteria or guidelines by the NEFMC and approved by the Secretary of Commerce.



FY2013 ABCs from FW50 (mt)

| Stock | FY12 | FY13 | Change |
|----------------|--------------------|---------------------------|----------------------|
| GB cod | 5,616 (5,103) | 2,506 (2,002) | -55% (61%) |
| GOM cod | 6,700 | 1,550 | -77% |
| GB haddock | 39,846 (30,726) | 35,783 (29,335) | -10% (-5%) |
| GOM haddock | 1,013 | 290 | -71% |
| GB YTF | 1,303 (564) | 1,150 (495) | -12% (12%) |
| SNE/MA YTF | 1,003 | 700 | -30% |
| CC/GOM YTF | 1,159 | 548 | -53% |
| Plaice | 3,632 | 1,557 | -57% |
| Witch flounder | 1,639 | 783 | -52% |
| GB WFL | 3,753 | 3,750 | 0% |

| Stock | FY12 | FY13 | Change |
|------------|--------|---------------|-------------|
| GOM WFL | 1,078 | 1,078 | 0% |
| SNE/MA WFL | 626 | 1,676 | 168% |
| Redfish | 9,224 | 10,995 | 19% |
| White hake | 3,638 | 3,638 | 0% |
| Pollock | 15,400 | 15,600 | 1% |
| N WINP | 173 | 151 | -13% |
| S WINP | 386 | 548 | 42% |
| Ocean pout | 256 | 235 | -8% |
| Halibut | 85 | 99 | 16% |
| Wolffish | 83 | 70 | -16% |



Recent developments

Fishing Year 2013

- NMFS announced in January 2013 that industry will pay for up to 50% of at-sea monitoring costs in FY13, but on March 1, NMFS announced that it is working on a plan to cover as much of the at-sea monitoring costs as possible.
- NMFS announced on February 14 that a 10% carryover will be allowed for all stocks except Gulf of Maine cod (1.85%).
- Pending NMFS approval of FW48, mitigation measures to reduce the impacts of low groundfish quotas would include smaller minimum fish sizes and seasonal openings for the three areas currently closed year-round to groundfish fishing.



Recent Groundfish Fishery Performance

Sources:

- FY2007-2008 data are as in FY10 performance report by Kitts et al. (2011).
- FY2009-2011 data are as in FY11 performance report by Murphy et al. (2012).
- Regulatory Flexibility Act analysis, Framework 48 (2013).
- DRAFT FY10 PSC ownership data (2011).



Data may have been updated and corrected since publication.

Overview

From FY11 Performance Report:

- Groundfish landings and gross revenue increased in FY11 for vessels, but were not as high as in FY09.
- The number of active vessels and vessel affiliations continues to decline.
- Among remaining vessels and affiliations, revenue wasn't any more concentrated.
- For the common pool vessels, groundfish landings and revenues declined in FY11 by 56%



Landings & Revenue

| From Groundfish Trips^a | FY07 | FY08 | FY09^b | FY10^b | FY11^b |
|--|-------------|-------------|-------------------------|-------------------------|-------------------------|
| Groundfish landed pounds | 63.2M | 71.6M | 69.6M | 58.4M | 61.5M |
| % of total pounds | 62% | 67% | 68% | 72% | 68% |

| | | | | | |
|----------------------------------|---------|---------|---------|---------|---------|
| Groundfish gross nominal revenue | \$87.8M | \$89.4M | \$83.9M | \$82.6M | \$89.8M |
| % total revenue | 70% | 73% | 76% | 79% | 74% |

^a From Table 3 Kitts et al. (2011) and Table 3 Murphy et al. (2012).

^b In 2009 dollars.

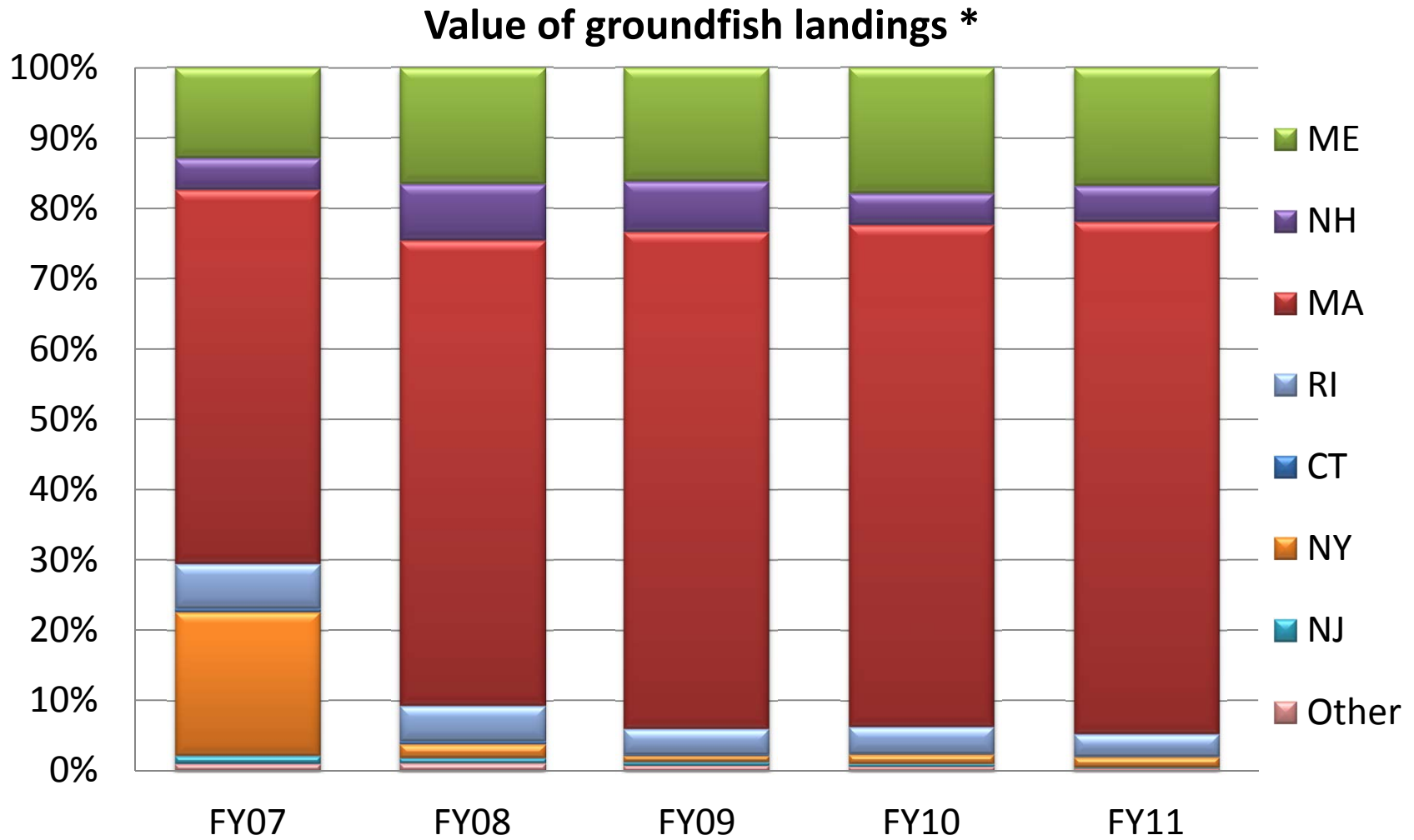


ACE vs. Catch

From Table 37 Murphy et al. (2012).
ACE in live pounds. FY11 includes FY10 carryover.

| | FY10 | | FY11 | |
|-----------------------------|--------------------|------------|--------------------|------------|
| | Allocated ACE | % Caught | Allocated ACE | % Caught |
| Cod, GB East | 717,441 | 78% | 431,334 | 83% |
| Cod, GB West | 6,563,099 | 84% | 9,604,207 | 70% |
| Cod, GOM | 9,540,389 | 84% | 11,242,220 | 85% |
| Haddock, GB East | 26,262,695 | 16% | 21,122,565 | 11% |
| Haddock, GB West | 62,331,182 | 22% | 50,507,974 | 12% |
| Haddock, GOM | 1,761,206 | 47% | 1,796,740 | 59% |
| Plaice | 6,058,149 | 55% | 7,084,289 | 51% |
| Pollock | 35,666,741 | 33% | 32,350,451 | 50% |
| Redfish | 14,894,618 | 31% | 17,369,940 | 34% |
| White Hake | 5,522,677 | 85% | 6,708,641 | 98% |
| Winter flounder, GB | 4,018,496 | 76% | 4,679,039 | 91% |
| Winter flounder, GOM | 293,736 | 61% | 750,606 | 46% |
| Witch flounder | 1,824,125 | 84% | 2,839,697 | 77% |
| Yellowtail flounder, CC/GOM | 1,608,084 | 79% | 2,185,802 | 80% |
| Yellowtail flounder, GB | 1,770,451 | 92% | 2,474,662 | 88% |
| Yellowtail flounder, SNE | 517,372 | 66% | 963,033 | 83% |
| Total | 179,350,461 | 36% | 172,111,201 | 41% |

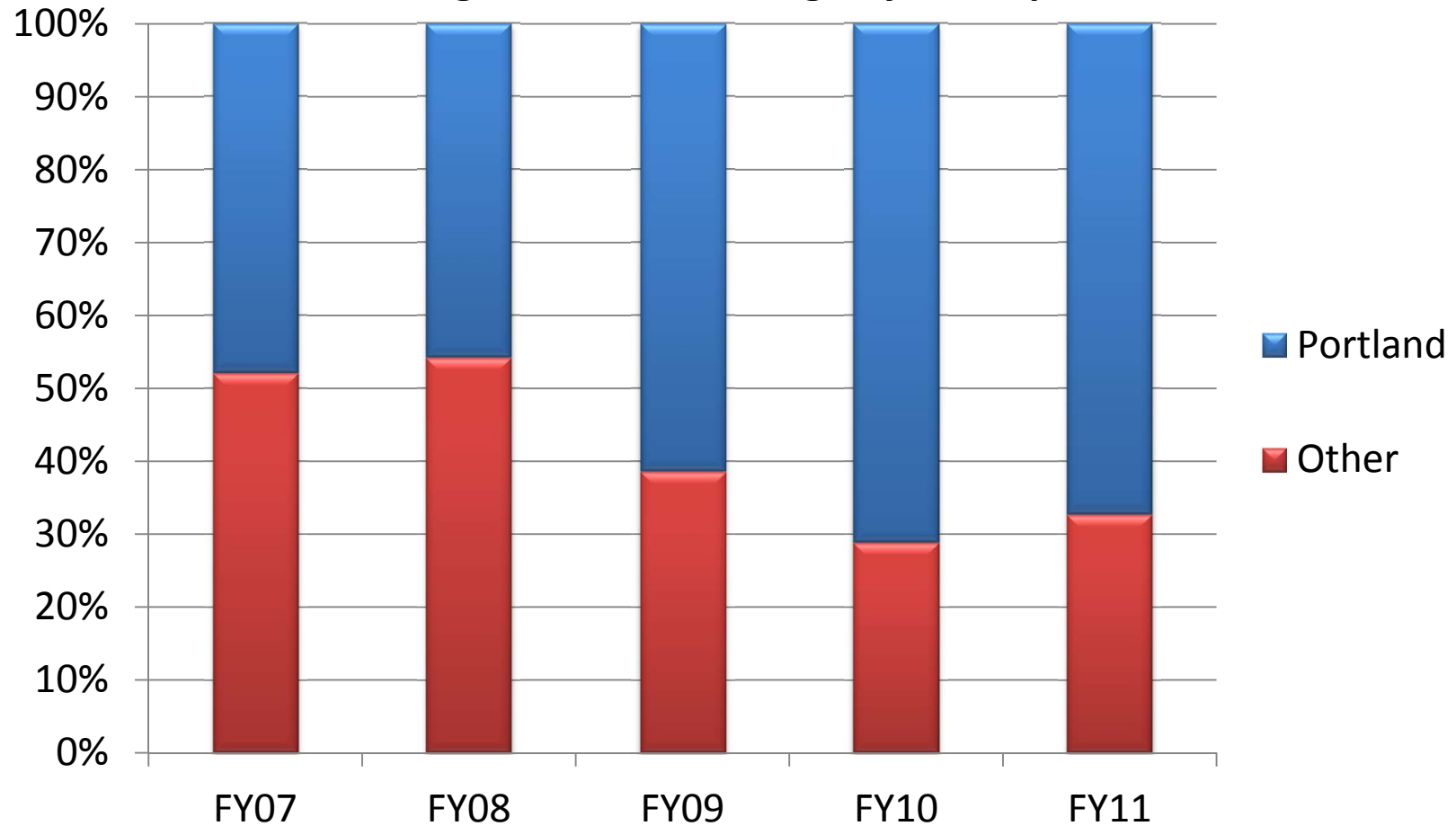
Home Port States



* From Table 7 Kitts et al. (2011) and Table 8 Murphy et al. (2012).

Maine Home Ports

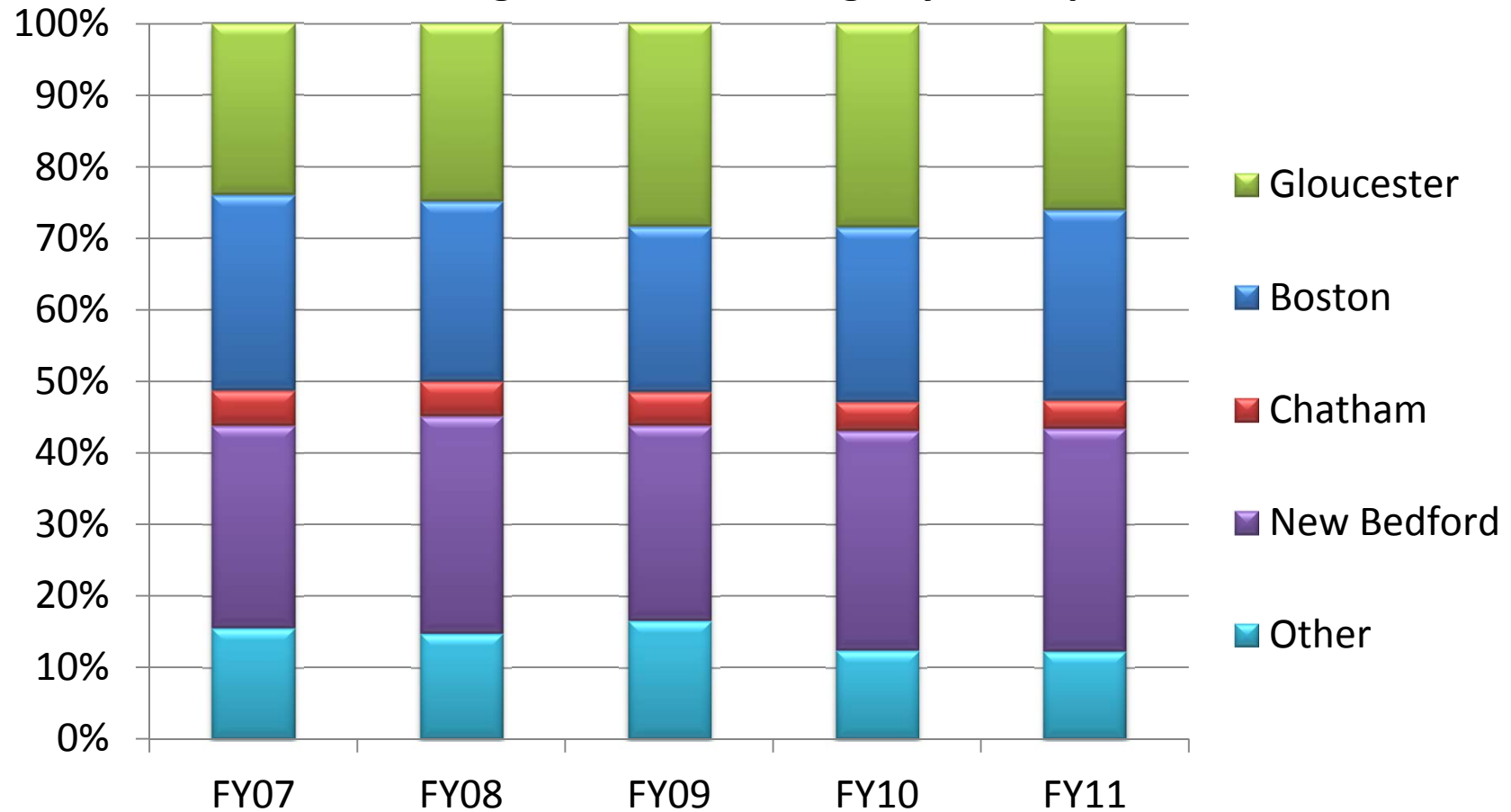
Value of groundfish landings by homeport *



* From Table 7 Kitts et al. (2011) and Table 8 Murphy et al. (2012).

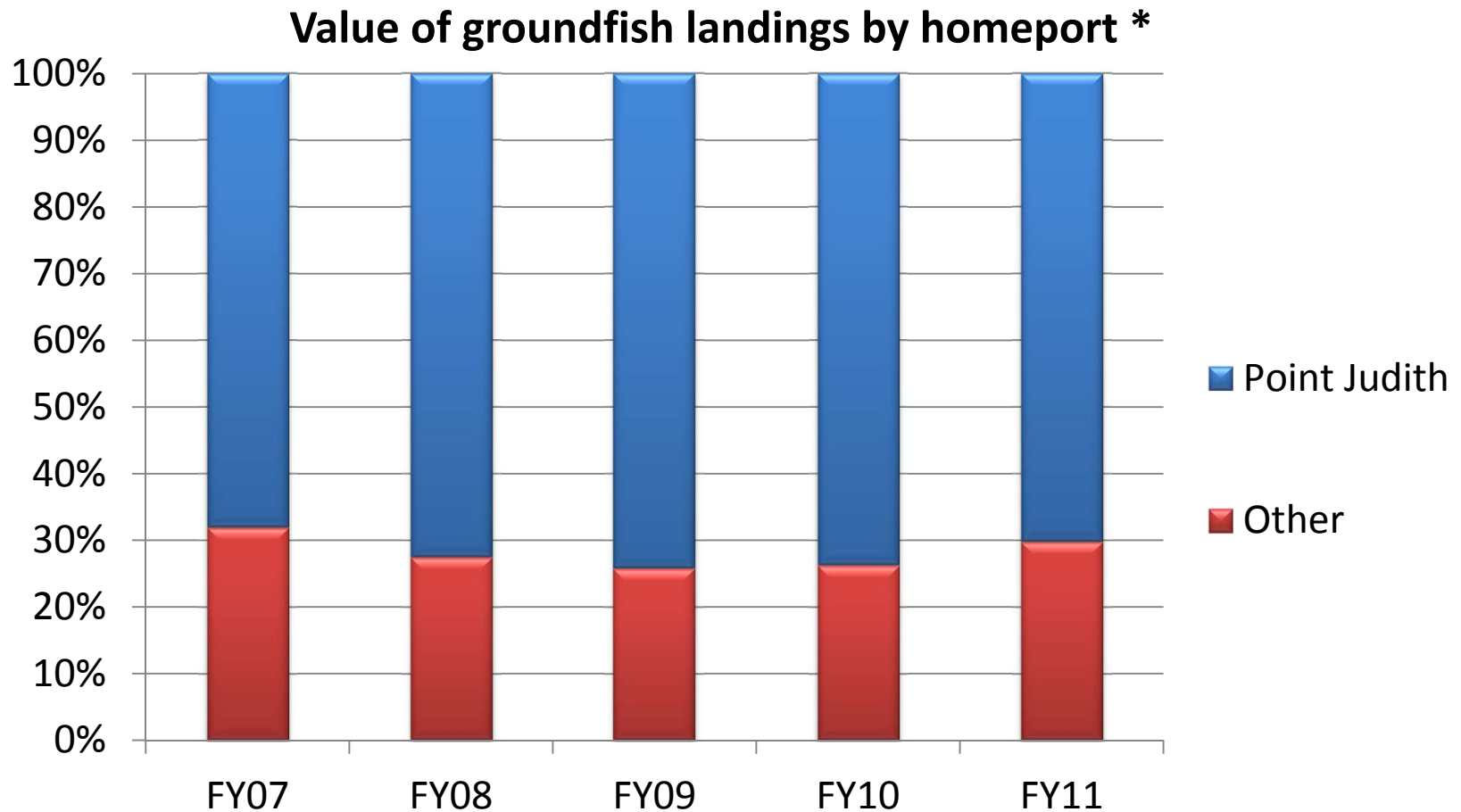
Mass. Home Ports

Value of groundfish landings by homeport *



* From Table 7 Kitts et al. (2011) and Table 8 Murphy et al. (2012).

Rhode Isl. Home Ports

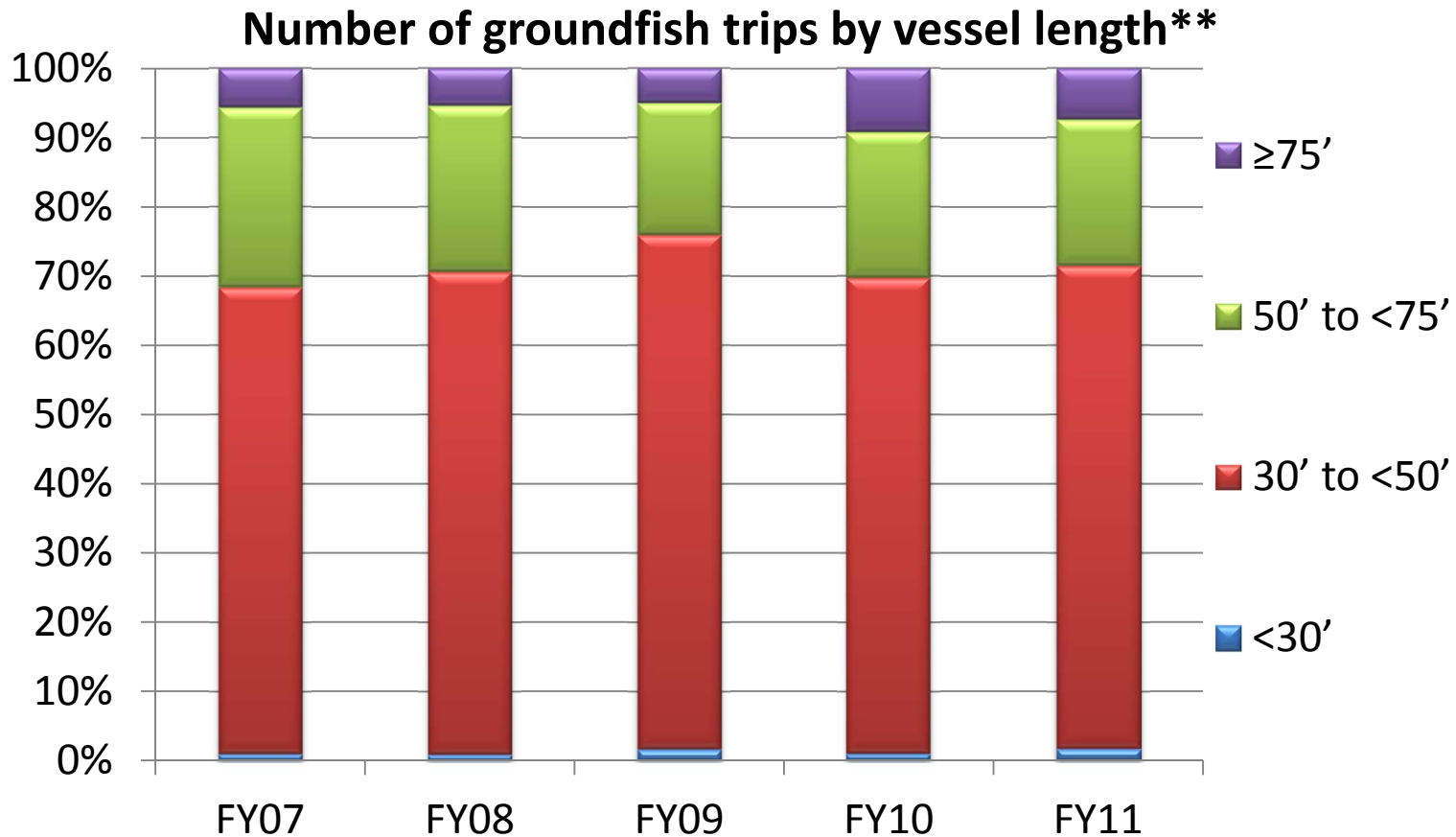


* From Table 7 Kitts et al. (2011) and Table 8 Murphy et al. (2012).



Active Vessels

| Vessels* | FY07 | FY08 | FY09 | FY10 | FY11 |
|--|-------|-------|-------|-------|-------|
| ...with a limited access groundfish permit | 1,413 | 1,410 | 1,431 | 1,382 | 1,279 |
| ...with groundfish revenue | 658 | 611 | 570 | 445 | 420 |



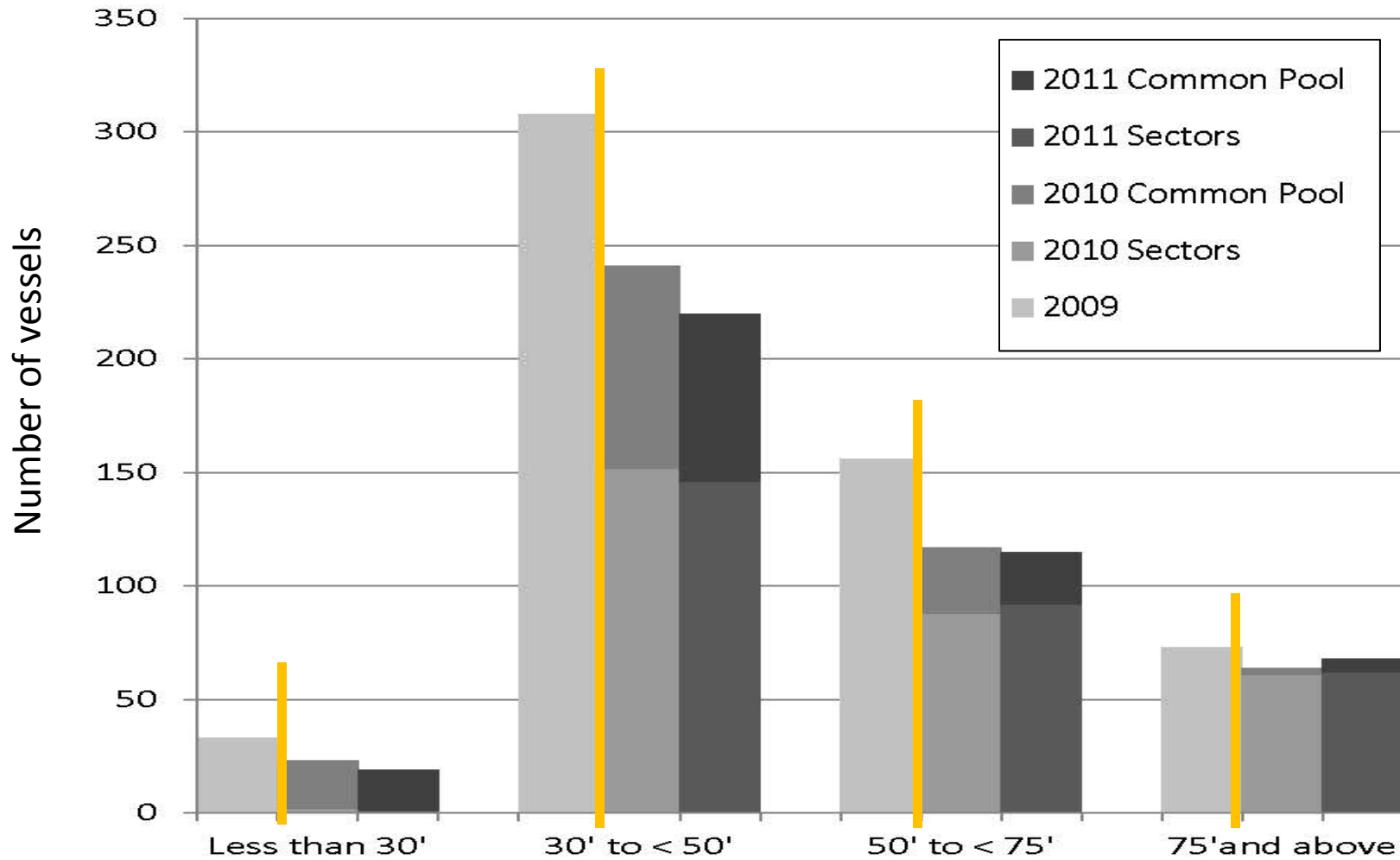
* From Table 9 Kitts et al. (2011) and Table 10 Murphy et al. (2012).

** From Table 10 Kitts et al. (2011) and Table 11 Murphy et al. (2012).



Active Vessels

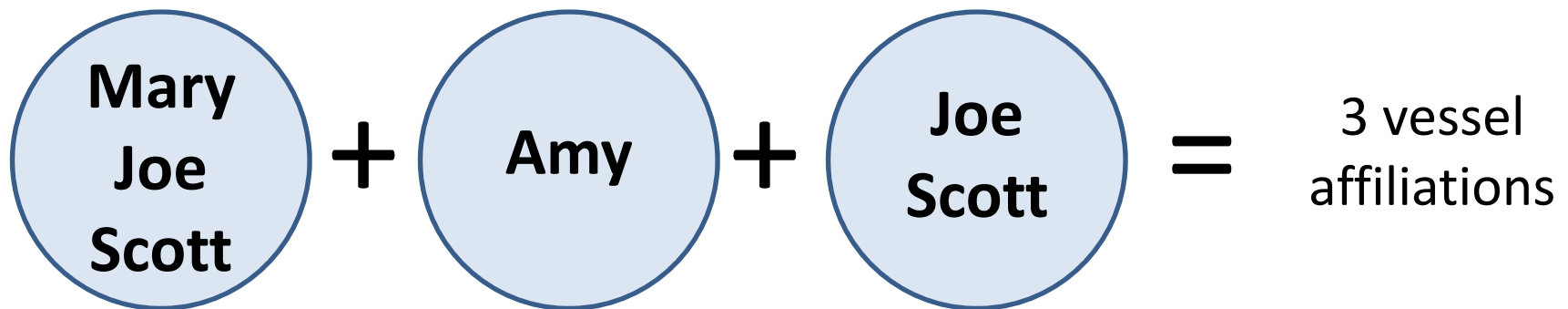
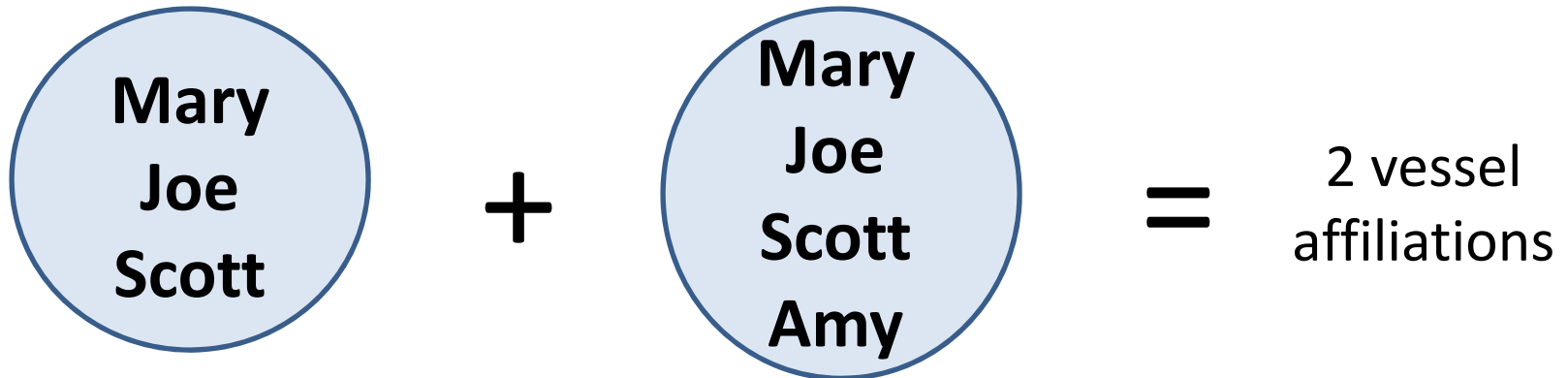
Number of vessels with revenue from any species on at least one groundfish trip, by vessel size category*



*Figure 17, Murphy et al. (2012).

Vessel Affiliation

networks of vessels connected by common owners



A change in the number of vessel affiliations does not necessarily mean a change in the number of individuals involved in the fishery.

Vessel Affiliation

| Vessel affiliations* | FY07 | FY08 | FY09 | FY10 | FY11 | %Δ from '07 |
|---|------|------|------|------|------|-------------|
| With limited access groundfish permits | 984 | 956 | 934 | 910 | 846 | -14% |
| ... and revenue from any species | 816 | 785 | 768 | 726 | 655 | -20% |
| ... and revenue from ≥ 1 groundfish trip | 525 | 511 | 450 | 359 | 339 | -35% |
| ... and inactive (no landings) | 168 | 171 | 166 | 184 | 191 | 14% |



* From Table 33 Kitts et al. (2011) and Table 40 Murphy et al. (2012).

Vessel Affiliation

| Number of active vessels per vessel affiliation | FY07 | FY08 | FY09 | FY10 | FY11 |
|---|----------------|----------------|----------------|----------------|----------------|
| 1 | 685 (83.9%) | 667 (85.0%) | 646 (84.1%) | 620 (85.4%) | 564 (86.1%) |
| 2 | 96 (11.8%) | 87 (11.1%) | 97 (12.6%) | 79 (10.9%) | 62 (9.5%) |
| 3 | 23 (2.8%) | 17 (2.2%) | 16 (2.1%) | 17 (2.3%) | 21 (3.2%) |
| 4 to 6 | 7 (0.9%) | 8 (1.0%) | 6 (0.8%) | 7 (1.0%) | 6 (0.9%) |
| 7 to 9 | 2 (0.2%) | 3 (0.4%) | 1 (0.1%) | 2 (0.3%) | 1 (0.2%) |
| 10 + | 3 (0.4%) | 3 (0.4%) | 2 (0.3%) | 1 (0.1%) | 1 (0.2%) |

* From Table 34 Kitts et al. (2011) and Table 41 Murphy et al. (2012).



PSC Ownership by Business Entities

Preliminary data for FY2010

| | GB WINTER FL | GB HADD | RED | GOM COD | GOM WINTER FL | SNE/MA FLYT |
|----------------------------|-------------------------|--------------------|------------|--------------------|--------------------------|------------------------|
| Cumulative | | | | | | |
| Top 3 Entities | 36.5% | 31.3% | 26.6% | 16.0% | 14.0% | 11.6% |
| Top 10 Entities | 60.9% | 50.5% | 54.0% | 27.0% | 28.6% | 26.2% |
| Top 25 Entities | 83.2% | 65.1% | 79.2% | 42.7% | 48.7% | 44.3% |
| Value at percentile | | | | | | |
| 90 pctile | 5.6% | 18.8% | 8.9% | 32.7% | 35.7% | 36.6% |
| 75 pctile | 0.0% | 0.3% | 0.9% | 6.8% | 1.0% | 0.5% |
| Median | 0.0% | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% |
| Average | 12.1% | 11.9% | 12.1% | 11.9% | 11.9% | 11.8% |
| Std. Dev. | 97.1 | 70.8 | 70.6 | 45.6 | 42.1 | 38.5 |

Data for 1,317 permits accounting for at least 96% of the PSC for each stock.
There are 821 business entities.



FW48 RFA analysis

Ownership entity = Entities with common ownership personnel on the permit application.

Groundfish dependent = >50% of gross sales from regulated groundfish.

| Description of groundfish dependent entities regulated by FW48 | | | | |
|--|------------------------------|------------------------------------|------|----------------------------------|
| Sales | Number of ownership entities | Number of permits owned per entity | | Avg. groundfish sales per entity |
| | | Avg. | Max. | |
| < \$50K | 13 | 1.0 | 1 | \$10,827 |
| \$50-100K | 6 | 1.0 | 1 | \$58,902 |
| \$100-500K | 61 | 1.6 | 4 | \$205,415 |
| \$500K-1M | 23 | 2.2 | 7 | \$564,256 |
| \$1-4M | 28 | 3.1 | 8 | \$1,373,636 |
| > \$4M | 4 | 4.8 | 8 | \$5,575,181 |

*From Table 112, FW48 Regulatory Flexibility Act analysis, p. 634.
There are 135 groundfish dependent entities.*



Potential Data Analysis

- Refine/Update/Further detail the diversity and market concentration of the multispecies fishery.
- Review the performance of permit banks to determine if they are fostering fleet diversity.
- Identify how current anti-trust laws address excessive share issues and whether they provide sufficient controls in lieu of FMP measures.
- Define the thresholds where an entity can gain market power in the fishery, including the leasing market.



Questions for Discussion

- Given recent management actions and environmental conditions, are the objectives of Amendment 18 still worth pursuing?
- Are there other objectives worth pursuing?
- Are there desired outcomes of Amendment 18 that the Committee can agree upon?
- What additional information and analyses do the Committee need at this point?
- Is a regulatory approach necessary?



References

- Anderson (2008). The control of market power in ITQ fisheries. *Marine Resource Economics*. 23: p. 25-35.
- Kitts, A., E. Bing-Sawyer, J. Walden, C. Demarest, M. McPherson, P. Christopher, S. Steinback, J. Olson, P. Clay. 2010 Final Report on the Performance of the Northeast Multispecies (Groundfish) Fishery (May 2010 – April 2011). Northeast Fisheries Science Center. 97 p.
- Murphy, T., A. Kitts, D. Records, C. Demarest, M. McPherson, J. Walden, D. Caless, E. Bing-Sawyer, S. Steinback, J. Olson. 2011 Final Report on the Performance of the Northeast Multispecies (Groundfish) Fishery. Northeast Fisheries Science Center. 111 p.

