

Update:

Development of Amendment 18 to the Multispecies FMP

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Groundfish Oversight Committee
April 16, 2013
(revised April 17)



Amendment 18 objectives

As outlined in the scoping document, approved by the NEFMC September 28, 2011.

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



Amendment 18 goals

As approved by the NEFMC June 2010.

- “Maintain inshore and offshore fleets;
- “To the extent possible, maintain a diverse groundfish fishery, including different gear types, vessel sizes, geographic locations, and levels of participation;
- “Maintain a balance in the geographic distribution of permits to protect fishing communities and the infrastructure they provide; and
- “Prohibit any person or government entity from acquiring or controlling excessive access to the resource, through in order to prevent extraction of disproportionate economic rents from other permit holders.”



Possible goal components?

*As brainstormed by the Committee and Advisory Panel
March 6, 2013*

- Improve quota stability.
- Support the growth and stabilization of small business.
- Ensure resource availability for the inshore fishery.
- Provide opportunity to harvest optimum yield.



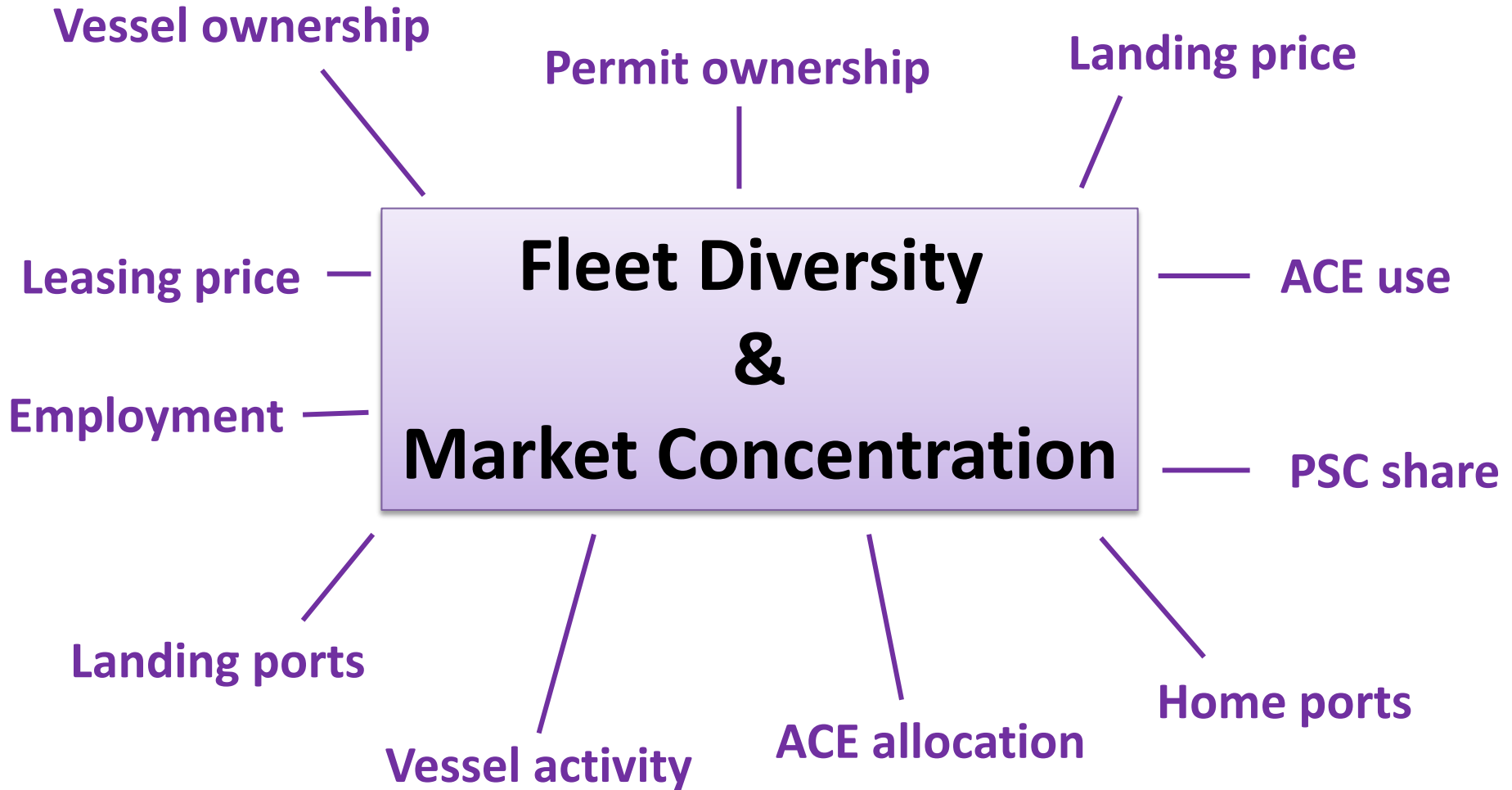
Potential data analysis

- Committee and AP brainstormed issues where additional data analysis would inform A18 development.
 - Fishery performance
 - Legal considerations
 - Hypothetical measures
- PDT met on March 13 to discuss feasibility.



A Multi-faceted Analysis

PDT expressed caution in drawing conclusions based on any single factor.



Fishery Performance

1. *Refine/Update/Further detail the diversity and market concentration of the multispecies fishery.*
 - a. *Specify whether consolidation has occurred in terms of ownership, harvesting, or operations.*
 - i. *Compare industry structure before, during and post DAS management.*
 - ii. *Describe the changes in permit ownership that have occurred post A16.*
 - iii. *Identify PSC share by business entities for FY11, FY12, and FY13 and compare with FY10.*



Fishery Performance

*1.a. Specify whether consolidation has occurred in terms of **ownership**, harvesting, or operations.*

Meaning: permit and vessel ownership, PSC share by business entity.

Definitions of “ownership”:

1. Liberal. Loose affiliations of people. (performance reports)
2. Conservative. Exact matches of people (FW48 RFA analysis)

Databases of multispecies and scallop fishery ownership:

- 1994-2009
- 2010-current

ONGOING SSB WORK:

Database synchronization

Report trends using both definitions

DELIVERABLE: May or June 2013



Fishery Performance

1.a. Specify whether consolidation has occurred in terms of ownership, harvesting, or operations.

Meaning:

- Landings at the ownership group and vessel levels.
- Original PSC distribution vs. landings (post-leasing).

ONGOING SSB WORK:

Analysis of “harvesting” trends

DELIVERABLE: May or June 2013



Fishery Performance

1.a. Specify whether consolidation has occurred in terms of ownership, harvesting, or operations.

Meaning: employment and participation in the fishery.

Descriptors:

- Performance reports.
- Input-output models (county level, wider maritime trades).
- Fishermen “species” diversity index (vessel size, gear type, use of inshore/offshore grounds, landing port).

ONGOING SSB WORK:

Fishermen “species” diversity trends

DELIVERABLE: May or June 2013

POSSIBLE WORK:

Input-output models



Fishery Performance

1.b. What are the net revenues in the fishery, accounting for ACE leasing and other transaction costs?

Challenge: quantifying new costs associated with the sector program.

Cost data:

- Variable cost data in observer database.
- New SSB surveys are collecting more fixed cost data.
- Some leasing costs in performance reports.

ONGOING SSB WORK:

Vessel-level profitability

New costs assoc. w/ sector program

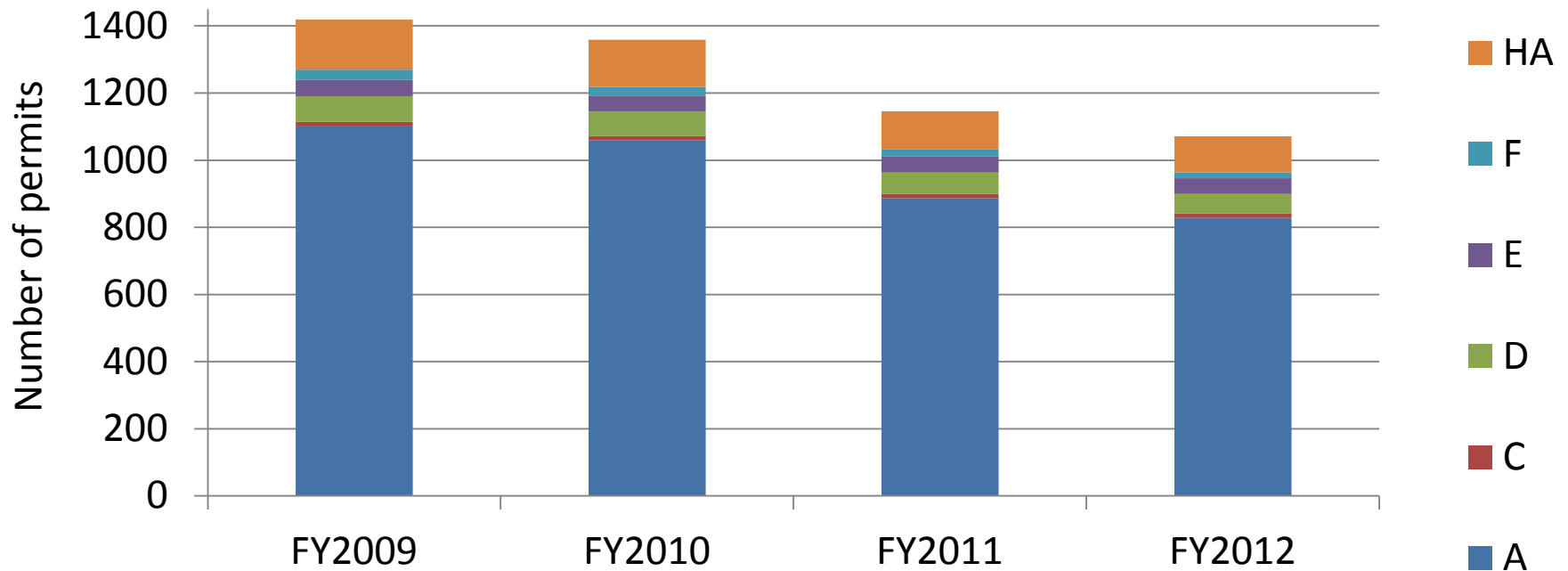
DELIVERABLE: May or June 2013



Fishery Performance

1.c. How many C permits and **small permits** exist in the fishery?
How does **new entrant** opportunity compare across fisheries?

Spreadsheets of permits available from NERO website.



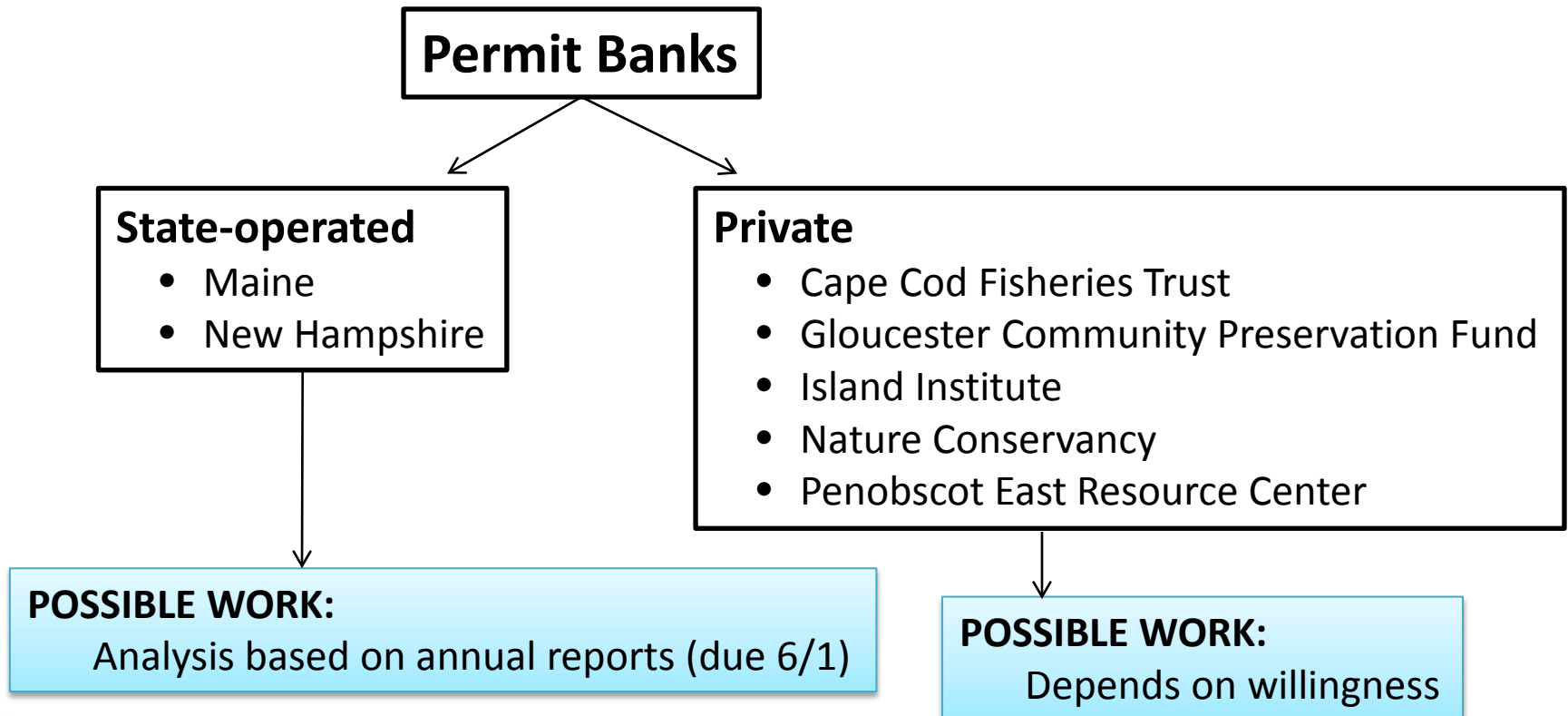
POSSIBLE WORK:

Permit category trends, evidence of vessel sale, type of active permits



Fishery Performance

2. Review the performance of permit banks to determine if they are fostering fleet diversity. Where is the permit bank ACE going? Are the banks benefiting the industry as designed?



Fishery Performance

3. *Define/describe evidence in current system of the occurrence of "extraction of disproportionate **economic rents** from other permits holders" (see A18 goal #4).*

It may be difficult to conduct this analysis, without more data available on the transaction markets for PSC and ACE.

The PDT would be able to address this topic, but perhaps not to the satisfaction of the Committee.

POSSIBLE WORK:
Uncertain



Fishery Performance

4. Do a **break even analysis** of FY13 with the quota as allocated. How much additional quota would have to be needed to break even?

NOAA and Mass. DMF collaborated on a break-even analysis, finalized in November 2011.

Repeating this analysis would require significant time and dedicated resources.

ONGOING SSB WORK:

Vessel-level profitability

DELIVERABLE: May or June 2013

POSSIBLE WORK:

Uncertain



Fishery Performance

5. Describe the use of **inshore and offshore fishing grounds** and the effect A16 had on utilization of fish stocks. Has there been a tendency towards pulse fishing on inshore grounds? Would an inshore/offshore differentiation of effort be feasible?

1995-1998	Trip boats fished inshore to conserve DAS.
1999-2009	Trip limits “pushed” trip boats offshore.
2010-today	Trip limits removed.

ONGOING SSB WORK:

Use of inshore & offshore grounds

DELIVERABLE: May or June 2013

POSSIBLE WORK:

Susceptibility of spawning stock aggregations

Catch per unit time



Legal Considerations

1. *Determine whether or not the Multispecies FMP currently **complies** with National Standard 4. If not, what steps would be necessary to ensure compliance.*

It would require a fairly substantial and deliberative effort to determine whether “excessive shares” exist in the fishery today.

Questions:

- Are the sectors (and umbrellas of sectors) considered “entities” relative to NS4?
- What is the degree to which the price of ACE leases, fish etc. can be controlled by entities?

POSSIBLE WORK

Excessive shares analysis



Legal Considerations

2. *Identify how current **anti-trust laws** address excessive share issues and whether they provide sufficient controls in lieu of FMP measures.*

Deference:

Department of Justice defers to NOAA because:

- NOAA's authority under the MSA
- Dollar values are well below DOJ investigation threshold (≥\$66M per sale).

PDT recommendation:

The Council should take action on excessive share controls if it wants to, and not assume the Department of Justice will intervene.

POSSIBLE WORK

Build off work re SC-OQ fishery



Legal Considerations

3. Determine if setting **price controls** on quota leasing would violate anti-trust laws.

The PDT is not sure if price controls in this context would violate any current laws.

In general, price ceilings below free market equilibrium cause shortages:

- Lower producer surplus (*they must sell at a lower price or choose not to sell, reducing supply*).
- Lower consumer surplus (*they buy at a lower price, but there is a shortage between quantity demanded and quantity supplied*).

POSSIBLE WORK

Investigate anti-trust issues further



Hypothetical Measures

1. *Define the thresholds where an entity might gain **market power** in the fishery, including the leasing market.*

The PDT is not aware of such an analysis as yet, but there are standard economic models that could be used.

Potential units of analysis:

- Business entities
- Sectors

The PDT noted that, by the Dept. of Justice and Federal Trade Commission guidelines, the groundfish fishery is likely not “concentrated.”

ONGOING SSB WORK:

PSC and ACE holdings trends

DELIVERABLE: May or June 2013

POSSIBLE WORK

Market power analysis



Hypothetical Measures

2. Describe **pros and cons** of limitations on trades between vessel classes.
3. Describe how accumulation caps on PSC or ACE can be accomplished under current plan and permit rules (e.g. this is not an ITQ, and there are restrictions on permit splitting).
4. Describe pros and cons of limiting PSC or ACE on sector financial viability, e.g. cost sharing.
5. Describe pros and cons of limiting ACE usage by individual vessels.
6. Describe pros and cons of forced divestiture.

PDT noted:

- Well-defined problem statement(s) would help determine “pros and cons.”
- Because ACE is allocated to sectors based on PSC of members, quota caps are complicated for this fishery.

POSSIBLE WORK

How caps could be achieved
Pros/cons of options



Recap

Analyses ready by May or June 2013:

- Permit and vessel ownership, 1994-present
- PSC shares by business entities, FY10-present
- ACE shares by sectors, FY10-present
- PSC and ACE shares vs. landings, FY10-present
- Diversity of fishermen “species,” 1994-present
- Vessel-level profitability
- ACE leasing costs

