
IFQ ACCESS OPPORTUNITIES

EXPANDED DISCUSSION PAPER

ANNA HENRY, APRIL 2021



BACKGROUND

June 2018- Council requested first discussion paper

- Response to community access and entry opportunity challenges identified in the 20-year review of IFQ program and related public testimony
- Review existing programs that facilitate access opportunities for rural communities and new entrants within limited access fisheries
- Evaluate Norway's Recruitment Quota and similar global examples



BACKGROUND

June 2019- IFQ Access Opportunities, Global Examples discussion paper

- Balancing the benefits and consequences of limiting access
- IFQ access challenges and existing programs to address access concerns
- Global examples of access programs
 - Target populations
 - young people, small-scale fishermen, indigenous populations, rural communities, low income, disenfranchised populations
 - Mechanisms for access
 - separate allocation, different criteria/rules, opportunity to buy in, permit bank, open access, technical assistance, educational support, financial support, direct marketing
- Challenges/Benefits in NPFMC region
 - Legal considerations
 - Distributional impacts on other IFQ users
 - Benefits in the North Pacific region



BACKGROUND

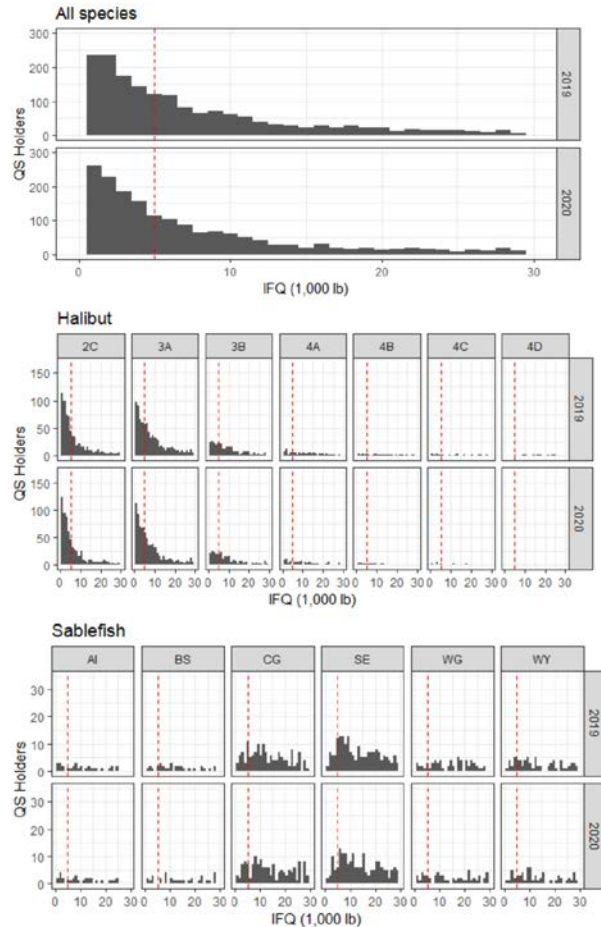
June 2019- Council requested current discussion paper

- Identifying considerations related to the creation of an Access Pool of halibut and sablefish QS that facilitates entry level opportunities
- Target Population
 - Entry level fishermen (crew and owner-operators) in fishing communities seeking to enter the halibut/sablefish fisheries.
 - Entry level is defined as owning less than 5,000 pounds of combined QS in all areas based on 2019 quota holdings.
- Mechanisms
 - The Access Pool could be funded using newly created QS units based on a one-time 1% of 2019 QS Access Pool for halibut and sablefish in all areas
 - The Access Pool could be funded by a tax of .5% or 1% of QS transferred, halibut and sablefish in all areas
- Entity
 - RFA or newly formed regional organization would receive the allocation and determine the distribution to applicants based on criteria established by the entity and approved by the Council.

Originally scheduled for review at April 2020 meeting (cancelled)



DISTRIBUTION OF QS HOLDINGS



- The distribution of overall QS holdings is skewed.
- There are numerous holders of QS representing small amounts of IFQ pounds and fewer holders of larger amounts of IFQ.

Figure 1 p. 3- Distribution of QS holders' total holdings in pounds of IFQ in 2019 and 2020 for all species combined. The red dashed line represents the Council's proposed 5,000 pound threshold.



DEFINING ENTRY LEVEL PARTICIPATION

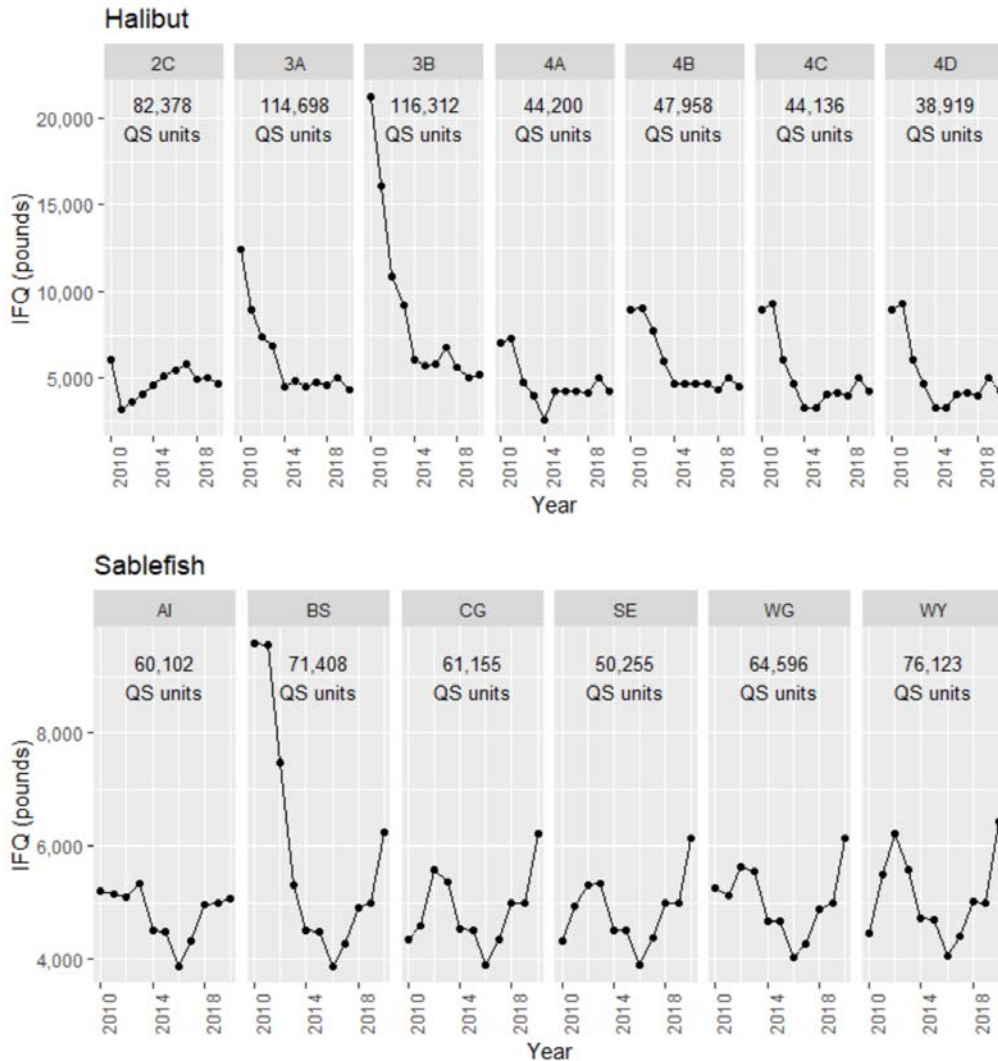
Species	Eligibility threshold (total pound combined IFQ)	2019			
		QS holders		IFQ held	
		number	percent	pound (1,000)	percent
All	1,000	635	25%	155	0%
	2,500	990	38%	770	2%
	5,000	1,363	53%	2,135	5%
	7,500	1,634	63%	3,786	9%
	10,000	1,799	70%	5,224	12%
	25,000	2,199	85%	11,556	26%
	50,000	2,370	92%	17,608	40%
	Total		2,580	100%	43,678
Halibut	1,000	483	22%	146	1%
	2,500	822	37%	728	4%
	5,000	1,176	53%	2,002	11%
	7,500	1,416	64%	3,397	19%
	10,000	1,559	70%	4,501	25%
	25,000	1,903	85%	8,498	48%
	50,000	2,049	92%	11,059	62%
	Total		2,226	100%	17,710
Sablefish	1,000	75	9%	9	0%
	2,500	97	12%	42	0%
	5,000	136	17%	133	1%
	7,500	198	24%	388	1%
	10,000	259	32%	723	3%
	25,000	471	58%	3,057	12%
	50,000	611	75%	6,549	25%
	Total		812	100%	25,968

- Target population for access pool is entry level crew and owner-operators
- Entry level defined as IFQ participants owning less than 5,000 pounds of combined halibut and sablefish IFQ in all areas based on 2019 quota share holdings
- This definition includes 53% of current QS holders
- Crewmembers
 - Lack of data
 - In 2020: 2,835 TEC holders who do not hold QS

Table 2, p.5-Potential eligible access pool recipients under different eligibility thresholds



DEFINING ENTRY LEVEL PARTICIPATION

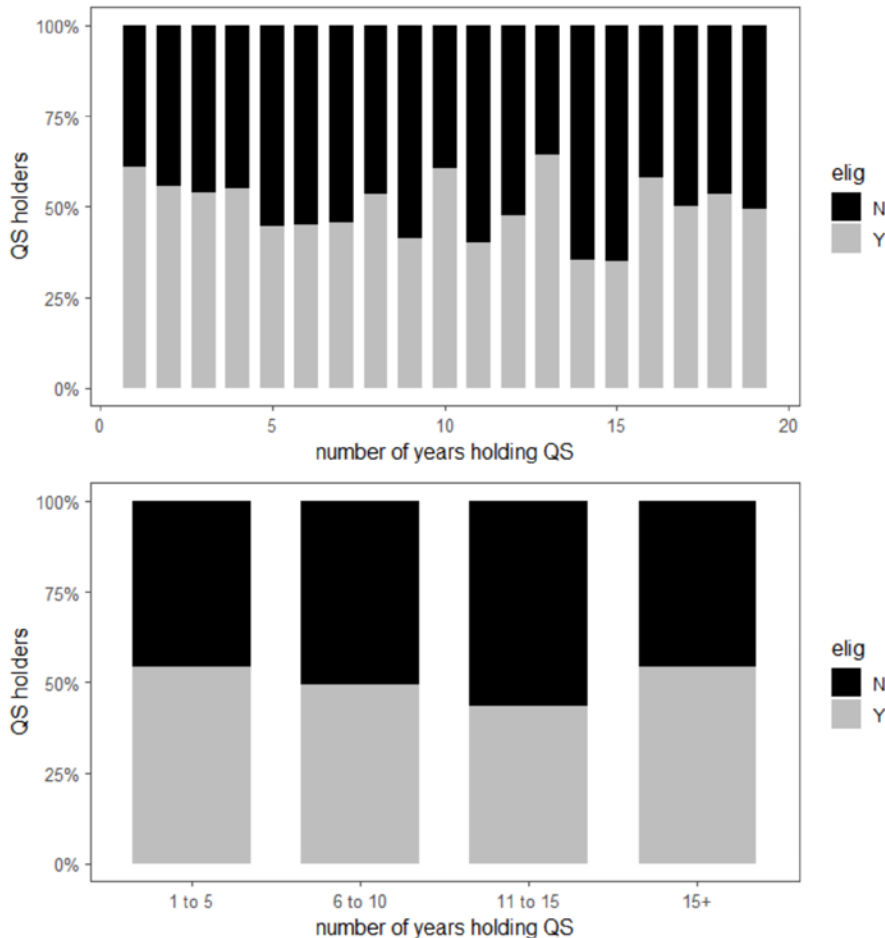


- The amount of QS equivalent to 5,000 pounds of IFQ in 2019
 - varies by IFQ area
 - is equivalent to different quantities of IFQ pounds each year

Figure 3. 2009-2020 value in IFQ pounds (black line) of QS units equivalent to 5,000 pounds of IFQ in 2019 (text) by IFQ Area and species. Note Y-axis differs for Halibut and Sablefish.



DEFINING ENTRY LEVEL PARTICIPATION



- Entry level connotes a relative lack of experience in the fishery.
- The total amount of QS held and the rate of accumulation of QS varies by individual and operation and does not always correlate with the length of time an individual has held QS.
- The percentage of participants who are eligible for the access pool is not related to the length of time they have held QS

Figure 5. Percent of eligible 2019 QS holders (at 5,000 pound IFQ threshold) based on years holding QS.



ACCESS POOL QUANTITY AND DISTRIBUTION

Halibut

	2019	2020
IFQ Area	1% IFQ (pounds)	1% IFQ (pounds)
2C	36,100	34,100
3A	80,600	70,500
3B	23,300	24,100
4A	16,500	14,100
4B	9,680	8,800
4C	4,550	3,830
4D	6,370	5,362
4E	-	-
All	177,100	160,792

Sablefish

	2019	2020
IFQ Area	1% IFQ (pounds)	1% IFQ (pounds)
AI	26,565	26,962
BS	13,139	16,402
CG	91,315	113,669
SE	65,785	80,755
WG	27,888	34,259
WY	34,987	45,040
All	259,680	317,088

Tables 3 and 4 on page 13-14 display by vessel category as well



QS SOURCE MECHANISM

Transfer deduction

- 1% or 0.5% from each QS transfer deposited in the access pool until 1% of the total 2019 QS is accumulated

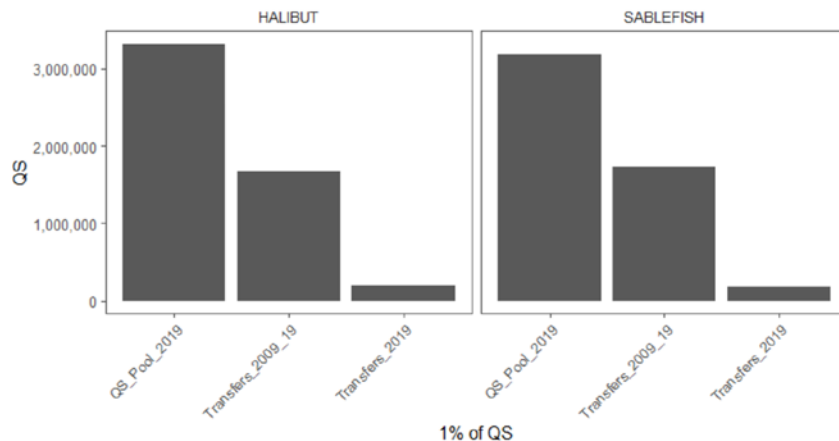


Figure 6. One percent of the 2019 QS Pool and one percent of all QS transfers in 2009-19 and 2019.

Issues to consider

- Time to full accumulation
- Transfer rates, accumulation by IFQ Area, vessel category
- Transfer types included
- Impacts to QS market
 - Cost imposed on transfers
 - Delay transfers
- Management and implementation challenges



QS SOURCE MECHANISM

Newly created QS units

- New QS units equaling 1% of the total 2019 QS pool
- A new share type subject to the restrictions of the access pool

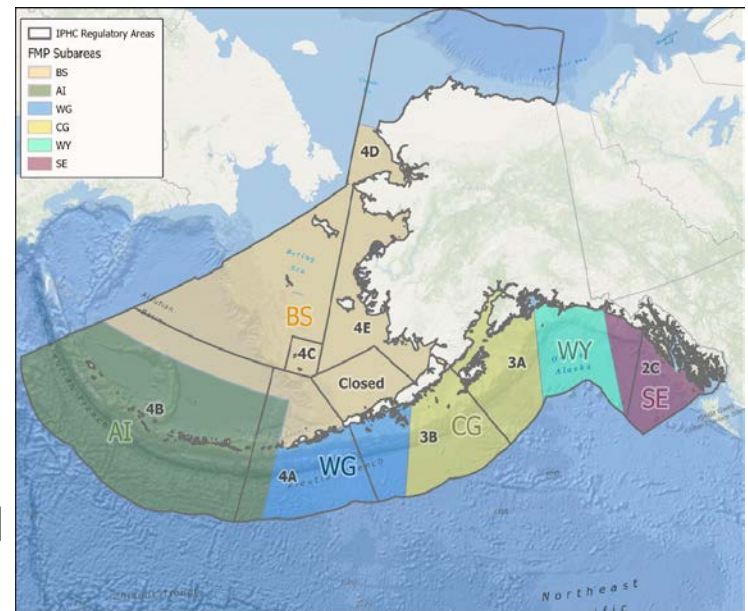
Issues to consider

- Dilute existing QS
 - With a stable TAC each unit of QS would correspond to a smaller amount of IFQ pounds
- Short term adverse impact to current QS holders
- Long term \$value change depends on specific market dynamics
- Utilization rates by IFQ Area
- Simpler implementation than transfer deduction



MANAGEMENT ENTITY

- Regional Fishery Association
 - Prohibited from receiving an initial allocation
- Other Entity
 - CQE or RQE as blueprint
- Number and geographic distribution
- Selection criteria for IFQ recipients
- Regulatory and administrative costs and considerations



OUTSTANDING QUESTIONS

- Eligibility threshold
 - Over half (53%) of current QS holders would qualify for an access pool under an eligibility threshold of 5,000 pounds of combined QS in 2019 values
 - How would eligibility apply to crewmembers (current, future TEC holders)?
 - Quantity of QS held does not correlate with length of time holding QS, therefore defining eligibility based solely on a threshold of QS holdings may not sufficiently target entry level participants
- QS source mechanisms
 - Under a transfer deduction of 1% or 0.5% of permanent QS transfers, it would take numerous years to accrue the full one percent of the 2019 QS into the access pool



OUTSTANDING QUESTIONS

- Access pool QS
 - How would access pool QS source and distribution relate to current breakdowns by IFQ regulatory areas and/or QS vessel categories?
 - Would this action apply to A shares?
 - Would the access pool quantity and eligibility thresholds remain static in terms of 2019 QS values and IFQ TACs or would it fluctuate annually?
 - If static, clarify why 2019 was selected as the index year.
- Access pool management entity
 - What is the optimal structure and number of access pool management entities to represent regional differences and maintain administrative efficiencies?
- Access pool quota disbursement
 - Develop guidance regarding criteria to select access pool IFQ recipients.



IFQ COMMITTEE MEETING (MARCH 25TH)

- The Committee focused most of the discussion on the Entry Level Quota Entity (ELQE) as proposed in the written public comment
- Discussed potential eligibility requirements and funding mechanisms
- Comment from public and Committee members
 - In favor
 - sustaining participation from small communities
 - creating opportunity and diversification for entry level fishermen
 - align with the IFQ Program goals of encouraging an owner/operator fleet and community participation
 - In opposition
 - distributional impacts on existing QS holders
 - relative accessibility of the fishery now given the current affordability of QS and low interest rates



IFQ COMMITTEE MEETING (MARCH 25TH)

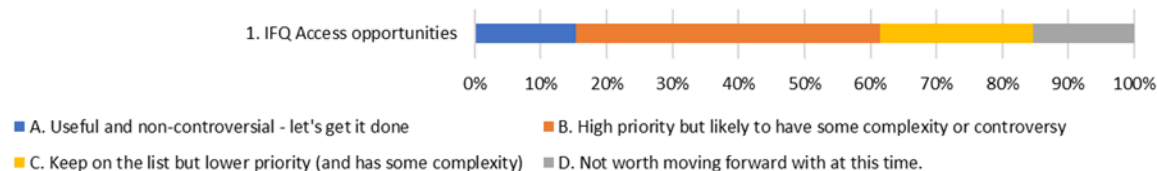
- The Committee recommended that any future work include specific discussion of the impacts of an access pool on existing QS holders who have mortgaged their quota.
- Committee members requested that staff continue to seek information on results from Norway's recruitment quota program.
- The Committee recommended that if this action moves forward, the access pool should be funded by newly created QS units as this implementation would be more expedient and less complex than a deduction on QS transfers.



IFQ COMMITTEE MEETING (MARCH 25TH)

- Most IFQ Committee members felt this issue is worth considering further, but there was a mix of responses to the relative priority
- General agreement that the issue may be complex and would require substantial time from staff and dedicated effort from the public
- Given workload, some members felt that there are more pressing issues in the fishery that should be the Council's priority and reach a wider array of stakeholders.
- Others felt that this program had been requested for quite some time and should be a priority moving forward.
- Proposal for discussion paper was passed out of the IFQ Committee before and identified as a specific deficiency in the 20-Year IFQ Program Review

In-Meeting Poll: IFQ Committee prioritization of possible Council actions



QUESTIONS?

- Thank you to contributors: Sarah Marrinan (NPFMC), Sam Cunningham (NPFMC); Doug Duncan (NMFS), Alicia Miller (NMFS), Tom Meyer (NOAA GC)

