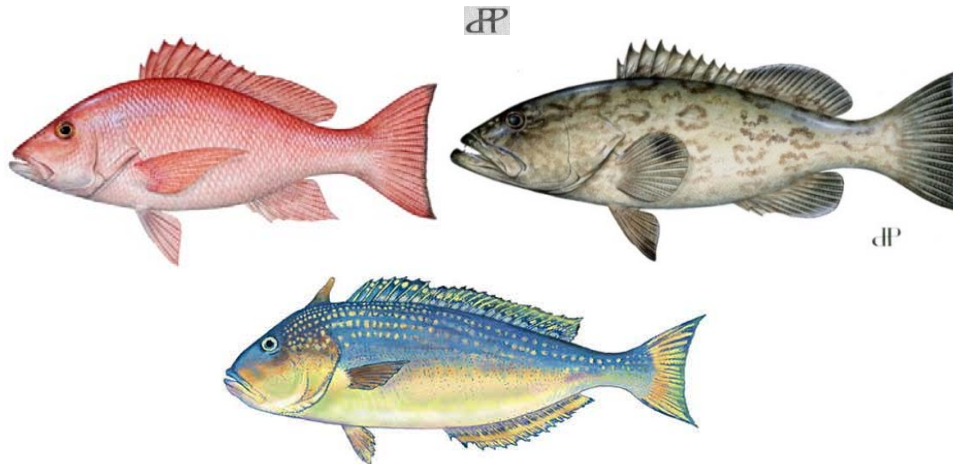


Modifications to Commercial Individual Fishing Quota Programs



Options for Amendment 36B to the Fishery Management Plan for the Reef Fish Resources of the Gulf of Mexico

August 2017



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ABBREVIATIONS USED IN THIS DOCUMENT

ACL	annual catch limit
AP	Advisory Panel
Council	Gulf of Mexico Fishery Management Council
DWG	deep-water grouper
GAO	US Government Accountability Office
GG	gag (grouper)
GT-IFQ	grouper-tilefish individual fishing quota (program)
Gulf	Gulf of Mexico
gw	gutted weight
IFQ	individual fishing quota
Magnuson-Stevens Act	Magnuson-Stevens Fishery Conservation and Management Act
MSY	maximum sustainable yield
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NPFMC	North Pacific Fishery Management Council
OY	optimum yield
PP	public participant
RG	red grouper
RL	related accounts
RS-IFQ	red snapper individual fishing quota (program)
SEFSC	Southeast Fisheries Science Center
SERO	Southeast Regional Office
SWG	shallow-water grouper
TF	tilefish
VMS	vessel monitoring system

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CHAPTER 1. INTRODUCTION

1.1 Background

Currently, there are two commercial individual fishing quota (IFQ) programs in the Gulf of Mexico (Gulf). Amendment 26¹ (GMFMC 2006) established the red snapper IFQ (RS-IFQ) program, and Amendment 29² (GMFMC 2008) established the grouper and tilefish IFQ (GT-IFQ) program. The RS-IFQ program began on January 1, 2007, and the GT-IFQ program began on January 1, 2010.

As mandated by the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act) and by Amendment 26, the Gulf of Mexico Fishery Management Council (Council) and the National Marine Fisheries Service (NMFS) collaboratively conducted a 5-year review of the RS-IFQ program (GMFMC and NMFS 2013), which was formally approved at the April 2013 Council meeting. The conclusions of the report are provided in Appendix C. The Council proceeded to appoint an Ad Hoc Red Snapper IFQ Advisory Panel (AP) to assist in recommending improvements to the program by identifying potential changes to the RS-IFQ program (Appendix D). The Council discussed a list of issues as potential modifications to the program at its February and April 2014 meetings and made modifications to the list. At its August 2014 meeting, the Council requested development of a scoping document to begin considering potential modifications to improve the performance of the RS-IFQ program. Scoping workshops were held in March 2015 (Appendix E).

At its January 2016 meeting, the Council decided to further evaluate the items under consideration in the scoping document in separate amendments (36A and 36B), and expanded the scope to apply the proposed actions to both the RS-IFQ and GT-IFQ programs. The Council took final action on Amendment 36A at its April 2017 meeting, which expanded the hail-in requirement to all commercial reef fish vessels landing any reef fish species, returned shares held in non-activated accounts to NMFS, and provided the Regional Administrator the authority to withhold IFQ allocation at the beginning of a year in which a quota reduction is to occur. Amendment 36B addresses the remaining items, which are outlined below.

The 5-year review of the GT-IFQ program is nearly complete and the Council is expected to review a draft of the 5-year review at its meeting in August 2017. It is important to note that both the RS-IFQ and GT-IFQ programs are managed under a common reporting system. This means changes that affect this system in one program are likely to affect the other program, as well. It is possible that future IFQ program reviews could be combined to evaluate all reef fish species managed under IFQ programs.

The potential changes to the IFQ programs were compiled from three sources: 1) Council discussions, 2) the conclusions and recommendations of the RS-IFQ program 5-year review, and 3) recommendations made by the Ad Hoc Red Snapper IFQ AP. Administrative changes

¹ Reef Fish Amendment 26: Establish a Red Snapper Individual Fishing Quota Program
<http://www.gulfcouncil.org/Beta/GMFMCWeb/downloads/Amend26031606FINAL.pdf>

² Reef Fish Amendment 29: Effort Management in the Commercial and Tilefish Fisheries
<http://gulfcouncil.org/Beta/GMFMCWeb/downloads/Final%20Reef%20Fish%20Amdt%2029-Dec%2008.pdf>

suggested to date, including changes proposed by the Ad Hoc Red Snapper IFQ AP, were omitted from this document because they were considered and included in a separate rule published in 2014 [79 FR 15287, March 19, 2014³]. A summary of the administrative changes was discussed at the April 2014 Council meeting.

Per the Magnuson-Stevens Act, the adoption of the RS-IFQ program in the Gulf required two referenda among eligible program participants: an initial referendum before development of the amendment and a final referendum before the amendment was submitted to the Secretary of Commerce. The Magnuson-Stevens Act only required a single referendum for the implementation of the GT-IFQ program, held after the program was developed and before the amendment was submitted to the Secretary of Commerce. In 2014, an initial list of potential changes to the RS-IFQ program generated from the three sources above was submitted to the Office of the National Oceanic and Atmospheric Administration (NOAA) General Counsel for evaluation as to whether the changes to be considered would trigger referendum requirements. The Office of the NOAA General Counsel advised that none of the potential changes on that list would trigger the referenda requirements except the proposal to collect resource rent through auctions, which has been removed by the Council from further consideration.

Structure of the IFQ Programs

Both IFQ programs use shares and allocation to distribute and account for fishing quotas. Shares for each species or species group (share category) represent a percentage of the commercial quota for that share category, such that 100% of shares represent the total commercial quota for a given IFQ managed species or share category. These shares are durable; that is, they may remain with the shareholder year after year unless transferred to another shareholder account or are revoked, limited, or modified by NMFS. Allocation refers to the pounds of quota represented by the shares (percent of quota) held by a shareholder and is distributed to shareholder accounts by the first of each year. Allocation may only be used in the year for which it was distributed; annual allocation is removed from all accounts at the end of the year.

At the beginning of each year, allocation is distributed to shareholders based on the share percentage held by the IFQ shareholder and the annual quota for each share category. Shares and allocation can be transferred among IFQ program participants. The transfer of shares equates to a sale of ownership of those shares and the transfer of allocation is a one-time transaction for the right to catch the quantity of pounds sold, often referred to as “leasing” by the public, fishermen, and academics. Appendix A contains a glossary of terms used in the IFQ programs.

³ <http://www.gpo.gov/fdsys/pkg/FR-2014-03-19/pdf/2014-06065.pdf>

Example: [shares] x [quota] = pounds of allocation

Shares = percentage of the total quota.

Allocation = pounds of the total quota represented by the shares.

Year 1

A shareholder has 3% of shares.

Quota is 1.0 mp.

The shareholder receives 30,000 lbs of allocation at beginning of year 1.

Year 2

The next year, the shareholder still has 3% of shares.

Quota increases to 1.5 mp.

The shareholder receives 45,000 lbs of allocation at beginning of year 2.

Year 3

During year 2, the shareholder sells 1% of shares (he now has 2% of shares).

Quota increases to 2.0 mp.

The shareholder receives 40,000 lbs of allocation at beginning of year 3.

Although the RS-IFQ and GT-IFQ programs were established through separate amendments and IFQ shares were initially distributed independently for each program, both programs use the same web-based monitoring and reporting system. Therefore, the same shareholder, vessel, and dealer accounts are used to participate in both programs (i.e., a fisherman has one IFQ account that can be used for both the RS-IFQ and GT-IFQ programs). Since implementation of the GT-IFQ program on January 1, 2010, a majority of vessels that land red snapper also land grouper-tilefish species, and vice versa (Table 1.1.1).

Table 1.1.1. Overlap between vessels landing red snapper and grouper-tilefish.

Year	# Vessels landing GT	% Vessels landing GT also landing RS	# Vessels landing RS	% Vessels landing RS also landing GT
2010	452	78%	384	91%
2011	440	75%	362	91%
2012	449	77%	371	94%
2013	414	81%	368	91%
2014	434	83%	401	90%
2015	446	85%	415	91%

Source: Tables 8 and 10 for grouper-tilefish vessels (NMFS 2016b); Table 6 for red snapper vessels (NMFS 2016a).

Additionally, shareholder accounts may hold and transfer shares and allocation from both programs. For example, in 2016, of the 749 accounts that held shares, 278 (37%) held both RS and GT-IFQ shares (J. Stephen, Southeast Regional Office, pers. comm.). In addition, both programs follow the same regulations for landing notifications (hail-ins), offloading, cost-recovery fees, and account status determinations (e.g., active or inactive). This was in part the

reason that the Council decided to expand the scope of this amendment to address both IFQ programs.

Proponents of IFQ programs argue they provide the opportunity to better utilize fishing and handling methods, increase economic efficiency, and reduce bycatch of non-targeted species. Improving catch efficiency may also result in a decrease in regulatory discards of red snapper and other reef fish species by allowing fishermen the choice of when and where to fish. Additionally, the slower paced fishing and transferability of quota under the RS-IFQ program supports consolidation of the fishery, allowing fewer fishermen to operate over a longer season.

On the other hand, consolidation towards fewer fishermen corresponds with a decrease in employment, a commonly observed social impact in IFQ-type programs (Olson 2011). When employment has been found to increase, it was mostly in the processing sector (Batstone and Sharp 1999). Other negative impacts have been documented in IFQ programs including barriers to entry by the next generation (Copes 1997; GAO 2004; Carothers et al. 2010; Szymkowiak and Himes-Cornell 2015); increase in vertical integration, such as when a business owns the quota shares, fish house, and vessels and is able to control prices paid to fishermen (McCay and Creed 1990; Lowe 2008); and difficulty for small-scale operators to remain in the fishery due to concentration of quota among fewer entities with access to capital to further expand their shareholdings (Copes and Charles 2004; McCay et al. 1995; Stewart and Walshe 2008). Quota leasing, the practice where a quota holder sells their allocation to fishermen who actually catch the fish, has resulted in decreased profits for those who catch the fish (Pinkerton and Edwards 2009). These negative impacts are generally focused on the economically weaker and less powerful participants in the fishery such as captains and crew (Copes 1997; Olson 2011).

The Red Snapper (RS-IFQ) Program

Prior to establishing the RS-IFQ program, the Gulf commercial red snapper fleet was overcapitalized, which means the collective harvest capacity of fishery vessels and participants was in excess of that required to efficiently take their share of the total allowable catch (Agar et al. 2014; Leal et al. 2005; Weninger and Waters 2003). This overcapacity caused commercial red snapper regulations to become increasingly restrictive over time, resulting in derby-style fishing conditions where participants compete with each other to harvest as many fish as possible before the quota is met and the fishing season is closed (Weninger and Waters 2003). Solis et al. (2014) estimated that about one-fifth of the existing fleet could harvest the commercial red snapper quota at that time.

Additionally, derby-style fishing creates negative social and economic conditions, including reducing or eliminating considerations about weather conditions in deciding when to fish, adversely affecting safety at sea; flooding the market with fish, thereby depressing ex-vessel prices and reducing profits; and increasing competition on the water, thereby exacerbating user conflicts (Waters 2001). Further, derby fishing can adversely affect target and non-target stocks unnecessarily by providing participants less flexibility in deciding when, where, and how to fish. An IFQ program surfaced as a tool with strong potential for effectively addressing the problems for commercial red snapper fishing. The RS-IFQ program was intended to help the Council address overfishing and rebuild the stock by reducing the rate of discard mortality that normally increases with increased fishing effort in overcapitalized fisheries (NRC 1999; Leal et al. 2005).

Amendment 26 (GMFMC 2006) evaluated a wide range of alternatives for various IFQ program components related to: program duration; ownership caps and restrictions; initial eligibility requirements; initial allocation of quota shares; appeals; transfer eligibility requirements; adjustments in commercial quota; enforcement; and administrative fees. The Council's intent was to design an IFQ program that best balances social, economic, and biological tradeoffs, while improving the fishery's ability to achieve fishery goals and objectives, including optimum yield (OY). The RS-IFQ program 5-year review found that progress had been made toward achieving the goals of the program. However, through experience with the program, the Council and IFQ participants have identified areas for possible improvement.

The Grouper Tilefish (GT-IFQ) program

The multi-species GT-IFQ program (Table 1.1.2) was implemented to rationalize effort and reduce overcapacity of the grouper-tilefish fishing fleet to help achieve and maintain OY in these multi-species fisheries. By rationalizing effort, the GT-IFQ program was expected to mitigate some of the problems resulting from derby fishing conditions or at least to prevent the condition from becoming more severe. Further, reducing overcapacity was expected to improve profitability of commercial fishermen who target grouper and tilefish. Implemented January 1, 2010, anticipated benefits of the program include: increased market stability; elimination of quota closures; increased flexibility for fishing operations; cost-effective and enforceable management; improved safety at sea; reduction in bycatch; and balancing of social, economic, and biological benefits. The 5-year review of the GT-IFQ program is currently underway and is evaluating the progress of the GT-IFQ program toward meeting the program's goals.

Currently, 13 reef fish species are managed under the GT-IFQ program as share categories. Gag and red grouper represent their own share categories, and the remaining species are managed as multi-species share categories (Table 1.1.2). The deep-water grouper (DWG) share category includes four species; the shallow-water grouper (SWG) category includes four species; and the tilefish (TF) category includes three species. Additional flexibility is provided to allow some species to be landed under the allocation of another share category. A proportion of gag (GG) and red grouper (RG) allocation are designated as multi-use, allowing RG allocation to be harvested as GG multi-use allocation once all RG and RG multi-use allocation in an account has been harvested, and vice versa. Scamp are designated as a SWG species, but may be landed using DWG allocation after all SWG allocation in an account has been harvested. Similarly, warsaw grouper and speckled hind are designated as DWG, but may be landed using SWG allocation after all DWG allocation in an account has been harvested. In each of the three multi-species share categories, one species comprised the majority of the landings in 2015: yellowedge grouper represented 77% of the DWG category; scamp represented 76% of the SWG category; and tilefish represented 90% of the TF category (NMFS 2016b).

Table 1.1.2. Share categories for species managed in the GT-IFQ program.

Multi-species share category	Share category Abbreviation	Species Included
Deep-water grouper	DWG	Snowy grouper Speckled hind Warsaw grouper Yellowedge grouper
	GG	Gag
	RG	Red grouper
Shallow-water grouper	SWG	Black grouper Scamp Yellowfin grouper Yellowmouth grouper
Tilefish	TF	Blueline tilefish Tilefish (golden) Goldface tilefish

Although the grouper-tilefish commercial fleet was considered at overcapacity before implementation of the GT-IFQ program, a single fishing season was open for each respective species or species groups. When the respective quota for a species or species group was estimated to have been met, the fishing season was closed. A summary of the season closures for grouper and tilefish species prior to implementation of the GT-IFQ program is provided in Table 1.2.5.

1.2 Program Goals Evaluation

Appendix B provides the goals of the programs from the respective amendment implementing each IFQ program. While progress toward existing goals has been made (GMFMC and NMFS 2013), the IFQ programs have fundamentally changed the way fishing for IFQ-managed species is conducted. Given that the programs have been in place for several years, the Council may want to evaluate 1) whether the original goals of the program have been met or if further progress is needed toward achieving the goals, and 2) should new goals be added to address changes in the fishery that have come about as a result of the IFQ programs.

RS-IFQ Program Goals

The goals of the RS-IFQ program are to reduce overcapacity in the commercial harvest of red snapper, and to the extent possible, the problems associated with derby fishing conditions. The RS-IFQ program 5-year review (GMFMC and NMFS 2013; Appendix C) found that progress had been made toward achieving the goals of the program. Concerning participant consolidation and overcapacity, the 5-year review concluded that the RS-IFQ program has had moderate

success in reducing overcapacity. However, economic analyses indicate that additional reductions in fleet capacity are still necessary to achieve the economically efficient fleet size (Solis et al. 2014).

One metric used to assess the goal to reduce overcapacity concerned the number of vessels landing red snapper, which has decreased since implementation of the program. The number of vessels reached a low of 294 vessels in 2009 (Table 1.2.1). Since that time, the number of vessels has increased overall, due in part to the GT-IFQ program that began in 2010. Between 2013 and 2014, the number of commercial vessels landing red snapper increased by 9%. Between 2014 and 2015, the number of vessels landing red snapper increased an additional 3.5%. Although the increase in vessels occurred across nearly all states, these increases are primarily among vessels making landings in Florida. This is likely due to the expansion of red snapper to the east as the stock rebuilding plan has progressed, making red snapper available to fishermen in areas where they were rarely found in the preceding decades. The red snapper stock has been found to be in decline or in an overfished condition since the first red snapper stock assessment in 1986 (Parrack and McClellan 1986). The first red snapper rebuilding plan was implemented in 1990 through Amendment 1 (GMFMC 1989) and has been modified in the following years. Despite the increase in the number of vessels landing red snapper, the number of vessels is still below the average number of vessels (485) in the 5 years preceding implementation of the RS-IFQ program.

Table 1.2.1. Number of commercial vessels landing red snapper by state.

Year	Total ¹	FL	AL/MS	LA	TX	% vessel overlap with GT-IFQ program ³
2002 -2006 ²	485	-	-	-	-	NA
2007	309	224	8	42	60	NA
2008	300	219	16	37	49	NA
2009	294	221	14	27	40	NA
2010	384	309	30	27	34	91%
2011	362	292	27	20	31	91%
2012	371	304	23	23	28	94%
2013	368	295	20	27	35	91%
2014	401	320	23	26	36	90%
2015	415	341	24	28	40	91%

¹ The total number of vessels is less than the sum of vessels across states because some vessels land in multiple states.

² Values for 2002-2006 are average values across this time period from the coastal logbook records.

³ Percentage of vessels landing red snapper that also landed GT-IFQ species.

Source: Table 6 in NMFS 2016a.

Prior to implementation of the RS-IFQ program, the commercial harvest of red snapper was prosecuted during short seasons (Table 1.2.2). To allow NMFS to calculate landings toward the catch limit, the season would open for ten days at the beginning of each month then remain closed for the duration of the month. Since implementation of the RS-IFQ program, fishing seasons are no longer applicable, as the opportunity to harvest red snapper is determined by a

commercial vessel having IFQ allocation. The fishing season increased from an average of 109 calendar days during the 5 years preceding the RS-IFQ program to a year-round season beginning in 2007, provided a vessel has red snapper allocation (GMFMC and NMFS 2013). Under the RS-IFQ program, any vessel possessing a commercial permit for reef fish and an IFQ vessel account may land red snapper provided adequate RS-IFQ allocation is present in the vessel account at the time of landing.

Concerning the goal to mitigate derby fishing and concerns for safety-at-sea, the 5-year review concluded that the RS-IFQ program was successful in providing fishermen with the opportunity to harvest and land red snapper year-round. Safety at sea has increased and annual mortalities related to fishing have declined since the RS-IFQ program implementation (GMFMC and NMFS 2013).

Table 1.2.2. Commercial red snapper landings including overages/underages and historical season length, 1986-2006. Commercial quotas began in 1990. Quotas and landings are in million pounds (mp) whole weight (ww).

Year	Quota	Landings	% Quota Landed	Days Open (days that open or close at noon are counted as half-days) (“+” = split season)
1986	N/A	3.700	N/A	365
1987	N/A	3.069	N/A	365
1988	N/A	3.960	N/A	365
1989	N/A	3.098	N/A	365
1990	3.10	2.650	85%	365
1991	2.04	2.213	108%	235
1992	2.04	3.106	152%	52½ + 42 = 94½
1993	3.06	3.374	110%	94
1994	3.06	3.222	105%	77
1995	3.06	2.934	96%	50 + 1½ = 51½
1996	4.65	4.313	93%	64 + 22 = 86
1997	4.65	4.810	103%	53 + 18 = 71
1998	4.65	4.680	101%	39 + 28 = 67
1999	4.65	4.876	105%	42 + 22 = 64
2000	4.65	4.837	104%	34 + 25 = 59
2001	4.65	4.625	99%	50 + 20 = 70
2002	4.65	4.779	103%	57 + 24 = 81
2003	4.65	4.409	95%	60 + 24 = 84
2004	4.65	4.651	100%	63 + 32 = 95
2005	4.65	4.096	88%	72 + 48 = 120
2006	4.65	4.649	100%	72 + 43 = 115

Source: SEDAR 31 (2013) Data Workshop Report. Commercial quotas/landings in gutted weight were multiplied by 1.11 to convert to ww.

The commercial sector had quota overruns in 10 of the 21 years before implementation of the RS-IFQ program in 2007. Each vessel that qualified for the RS-IFQ program (i.e., Class 1 or 2 license holders) was issued shares of the commercial quota and the amount of shares issued was based on historical participation. At the beginning of each year, each shareholder is issued

allocation in pounds based on the amount of shares held. Each shareholder may then harvest their allocation, sell or trade their allocation to other fishermen (transfer out), obtain allocation from other fishermen (transfer in), or transfer allocation among related accounts. In addition, shares can be transferred (bought, sold, gifted, bartered, etc.) among participants. As a result of the RS-IFQ program, the commercial red snapper season has not closed since 2007, but a commercial vessel cannot land red snapper unless it has sufficient allocation in its vessel account to cover the landing poundage. Thus, the RS-IFQ program has ended quota overruns (Table 1.2.3). Commercial landings have averaged 97.5% of the sector annual catch limit (ACL) from 2007 through 2015, and come closest to meeting the sector ACL in 2014 (99.2%).

Table 1.2.3. Red snapper commercial quotas since implementation of the RS-IFQ program, including quota increases, total landings, and proportion of quota landed (pounds gutted weight).

Year	Quota on Jan 1	Quota Increase	Increase Date	Quota on Dec 31	Total Landings	% Quota Landed
2007	2,297,297	689,189	June 1	2,986,486	2,867,325	96.0%
2008	2,297,297	N/A	N/A	2,297,297	2,237,480	97.4%
2009	2,297,297	N/A	N/A	2,297,297	2,237,446	97.4%
2010	2,297,297	893,694	June 2	3,190,991	3,056,044	95.8%
2011	3,190,991	109,910	May 31	3,300,901	3,238,335	98.1%
2012	3,300,901	411,712	June 29	3,712,613	3,636,395	97.9%
2013	3,712,613	174,774 1,166,667	May 29 Sept 30	5,054,054	4,908,598	97.1%
2014	5,054,054	N/A	N/A	5,054,054	5,016,056	99.2%
2015	5,054,054	1,516,216	June 1	6,570,270	6,472,261	98.5%
2016	6,097,297	N/A	N/A	6,097,297	6,057,498	99.3%

Source: Southeast Regional Office (SERO) IFQ database.

http://sero.nmfs.noaa.gov/sustainable_fisheries/ifq/documents/pdfs/commercialquotascatchallowancetable.pdf

GT-IFQ Program Goals

As noted, the GT-IFQ program 5-year review is evaluating the program's progress toward achieving its goals, and the results of the 5-year review will be presented to the Council at its August 2017 meeting. According to the 2014 GT-IFQ program annual review (NMFS 2015b), the consolidation of shareholders, allocation holders, and vessels continued in 2014, although new participants also joined the program that year. For the first time since program implementation, the number of shareholders increased in 2015, from 628 shareholders in 2014 to 645 shareholders in 2015. Still, the number of shareholders in 2015 is 16% lower than the number of shareholders at the start of the program (NMFS 2016b). Also in 2014, 29 new accounts acquired shares, the proportion of accounts without shares increased to 26%, and accounts without permits increased to 26%. In 2015, there were between 21 and 36 new shareholder accounts within a given share category, which resulted in the creation of 59 new shareholders (NMFS 2016b). This was the largest number of new accounts created since the start of the program.

Table 1.2.4 provides the number of vessels landing each of the GT-IFQ share categories. The majority of GT-IFQ landings occur in Florida. Thus, landings made in the other four Gulf states are combined and provided by year. The total number of vessels with landings for each share category has decreased since implementation of the GT-IFQ program. Across all share categories, 630 commercial reef fish vessels made grouper or tilefish landings on average from 2007 through 2009, prior to program implementation. The total number of vessels with landings for any share category reached a low in 2013; however, between 2013 and 2015, the number of vessels with landings for any share category increased by 7.2%.

Table 1.2.4. Number of commercial vessels landing GT-IFQ program species by share category.

DWG	Total #	FL	Other Gulf	GG	Total #	FL	Other Gulf	RG	Total #	FL	Other Gulf
Pre-IFQ	238	NA	NA	Pre-IFQ	493	NA	NA	Pre-IFQ	546	NA	NA
2010	187	142	59	2010	415	379	44	2010	393	383	11
2011	192	148	54	2011	363	336	29	2011	383	375	9
2012	206	165	52	2012	384	354	37	2012	398	386	13
2013	185	144	52	2013	367	334	40	2013	363	356	9
2014	186	143	47	2014	376	348	29	2014	384	371	13
2015	165	125	47	2015	374	347	32	2015	376	369	9

SWG	Total #	FL	Other Gulf	TF	Total #	FL	Other Gulf	All Categories	Total #	FL	Other Gulf
Pre-IFQ	489	NA	NA	Pre-IFQ	166	NA	NA	Pre-IFQ	630	NA	NA
2010	322	284	54	2010	79	66	22	2010	452	401	64
2011	307	270	43	2011	75	59	23	2011	440	388	59
2012	343	304	52	2012	97	81	21	2012	449	398	61
2013	324	282	52	2013	78	61	23	2013	414	364	57
2014	353	310	46	2014	91	75	18	2014	434	386	51
2015	341	299	53	2015	86	66	24	2015	446	397	57

Notes: The total number of vessels is less than the sum of vessels across states because some vessels land in multiple states. Pre-IFQ is the annual average based on the years 2007 through 2009.

Source: Table 10 in NMFS 2016b.

Compared to the mini-seasons (i.e., the first 10-days of each month) that characterized fishing for red snapper prior to implementation of the RS-IFQ program, fishing closures for species that would be managed under the GT-IFQ program occurred as in-season closures. Prior to 2004, RG was included in the SWG quota, and prior to 2009, GG was included in the SWG quota. SWG species faced fewer in-season closures that occurred later in the year compared to DWG and TF species, which had more frequent closures that occurred earlier in the year (Table 1.2.5). For example, from 2006 until the beginning of the GT-IFQ program, the SWG and GG fishing season remained open year-round, while RG closed in November in each of these years. For DWG, an in-season closure occurred every year from 2004 through 2009 and as a result, the season length was reduced by approximately 50% during those years. There was not a quota for

TF prior to 2004; however, since its implementation the TF quota was met each year from 2005 through 2009. Thus, the season length for TF was reduced by more than 60% or more between 2006 and 2009.

Table 1.2.5. Commercial quotas (mp gw) and season length for GT-IFQ program share categories prior to program implementation. GG was included in the SWG quota until 2009 and RG was included in the SWG quota until 2004. A TF quota was not implemented until 2004.

Year	SWG Quota	GG Quota	SWG Days Open	RG Quota	RG Days Open	DWG Quota	DWG Days Open	TF Quota	TF Days Open
1990	7.80	*	311	*	311	1.35	365	n/a	365
1991	9.44	*	365	*	365	1.35	365	n/a	365
1992	9.35	*	366	*	366	1.35	365	n/a	365
1993	9.35	*	365	*	365	1.35	365	n/a	365
1994	9.35	*	365	*	365	1.35	365	n/a	365
1995	9.35	*	365	*	365	1.35	365	n/a	365
1996	9.35	*	366	*	366	1.35	365	n/a	365
1997	9.35	*	365	*	365	1.35	365	n/a	365
1998	9.35	*	365	*	365	1.35	365	n/a	365
1999	9.35	*	320	*	320	1.35	365	n/a	365
2000	9.35	*	320	*	320	1.35	365	n/a	365
2001	9.35	*	320	*	320	1.35	365	n/a	365
2002	9.35	*	320	*	320	1.35	365	n/a	365
2003	9.35	*	320	*	320	1.35	365	n/a	365
2004	8.80	*	319	5.31	275	1.02	196	0.44	365
2005	8.80	*	282	5.31	320	1.02	174	0.44	325
2006	8.80	*	365	5.31	320	1.02	174	0.44	203
2007	8.80	*	365	5.31	320	1.02	153	0.44	108
2008	8.80	*	366	5.31	320	1.02	131	0.44	130
2009	0.41	1.32	365	5.75	320	1.02	178	0.44	135

Prior to implementation of the GT-IFQ program, grouper-tilefish species were managed for the commercial sector with a limited access fishing permit, trip limits, size limits, closed seasons, and quotas. Temporary trip limits for the commercial sector were implemented in March 2005. These trip limits were requested by the commercial fishing industry and were effective until February 26, 2006. A 6,000-lb gutted weight (gw) aggregate DWG and SWG trip limit was implemented January 1, 2006 for the commercial harvest of grouper. Trip limits were expected to prolong the fishing season and reduce the adverse socioeconomic effects of derby fishing while still allowing all vessels, including high-capacity vessels, an opportunity to participate in the fishery (GMFMC 2008).

Table 1.2.6 provides the annual quota for each share category since implementation of the GT-IFQ program including mid-year quota increases, if applicable. Table 1.2.7 provides the annual landings for each share category and the proportion of the quota landed for each share category by year. Landings of GT-IFQ species have remained below the ACL for each species and share

category since the program began. In contrast to the RS-IFQ program, landings have generally remained further below the respective sector ACLs. Red grouper landings in 2014 reached a high of 98% of the ACL, while SWG landings met only 50% of the ACL. Quota changes can affect the proportion of the ACL that is landed. For example, due to the large increase in RG quota of over 2 mp (million pounds) gw in October 2016 (Table 1.3.6), only 58% of the RG ACL was landed that year.

Table 1.2.6. Annual quotas (pounds gutted weight) for GT-IFQ program share categories including quota increases since implementation of the GT-IFQ program.

<u>DWG</u>	Jan 1	Quota Increase	Increase Date	Dec 31	<u>GG</u>	Jan 1	Quota Increase	Increase Date	Dec 31
2010	1,020,000			1,020,000	2010	1,410,000			1,410,000
2011	1,020,000			1,020,000	2011	100,000	330,000	June 1	430,000
2012	1,020,000	107,000	Jan 30	1,127,000	2012	430,000	137,000	Mar 12	567,000
2013	1,118,000			1,118,000	2013	708,000			708,000
2014	1,110,000			1,110,000	2014	835,000			835,000
2015	1,101,000			1,101,000	2015	939,000			939,000
2016	1,024,000			1,024,000	2016	939,000			939,000

<u>RG</u>	Jan 1	Quota Increase	Increase Date	Dec 31	<u>SWG</u>	Jan 1	Quota Increase	Increase Date	Dec 31
2010	5,750,000			5,750,000	2010	410,000			410,000
2011	4,320,000	910,000	Nov 2	5,230,000	2011	410,000			410,000
2012	5,370,000			5,370,000	2012	410,000	99,000	Jan 30	509,000
2013	5,530,000			5,530,000	2013	518,000			518,000
2014	5,630,000			5,630,000	2014	523,000			523,000
2015	5,720,000			5,720,000	2015	525,000			525,000
2016	5,720,000	2,060,000	Oct 12	7,780,000	2016	525,000			525,000

<u>TF</u>	Jan 1	Quota Increase	Increase Date	Dec 31
2010	440,000			440,000
2011	440,000			440,000
2012	440,000	142,000	Jan 30	582,000
2013	582,000			582,000
2014	582,000			582,000
2015	582,000			582,000
2016	582,000			582,000

Note: Beginning in 2012, quotas equal the ACT.

Table 1.2.7. Commercial landings of GT-IFQ program species (pounds gutted weight) and proportion of ACL landed.

	DWG	GG	RG	SWG	TF	ALL
2010	624,762	493,938	2,913,858	158,234	249,708	4,440,500
	61%	35%	51%	30%	57%	49%
2011	779,519	320,137	4,782,194	186,235	386,134	6,454,219
	76%	74%	91%	45%	88%	86%
2012	963,835	525,066	5,217,205	300,367	451,121	7,457,594
	86%	93%	97%	59%	78%	91%
2013	912,923	579,664	4,594,672	307,846	440,091	6,835,196
	82%	82%	83%	59%	76%	81%
2014	1,048,142	689,528	5,498,754	263,251	517,268	8,016,943
	94%	83%	98%	50%	89%	92%
2015	911,339	554,941	4,784,992	282,338	537,512	7,071,122
	83%	59%	84%	54%	92%	80%
2016	889,965	910,996	4,497,582	335,238	429,003	7,062,784
	87%	97%	58%	64%	74%	65%

Source: Table 17 in NMFS 2016b. 2016 from SERO Commercial Quotas Catch Allowance Table.⁴

Although derby fishing was not as much of a problem for the commercial harvest of groupers and tilefishes as it was for red snapper, there were still closures before the end of the year for some species, in some years. Since implementation of the GT-IFQ program, fishermen are provided with the opportunity to harvest and land GT-IFQ species year-round (Table 1.2.8), provided they can obtain the necessary allocation. The GT-IFQ Program 5-year Review will provide additional detail on the progress made toward this goal.

Table 1.2.8. 2015 landings of IFQ program species by month in pounds gutted weight.

	DWG	GG	RG	SWG	TF	ALL G-TF	RS
Jan	49,141	38,717	346,553	17,726	26,292	478,429	429,044
Feb	30,201	40,135	377,266	16,604	25,885	490,091	419,257
Mar	70,793	68,525	586,891	28,584	60,672	815,465	639,870
Apr	113,801	48,889	563,888	22,090	53,782	802,450	426,335
May	92,505	56,515	397,064	26,645	34,327	607,056	516,018
Jun	132,601	65,145	330,577	37,722	54,986	621,031	545,247
Jul	105,722	37,457	240,003	26,372	46,521	456,075	509,457
Aug	75,875	34,054	287,456	27,986	47,284	472,655	616,951
Sept	57,064	22,785	493,225	9,690	25,380	608,144	502,257
Oct	60,078	21,120	320,964	11,750	55,348	469,260	526,516
Nov	38,770	39,099	354,287	22,307	45,084	499,547	560,901
Dec	84,788	82,500	486,818	34,862	61,951	750,919	780,408

Source: Table 13 in NMFS 2016a (red snapper); Table 18 in NMFS 2016b (grouper-tilefish).

⁴ <https://portal.southeast.fisheries.noaa.gov/cs/documents/pdf/CommercialQuotasCatchAllowanceTable.pdf>

Evaluate Existing RS-IFQ and GT-IFQ Program Goals

The Council should determine whether the goals for each program have been achieved or further progress is necessary. In the case of reducing overcapacity, for example, the Council could define the desired capacity (i.e., a desired number of vessels), express that the current capacity be maintained, or recommend that further reductions to capacity are warranted. It is possible that the Council will decide that capacity should be increased, allowing additional permitted vessels to enter the program. In that case, the Council should modify the goal to reduce overcapacity to ensure that any measures that allow an increase in capacity are consistent with the program goals.

Reducing overcapacity was a primary goal of the RS-IFQ program. As noted in Amendment 26, eliminating the derby-like fishing conditions and reducing overcapacity was anticipated to result in slower paced fishing activity, supporting fewer fishermen, operating over a longer season (GMFMC 2006). Progress has been made toward the RS-IFQ program goals, including a reduction in capacity (GMFMC and NMFS 2013), but additional reductions are possible to achieve maximum efficiency. Solis et al. (2014) suggest that approximately 20% of the vessels landing red snapper in 2011 could have harvested the entire red snapper quota that year. However, reducing capacity to this extent may not be a desirable goal, as regulatory discards and associated mortality would be expected to increase as other permitted commercial vessels continue to encounter and discard IFQ-managed species.

Results of the GT-IFQ program 5-year review will be presented to the Council at its August 2017 meeting. Preliminary results suggest that capacity has been reduced, but could be further reduced. It is estimated that approximately 50% of the vessels actively landing grouper-tilefish species could harvest the entire quotas for grouper-tilefish (L. Perruso, Southeast Fisheries Science Center, pers. comm.). Table 1.2.9 provides the number of vertical line and longline vessels landing red snapper and the number of vessels landing any species within the GT-IFQ program. Since implementation of the IFQ programs, the number of vessels landing IFQ program species has decreased.

Table 1.2.9. Number of vertical line and longline vessels landing red snapper and grouper-tilefish (1993 – 2015). The highlighted cells represent years since implementation of each IFQ program.

Year	Red Snapper		Grouper-Tilefish	
	Vertical line	Longline	Vertical line	Longline
1993	503	96	823	177
1994	460	79	869	174
1995	391	49	806	178
1996	392	63	722	171
1997	410	66	760	172
1998	382	59	767	159
1999	419	69	757	152
2000	433	56	771	156
2001	422	54	728	148
2002	419	55	722	148
2003	416	58	703	155
2004	434	57	696	153
2005	420	59	639	143
2006	388	54	573	130
2007	282	34	500	122
2008	276	27	480	114
2009	267	23	506	87
2010	327	29	388	61
2011	317	40	371	61
2012	313	39	368	65
2013	311	47	351	59
2014	335	52	364	63
2015	340	57	361	64

Source: Coastal logbook program 2017. Number of vessels was calculated based on activity. Because some vessels use both gears on the same or different trips, the total number of vessels by year may not total the number of vessels provided in Tables 1.2.1 and 1.2.4.

The IFQ programs have changed the way the fishery is prosecuted, especially for red snapper which has expanded into the eastern Gulf. This has led to tension between the goal of reducing overcapitalization and ensuring multi-species reef fish fishermen are able to obtain quota for IFQ-managed species caught incidentally. Reducing overcapacity has the effect of reducing the number of vessels engaged in the harvest of reef fish species managed under the IFQ programs. Due to the multi-species nature of the reef fish fishery, many commercial trips (especially bandit boats) target an array of species; however, to retain IFQ species, fishermen must have sufficient allocation for the respective IFQ-managed species. IFQs in multi-species fisheries can result in bycatch problems because fishermen “face the problem of reconciling their catches with their quota holdings” (Squires et al. 1998). Continuing to reduce overcapacity (i.e., further reduce the number of vessels harvesting IFQ species) could result in an increase in discard mortality, as

permitted vessels without IFQ allocation would be continue to encounter IFQ-managed species while fishing, but be required to discard those fish. Thus, further reducing capacity may no longer be a desirable goal.

Considerations for New RS-IFQ and GT-IFQ Program Goals

Actions taken to modify the programs should have a purpose that is supported by the program goals. The IFQ programs have fundamentally changed fishing behavior and relationships among those involved in the fishery, reflecting similar changes in IFQ-type programs around the world. Some of these changes have raised concerns including:

- access to shares and allocation by those actively fishing, including small participants (i.e., those who hold a relatively small amount of shares) and the next generation of fishermen;
- changing relationships in the fishery, such as between dealers and fishermen;
- new participation roles that do not entail active participation in the fishery (e.g., investors and quota brokers); and
- profits accruing to shareholders who do not assume the physical and economic risks of fishing, which are taken by captains and crew (Griffith et al. 2016).

Concerning the issue of shares and allocation being accessible to those who actively fish, the North Pacific Fishery Management Council (NPFMC) included active participation measures in designing the Alaska Halibut and Sablefish IFQ program. The NPFMC was concerned that a class of absentee shareholders would emerge in the fishery. The active participation measures aimed at maintaining the existing owner-operated vessels, transitioning away from corporate-held quota shares, and limiting the use of hired skippers by the initial recipients of quota shares. However, these measures did not achieve their intended goals. Szymkowiak and Himes-Cornell (2015) concluded that this was due to the fact that existing participants “will exploit loopholes if sufficient economic incentives existed to do so.” Participants were not violating IFQ program rules, but acting rationally within the new management structure. Given that the Gulf IFQ programs have been in place for several years, participants have become accustomed to the new regulatory regime and will seek ways to maintain their individual behavior within the new social context (Nyerges 1997). Thus, program modifications requiring participants to change their behavior may result in unintended consequences, as participants rationally seek continuity in their behavior and social position; that is, to continue their practice (Nyerges 1997).

Another issue concerns the next generation of fishermen. As the first generation of shareholders gives way to the second, it becomes increasingly difficult for active, next generation participants in the fishery to obtain shares. This has been documented in other IFQ-type programs (Copes 1997; GAO 2004; Carothers et al. 2010; Szymkowiak and Himes-Cornell 2015). Reasons for this include shareholders gifting shares to non-fishing descendants as inheritance, shares regarded as marital assets and awarded to non-fishing spouses during a divorce, and an increase in the cost of entry due to consolidation of IFQ ownership (McCay 2008).

The structure of the IFQ programs has allowed for the emergence of new participation roles such as brokers, who trade (buy and sell) allocation, but may not land IFQ species. The number of individuals in this category has increased since the implementation of the program, resulting in an apparent shift in how people participate. Annually, between 20-29% of all accounts only trade red snapper allocation and do not land allocation (Table 2.5.2.3), with a greater percent of

accounts only trading grouper and tilefish allocation and not making landings (Table 2.5.2.4). However, many of these accounts are related (i.e., same individuals) to other IFQ accounts that do land red snapper (see Section 2.1), and thus are not acting as brokers.

To address some of the changes that have arisen in the fishery would require revision to the program goals and clear statements of the problems to be addressed. The Council should modify existing goals or identify new goals, if appropriate. In considering the following potential actions, these new or modified goals would drive the scope and development of alternatives. Through Council discussion, the following issues have been raised, which may serve as the basis for the Council to define new program goals:

- Reducing discards from the expanding red snapper population;
- Requiring shareholders to actively participate in fishing;
- Assisting the next generation's entrance to the IFQ programs;
- Extracting resource rent through auctions or royalties.

1.3 Purpose and Need

Currently, the purpose of this action is to review and consider updates to the IFQ programs' goals and objectives as evaluated in the 5-year reviews and to address changes in the fishery since implementation of the programs, which would support the revised goals. The purpose and need statement will be revised as the Council establishes its objectives for modifying the IFQ programs.

The need is to prevent overfishing; to achieve, on a continuing basis, the optimum yield from federally managed fish stocks; to address social and economic issues that have affected fishing communities and participation in the fisheries; and to rebuild the red snapper stock that has been determined to be overfished.

CHAPTER 2. POTENTIAL ACTIONS

2.1 Program Participation

The red snapper individual fishing quota (RS-IFQ) program began in 2007, and the grouper-tilefish IFQ (GT-IFQ) program began in 2010. Any information from 2007-2009 is related solely to the RS-IFQ program, while information after that point in time includes both programs. For the first 5 years of each program, only those entities that possessed a valid Gulf of Mexico (Gulf) commercial reef fish permit were eligible to receive shares and allocation. During those first 5 years, shareholder accounts that no longer had a valid Gulf commercial reef fish permit could maintain or decrease their shares or allocation, but could not obtain additional shares or allocation, nor harvest IFQ species. As of January 1, 2012, for the RS-IFQ program, and January 1, 2015, for the GT-IFQ program, any U.S. citizen or permanent resident is eligible to participate in the respective program as a shareholder.

Prior to the opening of each IFQ program to public participants after 5 years, the Gulf of Mexico Fishery Management Council (Council) discussed whether to allow public participation or to modify the provision and continue to require new shareholder accounts be associated with a commercial reef fish permit. Ultimately, the Council allowed the programs to open to the public, but at the request of the Council, the National Marine Fisheries Service (NMFS) published a control date in the *Federal Register* notifying RS-IFQ program participants that the requirements for participation may be modified in the future (76 FR 74038, November 30, 2011). A comparable control date was published in the *Federal Register* notifying GT-IFQ program participants that participation requirements may be modified in the future (79 FR 72566, December 8, 2014).

The Council has expressed interest in 1) reconsidering the requirement for shareholders to have a commercial reef fish permit; and 2) considering a restriction on the amount of shares and/or allocation that may be held by a shareholder without a commercial reef fish permit. A suite of actions could be developed to address program participation. However, the Council should consider the purpose of the actions.

Potential goal/objective:

Potential Sub-action:

Currently, shareholders are not required to possess a valid or renewable commercial reef fish permit to open an IFQ shareholder account; to obtain, retain, or transfer shares; or to transfer (including buying and selling) allocation to other shareholder accounts (including allocation-only accounts) or vessel accounts. A shareholder account is an IFQ account that may hold shares and/or allocation, and includes accounts that only hold allocation. A shareholder account, vessel account, and valid commercial reef fish permit are needed to harvest IFQ species. This action could address the actions in which shareholders may participate provided they have a commercial reef fish permit.

Potential Alternatives: Shareholders must possess a valid or renewable commercial reef fish permit to:

- Obtain a shareholder account.
- Possess shares, including shares already held.
- Obtain additional shares.
- Obtain and transfer allocation.

Potential Sub-action:

Currently, any U.S. citizen or permanent resident may participate in the IFQ programs by opening an IFQ shareholder account without possessing a commercial reef fish permit. (A valid commercial reef fish permit is required to have a vessel account and to land IFQ species.) Initial recipients of shares were not required to maintain their commercial reef fish permit during the first 5 years of each program in order to keep their shares and sell allocation (leasing). Prior to the expiration of the requirement that shareholders possess a commercial reef fish permit to obtain (but not retain) shares, the Council published control dates for each program stating that new shareholders were not assured of future participation in the programs. This action could address whether to require some or all shareholders to possess a valid or renewable commercial reef fish permit.

Potential Alternatives:

- All shareholders must possess a valid or renewable commercial reef fish permit.
- All shareholders who entered the IFQ program after January 1, 2012, must possess a valid or renewable commercial reef fish permit.
- All shareholders who entered the IFQ program after January 1, 2015, must possess a valid or renewable commercial reef fish permit.
- All shareholders who enter the IFQ program following implementation of this amendment must possess a valid or renewable commercial reef fish permit.

Potential Sub-action:

Currently, shareholders who do not possess a commercial reef fish permit may or may not be involved in the fishery. Depending on how the Council defines involvement in the fishery, shareholders directly involved in the fishery may be non-vessel owning captains, crew members, fish house owners, or dealers. Shareholders not directly involved in the fishery may be permit and quota brokers, relatives of permit-holding shareholders, or investors. This action could define the participation roles that may possess shares, and/or address the maximum amount of shares held by shareholders without a commercial reef fish permit. Essentially, these would be exemptions from a requirement that shareholders possess a commercial reef fish permit. The Council would need to clearly define any participation role for which the exception to possess a commercial reef fish permit would apply, such as what constitutes “direct participation” in the fishery. It will also be necessary to determine how such a requirement could be verified.

Potential Alternatives:

- Shareholders that can demonstrate direct participation in the fishery are not required to possess a commercial reef fish permit to retain shares or obtain additional shares.

- Shareholders that hold less shares than the selected amount of shares (provided as options) are not required to possess a commercial reef fish permit to retain shares or obtain additional shares, provided they are not related to another shareholder entity.
 - Provide range of share values (in percentage of shares or equivalent pounds of allocation).
 - Specify if applies to a particular IFQ managed species, or all share categories across both IFQ programs.
 - Define scope of being related to another shareholder entity.

Discussion:

A limited access commercial permit for reef fish is required for a vessel to harvest reef fish species in excess of the recreational bag limit. Commercial permits are valid for one year and may be renewed up to one year after the date of expiration; those permits that have expired but are within one year of the expiration date are termed renewable. At the end of 2015, there were 868 valid, renewable, or transferable commercial reef fish permits. As of December 20, 2016, the number of valid, renewable, or transferable reef fish permits had decreased to 847 (SERO, LAPPs Branch PIMS). A total of 509 vessels, approximately 60% of Gulf commercial reef fish permitted vessels, also carry other federal commercial permits.

Accounts without reef fish permits existed prior to the programs becoming open to public participation. These public participant accounts were accounts that once held permits. Since participation in the IFQ programs became open to the public, new accounts have been opened by entities without a commercial reef fish permit. Some of these accounts were opened by new participants, while others were opened by existing participants for the purpose of managing IFQ assets or to allow access to others (e.g., wife, brother). Since program participation opened to the public, the number of accounts that are not associated with a commercial reef fish permit has increased slightly (Tables 2.1.1 and 2.1.2). In 2011, the year prior to the RS-IFQ program opening to public participation, 29% of the accounts with shares did not hold a commercial reef fish permit, compared with 35% in 2015. In 2014, the year before the GT-IFQ program opened to public participation, 26% of accounts with shares did not hold a commercial reef fish permit; this increased to 32% in 2015 (Table 2.1.1).

Table 2.1.1. Number of RS-IFQ accounts and shareholdings by accounts with and without a commercial reef fish permit.

Year	# of Accounts		% of Shares	
	Permit	No Permit	Permit	No Permit
2007	421	76	85.72	14.29
2008	354	120	87.26	12.75
2009	319	120	86.18	13.83
2010	304	121	84.77	15.24
2011	298	120	81.87	18.14
2012	288	119	78.94	21.07
2013	273	126	75.65	24.36
2014	258	120	72.05	27.96
2015	252	134	69.71	30.30

Source: NMFS 2016a, Table 3.

Table 2.1.2. Number of GT-IFQ accounts and shareholdings by accounts with and without a commercial reef fish permit.

DWG	# Accounts (% Shares)		GG	# Accounts (% Shares)		RG	# Accounts (% Shares)	
	Permit	No Permit		Permit	No Permit		Permit	No Permit
2010	449 (99%)	12 (1%)	2010	690 (99%)	29 (<1%)	2010	641 (99%)	24 (<1%)
2011	392 (96%)	39 (4%)	2011	578 (98%)	83 (2%)	2011	537 (98%)	73 (2%)
2012	359 (97%)	42 (3%)	2012	513 (97%)	99 (3%)	2012	479 (98%)	90 (2%)
2013	323 (95%)	59 (5%)	2013	475 (94%)	120 (6%)	2013	440 (96%)	110 (4%)
2014	296 (93%)	72 (7%)	2014	433 (94%)	142 (6%)	2014	402 (95%)	128 (5%)
2015	275 (87%)	91 (13%)	2015	404 (87%)	170 (13%)	2015	369 (80%)	161 (20%)

SWG	# Accounts (% Shares)		TF	# Accounts (% Shares)		Total	# Accounts	
	Permit	No Permit		Permit	No Permit		Permit	No Permit
2010	692 (99%)	29 (<1%)	2010	282 (99%)	5 (<1%)	2010	714	29
2011	591 (97%)	83 (3%)	2011	238 (98%)	22 (2%)	2011	612	87
2012	527 (96%)	102 (4%)	2012	224 (98%)	22 (2%)	2012	556	109
2013	479 (94%)	125 (6%)	2013	200 (96%)	32 (4%)	2013	507	137
2014	433 (92%)	149 (8%)	2014	187 (95%)	40 (5%)	2014	465	163
2015	404 (85%)	177 (15%)	2015	167 (89%)	55 (11%)	2015	441	204

Source: NMFS 2016b, Table 6.

Should the Council require some or all shareholders to possess a commercial reef fish permit, it would be expected that some shareholders would seek to purchase a permit, some would consolidate their shareholder accounts, and others would sell or transfer their shares to other

shareholders. In the event that some shareholders are not able to meet any new permit requirements, divestment procedures would need to be developed. At the end of 2015, there were 868 valid or renewable commercial reef fish permits, of which 794 were associated with an IFQ account (91.5%). Of these, 533 were used to make landings of any reef fish species, including 485 that made landings of IFQ species (Table 2.1.3). Thus, no landings of any reef fish species were recorded for 335 permits in 2015, although many of these would be associated with an IFQ account. Some of these 335 permits in 2015 may have been unused in 2015 due to personal circumstances of the permit holder and are actively used in other years. Table 2.1.3 provides a snapshot of permit use for one year only, and may not reflect permit use in other years. Nevertheless, it is likely that some permits are available for those shareholders who seek to purchase a permit, although it is not certain that permits would be available for all shareholders who seek one for the purpose of maintaining their shares, should the Council adopt that requirement. Further, the requirement for shareholders to possess a commercial reef fish permit would be expected to increase the price of those permits that are for sale.

Table 2.1.3. Gulf commercial reef fish permits in relation to landings and IFQ accounts in 2015.

	2015
Reef Fish permits	868
Vessels with reef fish landings ¹	533
“Latent” permits ¹	335
Reef Fish permits with IFQ accounts	794
With active IFQ account	763
With inactive IFQ accounts ²	31
With IFQ landings	485

Sources: Southeast Regional Office permits database accessed 4/22/2016 and SEFSC Coastal Logbooks accessed 4/25/2016.

¹The SEFSC Coastal logbook records were accessed to determine the number of vessels that harvested reef fish and this can be a proxy to determine the number of active reef fish permits.

²Inactive accounts are IFQ accounts that are still in an initial status (have not been activated) or vessel accounts that have an expired permit. Shareholder accounts are suspended when citizenship has not been provided or updated. Suspended accounts cannot harvest fish.

IFQ Program Accounts

The Southeast Regional Office (SERO) online IFQ system houses both the RS-IFQ and GT-IFQ programs. Participants log into one account that accesses both programs. Participants in each program are determined annually through the account activity in each program: holding shares, holding allocation, or landing species.

There are three main account types in the SERO IFQ system: shareholder, vessel, and dealer accounts. Shareholder accounts may hold shares and allocation or just hold allocation. Vessel accounts belong to shareholder accounts and may hold allocation; they do not hold shares. A vessel account must be linked to a commercial reef fish permit. Any vessel account without an associated reef fish permit may not be used to harvest IFQ species and will be inactivated by the IFQ system. Dealer accounts are associated with federal dealer permit holders. Allocation must

be transferred from a shareholder account to a vessel account, prior to a dealer completing a landing transaction through a dealer account.

Each shareholder account is composed of a unique set of entities (single or combination of individuals and/or business) and no two accounts are composed of the same set of entities. A unique entity may be a single person or business, or a combination of people and/or businesses. An individual with two vessels may incorporate each vessel, opening a shareholder account for each one; although the individual is the sole owner of both, each incorporated vessel is a unique entity. For any business that is part of a shareholder account, NMFS collects the owner information for that business and the percentage of the business owned by each individual. If a business is owned in part or in total by another business, NMFS collects the ownership information of all parent companies. Owners/shareholders of a business and the percentage held by such an individual may change over time. Any time a change (e.g., ownership, percentage owned, address) is made in ownership within a business, the business must inform NMFS. NMFS tracks owners/shareholders of businesses throughout time using start and end dates for each change submitted to NMFS.

Public Participant (PP) Accounts

For the purpose of this document, entities that do not have an associated Gulf commercial reef fish permit while holding IFQ shares or allocation are termed public participants (PP). These PP accounts may include accounts that were once associated with a Gulf commercial reef fish permit (e.g., initial recipients of shares). Thus, all shareholder accounts without a reef fish permit are called PP accounts. PP accounts can be divided into two categories: those that participated in the program prior to the first 5 years (i.e., accounts that previously held Gulf commercial reef fish permits) and those that were created after the first 5 years. Since PP accounts are determined by the permit association and permits can be obtained at any point during the year, the number of PP accounts may fluctuate over a year. For the purpose of this amendment, PP accounts are determined by the permit status throughout the year. If an account was associated with a permit at all during the year, it was not considered a PP account for that year. Figure 2.1.1 shows how the number of shareholder accounts has changed over time, identifying when each program's participation became open to the public. Figure 2.1.2 compares the number and percentage of accounts that were associated with a permit (non-public) and those not associated with a permit (PP).

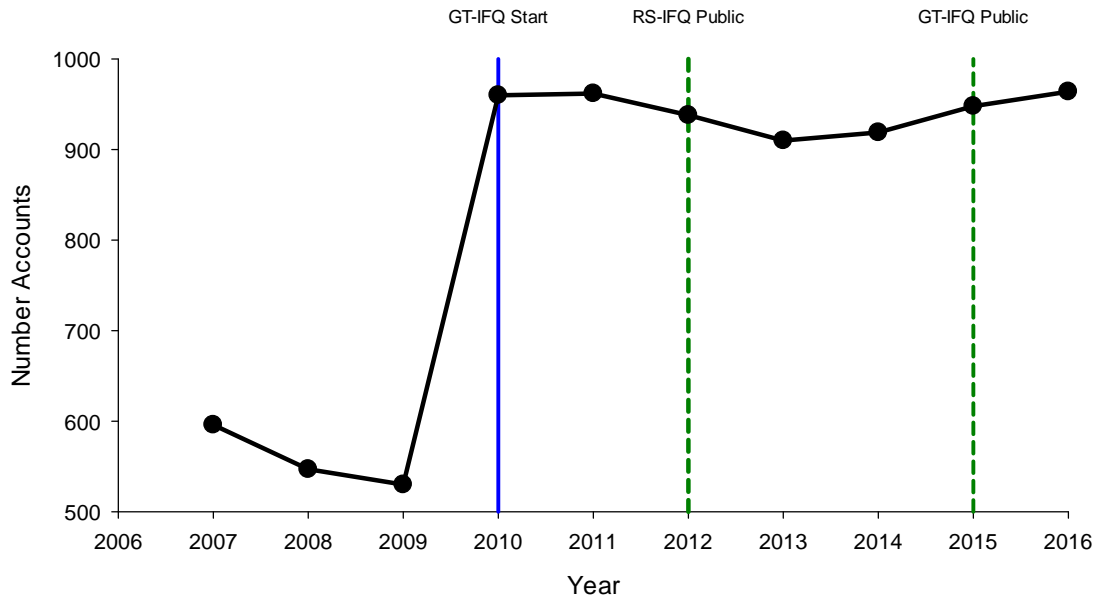


Figure 2.1.1. Number of shareholder accounts over time.

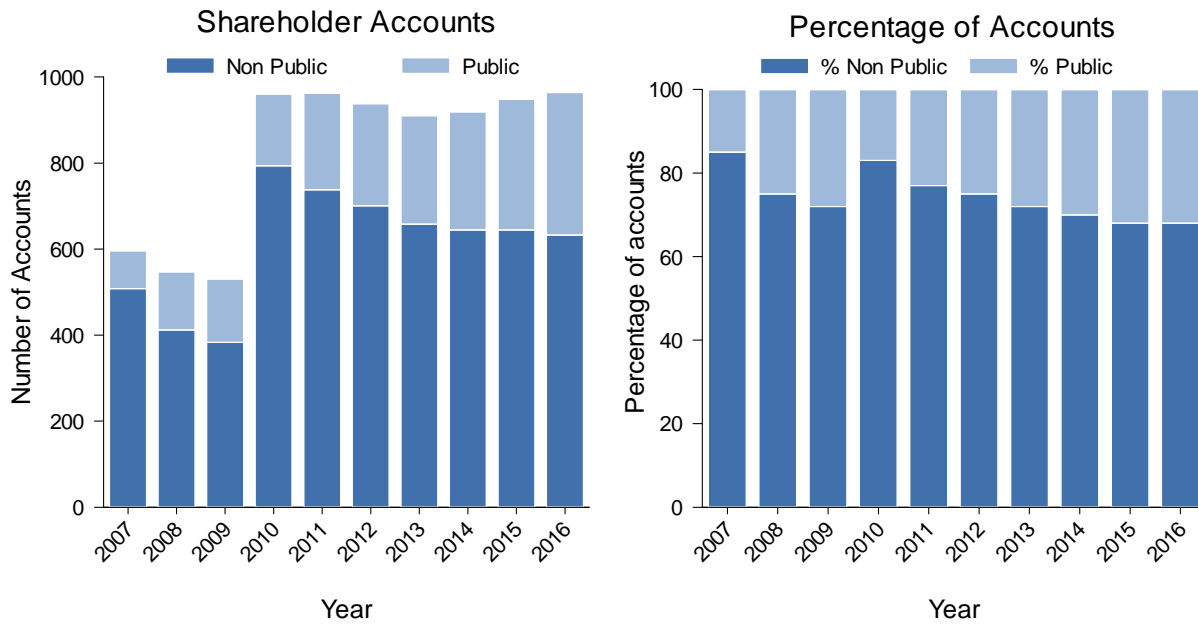


Figure 2.1.2. Public (PP, no permit) and non-public (permit) IFQ shareholder accounts. The figure on the left provides the number of accounts, while the figure on the right provides the percentage of all accounts.

Related Accounts

An entity may be associated with more than one IFQ shareholder account. IFQ shareholder accounts with at least one entity in common are called related accounts (RL). While no two IFQ accounts have the same set of entities, one entity may be associated with multiple IFQ accounts. For example, John Smith may hold an account, and John Smith and Jane Smith may hold another account. These accounts are considered related as John Smith is involved in both accounts. Similarly, if John Smith is an owner of John Smith, Inc., that account is also related to the John Smith account and the John Smith and Jane Smith account. Likewise, an account may be held by John Smith, Inc. and another account is held by Smith LLC. Both John Smith, Inc. and Smith LLC may have one or all owners in common, and therefore are related accounts. Just as the owners or shareholders of businesses may change, relations between accounts may also change over time. For example John Smith may have held shares in ABC, Inc. in 2010, but not in 2014. This would mean that the ABC, Inc. account was related to the John Smith account in 2010, but not in 2014. For the purpose of this discussion, RL accounts are determined by the owners of each account at the end of the fishing year.

Beginning in 2013, the IFQ system required a transfer reason for share and allocation transfers. One of the transfer reasons listed was “transfer to a related account.” The provided “related transaction” reason is not defined by SERO, and therefore, may be open to interpretation by the entity reporting the transfer reason. Entities reporting a share transfer to a related account that does not have a name in common may be due to familial relationships (e.g., father-son, spouses) or business relationships depending on the interpretation of the account holder.

Analysis of PP and RL Accounts

Using IFQ data (accessed April 2017) from 2007-2016, the number of RL and PP accounts was examined based on an analysis of accounts that were related through a common entity. The total number of IFQ shareholder accounts (accounts may or may not hold shares or allocation) decreased from 596 in 2007 to 530 in 2009, but increased to 960 with the start of the GT-IFQ program in 2010. The number of accounts increased slightly to 962 in 2011, before decreasing to 910 in 2013. By 2016, the number of accounts had increased again to 964 (Table 2.1.4).

Table 2.1.4. The number of shareholder IFQ accounts, the number of those accounts that are considered public participants (PP) and the number of related accounts (RL) based on a common entity. Percentages are of all IFQ accounts.

Year	No. of Accounts	PP Accounts		RL Accounts	
		#	%	#	%
2007	596	88	15%	24	4%
2008	547	135	25%	23	4%
2009	530	147	28%	94	18%
2010	960	166	17%	254	26%
2011	962	224	23%	306	32%
2012	938	237	25%	370	39%
2013	910	252	28%	396	44%
2014	919	274	30%	449	49%
2015	948	303	32%	483	51%
2016	964	331	34%	512	53%

Source: IFQ program database accessed 5/4/2017.

The number of PP accounts and percentage of PP accounts out of all accounts has increased over time. From 2007 through 2009, the percentage of PP accounts (i.e., those without a permit) increased because some shareholders transferred (sold) their permit while keeping their IFQ accounts (Table 2.1.5). This percentage decreased in 2010, due to the influx of GT-IFQ program participants, the majority of which were not PP accounts. From 2011 onward there is a steady increase in the percent of PP accounts. From 2012 onward, changes may be due to either shareholders transferring their permits or participants creating a shareholder account without a permit. Although participants without permits could open an IFQ account beginning in 2012, they could not participate in the GT-IFQ program until 2015.

A PP account and a RL account are not mutually exclusive. The number of accounts that were both PP (no permit) and RL (related to another account) were tabulated, and for the purpose of this document, are referred to as PP RL accounts. The number and percentage of PP RL accounts has increased each year. In 2016, PP RL accounts comprised 26% of all IFQ accounts, but 48% of all RL accounts, and 75% of all PP accounts (Table 2.1.5). Since 2013, the majority of PP accounts have been composed of PP RL accounts.

Table 2.1.5. The number of IFQ accounts by different classes, including PP accounts, RL accounts, and PP RL accounts (public participant accounts that are related to another account).

Year	Accounts (#)	PP (#)	RL (#)	PP RL (#)	% of PP RL accounts		
					% of all accounts	% of PP accounts	% of RL accounts
2007	596	88	24	3	1%	3%	13%
2008	547	135	23	4	1%	3%	17%
2009	530	147	94	16	3%	11%	17%
2010	960	166	254	52	5%	31%	20%
2011	962	224	306	71	7%	32%	23%
2012	938	237	370	108	12%	46%	29%
2013	910	252	396	137	15%	54%	35%
2014	919	274	449	183	20%	67%	41%
2015	948	303	483	214	23%	71%	44%
2016	964	331	512	248	26%	75%	48%

Source: IFQ program database accessed 5/4/2017.

PP accounts can be divided between those PP accounts with shares and those without shares. Over 90% of PP accounts hold shares in at least one share category (Table 2.1.6).

Table 2.1.6. Number of PP accounts and PP accounts with shares in at least one share category.

Year	No. of Accounts	No. of PP Accounts	#	PP Accounts with Shares	
				% of all accounts	% of PP Accounts
2007	596	88	84	14%	95%
2008	547	135	130	24%	96%
2009	530	147	141	27%	96%
2010	960	166	166	17%	100%
2011	962	224	224	23%	100%
2012	938	237	237	25%	100%
2013	910	252	249	27%	99%
2014	919	274	270	29%	99%
2015	948	303	286	30%	94%
2016	964	331	312	32%	94%

Source: IFQ program database accessed 5/4/2017.

The number and percentage of RL accounts has increased over time (Table 2.1.7, Figure 2.1.3). In 2007 and 2008, only 4% of accounts were related. This value steadily increased and was greater than 50% by 2015. This increase in RL accounts can be attributed to several factors, such as a shareholder creating vessel-specific businesses. For example, John Smith's shareholder account was associated with two vessel accounts, vessel A and vessel B. John Smith incorporated each of his vessels and opened separate shareholder accounts and an associated vessel account for each corporation (A, Inc. and B, Inc.), both of which are owned 100% by John Smith. Other reasons for the increase in RL accounts include entities that open PP accounts that

are not associated with a permit to separate assets, or collaboration of industry members to hold joint accounts. RL accounts can be classified as those with and without shares in at least one share category (Table 2.1.7). Although the number of RL accounts has increased over time, the percentage of all RL accounts that have shares has decreased over time. Figure 2.1.4 provides the number and percentage of share transfers made between RL and non-RL accounts. The percentage of share transfers between RL accounts was negligible prior to implementation of the GT-IFQ program. This is due in part to the structure of the RS-IFQ program prior to implementation of the GT-IFQ program, which was different than the current shareholder-vessel account structure. Share transfers between RL accounts increased in 2010 when the GT-IFQ program was implemented, and has remained relatively stable since then.

Table 2.1.7. Number of RL accounts and RL accounts with shares in at least one share category.

Year	No. of Accounts	No. of RL Accounts	RL accounts with Shares		
			#	% of all Accounts	% of RL Accounts
2007	596	24	22	4%	92%
2008	547	23	21	4%	91%
2009	530	94	74	14%	79%
2010	960	254	211	22%	83%
2011	962	306	220	23%	72%
2012	938	370	232	25%	63%
2013	910	396	230	25%	58%
2014	919	449	235	26%	52%
2015	948	483	242	26%	50%
2016	964	512	254	26%	50%

Source: IFQ program database accessed 5/4/2017.

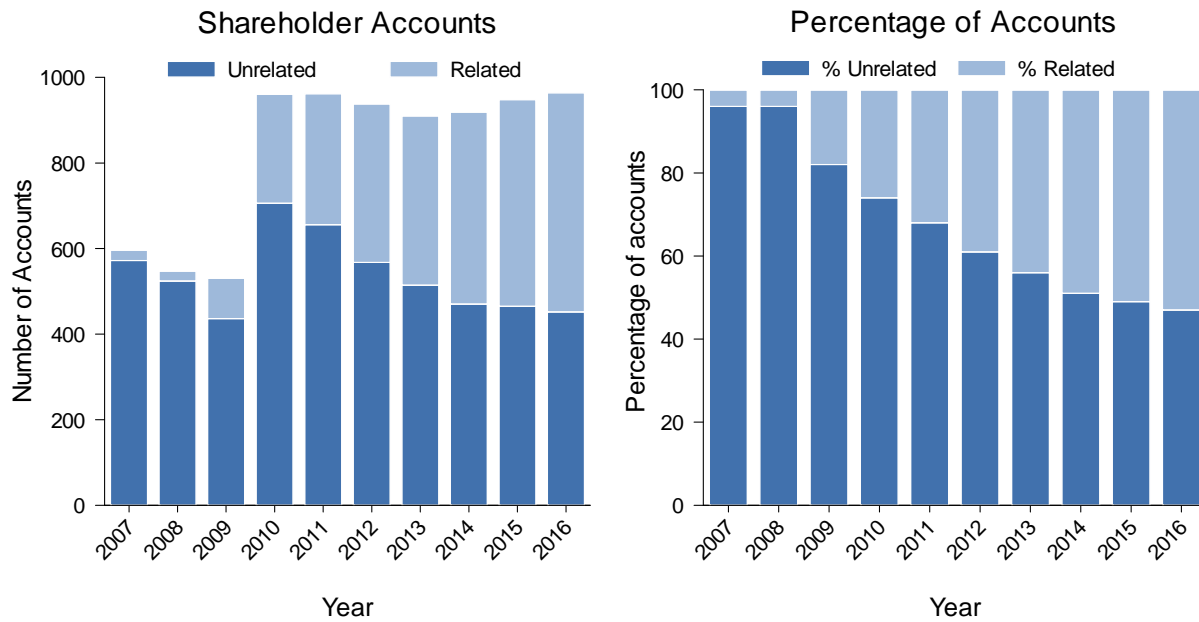


Figure 2.1.3. IFQ shareholder accounts by related and unrelated state. A) shows the number of accounts, while B) shows the percentage of all accounts.

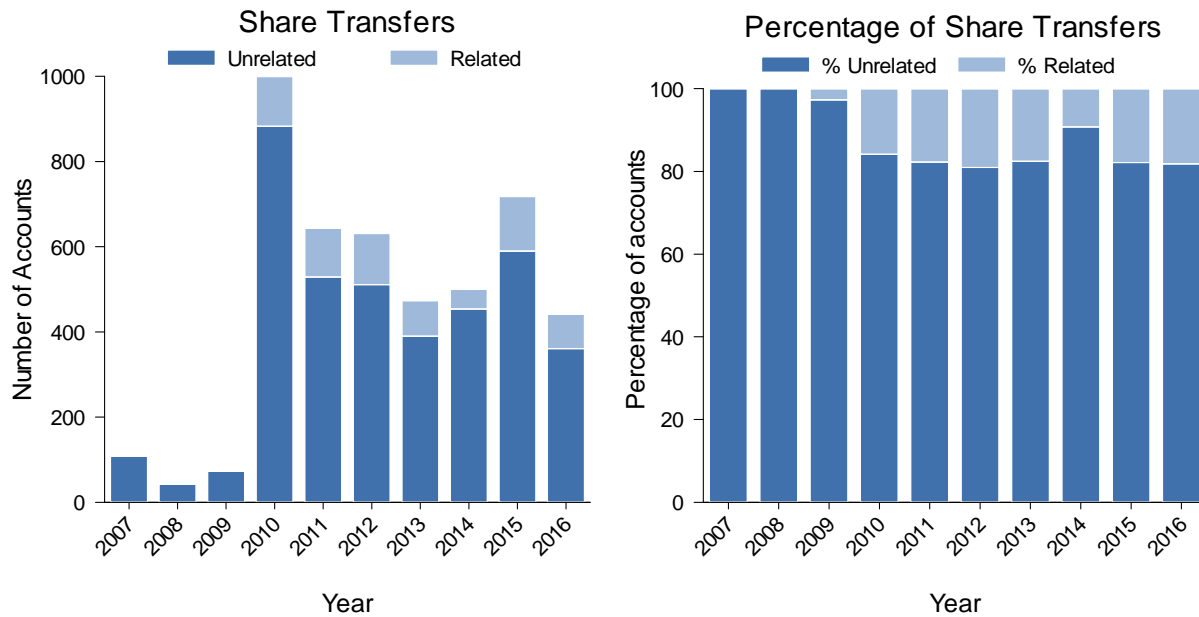


Figure 2.1.4. Share transfers between related and unrelated accounts by total number and percentage of all transactions.

2.2 Phase-in Commercial Reef Fish Permit Requirement/ Divestment of Shares

Should the Council modify the requirement regarding possession of a commercial reef fish permit by shareholders, it would be expected that some shareholders without a permit would seek to procure a permit, while others would decide to divest themselves of their shares or consolidate related accounts. For those shareholders who are unable to procure a commercial reef fish permit and have not divested themselves of their shares, the shares, and potentially allocation, would be removed from accounts that are no longer eligible to hold shares. The Council may wish to consider a phase-in period for a requirement to possess a commercial reef fish permit to provide shareholders time to obtain a permit or divest shares before a determination of ineligibility is made.

Potential goal/objective:

Currently, shareholders are not required to possess a commercial reef fish permit to retain or obtain shares. In the event the Council requires some or all shareholders to possess a commercial reef fish permit, this action could provide a range of time periods for shareholders to comply with the requirement.

Potential Alternatives:

- A commercial reef fish permit must be obtained and associated with the shareholder account:
 - On the effective date of the final rule implementing this amendment.
 - Before the beginning of the calendar year following the effective date of the final rule implementing this amendment.
 - Within 1 year following the effective date of the final rule implementing this amendment.
 - Within 3 years following the effective date of the final rule implementing this amendment.
- Any account not associated with a commercial reef fish permit by the selected time period will have the shares and allocation reclaimed by NMFS.

Discussion:

Tables 2.1.1 and 2.1.2 provide the number of accounts with and without a commercial reef fish permit and the amount of shares held in these accounts for the RS-IFQ and GT-IFQ programs, respectively. Any shareholder without an associated commercial reef fish permit on the date selected by the Council would be out of compliance with the program requirements selected in Section 2.1.

As discussed in Section 2.1, the Council would decide which actions would require a commercial reef fish permit. For example, the Council may require shareholders to have a commercial reef fish permit to possess shares, obtain additional shares, or obtain and transfer allocation. If the Council requires a commercial reef fish permit to possess shares, then NMFS would revoke shares from accounts not associated with a commercial reef fish permit at the time selected in

this action. If the Council only requires a commercial reef fish permit to obtain additional shares, then entities could continue to increase their shareholdings until the time selected for this action. If the Council decides to require a commercial reef fish permit to obtain and transfer allocation as well as possess shares, then NMFS would revoke both shares and allocation at the time selected for this action.

Prior to the end of the phase-in period, the shareholder would be notified by NMFS that they are out of compliance and given a specified amount of time to completely divest of all shares and allocation, as appropriate. Should the shareholder still retain shares or allocation upon expiration of the notice, NMFS will reclaim the shares. The shares will be held by NMFS and the Council will need to decide on the recipients and method for redistributing the revoked shares. This could be accomplished similar to the redistribution of quota through a quota set-aside (Section 2.3), the distribution of shares held in non-activated accounts (Section 2.4), proportionally to existing shareholders, or another method selected by the Council.

2.3 Quota redistribution / Quota set-aside

Should the Council pursue a quota set-aside or redistribution, several issues would need to be addressed. The Council would need to determine how much quota from which share categories should be set-aside, and who would be the recipients of the quota (GAO 2004). Recipients could be small shareholders, the next generation of fishermen replacing exiting fishermen, or some other group specified by the Council. The method of distribution, or access to the quota, would also need to be determined.

Potential goal/objective:

Currently, annual allocation is distributed to shareholders by January 1 each year or at the time of an in-season quota increase.

Potential Alternatives:

- Determine the share categories to which the quota redistribution/set-aside applies.
- Set a threshold of quota above which a redistribution/set-aside occurs:
 - Future increases to the commercial quota.
 - Quota at time program was implemented.
 - Largest quota within a selected time period.
- Determine recipients of quota, and whether shares or allocation, only, are distributed:
 - Small shareholders.
 - Next generation of fishermen.
 - Allocation-only account holders with a commercial reef fish permit and landings in 2015 (or most current year) for that share category.
**These options were considered as recipients of the shares held in non-activated accounts.*
- Determine method of distribution, including whether shares and/or allocation are distributed:
 - Equally among all eligible recipients.
 - In annual or multi-year cycles based on fishing participation.
 - Quota bank.
 - Lottery.

Discussion:

Commercial quotas for IFQ species have changed since inception of each program, with the quotas for some species or species groups increasing, but decreasing for others (Table 2.3.1). While existing shareholders' amount of shares as a percentage may stay the same, setting aside quota would result in existing shareholders receiving less allocation, because the shares represent a smaller portion of the quota and not the entire commercial quota. Shareholders vary in the amount of shares each holds (Table 2.3.2) and how long they have held shares. Although some shareholders were initial recipients of shares, others have become shareholders after implementation of the program and obtained shares through purchase, inheritance, etc. Some

shareholders use most or all of the annual allocation associated with their shares, while others transfer some or most of their allocation to other program participants (i.e., leasing). It is likely that establishing a quota set-aside could affect groups of shareholders and allocation-only holders in unintended ways.

Table 2.3.1. Commercial quotas (2004-2011) and ACLs (2012-2016) in pounds gutted weight. Shading in gray denotes quotas during years following implementation of each IFQ program.

Quotas (2004-2011) and ACLs (2012-2016)						
Year	RS	GG	RG	SWG	DWG	TF
2004	4,650,000	Included in SWG quota	5,310,000	8,800,000	1,020,000	440,000
2005	4,650,000		5,310,000	8,800,000	1,020,000	440,000
2006	4,650,000		5,310,000	8,800,000	1,020,000	440,000
2007	2,986,486		5,310,000	8,800,000	1,020,000	440,000
2008	2,297,297		5,310,000	8,800,000	1,020,000	440,000
2009	2,297,297	1,320,000	5,750,000	7,480,000	1,020,000	440,000
2010	3,190,991	1,410,000	5,750,000	410,000	1,020,000	440,000
2011	3,300,901	430,000	5,230,000	410,000	1,020,000	440,000
2012	3,712,613	788,000	6,030,000	531,000	1,170,000	606,000
2013	5,054,054	956,000	6,030,000	540,000	1,170,000	606,000
2014	5,054,054	1,110,000	6,030,000	545,000	1,160,000	606,000
2015	6,570,270	1,217,000	6,030,000	547,000	1,150,000	606,000
2016	6,097,297	1,217,000	8,190,000	547,000	1,070,000	606,000

Note: Red snapper quotas are set in whole weight.

Table 2.3.2. Number of accounts holding red snapper shares by shareholding size.

Year	Small <0.05%		Medium 0.05-1.4999%		Large ≥ 1.5%		Total
	Accounts	Shares	Accounts	Shares	Accounts	Shares	
Initial	415	4.55%	125	58.52%	14	36.94%	554
2007	368	4.09%	112	49.74%	17	46.18%	497
2008	346	3.80%	111	48.72%	17	47.49%	474
2009	313	3.34%	108	48.02%	18	48.66%	439
2010	297	3.10%	109	47.04%	19	49.87%	425
2011	284	2.97%	116	48.58%	18	48.46%	418
2012	273	2.91%	117	49.94%	17	47.16%	407
2013	261	2.69%	120	48.08%	18	49.30%	399
2014	236	2.55%	125	49.71%	17	47.74%	378
2015	238	2.67%	131	50.30%	17	47.04%	386

Note: Except for the Initial row, all numbers were based on the last day of the year. “Initial” numbers were at the start of the program (1/1/2007). Source: Table 1 (NMFS 2016a).

The Council may consider establishing a threshold of quota and redistributing or setting aside quota above the selected threshold. The Council would also need to decide whether the

redistribution or set-aside would be a one-time event or recurring, as the implications differ. Another question the Council would need to address is whether to make the set-aside quota available as shares (durable percent of the quota) that remain with the new recipients, or as allocation (pounds available for harvest for a given year) for which the recipients could vary from year to year. If shares are not made available, the shares would be held by NMFS in an administrative account and only allocation would be distributed each year. In the event that allocation is set-aside and distributed annually when the quota is above the threshold, no redistribution or set-aside would apply if the quota dropped below the threshold. If the Council pursues a method of cyclical redistribution based on fishing participation, shares could be used. If shares are made available, the Council could consider providing access to the shares through a lease-to own provision (see Section 2.3.1).

If the Council pursues distributing quota to smaller shareholders or allocation-only account holders, one question would be how to clearly define these entities. In developing Amendment 36A, the Council considered various ways to define small shareholders and new entrants replacing exiting fishermen for the purpose of distributing the shares reclaimed from the non-activated IFQ accounts. In Amendment 36A, the Council selected as preferred an alternative that would redistribute the shares from non-activated accounts equally from each share category to the allocation-only account holders with a commercial reef fish permit and landings in 2015 for that share category, but not related to other accounts with shares. As discussed in Section 2.1, identifying these related accounts is challenging in part due to public participant accounts and identifying related accounts. The IFQ online system allows for an individual to have multiple accounts, such as when an individual holds shares in his own name in one account, and also partially owns shares through a business with a separate account.

2.3.1 Lease-to-own provision

Leasing is a term fishermen, the public, and academics use to refer to the practice of transferring annual allocation between IFQ program participants such that the entity receiving the allocation pays a price per pound of transferred allocation (Pinkerton and Edwards 2009). The Council has expressed interest in developing a provision such that entities who routinely lease allocation but do not hold shares (or hold small quantities of shares) are afforded the opportunity to earn credit toward obtaining shares after some number of years leasing quota. NMFS does not define leasing; when allocation is moved between accounts, it is called an allocation transfer.

The concept of a lease-to-own quota program has been proposed as a way for the next generation of fishermen to “pay for the quota while using it” (GAO 2004). According to the U.S. Government Accountability Office (GAO) report, it would be best to include such a provision in the design of the program before implementation, as a way to allow for the next generation of fishermen to enter the program in the future. The concept has been proposed in Iceland, such that “crews of small vessels” would purchase quota from the government, not other shareholders (GAO 2004).

Leasing is a private financial transaction between IFQ program participants, who formalize the transaction by transferring allocation between accounts through the online IFQ system. Implementing a lease-to-own provision centered on private leasing transactions may be a disincentive for shareholders to lease allocation if doing so results in the forfeit of their shares.

This could result in indirect effects by reducing the amount of allocation available to small shareholders or those who lease allocation for bycatch. An additional issue concerns the information that is stored in the IFQ online system. IFQ allocation may be transferred multiple times among accounts and is not tracked as individual units in the system. Thus, at the time of landing, it may not be possible to identify the original shareholder who initially transferred that allocation to another account. This inability to track IFQ allocation would confound the ability to credit fishermen who regularly buy allocation. To design such a lease-to-own program would require significant changes to the online reporting system to track the individual units of allocation and may require significant time to develop. However, a lease-to-own program in which leasing from a NMFS managed account (e.g., quota bank) would allow better tracking, particularly if subsequent transfers were restricted. Thus, it may be more feasible to consider a lease-to-own provision as a method of quota redistribution or set-aside (Section 2.3).

2.4 Distributing Shares from Non-activated Accounts and Reclaimed Shares

This action was removed from Amendment 36A at the April 2017 Council meeting and moved to Amendment 36B for further consideration. Thus, this section currently retains the alternatives of the original action. The Council could change the alternatives for this amendment. This action could also be combined with the action described in Section 2.3 to create a larger pool from which to distribute shares and allocation.

Currently, if Amendment 36A is approved and implemented, shares from non-activated accounts would be removed and held by NMFS until a distribution system is developed.

Potential Alternatives:

Alternative 1: No Action. Upon implementation of Amendment 36A, the shares held in non-activated IFQ accounts will be removed, the accounts closed, and the shares held by NMFS.

Alternative 2: Redistribute the shares from each share category equally among all shareholders of the respective share category. (*Council's preferred in Amendment 36A*)

Alternative 3: Redistribute the shares from each share category according to the proportion of shares held by shareholders of that share category at the time the shares are redistributed by NMFS.

Alternative 4: Redistribute the shares equally from each share category to the allocation-only account holders with a commercial reef fish permit and landings in 2015 for that share category, but not related to other accounts with shares.

Other Potential Alternatives:

- Add shares to a quota bank, as described in Section 2.3.
- Distribute through a lottery.

Discussion:

Amendment 36A proposes to return shares held in non-activated accounts to NMFS. Non-activated accounts are those that were never logged into since the creation of the current system in 2010. Through Action 2.4, the Council would decide how to redistribute these shares to program participants. Under **Alternative 1**, RS-IFQ and GT-IFQ shares would continue to be held by NMFS and not be redistributed. The RS-IFQ program 5-year review (GMFMC and NMFS 2013) noted that landed yield is close to, but below the commercial sector's quotas for each species or species group, and the report recommended making available the shares held in accounts that had never been accessed. Since finalization of the report in 2013, the amount of shares held in non-activated accounts has continued to decline and represents a relatively small amount of annual allocation for each of the share categories. It is likely that the amount of shares will continue to decline until implementation of Amendment 36A. Table 2.4.1 provides the number of non-activated accounts by share category and the amount of shares held in the

accounts as of December 14, 2016. Given the current quotas, the resulting pounds of allocation ranged from a low of 292 lbs of DWG quota to 14,883 lbs of red snapper quota, as of this date.

Table 2.4.1. Number of accounts, amount of shares, and the pounds held in non-activated accounts for the 2016 commercial ACL, by share category for each IFQ program.

IFQ Program & Share category	Non-activated Accounts	Shares in Non-activated Accounts	2016 Commercial Quota (mp)	Equivalent Pounds for 2016 Quota
GT-IFQ Program	55*	n/a**	8.79	13,610
DWG	12	0.028516%	1.024	292
SWG	49	0.473285%	0.525	2,485
RG	40	0.147833%	7.780	11,501
GG	46	0.217390%	0.939	2,041
TF	6	0.055081%	0.582	321
RS-IFQ Program	32	0.244100%	6.097	14,883

*The total number of non-activated accounts for the GT-IFQ program does not equal the number of non-activated accounts for each share category of the GT-IFQ program, because some non-activated accounts hold shares for multiple share categories. **Shares are distributed for each share category of the GT-IFQ program; there are no shares for the program as a whole. Source: IFQ database accessed 12/14/2016.

Alternative 2, the Council’s preferred alternative until the action was moved to Amendment 36B, would redistribute the shares associated with each share category equally among all IFQ accounts that hold shares in that share category. At the end of 2015, there were 386 red snapper shareholder accounts (Table 2.4.2). Some entities have ownership interests in multiple IFQ accounts. If shares are redistributed equally among all shareholder accounts for each share category, those entities that have ownership interests in multiple accounts would receive a greater amount of the redistributed shares than would entities who hold all of their shares in a single account. For example, an entity with a single account in which a larger amount of shares are held than the total amount of shares spread among another shareholder’s multiple accounts would receive less shares than the shareholder with multiple accounts. Based on the number of shareholder accounts at the end of 2015 (386 accounts), redistributing the shares in the non-activated accounts equally among all red snapper shareholders would result in each shareholder account receiving the equivalent of 38.6 lbs of red snapper annual allocation under the 2016 quota. Table 2.4.2 provides the corresponding amount in pounds that would be distributed among shareholders of each share category, based on the 2016 quotas. The low amount of pounds to be redistributed to each account may not justify the administrative burden of redistribution.

Table 2.4.2. Number of shareholder accounts by share category at end of 2015 with resulting shares per account and equivalent number of pounds redistributed equally among accounts based on 2016 quota (**Alternative 2**).

Share Category	Number of Accounts	Shares percentage per account	Equivalent pounds based on 2016 quotas
DWG	366	0.000078%	1
SWG	581	0.000815%	4
RG	530	0.000279%	22
GG	574	0.000379%	4
TF	222	0.000248%	1
RS	386	0.000632%	39

Source: IFQ database accessed 12/31/2015 for the number of accounts with shares.

Alternative 3 would redistribute the shares based on the amount of shares (proportion of the quota) held by each IFQ account. This would be similar to a quota increase, in that additional quota is distributed as annual allocation in proportion to the amount of shares held by shareholders. Under **Alternative 3**, shareholders would receive not just additional annual allocation, but the durable shares associated with that allocation. By distributing shares based on the proportion of existing shareholdings, **Alternative 3** would not provide a greater amount of shares to shareholders who have spread their holding across multiple accounts, as would occur under **Alternative 2**. Rather, shareholders would receive additional shares in proportion to their existing shareholdings, regardless of the number of accounts created. Table 2.4.3 provides the number of IFQ accounts (includes the non-activated accounts to be closed) for each share category by shareholding size. Again, the low amount of pounds to be redistributed to most accounts may not justify the administrative burden of the redistribution.

Table 2.4.3. Number of IFQ accounts as of year-end 2015 by shareholding size, including the non-activated accounts.

IFQ Annual Report Bins	Share Bin (%)	DWG	SWG	RG	GG	TF	RS
Small	0.000001 - 0.000156	32	39	46	30	24	16
	0.000157 - 0.000313	17	17	30	25	7	13
	0.000314 - 0.000625	19	20	14	21	10	12
	0.000626 - 0.001250	18	27	36	23	12	15
	0.001251 - 0.002500	30	45	34	34	15	24
	0.002501 - 0.005000	21	28	44	34	11	35
	0.005001 - 0.010000	27	48	27	38	22	37
0.010001 - 0.049999	56	122	101	123	42	86	
Medium	0.050000 - 1.499999	131	223	186	238	63	131
Large	≥ 1.5	15	12	12	8	16	17

Source: IFQ database accessed 4/20/2016.

For both **Alternative 2** and **Alternative 3**, any entity (account, business, or person) that meets the respective share cap for a species or species group would not be eligible to receive

redistributed shares. For any entity for whom the amount of redistributed shares would cause the entity to exceed the share cap, the entity would receive shares up to the share cap, with the remaining portion of shares distributed among others in an iterative process of calculating the redistribution such that no entity exceeds the share cap. The shares would only be distributed to entities that hold shares less than the respective share cap. Because an entity can belong to more than one account, this may result in multiple accounts that cannot receive the redistributed shares due to at least one of the shareholders exceeding the share cap.

Alternative 4 would redistribute the shares from each share category to entities that meet the following criteria: 1) have an “allocation-only” account, which is a shareholder account that does not hold shares; 2) the account is associated with a valid or renewable commercial reef fish permit; 3) the permitted vessel made landings in 2015 (or most recent year) in the share category for which shares will be redistributed; and 4) the account holder is not related to other shareholder accounts that hold shares. Table 2.4.4 provides the number of accounts with shares, allocation, and landings by entities with shares, without shares, and unrelated accounts without shares, by share category. Table 2.4.5 provides the amount of shares that would be distributed equally among allocation-only account holders, and the equivalent pounds of allocation based on the 2016 quota for each share category (**Alternative 4**).

Table 2.4.4. The number of accounts with shares, shares with permits, allocation, landings (with and without shares, and not related to another account in that share category), at the end of 2015.

Accounts with:	DWG	SWG	RG	GG	TF	RS
Shares	366	581	530	574	222	386
Shares associated with permits	275	404	369	404	167	252
Allocation	464	742	716	753	287	635
Landings	152	311	342	337	79	378
Landings, but no shares	60	131	145	143	40	210
Landings, but no shares and not related to an account with shares in that category	28	77	95	90	15	161

Source: IFQ database accessed 12/31/2015 for the number of accounts with shares. Allocation and landings are calculated throughout the entire year.

Table 2.4.5. Number of allocation-only account holders with 2015 landings and no related accounts, with the shares per account and equivalent number of pounds redistributed equally among accounts based on the 2016 quota (**Alternative 4**).

Share Category	Number of Accounts	Shares percentage per account	Equivalent pounds (gw) based 2016 quotas
DWG	28	0.001018%	10
SWG	77	0.006147%	32
RG	95	0.001556%	121
GG	90	0.002415%	23
TF	15	0.003672%	21
RS	161	0.001516%	92

Note: Share percentages are limited to 6 decimal places. When shares are converted to allocation, the value is rounded to nearest whole pound.

The intent of **Alternative 4** is to provide some shares to IFQ program participants who are not shareholders and thus must obtain allocation (i.e., leasing) to land IFQ species. However, some account holders with shares also have allocation-only accounts, which are created to hold allocation (e.g., prior to allocation transfers, such as by brokers or dealers). Thus, the allocation-only account must also be associated with a commercial reef fish permit with landings in 2015 in the same share category as the redistributed shares. Further, the allocation-only account may not be related to another account that holds shares of that same share category; NMFS will determine which allocation-only accounts are related to other shareholder accounts with shares in the same category.

Depending on the method of distribution, at the time of distributing shares from non-activated accounts, NMFS may need to temporarily suspend share transfers to allow time to calculate the distribution of shares. During that time, share transfers would not be allowed, but all other functions of the IFQ online system would remain accessible, including the transfer of allocation.

The minimum amount of shares that may be calculated and transferred within the online system extends to six decimal places (i.e., 0.000001%). In calculating the distribution of shares from non-activated accounts, it is possible that eligible accounts may not receive shares, as it is not possible to redistribute shares less than 0.000001%. This means that if the amount of shares to distribute equally among the number of shareholders for a given share category (**Alternative 2**) equals less than 0.000001%, then it will not be possible to redistribute those shares.

Finally, the Council may want to consider alternate ways of distributing the shares or allocation, such as through a quota bank. For example, other actions in this amendment may result in the creation of a quota set-aside (Section 2.3), or shares may become available from accounts that fall out of compliance with program requirements (Section 2.2). The Council may want to combine the shares and/or allocation from non-activated and non-compliant accounts with any quota set-aside and determine a single method of distribution.

2.5 Restrictions on Share and Allocation Transfers

Shareholder accounts are used for holding and transferring shares and allocation. Both shares and allocation may be transferred among accounts within the IFQ online system. After each IFQ program had been in place for 5 years, participation in the programs became open to the public, i.e., any U.S. citizen or resident became eligible to open an IFQ account to transfer (i.e., buy and sell) shares and allocation. People participate in the program in multiple ways, although NMFS can only track commercial reef fish permit holders, public participant IFQ accounts, and dealers. In addition to active fishermen, for example, some participate as dealers, vessel owners who hire captains, or as brokers of allocation. Allocation brokers refer to entities that engage in financial transactions to transfer allocation among accounts, and may or may not also be shareholders or permit holders. Also, many entities have opened additional accounts for business purposes, such as to separate assets. Because there are multiple ways for people to participate in the IFQ programs, it may be difficult to identify entities (not accounts) that only engage in transferring shares and allocation without active participation in the fishery, as these entities may have and use multiple, related accounts (see Section 2.1).

A shareholder account may or may not have shares, and may or may not be associated with a commercial reef fish permit. Shareholder accounts without shares are termed allocation holders and are discussed in Section 2.5.2 below. Table 2.5.1 provides the number of pounds and percent of the red snapper quota landed by accounts with and without shares. Of the accounts that landed red snapper allocation, 55% of the 2015 landings came from accounts that also held shares (Table 2.5.1). While this is a majority of landings, there has been a steady decrease in the amount of landings that came from accounts with shares since the start of the RS-IFQ program (Table 2.5.1). The trend began before participation was opened to the public in 2012. Similarly, a decrease in the amount of landings that come from accounts with shares is evident in the GT-IFQ program (Table 2.5.2).

Table 2.5.1. Red snapper landings (lbs gw) by share status.

Year	With Shares		Without Shares	
	lbs landed	% landings	lbs landed	% landings
2007	2,598,649	91%	265,738	9%
2008	1,958,999	88%	276,420	12%
2009	1,735,818	78%	498,196	22%
2010	2,220,185	73%	835,859	27%
2011	2,060,719	64%	1,177,616	36%
2012	2,522,817	69%	1,113,578	31%
2013	2,972,769	61%	1,935,829	39%
2014	3,035,667	61%	1,980,389	39%
2015	3,567,377	55%	2,904,884	45%

Source: Table 10 (NMFS 2016a).

Table 2.5.2. Grouper-tilefish landings (lbs gw) by share status.

DWG	Shares (lbs, %)		No Shares (lbs, %)	
2010	602,749	96%	22,013	4%
2011	701,273	90%	78,246	10%
2012	806,041	84%	157,794	16%
2013	562,498	62%	350,425	38%
2014	576,636	55%	471,506	45%
2015	458,548	50%	452,791	50%

GG	Shares (lbs, %)		No Shares (lbs, %)	
2010	473,362	96%	20,576	4%
2011	286,560	90%	33,577	10%
2012	436,556	83%	88,510	17%
2013	470,701	81%	108,963	19%
2014	450,465	65%	239,048	35%
2015	356,593	64%	198,348	36%

RG	Shares (lbs, %)		No Shares (lbs, %)	
2010	2,800,064	96%	113,794	4%
2011	4,397,093	92%	385,101	8%
2012	4,513,535	87%	703,670	13%
2013	3,688,461	80%	906,211	20%
2014	3,609,728	66%	1,888,265	34%
2015	2,943,654	62%	1,841,338	38%

SWG	Shares (lbs, %)		No Shares (lbs, %)	
2010	155,091	98%	3,143	2%
2011	170,156	91%	16,079	9%
2012	256,643	85%	43,724	15%
2013	242,464	79%	65,382	21%
2014	193,570	74%	69,681	26%
2015	193,160	68%	89,178	32%

TF	Shares (lbs, %)		No Shares (lbs, %)	
2010	246,987	99%	2,721	1%
2011	330,997	86%	55,137	14%
2012	350,670	78%	100,451	22%
2013	219,869	50%	220,222	50%
2014	214,600	41%	302,668	59%
2015	214,554	40%	322,958	60%

Source: Table 14 (NMFS 2016b).

Currently, IFQ shares and allocation are fully transferable. To be effective, restrictions on the transfer of shares or allocation should be designed with a clear purpose and support the program goals. Some share and allocation holders do not fish and have limited their participation in the programs to trading IFQ shares and allocation. The Council has expressed interest in restricting the participation of such entities that are not actively engaged in the fishery. However, transferability of allocation allows fishermen without shares, or with too few shares, to obtain allocation needed to support their business or to account for discards. Therefore, the Council should consider all reasons for transferring allocation when evaluating restrictions.

Even if a restriction on the use of shares or allocation is designed to address a particular issue, IFQ participants may act in a variety of ways that undermine the purpose of new requirements for using shares and allocation. For example, while the online system can readily identify *accounts* that are only used to transfer allocation, it is more difficult to identify all related accounts. Identification of *entities* who only transfer but do not land IFQ allocation is complex, because many entities hold multiple accounts within the IFQ system. Participants may hold allocation in one account that does not have an associated reef fish permit, and transfer allocation

to other associated accounts, each with a reef fish permit that is used to land IFQ species. This may be a way to separate assets, keeping shares separate from vessels, each of which may be incorporated. In addition, some dealers open shareholder accounts to obtain shares or allocation to be used for vessels that land with that dealer. New requirements for the use of shares and allocation would need to be designed with these multiple types of participation in mind.

Finally, use-it or lose-it provisions are a type of restriction on the sale or transfer of IFQ allocation or shares, which may be crafted to address a particular objective or issue. For example, restrictions could require a shareholder to harvest the allocation distributed to the account to ensure that optimum yield is achieved. Amendments 26 (GMFMC 2006) and 29 (GMFMC 2008) evaluated alternatives for use-it or lose-it provisions that would have revoked and redistributed shares from accounts using less than 30%, or 50%, of the allotted RS-IFQ or GT-IFQ shares, over a 3-year, or 5-year, moving average period. Ultimately, the Council selected no action and did not adopt this use-it or lose-it provision.

2.5.1 Restrictions on Share Transfers

Potential goal/objective:

Currently, there are no restrictions on the transfer of IFQ shares. Any U.S. citizen or permanent resident may open a shareholder account for the purpose of holding and transferring shares and/or allocation. IFQ program participants may transfer shares between accounts, as long as the account is not in a suspended status. Accounts are suspended if the account holder has not submitted or updated their address and citizenship information every 2 years.

Potential Alternatives:

- Restrict the transfer of all IFQ shares.
- Restrict the transfer of IFQ shares by shareholders not actively engaged in fishing. For example, shares can only be transferred to an account that has landings in recent years.
- Restrict the transfer of IFQ shares to only those entities that possess a commercial reef fish permit.
- Restrict the transfer of IFQ shares to only those entities that possess a commercial reef fish permit with which IFQ landings have been made in recent years.
- Restrict the transfer of IFQ shares to allow transfer only to entities defined as small participants.

Discussion:

Table 2.5.1.1 provides the number and volume of share transfers for the RS-IFQ program, and Table 2.5.1.2 provides the share transfer prices reported through the IFQ online system for red snapper. There was an increase in the number and percentage of red snapper shares transferred in 2015. Most of these transactions occurred in the first portion of the year (January – April) with 82 of the 120 transfers accounting for 11% of the 15% transferred. Share transfer reasons for 2015 were mainly “no comment” (shares = 6%) or “sale to another shareholder” (shares = 5%) followed by “transfer to a related account” (shares = 4%) and “bartering” (shares < 1%).

Average red snapper share prices have decreased slightly in the last few years after peaking in 2013.

Table 2.5.1.1. Red snapper share transfers by number and volume.

Year	Number of Transfers	Total % Shares Transferred	Avg. % per Transfer
2007	108	10.7428	0.0995
2008	42	4.815	0.1146
2009	75	6.0233	0.0803
2010	79	8.4748	0.1073
2011	78	5.0979	0.0654
2012	81	7.5608	0.0933
2013	76	4.7401	0.0624
2014	91	5.5619	0.0611
2015	120	15.3071	0.1276

Source: Table 7 (NMFS 2016a).

Table 2.5.1.2. Number of red snapper share transfers, percent of transfers providing a price, corresponding average, median, and inflation-adjusted average prices per pound.

Year	Transfers		Price/lb		Inflation-adj avg. price/lb ²
	# ¹	%	Avg	Median ¹	
2007	21	19%	\$11.04	\$12.51	\$12.48
2008	22	52%	\$11.56	\$10.50	\$12.81
2009	38	51%	\$20.64	\$20.00	\$22.70
2010	36	46%	\$19.84	\$21.50	\$21.56
2011	28	36%	\$28.77	\$26.03	\$30.63
2012	36	44%	\$34.75	\$35.00	\$36.33
2013	47	62%	\$36.77	\$42.00	\$37.83
2014	47	52%	\$34.37	\$34.00	\$34.74
2015	61	51%	\$33.62	\$35.43	\$33.62

Notes: 1. Only used share transactions between \$9 and \$36/lb equivalent from 2007 - 2011, \$9 - \$50/lb equivalent from 2012 - 2013, and \$12 - \$60/lb for 2014 onward. 2. Inflation adjustments from: <http://www.bea.gov/> with 2015 as the base year using the GDP deflator. Source: Table 22 (NMFS 2016a).

The next pair of tables provide the same information for the GT-IFQ program: the number and volume of share transfers for the GT-IFQ program (Table 2.5.1.3); and the share transfer prices reported through the IFQ online system for grouper-tilefish (Table 2.5.1.4). Similar to red snapper, the number of GT-IFQ share transfers and total shares transferred increased in 2015. These increases in both programs may have been due to the discussions on Amendment 36A, which called attention to a NMFS webpage that identified non-activated accounts. The shares in

many of these non-activated accounts were transferred, likely due to an increased effort by IFQ program participants to contact these account holders in order to buy their shares.

Table 2.5.1.3. Grouper-tilefish share transfers by number of transfers, total volume (%), and average size of share transfers.

DWG	No. of Transfers	Total Shares	Avg. Transfer %
2010	161	25.8	0.16
2011	96	7	0.07
2012	78	9.3	0.12
2013	53	7.3	0.14
2014	62	12.6	0.2
2015	85	32.7	0.38

GG	No. of Transfers	Total Shares	Avg. Transfer %
2010	256	24	0.09
2011	138	18.8	0.14
2012	129	14.8	0.12
2013	88	5.5	0.06
2014	106	19.2	0.18
2015	153	24.7	0.16

RG	No. of Transfers	Total Shares	Avg. Transfer %
2010	267	24.3	0.09
2011	168	13.5	0.08
2012	202	17.2	0.08
2013	145	13.7	0.09
2014	144	14.2	0.1
2015	214	32.9	0.15

SWG	No. of Transfers	Total Shares	Avg. Transfer %
2010	195	25.6	0.13
2011	104	8.4	0.08
2012	97	6.9	0.07
2013	82	12.2	0.15
2014	63	10.6	0.17
2015	97	21.6	0.22

TF	No. of Transfers	Total Shares	Avg. Transfer %
2010	91	31.6	0.35
2011	59	9	0.15
2012	44	11.8	0.27
2013	29	5.5	0.19
2014	34	16.3	0.48
2015	57	38.2	0.67

GT Program Total*	No. of Transfers	Total Shares	Avg. Transfer %
2010	970	131.3	0.14
2011	565	56.62	0.1
2012	550	59.97	0.11
2013	397	44.34	0.11
2014	409	72.94	0.18
2015	606	150.17	0.25

Source: Table 11 (NMFS 2016b).

* Shares for the entire GT-IFQ program equal 500%, 100% from each of the five share categories.

Table 2.5.1.4. Number of share transfers, percent of transfers providing a price, average, median, and inflation-adjusted average reported prices for grouper-tilefish share categories.

DWG	Transfers		Price		Inf.-adj. avg.	GG	Transfers		Price		Inf.-adj. avg.
	#	%	Avg.	Median			#	%	Avg.	Median	
2010	53	33%	\$8.19	\$9.00	\$8.90	2010	107	42%	\$5.35	\$6.00	\$5.81
2011	44	46%	\$11.35	\$12.02	\$12.08	2011	47	34%	\$24.24	\$25.00	\$25.81
2012	34	44%	\$10.78	\$12.00	\$11.27	2012	68	53%	\$25.91	\$30.00	\$27.09
2013	30	57%	\$12.58	\$12.00	\$12.94	2013	52	59%	\$31.41	\$30.02	\$32.32
2014	38	61%	\$13.04	\$13.00	\$13.18	2014	78	74%	\$30.18	\$30.02	\$30.50
2015	40	47%	\$12.74	\$13.00	\$12.74	2015	93	61%	\$21.97	\$22.00	\$21.97

RG	Transfers		Price		Inf.-adj. avg.
	#	%	Avg.	Median	
2010	111	42%	\$3.73	\$3.30	\$4.05
2011	76	45%	\$6.24	\$5.97	\$6.64
2012	124	61%	\$8.02	\$8.00	\$8.38
2013	106	73%	\$13.16	\$13.70	\$13.54
2014	107	74%	\$13.06	\$13.00	\$13.20
2015	150	70%	\$12.86	\$13.00	\$12.86

SWG	Transfers		Price		Inf.-adj. avg.
	#	%	Avg.	Median	
2010	76	39%	\$6.91	\$6.49	\$7.51
2011	42	40%	\$9.93	\$11.99	\$10.57
2012	41	42%	\$7.80	\$7.99	\$8.15
2013	49	60%	\$8.30	\$7.25	\$8.54
2014	33	52%	\$7.36	\$7.50	\$7.44
2015	62	64%	\$6.74	\$6.00	\$6.74

TF	Transfers		Price		Inf.-adj. avg.
	#	%	Avg.	Median	
2010	38	42%	\$3.11	\$2.15	\$3.38
2011	24	41%	\$5.77	\$5.14	\$6.14
2012	14	32%	\$8.22	\$9.00	\$8.59
2013	13	45%	\$8.44	\$8.00	\$8.68
2014	17	50%	\$8.75	\$8.50	\$8.84
2015	33	58%	\$9.18	\$9.00	\$9.18

ALL	#	%
2010	385	40%
2011	233	41%
2012	281	51%
2013	250	63%
2014	273	67%
2015	378	62%

Source: Table 28 (NMFS 2016b).⁵

⁵ Inflation adjustments from: <http://www.bea.gov/> with 2015 as the base year using the GDP deflator. See Appendix 4 in NMFS2016b to determine the price ranges used in this analysis.

2.5.2 Restrictions on Allocation Transfers

Potential goal/objective:

Currently, there are no restrictions on the transfer of IFQ allocation. IFQ program participants may transfer allocation from their shareholder account to their associated vessel account for harvest, transfer allocation to another account that may or may not be a related account, or to another shareholder's vessel account.

Potential Alternatives:

- Restrict the transfer of IFQ allocation.
- Restrict the transfer of IFQ allocation by shareholders not actively engaged in fishing. For example, allocation can only be transferred to an account that has landings in recent years.
- Restrict the transfer of IFQ allocation to allow transfer only to entities that possess a commercial reef fish permit with which IFQ landings have been made in recent years.

Discussion:

In the IFQ programs, accounts may obtain allocation through shares (distributed at the beginning of the year or from any in-season quota increase) or from the transfer of allocation from another account holder. The number of accounts holding allocation does not necessarily equal the number of accounts that land allocation, as not all accounts that hold allocation also hold a Gulf commercial reef fish permit and some accounts may only transfer allocation. Accounts that hold allocation are termed allocation holders. Allocation holders can be classified as those holding shares and those without shares. Allocation holders without shares have to obtain allocation through the transfer of allocation from another account. Allocation holders with shares may also increase the amount of allocation within the account through the transfer of allocation from another account. The number of allocation holders is typically greater than the number of shareholders, and this difference has been increasing over time. In 2015, the number of red snapper allocation holders increased from the previous year to 635 allocation holders, the largest number of allocation holders since the program began (Table 2.5.2.1). For grouper-tilefish, the number of allocation holders by share category has decreased since implementation of the program; however, the total number of allocation-holders across all share categories (835) is greater than the first year of the program (816; Table 2.5.2.2).

The percentage of allocation holders that also hold shares has been declining over time (Table 2.5.2.1). In 2015, only 63% of the RS-IFQ allocation holders also held shares (Table 2.5.2.1). The percentage of allocation holders that also held shares in at least one GT-IFQ share category has also declined over time (Table 2.5.2.1), but to a lesser extent than the RS-IFQ program. In 2015, 74% of the GT-IFQ allocation holders also held shares, compared to 63% of the RS-IFQ allocation holders. The continued decrease in allocation holders with shares may result from a variety of factors. For example, a shareholder may manage shares in related accounts, be unable to buy shares (e.g., due to availability or price), change their harvesting behavior, and/or may be influenced by participation in the GT-IFQ program. Even after the initial year of each program, some accounts had allocation only, and no shares (Tables 2.5.2.1 and 2.5.2.2).

Table 2.5.2.1. Number and percent of accounts holding red snapper allocation by share status throughout each year.

Year	Total Accounts	With Shares		Without Shares	
		# Accounts	% Accounts	# Accounts	% Accounts
2007	596	554	93%	42	7%
2008	547	497	91%	50	9%
2009	530	474	89%	56	11%
2010	598	461	77%	137	23%
2011	589	439	75%	150	25%
2012	599	438	73%	161	27%
2013	598	421	70%	177	30%
2014	606	399	66%	207	34%
2015	635	397	63%	238	37%

Source: Table 4 (NMFS 2016a).

Table 2.5.2.2. Number and percent of accounts holding grouper-tilefish allocation by share status throughout each year.

DWG	No. Accounts	Shares	No shares
2010	512	472 (92%)	40 (8%)
2011	521	445 (85%)	76 (15%)
2012	498	416 (84%)	81 (16%)
2013	465	384 (83%)	81 (17%)
2014	457	365 (80%)	92 (20%)
2015	464	351 (76%)	113 (24%)

GG	No. Accounts	Shares	No shares
2010	789	740 (94%)	49 (6%)
2011	767	694 (90%)	73 (10%)
2012	743	645 (87%)	98 (13%)
2013	716	595 (83%)	121 (17%)
2014	726	580 (80%)	146 (20%)
2015	753	560 (74%)	193(26%)

RG	No. Accounts	Shares	No shares
2010	744	690 (93%)	54 (7%)
2011	739	675 (91%)	64 (9%)
2012	715	605 (85%)	110 (15%)
2013	683	563 (82%)	120 (18%)
2014	689	544 (79%)	145 (21%)
2015	716	522 (73%)	194 (27%)

SWG	No. Accounts	Shares	No shares
2010	762	725 (95%)	37 (5%)
2011	760	687 (90%)	73 (10%)
2012	737	644 (87%)	93 (13%)
2013	720	602 (84%)	118 (16%)
2014	722	578 (80%)	144 (20%)
2015	742	555 (75%)	187 (25%)

TF	No. Accounts	Shares	No shares
2010	299	271 (91%)	28 (9%)
2011	309	263 (85%)	46 (15%)
2012	292	243 (83%)	49 (17%)
2013	282	230 (82%)	52 (18%)
2014	279	217 (78%)	62 (22%)
2015	287	212 (74%)	75 (26%)

ALL	No. Accounts	Shares	No shares
2010	816	765 (94%)	51 (6%)
2011	833	756 (91%)	77 (9%)
2012	812	701 (86%)	111 (14%)
2013	786	659 (84%)	127 (16%)
2014	795	639 (80%)	156 (20%)
2015	835	620 (74%)	215 (26%)

Source: Table 7 (NMFS 2016b).

The total number of accounts provided in Tables 2.5.2.1 and 2.5.2.2 may be broken down by activity. Accounts may be active or inactive. An account is considered active if the account landed or transferred allocation during that fishing year. Inactive accounts did not land or transfer allocation during that fishing year.

Active accounts may be further divided by those that made landings and those that only transferred allocation (and did not make landings). Accounts that only transferred allocation include those for which allocation was transferred to a related account (see Section 2.1). Tables 2.5.2.3 and 2.5.2.4 provide the number and percent of accounts holding RS-IFQ and GT-IFQ allocation, respectively, that were inactive, made landings, and only transferred allocation.

Table 2.5.2.3. Number (and percent) of accounts that were inactive, had red snapper landings, and only transferred red snapper allocation.

Year	Inactive Accounts	Landings	Only Transferring Allocation
2007	173 (29%)	279 (47%)	144 (24%)
2008	168 (31%)	269 (49%)	110 (20%)
2009	137 (26%)	262 (49%)	131 (25%)
2010	122 (20%)	337 (56%)	139 (23%)
2011	102 (17%)	328 (56%)	159 (27%)
2012	94 (16%)	333 (56%)	172 (29%)
2013	96 (16%)	337 (56%)	165 (28%)
2014	74 (12%)	369 (61%)	163 (27%)
2015	77 (12%)	378 (60%)	180 (28%)

Source: Table 9 (NMFS 2016a).

Table 2.5.2.4. Number (and percent) of accounts that were inactive, had grouper-tilefish landings, and only transferred grouper-tilefish allocation.

DWG	No. Accnts	Inactive	Landings	Only Transferring Allocation
2010	512	169 (33%)	161 (31%)	182 (36%)
2011	521	140 (27%)	169 (32%)	212 (41%)
2012	498	104 (21%)	185 (37%)	209 (42%)
2013	465	115 (25%)	168 (36%)	182 (39%)
2014	457	103 (23%)	168 (37%)	186 (41%)
2015	464	109 (23%)	152 (33%)	203 (44%)

GG	No. Accnts	Inactive	Landings	Only Transferring Allocation
2010	789	244 (31%)	362 (46%)	183 (23%)
2011	767	221 (29%)	323 (42%)	223 (29%)
2012	743	184 (25%)	344 (46%)	215 (29%)
2013	716	206 (29%)	336 (47%)	174 (24%)
2014	726	187 (26%)	340 (47%)	199 (27%)
2015	753	206 (27%)	337 (45%)	210 (28%)

RG	No. Accnts	Inactive	Landings	Only Transferring Allocation
2010	744	222 (30%)	348 (47%)	174 (23%)
2011	739	184 (25%)	344 (47%)	211 (28%)
2012	715	167 (23%)	357 (50%)	191 (27%)
2013	683	171 (25%)	332 (49%)	180 (26%)
2014	689	153 (22%)	349 (51%)	187 (27%)
2015	716	166 (23%)	342 (48%)	208 (29%)

SWG	No. Accnts	Inactive	Landings	Only Transferring Allocation
2010	762	277 (36%)	282 (37%)	203 (27%)
2011	760	261 (34%)	272 (36%)	227 (30%)
2012	737	220 (30%)	303 (41%)	214 (29%)
2013	720	233 (32%)	297 (41%)	190 (26%)
2014	722	208 (29%)	324 (45%)	190 (26%)
2015	742	223 (30%)	311 (42%)	208 (28%)

TF	No. Accounts	Inactive	Landings	Only Transferring Allocation
2010	299	101 (34%)	66 (22%)	132 (44%)
2011	309	77 (25%)	68 (22%)	164 (53%)
2012	292	59 (20%)	87 (30%)	146 (50%)
2013	282	70 (25%)	76 (27%)	136 (48%)
2014	279	54 (19%)	83 (30%)	142 (51%)
2015	287	64 (22%)	79 (28%)	144 (50%)

Source: Tables 13 and 15 (NMFS 2016b).

For the accounts only transferring allocation in the preceding two tables, Tables 2.5.2.5 and 2.5.2.6 provide the number of these accounts by share status and permit status, for red snapper and grouper-tilefish allocation, respectively.

Table 2.5.2.5. Number and volume of accounts that only transferred red snapper allocation and did not land red snapper.

Year	Total Accounts	With Shares				Without Shares			
		With Permit		No Permit		With Permit		No Permit	
		Accts	Lbs	Accts	Lbs	Accts	Lbs	Accts	Lbs
2007	144	117	321,285	21	216,531	6	18,890	N/A	N/A
2008	110	63	192,382	36	267,159	11	15,124	N/A	N/A
2009	131	75	385,237	49	238,140	7	4,430	N/A	N/A
2010	139	75	948,205	48	497,648	16	51,315	N/A	N/A
2011	159	92	1,161,253	47	580,099	20	19,523	N/A	N/A
2012	172	101	1,410,115	52	819,592	19	24,812	0	0
2013	165	89	2,016,673	52	1,170,137	21	36,964	3	109,899
2014	163	76	1,651,320	66	1,445,864	17	107,529	4	92,331
2015	180	80	2,499,546	68	2,162,768	22	57,437	10	193,225

Note: Accounts “with shares” may or may not have transferred shares within the year. Source: Table 11 (NMFS 2016a).

Table 2.5.2.6. Number and volume of accounts only transferring grouper-tilefish allocation and that did not land that species.

DWG	Total Accounts	Shares		No Shares	
		Permit	No permit	Permit	No permit
2010	182	148	7	27	NA
2011	212	142	30	40	NA
2012	209	147	30	32	NA
2013	182	126	24	32	NA
2014	186	128	29	29	NA
2015	203	114	35	43	11

GG	Total Accounts	Shares		No Shares	
		Permit	No permit	Permit	No permit
2010	183	156	14	13	NA
2011	223	164	35	24	NA
2012	215	156	37	22	NA
2013	174	123	33	18	NA
2014	199	137	38	24	NA
2015	210	110	47	41	12

RG	Total Accounts	Shares		No Shares	
		Permit	No permit	Permit	No permit
2010	174	144	12	18	NA
2011	211	156	37	18	NA
2012	191	136	34	21	NA
2013	180	122	31	27	NA
2014	187	127	39	20	NA
2015	208	110	46	36	16

SWG	Total Accounts	Shares		No Shares	
		Permit	No permit	Permit	No permit
2010	203	172	14	17	NA
2011	227	162	36	29	NA
2012	214	155	37	22	NA
2013	190	121	34	35	NA
2014	190	126	39	25	NA
2015	208	106	44	46	12

TF	Total Accounts	Shares		No Shares	
		Permit	No permit	Permit	No permit
2010	132	105	3	24	NA
2011	164	111	20	33	NA
2012	146	105	18	23	NA
2013	136	97	11	28	NA
2014	142	98	18	26	NA
2015	144	82	25	30	7

Source: Table 15 (NMFS 2016b).

Table 2.5.2.7 provides the number and volume of allocation transfers for the RS-IFQ program, and Tables 2.5.2.8 and 2.5.2.9 provide the number and volume of allocation transfers for the GT-IFQ program share categories. The total percent of transferred allocation may be greater than 100%, because pounds of allocation may be transferred among accounts multiple times.

Table 2.5.2.7. Red snapper allocation transfers by number and volume.

Year	Number of Transfers	Total lbs Transferred	Avg. lbs per Transfer	Median lbs.	% of Quota Transferred
2007	808	1,686,218	2,087	671	56.50%
2008	683	1,371,100	2,007	600	59.70%
2009	843	1,539,479	1,826	500	67.00%
2010	1,719	3,065,736	1,783	500	96.10%
2011	2,155	3,639,394	1,689	500	110.30%
2012	2,551	3,741,966	1,467	400	100.80%
2013	2,752	5,762,456	2,094	500	114.00%
2014	2,860	5,549,553	1,940	500	110.00%
2015	3,387	9,254,534	2,732	700	140.90%

Source: Table 8 (NMFS 2016a).

Table 2.5.2.8. DWG and RG allocation transfers by number and volume.

DWG	No. of Transfers	Lbs Transferred	Avg. lbs per Transfer	% of Quota Transferred
2010	490	1,027,477	2,097	101%
2011	632	1,447,229	2,290	142%
2012	764	1,524,618	1,996	135%
2013	608	1,762,344	2,899	158%
2014	846	2,370,757	2,802	214%
2015	898	3,240,557	3,609	294%

RG	No. of Transfers	Lbs Transferred	Avg. lbs per Transfer	% of Quota Transferred
2010	1,065	3,217,048	3,021	56%
2011	1,550	4,260,483	2,749	81%
2012	1,906	4,736,612	2,485	88%
2013	1,752	5,579,299	3,185	101%
2014	2,317	7,187,959	3,102	128%
2015	2,480	8,654,733	3,490	151%

Source: Table 12 (NMFS 2016b).

Table 2.5.2.9. TF, GG, SWG, and the total allocation transfers by number and volume.

TF	No. of Transfers	Lbs Transferred	Avg. lbs per Transfer	% of Quota Transferred
2010	268	489,585	1,827	111%
2011	328	765,586	2,334	174%
2012	385	685,980	1,782	118%
2013	291	933,105	3,207	160%
2014	430	1,255,737	2,920	216%
2015	504	1,411,779	2,801	243%

GG	No. of Transfers	Lbs Transferred	Avg. lbs per Transfer	% of Quota Transferred
2010	945	743,266	787	53%
2011	1,250	332,049	266	77%
2012	1,745	503,899	289	89%
2013	1,718	621,594	362	88%
2014	2,232	1,236,126	554	148%
2015	1,847	1,255,383	680	134%

SWG	No. of Transfers	Lbs Transferred	Avg. lbs per Transfer	% of Quota Transferred
2010	616	315,042	511	77%
2011	568	272,816	480	67%
2012	900	365,563	406	72%
2013	911	493,144	541	95%
2014	1,000	506,556	507	97%
2015	1,084	576,714	532	110%

Total	No. of Transfers	Lbs Transferred	% of Quota Transferred
2010	3,384	5,792,418	64%
2011	4,328	7,078,163	94%
2012	5,700	7,816,672	96%
2013	5,280	9,389,486	111%
2014	6,825	12,557,135	145%
2015	6,813	15,139,166	171%

Source: Table 12 (NMFS 2016b).

2.6 Allocation Caps

Although there is a cap on the amount of shares that may be held by a single entity, there is no cap to the amount of RS-IFQ allocation that may be held or used by an individual or entity, or the amount of allocation that may be harvested by an individual vessel. An allocation cap may be established to prevent an inequitable concentration of limited access privileges and the Council may wish to consider whether upper limits should be imposed on the amount of RS-IFQ allocation an entity may possess, or the amount of RS-IFQ allocation a vessel may land.

An allocation cap already exists for the GT-IFQ program. The allocation cap is set annually and equals the sum of the maximum allocations associated with the five share category caps that may be held in an account at a single point in time. In 2015, the final allocation cap for the GT-IFQ program after all quota adjustments was 540,967 lbs.

Currently, there is no allocation cap for red snapper. The Council may consider establishing an allocation cap, but is not required to establish an allocation cap for red snapper.

Potential Alternatives:

- Cap the amount of RS-IFQ allocation that can be landed by a single vessel cumulatively over a year (January 1 – December 31).
- Cap the amount of RS-IFQ allocation that can be held by an account over the course of the year.
- Cap the amount of RS-IFQ allocation that can be held by an account at any point during the year.

Discussion:

The following tables provide information for evaluating allocation caps. Table 2.6.1 provides the maximum number of pounds landed on a single *vessel* for each share category and by year since implementation of the GT-IFQ program in 2010. For red snapper, the range of greatest landings by a single vessel has generally increased each year with a slight decrease from 2015 to 2016. This may be expected as the quotas have also increased. Table 2.6.2 converts the maximum number of pounds landed by a single vessel into the percent of the quota represented by those pounds. Tables 2.6.3 and 2.6.4 provide the maximum number of pounds landed by a single *account* and the percent of the quota represented by those pounds, respectively, for each share category and by year. At least one vessel has landed more gag, tilefish, and red snapper in various years (highlighted cells) than the pounds of allocation equivalent to the respective share cap for each share category. For example, in 2011 a single vessel landed 290,897 lbs of red snapper over the course of the year, corresponding to 8.81% of the year's quota. The red snapper share cap is 6.0203%. It should be noted that the GT-IFQ allocation cap is set at the aggregate poundage represented by the share cap for all GT-IFQ share categories and not a single share category.

Table 2.6.1. The maximum number of pounds a vessel has harvested per year for each share category and IFQ program.

Share Category	2010	2011	2012	2013	2014	2015	2016
DWG	58,521	58,840	77,950	112,122	129,878	123,494	104,806
GG	19,096	9,411	14,347	17,396	22,604	29,656	40,744
RG	73,261	128,529	146,962	117,144	149,357	104,268	113,282
SWG	11,419	6,825	9,692	14,815	7,583	11,385	11,021
TF	39,197	51,451	61,876	55,457	92,893	78,575	54,862
RS	169,112	290,897	388,924	377,995	434,129	504,702	425,152
GT-IFQ total	129,194	150,023	155,611	164,714	222,873	202,318	160,122
GT-IFQ allocation cap	515,727	470,172	519,725	529,299	535,803	540,967	618,882

Source: IFQ program database accessed 5/4/2017. Note: The sum of the grouper-tilefish categories does not equal the Grouper-Tilefish program total, as different vessels may have harvested the maximum.

Table 2.6.2. Percentage of the quota represented by the maximum number of pounds a vessel harvested each year for each share category and IFQ program. Highlighted cells indicate years when harvest by vessel is greater than the equivalent share cap.

Share category (cap)	2010	2011	2012	2013	2014	2015	2016
DWG (14.704321)	5.74	5.77	6.92	10.03	11.70	11.22	10.23
GG (2.349938)	1.35	2.19	2.53	2.46	2.71	3.16	4.34
RG (4.331882)	1.27	2.46	2.74	2.12	2.65	1.82	1.46
SWG (7.266147)	2.79	1.66	1.90	2.86	1.45	2.17	2.10
TF (12.212356)	8.91	11.69	10.63	9.53	15.96	13.50	9.43
RS (6.0203)	5.30	8.81	10.48	7.48	8.59	7.68	6.97
GT-IFQ	1.10	1.44	1.38	1.27	1.69	1.36	0.98

Source: IFQ program database accessed 5/4/2017. Note: Share caps are in parentheses. Note that the GT-IFQ allocation cap is the total amount of pounds that corresponds to all share caps combined that are held at a point in time.

Table 2.6.3. The maximum number of pounds a **shareholder account** has harvested per year for each share category and IFQ program.

	2010	2011	2012	2013	2014	2015	2016
DWG	60,316	58,840	79,272	112,122	129,878	123,494	104,806
GG	19,096	12,884	16,391	20,554	22,604	29,656	40,744
RG	119,537	171,109	168,585	202,305	175,347	174,343	156,283
SWG	11,419	13,168	12,592	14,815	9,182	11,385	14,280
TF	39,640	52,554	61,876	55,457	92,893	78,575	54,862
RS	184,050	335,626	391,295	377,995	434,129	504,702	425,152
GT-IFQ total	132,616	191,674	240,451	304,600	286,360	258,252	236,379
GT-IFQ allocation cap	515,727	470,172	519,725	529,299	535,803	540,967	618,882

Source: IFQ program database accessed 5/4/2017. Note: The sum of the grouper-tilefish categories does not equal the Grouper-Tilefish program total, as different shareholder accounts may have harvested the maximum.

Table 2.6.4. The percentage of the quota for the maximum number of pounds a **shareholder account** has harvested per year for each share category and IFQ program. Highlighted cells indicate years when harvest by shareholder account is greater than the equivalent share cap.

Share category (cap)	2010	2011	2012	2013	2014	2015	2016
DWG (14.704321)	5.91	5.77	7.03	10.03	11.70	11.22	10.23
GG (2.349938)	1.35	3.00	2.89	2.90	2.71	3.16	4.34
RG (4.331882)	2.08	3.27	3.14	3.66	3.11	3.05	2.01
SWG (7.266147)	2.79	3.21	2.47	2.86	1.76	2.17	2.72
TF (12.212356)	9.01	11.94	10.63	9.53	15.96	13.50	9.43
RS (6.0203)	5.77	10.17	10.54	7.48	8.59	7.68	6.97
GT-IFQ total	1.47	2.55	2.95	3.60	3.30	2.91	2.18

Source: IFQ program database accessed 5/4/2017. Note: Share caps are in parentheses. Note that the GT-IFQ allocation cap is the total amount of pounds that corresponds to all share caps combined that are held at a point in time.

CHAPTER 3. DESCRIPTION OF THE IFQ PROGRAM AND PARTICIPANTS

This section provides additional information on participants in the commercial individual fishing quota (IFQ) programs based on location around the Gulf of Mexico (Gulf). Recent descriptions of the red snapper individual fishing quota (RS-IFQ) and grouper-tilefish IFQ (GT-IFQ) programs are contained in annual reports produced by NMFS (2016a, 2016b) and are incorporated here by reference. These reports include detailed information on program participants, program activity, quota, landings, price information, and enforcement.

IFQ participants include shareholders, allocation holders, dealers, and vessels. The majority of participants are described here at the state and community level; however, participating vessels are described by state in Table 1.3.1 (red snapper) and Table 1.3.4 (grouper-tilefish).

Shareholders

The number of shareholders in the RS-IFQ program increased from 376 in 2014 to 386 accounts in 2015 (NMFS 2016a) and the number of shareholders in the GT-IFQ program increased to 645 in 2015 (NMFS 2016b). This was the first year since the start of both programs where the number of shareholders increased.

As of December 14, 2016, a total of 750 IFQ accounts held shares in either the RS-IFQ program or GT-IFQ program, or both programs (SERO LAPPs Branch; includes active, suspended, and non-activated accounts). The majority of shareholders have a mailing address in Florida (77.6% of shareholders, Table 3.1), followed by Texas (approximately 9%), Alabama (4.7%), and Louisiana (4.1%). Shareholders with mailing addresses in Mississippi and in other states (California, Georgia, Iowa, Maryland, Montana, New Jersey, New York, Ohio, Oregon, South Carolina, Tennessee, Virginia, and Wyoming) also hold shares, but these states represent a smaller percentage of the total number of shareholders.

Table 3.1. Number of Gulf IFQ shareholders by state.

State	Shareholders
AL	35
FL	582
LA	31
MS	12
TX	66
Other	24
Total	750

Source: SERO IFQ database accessed 12/14/16.

Gulf IFQ shareholders have mailing addresses in a total of 233 communities (SERO LAPPs Branch, December 14, 2016). By number of shareholders, communities with the most shareholders are located in Florida and Texas (Table 3.2). The community with the most

shareholders is Panama City, Florida (6% of shareholders, Table 3.2), followed by Key West (approximately 4.1%) and St. Petersburg, Florida (approximately 3.3%).

Table 3.2. Top communities by number of Gulf IFQ shareholder accounts.

State	Community	Shareholders
FL	Panama City	45
FL	Key West	31
FL	St. Petersburg	25
FL	Largo	24
TX	Galveston	20
FL	Destin	19
FL	Apalachicola	17
FL	Pensacola	16
FL	Tallahassee	15
FL	Cortez	14
FL	Clearwater	13
FL	Steinhatchee	13
FL	Tampa	13
FL	Lynn Haven	12
FL	Tarpon Springs	12

Source: SERO IFQ database accessed 12/14/16.

Account Holders (without shares)

As of December 14, 2016, a total of 408 IFQ accounts were active without shares (SERO LAPPs Branch, includes active accounts without shares in any RS-IFQ or GT-IFQ share category). Active accounts include those that have logged in and are up to date on citizenship requirements. However, these accounts may be related to accounts with shares. The majority of active accounts without shares have mailing addresses in Florida (77.7% of active accounts without shares, Table 3.3), followed by Texas (approximately 7.6%), Alabama (approximately 5%) and Louisiana (4.4%). Active account holders without shares also have mailing addresses in Mississippi and other states (Alaska, Georgia, Maryland, North Carolina, New York, Ohio, Oklahoma, South Carolina, and Wisconsin), but these states represent a smaller percentage of the total number of active accounts without shares.

Table 3.3. Number of Gulf IFQ active accounts without shares by state.

State	Accounts
AL	20
FL	317
LA	18
MS	7
TX	31
Other	15
Total	408

Source: SERO IFQ database accessed 12/14/16.

Active account holders without shares have mailing addresses in a total of 170 communities (SERO LAPPs Branch, December 14, 2016). Communities with the most account holders without shares are located in Florida and Texas (Table 3.4). The community with the most shareholders is Panama City, Florida (approximately 5.9% of active accounts without shares, Table 3.4), followed by Key West (approximately 4.7%) and St. Petersburg, Florida (approximately 4.2%).

Table 3.4. Top communities by number of Gulf IFQ active accounts without shares.

State	Community	Accounts
FL	Panama City	24
FL	Key West	19
FL	St. Petersburg	17
FL	Seminole	13
FL	Largo	12
FL	Destin	10
FL	Clearwater	9
TX	Galveston	9
FL	Hudson	8
FL	Fort Myers	7
FL	Carrabelle	6
FL	Naples	6
FL	Bokeelia	5
FL	Cape Coral	5
FL	Gulf Breeze	5
FL	Tallahassee	5
FL	Tampa	5

Source: SERO IFQ database accessed 12/14/16.

Dealers

IFQ dealers are those dealer with a Gulf and South Atlantic Open Access permit that processed at least one pound of IFQ species. The majority of GT-IFQ and RS-IFQ dealers are located in Florida (range of approximately 76-80% of Gulf IFQ dealers for 2011-2015, Table 3.5), followed by Louisiana and Texas. Gulf IFQ dealers are also located in Alabama and Mississippi, but a smaller number of dealers are located in these states and are combined for confidentiality.

Table 3.5. Number of Gulf IFQ dealers by state for 2011-2015.

Year	AL/MS	FL	LA	TX
2011	7	75	9	11
2012	6	79	8	8
2013	5	76	10	9
2014	8	94	9	10
2015	9	98	10	9

Source: SERO IFQ database accessed 12/14/16.

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APPENDIX A. INDIVIDUAL FISHING QUOTA PROGRAM GLOSSARY

Active Account –An account in which the allocation holder has landed, bought, and/or sold (i.e., transferred) allocation within that year. Account activity status changes yearly based on the actions taken by the account holder.

Advance Landing Notification - A required 3-24 hour advanced landing notification stating the vessel identification, approved landing location, dealer’s business name, time of arrival, and estimated pounds to be landed in each IFQ share category. Landing notifications can be submitted using either a vessel’s VMS unit, through an IFQ entity’s on-line account, or through the IFQ call service. The landing notification is intended to provide law enforcement officers the opportunity to be present at the point of landing so they can monitor and enforce IFQ requirements dockside. For the purpose of these regulations, the term landing means to arrive at the dock, berth, beach, seawall, or ramp.

Allocation – Allocation is the actual poundage of IFQ-managed species by which an account holder is ensured the opportunity to possess, land, sell, or transfer during a given calendar year. IFQ allocation is distributed to each IFQ shareholder at the beginning of each calendar year, and expires at the end of each calendar year. Annual IFQ allocation is determined by the amount of the shareholder’s IFQ share and the amount of the annual commercial quota. Dealer accounts may not possess allocation.

Allocation Transfer – A transfer of allocation (pounds) from one shareholder account to another shareholder or vessel account. Allocation transfers are an immediate one-step process. As soon as the allocation holder completes the transfer, the allocation is in the recipient’s account. This is different from the two-step share transfer process, and was created so that allocation could immediately be placed in a vessel account.

Entity – An individual, business, or association participating in the IFQ program. Each IFQ account is owned by a unique set of entities.

Gulf of Mexico Commercial Reef Fish Permit Holder – An entity that possesses a valid Gulf commercial reef fish permit and therefore, is eligible to be exempt from bag limits, to fish under a quota, or to sell Gulf reef fish in or from the Gulf exclusive economic zone. There is an annual fee associated with the permit.

IFQ Dealer Endorsement – The IFQ dealer endorsement is a document that a dealer must possess in order to receive Gulf IFQ species. The dealer endorsement can be downloaded free of charge from the IFQ dealer’s online account.

Inactive Account – An account, in which the allocation holder has neither landed, bought, sold, nor transferred allocation within that year, including those who never logged into their account. Accounts activity status changes yearly based on the actions taken by the account holder.

Initial Account - An account which was never logged into by the account's owner(s) in the current online system, which began in 2010.

Landing Transaction – A report that is completed by an IFQ dealer using the online IFQ system. This report includes the date, time, and location of the transaction; weight and actual ex-vessel price of IFQ fish landed and sold; and information necessary to identify the fisherman, vessel, and dealer involved in the transaction. The fisherman landing IFQ species must validate the dealer transaction report by entering his unique vessel's personal identification number when the transaction report is submitted. After the dealer submits the report and the information has been verified, the website will send a transaction approval code to the dealer and the allocation holder.

Participant - An individual, business, or other entity that is part of an IFQ entity. For example, John Smith, the participant, may belong to multiple entities such as John Smith, John and Jane Smith, and ABC Company. Share and allocation caps are tracked at the IFQ participant level and not the IFQ entity level.

Public Participant Account – A shareholder account that was opened after January 1, 2012, for red snapper, or January 1, 2015, for grouper-tilefish, that does not have a permit associated with the account. Public participants may hold, buy, sell, and transfer shares and allocation, but cannot harvest IFQ species.

Share – A share is the percentage of a commercial quota assigned to a shareholder account that results in allocation (pounds) equivalent to the share percentage of the quota. Shares are permanent until subsequently transferred or revoked. Dealer accounts may not possess shares.

Share Cap – The maximum share allowed to be held by a person, business, or other entity. The share cap prevents one or more IFQ shareholders or entities from purchasing an excessive amount of IFQ shares and holding a monopoly in the IFQ program.

Share Transfer – Moving shares from one shareholder account to another shareholder account. A shareholder must initiate the share transfer and the receiver must accept the transfer by using the online IFQ system. Share transfers are a two-step process with the transferor initiating the transfer, but the completion does not occur until the transferee accepts the transfer. There may be a delay between initiation of the transfer and final acceptance of the transfer.

Shareholder – An entity that holds a percentage of commercial IFQ quota for any share category.

Shareholder Account – A type of IFQ account that may hold shares and/or allocation. This includes accounts that only hold allocation.

APPENDIX B. GOALS OF THE IFQ PROGRAMS

Red Snapper IFQ Program (Amendment 26; GMFMC 2006)

The purpose of the IFQ program proposed in this amendment is *to reduce overcapacity in the commercial fishery and to eliminate, to the extent possible, the problems associated with derby fishing*, in order to assist the Council in achieving OY. In a 1999 review of the effectiveness of IFQ programs worldwide, the National Research Council concluded such programs are valuable in addressing these two long-standing fishery problems (NRC, 1999). Case studies describing the effects of existing IFQ programs are provided in Appendix G of that publication. The harvest privileges provided by IFQ programs are intended to give fishermen a long-term interest in the health and productivity of the fishery and, thus, an incentive to conserve it for the future. By eliminating the incentive to over invest in the fishery, these privileges eliminate the incentive to race for fish. IFQ programs are generally effective in controlling exploitation, reducing the incentive to fish during unsafe conditions, improving fishery profitability, and extending the availability of fresh fish products to consumers. In some cases, these programs also have been shown to increase product quality by improving fishing and handling methods by allowing fishermen greater flexibility in operations. The proposed IFQ program is intended to help the Council address overfishing by reducing the rate of discard mortality that normally increases with increased fishing effort in overcapitalized fisheries (NRC, 1999; Leal et al., 2005). IFQs provide the opportunity to better utilize fishing and handling methods and reduce bycatch of non-targeted species. Improving catch efficiency may also result in a decrease in regulatory discards of red snapper and other reef fish species by allowing fishermen the choice on when and where to fish. Additionally, the slower paced fishery anticipated under the IFQ program will support fewer fishermen operating over a longer season.

Grouper-Tilefish IFQ Program (Amendment 29; GMFMC 2008)

The purpose of this amendment is to rationalize effort and reduce overcapacity in the commercial grouper and tilefish fisheries in order to achieve and maintain optimum yield (OY) in these multi-species fisheries. Rationalization is defined as “a management plan that results in an allocation of labor and capital between fishing and other industries that maximizes the net value of production” (Fina, 2003). Terry and Kirkley (2006) defined overcapacity as the difference between harvesting capacity and a management target catch, given the stock conditions associated with that target catch. Excess capacity is defined as the difference between harvest capacity and actual harvests.

Rationalizing effort should mitigate some of the problems resulting from derby fishing conditions or at least prevent the condition from becoming more severe. Reducing overcapitalization should improve profitability of commercial grouper fishermen. Collectively, working conditions including safety at sea should improve and bycatch in the tilefish and grouper fisheries should be reduced, and a flexible and effective integrated management approach for tilefish and the grouper complex and tilefish should follow. This amendment evaluates several management programs that could be capable either independently or in combination of accomplishing the objectives specified above.

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APPENDIX C. CONCLUSIONS FROM THE RED SNAPPER 5-YEAR REVIEW

The Red Snapper Individual Fishing Quota (IFQ) program 5-year review was completed by NMFS and Council staff (GMFMC and NMFS 2013). The conclusions from the review are provided below.

The original purpose and need defined in Amendment 26 (GMFMC 2006), reads as follows:

The purpose of the IFQ program proposed in this amendment is to reduce overcapacity in the commercial fishery and to eliminate, to the extent possible, the problems associated with derby fishing, in order to assist the Council in achieving OY.

National Standard 1 of the Magnuson-Stevens Act mandates conservation and management measures prevent overfishing and achieve OY from a fishery. OY is defined as the amount of fish that will provide the greatest overall benefit to the nation, particularly with respect to food production and recreational opportunities. OY must take into account the protection of marine ecosystems and is prescribed based on the maximum sustainable yield (MSY) from the fishery, as reduced by any relevant economic, social, or ecological factors. In practice, the commercial sector's share of the quota is equivalent to the sector's share of OY for the red snapper fishery. Commercial harvests that are equal or very close to the quota without exceeding it would be consistent with the prevention of overfishing and achievement of OY mandated by the Magnuson-Stevens Act.

The RS-IFQ program 5-year review (GMFMC and NMFS 2013) evaluated the progress of the program towards achieving its goals and objectives. The performance of the RS-IFQ program in achieving OY was assessed by measuring its ability to constrain harvest at or below the quota while allowing RS-IFQ participants to harvest as much red snapper as possible.

Recommendations from the review have been presented to the Council and incorporated into the potential changes included in this scoping document. As part of the process of considering program modifications, the Council may wish to evaluate modifications to continue progress towards the program's goals and objectives, to improve program performance, participant satisfaction, and to continue assisting the Council in achieving OY.

The conclusions of the RS-IFQ program 5-year review⁶ are:

Participant Consolidation and Overcapacity

Conclusion 1: The RS-IFQ program has had moderate success reducing overcapacity, however economic analyses indicate that additional reductions in fleet capacity are still necessary.

⁶ The full supporting summaries for each conclusion are provided in Appendix B. The entire Red Snapper IFQ Program 5-year review may be accessed at <http://www.gulfcouncil.org/docs/amendments/Red%20Snapper%205-year%20Review%20FINAL.pdf>

Achievement (or Harvesting) of Optimum Yield

Conclusion 2: The RS-IFQ program has been successful in reducing quota overages, which is consistent with the achievement of OY. Landings have averaged greater than 95% of the commercial quota; however, many inactive accounts remain and account for as much as 1.5% of the commercial quota.

Mitigating the Race to Fish and Safety at Sea

Conclusion 3: The RS-IFQ program was successful at mitigating the race to fish providing fishermen with the opportunity to harvest and land red snapper year-round. Inflation-adjusted share, allocation, and ex-vessel prices increased, indicating that fishermen were successfully maximizing profits and had increased confidence in the RS-IFQ program. Safety at sea has increased and annual mortalities related to fishing have declined since the RS-IFQ implementation. [According to Boen and Keithly (2012),] medium and large shareholders perceive that the RS-IFQ program has improved safety at sea.

Biological Outcomes

Conclusion 4: The implementation of the RS-IFQ program coupled with revisions to the red snapper rebuilding plan and reductions in quota and the commercial size limit, have all contributed to lower commercial fishing mortality rates and reduced discards. The RS-IFQ system has also prevented commercial quota overruns, which were frequent prior to RS-IFQ implementation. Discards continue to be high in the eastern Gulf where a large percentage of legal-sized red snapper are discarded by fishermen due to a lack of allocation.

Social Impacts

Conclusion 5: Large shareholders and western Gulf shareholders are generally more supportive of the RS-IFQ program than small to medium shareholders and those from the eastern Gulf. Entry and participation in the red snapper fishery is now more difficult and costly due to the increased costs of shares and allocation. Consolidation has resulted in less competition for harvest and higher revenues per trip. Crew sizes are smaller, but the ability to hire and keep stable crews has improved. The increase in the number of shareholders not landing any fish has led to perceptions that many are profiting from the program at the expense of hard-working fishermen.

Enforcement and Program Administration

Conclusion 6: RS-IFQ participants are generally satisfied with the IFQ online system and customer service when contacting NMFS and the 24-hour call service for advance landing notifications. Vessel monitoring systems, notification requirements, and random dockside inspections aid enforcement in monitoring program compliance; however, a variety of enforcement violations have been identified. Compliance has improved since RS-IFQ program implementation but additional enforcement efforts may be necessary to deter violations. IFQ program expenses currently exceed the 3% cost recovery collected for program administration, research, and enforcement.

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<http://www.gulfcouncil.org/docs/amendments/Red%20Snapper%205-year%20Review%20FINAL.pdf>

APPENDIX D. AD HOC RED SNAPPER IFQ ADVISORY PANEL SUMMARY

Red Snapper IFQ Advisory Panel Meeting Summary Gulf Council Office Tampa, FL November 5-6, 2013

In attendance

Tom Adams
Billy Archer
Buddy Bradham
Jason DeLaCruz
Bob Gill
John Graham
Scott Hickman
Chris Horton
David Krebs
Seth Macinko
Jerry Rouyea
Bob Spaeth
Bill Tucker
David Walker
Mike Whitfield
Troy Williamson
Jim Zubrick

Council and Staff

Doug Boyd
Assane Diagne
Ava Lasseter
Karen Hoak
Carrie Simmons
Steven Atran

Other attendees

Jim Clements
Sue Gerhart
Cathy Gill
Buddy Guindon
Stephen Holiman
Peter Hood
Mike Jepson
Tony Lamberte
Mara Levy
Kristen McConnell
Christina Package
Jessica Stephen
Melissa Thompson
Donny Waters
Wayne Werner

The meeting convened at 9 a.m. The AP appointed Bob Gill as Chair and Scott Hickman as Vice-chair. Assane Diagne reviewed the actions and preferred alternatives from Amendment 26, which established the Red Snapper IFQ program. Jessica Stephen summarized the IFQ program's 5-year review conclusions.

The AP then commented on the 5-year review. Overall, members felt that the program is working well and achieving its goals. The AP discussed whether the program goals should be modified or refined, and whether it is desirable to further reduce overcapacity. It was noted that fewer vessels than the existing fleet can harvest the entire commercial quota, but maximizing economic efficiency is not the goal of the fishery. Other potential goals could address new entrants to replace retiring fishermen, and minimizing discards.

The AP also discussed the 3% recovery fee, with some members wanting IFQ program participants to pay more, and other members pointing out that 3% is the maximum allowable under the Magnuson-Stevens Act, and that the recovery fee was never intended to pay for the program.

Jessica Stephen reviewed the administrative changes NMFS is making to the IFQ programs and gave an overview of the IFQ program structure, to provide context and background information for members of the AP who are not familiar with the program. The AP then reviewed each of the actions from Reef Fish Amendment 26, which established the red snapper IFQ program.

The AP discussed the IFQ program duration and review requirements. Because red snapper is part of a multi-species fishery, members felt the red snapper IFQ program review should be aligned with other IFQ managed species, and passed the following motion:

Motion: That consideration be given to the future consolidation of the red snapper and the grouper/tilefish IFQ program reviews.

Addressing ownership caps, AP members who are IFQ program participants explained that the existing 6% cap reflected the landings of a fleet owner, not an individual fisherman. There was discussion about IFQ shareholders who sell allocation but no longer fish, and concern that putting controls on the market-based system would affect the functioning of the program.

Concerning the eligibility requirements for the transfer of IFQ shares, the AP discussed IFQ shareowners who do not possess a reef fish permit. Some members felt it was important to distinguish the IFQ program as a tool to support the commercial industry rather than being an investment tool. The AP passed the following motion.

Motion: To restrict the future transfer of shares to only those individuals possessing a valid commercial reef fish permit.

Mara Levy reviewed the legal issues and referendum requirements in the Magnuson-Stevens Act which pertain to IFQ programs. It would be necessary to define who would be included in any future referendum.

Following review of the amendment's actions, the AP discussed the conclusions from the red snapper IFQ program 5-year review. The AP noted that discards have decreased in some parts of the Gulf and increased in others. The AP expressed that a full retention fishery is ultimately the direction they need to go in the future, even though the transition has been painful in other regions and it may not be popular in the Gulf. The AP passed the following motion.

Motion: To recommend that the Council consider a regulatory full retention red snapper fishery, with no size limits.

The AP then discussed whether enforcement should be increased at landing sites, and whether the number of approved landing sites should be decreased. No additional recommendations to the 5-year review were made.

The AP reviewed the objectives of the IFQ program. Members discussed the objective to reduce overcapacity, and what vessel capacity the industry should aim for. There has been redirected effort toward other reef fish species, and most vessels target multiple species, not red snapper alone. The AP discussed capping the price at which allocation could be leased, but expressed

concerns that shareowners would modify their behavior and use of allocation in ways unintended by the lease price cap. The AP discussed red snapper discards on vessels without sufficient allocation, and passed the following motion.

Motion: That the Council consider alternatives to allow a fisherman that does not have sufficient allocation to cover bycatch, to acquire the needed allocation prior to taking their next trip.

Next, the AP discussed shares held in accounts that have never been activated, alongside the issue of how to procure quota to provide for discards and new entrants to the fishery. The AP considered developing a type of quota set-aside, and expressed the need for the industry to further discuss these issues. The following motions resulted from the discussion.

Motion: Allow redistribution of shares in accounts that have never been activated since 2010, if the accounts are not active by December 31, 2014.

Motion: That the Council establish a quota bank using the shares from the inactive accounts from the previous motion.

Motion: That the shares from the previous motion be utilized for new entrants, to address discards, and to reduce bycatch.

Motion: The Council should develop a new ad hoc Advisory Panel, primarily of commercial red snapper stakeholders, to develop a plan to address new entrants' participation and bycatch, using future red snapper quota increases.

The AP then reviewed the presentation on administrative changes to the IFQ program. The issues raised here mainly concerned the timing and feasibility of landings and required notifications. Currently, a vessel is required to land within a declared 30 minute window, which some members of the AP felt is too short. Recognizing that modifying the landing time window affects how long enforcement officials must wait at the landing site, the AP passed the following motion.

Motion: 1 hour window to land (e.g., if landing at 5 pm, could land any time between 5-6 pm).

Another issue pertained to the required time limit for dealers to report landing transactions. Some members reported that the time requirement is too restrictive around holiday weekends. Jessica Stephen noted that even if the time period for the transaction was to be extended, fish may not be moved until the dealer submits the landing transaction. The AP then passed the following motion.

Motion: Offloading and landing transaction must occur within 72 hours of landing, excluding holidays and Sundays.

Finally, the issue of offloading after hours was discussed, and the AP passed the following motion.

Motion: If offloading has begun prior to 6 pm, offloading may continue after 6pm if law enforcement authorizes offload after hours

Other issues discussed included support for prohibiting deduction of ice and water weight when completing a landing transaction, and reviewing the number of approved landing locations. The AP then discussed other items outside of their charge.

The AP discussed the potential collection of a resource rent on the commercial red snapper quota but the motion recommending to the Council to consider imposing a resource rent failed. AP members indicated that rents were collected for oil and minerals and that the public should be compensated. It was also indicated that rent collections were not the norm in fisheries and that collections should not be limited to the commercial sector but include all users of the red snapper resource.

A member raised the issue of dual-permitted vessels having a crew size limit when fishing commercially, stating that the rule prohibits these vessels from taking family members fishing. Another member noted that eliminating the crew size restriction would give those with dual-permitted vessels with IFQ shares an unfair advantage. The AP passed the following motion.

Motion: To eliminate the crew size limit for dual permitted vessels fishing under the commercial IFQ system.

The AP then discussed putting additional reef fish species into IFQ programs, noting that effort had been redirected from those species now managed under IFQs, toward these other species. Members felt an IFQ program was important as an effort control for these species. The AP passed the following motion.

Motion: That the Council consider reopening Amendment 33, adding in all applicable reef fish to the IFQ program.

Finally, the AP discussed the concept of “dude fishing”, where passengers pay to experience commercial fishing. There was discussion as to whether this would be considered commercial or charter fishing, as well as safety issues. The AP passed the following motion.

Motion: Request that the Council ask staff to develop a discussion paper on an option for commercial dude trips in the Gulf. A commercial dude trip is where a member of the recreational public goes out on a commercial fishing experience.

The meeting adjourned shortly before noon.

APPENDIX E. SUMMARY OF SCOPING WORKSHOPS

Scoping workshops were held from March 10-24, 2015 at the following locations:

Tuesday - March 10, 2015
Courtyard Marriott
142 Library Drive
Houma, LA 70360

Tuesday - March 17, 2015
Hawthorn Suites by Wyndham
501 East Goodnight Avenue
Aransas Pass, TX 78336

Thursday - March 12, 2015
Hilton Garden Inn
6703 Denny Avenue
Pascagoula, MS 39567

Wed - March 18, 2015
Hilton Garden Inn
1101 US Highway 231
Panama City, FL 32405

Monday - March 16, 2015
Hilton Galveston Island Hotel
5400 Seawall Boulevard
Galveston Island, TX 77551

Tuesday - March 24, 2015
Hilton St. Petersburg
950 Lake Carillon Drive
St. Petersburg, FL 33716

Tuesday - March 17, 2015
Renaissance Mobile
64 South Water Street
Mobile, AL 36602

Houma, Louisiana March 10, 2015

Program Eligibility Requirements

- **Should accounts with shares but without a commercial reef fish permit be allowed to harvest the allocation associated with those shares?**

We still feel like we're overcapitalized so, expanding eligibility seems like a slippery slope. The requirement to have a reef fish permit to harvest fish needs to stay.

Inactive Accounts and Redistribution of IFQ Shares to Address Regulatory Discards

- **Should shares be redistributed from inactive accounts to those with no or small shares or to new entrants to reduce regulatory discards?**

The Council should consider coming up with some type of financing program. New entrants can't afford to buy shares and the banks won't back loans for boating startups. Bankers don't understand it. Some kind of government run loan process could help new entrants more than

gifting them small shares. It seems like redistributing them to the guys that are already in the fishery is more reasonable. Finance the new entrants rather than gift them.

Full retention requirements to address regulatory discards

➤ **Should the full retention of all commercially caught red snapper be required?**

Full retention is a great goal. Some of the people targeting vermillion or grouper are pulling up lots of red snapper and killing them. Full retention would force those fishermen to make the effort to get allocation. There might need to be quota banks to help with this, and you may need to give them extra to get the necessary allocation if you require full retention. If we can sell a fish that is big enough to bite the hook, there will be a market for the fish smaller than 13 inches. Full retention will be a lot harder on some of the guys than on others but we should throw fish in the box rather than throw them back dead if we catch them.

Caps on the Use or Possession of IFQ Shares and Allocation

➤ **Should caps on the amount of IFQ allocation held by and entity be established?**

The cap's example are difficult to handle and we are not so sure that it's harmed anyone. There hasn't been a mega corporation that's tried to buy everyone out.

Requirements for the Use of Shares and Allocation

➤ **Should use-it or lose-it provisions be established?**

The broker situation takes care of itself. In the derby days or even pre derby, as people got older, they hired captains to run their boats. The current use of the IFQ program is no different. Some of the active shareholders do the same as we've always done. They have someone run their boat or just sell their allocation.

Here in Louisiana we're in a pure red snapper environment. Forcing me to stay on my boat rather than sell my allocation or hire a captain would exacerbate the bycatch issue. Captains would continue fishing rather than lease to people in the south east who don't have snapper quota, but are catching snapper because the population is expanding.

➤ **Should a "lease-to-own" provision be considered?**

Lease to own sounds neat but may cause fishermen who are selling allocation to an individual go back to fishing rather than give someone else 'credit' for his harvest. It would promote owners to keep harvesting their own allocation rather than let others earn credit for something that isn't theirs. A credit towards ownership arrangement should be done on an individual level rather than at the agency level.

Enforcement of all Reef Fish Landings

- **Should all commercial reef fish vessels be required to hail-in, even if they are not landing IFQ species?**

Hail in and out for all reef fishermen is a good idea. It's a great enforcement tool and it gives law enforcement a better heads up. They don't have to check every landing but it is good information to know.

Council member and staff:

Myron Fischer
Emily Muehlstein
Bernie Roy

**Pascagoula, MS
March 12, 2015**

Program Eligibility Requirements

- **Should the future transfer of shares to only shareholder accounts that hold a valid commercial reef fish permit?**

It's fine how it is.

- **Should accounts with shares but without a commercial reef fish permit be allowed to harvest the allocation associated with those shares?**

Allowing shareholders/allocation holders to harvest without a reef fish permit goes against the goal of the program and would promote overcapitalization.

Inactive Accounts and Redistribution of IFQ Shares to Address Regulatory Discards

- **Should the closure of accounts and redistribution of shares in accounts that have never been activated in the current system be allowed if the accounts are not active by a specified date?**

1% is a great margin for any program. Leave it like it is. Those people know they have shares and they should be allowed to sell it when they want to.

To achieve optimum yield the Council may want consider allowing the allocation in inactive accounts to rollover and be distributed amongst active accounts.

- **Should shares be redistributed from inactive accounts to those with no or small shares or to new entrants to reduce regulatory discards?**

People in the program today have suffered the pains of the program. Therefore, they should reap the benefits of the program rather than being penalized by losing additional shares. People who have been actively fishing should be given first opportunity for ownership.

It would be difficult to decide who qualifies as new entrants or small shareholders. Additionally, new entrants can get in to the program, plenty of new entrants have bought in. It was understood when the program was initiated that this would happen. Shares would have a high value and the fishery would consolidate, making it difficult for new entrants.

Full retention requirements to address regulatory discards

➤ **Should the full retention of all commercially caught red snapper be required?**

It's probably not legal and it definitely would not work to require full retention. You cannot make someone keep what they catch and it seems difficult to enforce.

Typically, commercial fishermen aren't going to hang around and catch the wrong size or species of fish. They are already policing themselves.

The market value of the different sizes of fish will be an issue. Fishermen won't want to use their allocation on the less valued fish.

There isn't data to justify worrying about regulatory discard on the commercial side. The snapper population has exploded, so it's obviously not a biological issue.

Caps on the Use or Possession of IFQ Shares and Allocation

➤ **Should caps on the amount of IFQ allocation held by and entity be established?**

There is already a cap on shares and that was initiated when the program was put in place. The current share caps are fine.

➤ **Should caps on the amount of IFQ allocation landed by a single vessel be established?**

You shouldn't limit what a vessel can harvest that is like directly capping what a person can make. A vessel can only catch so much a year anyhow, so there is no need to put a limit on it.

➤ **Should a cap on the amount of shares or allocation a non-reef fish permitted shareholder may possess be established?**

The program was established to be traded and there is no need to undo the system. The only reason the program sold initially was because of the flexibility it allowed. It doesn't make sense to socialize the program and keep everyone at some artificial level.

Requirements for the Use of Shares and Allocation

➤ **Should unused IFQ allocation be allowed to roll-over for use in the following year?**

There are a lot of reasons the fish aren't caught in a year; weather, engine failure, personal reasons, etc. Unharvested allocation should be rolled over so people can catch their fish the next year.

➤ **Should a “lease-to-own” provision be considered?**

Lease-to-own is an interesting approach and people would have demonstrated through trip tickets that they've fished should be given priority if a situation arises where new shares become available.

Mid-Year Quota Changes

➤ **Should a portion of shareholders' allocation be withheld at the beginning of the year if a mid-year quota reduction is expected?**

Would it be more practical to handle the quota reduction in the following year rather than mid-year? Don't be conservative and hold back, rather, reduce the share of the individual fishermen who have already caught their allocation in the following year.

During the mid-year quota increase derby-like conditions were created and the market value of red snapper dropped. If there was a large increase late in the year the Council should consider adding the extra in the following year.

Enforcement of all Reef Fish Landings

➤ **Should all commercial reef fish vessels be required to hail-in, even if they are not landing IFQ species?**

No. If they have VMS we know where there are so it's not necessary. If violations happen it's a small problem.

Council member and staff:

Leann Bosarge
Emily Muehlstein
Bernie Roy

**Galveston, Texas
March 16, 2015**

Program Eligibility Requirements

➤ **Should the future transfer of shares to only shareholder accounts that hold a valid commercial reef fish permit?**

The IFQ program is achieving its intended goals as is. Red snapper is a public resource, and the public should be able to participate in the IFQ program if they wish.

- **Should accounts with shares but without a commercial reef fish permit be allowed to harvest the allocation associated with those shares?**

The fishery is still overcapitalized, but it is currently under refinement to a smaller number of participants. If they were to allow people without a reef fish permit to harvest then the progress we've made to reduce overcapitalization would be reversed. Allowing anyone with IFQ to fish would definitely increase overcapitalization.

- **Should shareholders not actively engaged in fishing be allowed to transfer their shares and allocation to other shareholders?**

Transferability of shares should be market driven. Members of the public should be allowed to buy and sell shares and allocation.

Inactive Accounts and Redistribution of IFQ Shares to Address Regulatory Discards

- **Should the closure of accounts and redistribution of shares in accounts that have never been activated in the current system be allowed if the accounts are not active by a specified date?**

IFQ account holders should be contacted about their inactive accounts. The agency needs to do their due diligence and let people know that they have inactive shares.

Inactivity may be caused by displacement or disaster so share owners should be given time and warning before accounts are closed.

- **Should shares be redistributed from inactive accounts to those with no or small shares or to new entrants to reduce regulatory discards?**

The fish in inactive accounts need to be harvested. A quota bank could be used to address the issue of dead discards. The allocation could be distributed to all reef fish permit holders, not just IFQ share owners.

If shares are redistributed they should be given to active shareholders. Allowing new entrants goes against the goal of reducing overcapitalization in the fishery. The program was set up to be market driven, you can be a new entrant by buying from current shareholders. Use the market based system, it's already in place and there is no need to start a new program.

New entrants to the program should be considered. Some qualification of what defines a new entrant would be necessary.

Full retention requirements to address regulatory discards

➤ **Should the full retention of all commercially caught red snapper be required?**

Actions that can prevent fish from being thrown back dead should be considered, on the recreational side also. Throwing back perfectly good fish dead makes no sense.

Eliminating the minimum size limit and implementing full retention will allow the market-based system to work to its full potential. It will teach fishermen to fish smarter and more efficiently. Making fishermen keep everything they catch will make them behave more conscientiously.

Caps on the Use or Possession of IFQ Shares and Allocation

➤ **Should caps on the amount of IFQ allocation held by and entity be established?**

Leave it just like it is. It works as a market based system for economic efficiency and changing the amount an individual can own would not necessarily change economic efficiency of the program. Reducing the share cap may increase overcapacity. No one voiced any desire for caps to be put into place.

➤ **Should caps on the amount of IFQ allocation landed by a single vessel be established?**

Putting restrictions on an entity who has the capability of harvesting a large amount of fish will hurt the effort of reducing overcapacity.

Requirements for the Use of Shares and Allocation

➤ **Should use-it or lose-it provisions be established?**

Leave it alone, the current framework is working fine. The beauty of the system is that it is flexible. One fisher's boat breaks down, another fisherman can use quota. Exclusion is a problem for those on the outside, but not for those on the inside of the IFQ program. By restricting brokering, you would be closing the door of opportunity for others. There is no market advantage or biological advantage to do so.

➤ **Should restrictions be placed on the sale of IFQ allocation and shares?**

Some people are long-term fishermen who are leasing their fish out to others for various personal reasons, and are not brokers per se. It would be difficult to separate the different users and restrict them.

Fishermen find quota if they need it; leasing and brokering when practicable to assist one another. If someone wants to buy quota, they can and, local fishermen help other fishers get quota to use for bycatch. Fishermen that have available quota can capitalize on those fishermen out on the water and have them bring in fish for them as dealers to fill orders. Dealers hire

fishermen to fish and can provide them quota if they don't have enough in their IFQ account. Fishermen can change behavior to avoid bycatch when no allocation is available.

➤ **Should a “lease-to-own” provision be considered?**

Eliminate the problems for new entrants by offering a loan program. The federally backed loan program for new entrants that was suggested by the AP should move forward. Consider making a place in the Federal Registry where fishermen can register their right to harvest; they can use that as collateral to get loans. Banks need something to collateralize. New guys can come into the system by buying shares and creating history. If an entity buys allocation, then they could be entered into a sort of lottery program, or some sort of lease to own program to help new entrants transition in to the program. At some point, new entrants will need to be considered so those fishermen need to be considered now. Current fishermen are getting older.

Mid-Year Quota Changes

➤ **Should a portion of shareholders' allocation be withheld at the beginning of the year if a mid-year quota reduction is expected?**

Withholding quota would either create a shortage or a potential end of year glut. Mid-year changes up or down are not good for businesses. Business plans are made at the beginning of the year. Midyear increases causes a market glut. With a higher percentage of fish, you have to find a higher percentage of customers. Fluctuations are not desirable for operating a business and create market inequities and instability. Make end of year quota increases available the next year on Jan 1st to avoid derby fishing conditions. For the best benefit of the country, the fishermen need to know when they can fish.

Get the Council and the stock assessment process in line to set quota at the beginning of the year rather than allow mid-year quota changes. Move data assessments to an earlier time and obtain real time reporting so managers can make decisions early on in the year, rather than making mid-year adjustments.

Council process is inefficient, small shareholders needs the fish as soon as they are available. Mid-season or not, a small shareholder will take fish whenever they can get them. A business plan is not as important to small operations.

Enforcement of all Reef Fish Landings

➤ **Should all commercial reef fish vessels be required to hail-in, even if they are not landing IFQ species?**

Yes, hailing in for all would give proper notification to law enforcement and get rid of violators. Everybody with federal reef fish permits should have VMS on board and follow a hail-in/hail-out requirement. It would increase expenses for law enforcement.

Additional Issues

The 5-year review program should include people with a vested interest.

A water weight percentage should be brought back (ice weight). Ice and slime weight gain that causes variances between weight when the fish is being offloaded and weight at the fish house (about 3%) needs to be considered.

Council member and staff:

Robin Riechers
Emily Muehlstein
Karen Hoak

**Aransas Pass, TX
March 17, 2015**

Program Eligibility Requirements

- **Should the future transfer of shares to only shareholder accounts that hold a valid commercial reef fish permit?**

Commercial quota is there to be fished and should be caught to achieve optimum yield. The only fear is that someone could buy up quota with no intention of fishing it; protections should be put in place to prevent that.

Inactive Accounts and Redistribution of IFQ Shares to Address Regulatory Discards

- **Should shares be redistributed from inactive accounts to those with no or small shares or to new entrants to reduce regulatory discards?**

Shares from inactive accounts should be available for public purchase or distributed to small entities rather than large current shareholders. Inactive shares could be purchased at market price from a quota bank

Inactive shares should be put into a quota bank. They could be used to manage the program more efficiently, like for discard mortality and better conservation of the resource. Also, they could be made available for use in pilot programs (i.e., commercial/recreational hybrid programs and research).

- **Should future increases to commercial red snapper quota be redistributed to new entrants or small shareholders?**

Increases in quota should benefit current shareholders. The industry already rebuilt the fishery taking on VMS and other burdens, and eventually benefited from those changes making them

fully accountable, self-policing, etc. Non-accountable sectors should not benefit with the efforts from those who were and are accountable.

People who were granted fish benefited from being granted fish, and commercial fishermen are not the only folks who should benefit from a rebuilding fishery.

Full retention requirements to address regulatory discards

- **Should the commercial red snapper minimum size limit be removed, requiring commercial fishermen to retain all caught red snapper?**

Remove minimum size limit for the commercial fishery based on the fact that smaller fish are targeted. When they fish by size selection, they use smaller weaker hooks which target smaller fish, and then dead discards become an issue. By removing the size limit, they can use smaller hooks leaving the larger breeding stock in the water.

- **Should the full retention of all commercially caught red snapper be required?**

Full retention seems good as long as it's good for the fish population. Breeding fish may be left in the water which would be good. Throwing back small fish dead is not beneficial.

Full retention may be a bad idea. On the west coast entire fisheries have been completely shut down because of choke species. If there is a species or sub-allocation of a species in a full retention fishery, and all the allocation gets used up, if you interact with that species, all fishing stops. Full retention program would require you to fully retain the species whose fishery is completely closed because of the full retention policy. One bad move in one day can cause a huge problem for everybody making it unlawful to fish at all, as in rockfish in California

A full retention program would have to be thoroughly vetted, phased in with a sun-set. The Council might consider making full retention only effective while the commercial season is open for the specific species is open.

Caps on the Use or Possession of IFQ Shares and Allocation

- **Should caps on the amount of IFQ allocation held by and entity be established?**

The 6% ownership cap put in place represented the largest harvester at the onset of the program. Social engineering by regulators will not provide better management than the free market already has.

Requirements for the Use of Shares and Allocation

- **Should use-it or lose-it provisions be established?**

Shares and allocations should remain in the hands of fishermen, but we should not to have 5 or 6 entities owning the whole fishery in a monopoly situation.

➤ **Should unused IFQ allocation be allowed to roll-over for use in the following year?**

Rollover, if done well, would serve the primary program goals well. Roll-over should be permitted when a commercial shareholder has issues that make it impossible for fishing to occur. Council will have to constrain what would constitute an emergency, or restrict number of times a person could roll-over allocation. The roll-over should allow fishermen to catch their fish but not artificially manipulate the market by withholding quota into the following year. A derby at the end of the year could be avoided by reducing the roll-over quota by a certain percentage, rather than allowing the entire allocation amount to roll-over.

➤ **Should a “lease-to-own” provision be considered?**

The guy buying allocation should get credit. He should not have to be dependent on the seller indefinitely. Sooner or later, he should get credit for being the fisherman catching the fish. There should be a time limit for selling your allocation – meaning you can sell you allocation so many years before you have to sell the shares or harvest them yourself.

Use it or lose it, it goes back to regulators being involved in social engineering. Fishermen should negotiate deals with the share owners, not have the government mandating when a person should achieve benefits. These are private transactions, not governmental regulations.

Mid-Year Quota Changes

➤ **Should a portion of shareholders’ allocation be withheld at the beginning of the year if a mid-year quota reduction is expected?**

Instead of withholding every year to adjust for catastrophic events, take out quota at the beginning of the next year; that will meet the program goals far better than an in-season closure and the loss will be distributed better across all participants. If there is a stock assessment year is coming up and people are concerned about a reduction mid-year there may be a race to fish in the beginning of the year.

Enforcement of all Reef Fish Landings

➤ **Should all commercial reef fish vessels be required to hail-in, even if they are not landing IFQ species?**

If hail in/hail out would solve the problem, it should be required. Operators following the rules would not have a problem with the new requirement. Operators fishing for other species legally would not likely have a problem with it either. The only people that would object to the new requirement are likely to be those doing illegal things.

Only permit holders should weigh in on this issue, others' opinions shouldn't matter.

Additional Issues

Inter-sector trading should not be allowed.

Red snapper is rebuilding by using the IFQ program. It is effective and meeting its goals of reducing overcapacity, minimizing derby conditions, and rebuilding the resource. The program does not need wholesale changes to add in efficiencies and complications. Overharvesting has not been occurring. Improvements should promote accountability, assist in achieving OY, and collaboration between user groups. New entrants can buy into the program as is, and management is best left in the hands of the shareholders.

Council member and staff:

Greg Stunz
Emily Muehlstein
Karen Hoak

**Mobile, AL
March 17, 2015**

Program Eligibility Requirements

- **Should the future transfer of shares be restricted to only shareholder accounts that hold a valid commercial reef fish permit?**

No: Fishermen have invested in shares, and need the flexibility, such as in the event of accidents and other incidents.

Yes: Only if you have a commercial reef fish permit should you be able to buy shares, catch, and land fish.

- **Should accounts with shares but without a commercial reef fish permit be allowed to harvest the allocation associated with those shares?**

No:

- Commercial reef fish permit is needed for landing because they would have VMS and follow landing procedures. Need enforcement to sanction poaching vessels.
- This would allow more commercial fishing participants, and commercial reef fish permits are under a moratorium.
- This would open the commercial fishery to recreational participation.

- **Should shareholders not actively engaged in fishing be allowed to transfer their shares and allocation to other shareholders?**

Yes: Support for a use-it or lose-it provision. [Use referred to not withholding allocation from being landed.] Must use the shares you have, or a percentage of the shares you have. Catching optimum yield is the goal, so allocation needs to be used.

Inactive Accounts and Redistribution of IFQ Shares to Address Regulatory Discards

- **Should the closure of accounts and redistribution of shares in accounts that have never been activated in the current system be allowed if the accounts are not active by a specified date?**

Yes:

- But, there is a difference between accounts that have never been active and accounts not being used for a year or two. Those accounts that have never been active should have shares redistributed.
- Notice should be given now that shares in accounts that have never been active will be redistributed at the 10-year anniversary of the program.
- Only for accounts that have never been active or inactive for a decade should redistribution be considered.

- **Should shares be redistributed from inactive accounts to those with no or small shares or to new entrants to reduce regulatory discards?**

No:

- Redistributed shares should not just be given away. Shareholders earned their fish by landings history or they have invested in buying shares. Supports redistribution for discards.
- If additional fees are considered for the commercial sector, consider using value from the shares to be redistributed from inactive accounts.
- For redistribution have NMFS establish permit banks to sell allocations to increase cost recovery funds for law enforcement.
- Providing for new entrants is not a concern at this time.
- Distribute shares in equal amounts or according to their share percentage, but only among snapper IFQ shareholders. Providing allocation for red snapper discards in one area means less allocation and more discards in other areas. It may be possible to exchange allocation between species.
- Shares should stay within the red snapper fishery.

Full retention requirements to address regulatory discards

- **Should the commercial red snapper minimum size limit be removed, requiring commercial fishermen to retain all caught red snapper?**

No:

- There may not be a market for smaller fish.
- Non-IFQ commercial fishermen catch red snapper, too. So, there would not be sufficient allocation.

Yes: There is a market for small fish and good prices for them, so support for eliminating minimum size limit, but not full retention.

➤ **Should the full retention of all commercially caught red snapper be required?**

No:

- Should be fishermen's choice for what kind of fish they want to keep.
- People may not be willing to sell their allocation(s).

Yes: Support for the idea but difficult to do.

Caps on the Use or Possession of IFQ Shares and Allocation

➤ **Should caps on the amount of IFQ allocation held by and entity or landed by a single vessel be established?**

No: Opposed to caps on annual allocation for vessels or a single entity.

➤ **Should a cap on the amount of shares or allocation a non-reef fish permitted shareholder may possess be established?**

No: This would affect investment in the fishery among related accounts.

Requirements for the Use of Shares and Allocation

➤ **Should restrictions be placed on the sale of IFQ allocation and shares?**

No:

- Selling allocation should be allowed.
- Selling allocation means the fish still get caught. What does it matter who catches them?

Mid-Year Quota Changes

➤ **Should a portion of shareholders' allocation be withheld at the beginning of the year if a mid-year quota reduction is expected?**

No:

- Quota increases and decreases should only happen at the beginning of the year. Do not allow a mid-year quota increase or decrease, for either the commercial or recreational sectors. Distribution of quota at the beginning of the year only brings stability to the market.
- Another person agreed, but felt quota changes should occur at the beginning of the year for the commercial sector, only.

Enforcement of all Reef Fish Landings

➤ **Should all commercial reef fish vessels be required to hail-in, even if they are not landing IFQ species?**

Yes:

- Provided the IFQ participants are not charged for it.
- This would protect IFQ program participants.
- But, this could burden law enforcement resources, so their funding needs to be increased.

Additional Issues

General comments

- Happy with current program, so why change it?
- The discard problem is because of too many red snapper in certain areas of the Eastern Gulf.
- None of the proposed changes will help with the program or the recovery of the fishery.
- To do many of these changes NMFS would need to identify related accounts who are actively involved in fishing and who are investors.

Council member and staff:

David Walker
Ava Lasseter
Charlotte Schiaffo

10 people attended including:

Randy Boggs
Susan Boggs
Miranda Eubanks
Roy Howard
Larry Huntley
Tommy Land
Tom Steber
Brian Swindle
Carolyn Wood

**Panama City, FL
March 18, 2015**

Program Eligibility Requirements

- **Should the future transfer of shares be restricted to only shareholder accounts that hold a valid commercial reef fish permit?**

No:

- Everyone should have a chance to enter the program.
- Once you let the public buy shares, no restrictions should be put on their ability to receive full compensation for the use of their shares.
- Should require a commercial reef fish permit, except could impact fish houses' ability to keep allocation on hand for vessels that offload.
- Requiring shareholders to have a commercial reef fish permit will keep the fish in the fishery, but that would result in fishermen selling their boats and keeping their permits, resulting in a de facto fleet reduction.
- The program is working well, so why change it?

Yes:

- The program is working great, but there are issues that need to be addressed on permit eligibility.
- Support the requirement to have a reef fish permit; reducing overcapacity is a goal of the program, so fleet reduction would be beneficial.

- **Should accounts with shares, but without a commercial reef fish permit be allowed to harvest the allocation associated with those shares?**

No: Attendees do not support this suggestion.

- **Should shareholders not actively engaged in fishing be allowed to transfer their shares and allocation to other shareholders?**

Yes:

- There was support because fish houses need fish for bycatch and small shareholders, and it would benefit retiring fishermen.
- Leasing helps reduce discards, helps other fishermen, and those who do not hold shares.

Inactive Accounts and Redistribution of IFQ Shares to Address Regulatory Discards

- **Should the closure of accounts and redistribution of shares in accounts that have never been activated in the current system be allowed if the accounts are not active by a specified date?**

Yes: Attendees support this suggestion.

- **Should shares be redistributed from inactive accounts to those with no or small shares or to new entrants to reduce regulatory discards?**

No:

- Does not support giving new entrants shares in the red snapper IFQ program. If going to give away shares, put a moratorium on selling shares to anyone.
- Historical participants should be considered for the distribution of shares from inactive accounts.

Yes:

- It would help new entrants and small shareholders. There is a need for small shareholders to obtain more shares.
- Support redistribution of shares for small shareholders to account for regulatory discards.
- To do so, set up a pool of fish with the quota from inactive accounts, from which small shareholders and new entrants can buy shares. (Based on the Pacific Northwest federal fishery program.)
- Qualifiers for small shareholders and new entrants would be used for a federal IFQ bank.
- Some form of cap needs to be considered on the amount financed to new entrants and small shareholders.

Suggested criteria of a new entrant or small shareholder:

- Must have a reef fish permit and would not be allowed to lease fish.
- Don't prohibit a new entrant or small shareholder to lease their quota.
- New entrants and small shareholders are those who own shares equal to or less than 2,500 lbs.
- Own or lease a fishing vessel, and actively engage in reef fishing for a minimum of 24 months.

Full retention requirements to address regulatory discards

➤ **Should the commercial red snapper minimum size limit be removed, requiring commercial fishermen to retain all caught red snapper?**

No:

- Sounds like a good idea, but hard to execute and impractical.
- Discard mortality is a by-product of not having enough allocation.

Yes:

- Eliminate it; there is no biological reason to have a 13" size limit.
- Create a quota bank for fishermen to use for smaller fish that would now be retained, which would offset and reduce the dead discard uncertainty buffer [that is built into the red snapper quota].

➤ **Should the full retention of all commercially caught red snapper be required?**

No:

- There would be no way to stay within the available allocation. Discard mortality is a by-product of not having enough allocation.
- Have tried this in trawling, when fishermen have no control of what is coming over the rail.

- Would not be possible if had a choke species closure, where capture of another species is prohibited.

Yes: Full retention could work if increase the quota substantially (to 18mp).

Caps on the Use or Possession of IFQ Shares and Allocation

- **Should caps on the amount of IFQ allocation held by and entity or landed by a single vessel be established?**

No:

- This would negatively affect the market.
- Allocation caps would be detrimental to the industry because wholesalers need a reliable, steady supply of product.
- Caps can be circumvented.

- **Should a cap on the amount of shares or allocation a non-reef fish permitted shareholder may possess be established?**

No: Not necessary at this time. Such a provision could be needed in future, and if so would be addressed then.

Requirements for the Use of Shares and Allocation

- **Should use-it or lose-it provisions be established?**

No: Unless distributed allocation is not being harvested, this is not needed.

- **Should restrictions be placed on the sale of IFQ allocation and shares?**

No.

- **Should unused IFQ allocation be allowed to roll-over for use in the following year?**

No:

- This could complicate the process and harm the market.
- For conservation reasons, it's okay to leave a little extra fish in the water at the end of the year.
- This could affect the quota for the following year.

Yes: Could establish a provision for people who buy allocation (“lease fish”) to have a buffer of 10% of their on-board poundage. Those accounts would start with a negative balance at the beginning of the next year.

- **Should a “lease-to-own” provision be considered?**

No:

- Concern that shareholders would be forced to give up their shares.
- Could reduce availability of quota to new entrants and small shareholders because shareholders don't want to give up shares.

- Some of this may already be going on among private entities. NMFS should not be a part of these private business transactions.

Yes: If we could track new entrants or small shareholders leasing allocation, give those who regularly buy allocation priority access to any new or unused fish that become available.

Mid-Year Quota Changes

- **Should a portion of shareholders' allocation be withheld at the beginning of the year if a mid-year quota reduction is expected?**

No:

- This could hurt small fishermen.
- If a quota decrease occurs, deduct it from the following year's quota.

Enforcement of all Reef Fish Landings

- **Should all commercial reef fish vessels be required to hail-in, even if they are not landing IFQ species?**

No: Recreational sector does not have such a requirement.

Yes:

- But, don't require reef fish vessels not carrying IFQ species to land at approved locations. Do require them to declare the landing sites.
- Require a simple landing notification without species information, and then do random checks instead. This keeps honest people honest and less honest people a little less dishonest.

Additional Issues

General comments

The IFQ program has stabilized the fishery.

The current IFQ program is working for now.

No need for Amendment 36, program is working fine.

There would be negative consequences in further micromanaging the fishery.

Price caps on selling allocation

- Establish a cap to the price of allocation ("lease price") of not more than 50% (or some other value) of the ex-vessel price. The rationale is it would possibly slow down the people (brokers) who are buying allocation strictly to resell the allocation to others.
 - Could have a problem because you don't always know the ex-vessel price.
- Opposes putting caps on the sale of allocation ("lease prices") because the system is based on the free market and the prices could only be supported by whatever the leasee is willing to pay.
- It hurts everyone if a cap is put on allocation price because it hurts the supply.

- Price controls established by the government have never worked.
- Price controls can be easily circumvented.

Grace period for acquiring allocation

- If bringing in red snapper without allocation, allow vessels to obtain the allocation to cover the poundage within a 30-day time limit with a maximum amount of 200 lbs. If can't obtain allocation, the value of the fish is forfeit and turned over to NMFS. Limit the frequency this provision could be used. Or, prohibit a vessel from returning to fish until allocation has been acquired to cover fish caught on a previous trip.

Council member and staff:

Pamella Dana
Ava Lasseter
Charlotte Schiaffo

21 people attended including:

Greg Abrams
Walter Akins
Jerry Anderson
Dean Cox
Mike Eller
Frank Gomez
Chuck Guilford
John Harris
H.R. Hough
Gary Jarvis
Bart Niquet
Chris Niquet
Michelle Sempstrott
Russell Underwood
Mike Whitfield

St. Petersburg, FL
March 24, 2015

Program Eligibility Requirements

➤ **Should the future transfer of shares be restricted to only shareholder accounts that hold a valid commercial reef fish permit?**

No:

- This item originated from a previous concern for a problem that has not materialized. Fishermen were concerned that shareholders would “sit on” and not fish distributed allocation.
- Realization the fishermen are aging, and after 5 years the fishery opened up, without issue. Changing things around now will add an element of uncertainty into the program.
- Status quo adds stability to the program.
- Program is a market-based fishery and is currently reducing overcapitalization. The program is working as it should.
- The fishermen are seeing problems (bycatch in the eastern gulf) and fixing the problems themselves. They are being proactive (i.e., industry-sponsored quota banks have been established for bycatch).
- As long as the shares are available on the open market, it is acceptable. It does not matter who owns the shares.

➤ **Should accounts with shares but without a commercial reef fish permit be allowed to harvest the allocation associated with those shares?**

No:

- Allowing someone without a reef fish permit to land allocation makes no sense. It would be hard to enforce. They would need to have VMS, and all other fishing requirements. It would disassemble the whole program. Too confusing. To land commercial fish, they would be required to have everything the commercial fishermen need to have.
- Promotes overcapitalization.
- Does not align with the goals of the program.
- Does not align with the purpose and need of Amendment 36.
- Provisions are already in place that define a commercial fishing boat.
- Reef fish permits are under moratorium for a good reason.

➤ **Should shareholders not actively engaged in fishing be allowed to transfer their shares and allocation to other shareholders?**

Yes:

- It promotes flexibility in the program and helps people who do not have allocation to be able to buy it for bycatch purposes.
- Fishermen depend on people with allocation who are not fishing to support other fishermen’s fishing and bycatch.

- Fishermen need to be able to buy allocation (“lease”) from someone who has some.
- If someone is required to fish their allocation, they will do so. Then, others will no longer be able to buy that allocation (“lease”) from them, which will increase dead discards.
- Businesses have built stable business plans, and if you start to restrict one component of it, then you hurt the business plan.

Inactive Accounts and Redistribution of IFQ Shares to Address Regulatory Discards

- **Should the closure of accounts and redistribution of shares in accounts that have never been activated in the current system be allowed if the accounts are not active by a specified date?**

Yes:

- Close accounts after a reasonable period of time. In the interim, distribute the allocation among the current shareholders proportionately. Shareholders of the inactive accounts would be notified, but in the meantime, the allocation would not be wasted. Distributing the allocation would make people take action in activating their accounts.
- Notify inactive account shareholders that shares or allocation will be redistributed to established industry quota banks.

- **Should shares be redistributed from inactive accounts to those with no or small shares or to new entrants to reduce regulatory discards?**

No:

- If we are going to define a new entrant, use definition from the loan program.
- New entrants should not be given preferential treatment. Redistribute shares from inactive accounts proportionately among the grouper IFQ shareholders (assists with bycatch).

Full retention requirements to address regulatory discards

- **Should the commercial red snapper minimum size limit be removed and commercial fishermen be required to retain all caught red snapper?**

No:

- Keep status quo.
- Doing both of these together would reduce discards. Of all the suggestions in the document, these are the only two that reduce discards. If this could reduce discards substantially, it could increase allowable yield by reducing the discard assumption in the assessment process. Current mortality assumption is 20%. This proposed mortality assumption is 100%.
- Full retention could create problems with SPR.
- If you want to decrease discards, you must promote the transferring of allocation (leasing).
- The fishermen are using allocation sparingly. They are using it for bycatch (eastern gulf), and not for targeting red snapper. They are managing the bycatch.

Yes:

- For those who want electronic monitoring, full retention should speed up the implementation process.

- To get rid of discards, every fish caught needs to be landed and sold. Fish caught above allocation should be kept and sold with the money from the sale of the fish going into a government account. The fisherman has 30 days to find allocation with no fine/penalty. If he can't cover the allocation, the government gets the funds which go towards the costs of the program or improvements in the program.

Caps on the Use or Possession of IFQ Shares and Allocation

➤ **Should new caps on the use or possession of IFQ shares and allocation be established?**

No:

- No caps should be established. All allocation should be available for sale to fishermen and get fished. Don't muck up the system.
- Caps do not promote conservation.

Requirements for the Use of Shares and Allocation

➤ **Should use-it or lose-it provisions be established?**

No:

- Supports being able to use the allocation distributed from one's shares, or to sell it (allocation) to other fishermen that have a reef fish permit.
- Every year, some allocation is left on the table, and they don't want to lose it through additional restrictions.

➤ **Should restrictions be placed on the sale of IFQ allocation and shares?**

No:

- Investment in the program has been heavy by fishermen. Why should they have restrictions imposed on them?
- It does not help conservation.
- It would restrict new entrants and those who are retiring and getting out of the fishery.
- A person might have more than one account, and restrictions would prevent him from transferring allocation between accounts.
- It does not align with the goals of the IFQ program.
- Recent discussions of restricting allocation have resulted in people fishing their allocation instead of selling it ("leasing") because they are afraid of losing their shares if they don't fish them.

➤ **Should unused IFQ allocation be allowed to roll-over for use in the following year?**

No:

- Allocation must be used by the end of the year or you lose it. Keep status quo.
- Unused allocation builds the stock for the following year, which increases the quota. It's a good conservation method for the future.

Yes: Banking and borrowing may be an appropriate use for rollover of unused allocation, for the individual or the fleet as a whole.

➤ **Should a "lease-to-own" provision be considered?**

No:

- If a person was forced to sell their shares after selling their allocation (“leasing”), they would stop selling allocation in order to keep their shares.
- The government should not be involved in telling individuals they have to participate in a lease-to-own provision. The decision should be between the business partners as a private negotiation.
- An IFQ is an economic and conservation tool. This proposal does not promote conservation and it devalues allocation and shares.
- New entrants have to buy allocation (“lease”). New entrants do not need the government to intervene for them. No welfare program is needed. Government loan program would be acceptable for fishermen or new entrant to invest in the fishery.

Mid-Year Quota Changes

- **Should a portion of shareholders’ allocation be withheld at the beginning of the year if a mid-year quota reduction is expected?**

No:

- This would promote instability in the fishery and in business operations.
- NMFS needs to be accountable for making quota changes before the start of the fishing year.

Enforcement of all Reef Fish Landings

- **Should all commercial reef fish vessels be required to hail-in, even if they are not landing IFQ species?**

Yes.

Additional Issues

General comments

- Add more species to the IFQ program to generate more cost recovery fees.
- Raise the crew size requirement for dually permitted vessels.
- Implement a federally backed program for IFQ share purchases.
- Establish some type of centralized management account (through a fish house or some umbrella entity) to hold allocation, and a fisherman can access it to get allocation through the fish house or entity.
- The Gulf Council should maintain management of the IFQ system and should vehemently oppose any scheme to take this authority away from them.
- Why fix something if it isn’t broken? Reef Fish Amendment 36 should be scrapped.

Accounts and allocation

- Allocation needs to be in the account before the 3 hour notice. There are problems in the system where fish are being confiscated and fines levied because allocation is being transferred after they have given their 3-hour notice of hailing-in. There needs to be help with these issues.

- Develop a provision to allow fishermen to purchase allocation after landing to cover fish already caught. For example, establish a grace period to find allocation needed for their catch. (3 days proposed.) This would provide needed flexibility.

Council member and staff:

John Sanchez
Doug Gregory
Karen Hoak
Ava Lasseter

12 people attended including:

Glen Brooks
Bill Tucker
Steve Maisel
Jim Clements
Eric Brazer
Brad Gorst
Brian Lewis
Frank Chivas
Joseph Abdo
Cody Chivas