

Individual Fishing Quota (IFQ) Focus Group Meeting Summary

Gulf of Mexico Fishery Management Council Office

4107 W. Spruce St. Suite 200

Tampa, FL 33607

November 30 – December 1, 2022

Participants

Laura Chicola – *Permitholder who leases allocation (no shares)*

Jason DeLaCruz – *Dealer*

Brad Gorst – *Crew*

Lance Nacio – *New entrant*

Casey Streeter – *Small shareholder*

David Walker – *Large shareholder*

Jim Zurbrick – *Medium shareholder*

Dr. Andrew Ropicki – *Knowledgeable non-participant*

Council and Staff

Ava Lasseter

Bernie Roy

Carrie Simmons

John Froeschke

Assane Diagne

Bob Gill, Council representative

Overview

On Wednesday, November 30, 2022, the Gulf of Mexico Fishery Management Council (Council) convened the second meeting of its Individual Fishing Quota (IFQ) Focus Group. Joy Hazell and Dr. Wendy-Lin Bartels from the University of Florida facilitated the meeting. 24 members of the public attended in-person, including 5 staff from the National Marine Fisheries Service and 1 from the Florida Fish and Wildlife Commission.

Eight members of the IFQ Focus Group attended (participants), with each member representing a particular participation role in the Red Snapper and Grouper-Tilefish IFQ programs.

Photographs of the work products that are transcribed in the tables in the report below are provided in Appendix A. The meeting objectives were to:

- Review current program goals and objectives and recommend their replacement/retention;
- Define the changes needed for an improved IFQ program to address minimizing discards, fairness and equity, and new entrants issues.
- The Council is considering changes to assist new entrants (i.e., replacement fishermen) to the IFQ programs.
 - What could such program changes look like and what would be the implications

- of those changes?
- Evaluate the benefits and drawbacks to get to active fishermen who own no shares:
 1. Increases in annual allocation (not shares), and
 2. Allocation held by the agency in non-active accounts

Day 1

Welcome and Introductions

The meeting convened at 9 a.m. The facilitators welcomed the focus group members and noted that one member, the public participant, had resigned from his position. Council staff reviewed the meeting's charge. Participants introduced themselves, described their role in the fishery, and shared a smell they remembered from childhood. The facilitators then asked the participants to share what has happened in the last four months, since the last focus group meeting. The facilitators then provided an explanation and clarification of the meeting agenda and objectives.

Looking Back and Moving Forward

The facilitators asked the participants to think back to the last meeting, and provided 10 minutes to review copies of the summary report from the previous meeting. The facilitators then asked the participants to share what they remembered as successful from the last meeting, and what had not been accomplished, producing the following list.

Group Discussion

What was successful?

- Understood drivers that are often out of our control
- Lot of brainstorming
- Lots of good ideas
- Good discussion and ideas
- Same agreement on recreational impact and balance of Council
- Many ideas
- Program good for fish...consensus
- Reason we don't have fish...recreational overfishing – elephant in room
- Most ideas under changes, flaws – agreed on major problems
- Encouraging everyone agreed on rec discards
- Positive aspects on table

What did we not accomplish?

- No resolution
- No narrowing of 2-3 things to talk about at second meeting
- Didn't narrow down
- No solution
- Something needs to be done for new [entrants]
- Hands are tied because can't address recreational overages
- Didn't come up with solution due to entrenchment
- Didn't hone in on speculators as a way to address new entrants
- Talked about what is a substantial participant [would] need to define

The facilitators then asked the group to think about why they did not accomplish what was intended, and what else they needed to do to get there. She noted the time it takes to build consensus around issues, and that this meeting is beginning a new conversation around new issues. She encouraged them to think about what they hope the group will achieve before the end of the meeting and the group developed the following list.

Group Discussion

Move Forward (How to Advance)

- Stay out of rabbit holes
- Unentrenched
- Perspective on time it takes 3 years for first IFQ initially

- Get done this time
- ID issues and create solutions
- retaining program based on best available science
- fairness and access...resolve that -redistribute fish to fishermen
- good discussion on financial program, buy back and rollover
- hear testimony
- hope for our future and generations
- count sweat equity
- goals and objectives
- winnow down
 - Adaptive catch shares
 - Future quota increase
 - Reef fish permit
- Put adjustment out there and discuss, what are the implications - change-implications
- Discuss how to divvy up
 - Future increases ...
 - Permit requirement – control date
- Narrow something down
- Acknowledge what might have happened without programs

Potential Changes

A facilitator reviewed the meeting charge again, emphasizing that the meeting is not limited to red snapper, but should address all share categories. The facilitators then asked the participants individually to write down potential program changes they want to discuss during this meeting. After a few minutes, the participants were asked to share their top potential change; the additional items were added after everyone contributed an initial change, resulting in the following list. A check mark was added when a subsequent participant expressed support for the same change, indicated here in bold; see Appendix B for images.

Group Discussion

Potential Changes you want to discuss/propose

- **Reduce capacity**
- **Awarding future quota increases based on catch history** – share – allocation
- **Shares tied to permits and landings**
- **Fix fishery finance program so that quota acts as collateral**
- **Reduce discards by access to quota/allocation or dead discard permit**
- Discuss a buyback program
- **Permit requirement with landing requirement to own shares**
- **Discuss control date** [previous bullet]
- **Define “next generation”** of share ownership
- **Adaptive catch share management**
- What existing program goals are being met?
- Splitting the Gulf

Note: Changes in bold represent support from one or more subsequent participant.

Scenario Activity

After discussing potential changes, the facilitators introduced the scenarios for the participants to explore during the rest of the meeting. They asked the participants to envision the fishery 5 years in the future and encouraged them to think creatively. For the first scenario, the facilitator asked them to envision a future in which the IFQ system has been changed, such that it is easier for replacement fishermen and/or active fishermen to obtain shares and allocation. The participants will describe features of the scenario before brainstorming the benefits and drawbacks to people, markets, and the fish.

Scenario: The system changes to increase likelihood that replacement and/or active fishermen can access shares and allocation:

- (1) Describe the scenario
 - a. Who is in the fishery?
 - b. How are shares bought, sold, or leased?
- (2) Brainstorm benefits to people, markets, fish
- (3) Brainstorm drawbacks to people, markets, fish

The participants were divided into two groups and asked to identify benefits and drawbacks through small group discussion. For each group, the facilitators further refined the scenario, such that *Group 1* explored a future in which part of a quota increase is distributed to new entrants, and *Group 2* explored a future in which a permit requirement to hold shares was going into place. The following lists of benefits and drawbacks were created by each group for the given scenario; the fishery financing program was also discussed by each group.

Group 1

[Scenario] Part of increase goes to new guys

1% increase 70k lbs – have to describe who gets it – active fishermen/no shares

800 permits ... 385 catch majority

150 active fishermen who don't own shares

– have income qualifier

-shares tied to permits

[Benefit] -People who get it would make profit without cost

[Drawbacks] -Incentivizes additional active fishermen

-Challenge to defining active fishermen

-Concerns about overcapacity

-What happens if TAC decreases?

-ID % of shares held by investors

Financing Program

-Government buyback to open shares to be available

-Won't pay competitively

-Low APR +/-

-Quota is collateral

-Payment less than lease

[Benefit] -Doesn't hurt anyone

[Drawbacks] -If stock decreases can make it harder to pay loan

-If shares are collateral and go down...

-Are IFQ #s [data] accurate

Group 2

[Scenario] Public participant divest or buy permit

Control date

Buyback

Definition of who can get shares

-Landings

-Crew

-Replacement

[Benefit] -More shares for small guy

[Drawbacks] -Impact prices of shares and lease

-Fishermen can't lease from these guys (leasing market shrinks)

-Is it fair to public participants

-Missing crew members who may own shares

*If government buyback program – what would be implication for fisheries [by] paying for this?

-Drawback: Adds to discards; start overcapacity

Financing Program

-Low %

-Quota as collateral

-20-30 years

-Payment less than lease

-Happening now

-Equity and Justice opportunities are expanded

-Sector Allocation is [same]

-Shares are transferable or not?

-Shares move around but lean towards consolidation

-Control date where public part must divest or buy permit... buyback program?

-Share ownership is defined, i.e., permit, landings levels, crew

The meeting returned to plenary session for the participants to report out their discussion. The facilitators noted that a benefit to one person may be a drawback to another and vice versa. *Group 1* explored a future in which the quota is increased 70,000 lbs, an adaptive management cycle is in place, and fishermen control shares and allocation. Under this system, shareholders have a specified number of years to maintain their amount of fish. The system would still allow transferring allocation, i.e., leasing. For this group, the benefits include enabling people who receive the additional quota to make a profit without cost. The drawbacks included incentivizing additional fishermen to become active, challenges to defining an “active” fisherman, and concerns about overcapacity and implications in the event of a quota decrease.

Group 2 addressed a changed system in which public participants are required to divest of their shares or acquire a permit. This group felt this would result in more shares for the small participant, but that the drawbacks would include negative impacts on prices of shares and

allocation, a shrunk leasing market, potential fairness issues for public participants, and negative effects for crew who may own shares but not a permit. Both groups also discussed a future fishery financing program.

Following the groups' reporting their discussions, the facilitators called for a short break. When the group reconvened, the facilitators encouraged the participants to identify commonalities across group ideas. Through the discussion, the participants developed the following list.

Group Discussion

- Low hanging fruit – permit requirement
 - Help up
 - Qualifications
 - Control date
- Pathway forward for fishery, what does it look like...everyone [who] is in control of fishery [is a] participant
- Can't just take shares from people...isn't fair, let market dictate
- Need margin for everyone to make money
- Need access to quota
- Sounds like support for buy-back
- Permits...run-up of costs
- Add financing program
- Support permit requirements of landings
- Support buy-back program
- Support adaptive catch pr. [program]
- Support dead discards [program]
- Buy-back - \$ available for reduction in capacity
- Permit requirement – more traction
- Discuss adaptive catch shares
- Lean more towards requirement for permit + capacity reduction
 - Latent permits

End of Day 1

The group identified a permit requirement to hold shares as a change that likely has the least opposition. Some participants noted lack of opposition to a permit requirement, but added that they did not feel it would change the program in a meaningful way. There was general support for the permit requirement to be connected to a minimum landings requirement, although there was not consensus on the threshold. Another place where the group's ideas converged pertained to the idea of a government buyback. Tomorrow, the facilitators informed the group that they would consider a future in which the program does not change, and that they would address the benefits and drawbacks of remaining with status quo.

Day 2

Review Previous Day's Exercises

At the beginning of Day 2, the facilitators reviewed the day's agenda followed by presenting a summary list of summary observations from discussions the previous day.

Summary of Day 1 Discussions

- Permit requirement with landings... more palatable
- Have a lower threshold for landing criteria 25% or 10% of landings (1 [one member] doesn't like idea)
- Feel that this would lead to push back from industry
- Would like to discuss catch share and permit requirement – honor sweat equity...pathway forward for new entrants
- Have a control date in future (coincide with review of IFQ program) to get a permit or divest
- Lower threshold for landings...to no less than 50%
- Control date doesn't line up with next IFQ review (2025) – is it too soon or not soon enough

For the morning activity, the facilitators described a scenario that will be set in the future. The participants were asked to think about a year in the future, 2029, at which time no changes have been made to the IFQ programs; the rules are the same as at the time of this meeting. They are asked to think about what the consequences would be if no changes are made, and asks them to explore all the ways retaining status quo would impact current and new shareholders, as well as others who lease allocation. The participants were divided into two groups to explore the scenario.

Group 1

It is 2029 – The IFQ system has not changed. Rules and structures are the same as they were in 2022

- (1) Describe this future including the next generation of share ownership and fishermen.
- (2) What are the benefits to the people, markets, and fish
- (3) What are the drawbacks to the people, markets, and fish

No independent owner operators
Corporate own vast majority of fisheries, of shares

Potential benefit: Decreased overcapitalization
-more profit for share owners/corporate
-status quo for fishery population

Potential drawback: Lose regional access (consumer)
-Prices keep rising – consumer (buy imports) or (change protein)
-Cultural historic benefit – lost

*Fishing in fewer places
Location specific – pressure (on fish)
-Financial impacts to crew
-Decrease opportunities (crew pays share lease price)

-Hard to unpack ownership
-potential for people to control shares above share cap.
[Drawback]-Foreign ownership of US fisheries (e.g. Blueharvest) – US public resource food and industry security
-Access reduced for... less options
Next generation = employees only
Discard issues remain

Caveat: ? 2029 – Heading this way

Look at history of IFQs in US & world

Group 2

It's 2029... Outstanding question...is there stability or no stability in the market place?

If unstable...harder to get financing

If stable...banks are interested in this asset

Loan is cheaper than leasing

Define next generation of ownership

Requirement of landing low enough – moving forward – to keep leasing market stable – runway off divest within 2-3 years of inheritance

Define next generation of ownership

-Requirement of landing moving forward, low enough to keep leasing market stable. (10%)

-Runway to divest in the event of inheritance, 3 years

-Applicable to new share owners only

-10% landing requirement – move people to go in or get out (skin in the game)

-Moves the mark without disrupting system too much

-Effective date = date of amendment

-Leasing market stays stable – most stable version

-Certain people won't have opportunity to buy

-Capacity is controlled

-Idea – allocation increase used to address discards

-May go to large shareholders

-Won't increase total amount of fish

-Increases (maintains) stability

The meeting returned to plenary session for the participants to report out their discussion. *Group 1* shared their vision of the future: independent owner-operators no longer remain in the fishery, having been replaced by corporate ownership of the vast majority of shares in the fishery. This has the potential benefit of reducing overcapitalization. At the same time, prices keep rising so consumers switch to imports or change protein. The group felt that it would be difficult to monitor corporate ownership, so it may be easier for share caps to be exceeded. The group also suggested looking at how other IFQ programs have changed over time to learn lessons, and noted that financial impacts may be realized as decreased opportunities for crew, who are required to pay the lease price. *Group 1* also identified foreign ownership of US fisheries and remaining discard issues as additional drawbacks.

Group 2's discussion began with the outstanding question of whether there is stability or not in the marketplace in 2029, if no changes have been made to the programs. If unstable, the group noted it would be harder to secure financing. If the market is stable, banks will secure loans, and loans are cheaper than leasing. The group discussed defining the next generation of ownership to include a requirement for landings moving forward that is low enough to keep the leasing market stable. They also discussed issues of death and inheritance, including providing time for divestment and applying the new rules to new shareholders only. They discussed using a hypothetical landing requirement threshold that is large enough to demonstrate having "skin in the game" but not large enough to affect market incentives.

Next, a facilitator gave everybody time to write down the benefits and drawbacks of a requirement that shareholders land 10% of the allocation associated with their shares. The participants then shared their ideas with the group, resulting in the following transcribed list. The second set of benefits and drawbacks represents the continuing discussion.

Group Discussion

Proposal – Next generation – landings requirement low enough [to] keep leasing market stable

Benefits

- Runway to divest
- Inheritance
- Unlikely leasing market would lock up
- The fish will be caught
- Step in right direction
- Have skin in the game

Drawbacks

- How quickly will it get share opportunities to allocation dependent fishers?
- Less allocation available for lease
- Does not address discards
- Increase cost of permits
- Disrupt leasing

[Benefits]

- Best stability that we can bring with change
- Limits pure speculators
- Opens up more shares to buy
- We are in the right direction

[Drawbacks]

- Speed
- 10% too low of landing requirement
- Time to be implemented

Outstanding Questions - What needs to be explored further

- % landing
- Timeframe
- Could there be a certain amount of landings required to purchase new shares
- IFQ Ad Hoc [to explore further]

The group did not reach consensus about supporting a landing requirement of 10%, with some feeling it should be larger and others concerned about the implications of adopting such a requirement. The facilitators paused to summarize the themes arising from the discussion,

pointing out the different opinions around the hypothetical 10% landing requirement, the time to be implemented, and whether the requirement would affect the leasing market or not.

The facilitators asked for the final thoughts on this proposal that the group would like the Council to know. There continued to be different opinions as to whether or not the proposal would lead to a demand for permits, increasing their cost. The facilitators acknowledged the progress made by the group, and returned to the meeting charge concerning getting increases in annual allocation to active fishermen who own no shares, suggesting the group address this question for the afternoon discussion.

With two hours remaining, the facilitators ask the participants to explore what changes could look like IF increases in annual allocation were not distributed to existing shareholders, and to focus on the benefits and drawbacks. A benefit to one participant may be a drawback to another. The participants were divided into three small groups for discussion. The meeting returned to plenary session for the sub-groups to report out their discussion, resulting in the following list.

Group Discussion

Explore what changes could look like IF increases in annual allocation were not distributed to existing shareholders?

[Benefits]

[Drawbacks]

Potential Change

-Provide increase evenly among active fishermen – with/as carve-out some % of total quota

[Drawbacks] Shareholders don't get the same increase as current system.

-Don't know if people using it for direct catch vs. discards

[Benefit] Set aside for research (% of future increase)

[Benefit] Reward for rebuilding fishery – [Drawback] some folks would disagree with this type of change

[Benefits] -Set aside for active fishermen could curb discards

-Access to fish, reduce race for fish, financial benefit for active fishermen

-Set aside for new entrants

Give the opportunity to lease-only fish

90% leased

=Lease dependent

-% increases needs to go toward working on the discard issue

-What about crew member who is working way up?

-Latent permits are adding to the confusion - Get rid of them?

? New entrants

Or discards

If % goes to new entrant

- How many people are new entrants
- Criteria of “new entrant”
- Do they own the shares or do they just get to access allocation

People actively fishing – represents major reward “windfall” e.g., 2300 pounds will

-buffers discards

-profitability

What happens if it decreases for everyone?

-Discards will still be there

-Change is in proportion with what you have got

One of the sub-groups discussed the potential change as providing the quota increase evenly among active fishermen. Allocation would be distributed to shareholders up to the amount of the quota before the increase, and the allocation representing the increase would be distributed to all active fishermen regardless of size. This group noted the drawbacks of this change would include negatively impacting shareholders who do not get the full amount of allocation they would have without this change. The sub-group also suggested reserving the quota increase for a research set-aside that could be used to explore an exempted fishing permit to study discard issues. An outstanding question about using allocation from quota increases for discards centered around concerns with validating whether the recipients of the quota used it for discards or the targeted fishery.

Another sub-group could not decide if the increased allocation was to be used for new entrants or for discards. The third sub-group began by recalling the history of the IFQ programs in which shareholders receive a percentage of the quota and as the fishery rebuilt, their percentage resulted in an increased amount of allocation when the quota increased. The sub-group would like to hear from industry regarding the research set-aside idea before recommending to the Council. They noted it would be a drawback if people do not receive the same quota for fishing, and a benefit would be realized if discards could be reduced through the research set-aside.

The participants continued to discuss the potential change of distributing a quota increase to active fishermen. Several outstanding questions were raised including defining the criteria for a new entrant, and what would happen if the quota later decreases. The participants continued to discuss the value of a 10%, or a 2,300 lbs would be considered substantial or not. Changing the focus from new entrants to lease-dependent fishermen was suggested, as was the need to reduce the number of latent commercial permits.

A facilitator asked the group to think again about what they want to tell the Council. She suggested they could discuss definitions for active fishermen and new entrants, then gives the group some time to think about their ideal scenario for a quota increase to go to a specified group of IFQ program participants in some way. She asked what that group of IFQ program participants would look like, noting four different terms that have been used repeatedly that may

have overlapping characteristics: new entrants, active fishers, crew members, and lease-dependent [fishers]. The group developed the following list.

Group Discussion

- Need to do something with latent permits to prevent overcapitalization
- New entrant 1-3 years
- Active fishermen [is] lease dependent landing fish
- Yes to cap.
- Valid Captain's license
- A portion of the quota you own (distribution)
- How many times can someone qualify as new entrant (and keep coming back in)
- All lease dependent therefore equally divide among everyone with landings
- 'New entrant' means 1-3 years (time requirement)
- Active fishermen means 1-20 years
- (Give everyone same amount of distribution)
- "New entrant" – everyone from today
 - discuss cut off with industry

- Pre IFQ
- Post-IFQ – new entrant
- (throwback due to access issues...discards)
- Cutoff # of fishermen are stabilized
- Not large swings
- Need a hard cap (# of years)
- New guys roll in, receive allocation from older people who transition out -get piece of pie
- Pie is divided up

The group shared their ideas. One member thought it would be fair to give each person who qualifies an equal piece of the quota increase. Another member suggested looking at NMFS' definition of a new entrant. A member noted that either new entrant or active fishermen would be his preferred recipients, and that a cycle of allocation distribution could be set up with a hard cap for the number of years someone could receive additional quota before other new guys come in to replace them. Reducing the number of latent permits was also suggested again, although there was not consensus on the benefits of reducing the number of permits.

With the remaining time, the facilitators reviewed the meeting charge again and asked the group to write down one thing that they had made progress on, and one thing that remained outstanding. She asked the group to consider what their final message should be, noting that Dr. Ropicki had not had time to elaborate on the adaptive catch share proposal. The group decided that the idea of a permit requirement had the most agreement, and created the following list.

Group Discussion

- *Fewer/Less/No speculators (investors)
- Fishermen – owner operators; in control of their business; making more money
- Fish houses

(1) Remove / (2) Disincentivize

Drawbacks – Investors are disenfranchised has potential to limit allocation market

Benefits – limits speculation to benefit enfranchise fishermen

[Drawbacks] -Depending on cycle length a share market could dry up (3 of 5 years; 4 & 5)

-Concern about verification system

[Benefit] -Or NOT: permits; landings; trip tickets

[Drawback] ? Flexibility in trading reduced (same buyer)

2) Redistributing – based on catch history quota

[Drawbacks] Disruption of potentially affecting those dependent on leasing

Concerns about rights of fish houses

-Will this reduce flexibility?

-What % of shares are owned by people who do not fish

i.e. permit link

Jessica – 2022 Find #s split across programs and small/med/large

[Benefits] Would know more about who owns what and who does/controls

-Help define next generation of ownership

With a permit requirement in place to hold shares, the group noted there would not be speculators, or investors, in the fishery, and that owner-operators would remain in control of their business and make more money. The group described two approaches. In one, there would be a permit requirement with landings required to be in proportion to your ownership. The other approach could use an adaptive catch shares approach, with remaining questions about the duration of the cycles. Drawbacks to these proposals may include disenfranchising investors, potentially limiting the allocation market, drying up the share market, verification of program changes, and potential reductions in trading allocation. Other members disagreed that some of these drawbacks could occur. Benefits include limiting speculation to the benefit of fishermen.

The facilitators summarized the points from the final discussion and the activities of the day.

The participants were asked to complete a meeting evaluation, the results of which are summarized in Appendix C.

Public Comment

The opportunity for public comment was offered to those attending in person and virtually. The recording may be accessed here:

https://gulfcouncil.org/wp-content/uploads/Recording_IFQ-Focus-Group_Public-Comment.mp3

The meeting adjourned at 4:00 p.m.

Appendix A. Meeting Agenda

Agenda Individual Fishing Quota (IFQ) Focus Group Meeting

Gulf of Mexico Fishery Management Council Office
4107 W. Spruce St. Suite 200
Tampa, FL 33607

November 30, 2022: 9:00 a.m. – 5:00 p.m. EST
December 1, 2022: 9:00 a.m. – 4:00 p.m. EST

Charge: To provide a detailed plan for the following:

- Review the current IFQ programs’ goals and objectives and recommend their replacement/retention. These revised goals and objectives shall serve as the basis for the Focus Group recommendations.
- Define the changes needed for an improved Red Snapper and Grouper-Tilefish IFQ Program to specifically address minimizing discards, fairness and equity, and new entrants’ issues.
- The Council is considering changes to assist new entrants (i.e., replacement fishermen) to the IFQ programs.
 - What could such program changes look like and what would be the implications of those changes?
 - Evaluate the benefits and drawbacks to get to active fishermen who own no shares:
 3. Increases in annual allocation (not shares), and
 4. Allocation held by the agency in non-active accounts
- Welcome, Introductions, and Meeting Format
- Review of Agenda and Meeting Objectives (i.e., Council’s charge)
- Assess and Discuss Program Changes
- Discussion of Next Steps
- Public Comment (Day 2)

- Other Business
- Breaks will be taken during the morning and afternoon sessions, and for lunch.

Members:

Laura Chicola – *Permitholder who leases allocation (no shares)*

Jason DeLaCruz – *Dealer*

Brad Gorst – *Crew*

Lance Nacio – *New entrant*

Casey Streeter – *Small shareholder*

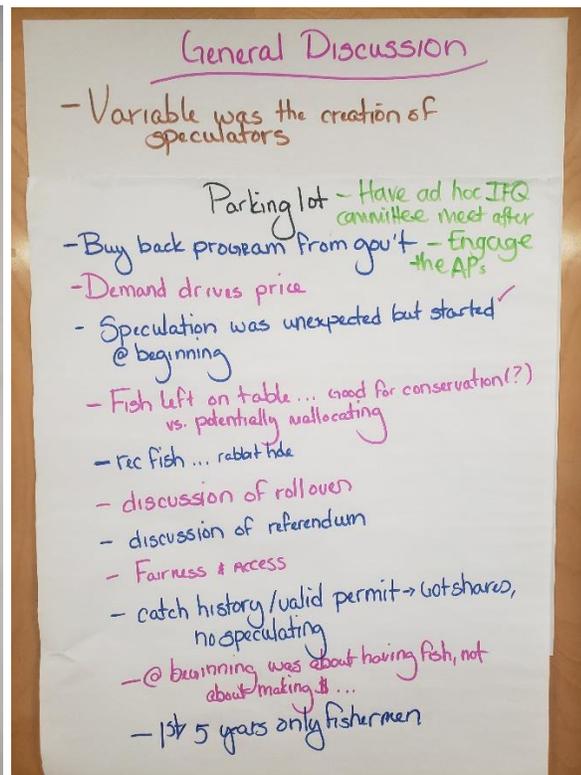
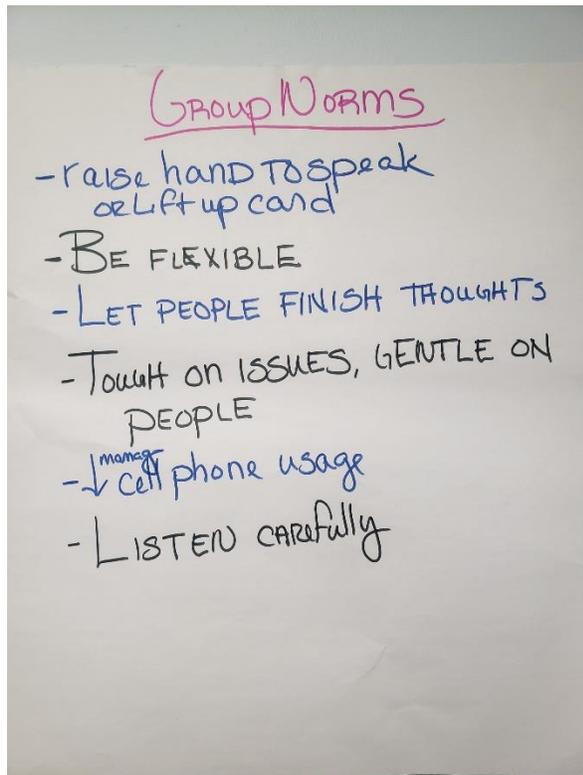
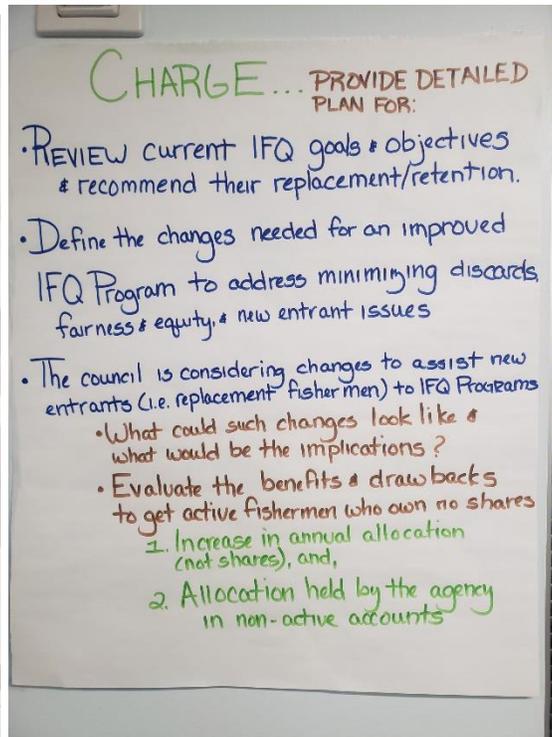
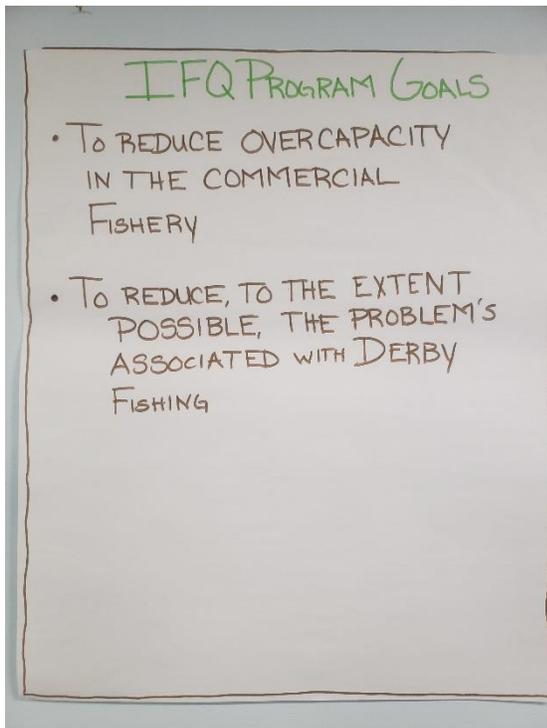
David Walker – *Large shareholder*

Jim Zurbrick – *Medium shareholder*

Dr. Andrew Ropicki – *Knowledgeable non-participant*

Facilitators: Joy Hazell, Dr. Wendy-Lin Bartels

Appendix B. Images of Work Group Products



AGENDA - Day 1	
9:00 am	Welcome & Intros
9:45	Looking Back
	BREAK
11:00	Charge for meeting two
	LUNCH
1:00pm	Scenario 1
	BREAK
2:45	Scenario 2
4:30	Review & Wrap-up
5:00pm	Adjourn

Looking Back
 What was successful?
 What did we not accomplish?

- No resolution
- Understood drivers that are often out of our control
- lot of brainstorming
- no narrowing of 20 things to talk about at 2nd meeting
- lots of good ideas
- didn't narrow down
- good discussion & ideas
- same agreement on rec. impact & balance of council
- many ideas
- no solution

Looking Back - @

- Something needs to be done for new
- Program good for fish... consensus
- Reason we don't have fish... recreational overfishing - elephant in room
- hands are tied b/c can't address recreational overages
- Most ideas under changes, flaws - agreed on major problems
- didn't come up w/ solution due to entrenchment
- encouraging everyone agreed on rec discards
- didn't hone in on speculators as a way to address new entrants
- + aspects on table
- talked about what is a substantial participant need to define

Move forward ... how to advance

- Stay out of rabbit holes
- Unentrenched
- Perspective on time it takes, 3 years for 1st IFQ initially

Get done this time

- ID issues & create solutions
- retaining program based on best available science
- Fairness & access ... resolve that
 - redistribute fish to fishermen
- Good discussion on financial program, buy-back & rollover
- hear testimony
- hope for our future & generations
- count our equity
- goals & objectives
- winnow down
 - ad. catch shares
 - future quota increase
 - ref fish permit

- put adjustment out there & discuss, what are the implications
 - change - implications
- discuss how to divvy up pie
 - future increases
 - permit requirement - control date
- narrow something down
- acknowledge what might have happened w/out programs

Potential Changes you want to discuss / propose

- Reduce capacity ✓✓
- Awarding future quota increases ✓✓ based on catch history < Share allocation
- Shares tied to permits ✓ and landings ✓
- Fix fishery finance ✓ program so that quota acts as collateral ✓
- Reduce discards by access to quota / allocation ✓ or dead discard permit
- Discuss a buy back program

- Permit requirement with landing requirement to own shares ✓
- Discuss control date - ↑ *
- Define "next generation" ✓ of share ownership
- Adaptive catch share management ✓
- What existing program goals are not being met?
- Splitting the Gulf

Scenario 2

System changes to increase likelihood that replacement &/or active fishermen can access shares and allocation

- ① Describe the scenario
 - Who is in the fishery
 - How are shares bought, sold or leased
- ② Brainstorm benefits to people, markets, fish
- ③ Brainstorm drawbacks to people, markets, fish

Part of increase goes to new guys

100% increase jobs - have to describe who gets it - active fishermen/no shares

800 permits ... 385 catch majority 150 active fishermen who don't own shares - have income qualification - shares tied to permits

- People who get it would make profit w/out cost
- Incentivizes additional active fishermen
- challenge to defining active fishermen
- concerns about overcapacity
- what happens if TAC decreases?
- ID % of shares held by investors

Financing program

- Gov't buy back to open shares to be available - Gov't pay competitively
- low apr - +
- Quota is collateral
- payment less than lease
- Doesn't hurt anyone
- If stock decreases can make it harder to pay loan
- if shares are collateral & go down ...
- Are IFQ #s accurate

Benefits / Drawbacks Scenario 2

Public participant divest or buy permit

control date
buy back
definition of who can get shares - landing - crew replacement

- more shares for small guy
- impact prices of shares & lease
- fishermen can't lease from these guys (leasing market shrinks)
- Is it fair to public participants
- missing crew members who may own shares

* if government buy back program - what would be implication for fisheries paying for this?

- Drawback: Adds to discards start overcapacity

- Financing program

Financing program

- low %
- Quota as collateral - happening now
- 20-30 yrs
- payment less than lease

Equity & Justice - opportunities are expanded

Allocation is

- Shares are transferable or not?
- Shares move around but lean towards consolidation
- Control date where public part ~~can~~ ^{must} divest or buy permit ... (buyback program)
- Share ownership is defined i.e. permit landing levels crew

Coming up @ end of day

- low hanging fruit - permit requirement
 - help up
 - qualifications
 - control date
- Pathway forward for fishery, what does it look like ... everyone is in control of fishery participates
- Can't just take shares from people ... isn't fair, let market dictate
- Need margin for everyone to make money
- Need access to quota
- Sounds like support for buy-back
- Permits ... run-up of costs
- add financing program
- Support permit requirements of landings

Support buy-back program

landings requirements of

- Support buy-back program
- " adaptive catch pr.
- " dead discards
- Buy-back - of available for reduction in capacity
- Permit requirement - more traction
- Discuss adaptive catch shares
- lean more towards requirement for permit + capacity reduction
 - latent permits

End of Day 1

AGENDA-DAY 2

9:00am Agenda + Day 1 Review

9:30am Status Quo Scenario

BREAK

10:30am Benefits + Drawbacks Discussion

LUNCH

1:00pm Benefits + Drawbacks Cont...

BREAK

2:30pm Wrap-up + Closure

3:00pm Public Comment

Permit Requirement w/landings ... more palatable

- Have a lower threshold for landing criteria 25% or 10% of landings (I doesn't like idea)
- Feel that this would lead to pushback from industry
- Would like to discuss catch share + permit requirement - honor sweat equity ... pathway forward for new entrants
- Have a control date in future (coincide w/ review of IFQ PROGRAM) to get a permit or divest
- Lower threshold for landings ... to no less than 50%
- Control date doesn't line up w/ next IFQ review (2025) - is it too soon or not soon enough

It is 2029

The IFQ system has not changed. Rules and structures are the same as they were in 2022

- ① Describe this future including the next generation of share ownership and fishermen.
- ② What are the benefits to the people, markets + fish
- ③ What are the drawbacks to the people, markets + fish

No independent owner operators
Corporate own vast majority of fisheries ^{-of shares}

Potential Benefit - Decreased overcapitalization
- Fewer boats share owners/crank
• more profit for people/fishing
* • status quo for fishery population

Potential Drawback - Lose regional access (consumer)
- Prices Keeping rising - Consumer ^{buy impacts change protein}
- Cultural historic benefit - lost

~~Less people~~ fishing in fewer places
* location specific → pressure (on fish)
- financial impacts do crew (crew pays share lease price)
decrease opportunities

- Hard to unpack ownership
- potential for people to control share above share cap.
- Foreign ownership of US fisheries (as Blue Harvest) → US public resource food + industry security

• Access Reduced for... Less options

~~Disturbance~~ ~~to~~ ~~the~~ ~~ecosystem~~ (ecosystem)

• Next generation = Employees ONLY

• Discard issues remain

Caveat: ? 2029
→ heading this way

- Look at history of IFQs in US + world

→ Code Brown + Black text = drawbacks pink @ benefits

It's 2029...

Outstanding question... is there stability or no stability in the marketplace

If unstable... harder to get financing

If stable... banks are interested in this asset

Loan is cheaper than leasing

Define next generation of ownership
... ~~to be established~~ moving forward

Requirement of landing low enough to keep ownership & leasing market stable - runway / off divest w/in 2 years of inheritance

Define next gen of ownership

- Requirement of landing moving forward, low enough, to keep leasing market stable.
- Runway to divest in the event of inheritance, 3 years

Define next gen of ownership

- Requirement of landing moving forward, low enough, to keep leasing market stable.
- Runway to divest in the event of inheritance, 3 years
- Applicable to new share owners only
- 10% - landing requirement - move people to go in or get out (skin in the game)
- moves the market without disrupting system too much
- effective date of amendment

- Leasing market stays stable - most stable version -

- Certain people won't have opportunity to buy
- capacity is controlled

Idea - allocation increase used to address discards

- may go to large shareholders
- won't increase total amt of fish

- Increases stability (maintains)

Benefits

- Runway to divest
- Inheritance ✓
- Unlikely leasing market would lock up
- The fish will be caught
- ~~step toward addressing ownership and discards~~
- Step in right direction
- Have skin in the game ✓

Drawbacks

- How quickly will it get share opportunities to allocation dependent fishers? ✓
- Less allocation available for lease
- Does not address discards
- Increase cost of permits
- Disrupt leasing

Best

- Stability that we can bring with
- Limit pure speculators

* Proposal Next Gen - Req Landings Low enough keep leasing market stable

Best

- Stability that we can bring with change
- Limits pure speculators
- Opens up more shares to buy
- We are in the right direction

Speed

- 10% too low of landing requirement
- Time to be implemented

Outstanding Questions - What needs to be explored further

- % landing - IREQ Ad hoc → ↑
- Timeframe
- Could there be a certain amount of landings required to purchase new shares

Explore what changes could look like IF increases in annual allocation were not distributed to existing shareholders?

Benefits

Drawbacks

Potential Change

• Provide increase evenly among active fishermen - with/as carveout some % of total quota

Shareholders don't get the same increase as current system.

• Don't know if people using it for direct catch or discards

Set aside for research (% of future increase)

Reward for rebuilding fishery ^{some folks would disagree with this type of change}

- Set aside for active fisherman could curb discards

- Access to fish, reduce race for fish, ~~price reduction~~ financial benefit for active fishermen

- Set aside for new entrants

• Give the opportunity to lease-only fish

• Give the opportunity to lease-only fish

• 90% leased lease dependent

• % increases needs to go toward working on the discard issue

• What about crew member who is working way up?

• Latents permits are adding to the confusion. - Get rid of them (?)

? New entrants or discards

If % goes to new entrant

• How many people are new entrants

• Criteria of "new entrant"

• Do they own the shares or do they just get to access allocation

• People actively fishing - represents a major reward "windfall"
^{eg} 10% 2300 pounds will make a difference
- buffers discards
- profitability

• What happens if it decreases - for everyone?

- Discards will still be there
- Change is in proportion with what you have got

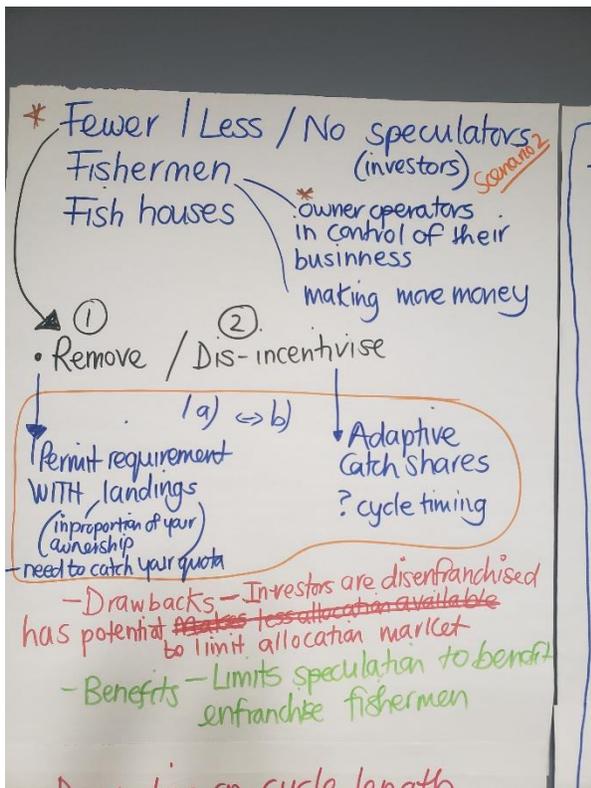
- Need to do something with latent permits to prevent overcapitalization
- New entrant 1-3 years
- Active fishermen lease dependent landing fish
Yes to cap.
- Valid Captain's licence
a proportion of the quota you own
(distribution)
- How many times can someone qualify as new entrant (and keep coming back in)
- All lease dependent
% equally divide among everyone with landings

Defining New entrant @

- "New entrant" - 1-3 yrs (time requirement)

Defining "new entrant"

- "New entrant" - 1-3 yrs (time requirement)
means
- Active fishermen - 1-20 yrs
- (Give everyone same amount) distribution ↗
- "new entrant" - everyone from today
- discuss cut off with industry
- Pre-IFQ
Post-IFQ - new entrant + lease dependent fishermen
cut off (throwback due to access issues... discards)
of fishermen are stabilized
Not large swings
- Need a hard cap (#) years
New guys roll in - receive allocation from older people (who transition out) - get piece of pie
• pie is divided up



- Depending on cycle length a sharemarket could dry up (3 of 5 yr (4+5))

- Concern about verification System - OR NOT | permits landings trip tickets

- ? Flexibility in trading reduced (same buyer)

2) Redistributing - based on catch history Quota

Disruption of potentially affecting those dependent on leasing

Concerns about rights of people - fishhouses

- Will this reduce flexibility?

- What % of shares are owned by people who do not fish

i.e. permit link

Jessica Find - 2022 #s split across programs and small/med/large

Would know more about who owns what and who does/controls

- Help define next generation of ownership

Appendix C. Meeting Evaluations

IFQ Focus Group Meeting August 2nd and 3rd, 2022 Tampa, FL Evaluation Summary

Overview

The Gulf of Mexico Fisheries Council convened eight participants representing different stakes in the Red Snapper-Grouper Tilefish Individual Fishing Quota fishery for a two-day focus group to:

- Review the current IFQ programs' goals and objectives and recommend their replacement/retention. These revised goals and objectives shall serve as the basis for the Focus Group recommendations.
- Define the changes needed for an improved Red Snapper and Grouper-Tilefish IFQ Program to specifically address minimizing discards, fairness and equity, and new entrants' issues.
- The Council is considering changes to assist new entrants (i.e., replacement fishermen) to the IFQ programs.
 - What could such program changes look like and what would be the implications of those changes?
 - Evaluate the benefits and drawbacks to get to active fishermen who own no shares:
 - Increases in annual allocation (not shares), and
 - Allocation held by the agency in non-active accounts

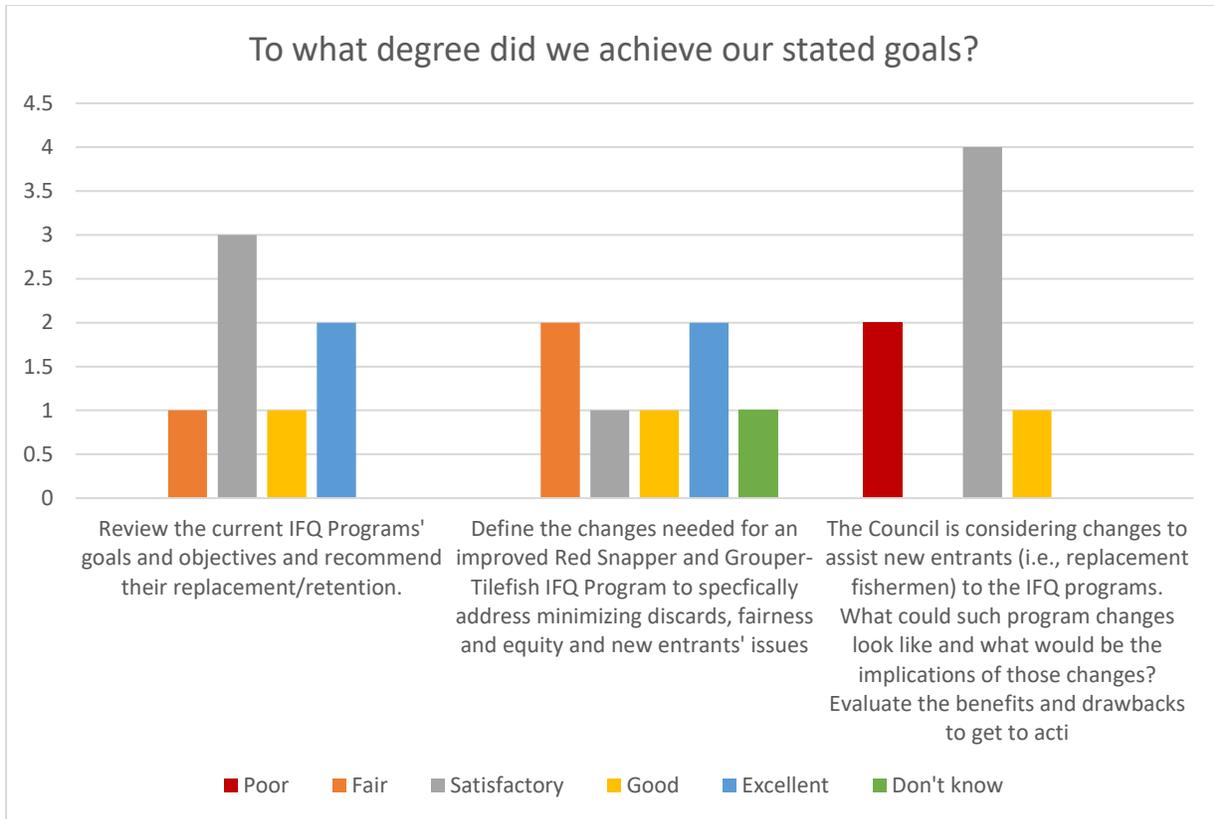
Seven participants completed a focus group evaluation, although not everyone answered every question.

Results

All comments are repeated verbatim below.

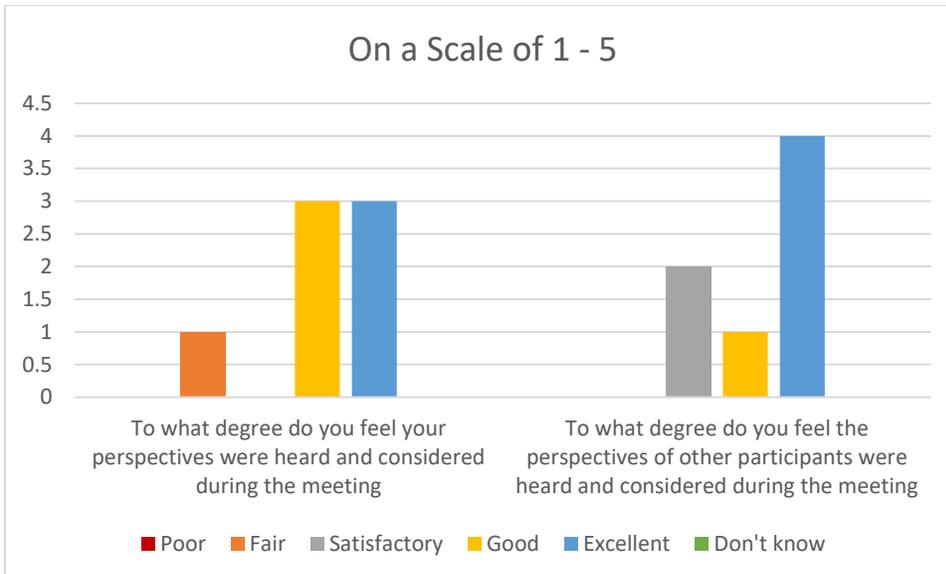
Can you share something that you especially enjoyed during the focus group meeting?

- The topics that were covered
- Active discussion by all
- Discussions were good
- Candid conversations during breakout
- Sharing the problems



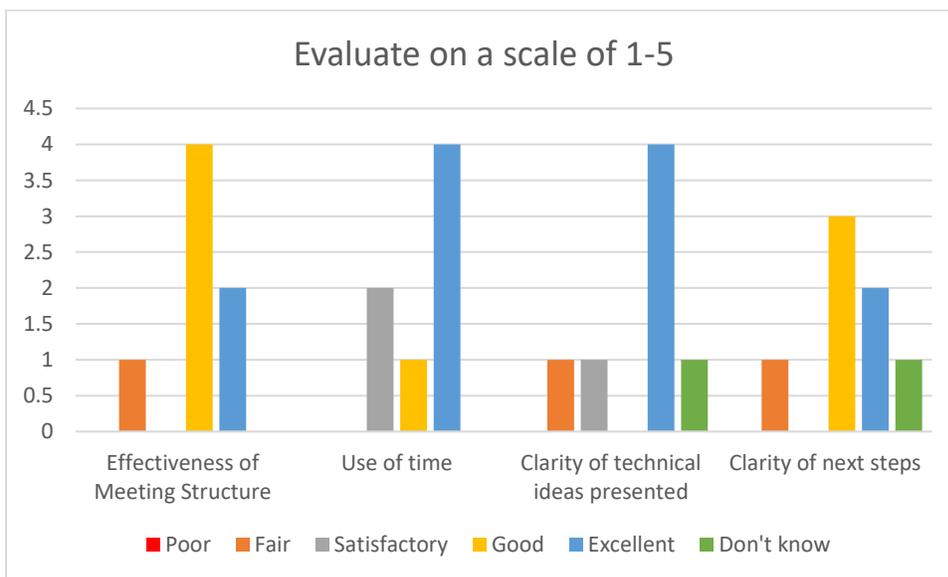
In your view what was the most important outcome of the meeting?

- Inheritance issue and next generation fisher requirements discussion
- We found common ground on permit requirements
- Permit with landing for future entrants



Would you like to elaborate on any of the responses above?

- Not enough industry folks on focus panel
- The crew spot was represented by a shareholder, not a real crew or captain. Because of this the real position that should have had a voice was missing
- Panel stacked against my position



What was missing from our discussion?

- Adaptive catch share programs
- Very little!
- Adaptive catch shares, no opportunity for second generation IFQ participants that were granted to the first generation

Do you have anything else you would like to tell us or emphasize?

- Great job
- See you at the council meeting