



NOAA
FISHERIES

Tab B, No 6(a)

Gulf of Mexico IFQ Programs

Goals and Objectives

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What led us here?

- January 2023 motion to review the IFQ program goals and objectives
- June 2023 approval of goals and objectives addressing participation, equity, and access balanced against reducing capacity
- August 2023 status update on progress



Goal 1

Improve opportunities for participants to enter the program

Objectives

- Limit share ownership (maintaining and obtaining shares) to accounts harvesting IFQ species
- To evaluate the merits of limiting share ownership through implementation of alternative mechanisms for equitable redistribution of shares & allocation to accounts harvesting IFQ
- Recover and redistribute shares held by deceased shareholders & NMFS held shares to accounts harvesting IFQ
- Create an allocation bank to reduce barriers to fishing privileges
- Identify barriers inhibiting or limiting participation by surveying participants and those wanting to enter the fishery

Presentation Outline

- Understanding the complexity of the programs
 - Participation roles across and within programs
 - Evolution of participation roles
 - Impacts based on participation roles
- Program trends over time
 - Program growth and participation changes
 - Program activity
- Allocation bank opportunities
- Considerations in an adaptive catch share program
- Barrier to participation exploration



Program trends over time

Understanding the complexities of the programs

Cross-Program Participation

- Program participants are often active in both RS-IFQ and GT-IFQ
 - In recent years, 90-92% of GT-IFQ vessels also land RS-IFQ
- Program participants often hold shares in more than one category
 - | No. Categories | 1 | 2 | 3 | 4 | 5 | 6 |
|----------------|-----|----|-----|-----|-----|-----|
| % Accts (2010) | 16% | 3% | 24% | 18% | 24% | 16% |
| % Accts (2022) | 21% | 8% | 20% | 16% | 18% | 16% |
 - May imply specializations for some categories
- Shareholder accounts are classified as holding small, medium, or large shares or allocation only holders
 - Classification is by share category therefore, difficult to classify a participant's role across or within the programs

Shareholder Size

- Initial share distribution based on landings
 - Large number of small harvesters
 - Example: 416 red snapper Class 2 license holders became small red snapper shareholders vs the 89 Class 1 license holders that became medium and large shareholders
- Current shareholdings still reflect pre-IFQ pattern
 - The number of small shareholders and the shares held has decreased over time
 - The amount of shares held by large shareholders has increased over time
 - In some categories (RG, GG, & SWG) medium shareholders hold the most shares

2022	Small	Medium	Large
RS	177 (2%)	130 (48%)	18 (48%)
RG	284 (3%)	159 (56%)	15 (41%)
GG	270 (4%)	196 (63%)	17 (33%)
DWG	195 (2%)	109 (38%)	15 (60%)
SWG	275 (4%)	204 (65%)	11 (31%)
TF	131 (1%)	46 (16%)	18 (83%)

- Accounts (share percentage)
- Small < 0.05%
- Medium 0.05 to < 1.5%
- Large 1.5% and greater

Dealer Size (2022)

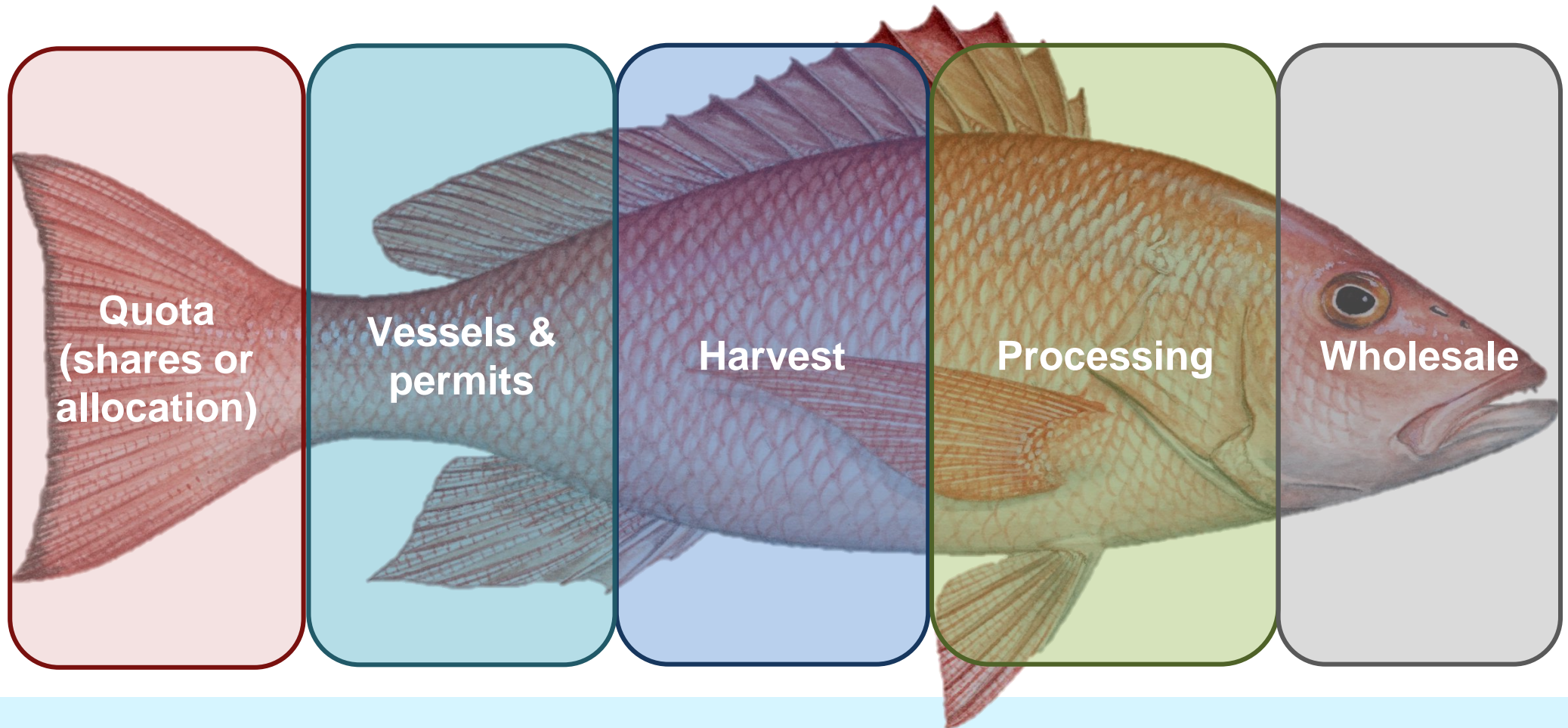
- Dealers are classified by the percentage of landings received
- While there are more small dealers, small dealers receive only 12-13% of the landings
 - Fishermen may have obtained dealer permits to be more economically efficient, due to limited dealers within an area, or to enable transport across land
 - Small dealers increased in 2014-2015 for both programs
 - Recent years (2021-2022) have seen a small decrease in small dealers, which may have been an impact from the pandemic

IFQ	Small	Medium	Large
RS	82 – 13%	10 – 16%	10 – 71%
GT	84 – 12%	11 – 12%	10 – 76%

- Small < 1%
- Medium 1 – 3%
- Large >3%

Vertical Integration

- Program structure can influence vertical integration impacts
- Vertical integration can exist in any fishery



Vertical Integration

- Business may vertically integrate to increase efficiencies, reduce transaction costs, and increase control over production and distribution
 - Smaller harvesters may become their own dealer
 - Dealers may own quota to lower costs for fishermen who land with them
- Vertical integration, while often good for economic efficiency, may create negative externalities in terms of fairness and equity
 - For example, vertical integration may:
 - Lead to anti-competitive behavior (*limits opportunities and reduces fairness in markets*),
 - Result in advantages in resources and access to capital (*reducing equity for smaller competitors*), and
 - May prioritize their own needs first

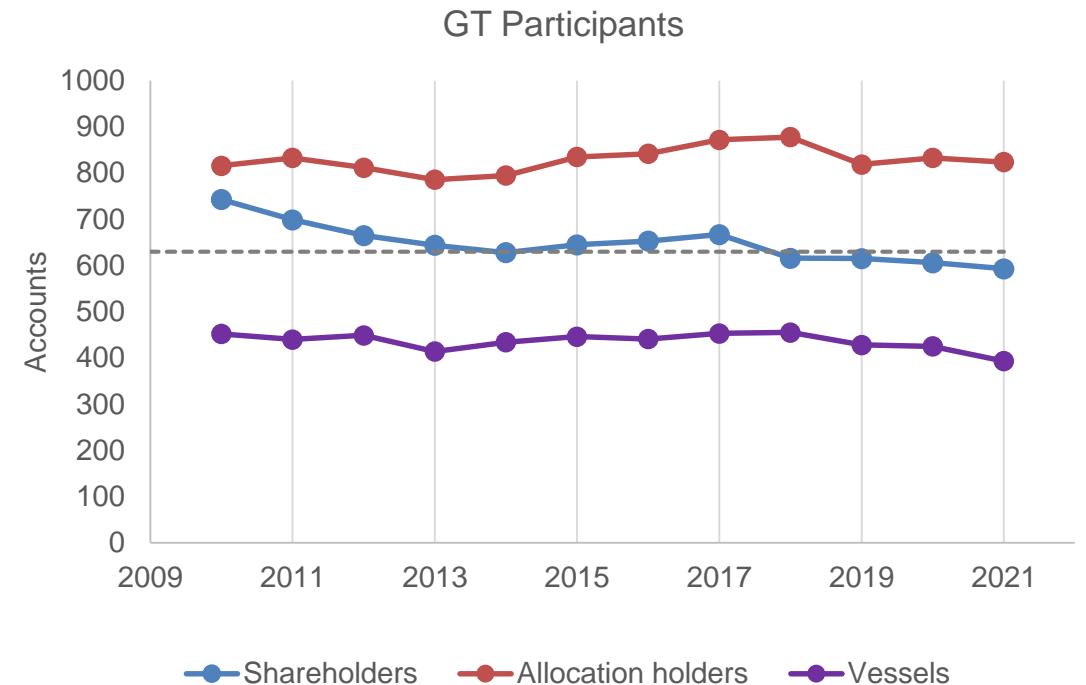
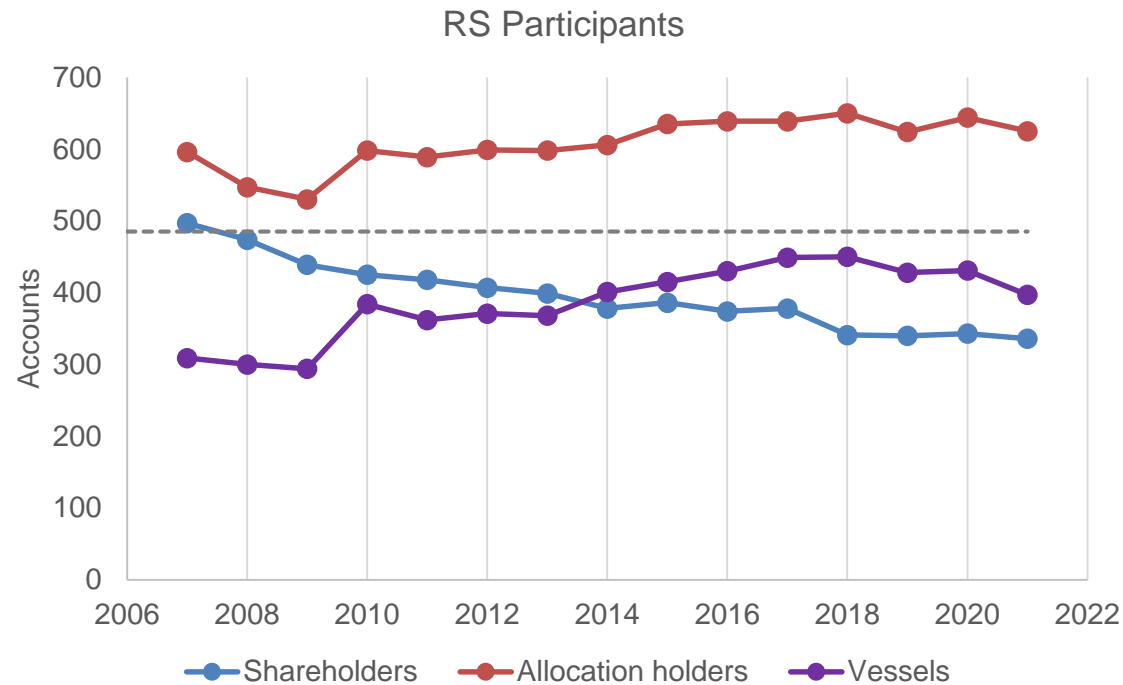
IFQ Overlap and Roles Conclusions

- Current participation largely driven by pre-IFQ dynamics
 - Consolidation mostly from smaller shareholders
- High degree of overlap between programs
 - Accounts hold shares and vessels land species in RS-IFQ & GT-IFQ programs
 - Classifying role in programs is difficult
- High degree of overlap of roles within programs (vertical integration)
 - Fishermen obtaining dealer licenses; dealers obtaining shareholder accounts to hold shares and allocation
 - Vertical integration may negatively effect fairness and equity, as roles are blended, therefore impacts related to vertical integration will need to be assessed in relation to any program changes



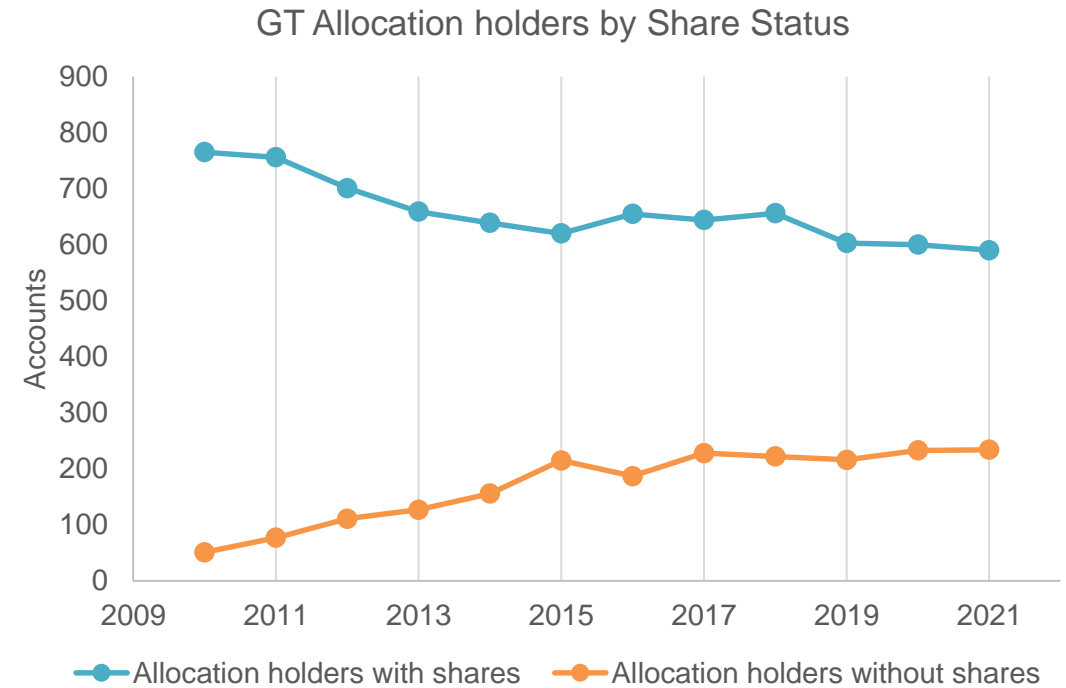
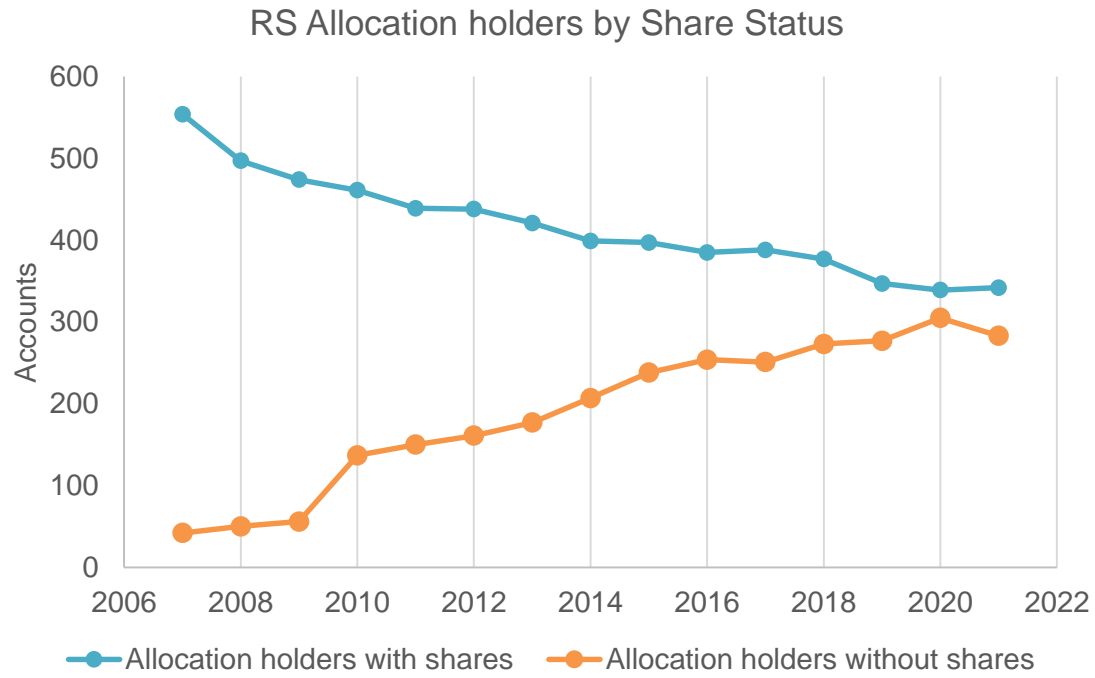
Program Growth & Participation Changes

Program Growth



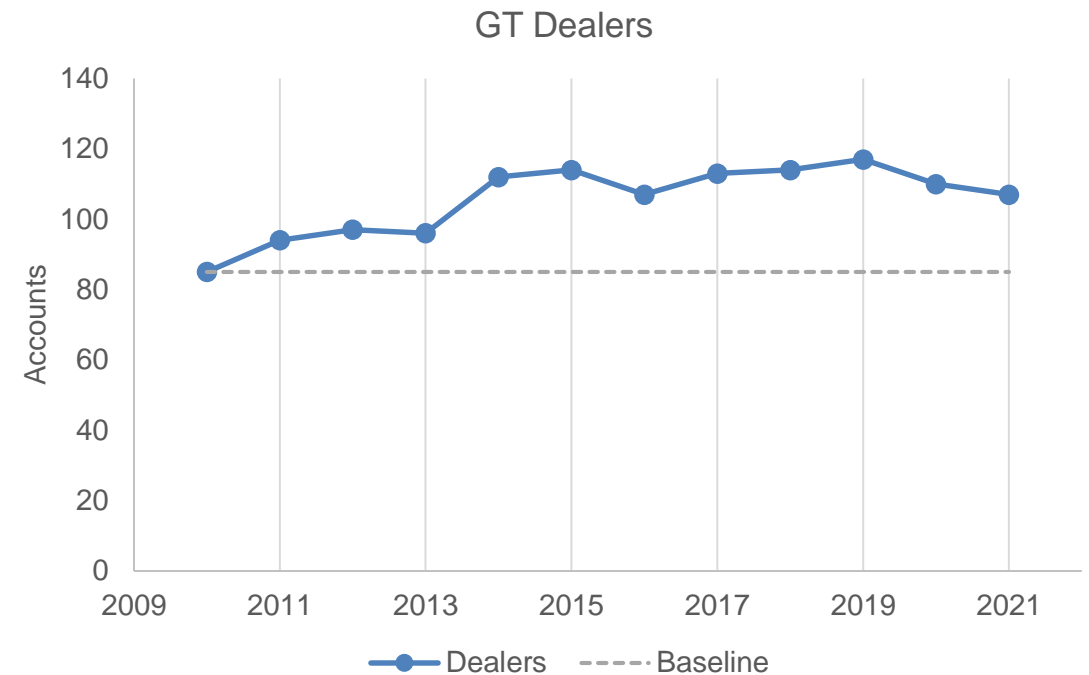
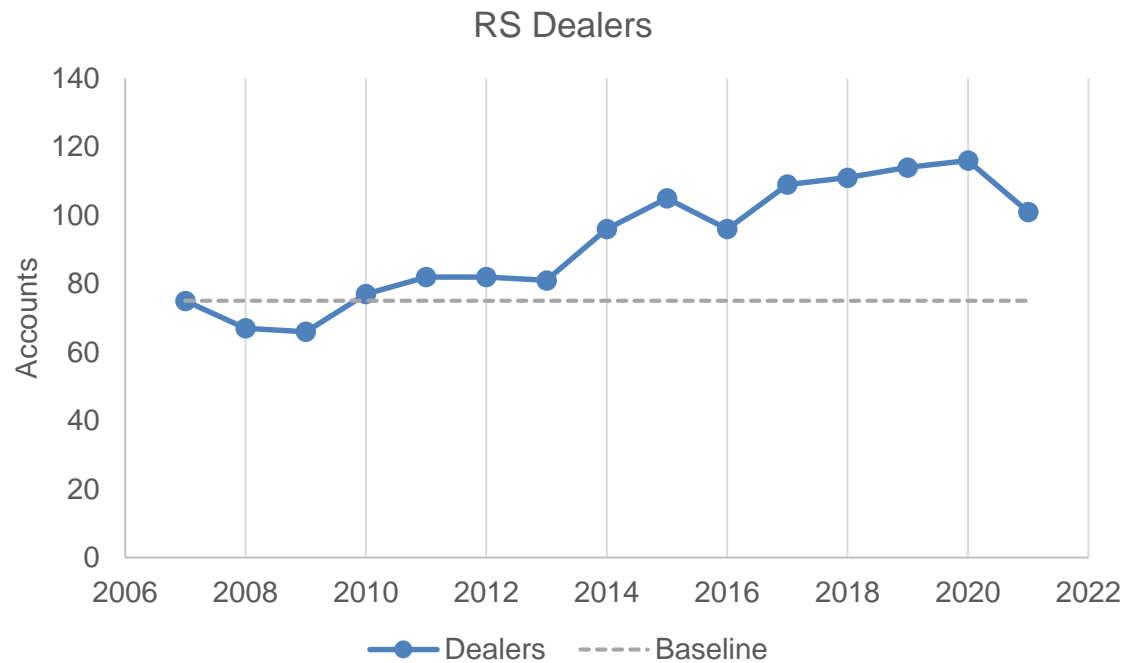
- The number of **participants** (allocation holders) has increased over time in both programs
- The number of **vessels** has increased in RS, approaching pre-IFQ values (dotted line), while the number of vessels harvesting GT has remained below pre-IFQ values
- The number of **shareholders** has decreased in each program as expected; RS has a steeper decline
- The growth in RS participants may exacerbate access issues

Participation Changes – Allocation Holders by Share Status



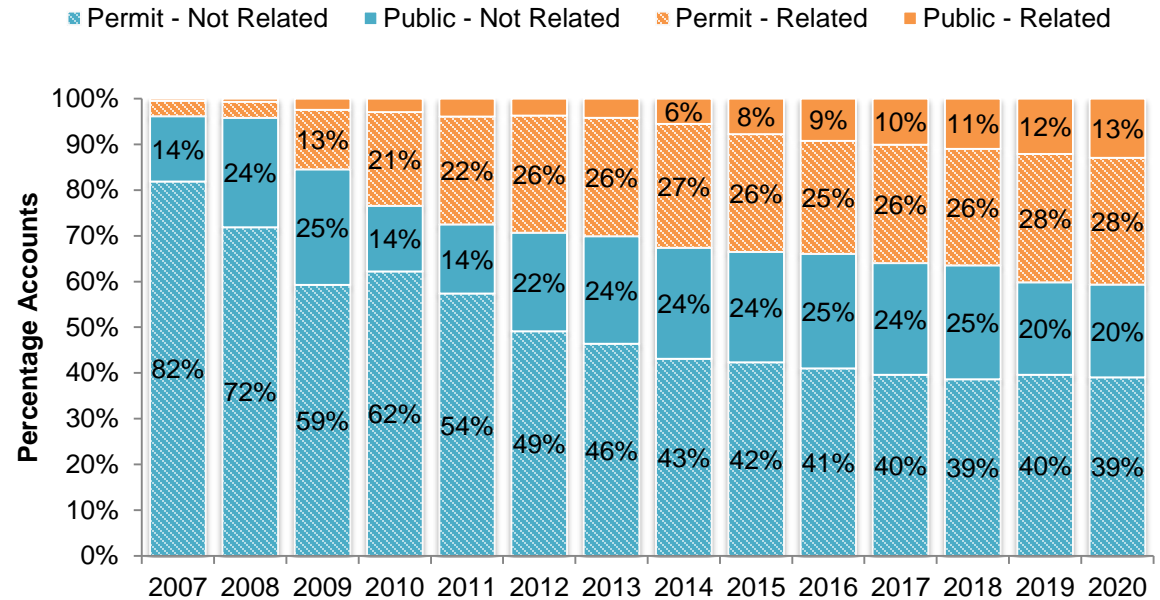
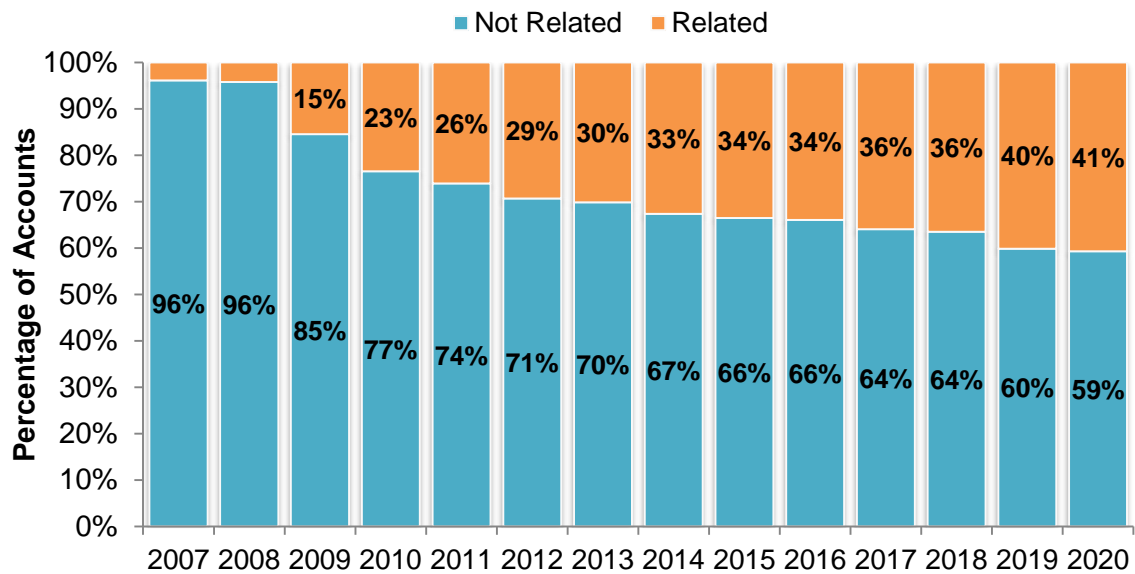
- Participants **with** and **without** shares are converging
- Convergence is steeper in RS-IFQ than GT-IFQ
- While convergence began before public participation in each program, public participation did increase the rate of convergence in RS-IFQ

Participation Changes - Dealers



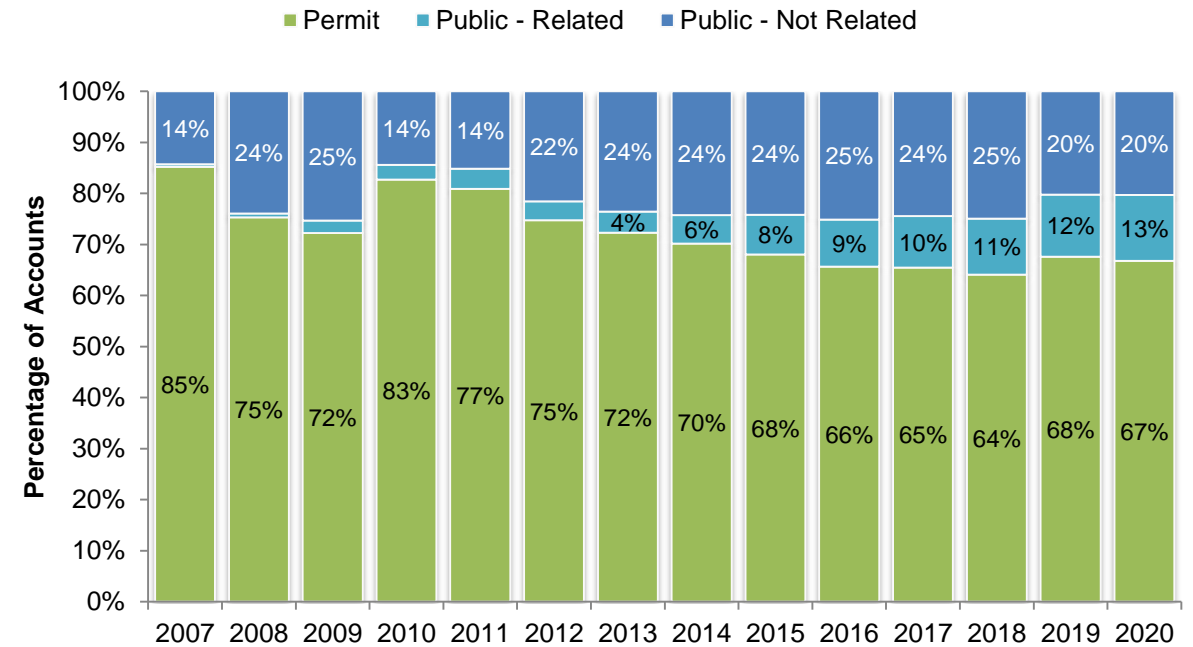
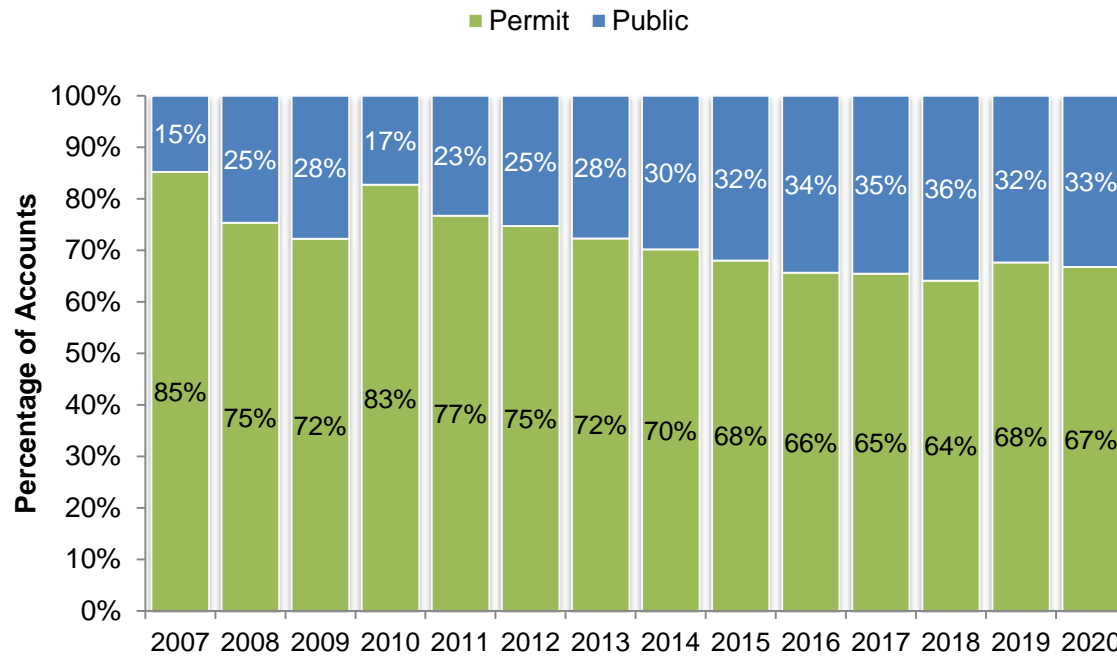
- Both programs show an increase in the number of dealers over time, as many fishermen become dealers to increase economic efficiency
- This indicates an increase in vertical integration

Participation Changes - Related Accounts



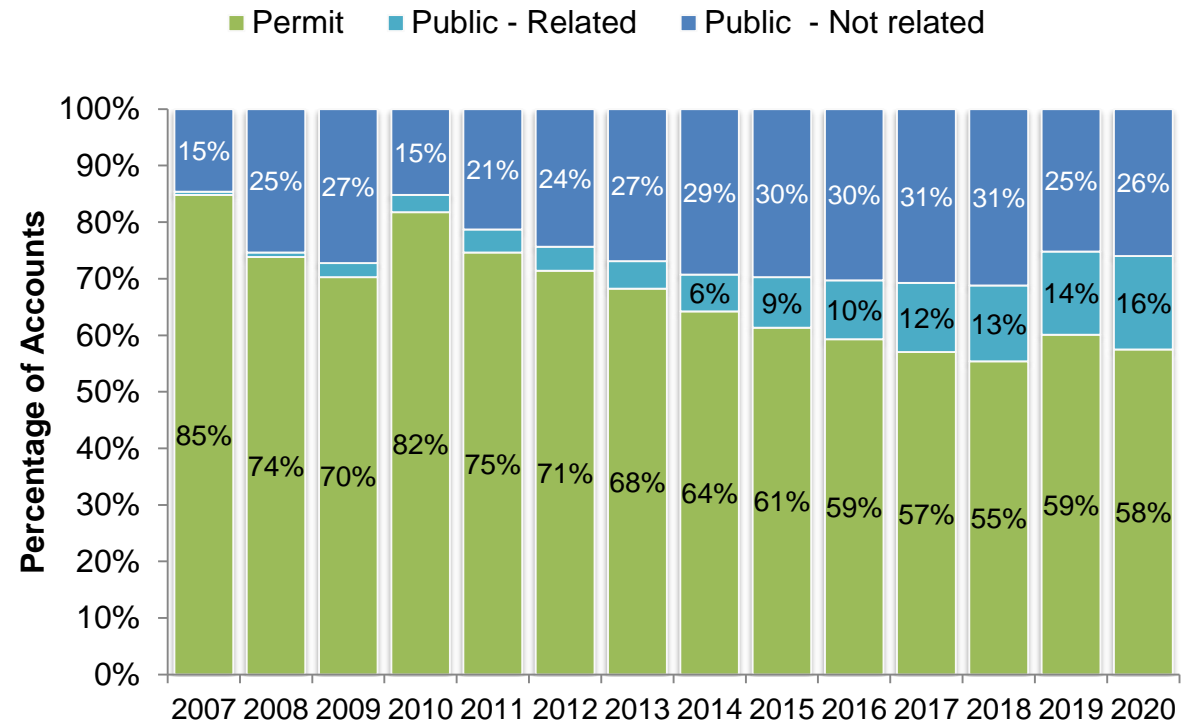
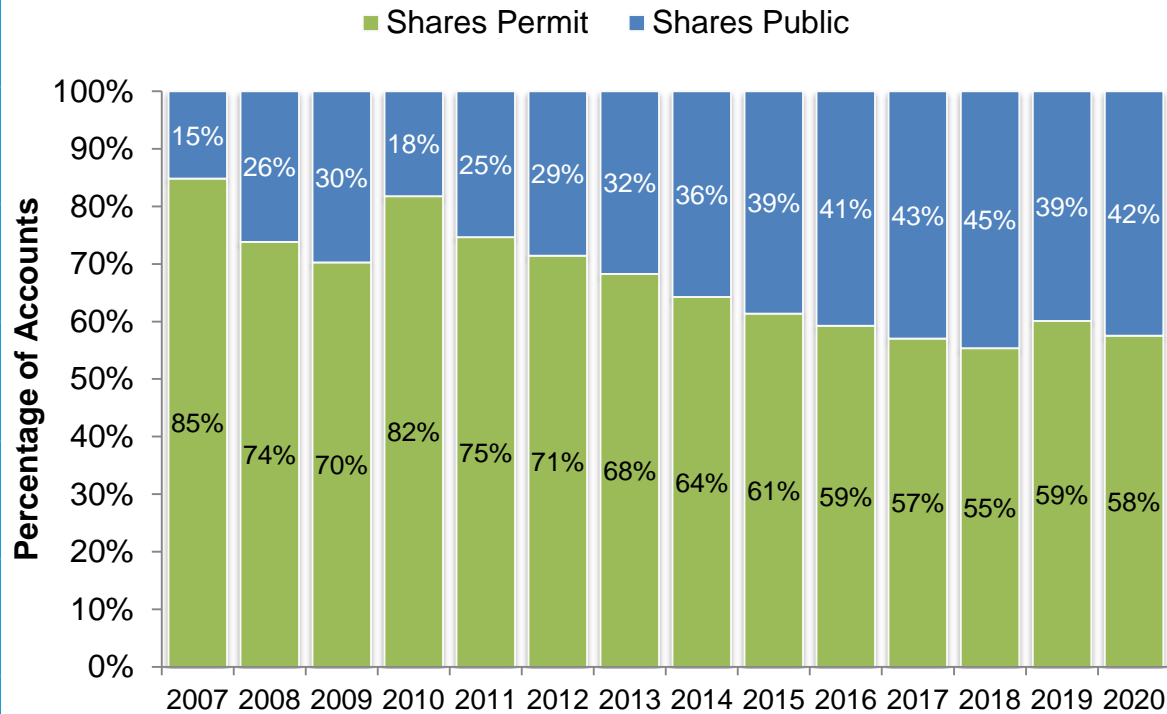
- The percentage of **related** accounts has increased over time – some fishermen create companies for each vessel while others create a company to just hold shares
- Most **related** accounts have permits
 - 13% of accounts are public and related to other accounts, while 20% of accounts are public and unrelated to other accounts

Participation Changes – Public Accounts



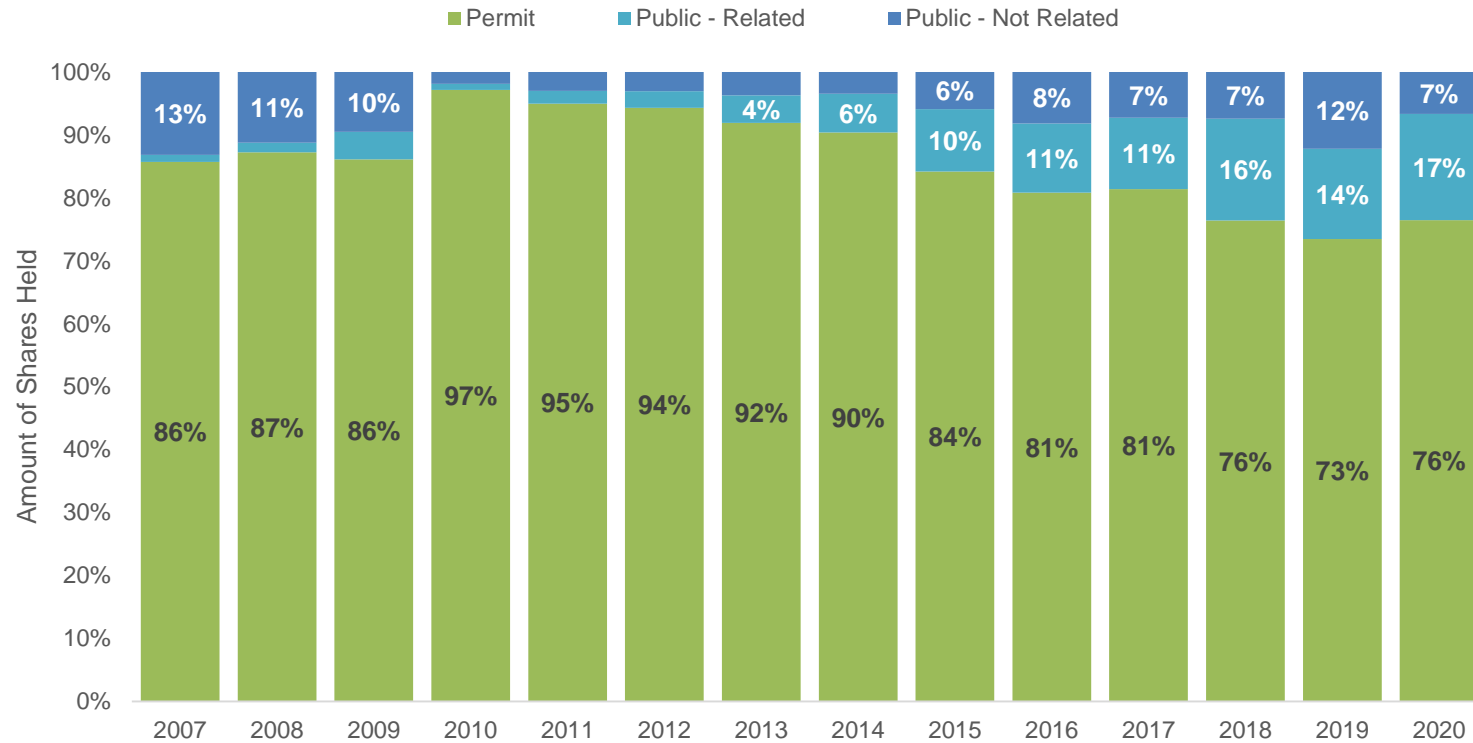
- **Public** participation (no permit) existed since the beginning of each program and has increased over time
 - In the first 5 year, participants who did not renew their permit were allowed to retain their shares, just not obtain any new shares
- After adjusting for related accounts, only 20% of accounts are public and unrelated

Participation Changes - Accounts Holding Shares



- The percentage of **public** accounts with shares has increased over time, with a slight decrease in 2019 and 2020
- 42% of accounts with shares are public
- After adjusting for related accounts, only 26% of accounts with shares are public and unrelated

Participation Changes – Amount of Shares



- The majority of shares (76%) are held by **permitted** accounts
- The amount of shares being held by **public** accounts has increased over time, with 24% of shares held by public accounts
- After adjusting for related accounts, only 7% of shares are held by public and unrelated accounts

Program Changes & Growth Conclusions

- Patterns of change differ between the programs
- Both programs have an expected decrease in shareholders and unexpected increase in dealers
- Vessels have increased in RS-IFQ to near pre-IFQ levels, while continuing to decrease in GT-IFQ
- Greater increase in RS-IFQ allocation holders than GT-IFQ
 - RS-IFQ also has a steeper increase in allocation holders without shares than GT-IFQ: ~50% in RS-IFQ vs ~25% in GT-IFQ
- Increase in related accounts due to business practices
 - Fishermen creating companies for each vessel
 - Separation of assets – shares held in a company without a vessel/permit
 - 41% of accounts are related to another account

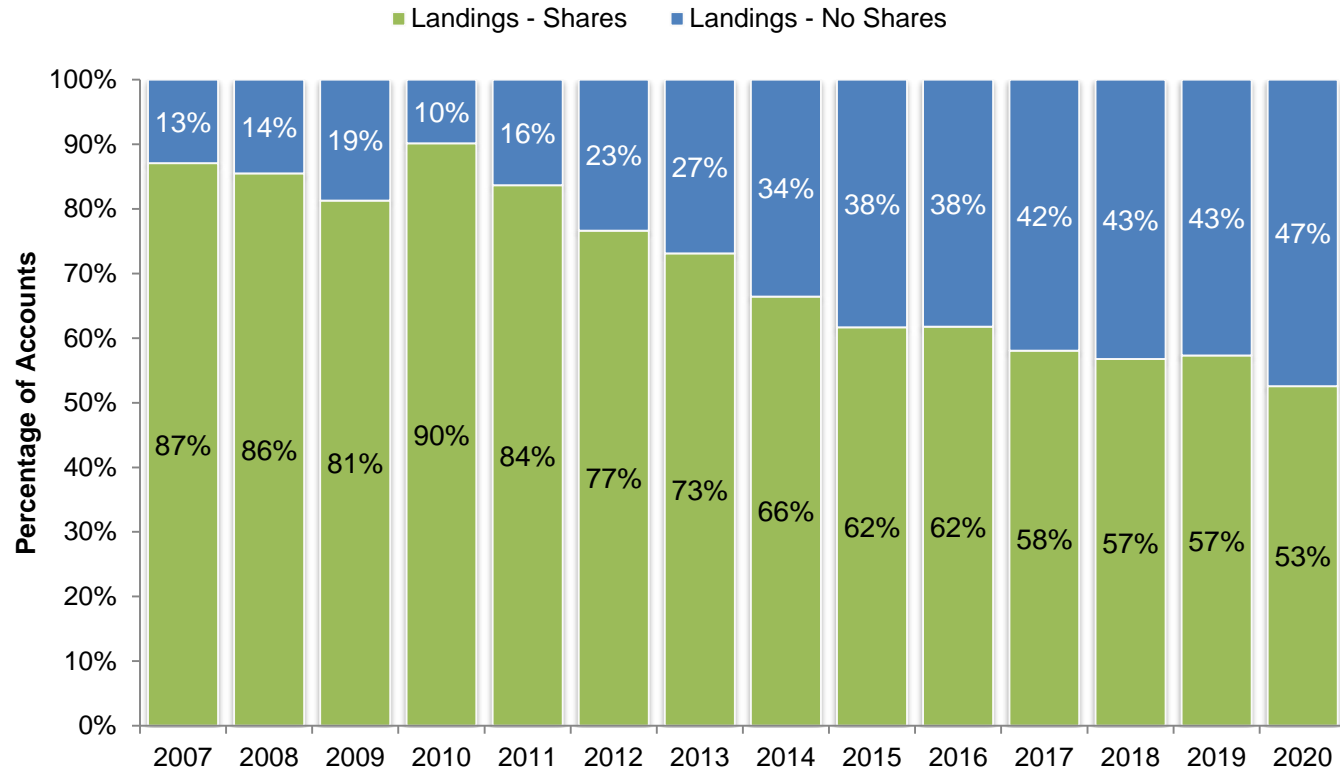
Program Changes & Growth Conclusions

- Public accounts have an increasing trend even after adjusting for related accounts
 - 20% of accounts are unrelated public accounts
 - 26% of accounts holding shares are unrelated public accounts
- The percentage of public accounts holding shares increased over time
 - 42% of accounts with shares are public (no permit), while 25% are unrelated to other accounts
- Shares are still primarily held in permitted accounts (76%)
 - Since 2015 there has been an increase in the amount of shares held in public accounts (24%)
 - After adjusting for related accounts, only 7% of shares are held by unrelated public accounts



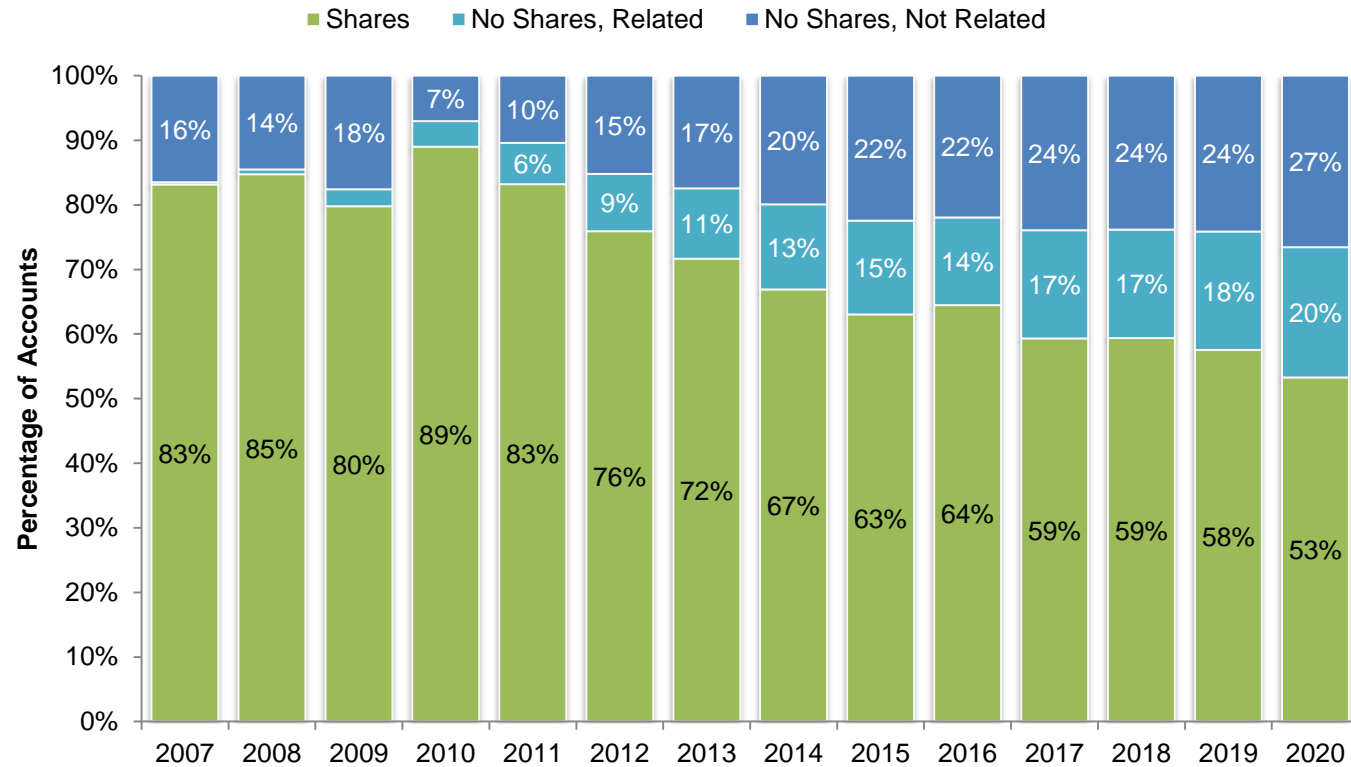
Program Activity

Program Activity - Accounts Landing by Share Status



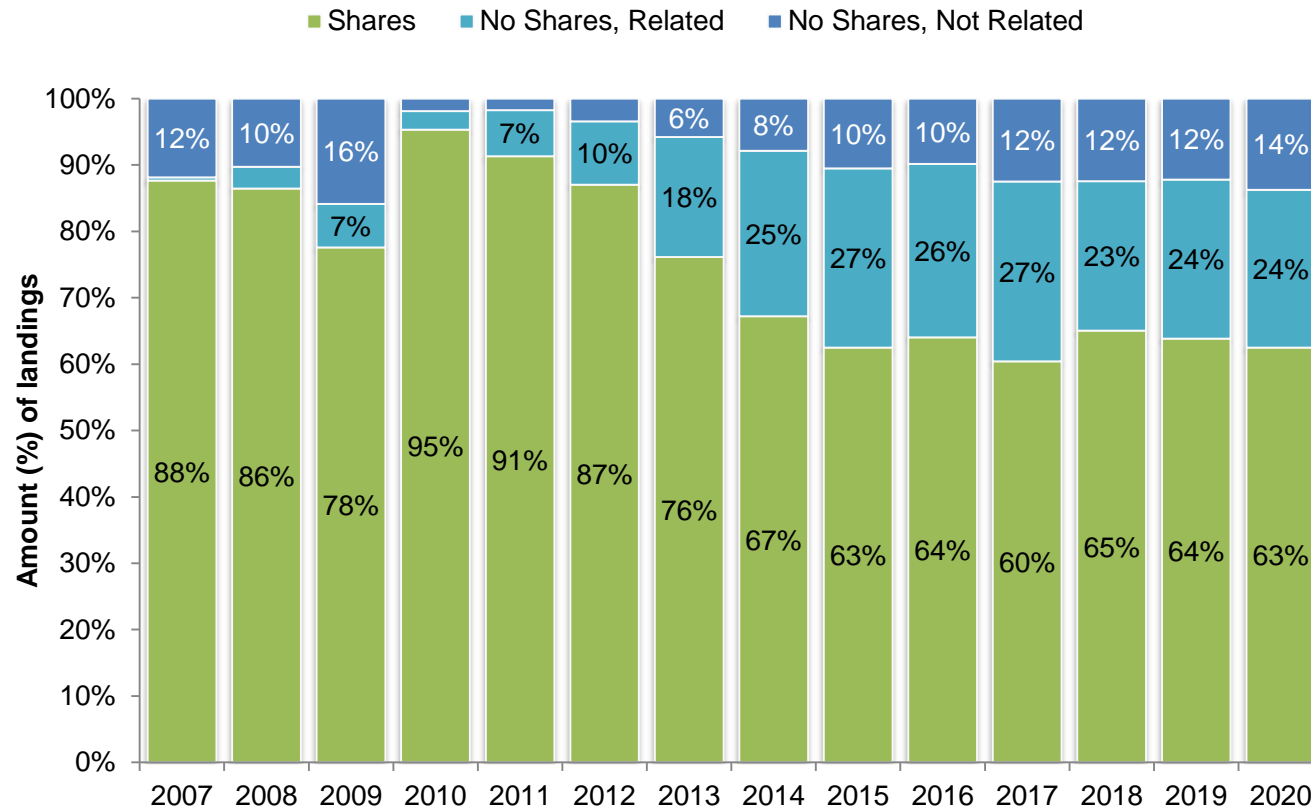
- The percentage of accounts landing IFQ species without shares has increased over time to 47%
- Increases in accounts without shares landing IFQ species occurred after each program went to public participation (2012 and 2015)

Program Activity – Accounts Landing by Share and Related Status



- After adjusting for related accounts, 27% of accounts landing are unrelated with no shares
- Some flexibility is lost when shares are in related accounts, as only accounts with shares can utilize the 10% overage measure

Program Activity - Amount Landed



- The majority of landings primarily occur in accounts with shares, although this has decreased over time (from 95% to 63%)
- 38% of landings come from accounts without shares
- After adjusting for related accounts, only 14% of landings come from unrelated accounts without shares

Program Activity Conclusions

- There have been changes in the number of accounts landing IFQ species
 - Nearly half (47%) of the accounts landing IFQ species do not hold shares
 - Adjusting for related accounts, 27% of accounts are unrelated and do not hold shares
- The amount of landings from accounts with shares has decreased over time
 - 63% of the landings come from accounts with shares, with an additional 24% from related accounts without shares
 - Only 14% of landings come from unrelated accounts without shares

Considerations with Share Limitation Actions

- Consider different roles played within the IFQ system
 - Vertical integration – participants that are both dealers and fishermen
 - Share size across program – shareholder may be both a small and large shareholder depending on category
 - Related accounts within the program – some public accounts may be related to accounts with permits
- Any new share limitations should balance against other objectives in Goal 1 and other Goals (e.g., stability of program, reducing discards, reducing costs per unit of harvest)



Allocation Bank Objective

Background information and discussion topics

Supplying an Allocation Bank

- NMFS held shares (2018)
- Percentage off the top of the quotas
- Revoke shares from accounts “not active”
- Any quota increases beyond a particular limit
- Deceased shareholders

Deceased Shareholders

- Only known when a representative of the deceased's estate contacts IFQ Customer Service seeking access to the account
- Required documentation includes, but not limited to:
 - Copy of court order appointing representative
 - Notarized statement requesting access
- When deceased shareholder is only a partial owner:
 - Access to account is still possible by other owners
 - For joint accounts: Must request a new account as lack of citizenship affirmation will suspend existing account
 - For businesses: Must supply new business ownership percentages for share cap analysis

Deceased Shareholders

- Before public participation
 - Official representative could transfer ('sell') shares and allocation from existing account
 - If wished to retain shares, a permit would be required to open a new account
- After public participation
 - Official representative could transfer ('sell') shares and allocation
 - If wished to retain shares, no permit was required to open a new account
- IFQ customer service is not always notified about deceased shareholders
 - Accounts become 'suspended' due to lack of citizenship affirmation
 - IFQ can not close accounts that hold shares

NMFS Held Shares (2024 quotas)

Category	Amount	2024 Quota	Equiv. Pounds
RS	0.0788000%	7,493,784	5,905
DWG	0.0284050%	1,024,000	291
RG	0.1069740%	2,790,000	2,985
GG	0.1826210%	147,000	268
SWG	0.4518210%	525,000	2,372
TF	0.0550810%	582,000	321

- These were the shares revoked in Amendment 36A from accounts that were never accessed
- Alone, this is insufficient allocation to support an allocation bank

Quota Bank

RS Quota	% off top	Equivalent lb
7,493,784	1%	74,938
	3%	224,814
	5%	374,689

DWG Quota	% off top	Equivalent lb
1,024,000	1%	10,240
	3%	30,720
	5%	51,200

SWG Quota	% off top	Equivalent lb
525,000	1%	5,250
	3%	15,750
	5%	26,250

RG Quota	% off top	Equivalent lb
2,790,000	1%	27,900
	3%	83,700
	5%	139,500

GG Quota	% off top	Equivalent lb
199,000	1%	1,990
	3%	5,970
	5%	9,950

TF Quota	% off top	Equivalent lb
582,000	1%	5,820
	3%	17,460
	5%	29,100

Pounds in Inactive Accounts (2022)

Category	Accounts	Inactive Pounds	5-year range Accounts	5-year range of pounds
RS	26	6,661	26-64	6,661 – 13,272
DWG	110	25,222	108-139	9,766 – 27,248
RG	156	46,417	156-242	41,509 – 681,565
GG	200	36,116	200-262	36,166 – 100,678
SWG	184	48,387	184-252	48,387 – 59,759
TF	62	5,704	52-82	3,140 – 18,187

- General trend has shown a decrease in inactive accounts and pounds in those accounts

Example Summary of Combined Methods

Category	NMFS shares (2024)	Inactive Accounts (2022)	1% Quota (2024)	Summed Total
RS	5,520	6,594	74,938	87,052
DWG	288	24,970	10,240	35,498
RG	2,955	45,953	27,900	76,808
GG	360	35,755	1,470	37,585
SWG	2,348	47,903	5,250	55,501
TF	317	5,647	5,820	11,784

- Allocation from NMFS shares and inactive accounts was reduced by percentage taken off of the quota to calculate the total available in an allocation bank

Quota Bank Estimated Allocation Value

RS Quota	%	Equiv. lb	Price per lb	Value
7,493,784	1%	74,938	\$4.48	\$335,722
	3%	224,814	\$4.48	\$1,007,165
	5%	374,689	\$4.48	\$1,678,608

RG Quota	%	Equiv. lb	Price per lb	Value
2,790,000	1%	27,900	\$1.75	\$48,825
	3%	83,700	\$1.75	\$146,475
	5%	139,500	\$1.75	\$244,125

DWG Quota	%	Equiv. lb	Price per lb	Value
1,024,000	1%	10,240	\$1.10	\$11,264
	3%	30,720	\$1.10	\$33,792
	5%	51,200	\$1.10	\$56,320

GG Quota	%	Equiv. lb	Price per lb	Value
199,000	1%	1,990	\$2.71	\$5,393
	3%	5,970	\$2.71	\$16,179
	5%	9,950	\$2.71	\$26,965

SWG Quota	%	Equiv. lb	Price per lb	Value
525,000	1%	5,250	\$0.70	\$3,675
	3%	15,750	\$0.70	\$11,025
	5%	26,250	\$0.70	\$18,375

TF Quota	%	Equiv. lb	Price per lb	Value
582,000	1%	5,820	\$0.70	\$4,074
	3%	17,460	\$0.70	\$12,222
	5%	29,100	\$0.70	\$20,370

Allocation Bank Decisions

- Should it be a stand-alone amendment?
- Is an allocation bank needed for each share category?
- What actions would the Council want to consider?
 - Allocation to supply bank?
 - Eligibility requirements?
 - Allocation distributions?
 - Transfer limitations?
 - Other actions?

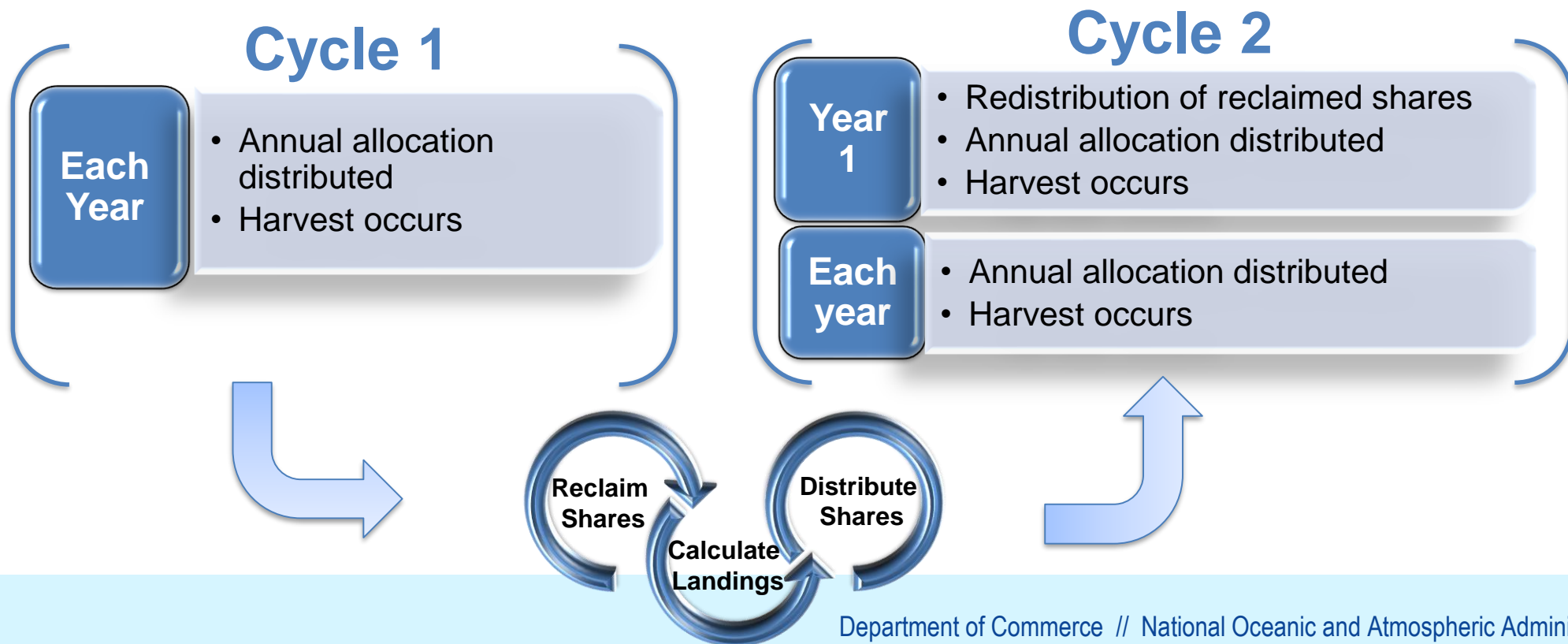


Adaptive Catch Share Concept

Quick introduction to decisions

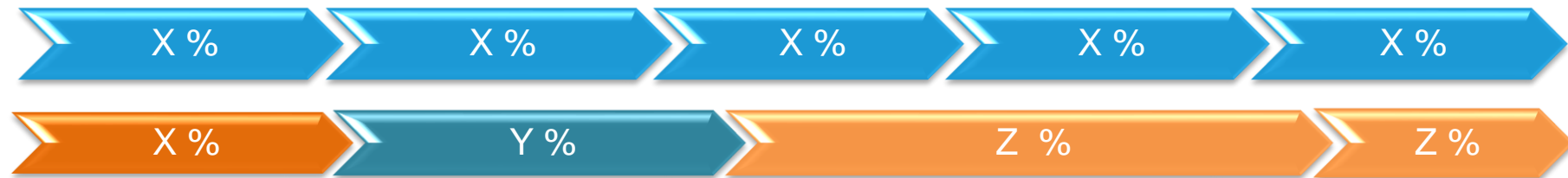
Adaptive Catch Share

- Adaptive management occurs at the end of a 'cycle'
- Within a 'cycle,' the catch share programs operate similar to a traditional program
- 3 Components: Reclamation, Cycle length, Redistribution



Adaptive Catch Share – Reclamation Percentage

- How much should be reclaimed each year?
- Percentage should match program goals without creating barriers or market instability
 - Retain sufficient proportion of shares to plan next year's activities
- Percentages (low vs high):
 - Low percentages provide more stability, but redistribute slowly
 - High percentages provide rapid redistribution, but creates instability
- Percentages can vary over time, but variance should be known in advance for business purposes



Adaptive Catch Share – Cycle Length

- How often should the cycle occur?
- Cycle Length:
 - Short cycles may magnify localized (e.g., red tide, hurricanes) or personal events (e.g., health or vessel problems) - more beneficial when there is a need for rapid adaptation
 - Long cycles: More stabilized market during cycle, but may take longer for adaption to occur
- Duration (Set or progressive)
 - Progressive more suited to rapid adaption while set durations suited to more mature fisheries/programs



Adaptive Catch Share - Redistribution

- To whom and how should the shares be redistributed?
- Proportional based on shareholder account landings?
 - Those with higher landings 'earn' more shares and distributes shares to those actively harvesting
- Equally to all accounts that landed (vessel or shareholder?)
 - May not distribute shares to those who most need them, as equally distributed despite unequal landings

Adaptive Catch Share

- Decisions will need to balance maturity of program, impacts to market stability and business decisions, and impacts of redistribution

Concern	Reclamation %	Cycle Lengths	Redistribution
Distribution of shares reflects harvest activity	High to medium with decreasing progression	Shorter and progressive cycles	Proportional based on landings of shareholder
Industry stability	Low and set percentages	Longer and set cycles	Equal to those landing
Access for replacement entrants	Medium and set percentages	Shorter and set cycles	Proportional based on landings of shareholder

Adaptive Catch Share Considerations

- HMS began an adaptive program in the Bluefin Tuna IBQ program
 - Began in 2023 with a 3 year cycle
 - Reallocation based on sets deployed per year (only 1 set per day applies in reallocation calculation)
- Considerations of impacts on:
 - Diversification of species harvested (generalists vs specialists)
 - Diversification across sectors – consideration of dually permitted commercial and for-hire operators
 - Economic stability within the program
- Most likely would require a separate amendment



Barriers objective

Background information and discussion topics

Potential Barriers

- Knowledge of IFQ markets – where to purchase and from whom
- Transactions often rely on long-standing or existing relationships
- Costs of shares, allocation, permits, vessels, VMS, and cost recovery fee
- Availability of allocation: timing and 'block' size of allocation available
- Ability to obtain loans
- Perceived program stability influences the decision to purchase shares versus purchase of just allocation
- Misunderstanding cost recovery fee purpose (seen as additional tax)
- Labor relations: cost recovery fee or allocation costs passed on to captain and crew
- Infrastructure: reliance on dealers to provide dock space, ice, fuel, etc.
- Vertical integration and reliance on dealers to provide allocation
- Reliance on non-IFQ species to support business



Next Steps

Potential amendments and actions

Next Steps

- Consider potential amendments
 - Share ownership modifications to the programs
 - Exploration of an allocation bank
 - Exploration of an adaptive catch share program
- Suggest presentation in January relating to Goal 2: Reducing Discards as strong overlap between these goals
 - Actions relating to Goal 2 may be combined with a share ownership modifications amendment from Goal 1
- What other information may help inform the changes in goals and objectives?

Potential Actions from Goal 1

Share Amendment

- Incorporate new goals and objectives
- Consider limiting share ownership (maintain & obtain) to permit holders
 - Such a limitation may indirectly address deceased shareholders
- Consider revocation and redistribution of shares from inactive accounts and NMFS held shares
- Review/revision of share, allocation, or landings caps?
- Actions from other goals?

Allocation Bank Amendment

- Revoke shares from inactive accounts
- Reserve % of quota for bank
- Apply NMFS-held shares to bank
- Determination of bank eligibility and use requirements
- Determine bank purpose in relation to goals & objectives (may assist in more than one goal)

Adaptive Amendment

- Explore concept in more detail and determine potential impacts



Further discussion of potential amendments and actions