

1 GULF OF MEXICO FISHERY MANAGEMENT COUNCIL

2
3 IFQ INFORMATION PRESENTATION

4
5 Embassy Suites

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8
9 **DR. JESSICA STEPHEN:** Today's lunchtime presentation is about
10 the IFQ system. We felt that it was good to do a sort of IFQ
11 101, to set the stage for tomorrow's conversation, and so,
12 today, we'll walk over some basic tenets of how the program is
13 run here in the Gulf, and I will be happy to answer questions as
14 we go through.

15
16 I wanted to start off with the background of the two programs,
17 and so the Gulf red snapper program as well as the Gulf grouper-
18 tilefish program, and, in essence, overcapacity is what led us
19 to moving towards to these IFQ programs. We had seasonal
20 restrictions prior to it, and so red snapper, way back in the
21 day, had these mini-seasons, where it was open for ten to
22 fifteen days in each month, and then it would close down, and,
23 even in grouper-tilefish, we experienced frequent seasonal
24 closures.

25
26 We also had a lot of trip limits involved in the red snapper,
27 and we had two different types of licenses, a Class 1 license,
28 which allowed people to land 2,000 pounds, and then the Class 2
29 licenses, which were allowed 200 pounds and was intended for
30 bycatch. Even in grouper-tilefish, we did have trip limits as
31 well, with 6,000 pounds for a combined grouper limit.

32
33 What happened overall with the management practices is that this
34 led to derby fishing conditions, particularly in red snapper,
35 where they were out fishing those first ten mini day seasons in
36 very unsafe conditions. We also had a lot of high bycatch,
37 discard mortality, and then there were some market gluts that
38 were occurring. When you end up having too much coming to the
39 market at a time, you end up having lower ex-vessel prices.

40
41 The basics of the two programs are we began red snapper in 2007,
42 and grouper-tilefish came online in 2010. Despite that these
43 are two separate programs, we do house them together in one
44 online system, and so that means a fishermen participating in
45 both programs uses the same account in the online system to
46 interact with both red snapper and grouper-tilefish. As a
47 matter of a fact, we have a high degree of overlap in the
48 participants in the two programs, because there's such an

1 overlap in general in the reef fish fishery.

2
3 For the first five years of every program, we did require a
4 permit in order to open a shareholder account within our system,
5 and that permit was required to be there if you wanted to
6 increase your shares or allocation. It was not required in
7 order to hold onto your shares, or what we call maintaining your
8 shares. After the first five years, the programs became open to
9 any U.S. citizen or permanent resident alien could open an
10 account, and so you no longer needed that permit, and any
11 account that was opened could obtain shares and allocation. I
12 will stress that you still needed a permit in order to harvest.

13
14 I'm not going to spend a lot of time on this graphic, but I kind
15 of wanted to show you the overall timeframe as we have the two
16 different programs come into place, and what was really critical
17 is when we developed a grouper-tilefish program in 2010, and we
18 rebuilt the online system for red snapper, and we basically took
19 our lessons learned and built a system that was better able to
20 track information within the system, and that has served us
21 really well over the years.

22
23 When we're talking the IFQ system, there is kind of three basic
24 roles that are played by the participants within the program.
25 We have what we call a shareholder account, and this is,
26 overall, a type of account, and it may or may not hold shares or
27 allocation, and it is allowed to hold both of those, and then
28 it's also what we're using to transfer shares or allocation.
29 When you have a shareholder account, because of that public
30 participation, you may or may not have a reef fish permit within
31 it.

32
33 The next level of account is what we call our vessel account,
34 and so this is for each unique vessel. It is related to your
35 shareholder account, and that is where the names on the permit
36 must match the names in the shareholder account for that vessel,
37 and that's how we keep track of whether they have an active
38 permit that can be used to harvest.

39
40 The vessel account simply holds the allocation necessary for the
41 landing transactions to occur, and it has a limited use. If
42 you're logged into the vessel account, you only see that vessel
43 and not the entire information that's created for the
44 shareholder account, and that was created because we do have
45 people who own more than one vessel and would want to have a
46 hired captain able to complete this without seeing the entirety
47 of everything that permit holder held.

1 We also have what we call a dealer account, and that dealer
2 account is the person who starts the landing transactions, and
3 they collect the cost recovery fee from the fishermen, and then
4 it's typically associated with a federal dealer permit. Like as
5 mentioned on this slide, we have a couple of other types of
6 accounts within the system, but those are administrative and
7 used by SERO managers as well as law enforcement and the
8 Fisheries Finance Program.

9
10 When we're talking IFQ, we often get a lot of vernacular
11 confused with some of the important terms that we're using
12 within it. When I'm speaking about it, you will hear me talk
13 about shares, and that's the percentage of the commercial quota,
14 and we typically express it in decimals, and the sum of all that
15 must equal 100 percent. Shares are considered transferable.

16
17 We're also talking about, if you're saying that you're
18 transferring a 0.0015 percent of share, that's not very
19 meaningful, and so, typically, when we talk about shares, we
20 convert them into what we call equivalent pounds, and we take
21 that percentage times the quota to show how many pounds that
22 would equal.

23
24 The other way we talk about information is in allocation, and
25 allocation is the actual pounds, and so the allocation is
26 derived by the individual share percentage times the quota, and
27 that's what they receive as allocation for the year. In our
28 system, allocation is always represented in pounds gutted
29 weight, and I say that because red snapper is managed in whole
30 weight pounds, but the IFQ system is used in gutted weight
31 pounds.

32
33 We distribute allocation annually, and it expires at the end of
34 the year, and so it's only good for that timeframe, and it is
35 also transferable. You might frequently hear the term
36 "leasing", that I'm leasing shares, and that really means
37 they're trading allocation.

38
39 When we think about shares, as I mentioned before, it's a
40 percentage of the pounds, and this is where sometimes confusion
41 happens. Your share percentage, unless you have changed
42 something by buying or selling shares, remains the same, but
43 what you receive from it each year may differ based on what the
44 quota is, and so this is one of our examples we use. If the
45 quota was originally 1.41 million pounds, and you had 0.0015
46 percent of a share, you will have received around 2,000 pounds
47 of quota from it.

48

1 If the quota subsequently drops, and, in this example, we
2 dropped it to 0.430 million pounds, and, while you still have
3 the same share amount, you actually receive only 645 pounds, and
4 this is crucial to understand, as the actual ownership, or the
5 share percentage, has not changed throughout time, but what is
6 received, and what can be harvested, will change based on that
7 quota.

8
9 A couple of other key points when we're thinking about the IFQ
10 system, and we often talk about accounts, but we also talk about
11 the word entities, and an entity can be an individual, or it can
12 be a business, or it can be a trust or a non-profit. All of the
13 entities, and this both within our IFQ as well as our permit
14 system, are kind of traced to the lowest individual level, and
15 so, when a business owns something, we do collect the
16 information of who owns that business. If that business is
17 owned by another business, we keep going down the track until we
18 get to individuals.

19
20 When we talk about the IFQ program, each shareholder account,
21 and this is also true of dealer accounts, is composed of a
22 unique set of entities, and that unique set of entities can be
23 an individual, a business, or a combination of any of those
24 together.

25
26 Any changes in the unique set of entities, those require the
27 creation of a new account, and the most common example I will
28 give you is, early in the program, we might have had a fisherman
29 individually-owned account. As they got later on in life, they
30 might have wanted to add their wife, or their son, or their
31 daughter to the account, and so there is no adding to the
32 accounts within our system. They would initiate a permit
33 transfer, to transfer that permit to now a new, unique set of
34 names, and we would create a new, unique IFQ account that would
35 relate directly to the permit, and that's crucial as we're going
36 through, to understand that the shareholder account must always
37 link to the permit for harvest purposes.

38
39 When we think about our fishery here, how do these entities, and
40 IFQ accounts, play into things, and sometimes people arrange it
41 where a permit holder has multiple vessels that are registered
42 under their same name, and so they would have one shareholder
43 account with multiple vessel accounts. Some of the other
44 participants in the program do it sort of in the reverse. They
45 create a corporation, and each corporation has one of their
46 vessels under it. In that case, you have all these different
47 businesses appearing to hold the accounts, but they might be
48 controlled by the same entity who owns 100 percent in all of

1 those businesses.

2
3 When we're thinking about how we have the interactions of the
4 dealers within this, I want to be clear that dealers cannot hold
5 shares directly within a dealer account. If a dealer wanted to
6 hold shares, they would need to open a shareholder account,
7 which is now possible under public participation.

8
9 One of the key factors, when you're trying to relate all these
10 accounts together, is that, oftentimes, you might have a
11 different name for your dealership than you might for an
12 incorporated vessel or a person's individual name, and so we do
13 try to track all that information, again, to the individual
14 person level.

15
16 We didn't start collecting the dealer ownership until a couple
17 of years ago to that more individual level, and so, older data
18 in our program, we weren't able to track that as well as we can
19 currently.

20
21 Another key point to think about with our IFQ accounts is, if we
22 have an IFQ account that has not been active for over eighteen
23 months, and it does hold shares, we will administrative close
24 that account, and that just helps us with our bookkeeping,
25 keeping track of who is actively participating and who is not.

26
27 If such an administratively-closed account has a fisherman come
28 to us, and they want to reactivate the account, and nothing has
29 changed on their account name, or their permit, we simply
30 reactivate it upon their request.

31
32 **CHAIRMAN KEVIN ANSON:** Dr. Stephen, if I can interrupt for a
33 second, and just thinking, you know, about folks, if they have a
34 question, how to -- If they can interject, and can they just
35 raise their hand and stop you while you are talking?

36
37 **DR. STEPHEN:** Yes.

38
39 **CHAIRMAN ANSON:** Okay. All right. So, yes, if anyone has
40 questions -- Ed.

41
42 **MR. ED WALKER:** Thank you, Mr. Chair. I just had a -- While you
43 were talking about it, how do you close a vessel account,
44 because I have a vessel that I haven't owned for eight years,
45 and it's still in the system, and I'm assuming there is others
46 in there that are the same way, and I called and said, look,
47 this boat is not participating anymore, and they said, well --

48

1 **DR. STEPHEN:** That's a great question, and so, for the vessel
2 account, we don't have a closing of it. What it does is it
3 becomes in a sort of suspended status, right, and it no longer
4 has a permit active. The key reason for this is, and I'm going
5 to probably -- I'm going to try not to get too technical, and
6 it's a database reason that we do it. Because all vessel
7 accounts must be related to a shareholder, we can't have a
8 vessel account just kind of sit there with no relationship, and
9 so we've seen kind of your example, and we've also seen where a
10 vessel has been sold to a state person, and so it no longer has
11 a federal permit, and it sort of remains under there. In
12 reality, it has no effect on how things are being calculated or
13 what's being managed, because we always look more at that
14 shareholder level from the vessels that are active.

15

16 **CHAIRMAN ANSON:** J.D.

17

18 **MR. J.D. DUGAS:** Thank you, Mr. Chair. On page 5, you
19 mentioned, under the dealer account, the second bullet point
20 says pays the cost recovery fee, and can you explain a little
21 bit what that is?

22

23 **DR. STEPHEN:** Yes, and so the catch share programs, or limited
24 access privilege programs, are required, under Magnuson, to have
25 a cost recovery fee calculation. That cost recovery fee can be
26 no more than 3 percent of the ex-vessel price. There are
27 special limitations, within Magnuson, of when you collect it and
28 so forth, and so what we've done here in the Gulf program is a
29 little bit more unique. We basically have the dealer collect
30 the cost recovery fee upon landing, which is one of the options
31 in Magnuson, and they collect it on behalf of the agency, and
32 then we request that they pay the agency every quarter.

33

34 There is a lot of benefits to how that runs, that we kind of
35 have accountability throughout the year, rather than waiting for
36 the end-of-the-year payment, in that the collection is more
37 simplistic, in the sense that the agency is tracking, because
38 we're only getting payments from the dealers, and there are many
39 less dealers than there are individual fishermen, and we can
40 still track it back to the individual fisherman.

41

42 **CHAIRMAN ANSON:** Dale.

43

44 **MR. DALE DIAZ:** Dr. Stephen, you said something a little while
45 ago that's kind of -- I never thought about it before, and so
46 you were talking about, and this is on page 6, but you expressed
47 everything in decimals, and so I'm trying to think about, when
48 people buy and sell shares, and so, every year, they get a

1 different amount of pounds, and I've heard before that a pound
2 to be sold is worth X amount of dollars, and so, if you buy a
3 pound this year, it's not necessarily a pound, as the allocation
4 changes, and how is -- Can you simplify that for me, or maybe
5 bring it to where --

6

7 **DR. STEPHEN:** Yes.

8

9 **MR. DIAZ:** Okay. Thank you.

10

11 **DR. STEPHEN:** I will try and get it at here, and so that's why,
12 when we talk about -- When shares are sold, we talk about an
13 equivalent pounds at that point in time, and so, at that point
14 in time, it is worth a certain amount of equivalent pounds.
15 Now, some of our quotas have not changed in a long time, and so
16 that poundage remains the same, but, when your quota does go up
17 or down, and we've done both, and your amount of shares that
18 might have been say in 2015, equivalent to let's say ten pounds,
19 might be, in five more years -- It could be, if the quota went
20 up, worth fifteen pounds, or, if the quota went down, let's say
21 five pounds.

22

23 Then, later in the presentation, I'll talk about how we do the
24 transfers, so that fishermen have some of that information
25 available, and they don't have to do the mental calculation
26 themselves.

27

28 **MR. DIAZ:** Thank you for that. That clears it.

29

30 **CHAIRMAN ANSON:** Dr. Frazer.

31

32 **DR. TOM FRAZER:** Thank you, Mr. Chairman. I just wanted to
33 follow-up on J.D.'s question, and so that 3 percent that's
34 collected by the dealer, based on the ex-vessel price, and so
35 the dealer writes a check to the Treasury or NMFS? That's the
36 first part of it.

37

38 **DR. STEPHEN:** What we do is electronic data payment, and so the
39 agency has -- I guess the government as a whole uses pay.gov,
40 which is a website, and so we electronically track by individual
41 transactions, and, every quarter, we send the summarized bill to
42 pay.gov. When the dealer logs in, they have notification of
43 that. There's a link, and they click the link, and it takes
44 them directly to where they pay it. When they pay it, we get
45 immediate notification back that it has been paid, and so we
46 track it that way.

47

48 **DR. FRAZER:** So the agency, in this particular case SERO, right,

1 receives 100 percent of that 3 percent?
2

3 **DR. STEPHEN:** Yes, and so the 3 percent cost recovery fee --
4 This is very specific program for that program, and we're at the
5 3 percent, and not every program is, and so, if the 3 percent
6 was more than what it cost to run the program, we would lower
7 it, and that's typically not the case here in our Gulf programs.
8

9 That 3 percent is directed directly back to this catch share
10 program, and so it's directly back to SERO in cost recovery from
11 the codes, and so it doesn't -- It doesn't function the way that
12 permit fees or otherwise work.
13

14 **DR. FRAZER:** Then the last part of this is so, in the last
15 fiscal year, how much -- What was the value of the recovered
16 dollars?
17

18 **DR. STEPHEN:** I do not have that off the top of my head, but, if
19 you wait until afterwards, I will pull up our annual report, and
20 so, for everyone's information, annually, we generate a report
21 that gives a whole bunch of summarized information, not just for
22 that current year, but for all the past years, so you can track
23 what the trends were over time.
24

25 **DR. FRAZER:** Thank you.
26

27 **CHAIRMAN ANSON:** I don't see any other questions. You can go
28 ahead and continue. Thanks.
29

30 **DR. STEPHEN:** All right, and so I'm just going to back up here a
31 little bit. When we talk about dealers would have to create a
32 shareholder account in order to hold shares, and that's
33 currently possibly through public participation, and what that
34 leads us to a topic that I'm only going to touch on here, and
35 we'll talk a little bit more about it in tomorrow's
36 presentation, and this is a concept called vertical integration.
37

38 When you're looking at businesses, and this is not just
39 applicable to fisheries, but applicable on the whole in
40 different businesses, but you can have people that are involved
41 in different components, or parts, of an entire industry.
42

43 For example, here what I showed is you could have people who own
44 vessels and permits, and maybe they own quota, because they have
45 shares, and they might be harvesting, and they might also be the
46 processor, or the dealer, and they might also be involved in
47 that wholesale selling of the fishing moving onward, and so they
48 could be vertically, throughout the entire line of the industry,

1 involved in it. This is not something unique to catch share
2 programs. Vertical integration can occur in any fishery, and
3 does occur in many other types of businesses as well.

4
5 What it does do is make things a little complicated when we're
6 thinking about management changes. Some of the typical vertical
7 integration that we've seen is shown on this slide, and so we
8 can have a fisherman who also has shares, and so he's got the
9 permit, and he's got the shares. We might have a fisherman who
10 has shares, a vessel, and is a dealer as well, and they might
11 have started off as a dealer who then owned those, or they might
12 have initially been involved vertically, before the start of the
13 IFQ program.

14
15 We've seen, throughout the course of the IFQ program, fishermen
16 who are now becoming dealers, and so there's an increase in the
17 degree of vertical integration. Likewise, when we open for
18 public participation, we saw dealers who started obtaining
19 shares and allocation that they may not have had on-hand, and
20 so, as we're looking at how things move throughout the program
21 tomorrow, keep in mind these different levels of vertical
22 integration and the different times that they might have
23 occurred.

24
25 The other thing that I wanted to point out is we have the
26 programs in place, and red snapper started in 2007, and so
27 sixteen years of data, and we did a quick analysis to look at
28 where our original shareholders were, and this is original both
29 to red snapper and grouper-tilefish, and, of those original
30 shareholders, we've got about 52 percent of them have closed
31 their accounts, and so we only have about 42 percent of the
32 original shareholders involved. Some of those no longer hold
33 shares within their accounts, and so I'm going to kind of get
34 into the nuances in this presentation and really dig into it in
35 tomorrow's presentation.

36
37 The one thing to keep in mind is how we talked about, if you
38 change names on a permit, you get new accounts, and that could
39 influence what we're looking at here in this analysis, where we
40 were just looking at accounts that were originally created as
41 original shareholders, and so, similar to how Michelle talked in
42 her presentation, sometimes you scratch the surface, and you
43 have to dig in deeper to get to more results, and we'll be
44 going through some of that tomorrow.

45
46 In talking about how we talk about accounts and this idea of
47 public participation, we have two things that are frequently
48 ongoing within IFQ. We have accounts that are related to each

1 other, and so that was the example that I gave before, where
2 someone might, for each vessel that they have, create a
3 corporation, but they might be 100 percent owner in it, and
4 those are all related accounts among those different shareholder
5 accounts, because they have the same person in common.

6
7 It could be that one person is only partially in common with
8 another account, and we would still also call that a related
9 account, and so it's any time where we look at the human level
10 and we find the same name, or the same person, between those
11 that they establish as related.

12
13 There's a lot of reasons that people do this. They can be
14 related because they want to separate their assets, and so they
15 want to put their shares in a separate account than where they
16 vessel is, and that provides some protection if there is
17 anything that happens to the vessel, or potentially a lawsuit.
18 If that's a different business, then you can't go after the
19 shares.

20
21 There's people that create partnerships with different entities,
22 and so they might have multiple partnerships going on, and
23 that's why you would see their name, or related accounts,
24 throughout others. There was a thought that people were doing
25 this to bypass the share cap limit, and I will just say that we
26 track the share cap at the account level, at a business level,
27 and at an individual level, and we sum it up across all of
28 those, and so directly bypassing the share cap cannot occur
29 through related accounts, because we are looking at it, but, if
30 you think about splitting the two between the two people, and
31 the universe is one, that could be an instance where you get a
32 little wiggle room there.

33
34 When we're looking at public participant accounts, those are
35 what we're calling accounts without permits, and so a public
36 participant account can be one that was created after public
37 participation or an account that was originally in the program
38 that no longer has a permit.

39
40 We had a low occurrence of these in the first five years, but we
41 did have some of these. If you remember in one of the earlier
42 slides, I mentioned that you could retain the shares you have
43 without a permit, but you could not grow those shares, and
44 that's why we have some instances of what we call public
45 participants within the first five years. To add more
46 complication to this, an account can be both public and related,
47 and you will start to see how this plays into things as we go
48 through.

1
2 I am not going to get into a lot of depth in these next few
3 slides, because I do get into depth in them tomorrow, but I
4 wanted to set the stage for it, and this is looking solely at
5 the account level, and so, looking at the account level, what
6 you see in orange are the number of related accounts, and you
7 can see that they have grown over time.

8
9 Some of the growth is, in 2010, we had grouper-tilefish come in,
10 as well as red snapper, and so that's where the difference is
11 between the 2007 and 2009, and it wasn't until 2012 where the
12 first public participation could occur, and so, even before
13 public participation, we had a lot of related accounts within
14 the system.

15
16 The same kind of trend that you start to see when you're looking
17 at the public accounts. In the early years of the programs,
18 before public participation, we had accounts without permits,
19 and those are the blue colored ones within this graph, and we've
20 seen a growth overall in those accounts since that time. Keep
21 in mind that the number of public participant accounts has
22 increased over time, and this might be mainly due to the ability
23 to obtain the permit, the fact that dealers were getting shares
24 and allocations to supplement the boats that are going for them,
25 and so there's not one reason why these have grown, and there is
26 normally multiple reasons behind the changes that we see within
27 the program.

28
29 If you break this out further, you can see this is a combination
30 of permit and related accounts over time, and one of the things
31 that I want to point out is that the majority of our accounts,
32 and that's the blue and the green, have permits, and so those
33 are the people who have the ability to harvest, but we have seen
34 an increase in that sort of orange and teal, and those are the
35 public accounts, whether they're related or not related, over
36 time, and, again, tomorrow, I will dig into these in a lot more
37 detail, and we can start to see the impact and influence of
38 that.

39
40 Going a little bit back to generations, I did want to kind of
41 compare what we have with it, and so what we did is we took a
42 kind of first stab at looking at generations within IFQ, and the
43 first generation were your original shareholders. The second
44 generation were all those who joined the program in the first
45 five years of each of the programs, and then the third
46 generation, which you see colored here in green, are all those
47 who joined after public participation.

48

1 The key note we're looking at here is that we might have a lot
2 of shares held by that first generation, but we have less
3 landings occurring through that, and I would also particularly
4 like to point out that that second generation seems to hold a
5 very small percentage of overall shares, but their landings are
6 more like 27 percent, compared to that 6 percent of shares that
7 they held. One more statement, and then I will let you go,
8 Susan, and I want to point out that, when I'm looking at this,
9 I'm looking across all the programs, and so this is not shares
10 in any one category, and it's all summed together. Go ahead,
11 Susan.

12
13 **MS. SUSAN BOGGS:** Thank you, Dr. Stephen, and you may be getting
14 to it, and I may be jumping ahead, and so what was the reasoning
15 behind the shares, versus the landings? Help me understand
16 that, if you don't -- So they may have shares, but maybe they're
17 leasing part of those shares? Okay, and so they're not landing
18 all of their shares.

19
20 **DR. STEPHEN:** So there's that, and then there's also the related
21 accounts, and so they might be holding their shares somewhere
22 else, different than the account that's landing it, and so they
23 might have created another account after let's say the first or
24 second generation that's doing more of the harvesting.

25
26 The kind of key point here is these broad overviews don't get
27 into the nuances, and the details, of what is occurring. In
28 this generational analysis, we're still digging into it, and
29 getting into it, and we'll hopefully have more for you later on,
30 as we start to tease out those different components and figure
31 out what's really going on.

32
33 All right, and so we're past the really complicated part, and
34 we're going to get now into how the different share categories
35 are within the program, and so we have different share
36 categories within grouper-tilefish. Red snapper is its own
37 program, its own single category. In grouper-tilefish, we have
38 five other share categories. Some of them are single species,
39 like gag and red grouper, and some of them are complexes, like
40 the shallow-water grouper, deepwater grouper, and tilefish.

41
42 I just want to point out that, in 2012, we removed a couple of
43 species, and so those are the species you see with the line
44 drawn through them. They were originally within the program,
45 and then they were removed from federal management, and
46 therefore removed from the IFQ program, and what's really
47 important here is to keep track of -- We have shares by
48 complexes, but species are landed individually, and that will

1 play in as we look through the different program aspects.
2
3 While we might have those six share categories, we actually have
4 more allocation categories, and that is because of the term we
5 have called multiuse, and both red grouper and gag, in the
6 design of the program, were designed to allow multiuse
7 allocation, and that means that some of the red grouper shares
8 are designated as solely red grouper allocation, and some are
9 designated as red multiuse allocation, and likewise for gag.
10 Some are gag allocation and some is gag multiuse.
11
12 The key idea, in the multiuse, is that the red and gag multiuse
13 could be used to land either red grouper or gag, and so it's got
14 more flexibility to it.
15
16 Initially, in the program, these were set percentages, but I
17 believe, around 2013, we moved to a formula to calculate it, and
18 the formula was used to ensure that we would never go over the
19 limit for either red grouper or gag by using the multiuse, and
20 this kind of walks you through an example, and so, if you are a
21 fisherman, and you had red grouper shares that were equivalent
22 to 1,000 pounds, depending on what our multiuse percentage was
23 set to, and, in this example, it was set to 5 percent of that
24 would be converted over to red grouper multiuse.
25
26 If you have 1,000 pounds, and fifty pounds of it was designated
27 as red grouper multiuse, 95 percent, or, in this case, 950
28 pounds, were solely dedicated to only landing red grouper.
29 There's a couple of key caveats in this. If a stock is under a
30 rebuilding plan, then we set the percentage of multiuse in the
31 opposite species to zero, and so, for example, gag is in a
32 rebuilding plan, and there will be no red grouper multiuse
33 allocated. All red grouper shares will be red grouper.
34
35 The other component of this is, because we're in an online
36 system, the system allows a lot of preventative measures, so
37 that the multiuse is used secondarily, and so it prevents the
38 transfer of multiuse, or the landings of multiuse, while you
39 have allocation within the primary category.
40
41 Let me explain that a little bit more. If I had red grouper and
42 red grouper multiuse within my account, I could not use the red
43 grouper multi to land red grouper until my red grouper
44 allocation was zeroed out. I could also not use it to land gag,
45 as long as I had gag or gag multiuse available to me, and this
46 is calculated at the shareholder account level, and so, if the
47 shareholder has more than one vessel, it has to be all of your
48 primary categories exhausted before you can use that secondary,

1 or tertiary, category for it.

2
3 This is one that often gets a little bit confused by different
4 fishermen doing it, because they're only looking within their
5 vessel account, and the system prevents this from happening, and
6 so we get a lot of calls about this, and we've done quite a few
7 newsletters and explained this concept in more detail.

8
9 We also have other flexibility measures that relate to shallow-
10 water and deepwater. In shallow-water, scamp is considered a
11 primary shallow-water grouper, but it can be landed under
12 deepwater grouper allocation if there is no remaining shallow-
13 water grouper allocation. Likewise, we have warsaw grouper and
14 speckled hind that are primarily deepwater grouper, and they can
15 be landed under shallow-water once the deepwater grouper
16 allocation is zero. Once again, the system takes care to make
17 sure that this is occurring in the correct manner moving
18 forward, and this will be important as we consider the shallow-
19 water grouper amendment coming up, but I don't believe that's at
20 this council meeting though.

21
22 Then our final flexibility measure is what we call the overages
23 provision. This overage provision allows 10 percent of the
24 remaining allocation in a vessel, 10 percent more, to be landed
25 within that year, but it's only available to people who hold
26 shares within that category, and it's only allowed to be used
27 one time. The reason for this is, when an overage is occurring,
28 the system notifies us. When they get their shares for the next
29 year, we deduct their overage from the amount of allocation that
30 would have been generated from their shares.

31
32 When you think about this, and I have a little example in here,
33 and so we have an account with tilefish shares, and he has
34 allocation, and he has forty pounds of allocation on his last
35 fishing trip of the year. The maximum amount that he would be
36 able to land is forty-four pounds, 10 percent of that remaining
37 forty pounds, added on to that original forty. Because he has
38 shares, he is allowed to do this overage provision, and we
39 deduct those four pounds, the 10 percent overage, from his
40 allocation in the next year.

41
42 Likewise, if we had a similar fisherman who had forty pounds of
43 tilefish allocation, but he did not have tilefish shares, he
44 would not be allowed to use his overage provision, because there
45 is no way to automatically deduct that overage in the next year.
46 In this case, this fishermen would have to obtain the allocation
47 to make that landing.

48

1 The other thing to keep in mind with overages is they can be
2 used once per year, per share category, that you have shares
3 within, and it was intended really for the end of the year, when
4 you weren't quite sure what you were going to land and the
5 amount of allocation left, and we have seen it used as early as
6 within February within a year, and it doesn't mean that you
7 can't go fishing afterwards. Those people who have triggered
8 that early, they might be buying more allocation later, but they
9 have already used their 10 percent overage provision and cannot
10 use it again.

11

12 **CHAIRMAN ANSON:** Dr. Stephen, we have a question. Ed.

13

14 **MR. WALKER:** Just a quick question. How often is that provision
15 used? Is it rare, or is it pretty common?

16

17 **DR. STEPHEN:** I would kind of go with a little bit closer to the
18 rare side. Once again, we track it within the annual report,
19 and so you can see the trend over time, and it differs by share
20 categories, and so we might see it more often in red snapper,
21 because we're harvesting almost 99 percent of that quota. You
22 would see it maybe less often in shallow-water grouper, where we
23 don't harvest the entire quota, and so it does kind of vary
24 depending on what category you're talking about.

25

26 That leads us into our next category that we're going to talk
27 about, share and allocation caps. Just to remind everyone,
28 share caps are required under MSA. The way we did our share
29 caps within these two programs was based on the initial maximum
30 amount of shares held when we did the calculations to release
31 those shares.

32

33 Share caps, as I mentioned before, we calculate them on three
34 different levels: the account level, the business level, and the
35 individual level. In each of those different levels, you cannot
36 exceed the share cap. Then, when we're looking at the business
37 or individual, we are summing across all of those related
38 accounts that they have, and what you see down here is the
39 graphs in the tables are the percentages for the share caps for
40 each of the different categories.

41

42 You will notice that there is a wide variance in that, and,
43 again, that was based really on those historical landings of
44 when we first allocated out the shares in the program.

45

46 When we're talking allocation caps, there is no allocation cap
47 within red snapper, but there is one within our grouper
48 tilefish. The allocation cap in grouper-tilefish is the sum of

1 the maximum amount of allocations associated with the share
2 caps, and so you take every share cap times the quota, and sum
3 that together, and that's the maximum amount of allocation.
4 It's calculated annually, and, when we look at individuals, we
5 look at the allocation cap at any point in time, and I would
6 like to point out that we do not include landed allocations.
7 It's allocation that you're holding within your account and not
8 the cumulative amount of allocation that you've held throughout
9 the year or the amount of allocation plus your landings.

10
11 I would just like to mention that allocation moves multiple
12 times before it's landed, and we sometimes have 100 to 200
13 percent of the quota being transferred, and that has to be taken
14 into consideration when we're looking at how to -- If you want
15 to do any modifications to an allocation cap. There's also
16 slightly different processes for how we transfer shares.

17
18 **CHAIRMAN ANSON:** Dr. Stephen, sorry.

19
20 **DR. STEPHEN:** Have we got a question? Yes, please.

21
22 **MR. DUGAS:** Thank you, Mr. Chair. A question, and why are we --
23 Why are there share, or allocation, caps on grouper-tilefish but
24 not red snapper?

25
26 **DR. STEPHEN:** So there's no allocation on red snapper, because
27 that program was implemented before MSA was revised to put in an
28 allocation cap requirement.

29
30 Looking at how we actually transfer the shares and allocation
31 throughout the system, as I mentioned, this is a fully online
32 system. Share transfers, which have the larger value, are what
33 we call a two-step process. The transfer must initiate it, by
34 telling us who they are selling it to, and they do this through
35 the system, and so they pick their transferee, the share
36 category, and the amount of shares, and they pick that in a
37 percentage, and what we do, in this system, is show the
38 conversion to equivalent pounds, so they actually know what the
39 pounds are. We also have a calculator that they can play with
40 beforehand, to understand what those different amounts are.

41
42 We collect, in the share transfer, the total value of the
43 transfer, the total amount of the transfer, and what we call a
44 transfer reason, and so starting, I think, back around 2017, we
45 started collecting, well, why are you transferring that, and the
46 reason for that is we got, sometimes, amounts that seemed really
47 high or really low, compared to what we thought the value of the
48 share was.

1
2 The ones that are really high were typically some type of
3 package deal, and I might have been selling my shares and my
4 permit, or my shares, my permit, and my vessel, and so those are
5 actually -- The value we were being given was just one
6 summarized value for everything, and it's sometimes hard to
7 tease out what the individual values are when you're packaging
8 things together.

9
10 On the flip side, sometimes we saw values that seemed a little
11 bit low. Well, it turned out that sometimes people were
12 transferring to a related account, and there wasn't really a
13 value there, and they were transferring from one of their
14 accounts to another account, and we also saw where there were
15 people who were bartering. I will give you red grouper if you
16 will give me red snapper, and there might still be a value
17 involved in it, but it might be less than what it would have
18 been for either one of those directly.

19
20 We started to collect that information, to glean a little bit
21 more about how the share transfers were occurring and what were
22 the reasons behind those different values.

23
24 In the allocation transfers, this is a one-step process, and
25 this is a one-step process so that allocation can be transferred
26 while a vessel is out at-sea. What happens here is that the
27 transferer simply goes into their vessel account or -- Sorry.
28 It goes into their shareholder account, and they can transfer it
29 to their own vessel, to another shareholder, or to another
30 shareholder's vessel account, and any amount of allocation. As
31 soon as they hit "submit", that allocation is transferred.

32
33 Within the vessel accounts, a vessel account can only transfer
34 back to their shareholder account, and so that's a limitation,
35 so that, if you have someone operating the vessel account, they
36 can't do something different than what the shareholder would
37 have required.

38
39 For allocation transfers, not only do we collect the transferee
40 and transferer, but we also collect how many pounds for each of
41 the different allocation categories, the price per pound, and,
42 again, that transfer reason.

43
44 One thing that I would like to point out is that we do not track
45 things by individual pounds, and so there's not a unique
46 identifier to individual pounds. Do you have a question?

47
48 **MR. DIAZ:** Yes, and you said that you collect the price per

1 pound, but I think, a while back, there was some discussion that
2 we were concerned that we weren't getting accurate information
3 on the price per pound, and so how is that going currently?
4

5 **DR. STEPHEN:** We do an analysis every year before we do the
6 annual report to look for accurate price reporting, and that's
7 both actually in shares, allocation, and ex-vessel price when we
8 do it, and some of what we saw is that we didn't think that we
9 were getting accurate allocation pounds, and that transfer
10 reason started to illuminate a little bit more what that was,
11 and so, if you were transferring to a related account, there was
12 a lower price than you expected, or a penny as a price.
13

14 Currently, all of ours have a minimum, and you have to enter
15 some price or value, and it's set at a penny as the lowest
16 amount, and we do a lot of work kind of to glean through that.
17 When we're analyzing the values that we're showing in the annual
18 reports, we're using those transfer reasons, and we're using
19 some outlier analysis to really get to what is representative of
20 what the transfer price is, whether it's shares, allocation, or
21 ex-vessel, and so there's a lot of work that goes behind the
22 scenes in order to generate those annual reports.
23

24 As I was mentioning before, we don't actually track individual
25 pounds, and so they're not kind of listed numerically. If you
26 think about large our quotas are in some cases, that would be a
27 lot of information to track, and this is where I mentioned that
28 allocation is often transferred multiple times before it's being
29 landed, and we show those values in the annual report, and so of
30 this is also allocation that will expire at the end of the year,
31 and so I kind of want to go through an example of how this would
32 work and why this can lead to some confusion, or complexities,
33 within the program.
34

35 I am going to start here on this slide, and we've got a
36 fisherman, and we're just going to call him A1, and he has 100
37 pounds that he received from shares. He is going to transfer
38 those 100 pounds over to Fisherman A2. Fisherman A2 already had
39 fifty pounds, and he now has that additional 100 pounds
40 transferred to him, and so he has a total of 150 pounds.
41

42 Fisherman 2 then decides to transfer some allocation to
43 Fisherman Number 3. Fisherman Number 3 didn't have any pounds
44 initially from shares. When he gets transferred that 100
45 pounds, he now has 100 pounds, and Fisherman 2 has fifty pounds,
46 and so, a lot of times, we're asked the question of were those
47 the fifty original pounds or are those fifty pounds some
48 proportion of the 100 pounds transferred to them, and we don't

1 track information in that manner.
2
3 We just track what the overall summaries are as it goes through,
4 and so you don't really know that those 100 pounds that
5 Fisherman 3 got -- Were they really A1's or A2's, and we just
6 know the transfer pathway and the amounts that were transferred
7 and the price for it.
8
9 The last here of the scenario is Fisherman 3 then decides to
10 transfer fifty pounds back to Fisherman 1, and well, again, did
11 Fisherman 1 get back some of his original pounds, or were they
12 some combination of someone else's, and that's not information
13 that we can delineate and see. Doing a change to the system to
14 do that would be a whole rewrite of the entire system, in order
15 to track that, and we've kind of weighed the cost-benefit of
16 doing that, to gather that more information. I think, in the
17 system we're at now, we can track every transfer, and so
18 tracking who the pounds originally belonged to is less
19 meaningful for how we're doing management.
20
21 All right. Now I'm going to kind of get into what the IFQ
22 participants go through within the program, and this is one of
23 our more heavily-regulated fisheries, and so, if you were to go
24 fishing under our IFQ program, not only would you need to have
25 that VMS installed prior to going, but you would also need to
26 have a shareholder account with a vessel account that matched
27 your permit, but, before you get going, you must declare your
28 fishing trip, and declarations can occur either through a VMS
29 unit or via a phone call service that OLE runs.
30
31 Once you've done that, you've kind of declared that I'm fishing
32 in IFQ or I'm not fishing in IFQ, and you can also declare that
33 you're fishing out of the fishery. Say, if you're dually-for-
34 hire-permitted, you would declare that you're for-hire fishing,
35 but, if you were commercial fishing in IFQ, you would go out,
36 and you would fish.
37
38 Now, before you come back to land, we require a three to twenty-
39 four-hour advance notice of landing notification, and so this is
40 for law enforcement to be able to meet the vessels. You have to
41 determine -- In that advance landing notification, you must say
42 where you're landing to, and so what landing location, and you
43 have to mention what dealer you're landing with, and you have to
44 give a timeframe, in order in which to land.
45
46 You are only allowed to land at pre-approved landing locations.
47 The landing locations for the commercial are much stricter than
48 what we did for SEFHIER. All the landing locations must be

1 publicly accessible by law enforcement, and you can have no
2 deterrents, such as dogs or gates or other things that prevent
3 law enforcement from coming to those.

4
5 Once you've landed at your pre-approved landing location, you
6 may only offload your fish between 6:00 a.m. and 6:00 p.m., and
7 so you can come in at midnight and tie up, but your fish cannot
8 move until 6:00 a.m. When your fish are offloaded, you then
9 must have a landing transaction within our system, and that must
10 be placed in the system on the day of offload, or within ninety-
11 six hours of landing, whichever is sooner. The reason for that
12 ninety-six hours of landings is that we did have some people who
13 would come in on a Friday, and their dealer might not open until
14 Monday, or if there's a holiday weekend, and so we provided the
15 extra time, since the fish stayed on the boat that entire time.

16
17 Let's kind of walk into how these different activities work and
18 the regulations behind them, and so, prior to your trip
19 departure, you must declare that you're leaving. Your
20 declaration includes the sector that you're fishing in,
21 commercial or recreational, the fishery, and the type of gear
22 that you're using. For the commercial fishery, only satellite
23 VMS units are approved within it, and your VMS unit must always
24 be recording, twenty-four hours a day, and we have a one-hour
25 ping rate, and so it reports your position every hour.

26
27 If you wanted to shut down the VMS unit, you must apply for a
28 power-down exemption. Power-down exemptions, at a minimum, must
29 be for seventy-two hours, and the maximum can be up to a year.
30 They have to be submitted yearly, if you are say a latent
31 fisherman who is not fishing, and then, when you are under a
32 power-down exemption, the vessel may not move on water, and so
33 that means you can't do any other type of fishing trip, and you
34 can't do private recreational, and you can't do just cruising
35 around, and you can't do for-hire. Under a power-down
36 exemption, the vessel does not move on the water. It can move
37 on land, and sometimes they're trailered somewhere to be put in
38 drydock and being worked on, which is one of our most common
39 power-down exemption requests.

40
41 For the landing process, as I mentioned before, you must only
42 land at an approved landing location. As I mentioned before,
43 there are certain criteria that must be met. We get landing
44 locations submitted year-round. They can be submitted at any
45 time, but we only have approval that occurs each quarter.
46 Depending on how many we have, sometimes we can kick it through
47 to OLE to get it approved sooner, rather than at each quarter,
48 and the vessels must submit this pre-landing notification, and

1 this contains a lot of information.
2
3 Again, it's three to twelve hours prior to landing, and there is
4 no restriction on the time submitted within that notification,
5 and you must list your landing location, time of landing,
6 dealer, and estimated pounds by share category within that. A
7 vessel cannot land prior to that time, and so, if you said you
8 were landing at one o'clock, you cannot land at 12:48. You must
9 wait until one o'clock to actually land and tie-up.
10
11 What we use within this system is, because these are submitted
12 through to the IFQ system, pre-landings can go via your VMS
13 unit, logging into the catch share system, or using the catch
14 share call service line, and the reason we do this is so that
15 those notifications are immediately sent out to OLE, as well as
16 the dealer, at the time of submission.
17
18 If a vessel is expected to land one hour after the time
19 submitted, more than one hour, they must submit a new
20 notification, and so, again, if you were said that you were
21 landing at 1:00 p.m., you have until between 1:00 to 1:59 p.m.
22 to actually make that landing, and we give that bracket because
23 sometimes you're unsure when you're coming in and what weather
24 conditions are like when you're tying up to a dock.
25
26 If you were aiming for 1:00 p.m. in your landing notification,
27 and you weren't going to land until 2:15, you would have to
28 submit another notification.
29
30 There is different criteria of when that notification requires
31 an additional three-hour window, and it does not require an
32 additional three hours if you're changing the time to a little
33 bit later in the day, and you don't need to wait three hours.
34 If you're changing the dealer-estimated pounds onboard, you also
35 do not need to change that, moving forward. What you do need to
36 do is, if you are changing your -- Information that requires an
37 additional three hours is if you're changing the location, and
38 so I said I was landing at Landing Location A, and now I'm
39 moving to B, and that will require an additional three to
40 twenty-four hours before you can change that notification.
41
42 One of the key things we did, a couple of years ago, is, when
43 OLE was present -- If they see you waiting out there, right, and
44 you're not landing, because you have to wait until 1:00 p.m. to
45 land, they can wave you in and tell you that you can land by
46 verbal authorization. Some people take advantage of that, and
47 others do not.
48

1 One of the other ideas in the landing process is that landing
2 transactions must be completed before we transport the fish on
3 land, and so, when you're thinking about a traditional dealer,
4 that's not a big deal. You offload your fish, and the landing
5 transaction is completed, and the dealer can transport the fish.

6
7 We have a number of locations, or dealers, that are located more
8 inland, and so there was a provision made that they could send a
9 truck down to meet the vessel, and then they could -- They would
10 have to process that landing transaction before that truck left.
11 Likewise, if you are a smaller IFQ fisherman, and you are
12 trailering your boat, you must have that landing transaction
13 process before the fish move on that boat being trailered.

14
15 Landing transactions also require a copy of what we call an IFQ
16 dealer endorsement, and, when we're thinking about the
17 information recorded in landing transactions, we do record the
18 ex-vessel price, and, in 2011, we put in very specific language
19 that it must be the ex-vessel price without any deductions for
20 goods or services. For example, you can't deduct if you bought
21 the allocation, ice, fuel, or bait from your dealer, that cost,
22 and you must report the actual ex-vessel price.

23
24 When corrections need to be made, the corrections are submitted
25 by the dealer, but they are signed by both the dealer and the
26 shareholder, and corrections are supposed to be submitted within
27 fifteen days of the transaction. This is one of the few paper
28 processes that we have onboard, because of the signature
29 requirements, and so they are signed in a form, mailed into us,
30 and then we will process that correction.

31
32 As I mentioned before, offloading of fish is between 6:00 a.m.
33 and 6:00 p.m. A lot of confusion comes here between what is a
34 landing and what is an offload, and we defined this within the
35 IFQ, and landing is to arrive at a dock, berth, a seawall, or a
36 ramp, and so it's basically tying-up to something. An offload
37 is specifically the removal of the IFQ species from the vessel,
38 and so, again, the removal is only during the daylight hours,
39 6:00 a.m. to 6:00 p.m., but you can physically land, tie your
40 boat up, and you can walk away from the boat at any hour of the
41 day.

42
43 The way we handle the landing transactions is, again, a two-
44 party system, and so, while the dealer initiates the landing
45 transaction, it needs to be authorized by a representative of
46 that shareholder account. The way we do that is, using that
47 individual vessel account, they have what we call a vessel
48 signature PIN. They enter that into the system, and then that

1 allows authorization for that landing transaction to occur, the
2 allocation is deducted from those accounts, and everything moves
3 forward.

4
5 All right. Cost recovery, and we hit this a little bit earlier,
6 and so I might go through this a little quicker. Again, cost
7 recovery is mandated under Magnuson. Do we have a question?

8
9 **MR. DUGAS:** Sorry. Before you get there, on page 33, could you
10 give us a little more explanation on the fifteen days to fix
11 your trip ticket? That seems a little extreme.

12
13 **DR. STEPHEN:** So we were giving fifteen days partly because of
14 the mailing-in process, right, and it has to get mailed, and we
15 lose some days mailing it in, and so the fifteen days is --
16 Typically, someone recognizes it, and there may be a typo, or
17 some different error within it, fairly immediately. Some of
18 them will call us and let us know, and so we'll know to expect
19 that to come through, but that was kind of the amount of
20 timeframe given when we set up both of those programs, but, if
21 you get it to us on the sixteenth day, we're probably going to
22 process it.

23
24 All right. Cost recovery, and, as I mentioned before, by
25 Magnuson, we cannot exceed the 3 percent of the ex-value, and so
26 agency costs often can exceed the 3 percent, but we cannot
27 collect more than that 3 percent. The language written in
28 Magnuson is that it must be collected at the time of landing,
29 the filing of a landing report, sale of a fish, or the last
30 quarter of the calendar year.

31
32 This is why we use that kind of dealer to do the collection on
33 behalf of the agency and then submit to us quarterly, because
34 they are collecting that at the time of landing or sale of the
35 fish. Cost recovery dollars can only be used to cover the cost
36 of management, data collection and analysis, as well as
37 enforcement activity.

38
39 Within the Gulf programs, we are currently collecting that 3
40 percent, in order to do it -- Typically, running the programs is
41 exceeding the 3 percent cost. It is, again, of the actual ex-
42 vessel price, and that's why we modified the language, in 2011,
43 to make sure we were not deducting any values to it, and, again,
44 in this case, we have the dealer collecting it and submitting it
45 to us.

46
47 If you fail to submit that to us, and so the dealer who fails to
48 submit it, and their account is suspended. That means that they

1 cannot make any IFQ landing transactions until payment is
2 received by the agency. We typically have a low percentage of
3 non-payment. Within the first thirty days, over the life of the
4 program, we've had between everyone has paid to maybe 24 percent
5 of the people are late in the thirty days, and they're given a
6 thirty-day window to pay.

7
8 It's even a lower percentage when we look at the ninety-day
9 mark. At the ninety-day mark, if you have not paid it to us, we
10 will submit it to Treasury, and the Treasury will go after the
11 collection of it. What we try to do, as customer service, is
12 call the people up and remind them. We would much rather have
13 it done through pay.gov than go through the process of having
14 the Treasury collect it and rerouting that money back to the
15 agency. Go ahead, Susan.

16
17 **MS. BOGGS:** Thank you, Jessica. I just wanted to confirm that
18 it's the agency that sets the fee, correct?

19
20 **DR. STEPHEN:** Yes, and it cannot exceed that 3 percent, and so,
21 when you're talking some of your larger catch share programs,
22 like say in Alaska, where the value of the fish is so much
23 higher, they have a very low percentage, because it generates so
24 much money through the ex-vessel value.

25
26 All right, and that was the last of my presentation. I have
27 bonus material, if people want to ask certain questions, but,
28 otherwise, I was not going to go through it, but any additional
29 questions about how, in general, the IFQ program runs?

30
31 **MR. DIAZ:** This kind of is the same question that I had before,
32 but how is the accuracy on your ex-vessel pricing that you're
33 getting, from what you can determine?

34
35 **DR. STEPHEN:** So that's one of the challenges within the
36 program, and I will have to say that we have some of the best
37 price collection of data, and some of the best validation of all
38 the catch share programs. When you're kind of running through
39 the analysis, you can start to see if someone looks like they're
40 deducting, or something seems drastically out of the ballpark
41 with the others.

42
43 There are some considerations, and time of year will change ex-
44 vessel price, and where you're located might change it a little
45 bit, and then different seasonalities within it, and so we take
46 that all into consideration.

47
48 Our biggest challenge probably is the fisherman who is also the

1 dealer, and, typically, if we start to see ex-vessel prices that
2 don't look realistic to what we're seeing otherwise, we give
3 them a phone call, and our first effort is to communicate to
4 them what they should be doing, why it's important, because that
5 shows the value of your fishery, again, in disaster
6 declarations, or just looking at allocation, and you want to
7 know what the true costs, and that ex-vessel price is one of the
8 key pivotal elements that we like to collect for that. In most
9 cases, once we've had a conversation, it resolves itself, and we
10 have good data collection for that point onward.

11
12 We did a massive effort in 2012, I believe, where we reached out
13 to people about share and allocation transfers, and that was how
14 we got to the transfer reasons, to try and explain what the
15 differences were in their prices, and, for people who gave us
16 corrected data, we then corrected it within the system.

17
18 **MS. BOGGS:** You, a couple of times, referred to an annual
19 report, and is that something that is public, or is that just
20 available to those participating in the IFQ program?

21
22 **DR. STEPHEN:** So that's a publicly-available document on our
23 website. We do one for each year, and we typically try and
24 release it between the second to third quarters of the year, and
25 so we have to take all the data and do a bunch of analysis
26 before that, and, again, as I mentioned, in the annual reports,
27 these are the entire history, and so there's one for red snapper
28 and one for grouper-tilefish, and you can track any of the
29 values that we show back in time.

30
31 That's often the data we're using in the amendments, and we just
32 grab it right out of the annual reports and put it in there.
33 There are also three reviews of the programs out there, and
34 there's the first five-year review for red snapper, five-year
35 for grouper-tile, and then the joint review for both of them,
36 and those have more in-depth analysis.

37
38 **CHAIRMAN ANSON:** Dr. Stephen, for the entire transaction, the
39 vessel declares that they're going out on a trip. As they
40 finish a trip, and before they land, three to twenty-four hours
41 before, they file the landing notification for the return, and
42 then the last piece of that is then the landing transaction
43 report.

44
45 I was at the LETC meeting last week, and there was discussion
46 about, you know, the reports and the potential of those to --
47 You know, as far as it being inaccurate and whether or not the
48 inaccuracies were, you know, tied to some nefarious activity,

1 let's say, and so I'm just wondering.

2
3 Thinking about that conversation, and the comments that you made
4 relative to the state trip ticket programs, which those are
5 supposed to be created when the sale occurs, as I understand it,
6 generally, and so that's when the pounds are counted, and then
7 the price is added to the trip ticket report, and so there's a
8 total value there for that product, but you had mentioned there
9 is quite a few instances where the landing transaction, which is
10 the final report, or documentation, that you all receive to
11 indicate how many pounds of have been landed, and there was
12 discrepancies in them, and so could you discuss that a little
13 bit more, as to why there might be some discrepancies between
14 those two systems?

15
16 **DR. STEPHEN:** Likewise, again, there's a couple of nuances
17 involved in that, and one of them is that each state trip ticket
18 might define the ex-vessel value differently, and I don't
19 actually think it's called ex-vessel value in some of the state
20 trip tickets, and so that leads to some confusion on the
21 dealer's part, on how they're entering it.

22
23 There is -- Typically, what we've seen is that the IFQ pounds
24 and prices might be higher than what we've seen in trip tickets
25 when we're comparing them, and, if it was lower, we would
26 probably be more concerned that someone was trying to
27 underreport to get out of paying cost recovery, and what we've
28 typically found is that the value of the program, the permit and
29 the shares, is enough that they're reporting exactly as we have
30 dictated through those requirements, going through it.

31
32 We've noticed this problem for a while, and we've done some
33 studies with trying to get at the nuances between the two, and
34 it's similar to, and also slightly different, state regulations
35 about how they're putting fish in that aren't maybe sold
36 directly, and so say -- For IFQ, we say it has to be sold to a
37 dealer, and then a crew might walk away with it, and it might be
38 reported differently on the trip ticket than it is reported in
39 our area.

40
41 I am currently working with some Science Center staff, because
42 we want to really resolve this, so that we have the same
43 definition of the value being placed in there, and it's going to
44 be the same across-the-board. We're going to probably end up
45 working through GulfFIN in doing that, and talking with our
46 different state partners there, to get it more onboard. I
47 didn't even realize, until I was digging into it, that we
48 actually have different states that define it slightly

1 differently.

2
3 **MS. BOGGS:** If time allows, Mr. Chair, I would like to ask Dr.
4 Stephen to kind of review slide 40, to make sure that I'm
5 understanding it correctly, and I know she said it's extra
6 material, because I don't know that I quite understand it.

7
8 **DR. STEPHEN:** Sure, and this is a slide that I worked up when we
9 kind of first went to public participation, and it's just
10 looking at the different ways we have to think about how the
11 system works, remembering that it's an electronic system, and
12 so, prior to public participation, in order to obtain an
13 account, and that would be to open a brand-new account, a reef
14 fish permit was required. Then, after public participation --
15 If you didn't have a reef fish permit, then you couldn't obtain
16 an account, and so that's the "no" illustrated there.

17
18 After public participation, it didn't matter if you had a
19 permit, and so you could obtain an account regardless of whether
20 you had a permit or not, and I'm going to highlight the ones
21 where the no are in red as the key points of this. Again, prior
22 to public participation, if you wanted to increase your amount
23 of shares, and so add to what you have, you needed to have a
24 permit, and the way the system did it is, if you were trying to
25 transfer to someone who didn't have a permit, they didn't even
26 show up in the list of someone you could transfer to.

27
28 After public participation, it didn't matter if you had that
29 reef fish permit, and anybody could obtain those shares, and
30 likewise with allocation. Prior to public participation, your
31 name wasn't even in the list of people to transfer allocation to
32 if you did not have a permit, and then, after public
33 participation, it was available.

34
35 The only thing that sort of stayed the same between the two is
36 that you still need a permit in order to harvest, and so that
37 was true both before public participation and after public
38 participation.

39
40 **MS. BOGGS:** So that leads to my question, and so, prior to
41 public participation, to obtain an account, and to obtain
42 shares, you had to have a reef fish permit, but yet, to hold
43 shares and transfer allocation out, you didn't, and so how did
44 you get the shares?

45
46 **DR. STEPHEN:** What we typically saw, prior to public
47 participation, is someone had an account with a permit, and so
48 they fulfilled the requirements when they obtained an account,

1 and then maybe they sold the permit, and so, when they sold the
2 permit, they still were able to maintain those shares, and so
3 they could still transfer out shares and allocation, but they
4 just couldn't receive anything new in. They did still receive
5 their allocation from shares, and I'm sorry if that wasn't quite
6 clear in here, and that's typically what we saw, and it was a
7 small proportion of accounts.
8

9 **MR. ANDY STRELCHECK:** So, as you can see, it's a very simple
10 program to understand. In all seriousness, this is why we
11 wanted to present to the council, right, because we are going to
12 start really getting into detail with regard to the IFQ program
13 and some decisions about how to change it and improve it, and so
14 this is, to me, just a starting point, and Dr. Stephen and her
15 team are a wealth of knowledge with regard to the IFQ program,
16 and she's going to be here all week. We have fishermen in the
17 room that, obviously, operate within the program, and so utilize
18 them to ask questions to better understand the program, and, you
19 know, if there's things that you want more information on, we're
20 happy to provide it.
21

22 I think what you'll see tomorrow, during our conversation, is we
23 have a very data-driven presentation for you, but it's really to
24 show you kind of how the program has been operating, and the
25 changes that we've been seeing within it, but it's really
26 important that you just have some good background on the
27 program, and an understanding, and we're here to help answer
28 your questions. Thank you.
29

30 **MR. WALKER:** As I think the only shareholder on the council
31 here, I've been familiar with this for most of the time that
32 it's been in place, and I would say this is an excellent
33 presentation. You've touched on the bases, and I wrote down
34 four questions, and you answered them before I even got to ask,
35 and so very good presentation, and thank you.
36

37 **CHAIRMAN ANSON:** Any other questions? We have a few more
38 minutes before we start our next committee. I don't see any
39 more questions, and so, Dr. Stephen, thank you for the
40 information that you and your team have put together, and we
41 look forward to further discussions the rest of the week, and so
42 thank you very much.
43

44 (Whereupon, the presentation concluded on October 23, 2023.)
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