

Reef Fish Amendment 59 IFQ Participation Requirements



June 2024

OUTLINE

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NOAA
FISHERIES

Gulf of Mexico IFQ Programs

IFQ Business Models

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IFQ Business Models

- After the January meeting, SERO was asked to explain in more detail the different business models used within the IFQ system
- Both the permit and IFQ system utilize the same inherent structure:
 - An entity can be a person, business, or non-person entity (e.g. trust, non-profit, bank).
 - More than one entity can be listed on a permit or IFQ account
 - The agency tracks 'ownership' of all entities – shareholders, officers, president, vice president, manager, etc.

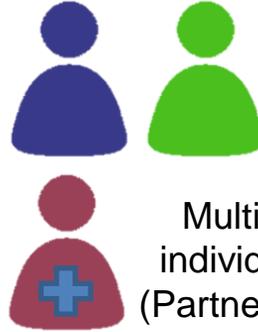
Ownership Models In Permits & IFQ



Individual
(Sole proprietorship)



2 individuals
(Partnership)



Multiple
individuals
(Partnership)



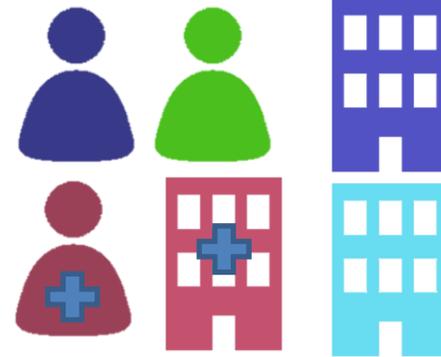
Individual & Business
(Partnership)



Business
(LLC, Corporation,
Cooperative, Non-
profit, Trust)



2 or more
businesses



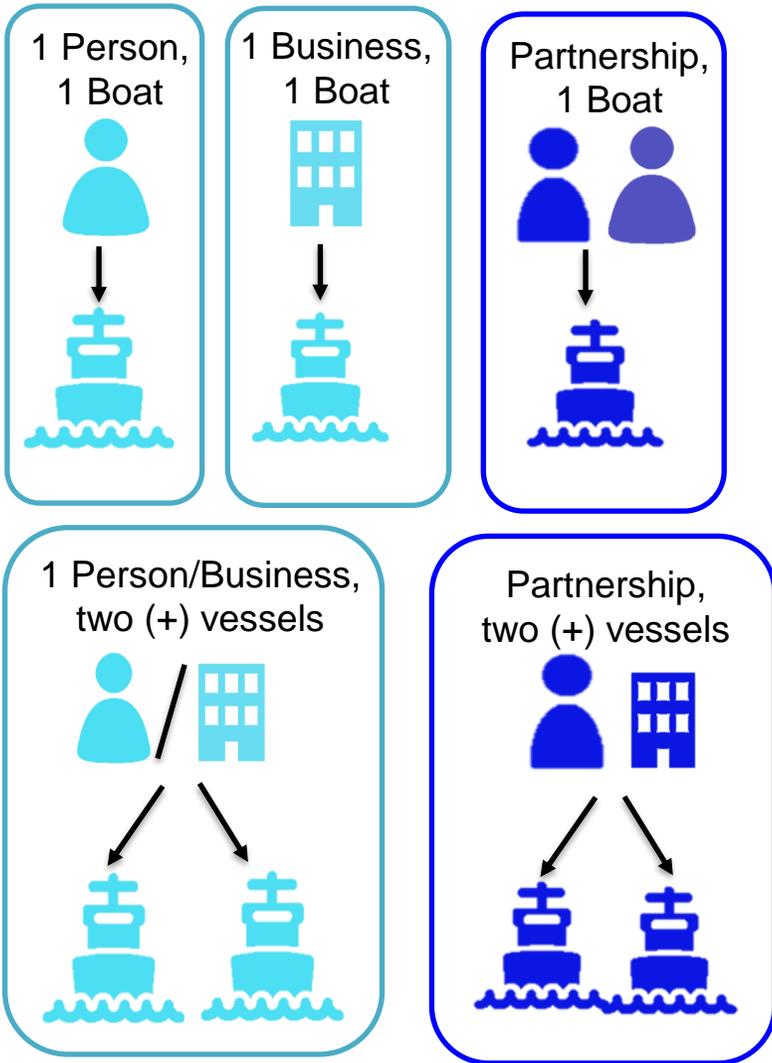
Combination of individuals
and businesses
(Partnership)

There is no age restriction on individuals.

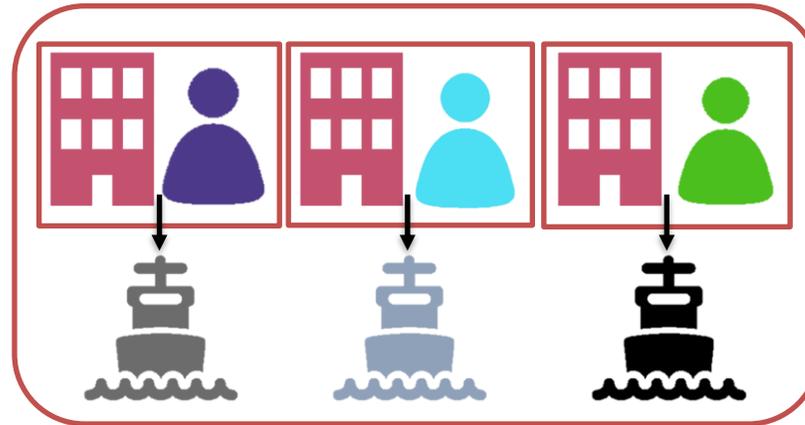
Information is gathered on the shareholders and officers of every business. For trusts, we gather information on beneficiaries and trustees.

Share caps are applied to shareholders of businesses, officers of non-profits, and trustees of trusts.

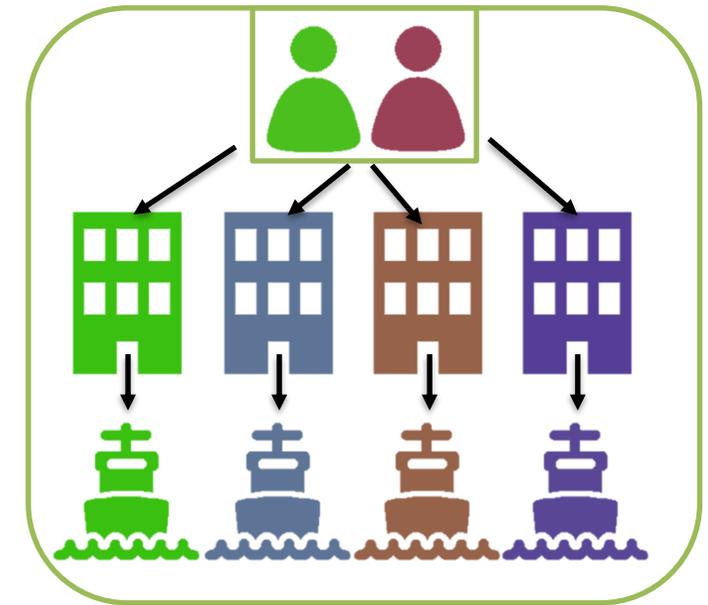
Common Business Models Seen in IFQ



“Diversified Approach” – Same company has different partners for each vessel.



“Incorporating Vessels” – All companies owned by the same people using a 1 business, 1 boat model



- All permits on a vessel must have the same ownership (permit holder).
- IFQ accounts must match permit ownership to harvest IFQ species.
- All permits with the exact same ownership are under 1 IFQ account.
- Any individual may be involved in more than one business (e.g., sole proprietorship, partnership, corporation (e.g, limited liability, S-corp., C-corp.), cooperative, non-profit, or trust).
- Any of these types of business models may be vertically integrated – one or more owners also have a dealer business.

Ownership in IFQ

Account Type	Description	2019	2020	2021	2022	2023
Shareholder accounts	Total number of shareholder accounts	1,038	1,039	1,013	1,014	1,000
Individuals Only	Owned by one or more people, no businesses listed	580 (56%)	580 (56%)	543 (54%)	543 (54%)	536 (54%)
Single Owner – Individual	One name on the account and it is a person	442	447	423	424	419
Partnerships – Individuals	More than one name listed on the account, all are people	138	133	120	119	117
Owned by business	Only business listed as owner on the account	454 (44%)	455 (44%)	466 (46%)	467 (46%)	460 (46%)
Business – single owner	Owned by a business that is 100% owned by a single person	241	257	238	258	257
Business – multiple owners	Owned by a business that has multiple owners or owned by another business	213	198	228	209	207
Partnerships – entities & businesses	More than one name listed on the account and it is a mix of people and ‘businesses’	4	4	4	4	4

Vertical Integration (VI) Business Models in IFQ



	Public Part.	Fisherman	Dealer	Dealer	VI: Businesses are the same name	VI: shareholder is one owner in dealer	VI: <u>different</u> businesses, <u>same</u> owner	VI: <u>different</u> businesses, <u>one</u> owner <u>in common</u>
Dealer Owners	N/A	N/A						
Dealer Account	N/A	N/A						
Shareholder Entities			N/A					
Shareholder Account			N/A					
Vessel/ permit	N/A		N/A	N/A				



Share Caps

- Share caps are calculated at each entity level:
 - Account level – an account can not hold more than the share cap
 - Business level – a businesses share cap includes all accounts that business is associated with in the system
 - Person level – a person’s share cap includes all accounts that they are associated with in the system
- Share caps are cumulative across accounts based on percentage ownership (business shareholders) or equally distributed
 - For example two people holding an account together each hold 50% of the shares in that account.

Share Cap Calculation In IFQ

IFQ Account Holder	100% 	100% 	50% 50% 	50% 50% 	100% 	100%
Ownership	100%	75% 25%	100% 100%	75% 25% 50% 50%	100%	25% 75%
Second Tier Ownership	N/A	N/A	N/A	N/A	50% 50%	30% 70% 20% 80% 20%
Final Percentages	100%	75% 25%	50% 50%	37.5% 37.5% 25%	50% 50%	7.5% 77.5% 15%

Purpose and Need

Purpose: The purpose of this action is to update the goals and objectives of the red snapper and grouper-tilefish IFQ programs and to revise requirements to participate in the IFQ programs.

Need: The need for action is to promote participation by entities engaged in the harvest of reef fish species included in the IFQ programs and improve opportunities for new participants to enter the IFQ programs through considering requirements for obtaining an IFQ account and holding and obtaining shares and allocation.



Red Snapper Shareholder Accounts

Year	Total	With Shares		Without Shares	
		#	%	#	%
2007	596	554	93%	42	7%
2008	547	497	91%	50	9%
2009	530	474	89%	56	11%
2010	598	461	77%	137	23%
2011	589	439	75%	150	25%
2012	599	438	73%	161	27%
2013	598	421	70%	177	30%
2014	606	399	66%	207	34%
2015	635	397	63%	238	37%
2016	639	385	60%	254	40%
2017	639	388	61%	251	39%
2018	650	377	58%	273	42%
2019	624	346	56%	277	44%
2020	644	339	53%	305	47%
2021	625	342	55%	282	45%
2022	619	336	54%	283	46%
2023	624	352	56%	272	44%

Grouper-Tilefish Shareholder Accounts

Year	Total	With shares		Without Shares	
		#	%	#	%
2010	816	765	94%	51	6%
2011	833	756	91%	77	9%
2012	812	701	86%	111	14%
2013	786	659	84%	127	16%
2014	795	639	80%	156	20%
2015	835	620	74%	215	26%
2016	842	655	78%	187	22%
2017	872	644	74%	228	26%
2018	878	656	75%	222	25%
2019	819	603	74%	216	26%
2020	833	600	72%	233	28%
2021	824	590	72%	234	28%
2022	798	589	74%	209	26%
2023	790	556	70%	234	30%

IFQ Shareholder Accounts

	2018	2019	2020	2021	2022
IFQ Shareholder Accounts with Allocation	984	899	912	902	879
IFQ Shareholder Accounts with Shares	753	679	673	667	662
IFQ Shareholder Accounts with Permits	631	608	609	588	529
IFQ Shareholder Accounts with Landings	458	431	426	414	388
IFQ Shareholder Accounts with Shares and Permits	417	408	387	370	363
IFQ Shareholder Accounts with Shares and Landings	272	248	227	218	201

Action 1: Shareholder Accounts - Permit Requirements

Alternative 1 (No Action): Do not establish new requirements to obtain or maintain an IFQ shareholder account. To open and maintain an IFQ shareholder account, the applicant must be a United States citizen, a corporation, partnership, or other entity established under the laws of the United States or any State, or a permanent resident alien.

Alternative 2: In addition to the US citizenship or permanent residency requirement, all applicants are required to possess a valid or renewable commercial reef fish permit to **obtain** an IFQ shareholder account (first 5 years of IFQ programs)

Alternative 3: In addition to the US citizenship or permanent residency requirement, all applicants are required to possess a valid or renewable commercial reef fish permit to **maintain** an IFQ shareholder account

Alternative 4: In addition to the US citizenship or permanent residency requirement, all applicants are required to possess a valid or renewable commercial reef fish permit to **obtain and maintain** an IFQ shareholder account

Shareholder Accounts and Permits

	2018	2019	2020	2021	2022
IFQ Shareholder Accounts with Shares	753	679	673	667	662
IFQ Shareholder Accounts with Permits	631	608	609	588	529
IFQ Shareholder Accounts with Shares and Permits	417	408	387	370	363
IFQ Shareholder Accounts with Shares and No permit	336	271	286	297	299
IFQ Shareholder Accounts with Permit and No Shares	214	200	222	218	166

Dealer Accounts

Year	Dealer Accounts	Dealer accounts processing landings	Dealers accounts with shareholder accounts		Dealers accounts with shareholder accounts and with permits	
2020	177	124	84	47%	64	36%
2021	165	118	78	47%	60	36%
2022	166	112	80	48%	60	36%
2023	163	107	79	48%	68	42%

Dealers with shareholder accounts but without a permit decreased from 20 to 11

Action 2: Active Participation Requirements

Alternative 1 (No Action): Do not set active participation requirements in the IFQ programs. Any United States citizen, corporation, partnership, or other entity established under the laws of the United States or any State, or permanent resident alien can be considered as an active participant.

Alternative 2: To be considered as an active participant in the IFQ programs, in addition to the US citizenship or permanent residency requirement, a person must land at least **25 percent** of their IFQ shares annually

Alternative 3: To be considered as an active participant in the IFQ programs, in addition to the US citizenship or permanent residency requirement, a person must land at least **50 percent** of their IFQ shares during a 2-year period

Action 3: Requirements to Obtain and Maintain IFQ Shares

Alternative 1 (No Action): Do not set requirements to obtain or maintain IFQ shares. Any United States citizen, corporation, partnership, or other entity established under the laws of the United States or any State, or permanent resident alien can obtain or maintain IFQ shares

Alternative 2: Only those who meet the US citizenship or permanent residency requirement and with a valid or renewable commercial reef fish permit can **obtain** IFQ shares

Alternative 3: Only those who meet the US citizenship or permanent residency requirement and with a valid or renewable commercial reef fish permit can **maintain** IFQ shares

Alternative 4: Only those who meet the US citizenship or permanent residency requirement and with a valid or renewable commercial reef fish permit can **obtain** or **maintain** IFQ shares

Alternative 5: Only those who meet the US citizenship or permanent residency requirement, own a valid or renewable commercial reef fish permit, and meet active participation requirements set in Action 2 can **obtain** or **maintain** IFQ shares

Action 4: Requirements to Obtain and Maintain Annual Allocation

Alternative 1 (No Action): Do not set requirements to obtain or maintain IFQ annual allocation. Any United States citizen, corporation, partnership, or other entity established under the laws of the United States or any State, or permanent resident alien can obtain or maintain IFQ annual allocation.

Alternative 2: Only those who meet the US citizenship or permanent residency requirement and with a valid or renewable commercial reef fish permit can **obtain** IFQ annual allocation

Alternative 3: Only those who meet the US citizenship or permanent residency requirement and with a valid or renewable commercial reef fish permit can **maintain** IFQ annual allocation

Alternative 4: Only those who meet the US citizenship or permanent residency requirement and with a valid or renewable commercial reef fish permit can **obtain** or **maintain** IFQ annual allocation

Action 5: Divestment Measures for Non-Compliant Entities

Alternative 1 (No Action): If the Council sets requirements in Actions 2 or 3, shareholder accounts must be compliant with these requirements by the effective date of the final rule implementing these requirements, or the shares in these accounts will be reclaimed by NMFS.

Alternative 2: If the Council sets requirements in Actions 2 or 3, NMFS will reclaim all shares in non-compliant shareholder accounts:

Option a: 1 year following the effective date of the final rule implementing these requirements

Options b and c: 2 and 3 years, respectively

Alternative 3: After implementation of this amendment, if a shareholder account is no longer associated with a valid or renewable reef fish permit (i.e., the permit is transferred or is not renewed within one year of the expiration date and is terminated), the shareholder(s) must divest of the account's shares or the shares will be reclaimed by NMFS:

Option a: **1 year** following the transfer or termination of the permit.

Option b: **2 years** following the transfer or termination of the permit.