Report of the Limited Access Privilege Program Exploratory Workgroup

Revised: February 22, 2008

Workgroup participants:

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I. Introduction

Meeting Schedule and LAP Program Exploratory Workgroup Task

The Limited Access Privilege Program Exploratory Workgroup (hereafter referred to as the "LAP Workgroup") met eight times between April 2007 and February 2008. The meetings were held as follows with the final meeting in March 2008 consisting of a presentation of this report to the LAP Committee:

Meeting Dates and Times in 2007	Meeting Locations
April 24th at 1pm – April 26th at 3pm	Charleston, SC
June 12th at 1pm – June 13th at 3pm	Key West, FL
August 1st at 1pm – August 2nd at 3pm	North Charleston, SC
September 18th at 1pm – September 19th at 3pm	North Myrtle Beach, SC
October 16th at 1pm – October 17th at 3pm	North Charleston, SC
December 5th at 8:30am – December 6th at 3pm	Atlantic Beach, NC
January 15th at 1pm – January 16th at 3pm	North Charleston, SC
February 12th at 1pm – February 13th at 3pm	North Charleston, SC
March 6th at 2:30pm – 4:30pm	Jekyll Island, GA

This document summarizes the results of the LAP Workgroup meetings. The document is an outline, if an LAP program is implemented for the commercial snapper grouper fishery, of what the LAP Workgroup would like to see a limited access privilege program look like if applied to the South Atlantic commercial snapper grouper fishery. This document is intended to assist the Council in deciding: 1) if a limited access privilege program is appropriate for the snapper grouper fishery; and 2) how a limited access privilege program might be structured. In this document, the LAP Workgroup has provided options for the design of a LAP program. The LAP Workgroup has also made motions regarding their preferences for various options presented and the reasoning behind these preferences.

The Limited Access Privilege Program Committee (formerly known as the Controlled Access Committee) has requested consensus opinion by the LAP Workgroup on choosing preferences for various limited access privilege program characteristics when possible. However, when consensus is not possible, the LAP Program Committee has requested that a vote be taken and both a majority and minority opinion report submitted.

Appropriateness of LAPs for the Snapper Grouper Commercial Fishery

As a first step toward discussion of the use of LAPs in management of the South Atlantic commercial snapper grouper fishery, the LAP Workgroup discussed the appropriateness of LAPs for the fishery. To begin this conversation, the group discussed various possible benefits and drawbacks of LAP implementation. While, as a group, the LAP Workgroup was undecided on the overall positive or negative effect a LAP might have, the LAP Workgroup documented the following initial perceptions of possible conservation, economic, and social benefits and drawbacks for the South Atlantic snapper grouper fishery under a LAP:

Possible Benefits

- Conservation Benefits
    - Reduction of bycatch mortality if "full retention" implemented and/or size limits are decreased or eliminated as part of a LAP
    - Decrease in the likelihood of commercial quota overages
    - Improvement in data quality
    - Incentive to fish more selectively
    - Increased incentive to improve stock status

- Economic Benefits
    - Elimination of trip limits would enable more harvest timing flexibility
    - Elimination or reduction of size limits might benefit harvesters by decreasing time spent fishing
    - Increased flexibility due to divisibility of harvest privileges compared to permits. This would enable leasing of privileges due to hardship, etc.
    - Possible long-term increase in access to capital (through banking facilities) due to increased profitability and financial and management stability
    - Possible improved operational efficiency of vessels
    - Improved profitability of the fleet as a whole due to consolidation of the fleet
    - Simplification of management complexity in the long-term
    - Increased economic stability which creates an incentive for fishermen to become vested in the fishery perhaps more heavily than other options
    - No closure of total fishery
    - Possible increase in efficiency resulting in financial gains
    - Higher TACs could raise ex-vessel revenue
    - Owners receive a sellable, divisible asset
    - Many departing fishermen may receive a higher compensation that under the current system

- Social Benefits
    - Increase in "professionalization" of the fleet
    - Possible consolidation of harvest and processing activities in certain communities
    - LAPP most likely the smoothest and most economically efficient method of consolidation

Possible Drawbacks

- Conservation Drawbacks
    - Elimination or reduction of size limits may decrease reproductive capacity of the stocks
    - Possible redirection of effort and profits into non-LAP fisheries

- Economic Drawbacks
    - Elimination or reduction of size limits might result in landings that cannot be sold
    - Possible decrease in reward for hard work due to elimination of trip limits which allows fishermen to make as many trips as they want until the commercial quota is met
    - Possible increase in short-term and possibly long-term management complexity
    - Increased costs of monitoring
    - Increase in enforcement costs for states without a Joint Enforcement Agreement
    - Possible increase in federal and state enforcement costs due to increased FTE requirements
    - Possible increase in costs associated with decrease in the ability to do back to back trips due to hailing in requirements and landings timing allowances
    - Possible business impacts (dealers, etc.) due to change in seasonality of landings. A certain amount of landings are required throughout the year to keep fish houses operational. There might also be a loss of flexibility for the dealer/fish house due to permanence of initial allocation.
    - Possible impacts to fishermen of initial allocation if historical landings were hindered by adverse circumstances
    - Inability to increase landings when needed without purchasing more share or pounds
    - Full retention may have economic downside and may not be needed since several of the species have good survival rates
    - Possible change in crew share
    - Cost of buying quota from existing fishermen may consume much if not the majority of the gains from a LAPP
    - Two major risks of an LAPP: a) insufficient monitoring and enforcement and b) insufficient management of the recreational fishery
    - Possible negative impacts on specific communities as a result of movement of effort from one community to another
    - Possible negative impacts to specific communities as a result of initial allocation

- Social Drawbacks
    - Possible decrease in crew employment
    - Possible consolidation of harvest and processing activities in certain communities
    - Possible community impacts (dealers, etc.) due to change in seasonality of landings
    - Possible increase in “armchair fishermen” who sell annual allocation and do not fish their quota share

- Possible increase in quota share owned by processors and dealers looking to vertically integrate
- Inability for many to access enough money to purchase the quota share or annual allocation necessary to participate in the fishery
- Possible negative impact on some community's cultural heritage that has developed as a result of commercial fishing in those communities

In general, at first, the LAP Workgroup was undecided as to whether they thought LAPs were an appropriate management tool to apply to all regions of the South Atlantic coast. However, being tasked by the Council to develop a possible LAP for consideration, they continued to explore the various options that go into designing a LAP with particular focus on the options that would address many of their concerns. That is, they developed a set of LAP program characteristics they preferred to see ***if*** a LAP program was implemented for the South Atlantic commercial snapper grouper fishery.

The Workgroup has made a good faith effort to provide options for designing a LAP program for the snapper grouper commercial fishery that could achieve a number of management goals and objectives. Some workgroup members see strong potential in adopting a LAP program for the commercial snapper grouper fishery, provided it is enforced, there is money to pay for it, and that there are tangible economic and conservation benefits resulting from it. Others do not see potential. Some were undecided. The workgroup is not ready to reach consensus on whether a LAP is appropriate for this fishery because it has not yet had sufficient information to fully analyze a range of alternatives. Some Workgroup members think an amendment might lay out these details to the desired extent. An anonymous survey was distributed to Workgroup voting members (12 people) at the last meeting of the LAP Workgroup. Eleven people handed in the survey. Fifty-five percent (6 people) agreed with the statement that they saw "a strong potential in adopting a LAP program for the snapper grouper fishery, provided it is enforced, there is money to pay for it, and that there are tangible economic and conservation benefits resulting from it". Two people (18%) disagreed with this statement and 3 people (27%) were undecided. Five people agreed with the statement that "the Council should move forward with development of alternatives for a LAP program under an amendment to the Snapper Grouper FMP". Four people were undecided and two people disagreed with regard to this statement. Three people who agreed with the statement that they saw strong potential for a LAP under the above conditions were undecided or disagreed with the statement that the Council should move forward with developing alternatives.

The Workgroup feels that the Council should pick up where the LAP Workgroup left off and develop a range of alternatives that include details on monitoring, enforcement, and fishermen costs. Fishermen can then consider a LAP with these details before taking a position in a fishery wide referendum.

<u>Specific Concerns of the LAP Workgroup - Summary</u>

- **In order for a LAP to be successful, there must be better science to produce TACs that track real changes in stock abundance.** Some LAP Workgroup members feel that the TAC must increase over time for species with or needing rebuilding plans in order for fishermen historically invested in the fishery to survive. Therefore, some LAP Workgroup members support additional data gathering and management tools (such as real time landings data recording and video monitoring) that are expected to improve the data that the Council has access to in making decisions. The LAP Workgroup would like to have some guarantee that if LAPs are used, when stocks increase, commercial quota will be increased.

- **When initial allocation occurs, allocation of quota share will have to be sufficiently high in order for fishermen historically invested in the fishery to survive. This may necessitate eligibility requirements that specify that in order to receive quota in the initial allocation, the permit holder must have landed some minimum number of pounds for certain species. Alternatively, some LAP Workgroup members felt that income requirements to remain in the fishery or a similar method for decreasing capacity may be appropriate and necessary prior to implementation of a LAP.** Some LAP members have significant historical landings that would likely result in relatively large quota share allocations for species they fish for. But, when converted into pounds, the amount would be inadequate to support their fishing business due to recent or expected decreases in the TAC. They predict that they would have to leave the fishery or buy pounds each year to continue fishing. This could be less profitable than their profitability under the status quo (even if the status quo involved a derby fishery). However, depending on the species they have historical landings in, it is possible they could sell their allocation each year given that it could be quite valuable as a result of a low TAC compared to historical levels.

  If TAC levels for particular species are relatively low compared to historical levels, some fishermen prefer status quo management, even if this results in a derby fishery because current management (or even a derby fishery) allows them the flexibility to increase effort when TACs decline. A LAP does not allow for this. For fishermen that have specialized in catching species that have experienced recent TAC declines (ex: vermilion, gag, snowy grouper, golden tilefish), they expect to fair better under status quo management. However, it is unknown how a derby fishery for some species would affect the market. Under a derby fishery, fishermen could see ex-vessel prices decline resulting in higher landings for that individual but equal or lower profits compared to other possible management schemes (LAPs, days at sea, etc.). These same fishermen prefer a LAP if the TAC is high enough to allow them a quota share that translates into a pounds allocation they can survive on. The uncertain status of the vermilion population makes support of a LAP for vermilion tenuous. Therefore, while the LAP Workgroup is attempting to design a program that protects fishermen historically invested in the fishery, they realize that a LAP may not benefit some fisherman for some species, largely due to the recent (or expected) decrease in the TAC.

Fishermen or dealers on the LAP Workgroup that have historically caught (or hold landings history for) a large number of different species in the snapper grouper complex feel that they will likely benefit from an LAP. Fishermen or dealers on the LAP Workgroup that have specialized in stocks that have seen large decreases in the TAC or expect to see large decreases soon, feel that an LAP will not benefit them as much as a derby fishery.

- **No program including LAPs will be successful unless and until serious recreational accountability measures are put in place by the SAFMC.**

- **Some LAP members were concerned with how transferability of quota share and annual allocation (pounds) would affect distribution of landings geographically and what affect this would have on the economies of local communities and the culture that has been cultivated around the fishing industry's presence in that community**.

- **Some LAP members felt that sector allocation, cooperatives, or regional fishery associations (RFA) under a LAP might improve the economic viability of the fishery.**

- **LAP members felt that they may need more time to meet after the March meeting to clarify their thoughts on various LAP design elements and to address questions posed by the LAP Committee.**

Response to Outreach by LAP Workgroup Members

In June 2007, LAP Workgroup members were asked to relate some of what they had heard on the docks regarding consideration of a possible LAP for the commercial snapper grouper fishery. Some members expressed that several fishermen they have heard from do not have an understanding as to why a LAP is needed or why it is being considered at this point in time given that there are several other management measures being considered by the Council. Other members state that some fishermen are apprehensive, have expressed guarded optimism, or are in a "wait and see" mode where they are waiting to see options presented to them before deciding if a LAP might work for the region. Others are worried about initial allocation and the eligibility and landings methodology that will be used to decide how much participants are allocated. While some members have heard positive comments regarding LAPs from those with small landings, others have heard positive comments from those with large landings and large catch history. Others expressed that people that participate in the South Atlantic commercial snapper grouper fishery all year and do not participate in other fisheries want LAPs, while those that participate in several fisheries each year, do not want LAPs because their catch history would not provide them with enough landings to participate in the LAP fishery when they need to. Several members expressed that cost recovery and other fees anticipated under a LAP are unaffordable for most fishermen.

II. LAP Goal and Proposed Objectives

The following goal was proposed by the Limited Access Privilege Program Committee and adopted by the LAP Workgroup.

To refine a system whereby profitability, efficiency, fairness, and capacity of the commercial snapper grouper fishery are aligned with available yields from the South Atlantic ecosystem and which contribute to conserving healthy stocks and/or rebuilding overfished stocks consistent with the Snapper Grouper FMP and Magnuson-Steven Act.

The following objectives were adopted by the LAP Workgroup. The italicized objectives were first proposed by the LAP Program Committee. The objectives have not been prioritized.

Proposed LAP Objectives

1. Protect fisherman historically invested in the fishery and provide them with opportunities to continue harvesting in the fishery;
2. Enhance the viability of fishing for fishermen historical invested in the fishery;
3. Protect current crew employment in the fishery to the extent possible;
4. Ensure public access to the South Atlantic fishery supply;
5. Design a LAP that vests fishermen in the snapper grouper fishery and thereby increase conservation of the resource;
6. Ensure that all permit holders have an opportunity for participation in harvesting of LAP species;
7. *Allow for data collection sufficient to evaluate the LAP program periodically;*
8. Increase the use of fishery dependent data in stock assessments including the use of real time data;
9. Enhance cooperation among fishermen and managers;
10. Allow for regional differences in program design when necessary;
11. *Allow for transferability of LAP shares and pounds* between snapper grouper permit holders only;
12. *Create mechanisms for new entry into the commercial fishery;*
13. Protect participation of small scale fishermen and prevent monopolies;
14. Enhance financial stability for long-term business planning;
15. Encourage regulatory compliance;
16. Reduce regulatory complexity;
17. *Eliminate discards through methods such as:*
    a. *100% retention;*
    b. *Gear modification or development; and/or*
    c. *Other methods*
18. *Provide the opportunity for a flexible and sustainable year round fishery for all participants;*
19. *Maintain commercial catch at or below the commercial quota;*
20. *Promote safe fishing operations;*

21. Create mechanisms that *foster improved relations between sectors, including environmentalists, commercial fishermen, and recreational fishermen;*
22. Develop a *multispecies LAP for the whole commercial snapper grouper fishery with the exclusion of wreckfish;* and
23. Develop a mechanism that allows the marketplace to drive harvest strategies and product forms in order to maintain product continuity and increase total producer and consumer benefits from the fishery.

III. Prerequisites for a LAP Workgroup Supported LAP Program

The LAP Workgroup has proposed the following prerequisites for implementation of an LAP for the commercial snapper grouper fishery.

Referendum or Industry-Wide Vote

Members of the LAPP Workgroup asserted that a referendum be required if the Council decides to go forward with a LAP for the commercial snapper grouper fishery. There was consensus on this issue.

> Option 1: Votes weighted equally so that each fisherman has one vote. Permit holders and the crew that work for them vote.
>
> Option 2: Votes weighted according to landings history so that fishermen with large catches have a greater number of votes. Only permit holders vote. Only species involved in the LAP would be used for the landings history.
>
> Option 3: Votes weighted according to ex-vessel revenue from landings history so that fishermen with a high value of landings have a greater number of votes. Only permit holders vote. Only species involved in the LAP would be used for the ex-vessel revenue from landings history.
>
> **The LAP Workgroup agreed unanimously[1] that votes should be weighted. While the majority of members preferred weighting be based on landings history, a minority of members (1 individual) preferred that weighting be based on ex-vessel revenue from landings history.**

Limited snapper grouper permits

The LAP Workgroup requested the Council to address whether limited snapper grouper permits are to be included in the LAP program or not. Some members of the Workgroup were in favor of including limited permit holders, while others were not. In September 2007, the Council addressed this issue by stating that limited permit holders should be included in an initial allocation. The following options were then developed by the Workgroup.

> Option 1: Make limited permit holders eligible to participate in the LAP but continue to disallow transferability of limited permits. Also, disallow transferability of quota share (and pounds) associated with a limited permit. Quota share would be considered "retired" when the permit owner passed away. Any retired quota share would be reallocated for new entrants. The Workgroup recognizes that limited permits that do not receive any quota share, should be retired.

[1] The use of the word "unanimous" refers to agreement by all LAP Workgroup members or their proxies present at a particular meeting. In subsequent meetings, LAP Workgroup members or their proxies are able to challenge the unanimous decision. If there is a disagreement about a particular option at that point in time, the language is changed to reflect that discussion.

Preferred Option 2 (8 in favor, 0 opposed, 2 abstain): Make limited permit holders eligible to participate in the LAP but continue to disallow transferability of limited permits. Also, disallow transferability of quota share (and pounds) associated with a limited permit. Quota share would be considered "retired" when the permit owner passed away. When a limited permit is retired, any quota share associated with the permit would be reallocated to remaining unlimited quota share holders. The Workgroup recognizes that limited permits that do not receive any quota share would hold an obsolete permit.

Option 3: Make limited permit holders eligible to participate in the LAP but continue to disallow transferability of limited permits. Also, disallow transferability of quota share (and pounds) associated with a limited permit. Quota share would be considered "retired" when the permit owner passed away. Any retired quota share would be reallocated to remaining unlimited quota share holders and new entrants. The Workgroup recognizes that limited permits that do not receive any quota share, should be retired.

The Workgroup requests that the methodology and landings history used in initial allocation of quota share for unlimited permits be used for limited permits as well. In addition, the Workgroup requests that limited permit holders be subjected to the same monitoring requirements as unlimited permit holders.

Sale of recreational caught fish

The LAP Workgroup would like to see a change in the regulations that allow for recreational caught fish to be sold.

Preferred Option 1 (6 in favor, 0 opposed, 1 abstained): Sale of recreational caught fish under a bag limit disallowed[2].

Some members believe this would be easier to enforce than Option 2. These members support the Council's preferred option in Amendment 15B to eliminate sale of fish caught under a recreational bag limit. The Workgroup also mentioned there may be food quality/safety issues with Option 2.

Option 2: Sale of recreational fish be subtracted from the recreational allocation instead of the commercial quota.

Some members believe there are ways to monitor this. These members are not objecting to recreational sale as long as it does not harm commercial fishermen and provided hard TACs are implemented.

[2] The Workgroup suggested that special consideration may be given to the case of a traditional state sanctioned king mackerel tournament.

"2 for 1 Rule"

Option 1: The 2 for 1 rule remains in place with or without a LAP. (3 in favor, I abstain) Option 2: Eliminate the 2 for 1 permit rule only if a LAP is implemented. (3 in favor, 1 abstain)

Allocation of TAC Between Commercial and Recreational

The LAP Workgroup requests that the Council ensure that the allocations in place at the time of the referendum and at the start of the LAP program be "hard" allocations. That is, the Workgroup requests some assurance that the percentage allocations between commercial and recreational sectors for the species included in a LAP do not change. In this way, the commercial sector has the opportunity to become vested in the resource through an LAP. Without hard quotas, this would not be possible.

IV. LAP Program Design Characteristics and Management Options

A. Program Duration

Satisfies the following objectives:

Design a LAP that vests fishermen in the snapper grouper fishery and thereby increases conservation of the resource; and

"Program duration" refers to the lifetime of the limited access privilege and not to ownership of that privilege by an individual or entity.

Preferred Option 1: Program duration preferences adhere to the requirements set out in the Magnuson-Stevens Reauthorized Act of 2006 which states:

> A limited access privilege established after the date of enactment of the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006 is a permit issued for a period of not more than 10 years that—
>
> (1) will be renewed before the end of that period, unless it has been revoked, limited, or modified as provided in this subsection;
>
> (2) will be revoked, limited, or modified if the holder is found by the Secretary, after notice and an opportunity for a hearing under section 554 of title 5, United States Code, to have failed to comply with any term of the plan identified in the plan as cause for revocation, limitation, or modification of a permit, which may include conservation requirements established under the plan;
>
> (3) may be revoked, limited, or modified if the holder is found by the Secretary, after notice and an opportunity for a hearing under section 554 of title 5, United States Code, to have committed an act prohibited by section 307 of this Act; and
>
> (4) may be acquired, or reacquired, by participants in the program under a mechanism established by the Council if it has been revoked, limited, or modified under paragraph (2) or (3).

Program duration Option 1 is the unanimously[1] preferred option of the LAP Workgroup. The LAP Workgroup chose not to identify a sunset date for the South Atlantic snapper grouper LAP program permits because they felt that this might decrease the potential for individuals to vest themselves in the fishery.

B. Program Review

Satisfies the following objectives:

Allow for data collection sufficient to evaluate the LAP program periodically.

Program review refers to Council review of the LAP Program to determine if the goals and objectives of the program are being met.

Section 303A (c) (1) (G) of the MSRA of 2006 states

> Any limited access privilege program to harvest fish submitted by a Council or approved by the Secretary under this section shall—
>
> > (G) include provisions for the regular monitoring and review by the Council and the Secretary of the operations of the program, including determining progress in meeting the goals of the program and this Act, and any necessary modification of the program to meet those goals, with a formal and detailed review 5 years after the implementation of the program and thereafter to coincide with scheduled Council review of the relevant fishery management plan (but no less frequently than once every 7 years)

Option 1: Program review 5 years after implementation and at least once every 7 years thereafter according to the MSA Reauthorized Act of 2006.
Preferred Option 2: Program review 2 years and 5 years after implementation and every 5 years thereafter as part of each 5-year FEP review.

The LAPP Workgroup felt it was important to build maximum management flexibility into the LAPP program. The NMFS and Council staff should have the option to make changes to implementation issues without a formal program review as required by the MSRA of 2006. This would enable staff to make changes that occur unexpectedly. The Council should have the ability to implement an emergency rule when needed.

C. Species to be Included

Satisfies the following objectives:

Develop a multispecies LAP for the whole commercial snapper grouper fishery with the exclusion of wreckfish; and

Reduce regulatory complexity.

Note: See table at the back of this document prior to appendices for an overview of OYs and other information on species with established allocations.

The LAP Workgroup felt it was important to try to include as many snapper grouper species as possible under an LAP program in order to simplify regulatory complexity and

avoid a situation where fishermen target species not included under an LAP because they are not subject to an individual limit. The Workgroup realized it may require additional work for NMFS and the Council to identify a TAC for some species. However, the Workgroup felt this would be possible through the use of state and federal trip ticket data and logbooks if the species under consideration did not have a stock assessment.

Preferred Option 1: All snapper grouper species currently managed in the Snapper Grouper FMP excluding wreckfish.

Option 2: All snapper grouper species with identified OYs including red porgy, vermilion snapper, snowy grouper, black sea bass, golden tilefish, gag, greater amberjack, white grunt, red grouper, black grouper, mutton snapper, and yellowtail snapper.

Option 3: Snowy grouper, golden tilefish, greater amberjack, yellowtail snapper, mutton snapper, gray snapper, white grunt, red porgy, black seabass, gag grouper, vermilion snapper, red snapper, gray triggerfish, queen triggerfish, scamp grouper, red grouper, blueline tilefish, black grouper, almaco jack, banded rudderfish, blue runners, jack crevalles, joltheads, all hinds

Option 4: Mackerels (Spanish and king) and snapper grouper species currently managed in the Snapper Grouper FMP excluding wreckfish.

Option 5: Mackerels (Spanish and king), all snapper grouper species with identified OYs (including red porgy, vermilion snapper, snowy grouper, black sea bass, golden tilefish, gag, greater amberjack, white grunt, and yellowtail snapper), grunts, triggerfish, jacks.

Some members of the LAP Workgroup felt strongly that mackerels should also be included for consideration under an LAP with snapper grouper species. The LAP Workgroup asked the LAP Program Committee that the Workgroup be allowed to include king and Spanish mackerel under LAP consideration in their discussions or the LAP Program Committee consider establishing a Mackerel LAP Program Exploratory Workgroup to discuss the possibility of a LAP for the king and Spanish mackerel fisheries given the likelihood of increased fishing pressure on the mackerel fisheries if a snapper grouper LAP is implemented. There were views expressed by some on the LAP Workgroup regarding whether this should be a recommendation or not. Some Workgroup members expressed that several fishermen in the Florida Keys, in particular, did not want an LAP for the mackerel fishery. The LAP Committee responded by opting to defer work on a mackerel LAP to a second LAP effort to be pursued at a later date. As a result, Options 3 and 4 were included above but will not be explored further in detail at this point in time.

D. Multispecies Share Definitions

Definitions - **Quota share (QS) = individual initial allocation percentage of the commercial quota**

"Quota share" (percentage) – percentage of the commercial quota is distributed to participating fishermen during initial allocation.

Annual harvest privilege (AHP)= Quota share * annual commercial quota (pounds)

"Annual harvest privilege" (pounds) – an individual's quota share is multiplied by the annual commercial quota in pounds each year and distributed prior to fishing.

This section was created for LAP Workgroup members to express what kind of quota shares they wanted within a LAP. Workgroup members were given background information on individual quota, quota to communities, and aggregate quota (as it has been proposed for use in the Gulf of Mexico reef fish fishery). They developed the following options.

Option 1: Individual quota share allocated for all snapper grouper species included in the Snapper Grouper FMP excluding wreckfish.

Option 2: Individual quota share - all species in the Snapper Grouper FMP excluding wreckfish

Aggregate quota share A – all species in the Snapper Grouper FMP excluding wreckfish

Aggregate quota share B – warsaw, speckled hind

Aggregate quota share C – king and Spanish mackerel

Option 3: Individual quota share - all species with OYs in the Snapper Grouper FMP (excluding wreckfish).

Note: See discussion of aggregate quota under Section IV – "Flexibility Mechanisms".

E. Eligibility for Initial Allocation of LAPs

Satisfies the following objectives:

Protect fisherman historically invested in the fishery and provide them with opportunities to continue harvesting in the fishery; and

Enhance the viability of fishing for fishermen historical invested in the fishery;

The LAP Workgroup felt it was important and perhaps necessary to require some minimum level of historical landings in order to be allocated quota share for each species. The Workgroup felt that to create a "professional fishery", those people with commercial limited or unlimited snapper grouper permits that did not rely on the fishery as an important source of their annual income should not be included in initial allocation of quota share. However, they would still hold a snapper grouper permit and could purchase quota share and/or pounds. Given the recent and/or expected decreases in TACs for several species, the LAP Workgroup felt that most full-time snapper grouper fishermen would not be able to continue fishing without a high enough initial allocation due to their inability to finance additional quota share or pounds purchases at this time.

Option 1: Minimum quota share allocation

- Option 1a: Minimum 0.0001% quota share
- Option 1b: Minimum 0.001% quota share
- Option 1c: Minimum 0.01% quota share
- Option 1d: Minimum 0.1% quota share

Option 2: At least 100 pounds over 3 years for a particular species

Option 3: At least 1 pound for a particular species

Option 4: An average 500, 750, 1000, 5000, 7500, or 10,000 pounds over 1999-2006 for all LAP species combined

F. Data Used for Initial Allocation

Preferred Option 1: Logbook data with the option for fishermen to use trip ticket data to correct logbook data for particular years when needed.

Option 2: Trip ticket data

G. Initial Allocation Methods

Satisfies the following objectives:

Protect fisherman historically invested in the fishery and provide them with opportunities to continue harvesting in the fishery;

Ensure that all permit holders have an opportunity for participation in harvesting of LAP species;

Option 1: The average landings of the best 5 years within 1995-2006.

Option 2: The average landings of the best 8 years within 1995-2006.

Option 3: The average landings of the best 5 years within 1998-2007.

Preferred Option 4: The average landings of the best 3 years 1995 through the most recent year of data available.

Option 5: Average landings 1999-2005 (based on the October 2005 control date).

The LAP Workgroup preferred that any initial allocation option require fishermen who participated in the 2 for 1 program to choose one of the two permit catch histories for each species to use in the initial allocation calculation instead of combining catch histories before calculating the initial allocation.

Analyses were conducted by Council staff and NMFS staff on historical landings data so that the Workgroup could access information on the approximate number of people that would receive shares and the dispersion of shares of each species under the preferred option. All individual historical landings information was kept confidential.

As the Workgroup understands it, the October 15, 2005 and December 31, 2006 control dates provided a "heads up" to the fishery that any landings made beyond that date may not be considered in any future LAP program. Clarification from NMFS General Counsel is requested.

Note: Amendment 8 which established a limited entry program and "two for one" permit rule for the commercial snapper grouper fishery contains language regarding the transfer of catch histories when a purchase/sale is made under the "two for one" rule. The amendment states that a vessel's catch history must also be transferred when a permit is purchased/sold and that this catch history may be used to qualify for a future ITQ program. The amendment contains the following language:

"1. **Transferable permits** may be transferred as follows:

a. To immediate family members, or to a replacement vessel (including a new vessel), or to an individual who has a written contract entered into and dated as of 8/20/96 which includes

provision for a permit transfer with purchase of a vessel. Those individuals intending to qualify under the written contract provision must notify the NMFS Regional Administrator (Dr. Andrew Kemmerer) of the existence of this contract and provide a copy of the contract for evaluation purposes within the 150 day implementation period. The vessel's catch history must also be transferred (Such catch history may be used in the future to qualify for ITQ's should the Council determine such a management regime is appropriate and should Congress allow use of such management.); and

b. To new entrants in the snapper grouper fishery but two existing snapper grouper transferable permits must be purchased and exchanged for one new permit. The vessel's catch histories must also be transferred. (Such catch history may be used in the future to qualify for ITQ's should the Council determine such a management regime is appropriate and should Congress allow use of such management.) An additional vessel, other than a replacement vessel, is considered a new entrant" (pgs. 35-36).

Note: Fishermen that are newer entrants (since 1999) were required to buy two permits and retire one. Some fishermen have reported that they were unable to access historical landings information about the permits they were purchasing due to rules that said that only current owners were privileged to see this information. Therefore, they made investment decisions that would impact them in a future LAP program without full information. Some fishermen also noted that they did not have access to landings records that occurred prior to their ownership of the permit even though this is a component of landings history that would possibly go into a calculation of initial allocation. The Workgroup would like to see this problem resolved immediately.

H. Initial Allocation Appeals Process

Preferred Option 1: After distributing initial allocations to eligible participants, allow appeals to be heard and then finalize allocations prior to fishery starting. Allow for 90 days for the entire process. Appeals process held without consideration of hardship.

I. Transferability

Could satisfy the following objectives:

Protect fisherman historically invested in the fishery and provide them with opportunities to continue harvesting in the fishery;

Enhance the viability of fishing for fishermen historical invested in the fishery;

Allow for transferability of LAP shares and pounds between snapper grouper permit holders only;

Enhance financial stability for long-term business planning;

Encourage regulatory compliance;

Eliminate discards through methods such as:

a. **100% retention;**
b. **Gear modification or development; and/or**
c. **Other methods**

Provide the opportunity for a flexible and sustainable year round fishery for all participants;

Maintain commercial catch at or below the commercial quota; and

Promote safe fishing operations.

Transferability can apply to quota share and/or annual harvest privileges (pounds). In general, there are four possible options that exist:

Option 1:	QS – transferable	AHP – transferable
Option 2:	QS – transferable	AHP – non-transferable
Option 3:	QS – non-transferable	AHP – transferable
Option 4:	QS – non-transferable	AHP – non-transferable

Note: QS = Quota Share; AHP = Annual Harvest Privilege

In general, there are several possible benefits and drawbacks to making quota shares and/or annual harvest privileges transferable in a LAP program. Some possible benefits include:

- Transferability creates a mechanism for fishermen to sell poundage not being used in a given year, which maximizes the fishermen's flexibility and profitability and ensures a steady supply of fish to the marketplace. That is, it helps to ensure that poundage will not go unharvested.
- Transferability enables fishermen to sell their harvest privileges when retiring. In general, quota share is considered a valuable asset because of its ability to be sold in portions or in its entirety.
- Transferability can decrease the incentive to discard that exists under a trip limit system when a species is caught that a fisherman has already caught the trip limit for. Transferability can decrease overall discard levels by giving fishermen the option to purchase AHP to cover their unexpected catch. A decrease in discards increases stock abundance in the long run.

Some possible drawbacks include:

- Transferability, if not limited by caps on ownership and/or control of quota shares can result in consolidation into "too few hands".
- Transferability, by definition, results in redistribution of quota share. This can result in a change in where fish are landed for processing, which can impact

dealers, fish houses and their employees as well as suppliers of gear, boat repair services, etc.

- It may be difficult for fishermen to find other fishermen to sell to or buy from if there is no mechanism for doing this (newspaper for advertising, quota broker, fish association, website, etc).
- Transferability allows some individuals (those initially allocated quota shares) to permanently gain from the sale of quota shares or annual harvest privileges rather than to use them to harvest fish.

Section 303A (c) (7) of the MSRA of 2006 states

> In establishing a limited access privilege program, a Council shall—
>
> (A) Establish a policy and criteria for the transferability of limited access privileges (through sale or lease), that is consistent with the policies adopted by the Council for the fishery under paragraph (5); and (B) establish, in coordination with the Secretary, a process for monitoring of transfers (including sales and leases) of limited access privileges.

Literature Summary

The article "The Effect of Initial Lease Periods on Price Discovery in Laboratory Tradable Fishing Allowance Markets" by Christopher Anderson and Jon Sutinen explains the results of an experiment they conducted to try to determine what might happen to quota prices and trading behavior in the first years of an IFQ program that allows transferability. Typically, in the first few years of an ITQ, prices of quota fluctuate greatly since the quota is a new asset and no one knows what the actual value is. For people who buy and sell during this period of time, selling below the eventual appropriate price or buying above it "can lead to regret and anger and dissatisfaction with the tradable allowance system" (Anderson and Sutinen, 2005). In addition, due to quota price variability in the first few years of an ITQ, fishermen are unable to predict future prices and profitability, which complicates long-term business decisions.

Anderson and Sutinen conducted experiments to try to determine if a moratorium on permanent sales of quota for the initial years (but allow short-term leasing of quota) of an ITQ program might help alleviate the price variability and the negative social consequences that can result.

The results showed that a moratorium on permanent sales of quota share in favor of an initial leasing only (making AHP transferable only) period resulted in more stable prices. These results support the idea of only allowing short-term leasing (as opposed to permanent sales) to take place in the first couple years of an ITQ/LAP program. After the initial years, permanent sales and/or leasing could be allowed with negative social consequences.

Preferred Option 1: Allow for transferability of quota share and AHP (pounds).

The LAP Workgroup considered the Anderson and Sutinen article that suggested a lease only period may help prevent some negative social consequences that could occur in the first few years after initial allocation. However, the LAP Workgroup felt that there is sufficient information available for fishermen to make informed decisions regarding LAP quota value and that such restrictions are not needed.

J. Eligibility for Harvesting Participation

Preferred Option 1: An entity must hold an unlimited or limited commercial snapper grouper permit in order to hold quota share or AHP (pounds).

If an entity holding an unlimited permit does not receive quota share in the initial allocation, they can still buy pounds or quota share. However, the same is not true for holders of limited permits. Limited permit owners cannot purchase additional quota share or pounds for that permit. This was an unanimous agreement.

K. Caps and Other Restrictions on LAP Share Ownership and Control

Could satisfy the following objectives:

Protect fisherman historically invested in the fishery and provide them with opportunities to continue harvesting in the fishery;

Enhance the viability of fishing for fishermen historical invested in the fishery;

Ensure that all permit holders have an opportunity for participation in harvesting of LAP species;

Protect participation of small scale fishermen and prevent monopolies; and

Provide the opportunity for a flexible and sustainable year round fishery for all participants.

In general, there are several possible benefits and drawbacks to the use of caps (or upper limits) on LAP share ownership and control.

Some possible benefits include:

- Upper limits placed on ownership and control of LAP shares can prevent a monopoly or oligopoly[3] ownership of LAP shares that could result in LAP owners controlling the ex-vessel price paid for fish;

[3] Definition: A market dominated by a small number of participants who are able to collectively exert control over supply and prices.

- Upper limits placed on ownership and control of LAP shares can help prevent a "sharecropper" system from resulting whereby fishermen lease from owners at high prices;
- Prevention of some changes in the structure of fishing communities; and
- Greater feelings of equity among fishery participants.

Some possible drawbacks include:

- Upper limits could possibly limit the level of economic efficiency the fishery can obtain (however, not in the case of a monopolist or oligopoly). For example, if upper limits are set too low, this might restrict some fishermen from making enough revenue to cover the fixed and operational costs of doing business. This may be particularly true for owners of larger and/or newer vessels.

Magnuson-Stevens Reauthorization Act of 2006 Requirements for Councils

Caps on LAP share ownership and control is sometimes discussed under the term "excessive shares". Excessive shares are mentioned in National Standard 4 (Section 301 (a) (4)):

> (4) Conservation and management measures shall not discriminate between residents of different States. If it becomes necessary to allocate or assign fishing privilees among various United States fishermen, such allocation shall be (a) fair and equitable to all such fishermen; (B) reasonably calculated to promote conservation; and (c) carried out in such manner that no particular individual, corporation, or other entity acquires an excessive share of such privileges.

Section 303A (c) (5) (D) of the MSRA of 2006 also refers to excessive shares:

> (D) Ensure that limited access privilege holders do not acquire an excessive share of the total limited access privileges in the program by –
>
> (i) establishing a maximum share, expressed as a percentage of the total limited access privileges, that a limited access privilege holder is permitted to hold, acquire, or use; and
>
> (ii) establishing any other limitations or measures necessary to prevent an equitable concentration of limited access privileges.

When developing LAP programs, the MSRA of 2006 states that a Council should:

> (B) Consider the basic cultural and social framework of the fishery, especially through –
>
> (i) the development of policies to promote the sustained participation of small owner-operated fishing vessels and fishing communities that depend on the fisheries, including regional or port-specific landing or delivery requirements; and
>
> (ii) procedures to address concerns over excessive geographic or other consolidation in the harvesting or processing sectors of the fishery;

> (C) Include measures to assist, when necessary and appropriate, entry-level and small vessel owner-operators, captains, crew, and fishing communities through set-asides of harvesting allocations, including providing privileges, which may include set-asides or allocations of harvesting privileges, or economic assistance in the purchase of limited access privileges;

Literature Summary

To assist in deliberations on IFQ programs, in their publication "Better information Could Improve Program Management", the U.S. General Accounting Office, among other things, determined the extent of consolidation of quota holdings in three IFQ programs (Alaskan halibut and sablefish, wreckfish, and surfclam/ocean quahog). They found that:

All three IFQ programs have experienced some consolidation of quota holdings. From 1995-2001, the number of halibut and sablefish quota holders decreased by about 27 and 15 percent, respectively. From 1992-2002, the number of wreckfish quota holders decreased by about 49 percent. From 1990-2002, the number of surfclam and ocean quahog quota holders decreased by about 17 to 34 percent, respectively. However, they assert that consolidation of surfclam and ocean quahog quota is greater than NMFS data indicate, because different quota holders of record are often part of a single corporation or family, which in effect, controls many holdings. The GAO determined that in 2002, the consolidation of quota in the fishery was about twice that indicated by NMFS data and that one entity controlled at least 27 percent of the quota.

Program rules may affect the extent of consolidation in each IFQ program. While the Alaskan halibut and sablefish program set specific and measurable quota limits, the surfclam/ocean quahog and wreckfish programs did not, relying instead on federal antitrust laws to determine whether any quota holdings are excessive. Without defined limits on the amount of quota an individual or entity can hold, it is difficult to determine whether any holdings would be viewed as excessive (GAO, 2002).

In the NMFS publication "The Design and Use of Limited Access Privilege Programs" (Forthcoming, 2007), guidance regarding how to identify what constitutes excessive shares is provided. According to this guidance, an excessive share will exist if a "**market power share limit**" or "**management objective share limit**" is exceeded. A **market power share limit** is theoretically possible to solve for. The Guidance states, "This is defined as the maximum percentage of quota that can be controlled by a single entity such that there will be no problems with market power output restrictions, either through actual output decisions or through restrictions on the sale or rental of the transferable AHPs that are associated with the permanent QS".

They go on to explain that, "The discussion of the **management objective share limit** is different because, other than broadly defined benefit cost analysis, there is no body of theory, economic or otherwise, upon which to base the determination of the management objective share limit. Two points should be made at the outset, however. First, to be relevant, the maximum management objective share limit is chosen, it will likely preclude the necessity of rigorously determining s^* (**market power share limit**), because

it will be a non-binding constraint. On the other hand, setting a management objective share limit may not be enough, in and of itself, to achieve most management objectives (Forthcoming, 2007).

The LAP Workgroup recommends a cap on: species specific quota share, quota share for all species, AHP (pounds) for each LAP species, and AHP for all species combined.

Quota Share

Preferred Option 1a: Set the *species specific* quota share cap at the highest quota share percentage initially allocated to an individual for each species.

Option 1b: Set the *aggregate species* quota share cap at the percentage calculated from the highest poundage initially allocated for all species included in the LAP divided by all pounds allocated to all individuals in the first year.

Option 1c: No *species specific* cap.

Option 1d: *Species specific* cap set at no more than 10% more than person with highest quota share.

Option 2a: Set the *species specific* quota share cap at the percentage calculated from the annual pounds currently fished by the individual with the greatest poundage for a species divided by the total catch of that species in the fishery.

Option 2b: Set the *aggregate species* quota share cap for all snapper grouper species combined at the percentage calculated from the maximum total pounds currently fished by an individual for all snapper grouper species divided by the total catch of all snapper grouper species.

Option 2c: No *aggregate species* cap.

Option 2d: *Aggregate species* cap set at no more than 10% more than person with highest quota share.

Quota Pounds

Option 1: Set the amount of quota pounds that can be fished in any one year for a species equivalent to the quota share cap for that species multiplied by the commercial quota.

Option 2: Set the amount of quota pounds that can be fished in any one year for all species aggregated equivalent to the aggregation of the quota share caps multiplied by the commercial quotas.

Option 3: No cap on species specific pounds.

Option 4: No cap on aggregate pounds.

If applicable, the LAP Workgroup recommends that fishermen with an initial allocation higher than the caps be grandfathered into the fishery. Some LAP Workgroup members questioned if perhaps the caps should be higher to allow for fishermen to obtain a profitable landings. The LAP Workgroup considered whether caps should be higher than the initial allocation analyses and options indicate. Some Workgroup members expressed concern regarding identification of control caps.

L. Flexibility Mechanisms:

Could satisfy the following objectives:

Protect fisherman historically invested in the fishery and provide them with opportunities to continue harvesting in the fishery;

Enhance the viability of fishing for fishermen historical invested in the fishery;

Design a LAP that vests fishermen in the snapper grouper fishery and thereby increase conservation of the resource;

Enhance financial stability for long-term business planning;

Encourage regulatory compliance;

Eliminate discards through methods such as:

a. **100% retention;**
b. **Gear modification or development; and/or**
c. **Other methods**

Provide the opportunity for a flexible and sustainable year round fishery for all participants;

Maintain commercial catch at or below the commercial quota; and

Promote safe fishing operations.

1) Overage and Underage (Rollover) Provisions

Overage and underage provisions are typically implemented and monitored by the fishery management agency. In the case of the South Atlantic snapper grouper fishery, this would likely be the responsibility of the NMFS. ***The term "overage" is typically used to describe a situation where fishermen are allowed to deduct some portion of an***

individual's annual harvest privilege (pounds of each species allocated to an individual each year based on quota share holdings) for a particular species from next year's allocation. This is sometimes also called "borrowing". When a species has a particularly low TAC, sometimes there is no overage allowance allowed or a very small one.

There are usually hefty penalties associated with exceeding these overage allowances. Sometimes there are even penalties associated with using the overage allowance. The penalties are used to help ensure the provision is not abused. Review of these types of provisions in LAP fisheries has shown that these provisions have not been abused and have actually helped the LAP holders keep catch below the TAC and decrease discards.

The term "underage" is typically used to describe a situation where fishermen are allowed to carry forward unused annual harvest privileges for use in the following year. This is sometimes called "banking". There are typically no penalties applied to those people who create an underage because this is seen as benefiting the stock size.

In general, there are several possible benefits and drawbacks to the use of overage and underage provisions in LAP programs.

Some possible benefits include:

- Increased flexibility for fishermen that can help them better match catch to quota share holdings on an individual species basis;
- Decrease in discards; and
- Decrease in the amount of transfer transactions that need to occur for fishermen to equate catch to quota holdings.

Some possible drawbacks include:

- May be administratively burdensome to monitor depending on the number of years the overage and underage are allowed to roll over; and
- Overage provision may not be useable for several species due to low TAC or overfished status.

<u>Literature Summary</u>

There are no guidelines regarding overage and underage allowances in the MSRA of 2006. However, a review of these types of program characteristics has been analyzed in "Catch-Quota Balancing in Multispecies Individual Fishing Quotas" (Sanchirico et al., 2005). The paper refers to overage and underage provisions (also called rollover provisions or banking and borrowing provisions) as one of several catch-quota balancing mechanisms. These mechanisms have been implemented in multispecies fisheries, in particular, to provide fishermen an extra degree of flexibility in fisheries where it is sometimes difficult to control the amount of various species caught due to the multispecies nature of the fishery. The authors reviewed five multispecies LAP fisheries in New Zealand, Australia, Iceland, British Columbia, and Nova Scotia.

Sanchirico et al. report that

> Iceland and Australia both allow persons to carry forward 20 percent of their annual quota. New Zealand allows 10 percent to carry-forward. Generally, British Columbia allows up to 30 percent of a person's quota to be carried forward, but British Columbia managers can reduce the percentage of, or even eliminate, the carry forward for conservation reasons on an annual basis. Since 2001, New Zealand operators have borne the risk that all quota carried forward will be forfeited if the TAC is reduced the following year. British Columbia also is reducing its carry-forward allowance to reduce the possibility of TAC overruns.

They also report that the British Columbia and Australia have symmetrical underage and overage percentages, while Iceland limits its underage to five percent of the annual quota pounds. In 2001, New Zealand eliminated its 10 percent overage rule that was in place since 1986, instead requiring overages to be covered through purchases or fee payments for overages called "deemed value[4]".

Sanchirico et al. write

> A common pattern across the systems is that volume and use of carry-forward (underage) provisions is greater than carry-back (overage) provisions…We find that about 60 percent of the vessels carry-forward quota (have an underage) in the median fishery, corresponding to about 10 percent of the median TAC. While the percentage of vessels carrying back to cover overages is around 10 percent, the tonnage carried back is a very small percentage of the TAC.

They go on to explain that

> One potential reason for lower usage rates of the overage provisions both in terms of the number of vessels and the volume is that quota owners face penalties if they exceed their overage amounts. For example, in the SETF (South East Trawl Fishery in Australia), managers can deduct from next year's quota at a penalty of 2:1 the weight of fish caught in excess of the overage provisions. Similarly, over-compliance is also found in pollution control settings where firms face pollution control standards and stiff penalties (Oates et al. 1989).

Preferred Option 1:	Overage allowances – 10% for each species for one year for LAP species. Penalties on overages should not be imposed until 60 days following the end of the fishing season so that fishermen have time to cover deficits. Underage allowances – Suboption 1: 10% for each species for one year Suboption 2: 10% for each species each year for two years

Some Workgroup members believed there should be a significant penalty if the 10% overage allowance is exceeded. Others felt that current penalties are sufficient to deter fishermen from exceeding landings allowances.

[4] A program by which fishermen are able to make monetary payments to the management agency for species caught that they don't have quota for.

2) Aggregate Quota

The LAP Workgroup borrowed the idea of "aggregate quotas" from the Gulf Grouper IFQ Advisory Panel. Aggregate quotas are something they would like more information about as it could potentially be applied to this fishery. With regard to the above options, individual quota share would be allocated for each species separately. That is, fishermen would be given quota shares for each species included in the LAP. In addition, an aggregate quota share would be allocated for a group of species (specific species included are indicated above) and would be allocated based on some percent of a fisherman's quota shares for each species type (i.e., 5 percent of their total allocation for each species would be set up as aggregate quota). A fisherman would then apply this aggregate to catch of any of the species the aggregate quota is covered by when the individual species allocations have been used. The aggregate quota could only be used after the fisherman exhausted his individual quota share for one of the species included under the aggregate quota. The amount of aggregate quota available for use for each species would be based on historical landings in a ratio that reflects the ratios that the species were historically caught. This ratio of catch is what makes the aggregate system effective. Historically, fishermen have landed the species they catch at some ratio based on species abundance and fishing behavior. Therefore, those ratios should continue as they had historically with minor fluctuations due to natural phenomenon (e.g., recruitment variability and hurricanes moving fish around). These ratios may be changed over time if some shift in effort or landings were to render the initial historic ratio obsolete (i.e., during a review of the LAP program, landings information may indicate a shift in abundance and therefore, a different catch ratio). It was understood that the use of aggregate quotas has not yet been approved by NMFS or the Gulf Council and that this mechanism is yet untested in reality.

The LAP Workgroup felt that this mechanism (the use of aggregate quotas) would allow for a degree of flexibility not available under the current management system or under a traditional IFQ type system. Aggregate quotas, in addition to other flexibility measures (like overages and underages, transferability, and others), would allow fishermen to fish for longer than they would otherwise and therefore, as a group, take a greater portion of the commercial quota than they would otherwise. This could increase profitability for snapper grouper fishery participants without compromising conservation goals. In addition, this mechanism would enhance financial stability by enabling fishermen to better predict how much of each species' annual harvest privilege they will be able to take each year since it will enable them to come closer to taking their full annual harvest privilege than otherwise. Regulatory compliance would improve as well since fishermen would not have as great an incentive to discard a particular species of fish they do not have individual quota for. This would help to decrease discards overall.

However, some members of the LAP Workgroup had some concerns regarding the risk of fishing more than the commercial quota using aggregate quotas. Other members suggested that rules could be set up to avoid exceeding the commercial quota such as a mechanism whereby no overdraw would be allowed on overfished species. Or, perhaps these species would not be included in an aggregate quota.

Note: See aggregate quota options stated above under Section IV D - "Multispecies Share Definitions".

M. Use it or Lose it Requirements

Preferred Option 1: No use or lose requirement.

Option 2: Require that individual quota holders fish some percentage of their annual pounds or make them available for sale within a particular year.

Option 3: Require that permit holders derive $20,000 or 50% of their income from commercial fishing.

Option 4: The total quota owned by an individual needs to be 80% fished or available to be leased 60 days before the end of the fishing season or the Council would make changes to the regulations so that a higher catch is taken.

N. Cost Recovery

With regard to cost recovery, the Magnuson-Stevens Reauthorization Act of 2006 states

> In establishing a limited access privilege program, a Council shall—
>
> > (1) develop a methodology and the means to identify and assess the management, data collection and analysis, and enforcement programs that are directly related to and in support of the program; and
> >
> > (2) provide, under section 304(d)(2), for a program of fees paid by limited access privilege holders that will cover the costs of management, data collection and analysis, and enforcement activities.

Cost recovery in other LAP fisheries has varied depending on needs and the total ex-vessel value of the LAP species. In the Gulf of Mexico Red Snapper IFQ, a 3% cost recovery fee has been assessed. No definitive cost recovery fee has been decided upon for the Gulf of Mexico Reef Fish IFQ under consideration. However, details on who would pay the cost recovery fee and when is included in the table at the end of this document. When the South Atlantic wreckfish fishery was developed, the South Atlantic Fishery Management Council believed all management and administrative cost should be recovered through a cost recovery fee. However, no fee has yet been established to do this.

The LAP Workgroup would like the possibility of a phase in of cost recovery fees considered.

Preferred Option 1: Minimum cost recovery fees necessary to satisfy the requirements of the MSA Reauthorization Act of 2006.

This was an unanimous agreement.

O. Monitoring

Section 303A(c)(1)(H) of the MSRA of 2006 specifies that

> Any limited access privilege program to harvest fish submitted by a Council or approved by the Secretary under this section shall -
>
> > (H) include an effective system for enforcement, monitoring, and management of the program, including the use of observers or electronic monitoring systems.

With regard to electronic monitoring, the MSRA of 2006 does not specify exactly what is meant by "electronic monitoring systems", however, this has been used in the literature to refer to the use of cameras on board vessels. Neither does the MSRA of 2006 provide a complete list of enforcement and monitoring techniques. Some methods of monitoring used are: biological sampling, paper logbooks, electronic logbooks (sometimes implemented to increase the rate of data transfer and gather additional information through the logbook connection to the GPS unit), video monitoring, at-sea observers, and dockside monitoring. In most fisheries, a combination of these management methods are used.

The two main reasons for monitoring in LAP programs have been:

- To increase the accuracy of biological information collected from fishing vessels in order to better track adherence to the TAC; and
- To increase the level of individual tracking of catch taken and adherence to rules regarding discarding[5].

The second reason can be important in distributing information to fishermen and managers on usage of annul harvest privileges. This information can be used to determine how many pounds remain to be fished or are available to be sold from one fisherman to another. This can also be used in tracking usage of the TAC over the season.

The South Atlantic snapper grouper fishery has a biological sampling program, a paper logbook program, an electronic logbook pilot program, and an at-sea observer pilot program. Each of these types of monitoring are described below in general and specifically how the method has been used in the South Atlantic region. In addition, when available, a literature summary of each method has been included.

[5] This can be very useful and sometimes absolutely necessary when a "full retention" rule is applied to the fishery. However, in general, there is no agreed upon definition of "full retention". In some cases, this implies that fishermen must not discard any LAP managed species. In other cases, it may mean that species can be discarded but only after being recorded by video monitoring equipment or observers.

Onboard Observers

Onboard observers are used in several fisheries nationally to collect biological data. Usually a portion of the trips conducted by the fleet are required to have observers on them. Some international fisheries have required 100% observer coverage and in some cases, the observers have been responsible for reporting any violations of regulations. Onboard observers are typically the most expensive means of collecting biological data. At-sea observers have typically been paid for through NMFS or fishermen or through a cost sharing arrangement.

South Atlantic Snapper Grouper Pilot Program (4/06-5/07 and ongoing)

In 2006, the Gulf and South Atlantic Fisheries Foundation was funded to conduct a pilot study to characterize the catch and fate of discards within the Snapper Grouper vertical hook and line fishery of the South Atlantic. The project has been highly successful with cooperation of the snapper grouper fleet throughout the South Atlantic. The major goals of this program were to gather catch, effort, and disposition data. Beginning in late 2006, two fishery observers were trained and began onboard observation. So far, this research has placed observers on board over 19 different commercial fishing vessels and accumulated over 130 observed sea days. Although formal data analysis has not begun, preliminary analysis shows an average of 7 days per trip and 55 sets per trip. However, there was considerable variance depending upon the size of the vessel with a range of trip length from 2 to 11 days and number of sets from 14 to 113. Analysis of catch and discard fate will most likely begin in Fall of 2007 at the end of onboard observation. The project is currently slated to end in May 2008 and results will be presented to the South Atlantic Council. The intent of this project was not to form a stand alone dataset, but to augment currently available datasets (Jepson, 2007).

Dockside Monitoring

Dockside monitoring in LAP fisheries typically consists of state agency staff, federal agency staff, or a contracted entity checking to see if landings match logbooks, trip tickets, or other means of tracking catch. They may also check to see if landings exceed ACP (annual pounds). In non-LAP fisheries, there is no need to see if landings exceed annual poundage since individual pounds are not allocated. However, biological sampling is typically conducted to collect biological data. While the South Atlantic snapper grouper fishery does not have a dockside monitoring program in place exclusively for the purpose of checking trip ticket or logbook data, the SE Science Center does conduct biological sampling of landings for collection of data needed in stock assessments and for other purposes.

Biological sampling (SE Center – Trip Interview Program)

The Trip Interview Program (TIP) was developed by the Southeast Fisheries Science Center (SEFSC) as a shore-based sampling program. The primary focus of the TIP is the collection of random size-frequency data and biological samples from commercial marine fisheries. Biological samples include age, reproductive, prey, and genetic data. In addition to collecting biological data, the TIP serves as a quality assurance on catch and effort data. It validates species composition of catch and type and quantity of gear

through first hand, trained observation. Other important information, obtained through personal interviews with the fishermen and dealers, also serves the quality assurance purpose. The TIP is a major component of the Atlantic Coastal Cooperative Statistics Program (ACCSP) in the southeastern U.S. Atlantic coastal region and the Commercial Fisheries Information Network (COMFIN) in the U.S. Gulf of Mexico coastal region. It also collects data from Puerto Rico and the U.S. Virgin Islands.

The goal of TIP is to obtain representative samples from targeted fisheries. A representative sample is a sample that meets sound statistical criteria for (at minimum) describing a population. The populations are defined by fishery-time-area strata. For practical reasons area is defined here by area of landing, not the fishing area. Agents are assigned target numbers of measurements needed for stock assessment. Sampling targets are assigned according to the historical landings within the fisheries**.**

An initial step in the data collection procedures is to identify fisheries which regularly land species that are the subject of current stock assessments or for which stock assessments are planned. Of course, it is desirable to obtain data on all fisheries, but fisheries for stock assessment species must be prioritized until sampling targets are met. Partners in the ACCSP and COMFIN will have their own lists of 'priority fisheries'. Ultimately, prioritization for sampling of all fisheries will be coordinated by these two organizations.

The location where sampling takes place will vary trip by trip. In the TIP, there are typically two locations involved; the landing dock and the dealer site. Vessels will not always land at the same dock or sell to the same dealer. Dealers may handle landings differently from day to day. The preferred method is to sample the catch at the initial point of off-loading. This is really the only way the samplers can be sure at the time of sampling that they are seeing the entire catch. Sometimes the dealer is this initial point. In other cases, dealer sites can be used as back-up locations only if the sampler has access to the entire catch of a particular species/market category from the trip. Trip level sampling data by state is incorporated into the TIP program about twice a year.

Electronic Monitoring (EM)

Electronic monitoring (video monitoring) has been used in the British Columbia LAP fisheries, some Alaskan fisheries (crab), the Pacific Whiting fishery, and other places. Pilot programs to determine the feasibility of using EM in general and the feasibility of using EM as a replacement for at-sea observers have been conducted in various places and reports on these pilot programs are summarized below in the literature summary section. In general, electronic monitoring has been used or tested in trawl, longline, and hook and line fisheries. Electronic monitoring is sometimes used in place of at-sea observers, to supplement at-sea observers, and/or as a means to audit electronic logbook data. Use varies depending on the objectives of the fishery with regards to discarding and individual catch tracking. Pilot programs have shown electronic monitoring systems (this includes data review) to be less expensive than at-sea observers and to be capable of identifying discard occurrences and species-specific identification.

Literature Summary of Pilot Programs

1) In "Discussion Paper on Issues Associated with Large Scale Implementation of Video Monitoring", Kinsolving (2006) assesses what current electronic monitoring (EM) technology can and cannot do well for the Alaska rockfish trawl fishery. He writes,

> Video, either alone or in conjunction with other data gathering equipment (electronic monitoring, or EM), is becoming an increasingly viable technology for monitoring some types of fishing activity or enhancing the ability of observers to gather fisheries data. The technologies associated with EM are in a state of rapid development. The combination of increasingly effective data compression algorithms, increased computer processing power, and the rapidly decreasing cost of data storage have reached a point where, on a technology level, electronic monitoring is ready for large scale implementation for some fisheries monitoring applications. However, while many of the technical issues associated with the collection of EM data have been addressed, neither NMFS nor the fishing industry have fully addressed many of the infrastructural and cost related issues associated with larger scale EM program implementation.
>
> **Based on studies conducted to date, it appears that EM technology is able to:**
> • Function sufficiently reliably in the marine environment.
> • Identify fishing events (e.g. net deployment, line retrieval) and the location where those events took place.
> • Determine when and if discard events take place on trawl catcher vessels.
> • Verify compliance with seabird avoidance measures on longliners.
> • Assist an observer in monitoring activities in otherwise unobservable areas of catcher/processors.
>
> **On the other hand, EM systems are only moderately able to:**
> • Quantify the amount of discards on trawl vessels.
> • Detect and identify seabird bycatch to species on longliners.
> • Estimate the species composition and number of fish in longline catch.
>
> The at-sea portion of the technology, while the focus of most research to date, is only one component of an effective EM system. For an EM system to function properly, the data collected at-sea must undergo some degree of methodical review. In the studies conducted to date, this review has been fairly meticulous, with the assumption being that most missed events have been due to technology and data collection issues rather than data review issues. While such an approach is necessary when testing the applicability of a given technology, it does serve to possibly over-inflate the total cost of an effective EM program.

The document by Kinsolving includes an overview of the 2005 Kodiak electronic monitoring project where two video monitoring systems are compared. Cost projections were based on the assumption of 18 boats, where each boat fishes an average of 7 trips, and trip length will average 3 days, of which there is 24 hours of activity to review. Total minimum and maximum costs are laid out in the document. Total equipment costs (including installation and maintenance) per vessel ranged from $5,875 to $13,325 per year. The cost of maintenance and storage was estimated at $100 per trip. Although data review costs could vary enormously depending on how much data is reviewed, the document assumes that a full review would cost approximately $50,000 per year for all vessels together (see table below).

2) McElderry et al. (2003) conducted a large scale deployment of electronic monitoring systems on the 2002 BC halibut longline fishery to evaluate the feasibility of EM as an

alternative to observer based at-sea monitoring. Two cameras per vessel were used for this project. In some cases, at-sea observers were deployed on the same vessels as the EM system. In these cases, comparisons could be made between observer and reviewed EM video to determine accuracy of recorded information. The authors note that overall, EM and observer catch estimates agreed within 2% and individual identifications by hook agreed in over 90% of the catch records. The also note that there was close agreement between EM and observers regarding whether a fish was kept or discarded and the time, location, and depth at the set start and finish. The authors concluded that EM is a promising tool for at-sea monitoring applications depending on specific fishery management objectives regarding monitoring. They also note it would have a substantially lower cost than at-sea observers. They suggest two ways to use EM for the BC longline fishery: 1) an integrated EM-observer program using both methods in a complimentary fashion to achieve fleet sampling objectives; and 2) using EM and an electronic fishing log as an at-sea monitoring audit tool. While at-sea observers cost CA$320 per vessel per day for fishermen and CA$130 per day for the federal government, EM cost about CA$210 per vessel per day (see table below).

3) McElderry et al. (2004) assessed the feasibility of electronic monitoring for the Cape Cod longline haddock fishery where bycatch rates of cod must be closely monitored. The primary objectives of the project were to evaluate the effectiveness of electronic monitoring in estimating the at-sea catch of haddock and cod, assess the suitability of EM systems for various components of the fleet, obtain skipper and crew feedback on EM suitability, and foster fleet education on EM monitoring as well as verify EM derived catch information by comparison with like data from observers. Two cameras per vessel were used for this pilot program. Costs were estimated at $1,200 per vessel per day for the pilot project (see table below). A full EM program cost per vessel is suspected to be much less. In general, McElderry (2003) estimated that EM programs run between 20-60% of the cost of an at-sea observer program.

McElderry et al. (2004) provide information on an EM program for the British Columbia groundfish longline fishery that involves less than full data review requirements. They write,

> One possible fleet monitoring design might involve large-scale deployment of EM systems on the fleet with image data selectively analyzed according to a specific sample design. In this way, the analysis effort changes from full interpretation of all imagery from a fishing trip to sampling the fleet, monitoring imagery for sets or portions of sets. British Columbia's groundfish longline fishery is adopting this approach to provide full catch accountability in their 17,000-seaday fishery. Fishing vessels will carry EM systems on a fishing trip and fishers will keep a careful record of catch in an electronic fishing log (included as part of the EM system). The logbook data will be audited with catch data from EM imagery and the level of agreement will prescribe the amount of image viewing required. This unique monitoring approach provides cost effective monitoring, more actively engages industry in data collection, and, when analysis cost is applied individually, provides a positive stimulus for accurate catch accounting by industry.

Table Summarizing Pilot Program Evaluation of the Use of Electronic Monitoring (EM) for Various Fisheries.

Type of fishery	Discard concerns?	Equipment costs	Data review costs
Alaska Rockfish Trawl	Yes	$5,900-$13,300 per	$50,000 for all vessels

		vessel annually	per year
Cape Cod Longline for Haddock	Yes, cod	(two cameras) $1,200 per vessel per day for pilot project, developed EM program would be less costly	Not specified, paid for by federal government
BC Halibut Longline Fishery (LAP fishery)	Yes, various rockfish species	(two cameras) CA$210 per vessel per day	Not specified, paid for by federal government

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Paper Logbooks

Approximately 100% of permit holders in the commercial snapper grouper fishery each year are required to participate in a paper logbook program for a 12 month period. Another 20% are required to participate each year in a paper logbook program that specifically requires information on costs and earnings for a 12 month period. Yet another 20% are required to participate each year in a paper logbook program that specifically requires information on discarded fish for a 12 month period.

Electronic Logbooks

South Atlantic Electronic Logbook Pilot Project

Electronic logbooks have been used in several fisheries in the U.S. including fisheries in New England. As required by Amendment 4 to the South Atlantic Fishery Management Council's (SAFMC) Snapper Grouper Fishery Management Plan, commercial fishermen fishing for South Atlantic snapper grouper have been required to fill out a paper logbook since 1992. In 2002, the SAFMC and Technology Planning and Management Corporation (TPMC) (now Perot Systems Government Services [PSGS]) tested the use of electronic logbook reporting using the Thistle Marine™ electronic logbook. This device is "ruggedized" for small boat fisheries and is designed specifically for fisheries logbook recording and biological sampling during fishing operations. The project examined the proposition that an electronic logbook can collect all of the data elements presently required by the paper logbook program and can collect more accurate and comprehensive

bycatch and catch location information. The 2002 project was implemented on two commercial snapper/grouper vessels in South Carolina and North Carolina from May, 2002 through November, 2002. The electronic logbook pilot program recorded

- Number of fish caught (although pounds can be recorded instead, number of fish was more expeditious in this case)
- Number of fish discarded
- Number of crew
- Number of lines
- Number of hooks per line
- Date (when interfaced with vessel's GPS)
- Time (when interfaced with vessel's GPS)
- Location (when interfaced with vessel's GPS)

The second major goal of this project was to examine the feasibility of using an electronic logbook to record biological information on the catch that is retained and on the component that is discard. A final presentation was given to the Council and Snapper Grouper Advisory Panel at their December 2002 meeting and the results were well received by the fishermen involved, members of the Snapper Grouper Advisory Panel, and by Council members[6].

The objectives of the electronic logbook project undertaken in 2005 was to expand the initial electronic logbook pilot program in the South Atlantic Snapper Grouper fishery to determine whether electronic reporting is an effective method of data collection for all vessels and gear types in the fishery. Vessels were selected to participate in the project based on gear and size of the vessel. Vessels were also selected throughout the entire geographic range of the fishery to examine the demographics regarding electronic reporting at the effort level and the trip level, and if the system is best suited for mandatory census or strategic "study fleet" sampling in a full implementation. The goal of the project is to improve fishery dependent data collection in the South Atlantic Snapper Grouper fishery by collecting data that will be more accurate, timely and useful to scientists and managers in the decision making process; to ease the burden of reporting on fishermen; and to provide the information collected back to fishermen for their own use in making better business decisions.

By using the electronic logbook unit tied into a vessel's global positioning system (GPS), managers will have access to more detailed spatial resolution that will assist in identifying and addressing the impacts of management measures such as MPAs.

[6] The pilot project collected over four thousand data points representing nineteen commercial snapper grouper trips aboard two bandit vessels. Thirteen hundred catch observations were recorded representing just over five hundred anchor sets. Both landed catch and discards were recorded in numbers of fish for twenty-nine different species. In addition, the electronic logbook recorded nearly twice as many species landed per trip than the paper logs. The reason for this is most likely a result of recall error when filling out paper logs and the seafood dealer's practice of combining smaller quantities of fish of different species and reporting them as one.

Electronic logbooks will also improve the accuracy of data collection at the species level by allowing fishermen to report catch data at sea throughout a fishing day rather than reporting pounds of fish as determined by the dealer. The electronic logbook will also enable the collection of more accurate bycatch information by allowing the reporting of bycatch while at sea at the time of the actual discard. The electronic logbook also offers practical business benefits for the user (fishermen) in that all data that are recorded are available for the fishermen to analyze and see their data overlaid on nautical charts by species, by area, and by time period. They will also have the ability to see their own catch per unit effort statistics for different time periods.

This pilot program was funded again in 2004 and 2005 and applied to a larger number of vessels. Details regarding the best software and hardware to use for the snapper grouper fleet are still being determined. Thus far, several options have been tested[7].

It should be noted that all participants have found the charting capabilities of the P-Sea WindPlot software to be an excellent addition to their standard electronic navigation equipment. However, the use of these computer systems has not been without a few minor issues, considering the corrosive environment in which they have been deployed. There have been a number of hardware/software developments such as:

- 1 failed hard drive with a GoBook computer. The boot sector of the drive was faulty which was corrected by replacement of the drive by the manufacturer and re-installation of the operating system and software.
- 2 system crashes; one Comark system was short circuited and repaired by Comark, and one GoBook system failed due to faulty wiring. The GoBook was brought back online after a reinstallation of the operating system and software.
- 3 vehicle mount USB failures. Problem corrected by manually removing the back left bracket of the vehicle mount, which covered the GoBook USB port. This allowed access to the USB port on the laptop itself for the P-Sea WindPlot USB

[7] Boatracs and Skymate VMS units were used for electronic submission. Shoreside testing revealed that the Skymate unit had a transmission success rate of only 50% while the Boatracs unit had a 100% success rate. The cost for a Skymate unit is $1599 plus installation and activation costs compared to $3195 plus installation costs for the Boatracs unit.

Several laptop and tablet PCs were tested, but the best option for the money seemed to be Dell laptops (Dell Inspiron 2600, Latitude D505 and C640). Although susceptible to glare problems, there were no failures of these units during two year deployments in open and closed wheelhouses.

Of the e-logbook software considered (Thistle, Windplot, UNH) the UNH was used on a greater proportion of vessels as the Windplot software could not track simultaneous effort in fixed gear fisheries. The UNH software could capture simultaneous effort, but could not dissociate effort from trips (setting a trap on one trip and retrieving on another trip). This was dealt with by allowing manual entry of set times and haul durations. The Thistle software could not handle multiple species records for a haul, as it was developed for lobster fishing and only accommodated one species record.

Data were transmitted off the vessel and to an email address by VMS, and loaded to Oracle tables using a PLSQL script.

security key. The vehicle mounts continued to provide stability, security and power for the GoBook systems.

- 3 USB flash drive failures resulting in corrupted XML data files. New USB drives were issued to participants and data was re-submitted to PSGS staff.
- 2 P-Sea WindPlot USB security key failures. The USB keys were returned to P-Sea WindPlot and replaced with working keys.
- Many of these issues were minor and corrected quickly (within days). Troubleshooting of these issues was handled by PSGS staff, in conjunction with as needed support from system and software manufacturers. The most extensive technical issue caused by a power surge to the Comark system which was repaired within 2 weeks (Perot Systems, 2005).

Although not yet developed for the electronic logbook pilot programs in the South Atlantic, it has been suggested that electronic logbook data could be submitted via a VMS satellite transmission. This would enable real-time data collection.

Vessel Monitoring Systems (VMS)

VMS is required in the South Atlantic rock shrimp fishery. Also, VMS has been considered an alternative under Amendment 14 (MPAs), Amendment 15, the FEP Comprehensive Amendment. The Literature Summary on VMS (below) contains reasons for considering VMS in an LAP fishery as well as conditions necessary to minimally support a LAP-VMS.

Literature Summary on VMS

In the Enforcement section of the NMFS draft document "Design and Use of Limited Access Privilege Programs", the authors state the following regarding usage of VMS in LAP fisheries:

> Another tool that can be used in tandem with a real time data reporting system is to require a vessel monitoring system. VMS is an essential requirement to show the vessel was at sea, how long it was out, where it docked when it came to port, and the present vessel location. VMS is capable of understanding and recording small details of the ship's evolutions. It can document, for instance, specific course changes and engine speed changes by a vessel. Collectively, this pattern is termed a signature. At present there is not enough data to make a signature admissible in court as an indicator of fishing. Regardless, VMS technicians are trained to look at positioning data and other factors indicating potential fishing activity. An investigator can be dispatched to the landing site intercepting the vessel as it comes into port or even anchors in a remote area. If the captain and crew are believed to have illegally harvested a LAP species, the agent or officer can intercept the vessel. If, during the course of an initial investigation, a violation surfaces the agent or officer will bring the vessel to port, seize the catch and cite the errant fisherman.
>
> …Tracking locations of vessels via VMS is not unique to LAP-managed fisheries. Many other management strategies also have to deal with fishermen attempting to evade detection of illegal acts. Whether LAPS with VMS is superior in discouraging or mitigating the occurrence of evading detection of a landing without complementary AHP for the event is the correct question to be evaluated.

The authors summarize the conditions necessary to minimally support a LAP-VMS program:

1. All participant vessels are equipped with NMFS authorized VMS units;
2. The system must be operated 24/7 for 365 days a year;
3. Fishermen must present documented proof VMS is fully operational prior to receiving annual allocation;
4. Participants agree to return to port if VMS is dysfunctional as a condition of participation; and
5. Tampering with the VMS or power source supporting VMS must be prohibited.

Literature Summary for Monitoring

In the NMFS draft document "Design and Use of Limited Access Privilege Programs", the authors state that the effective management of LAP programs requires development and implementation of a highly accurate, timely, and well-documented catch accounting system.

The authors envision that the data would show a permanent record of an individual's landings and that these records would be entered, maintained, and fully accessible to authorized users. The landings data would show the "balance" available to land on the LAP permit, and the permit holder will therefore have a permanent record of his/her landings. They state that, at the same time, landing rates can be monitored and the system can be set to notify OLE if an overage is detected. In addition, they assert that the simpler the program design, the less complex its implementation will be. For example, restrictive eligibility and transferability rules can make it more complex to issue and keep track of LAP ownership.

LAP fisheries typically use some method to check that landings are being recorded accurately onto trip tickets or other landings recording method. Current NMFS methodology uses either shore side monitoring efforts which oversees landings and offloads by percentages (some percentage of vessel landings is observed) or as designed in the Gulf by electronic profile. In Alaska and New England, for instance, the goal is to check 15-20% of all offloads for accuracy. This is labor intensive, industry-wide, and performed by uniformed officers. In the Gulf, they have taken a different approach. The electronic IFQ system has a series of checks and balances incorporated into the process. Collectively, the information develops a profile. While any officer is free to check any vessel landing, its catch, and monitor the offload, there are no mandatory percentages. Rather the profiles themselves notify enforcement if something is potentially amiss. That way, a very limited number of law enforcement personnel can operate in what is essentially a "target rich environment" but the industry as a whole is not subjected to countless boardings which only confirm compliance. Sometimes, checking offloads for accuracy is conducted by a third party contracted by the management agency or fishermen, as is the case in the British Columbia LAPs.

References

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Discussion

However, it is recorded, this type of monitoring helps to ensure that landings do not exceed AHP holdings and that this information is recorded accurately. Currently, there is no monitoring type effort that does this for the South Atlantic commercial snapper grouper fishery. However, this may be a desirable design aspect to have built into a LAP. The background on current biological sampling, paper logbook, electronic logbook, and video monitoring (see above) can provide the Workgroup with some sense of capability and possible cost.

Monitoring

Option 1: Electronic logbook with VMS

Option 2: Video monitoring

Preferred Option 3: 100% video monitoring with "catch accountability" or full retention. The assumption is made that, in addition to its other functions, vessels could be tracked through recording of GPS coordinates with video monitoring.

Option 4: 100% video monitoring and VMS and "catch accountability" or full retention

Dockside verification would be needed for all options.

The LAP Workgroup requests that federal and other funding options be explored.

The LAP Workgroup recommends that a pilot program be conducted to test video monitoring as a data gathering and monitoring/enforcement tool. The LAP Workgroup would like the preferred option for monitoring to achieve three major objectives: 1) tracking discards; 2) individual catch accountability; and 3) enforceability. The LAP Workgroup requests that a pilot program be done prior to an LAP. If a pilot program shows that video monitoring is feasible and would likely be beneficial to the snapper grouper fishery, the LAP Workgroup would be open to video monitoring of the entire snapper grouper fleet or a portion of the fleet. Another option is to consider fazing in of video monitoring as necessary.

The LAP Workgroup feels that monitoring of discards is intrinsic to achieving better science for the fishery. This is the reason for supporting a video monitoring program with full retention or catch accountability. However, some LAP members predict that without funding assistance, only dealers will be able to afford video monitoring units on their vessels. There is concern that this could result in fishermen that currently own and operate their own vessels, having to fish for dealers and using the dealers' vessels.

P. Regional Considerations

Option 1: No regional divisions

Option 2: Area quotas similar to that done in BC

Option 3: State by state quota (similar to the way flounder is managed for NC) whereby the commercial quota is divided among states and the states manage as preferred

Option 4: Satisfy regionalization concerns through "sector allocations" or cooperatives currently allowed under law

Option 5: Limit transferability among different regions to prevent consolidation of quota to one region from another

Q. Regional Fishery Associations (RFAs) and Communities

Overview of Regional Fishery Associations

Regional Fishery Associations (RFAs) can use harvest privileges if the RFA is a voluntary association with established bylaws and operating procedures and consists of participants in the fishery who hold LAP shares. RFAs can include commercial or recreational fishing businesses, processing businesses, fishery-dependent support businesses, or fishing communities. In order to harvest privileges a RFA must meet eligibility and participation criteria laid out in the reauthorized Magnuson-Stevens Act. RFAs cannot receive an initial allocation of LAPs. However, they may acquire such privileges after initial allocation.

Currently, the MSA is the primary source for information on RFAs as this concept is new to the reauthorized act. More information on RFAs may become available as further guidance is provided on the LAPs provisions in the reauthorized MSA.

The term "regional fishery association" means, "an association formed for the mutual benefit of members (A) to meet social and economic needs in a region or subregion; and (B) comprised of persons engaging in the harvest or processing of fishery resources in that specific region or subregion or who otherwise own or operate businesses substantially dependent upon a fishery."

The reauthorized Magnuson-Stevens Act sets the eligibility requirements for RFAs. These criteria need to be met in order for a RFA to be eligible to harvest under a LAPP. The criteria include:

- Be located within the management area of the relevant Council;
- Meet criteria developed by the relevant Council, approved by the Secretary, and published in the Federal Register;
- Be a voluntary association with established by-laws and operating procedures;
- Consist of participants in the fishery who hold quota share that are designated for use in the specific region or subregion covered by the RFA, including commercial or recreational fishing, processing, fishery-dependent support businesses, and fishing communities;
- Not be eligible to receive an initial allocation of a LAP but may acquire such privileges of any LAP it holds or the annual fishing privileges that its members contribute; and
- Develop and submit a regional fishery association plan to the Council and the Secretary for approval based on criteria developed by the Council that have been approved by the Secretary and published in the Federal Register.

The MSRA act clearly outlines what Councils shall consider when determining participation criteria for eligible RFAs. They shall consider:

- Traditional fishing or processing practices in, and dependence on, the fishery;
- The cultural and social framework relevant to the fishery;
- Economic barriers to access to fishery;
- The existence and severity of projected economic and social impacts associated with implementation of limited access privilege programs on harvesters, captains, crew, processors, and other businesses substantially dependent upon the fishery in the region or subregion;
- The administrative and fiduciary soundness of the association;
- The expected effectiveness, operational transparency, and equitability of the community sustainability plan

According to the reauthorized MSA, "the Secretary shall deny or revoke limited access privileges granted…to any person participating in a RFA who fails to comply with the requirements of the regional fishery association plan."

Because RFAs are a new concept introduced as a part of the reauthorized MSA, there aren't any currently in operation. However, several fisheries that have harvesting cooperatives participating in them could potentially give some insight into how RFAs might work. A RFA may operate in a similar way to a harvest cooperative in that participants in the cooperative or RFA may pool their fishing assets in an effort to decrease costs associated with harvesting. That is, it appears that a RFA might be developed to decrease the number of vessels used and trips made to harvest a given number of pounds of fish. In this way, the fishermen or other entities participating in the

RFA would save the cost associated with the additional vessels typically used and number of trips typically taken.

Overview of Allocation of Quota to a Community

Fishing communities can receive harvest privileges if the communities are located within the Council management area, consist of residents that are dependent on fisheries for their livelihood, and meet certain eligibility and participation criteria specified in the reauthorized Magnuson-Stevens Act.

The term "fishing community" means, "a community which is substantially dependent on or substantially engaged in the harvest or processing of fishery resources to meet social and economic needs, and includes fishing vessel owners, operators, and crew and United States fish processors that are based in such communities."

The reauthorized Magnuson-Stevens Act (MSA) sets the eligibility requirements for fishing communities. These criteria need to be met in order for a fishing community to be eligible to harvest under a LAP program. The reauthorized MSA states that the fishing community shall:

- Be located within the management area of the relevant Council;
- Meet criteria developed by the relevant Council, approved by the Secretary, and published in the Federal Register;
- Consist of residents who conduct commercial or recreational fishing, processing, or fishery-dependent support businesses with in the Council's management area; and
- Develop and submit a regional fishery association plan to the Council and the Secretary for approval based on criteria developed by the Council that have been approved by the Secretary and published in the Federal Register.

Unlike Regional Fishery Associations (RFAs), the MSA does not prohibit fishing communities from being eligible for initial allocation nor does it specify that members of the "fishing community" hold quota share.

Participation is determined by the regional Council. The reauthorized MSA outlines what Councils shall consider when determining participation criteria for eligible fishing communities. They shall consider:

- Traditional fishing or processing practices in, and dependence on, the fishery;
- The cultural and social framework relevant to the fishery;
- Economic barriers to access to fishery;
- The existence and severity of projected economic and social impacts associated with implementation of limited access privilege programs on harvesters, captains, crew, processors, and other businesses substantially dependent upon the fishery in the region or subregion;

- The expected effectiveness, operational transparency, and equitability of the community sustainability plan; and
- The potential for improving economic conditions in remote coastal communities lacking resources to participate in harvesting or processing activities in the fishery.

According to the MSA, "the Secretary shall deny or revoke limited access privileges granted…for any person who fails to comply with the requirements of the community sustainability plan. Any limited access privileges denied or revoked…may be reallocated to other eligible members of the fishing community."

While there are not yet examples of "Fishing Communities" as defined in the reauthorized MSA a similar concept has been in use since June 1, 2004 for the Alaska halibut/sablefish fishery. The Alaska Community Quota program was created to preserve small fishing communities by allowing them to hold quota (through the formation of a non-profit corporation) and annually lease it to residents.

The Workgroup members request that qualification and allocation criteria for community quota and regional fishery associations are developed in Amendment 18, if such an amendment is developed for LAPs.

R. Comparisons Between Sector Allocation Programs, Regional Fishery Associations, and Harvest Cooperatives

Definitions

Sector Allocation programs and cooperatives are management strategies external to those included under Limited Access Privileges as defined in the reauthorized Magnuson-Stevens Act. Sector Allocation programs have been used in the Northeastern U.S. and have been defined as a group of persons who have voluntarily entered into a contract and agree to certain fishing restrictions for a specified period of time and which has been granted a TAC(s) in order to achieve objectives consistent with applicable FMP goals and objectives. Generally, quota is allocated to a sector or sectors based on aggregate catch histories of harvested stocks for vessels participating in the sector. Sector allocations are regulated through the regional Councils. Typically, the Council will require the sector to submit a management plan each year specifying how the sector's portion of the total TAC will be fished. While sectors sometimes consist of people using the same gear, this does not have to be the case. Sectors are often allowed to act as harvest cooperatives by coordinating their harvest activities.

Harvest cooperatives consist of a group of people voluntarily working together to harvest a portion of the TAC under the Fishermen's Collective Marketing Act. Harvest cooperatives enable cooperative members to coordinate harvest and other activities and thereby cut costs. Harvest cooperatives are typically also sectors with an allocation of the TAC they are allowed to manage with oversite. In this sense, sectors and harvest cooperatives are very similar. They are just regulated through different legislation.

Comparison

Regional Fishery Associations (as defined by the reauthorized MSA), like sectors, have both a group allocation (through the combined share allocations of its individual members) and, like cooperatives, have the ability to manage their harvest collectively. Sectors and harvest cooperatives require less time to develop than a regional fishery association and can be developed outside of a LAP. That is, sectors and cooperatives can be more quickly implemented than a LAP typically takes. However, a LAP is sometimes seen as a stronger harvest right than membership in a sector or cooperative. In addition, LAPs provide Regional Fishery Association members with a divisible and transferable asset. That is, members of a RFA will likely be able to sell their LAPs. Members of a sector or cooperative cannot sell their membership.

	Brief Description	**Part of an MSA LAP program?**	**Potential Benefits**	**Potential Drawbacks**
Sector Allocation Program	A group of persons who have voluntarily entered into a contract and agree to certain fishing restrictions for a specified period of time and which has been granted a TAC(s) in order to achieve objectives consistent with applicable FMP goals and objectives	No. Sectors, in this sense, are regulated through the regional Councils.	- Often seen as simpler and more responsive than traditional management - Allows for flexibility in when, where, and by whom quota is harvested - Some sectors have seen economic gain as a result of the sector - Fishermen have more security as a part of a sector than under traditional management - Sectors can also potentially help with marketing - Sectors can help end the "race to fish" if they are coupled with the formation of cooperatives - Monitoring and implementation costs can increase for fishermen	- Administrative time spent on setting up sectors, monitoring, and reporting requirements - Potential for added management burden (monitoring, enforcement, operation plan review) - Sectors have to organize and govern themselves - Sectors can be punished for actions of one fisherman - Monitoring and implementation costs can increase for fishermen - Alone, Sectors often do not result in large economic benefits to fishermen because of lack of transferability compared to individual LAPs
Harvest Cooperative	Groups of people voluntarily working together to harvest a portion of the TAC. This enables cooperative members to coordinate harvest and other activities and thereby cut costs.	No. Cooperatives are regulated through the Fishermen's Collective Marketing Act.	- Reduction in the cost associated with overcapitalized fleets For example, Pacific Whiting Conservation Cooperative shifted excess capacity out of the fishery and allowed more efficient operators	- Requires fishermen to spend time organizing themselves -May require fishermen to finance stricter monitoring methods

			to lease harvest shares from less efficient operators - Potentially allows for a reduction in the need for seasonal closures	- Cooperative can be punished for the actions of one fisherman - Lack of transferability compared to individual LAPs
Regional Fishery Association (RFAs)	Regional Fishery Associations (RFAs) can use harvest privileges if the RFA is a voluntary association with established bylaws and operating procedures and consists of participants in the fishery who hold LAP shares. RFAs can include commercial or recreational fishing businesses, processing businesses, fishery-dependent support businesses, or fishing communities. In order to harvest privileges a RFA must meet eligibility and participation criteria laid out in the reauthorized Magnuson-Stevens Act. RFAs cannot receive an initial allocation of LAPs. However, they may acquire such privileges after initial allocation. The term "regional fishery association" means, "an association formed for the mutual benefit of members (A) to meet social and economic needs in a region or subregion; and (B) comprised of persons engaging in the harvest or processing of fishery resources in that specific region or subregion or who otherwise own or operate businesses substantially dependent upon a fishery."	Yes. RFAs are formed after initial allocation.	**- Divisible, sellable asset** **- Beneficial to small scale fishermen that don't have enough allocation to fish themselves but still want to gain profit from their quota share** **- Have benefits associated with cooperatives, sector allocation, and individual privileges**	**- Likely to take a longer period of time to implement than sector allocation or a cooperative due to the need for initial allocation to individuals prior to RFA formation** - Requires fishermen to organize and manage themselves - Administrative time spent on setting up RFAs, monitoring, and reporting requirements - Potential for added management burden (monitoring, enforcement, operation plan review)

S. Real-time Data Collection

See above discussion of electronic logbooks.

Literature Summary
In the NMFS draft "Design and Use of Limited Access Privilege Programs" (forthcoming), the authors have included a section on enforcement in LAP fisheries. Part of this section discusses necessary rules to minimally support real-time data reporting:

1. Prior Notice of Landing (usually made 3-6 hours in advance);
2. Offload windows (usually 0600 to 1800);
3. Vessel clearance (when vessel leaves management area); and
4. Prohibitions on transshipment before landing (although there may be special circumstances where it could be allowed).

Preferred Option 1: Develop a system that will allow for real-time data collection.

T. Enforcement

Section 303A(c)(1)(H) of the MSRA of 2006 specifies that

> Any limited access privilege program to harvest fish submitted by a Council or approved by the Secretary under this section shall -
>
> > (H) include an effective system for enforcement, monitoring, and management of the program, including the use of observers or electronic monitoring systems.

Literature Summary
In the NMFS draft "Design and Use of Limited Access Privilege Programs" (forthcoming), the authors have included a section on enforcement in LAP fisheries. A portion of that section is included below. However, the entire section is included in Appendix C of this document. Dave McKinney, the author of the section on enforcement provides an overview of the importance of adequate enforcement and monitoring components in an LAP fishery. He writes,

> The success of a LAP program rests entirely upon the ability to track the owners of Quota Shares (QS), allocate the appropriate amount of Annual Harvest Privileges (AHP) that flow from the QS, reconcile landings against those AHP, and ultimately balance the collective figures against the total allowable catch (TAC).
>
> If this cannot be accomplished, both illegal landings and unlawful sales will be possible which, more than likely, will eventually destroy the program. These violations not only undermine management goals and objectives, they also erode the security of the privileges holder's interests in a LAP which is the core concept of the program. The LAP program will fail if the participants lose confidence in the government's ability to manage the program.

The remainder of the section on Enforcement in the NMFS draft "Design and Use of Limited Access Privilege Programs" (forthcoming) contains a detailed description of the need for a double-entry accounting system and the institutional structures that need to be

in place to support such a system. The document summarizes the necessary parts of a LAP monitoring program:

1. All landings are recorded immediately upon offload;
2. Participants and dealers have separate PINS;
3. Participants and dealers have separate accounts tracked by NMFS;
4. Participants can transfer annual allocations electronically;
5. No transaction is complete without a NMFS approval code;
6. The approval is required on all transportation and sales documentation;
7. While not always necessary, consideration should be given to the possibility of requiring observers and/or full retention policies; and
8. Consider flexibility of overage/payback policies for one-time/end-of-year AHP overages.

Enforcement

Option 1:

LAP Workgroup member, Paul Raymond, and NMFS Office of Law Enforcement have been asked to create a listing of enforcement regulations that would be appropriate for an LAP as outlined in this document.

U. Outreach Efforts

Informational Meetings

The LAPP Workgroup Outreach Sub-Committee held a brainstorming session in August 2007 regarding possible outreach efforts to help educate people about LAPs and the ongoing LAPP discussions taking place in the Council. Another discussion was held in September 2007 by the entire LAP Workgroup. Since then, the LAP Outreach Sub-Committee has updated the Workgroup on progress made.

As part of a LAP outreach effort, suggestions were made to hold informational meetings up and down the South Atlantic coast. These informational sessions would occur prior to any Council sponsored public hearings and would be held and organized by Sea Grant.

- Informational Forums - One round of informational forums that: 1) provides factsheets; 2) WG update; 3) overview of the final draft of the LAP Workgroup Working Document; and 4) real example of how an LAP might work with use of an Excel model using information from anonymous fishermen
  - Timeline: Yet undecided. Possibly in March/April
  - Locations: Florida (2 Jacksonville, Marathon), North Carolina (2 Hatteras, Washington, Newburn, Morehead City), South Carolina (Murrell's Inlet)

Publications

- One page factsheets for distribution summarizing options in the Draft Working Document that includes a discussion of initial allocation issues
- Factsheets that can be distributed to fishermen, customers, general public, etc.

Distribution

- Websites
- Paper copies distributed by LAPP Workgroup
- Paper copies distributed to all federal snapper grouper permit holders

Resources

- Sea Grant secures forums, contributes staff support, produce/distribute publications
- SAFMC staff support

Forum Organization

- Local industry representatives (Workgroup members) help organize meetings
    - Notice of the meetings come from Sea Grant and LAPP Workgroup members
    - 3-4 days notice

Outreach Sub-Committee Members

- Amber Van Haarten
- Scott Baker
- Ben Hartig
- Sean McKean
- Charlie Phillips

V. Other Options Suggested as Possible Alternatives to LAPs for Consideration

- Status quo
- Status quo with real time landings with the option for LAPs for certain species
- Distribution of transferable days at sea
- In an effort to reduce bycatch, require snapper grouper commercial fisherman to identify two months of each year during which they will not fish in order to reduce total discards.
- State by state quotas via "sector allocation"
- State by state quotas via a Council led amendment
- "Sector Allocation" as used in the Northeast U.S.
- Regional management for Onslow Bay, NC - trip limits, increased size limit on select species with good survivability, 2 month closure for select species during spawning cycle with no possession, self selection of three months to refrain from fishing entirely (originally proposed by Kenny Fex)
- Fishery Participation Requirement (5 in favor, 1 opposed, 3 abstaining)

Option 1: In one of the years (2005-2007) a permit holder must have landed 5000lb snapper grouper species.

Option 2: Three years with at least 5000lb landings of snapper grouper species 1995-2007.

Option 3: In one of the years (2005-2007) a permit holder must have landed 1000lb snapper grouper species.

Option 4: Three years with at least 1000lb landings of snapper grouper species 1999-2007.

The LAP Workgroup prefers the landings requirement eliminate permits without the associated landings specified above. The LAP Workgroup requests analysis on regional impacts of these options. The LAP Workgroup suggests a referendum or vote for a fishery participation requirement using a weighted vote.

Appendix A. Summary LAP Program Exploratory Workgroup Meeting Reports

SUMMARY REPORT
FROM THE LIMITED ACCESS PRIVILEGE PROGRAM EXPLORATORY WORKGROUP MEETING
Charleston, SC
April 24-26, 2007

The Limited Access Privilege Program Exploratory Workgroup met April 24-26 in Charleston, SC. **The Workgroup received presentations from the following people:**

1. Kate Quigley gave a presentation titled, "What are LAPs and How Do They Work?" The presentation gave an overview of common LAP terminology, and touched on when, where, why, and how LAPs are commonly used.
2. Gregg Waugh gave a presentation that provided an overview of the snapper grouper amendments currently under consideration by the Council.
3. Kate Quigley gave another presentation titled, "Summary of the Magnuson Stevens Fishery Conservation and Management Act and Limited Access Privileges (LAPs)". The presentation reviewed the language used in the reauthorized MSA pertaining to LAPs focusing on Council requirements when implementing an LAP.
4. Dietmar Grimm of Redstone Consulting Strategies gave a presentation titled, "LAP 101: Background Information on U.S. LAP Experience". The presentation provided the results of a study conducted by the consulting group. The study analyzed economic, environmental, and social results in ten existing U.S. federal LAPPs and Canadian LAPPs that share stocks with the U.S. LAPPs.
5. John Reed, NMFS staff and LAPP Workgroup member, provided an overview of the Gulf of Mexico Red Snapper Fishery ITQ including a detailed look at the web based online program used by Gulf red snapper fishermen to track real time landings and make quota and pounds transfers.
6. Kate Quigley provided an overview of the British Columbia Groundfish ITQ Program with focus on the hook and line sector in that fishery.
7. Gregg Waugh gave an overview of the Southeast Wreckfish IFQ. This presentation reviewed Amendment 5 as well as provided information on past transfers and changes in total landings and participation over time.
8. Gregg Waugh also gave an overview of the long-term commercial yields that could be expected from several snapper grouper species. This information was based on information presented in snapper grouper Amendment 15.

The Workgroup reviewed the Action Plan for Consideration of Limited Access Privileges for the South Atlantic Commercial Snapper Grouper Fishery including background information on the formation of the LAP Program Exploratory Workgroup

and a summary of why an LAP Program is being considered for the South Atlantic commercial snapper grouper fishery.

The Workgroup approved the following recommendations:

LAP Workgroup Recommendation #1. The LAP Exploratory Workgroup recommends to the LAP Program Committee that this group look at other options in addition to limited access privileges. The LAP Workgroup requests a response to this recommendation from the LAP Program Committee. This was a unanimous recommendation.

Approved by Workgroup

LAP Workgroup Recommendation #2. The LAP Program Exploratory Workgroup recommends Ben Hartig as Chair of the Workgroup. This was a unanimous recommendation.

Approved by Workgroup

LAP Workgroup Recommendation #3. The LAPP Program Exploratory Workgroup recommends Chops Cowdrey as Co-chair of the Workgroup. This was a unanimous recommendation.

Approved by Workgroup

In addition, the Workgroup made the following requests to Council staff:

1. Obtain copies of John Reed's and Dietmar Grimm's presentations and send to the Workgroup.
2. Gather more information on "regional fishery associations (RFAs)" and "community quota".
3. Prepare a detailed presentation on the use of cooperatives and RFAs for a future meeting.
4. Gather more information on whether leasing quota share for profit is legal.
5. Send Wreckfish Amendment 5 to workgroup.
6. Update log book data analysis and separate out snapper grouper unlimited and limited permits to show SG unlimited and limited permits engaged in active harvest.
7. Obtain NMFS LAP guidance document and distribute to workgroup.
8. Prepare side by side program design comparison tables for Wreckfish IFQ, Red Snapper IFQ, and Gulf Grouper IFQ.
9. Prepare commercial long-term optimal yield tables for snowy grouper, black sea bass, golden tile fish, vermillion snapper, red porgy, gag, and yellow tail with historical landings information for red snapper, greater amber jack, mutton snapper, hog fish, and mangrove snapper.
10. Make journal articles and FMPs specific to various IFQ programs available to workgroup online or in briefing book.

SUMMARY REPORT
FROM THE LIMITED ACCESS PROGRAM EXPLORATORY WORKGROUP MEETING
Key West, FL
June 12-13, 2007

The Limited Access Privilege Exploratory Workgroup met June 12-13 in Key West, Florida. **The workgroup received presentations from Dave McKinney (NMFS OLE) on the development of a LAP Program for the Gulf of Mexico Grouper Fishery. Gulf fishermen Wayne Werner, Bill Tucker, and David Krebs were also present to provide information about their experience in the Gulf Red Snapper IFQ and their involvement in development of the proposed Gulf Grouper IFQ.**

The workgroup made the following recommendations:

LAP Workgroup Recommendation #1. The LAP Exploratory Workgroup asks the LAP Program Committee that this group be allowed to include king and Spanish mackerel under LAP consideration in their discussions or the LAP Program Committee consider establishing a Mackerel LAP Program Exploratory Workgroup to discuss the possibility of a LAP for the king and Spanish mackerel fisheries given the likelihood of increased fishing pressure on the mackerel fisheries if a snapper grouper LAP is implemented. There were views expressed by some on the LAPP Exploratory Workgroup regarding whether this should be a recommendation or not. Some Workgroup members expressed that several fishermen in the Florida Keys, in particular, did not want an LAP for the mackerel fishery.

Approved by Workgroup

LAP Workgroup Recommendation #2. The LAP Program Exploratory Workgroup recommends that the LAP Program Committee extend the deadline for inclusion of a longline fisherman on the LAP Program Exploratory Workgroup.

Approved by Workgroup

LAP Workgroup Recommendation #3. The LAP Program Exploratory Workgroup recommends that the LAP Program Committee allow for a fisherman from the Florida Keys to serve on the LAP Program Exploratory Workgroup.

Approved by Workgroup

SUMMARY REPORT
FROM THE LIMITED ACCESS PRIVILEGE PROGRAM EXPLORATORY WORKGROUP MEETING
North Charleston, SC
August 1-2, 2007

The Limited Access Privilege Program Exploratory Workgroup met April 1-2 in Charleston, SC. **The Workgroup received presentations from the following people:**

- **Bob Spaeth**, guest speaker and executive director of the Southern Offshore Fishing Association, provided an overview of his experience with the Gulf Red Snapper IFQ and his participation in the work of the Gulf Grouper IFQ Advisory Panel. He offered several points to discuss when considering an IFQ for the South Atlantic fishery, spoke in detail about a buyback proposal he helped develop for the Gulf Grouper fishery, and gave an overview of the referendum that was held to vote on industry approval for the Gulf Red Snapper IFQ.
- **Lee Green** and **Dietmar Grimm** of Redstone Strategy Group provided a presentation titled "Preliminary analysis of potential impacts of a LAPP in the South Atlantic Snapper Grouper Fishery (SASG)". They hope to present final results at the September meeting of the LAP Program Exploratory Workgroup.
- South Carolina Seagrant extension agent **Amber Von Haarten** and North Carolina Seagrant extension agent **Scott Baker** led a discussion on possible outreach efforts the LAP Program Exploratory Workgroup would like conducted in order to better inform the public about LAPs and the work of the LAP Program Exploratory Workgroup. Both are members of the LAP Workgroup. The discussion led to formation of an Outreach Sub-Committee with the following members:

    - Amber Von Haarten
    - Scott Baker
    - Ben Hartig
    - Charlie Phillips
    - Sean McKean

  Mark Marhefka and Doug Gregory were also mentioned as possible subcommittee members but were not present at the LAP Workgroup meeting to give their approval. They may be added at later time.

  The Outreach Sub-Committee met following the close of the LAP Workgroup Meeting. The sub-committee will report back to the LAP Workgroup at the September meeting regarding progress made.

The Workgroup reviewed

- The updated LAP Program Exploratory Workgroup Draft Working Document;
- An update on several data requests made by the LAP Workgroup including:
    - GIS mapping of the geographical dispersion of permits based on ownership address and vessel homeport;
    - Historical landings data by permit type; and
    - Analyses based on allocation options identified in LAP Workgroup Draft Working Document;
- An example of how an individual and aggregate species quota might work for a commercial South Atlantic snapper grouper LAP. This example was provided by NMFS staff Jason Reuter and Jack McGovern; and
- The Council's website where an LAP Workgroup page has been added which has biographies and pictures of Workgroup members. The webpage also has previous meeting minutes and briefing book materials.

The Workgroup discussed

- Development of options for
    - Quota and pounds transferability;
    - Caps on quota ownership and control; and
    - Individual overage and underage provisions.

For each issue mentioned above a two page factsheet was provided that included definitions of terms, MSA Reauthorization Act of 2006 language, and summary of literature pertaining to each issue.

The Workgroup approved the following recommendations:

LAP Workgroup Recommendation #1. The LAP Workgroup recommends that the LAP Program Committee request NOAA General Counsel to provide information on the legality of aggregate quotas and rollover provisions including but not limited to those as they are defined in the LAPP Working document.

Approved by Workgroup

SUMMARY REPORT
FROM THE LIMITED ACCESS PRIVILEGE PROGRAM EXPLORATORY WORKGROUP MEETING
North Myrtle Beach, SC
September 18-19, 2007

The Limited Access Privilege Program Exploratory Workgroup met September 18-19 in North Myrtle Beach, SC. **The Workgroup received presentations from the following people:**

1. South Carolina Seagrant extension agent and Workgroup member **Amber Von Haarten** and North Carolina Seagrant extension agent and Workgroup member **Scott Baker** provided the Workgroup with an update on the activities of the LAP Workgroup Outreach Sub-Committee and led a discussion on possible timing for holding Sea Grant organized informational meetings along the South Atlantic coast regarding LAPs and the work of the LAP Workgroup.
2. **Paul Raymond, Manny Antonaras,** and **Beverly Lambert** of NMFS Office of Law Enforcement provided presentations on various aspects of NMFS law enforcement. Paul Raymond provided an overview of the role and activities of law enforcement personnel in the South Atlantic region. Manny Antonaras provided a detailed overview of law enforcement activities in the Gulf of Mexico red snapper IFQ program. Beverly Lambert provided a presentation on the current usage of Vessel Monitoring System (VMS) in the southeast region.
3. Lee **Green** and **Dietmar Grimm** of Redstone Strategy Group provided a presentation titled "South Atlantic Snapper Grouper LAPP Options: Preliminary Economic and Design Input". This presentation reported on the potential economic impact of an LAP program for the South Atlantic snapper grouper fishery, including a comparison of a LAP program to the traditional management scheme, sensitivity analysis, and a range of example fishermen profiles to understand how different types of fisherman are affected by a LAP program. The analysis was based on a financial model built from over 30 South Atlantic snapper grouper fishermen interviews combined with additional research.
4. NMFS staff member and Workgroup member **John Reed** and Council staff member **Kate Quigley** provided the Workgroup with an overview of the data being used to analyze various initial allocation scenarios under a possible LAP.
5. **John Reed** provided the Workgroup with a presentation on real time data collection. The presentation included background on the need for a real time data collection program for a fishery managed under LAPs.

The Workgroup approved the following recommendations:

Recommendation #1: The LAP Workgroup requests that the LAP Committee discuss the issue of making full landings history associated with a permit available to current permit holders.

Approved by Workgroup

Recommendation #2: The LAP Workgroup requests that the LAP Committee make limited snapper grouper permit holders eligible to participate in a possible LAP but disallow transferability of limited snapper grouper permits. The retired quota share resulting from retirement of the limited permits should be reallocated for new entrants or reallocated to remaining unlimited quota share holders.

Approved by Workgroup

In addition, the Workgroup provided the following guidance or made the following requests:

1. The Workgroup requested 1-2 additional meetings be held in January/February in order to complete the task of the LAP Workgroup. The additional meetings would allow the Workgroup to focus on exploration of regionalization of LAPs, regional fishing association (RFA) options, and community quota options.
2. Workgroup members requested detailed information on costs to fishermen associated with the GOM Red Snapper IFQ.
3. Workgroup members requested that Paul Raymond and NMFS Office of Law Enforcement staff prepare a blueprint for enforcement design for a possible South Atlantic snapper grouper LAP for presentation at a future meeting. Landings data by state would be provided by Council staff and/or John Reed to Paul Raymond in order to help him better gauge possible enforcement needs under a LAP.
4. Workgroup members requested that John Reed prepare a blueprint for real time data collection design for a possible South Atlantic snapper grouper LAP for presentation at a future meeting.
5. Workgroup members requested that the outline for analysis of possible initial allocation methodologies be emailed to the Workgroup so that they can comment on them.

SUMMARY REPORT
FROM THE LIMITED ACCESS PRIVILEGE PROGRAM EXPLORATORY WORKGROUP MEETING
North Charleston, SC
October 16-17, 2007

The Limited Access Privilege Program Exploratory Workgroup met October 16-17 in North Charleston, SC. **The Workgroup received presentations from the following people:**

6. South Carolina Seagrant extension agent and Workgroup member **Amber Von Haarten** and North Carolina Seagrant extension agent provided the Workgroup with an update on the activities of the LAP Workgroup Outreach Sub-Committee.
7. **Bruce Turris**, Director of the industry funded Canadian Groundfish Research and Conservation Society in British Columbia, provided the LAP Workgroup with an overview of the various IFQ programs developed for the British Columbia groundfish fisheries.
8. NMFS staff member and Workgroup member **John Reed** provided the Workgroup with an overview of the data being used to analyze various initial allocation scenarios under a possible LAP as well as some results of that analysis.

The LAP Workgroup made various recommendations regarding LAP characteristics that will be incorporated into the LAP Workgroup Working Document including years to use for initial allocation, species to include in an LAP program, data sources to use for initial allocation, minimum level of landings required for LAP participation, and details regarding trip limited permits, 2 for 1 permit transactions history, and initial allocation methodology characteristics.

The Workgroup made the following requests:

1. Request SAFMC staff to prepare a document describing what commercial fishermen are looking at in the near term; run this document through the LAPP Outreach Workgroup, Kim Iverson, and the I & E AP. Also get input from the LAPP Workgroup. Timing: have ready for LAPP Workgroup to review at their December 2007 meeting.
    a. ACLs
    b. Lower commercial quotas which means shorter commercial seasons
    c. Level of productivity of SAFMC snapper grouper resources
2. NC Sea Grant has produced DVDs and the Outreach Subcommittee asked whether a DVD on LAPPs should be produced. This was not resolved at the meeting.
3. The LAP Workgroup would like the dates for the January and February meetings asap.

4. When historical landings figures are produced, an overlay of regulations and number vessels reporting should be added to this analysis.
5. Requested John Reed prepare initial allocation analyses to be distributed prior to the December 2007 meeting.
6. Requested analysis of permits that were purchased under the 2 for 1 provision and examine the level of landings produced and the catch history of purchased permits. Report back at the December 2007 meeting.
7. Council staff are to work with John Reed to ensure:
    a. Data from 1995-2006 for the species identified are provided by the SEFSC in time for John to complete the analyses prior to the December 2007 meeting.
    b. Help find the additional resources to get the programming done to allow calculation of the individual best of years analyses.
8. Council staff should let NMFS know that fishermen will be contacting them about getting their logbook data.

SUMMARY REPORT
FROM THE LIMITED ACCESS PROGRAM EXPLORATORY WORKGROUP MEETING
Atlantic Beach, NC
December 6-7, 2007

The Limited Access Privilege Exploratory Workgroup met December 6-7 in Atlantic Beach, North Carolina.

The Workgroup received presentations from:

Gregg Waugh, Council staff, in a presentation titled, "What's next for snapper grouper management? or What's the status quo expectations?" The presentation provided Workgroup members an overview of the various amendments being worked on and future commercial quotas for various species.

Eileen Dougherty, Environmental Defense, in a presentation on "sector allocation" programs implemented in the Pacific (Whiting fishery), North Pacific (Alaskan pollack), and New England (Cape Cod Hook Sector).

Kate Quigley, Council staff, in a presentation on fishing cooperatives with focus on the Pacific Whiting Conservation Cooperative, Pollack Conservation Cooperative, and the Chignik Seafood Processors Alliance.

Kate Quigley also presented the Workgroup with information about quota distribution to communities and Regional Fishery Associations, as defined in the reauthorized Magnuson Stevens Act.

Scott Crosson on the results of a survey to North Carolina fishermen regarding the potential for an LAP for various North Carolina fisheries.

The Workgroup discussed:

Various characteristics of LAPs and continued to develop options for a possible commercial snapper grouper LAP. They discussed a referendum, cost recovery, use or lose provisions, individual overage and underage provisions, Regional Fishery Associations, sector allocations, community quota, and aspects of initial allocation.

The committee made the following request:

Request #1: Doug Gregory requests that Sherry Larkin replace him as a proxy at the January and March meetings of the LAP Workgroup.

SUMMARY REPORT
FROM THE LIMITED ACCESS PROGRAM
EXPLORATORY WORKGROUP MEETING
North Charleston, SC
January 15-16, 2008

The Limited Access Privilege Exploratory Workgroup met January 15-16 in North Charleston, South Carolina.

The Workgroup received presentations from:

Kate Quigley, Council staff, on potential outcomes from initial allocation methodologies and eligibility requirements identified as options in the LAP Working Document. The presentation showed distribution graphs and histograms of quota share holdings under two different scenarios as well as tables on highest quota shares by species. **Andi Stephens**, Council staff, ran the calculations for the analyses.

Kate Quigley also gave a presentation on how a LAP, as described by the LAP Workgroup in their Working Document, might affect a fictitious individual with the use of an Excel model. Fishermen were able to type in historical landings to see what quota share and pounds are implied by different initial allocation methodologies. Andi Stephens ran calculations for this model.

The Workgroup discussed:

Various characteristics of LAPs with a focus on initial allocation and continued to develop options for a possible commercial snapper grouper LAP.

SUMMARY REPORT
FROM THE LIMITED ACCESS PROGRAM
EXPLORATORY WORKGROUP MEETING
North Charleston, SC
February 12-13, 2008

The Limited Access Privilege Exploratory Workgroup met February 12-13 in North Charleston, South Carolina.

The Workgroup received presentations from:

Paul Parker and **Eric Hesse**, on sector allocation programs as used in the North East. Paul Parker and Eric Hesse described the formation, operation, benefits and drawbacks of the sector allocation programs based on their experience with the Cape Cod Hook Sector and Longline Sector.

Kate Quigley, Council staff, on potential outcomes from initial allocation methodologies and eligibility requirements identified as options in the LAP Working Document. The presentation showed tables with different potential eligibility requirements for distribution of quota share. **Andi Stephens**, Council staff, ran the calculations for the analyses.

The Workgroup discussed:

Wording to be included in the final draft of the LAP Exploratory Workgroup Working Document.

Reference Tables and Graphs

	Pounds Whole Weight		Rec/Com	OY Rec	OY Com	Com	Long-term	% Gain or	Avg. Catch	%Gain/Loss
Species	MSY	OY	Allocation	Allocation	Allocation	Quota	Gain to OY	%Loss	1999-2003	from OY
Snowy Grouper	313,056	303,871	5%/95%	15,194	288,677	99,000	189,677	192%	251,380	15%
Golden Tilefish	336,425	326,554	2%/98%	6,531	320,023	331,000	-10,977	-3%	391,448	0%
Vermilion Snapper*	2,699,957	2,560,471	32%/68%	819,351	1,741,120	290,599	1,450,521	499%	984,231	77%
Black Sea Bass**	2,777,825	2,742,551	57%/43%	1,563,254	1,179,297	409,000	770,297	188%	510,082	131%
Red Porgy	625,699	608,099	50%/50%	304,050	304,050	132,000	172,050	130%	53,914	464%
Gag Grouper	1,460,840	1,436,060	49%/51%	703,669	732,391	353,940	378,451	107%	546,400	34%
Red Snapper									150,482	
Greater Amberjack									669,485	
Mutton Snapper									161,571	
Yellowtail									1,645,116	
Red Grouper									544,964	
Scamp									381,856	
Gray Snapper									232,404	
White grunt									262,596	
Gray Triggerfish									288,618	
Queen Triggerfish									2,989	
Blueline Tilefish									198,246	

Note: This is a rough working draft table. Please do not reference without Council staff approval.

	Southeast Wreckfish Fishery	Gulf of Mexico Red Snapper IFQ Fishery	Gulf of Mexico Grouper IFQ Development (Under Consideration – AP Preferred Options)
PROGRAM OBJECTIVES	- Develop a mechanism to vest fishermen in the wreckfish fishery and create incentives for conservation and regulatory compliance whereby fishermen can realize potential long-run benefits from efforts to conserve and manage the wreckfish resource. - Provide a management regime which promotes stability and facilitates long-range planning and investment by harvesters and fish dealers while avoiding, where possible, the necessity for more stringent management measures and increasing management costs over time. - Develop a mechanism that allows the marketplace to drive harvest strategies and product forms in order to maintain product continuity and increase total producer and consumer benefits from the fishery. - Promote management regimes that minimize gear and area conflicts among fishermen. - Minimize the tendency for overcapitalization in the harvesting and processing/distribution sectors. - Provide a reasonable opportunity for fishermen to make adequate returns for commercial fishing by controlling entry so that returns are not regularly dissipated by open access, while also providing avenues for fishermen not initially included in the limited entry program to enter the program.	- To promote a flexible, dynamic, year-round fishery; - Recover the fishery to a healthy bio-mass - Reduce over capitalization of the fishery - Rationalize the Fleet size - To promote safe fishing operations - Enhance enforcement capabilities - To enhance business planning and financial stability; - Prevent monopolies - To foster improved relations between environmentalists, commercial fishermen, and recreational fishermen.	Prioritized Objectives[8] - Develop regulations that provide for a flexible and dynamic fishery. - Provide the opportunity for a year-round fishery. - Protect participation of small scale fishermen and prevent monopolies. - Provide for healthy grouper resources for the commercial fishery and the consumer market and provide incentives to protect and enhance grouper stocks. - Enhance business planning and financial stability. - Multispecies IFQ for the whole grouper fishery. - Implement business compatible incentives to minimize bycatch and regulatory discards mortality. - Promote safe fishing operations; - Create opportunities for new entry fishermen to enter the industry. - Foster improved relations between sectors, including environmentalists, commercial fishermen, and recreational fishermen.
YEAR OF IMPLEMENTATION	March 1992	2006	Expected year of implementation - 2009
DEVELOPMENT & IMPLEMENTATION PROCESS	2 years	1 year	Development Stage - 2 years
SPECIES UNDER	Wreckfish	Red snapper	Establish a **Deep Water Grouper aggregate IFQ share** (yellowedge

IFQ			grouper, Warsaw grouper, snowy grouper, misty grouper, DWG scamp, and speckled hind) and a **Shallow Water Grouper aggregate IFQ share** (red, gag, black, yellowmouth and yellowfin groupers, red hind, rock hind, and SWG scamp).
VESSELS PRIOR TO IFQ	80	765	1005
INITIAL ALLOCATION - Initial recipient	Vessel owners	Class 1 and Class 2 red snapper license holders	Gulf Reef Fish permit owners who have average annual grouper landings from logbooks during the qualifying years of at least 1, 100, or 500 lbs.
- Eligibility for participation	Landed 5000 lbs in aggregate 1987-90	Current GOM Reef Fish Vessel permit for the shareholders Current GOM Reef Fish Dealers permit for the Dealers	
- IFQ units and initial allocation of units	Shares; 50 of the 100 shares were divided equally among participants. The other 50 shares were divided based on participants historical catch (1989-90) divided by the total catch of all participants over the same period. Coupons are used to represent shares.	Shares were distributed based on historical fishing effort for Class 1 (1990-2004, average of best 10 consequent years) and Class 2 (1998 – 2004, average of best 5 years) license holders	Shares; Allocate initial IFQ shares proportionally among eligible participants based on average annual landings from logbooks associated with their current license(s) during the time period 1999-2004 and allow permit holder to drop 1 year.
- Concentration limits (caps) - Maximum	Initially, 10%. After that, federal laws limit concentration.	No shareholder can own more than 6.3% collectively. Minimum Share value is 0.0001%	Various options considered including: 1) no constraint on the number or amount of shares that can be owned by a participant; 2) for any single fishing year, no person shall own shares which compromise more than (options: 1, 2, and 5 percent considered as well as the maximum amount initially distributed to any shareholder (~3.5 percent)). It is also an option for those with more than the maximum cap be grandfathered in); and 3) a system of unblocked and blocked shares is also being considered whereby share holders will be issued unblocked shares if their initial IFQ shares are greater than or equal to 20,000 pounds. Initial IFQ shares totaling less than 20,000 pounds will be issued a single block to each fisherman. Blocks can be consolidated to a max size of 10,000 pounds. An IFQ shareholder may own no more than two blocks or one block in addition to unblocked IFQ shares.
- Minimum	None, after initial allocation requirements		None, after initial allocation requirements.
APPEALS PROCESS	An Application Oversight Committee considered requests from persons wishing to contest initial allocations based on improper calculations or determinations based on documentation submitted with the	Fishermen were allow to appeal catch histories based on logbooks only – no hardship appeals. In the event that the SEFSC did not have supporting logbooks, the Fisherman could submit any	Fishermen allowed to appeal distribution of IFQ shares based on evidence of errors in logbook data. The Regional Administrator will review, evaluate, and render final decision on appeals. Filing an appeal must be completed within 90 days of the effective date of the final regulations implementing the IFQ program. Hardship arguments will not be considered. Landings records appeals will be based on NMFS' logbooks. If NMFS' logbooks are not

	application. Hardship circumstances were not considered.	documentation required by NOAA Fisheries or States (17 Fishermen appealed their histories, 14 appeals were upheld, 0.8776% shares were awarded.)	available; state landings records or data can be used.
MONITORING and ENFORCEMENT			
- Other regulations used	Closed spawning season from 1/15-4/15; bottom longlines prohibited	13 inches min size limit	Size limits
- Who monitors and enforces	Coast Guard, NOAA Fisheries OLE, JEA (Joint Enforcement Agreement with the States)	Coast Guard, NOAA Fisheries OLE, JEA	Coast Guard, NOAA Fisheries OLE, JEA
- Monitoring methods	Coupons, trip tickets, logbooks	Dockside enforcement, trip tickets, logbooks	Trip tickets, logbooks, dockside enforcement - IFQ landings would be required to be offloaded at permitted IFQ dealers between 6am and 6pm daily. Persons landing IFQ catch would be required to notify NMFS Enforcement at least three hours in advance of the time of landing and of the dealer where landing would occur. At sea or at dockage transfers of fish on board IFQ vessels would be prohibited; logbooks; VMS; trip tickets.
FLEXIBILITY MEASURES			
-Rollover (banking/borrowing) allowances	None	New Fisherman can enter the Fishery on an annual basis if they possess a GOM Reef Fish vessel permit New Dealers can enter the Fisheries with a GOM Reef Fish Dealer's Permit	**Banking and borrowing** - Allow banking of annual allocation by individuals up to 5, 7.5, 10, and 15 percent. There is also an option to add some percentage annual interest to allocations that remain unused for more than one year. Various options for borrowing are being considered including: 1) Allow borrowing against the following year's allocation during various parts of the fishing year (options: anytime; last 6 months; last two months; last 45 days of the fishing year); 2) IFQ shares/allocations can not be transferred until outstanding debts are paid or deducted from holdings in full; 3) Allow borrowing of annual allocation by individuals up to 5, 7.5, 10, and 15 percent. There is also an option to add some percent penalty to all allocations borrowed.
- Aggregate shares	NA	N/A	**Aggregate shares** - Two options were provided: 1) allow a red grouper/gag aggregate share using proportion (options: 2.5, 5, 7.5, 10 percent) of each fisherman's allocation of red grouper and gag individual species shares; 2) allow a black grouper/gag aggregate share using proportion (options: 2.5, 5, 7.5, 10 percent) of each fisherman's allocation of black grouper and gag individual species shares.
- Deemed value	None	$12 million collected	**Deemed Value** – Two options were provided: 1) establish a deemed value program to charge fishermen who land grouper for which they have no annual allocation remaining a) with charges at (options: 40, 50, 60 percent) of the (options: current dockside prices paid by species, annual average dockside prices paid by species); b) an additional charge added for any

			species that is under a rebuilding plan or is undergoing overfishing; c) annual use of deemed value for any IFQ share types for an IFQ share holder shall not exceed (options: 2.5, 5, 7.5, 10 percent); 2) the use of deemed value may occur (options: anytime during the fishing year, only during the last six months of the fishing year; only during the last two months of the fishing year; only during the last 45 days of the fishing year).
- Species annual allocation exchanges	NA	None	**Species Annual Allocation Exchanges** – One option with three suboptions was provided: Establish species exchange rates for grouper allocations where 1) Species will be based on a) annual average prices paid by IFQ share type; b) current market prices by IFQ share type; and c) include an added charge (user fee) of (options: 1, 2, 5 percent); 2) Annual exchanges between any two IFQ share types for an IFQ share holder cannot exceed (options: 2.5, 5, 7.5, 10 percent); 3) an additional charge will be added for any species that it under a rebuilding plan or is undergoing overfishing.
- Retrospective Balancing	None		**Retrospective Balancing** – An IFQ shareholder may land grouper in excess of owned annual allocation under the following conditions: 1) the overage is resolved within (options: 15, 30 days); 2) retrospective balancing may occur (options: anytime during the fishing year; only during the last six months of the fishing year; only during the last two months of the fishing year; only during the last 45 days of the fishing year); 3) IFQ shares/annual allocations can not be transferred until outstanding IFQ share or annual allocation debts are paid or deducted from holdings in full; 4) Overages by IFQ share type do not exceed (options: 5, 7.5, 10, 15 percent or if retrospective balancing does not occur by the end of the year, add a percentage penalty to all allocation borrowed).
QUOTA MARKETS - Quota transferable?	Yes	Shares are transferable to other Shareholders or Fisherman with a GOM Reef Fish vessel permit for the first 5 years, to any US citizen or resident alien after 5 years.	Yes. IFQ share/annual allocations can be transferred only to individuals/vessels with a valid commercial reef fish permit. Eligible individuals must be persons, who are U.S. citizens or permanent resident aliens. (Note: The Reef Fish Permit has a commercial fishery income requirement every other year. Anyone who wants to get into the commercial grouper fishery will be able to do so by buying any Reef Fisher permit and then purchasing IFQ share.)
- How are quota transferred?	Quota shares can be transferred with the prior approval of NMFS	Shares are transferred via a signed and notarized Application for Share Transfer that has to be approved by NOAA Fisheries. Allocation is transferred online only and in real time.	
- Use it or lose it provisions	None	None specified; however unused allocation is lost at the end of the calendar year.	Any IFQ shares that remain inactive (two options: less than 30 or 50 percent annual average harvest of IFQ shares over a three year moving average period, except in case of death or disability) for three years will be revoked and redistributed proportionally among remaining shareholders.
ADMINISTRATION - Roles	NMFS administers coupons annually and tracks share transactions.	NMFS establishes new Fisherman into the program and tracks quota usage by participants.	

- Remaining challenges	Since implementation, fishery participation has declined as has share transfer activity. Documenting why this has occurred will be important to future IFQ development in other fisheries.	3-hour notification improvements	
ADJUSTMENTS IN COMMERCIAL TACS	Council and NMFS set TAC	Council and NMFS set TAC	Council and NMFS set TAC. Allocate adjustments in the commercial quota proportionally among recognized IFQ shareholders (e.g., those on record at the time of the adjustment) based on the percentage of the commercial quota each holds at the time of the adjustment.
FINANCING	When implemented, the Council believed that portions or all of management and administrative costs should be recovered from IFQ holders.	Internal funding augmented by a 3% cost recovery fee	Three options for cost recovery were offered: 1) No IFQ cost recovery plan will be implemented; 2) All IFQ cost recovery fees shall be the responsibility of the recognized IFQ shareholder. IFQ cost recovery fees will be calculated at the time of sale of fish to the registered IFQ dealer/processor. The fee collection and submission shall be the responsibility of a) the IFQ shareholder; b) the IFQ dealer/processor. The collected fees would be submitted to NMFS a) quarterly; b) at the end of each month along with logbook records. The cost recovery fee will be based on a) the actual[9] ex-vessel value of the grouper landings; b) the standard[10] ex-vessel price of the grouper landings as calculated by NMFS. A Registered IFQ Dealer/Porcessor Ex-Vessel Value report (IFQ Buyer report) from each IFQ registered buyer who operates as a shore-side processor and purchases IFQ red snapper would be a) required (options: quarterly; annually); b) not required; 3) All IFQ cost recovery fees will be withheld at the beginning of each fishing year as a percentage of the annual allocation to each IFQ share holder. NMFS will disburse the annual allocation back to eligible IFQ shareholders through auctions, transfers through brokers, or other means.
PROCESSING SECTOR - Were processors allocated IFQ? - Other info	Processors were issued shares if they owned vessels Dealers were required to obtain a federal wreckfish dealer's permit. To obtain this, dealers had to own a state wholesaler's permit and a physical facility at a fixed location where the state permit was held.	GOM Reef Fish Dealers were assigned user accounts and can participant in the program.	