

WRECKFISH SHAREHOLDING ADJUSTMENT

PURPOSE: When the Wreckfish ITQ program was implemented in 1992, a TAC was set at 2 million pounds. The fishery has changed significantly over the last two decades and currently there are approximately 25 shareholders but only a handful of active participants. The effort of these fishermen make up almost all of the last few years of landings, but their shareholdings do not make up the majority of the wreckfish TAC.

The SSC set the wreckfish ABC based on landings only because there is not a proper stock assessment for wreckfish (the fish are from a trans-Atlantic stock, rendering a regional assessment unhelpful). Because of this ABC, the ACL is set at 250,000 lbs, an 87% decrease from the current TAC. With this significant change in the TAC, a shareholder's percentage of the ITQs will have a very different meaning in terms of annual pounds (coupons) that he/she will receive with the new ACL. This is will especially impact active fishermen, crew, and fish houses that depend on a certain operation size based on wreckfish landings.

OVERALL GOAL: To adjust the distribution of wreckfish shares to remove latent effort and allow continuation of the fishery.

STEP 1: ELIMINATE INACTIVE SHARES

Define "inactive"

Options:

- a) Shares that belong to a shareholder that have reported landings of > [amount] in [qualifying period]
- b) Shares of which coupons have not been used or leased in [qualifying period]
- c) Shares of a deceased shareholder
- d) Shares of shareholders who are not able to be contacted for [qualifying period]

STEP 2: REDISTRIBUTE SHARES

A

Equal reallocation of reverted shares among all remaining shareholders

Shareholders of retracted shares would not be eligible for the reallocation. All other shareholders would receive the same number of shares, to be based on number of retracted shares and number of remaining shareholders.

PROS

- Fastest and easiest way to reallocate

CONS

- Does not consider historical participation
- Will not be sufficient proportions for some fishermen to maintain operation size

B

Reallocation of reverted shares based on share holdings

After inactive shares are removed, individual proportions of the remaining shares would be recalculated. Each shareholder would receive shares representing what percentage he/she holds relative to the new number of valid shares.

PROS

- All shareholders' proportions would increase.

CONS

- May not be sufficient proportions for some fishermen to maintain operation size
- Larger shareholders would receive even larger shareholdings

C

Reallocation of reverted shares based on landings from [qualifying period]

All reverted shares allocated to remaining shareholders based on a specified catch history. This would give the most active fishermen most of the shares.

PROS

- All shareholdings would increase
- Would allow active fishermen to maintain operation size and fishing effort

CONS

- Gearing-up fishermen would be excluded from receiving additional shares

D

Reallocation of all shares based on landings from [qualifying period]

All shares would be taken away from all shareholders and reallocated based on a specified catch history. This would give the most active fishermen most of the shares, and eliminate inactive shares.

PROS

- Would allow active fishermen to maintain operation size and fishing effort

CONS

- Gearing-up fishermen would be excluded completely

Other ways to get shares to fishermen who will fish them (see Appendix):

E) Auction

F) All-in auction

G) Community quota

STEP 3: PROGRAM MAINTENANCE

A

Voluntary Community Coupon Bank

Shareholders can donate annual pounds (coupons) to a quota that would be accessible to other shareholders.

- Could require small fee for access to the quota, which could be used for administrative costs
- As an incentive, donated coupons are considered "active" [see below]

PROS

- Active shareholders have access to group quota
- Donating shareholders would not lose shares
- Provides flexibility for shareholders who do not want to fish every season
- Provides flexibility to active fishermen to adjust operation size on a yearly basis

CONS

- Could eliminate the lease market
- Administrative and enforcement burden
- May cause a small derby
- Question of which is used first- group or individual quota?

B

Use-or-Lose Provision

Shares that are not used within a certain time period will be reverted back to be reallocated among remaining shareholders.

Options

- Every 5 years there will be a share review, in which all shares not meeting "active" criteria will be reallocated using preferred method.
- After 3 years of no landings, coupons from inactive shares will be added to the coupon bank but will not be counted as "active." Upon the five-year share review, any of these shares would be reallocated among active participants.
- Shares could accumulate as a set-aside, which could be made available to new entrants on a temporary basis.

Appendix. Auctions and Community Quota Options

E

Auction

All shares would be removed from shareholders (mandatory or voluntary) and auctioned off to highest bidders. This would give shares to fishermen who value the share the most and/or have the most capital to invest in the fishery.

PROS

- Allows all eligible shareholders (active and inactive fishermen) to bid on shares
- Removes latent effort
- Ensures shares go to fishermen who value them the most

CONS

- Requires additional capital for share buyers
- No compensation for original shareholders

F

All-in Auction

In this scenario, shares would be put (mandatory or voluntary) in a pot and auctioned off. The difference is that all or part of the proceeds generated by the auction would go back to the original shareholders based on how much of the auction pot he/she contributed. E.g., if shareholder's original shares made up 10% of the auctionable shares, then he/she would receive 10% of the total funds generated by the auction.

PROS

- Achieves goals of typical auction while providing compensation to shareholders
- Removes latent effort

CONS

- Requires additional capital
- Incentive for sellers to try to increase bids

G

Community quota

MSA 303A allows for LAP programs to include provisions for group quota, as Fishing Communities or Regional Fishery Associations. The inactive shares could be transferred to a community quota in which all eligible harvesters could fish towards that quota.

PROS

- Equal access to quota for all shareholders
- Requires no additional capital to buy shares
- Possible source of funds for program administration, loan program, etc. (e.g., membership fee)
- Voluntary contributions to community quota more likely than voluntary relinquish of shares

CONS

- Could cause a mini-derby
- No compensation for shareholders (unless we use funds from the membership fee)
- Combined group and personal quota---which is used first?