Attachment 1.

Social and Economic Sciences Panel Meeting
Charleston, South Carolina
November 7, 2011

The panel members attending were Scott Crosson, Chris Dumas, Sherry Larkin, John Whitehead and Tracy Yandle. The panel addressed four issues. Below we comment on the first three. The fourth was informational and drew no comment.

Review of Golden Crab Amendment 6

The SEP reviewed and discussed several proposed actions contained in this amendment. Action 5 defines alternatives for quota share caps including a maximum cap of 49%. The SEP discussed the general concern of the effect of high caps on the market price. In particular, the concentration of harvesting and marketing functions among large shareholders (i.e., vertical integration) can put downward pressure on price to the disadvantage of smaller operators. Also, market power on the seller side can result in high prices for consumers if the product is unique with few substitutes. However, these scenarios do not appear to be the case for golden crab because there is no evidence of vertical integration in this fishery and golden crab competes economically with other crab species such as Dungeness and snow crabs. Another potential concern for concentrated ownership is disproportionate influence in future management decisions. If the main concern is to prevent majority shareholders from having a majority of votes in quota-based referenda under a one-share, one-vote rule, then the SEP recommends that rules of engagement be established for that purpose.

Action 6 contains a “use it or lose it” provision. The SEP does not support defining and reverting inactive shares in situations where shares are transferable, as this would likely undermine the "property right" nature of catch shares, increasing uncertainty in the fishery. Existing and future share owners may be less likely to invest or maintain investment in the fishery if the security of share ownership is uncertain in this fishery and others where the Council chooses to implement catch shares. In general, the SEP would discourage the use of such provisions which have the effect of penalizing conservation and recognition of economic conditions. Share owners may choose not to exercise their right to fish for a period of time for a variety of reasons, including illness, temporary cost increases (e.g., fuel costs), or temporarily depressed dockside prices. If an owner chooses to not use their shares, they are forgoing current revenues because they value that more highly than selling or leasing their shares. Inactive share owners should not be penalized for forgoing their right to fish in situations where fishing may not be profitable for them. If shares are transferable and have value, there is an incentive for inactive shareholders to sell their shares to active shareholders or new entrants into the fishery. From a biological perspective, lower harvests could positively impact future stocks that would benefit everyone.

Action 9 proposes to eliminate restrictions on fishing zones and action 10 requests that they be able to have multiple zone permits. The SEP does not see a social or economic rationale for zones and therefore supports the ability to stack permits subject to biological constraints and to the extent that gear entanglements can be avoided. Action 12 describes options for supporting

new participants into the fishery by using set asides. The SEP does not support the use of set-asides, in part due to the difficulty in anticipating demand but would instead recommend that new participants use the existing option of entering the fishery. If shares are transferable and have value, there is an incentive for inactive shareholders to sell their shares to active shareholders or new entrants into the fishery.

Review of Snapper Grouper Amendment 18A

The SEP does not believe there are any social or economic justifications for limiting endorsements based on catch history or poundage. Concentrating the fishery to the highliner fishermen will likely be contrary to the Council's stated goal of extending the season, as these fishermen are the most dependent on maintaining their current harvest levels and fishing effort in the face of other regulations. While a derby fishery can contribute to lower prices there is not sufficient evidence that the derby fishery for black sea bass is negatively affecting the price. Other factors may exist such as competition from supplies of other species in the snapper-grouper complex and from black sea bass under the jurisdiction of other fishery management councils.

While ACLs and ABCs are beyond the expertise of the SEP, the SEP did not endorse making the ACL = ABC. The buffer between the ACL and the ABC exists to account for management uncertainty, and the large number of proposed actions in this amendment in combination with the evidence for recent derby activity increases the difficulty in predicting future fishing behavior. The buffer may be necessary to account for this behavioral uncertainty.

The SEP was unable to comment on the use of various tools for accounting for recreational overages in the absence of economic data. Without data on expected economic impacts of the various calculations there is no basis for any analysis beyond mere speculation. The question of harvesting during the spawning season is biological and outside of the expertise of the SEP.

The SEP did not endorse trip limits for the reasons stated at the February SEP meeting on Regulatory Amendment 9: "Our primary concern with utilizing trip limits is that fishermen will increase their number of fishing trips to maintain a constant level of total revenues. The real change in the system will result from an increase in operating costs."

Increased size limits may be appropriate for this fishery because of the relatively low mortality rates in the hook-and-line and trap fisheries. There is economic evidence that larger fish are more valuable on a per-pound basis than smaller fish.

Review of Snapper Grouper Amendment 20A

The SEP recognizes that the desire to revert and redistribute shares is intended to facilitate the continuation of current fishermen at their recent levels of activity in a fishery that does not appear to have any biological issues. This is a goal with significant merit. There are lessons to be learned about the importance of biological data on setting quota, but this problem should not be solved by changing the existing catch share program.

The SEP does not support defining and reverting inactive shares in situations where shares are transferable, as this would likely undermine the "property right" nature of catch shares, increasing uncertainty in the fishery. Existing and future share owners may be less likely to invest or maintain investment in the fishery if the security of share ownership is uncertain in this fishery and others where the Council chooses to implement catch shares. Share owners may choose not to exercise their right to fish for a period of time for a variety of reasons, including illness, temporary cost increases (e.g., fuel costs), or temporarily depressed dockside prices. Inactive share owners should not be penalized for forgoing their right to fish in situations where fishing may not be profitable for them. The SEP supports Council actions to facilitate transactions between willing share buyers and sellers, such as reducing transactions costs (i.e., helping buyers and sellers find one another and negotiation share prices). If shares are transferable and have value, there is an incentive for inactive shareholders to sell their shares to active shareholders or new entrants into the fishery. Potential new entrants into the fishery from the commercial snapper-grouper fishery may value the wreckfish shares more than the current shareholders who would receive "redistributed" shares without having to purchase them. The redistribution of shares as suggested by the Council would lessen economic value rather than increase it.

The SEP does not support establishment of a share cap. Because there are many substitutes for wreckfish available in the market (e.g., grouper species), the SEP does not think that aggregation of shares would lead to market power and the ability to manipulate wreckfish prices on either the buyer or seller side. Another potential concern for concentrated ownership is disproportionate influence in future management decisions. If the main concern is to prevent majority shareholders from having a majority of votes in quota-based referenda in a one-share one-vote rule, then the SEP recommends that rules of engagement be established for that purpose.