U. S. House of Representatives

Subcommittee on Fisheries Conservation, Wildlife and Oceans

IFQ Testimony

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IFQs are not the silver bullet for all of the fishing industry's current challenges; however they have been demonstrated to be an effective tool to deal with many of the challenges faced by certain segments of the fishing industry.

Fisheries resource management has seen substantial evolution over the last several decades. Traditional management tools and input controls such as License Limitation Programs, gear and vessel restrictions, time and area closures all act to restrict fishing effort. They do not address issues of overcapitalization, community stability, improving the overall economic value of the resource or the biological sustainability of the resource. The general objective of fisheries management is to conserve marine resources and maximize sustainable benefits to the nation. Management Plans that encourage or result in the "Race for Fish" detract from this objective.

For fisheries to remain viable and sustainable, they need to be attractive to investment. Currently many of our fisheries are not. The Alaska salmon industry is on the ropes; not for a lack of fish, but because it is being out competed by more efficient foreign and domestic farmed fish operations. The Bering Sea coops and the Halibut/Sablefish IFQ program are marginalizing the Gulf of Alaska (GOA) groundfish fisheries. The RPAs developed as mitigating measures for Steller Sea Lions pursuant to Greenpeace and American Oceans Campaign lawsuit against NMFS have created large closures of productive historic fishing areas in Alaska. The Gulf of Alaska groundfish fishermen need rights based management tools such as IFQs or coop structures that will allow us to meet conservation and regulatory mandates and still compete on a global scale.

The GOA suffers from a loss of access to the resource due to environmental concerns that are causing economic harm to the communities of coastal Alaska. The fishing industry requires enough economic margin to invest in product development, gear designs and technologies that reduce by-catch, can adjust to changing harvest levels and mitigate impacts on benthic habitat while supporting sustainable fisheries.

· ***Whether and When IFQs should be used as a management tool.***

IFQs should be used as a fisheries management tool in regions and fisheries that are

suited to their particular needs. They have been successfully implemented in several

programs in the North Pacific for differing management objectives.

These rights based programs include:

-Individual Vessel Quota (IVQ) program For Halibut in British Columbia

-Individual Transferable Quota (ITQ) Fisheries for Groundfish Trawl and Sablefish in British Columbia.

-Individual Fishing Quota (IFQ) program for Halibut and Sablefish program in Alaska first implemented in 1995.

-AFA created fishing cooperatives in the Bering Sea for the majority of the participants of the largest single specie fishery in the United States.

-The developing Commercial Charter IFQ program now before the North Pacific Council.

·*Criteria for Considering IFQ Management*

For a fishery to be a good candidate for IFQ management, it should be evaluated for such threshold criteria as:

-Is the acute race for fish and overcapitalization driving one fishery toward unsafe, uneconomic and non-sustainable fishing?

-Is it being impacted and marginalized by other regional rationalization programs?

-Are the current or foreseen problems in the fishery serious enough to justify the accounting and enforcement costs associated with IFQ management?

-Is the fishery managed to a TAC?

-Are observers utilized to validate accounting at the vessel level?

-Are alternative methods available such as Vessel Monitoring Systems to assure accurate accounting of vessel location and total mortality (not just retained catch)?

The question of "when" to initiate an IFQ program is dependant on the intended consequence of the management program and what legal, biological, economic, community, or management concerns need to be addressed.

To a very large degree, litigation is currently driving the NMFS to implement more stringent fishery management restrictions on Alaskan fishermen. The Environmental Industry's legal challenges of ESA, NEPA, and EFH--not to mention the potential impact of MPAs are rapidly creating an extremely unstable regulatory and management environment that is unworkable for fisherman and the fishing dependent coastal communities of Alaska. NMFS reaction to this litigation is fast tracking new regulations with projected implementation schedules ranging from 2 to 4 years for some of these programs in Alaska.

The current race for fish inherent in many of our fisheries does not allow fishermen and managers to effectively deal with:

-Mandates of bycatch reduction (MSFCMA).

-Improved retention and utilization of fisheries resources (NPFMC).

-Minimizing discards.

-Understanding of potential impacts on benthic habitat and possible mitigation (EFH).

-Disproportional impacts of Steller Sea Lion RPAs (ESA).

-Developing and Implementing Ecosystem Based Management Structures.

-Making more efficient and effective use of fisheries resources.

-Concerns for Safety at Sea.

-Coastal community stability.

IFQs would allow fishermen a broader suite of tools to meet these objectives.

Alaska halibut fishermen were economically marginalized after Canada's implementation of IVQs in their halibut fishery in 1990. The Canadian product was first to arrive in the market place, the quality was better, the consumer acceptance was higher, and Alaska fishermen were at an economic disadvantage until we were able to implement our IFQ program in 1995. Much the same circumstance exists now that AFA is implemented in the Bering Sea. The Gulf of Alaska trawl harvesters and their supportive processors are operating at a significant economic efficiency disadvantage. Certain sectors of the Pollock Co-Ops have improved their product recovery by as much as 48% since 1998.

In general, AFA Co-ops are enjoying a greater economic efficiency than non-AFA trawl fleets. For some fisheries, including the Gulf of Alaska shore based harvesters and Head and Gut fleet, implementation of a rights based management program should occur as quickly as possible. Other areas of the country may not feel the requirement for the development of this type of management structure.

· ***Initial allocation of quota shares among different sectors of the fleet and individual participants:***

The primary purpose of an IFQ program is to allocate the TAC to those currently harvesting a particular fishery quota. The simplest allocation would be to deviate as little as possible from the current status quo distribution at the time of qualification. It would suggest a snapshot of a relatively recent catch history period as a basis for distributing the quota shares amongst harvesters, including vessel owners, captains, and crews.

Having said that, there may be reasons for deviating from it, such as,

-Managers may want to consider reducing relative differential economic impacts of one sector of the fleet by another that has already been rationalized.

-Fisheries managers may want to consider local and regional community concerns.

-Managers may want to award certain participants that may not have historical participation, or others with long standing historic participation and dependence.

-Managers may want to consider fisheries' cultural and economic continuity

-Certain sectors of the fishery may not want to participate in an IFQ program, or an IFQ structure might be problematic to their participation, i.e. observer requirements on small boats.

-Concern for allowing for new entrants into the fishery.

-Allowing a range of flexibility to recognize ecological regime shifts and other biological dynamics.

There is no one single model that meets these criteria at the national level. Alaska is different geographically, culturally, and ecologically from New England, the Gulf Coast, or the Western Pacific. Councils, States, local fleets and associated support industries need regionally based programs that best fit local needs. Regional councils are best suited to develop programs tailored to specific local needs.

· ***The question of whether processors should receive quota shares:***

My immediate and overwhelming concern is for the continued health and sustainability of our fisheries resources, and the sustained viability of Alaska's fisheries dependent communities. In light of the effects of farmed fish on Alaska's salmon industry and the differential impacts of AFA on the Gulf of Alaska's groundfish industry, it is necessary to look at management options that will allow for the long-term economic health of our industry. This would include consideration of processor shares. As a fisherman, I am apprehensive about processors consolidating excessive market shares. As a coastal resident being negatively impacted by larger, vertically integrated, and more economically efficient industry sectors, I feel that we should not rule out limited processor shares for certain fisheries. In developing rights based management programs, Council should tailor a regional program to consider such things as regional restrictions or implementing processor share caps in the development of rights based fisheries management programs.

· ***The impacts of IFQs on conservation and management of fisheries resources:***

Rights-based management, whether they be IFQs, Cooperative fishing agreements or some other alternative structure are being demonstrated as paramount in slowing the "race for fish". By enfranchising individual fishermen with the responsibility of ownership, harvesters are more inclined to be stewards of their portion of the resource. Waste and by-catch are reduced. Inefficiencies, such as excessively large engines or overly large vessels and gear become excess investment costs not financially conducive to the long-term economic viability of an individual business. The industry as a whole becomes more sustainable and able to be more competitive in the increasingly globalized market.

By eliminating the race for fish, fishermen become disinclined to overcapitalize their investments. Instead of trying to out compete each other on derby style fisheries, they take a more long-term perspective of business management. This includes concern and responsibility for the long-term health and sustainability of our nations marine resources.

One of the most demonstrable changes to occur under the Halibut IFQ program is the increase in length of

the season. Prior to the implementation of the Alaska Halibut IFQ system in 1995, fishermen were operating in a derby fishery that was limited to two, twenty-four hour openings a year. Processing plants were swamped with product, quality was compromised, and concern for safety was disregarded. Since then, all halibut fisheries are open from March 15 to November 15. Product availability, quality and price have all increased substantially. Fishery discards and over harvesting have been greatly reduced. Halibut IFQs have created a more economically sound fishery, which is good for the resource, the fishermen and market.

· ***The costs of implementing and enforcing these programs:***

One of the criteria for considering an IFQ program should be whether the long-term economic benefits out weigh the costs of implementation, management and enforcement of that program. That decision of whether to initiate such a program needs to be made by the participants of that particular fishery.

The Halibut and Sablefish fisheries are taxed or assessed a users fee that offsets management costs of the program. The AFA co-ops of the Bering Sea manage their own programs and are accountable to the NPFMC. Small groundfish vessels operate at higher relative observer cost than larger vessel or plants. I would like to see an industry supported, agency administered observer program developed that would be more equitable to the economic considerations of small vessels and smaller processing sectors as part of future rights based management programs.

· ***The impacts on individuals and communities who do not receive*** *quota:*

Most of the coastal communities of Alaska are dependent on landing taxes to help support schools, essential services, and community infrastructure. IFQs have been shown to increase the value of the resource, promote the management and health of the resource and increase the overall sustainability of the fishery.

· ***The windfall profits that accrue to initial recipients:***

By their intended design, IFQs create winners and losers. IFQs are intended to reduce overcapitalization, limit access, and create a more economically efficient fisheries management model. Concern for windfall profits needs to be put in perspective of the overall benefit to the nation and the objectives of fisheries management. The duration of rights determines "windfall rent capture". Management consequences need to be analyzed and administered at the regional level.

In regions where limited entry or license limitation programs enable "the race for fish", a closed universe of catcher vessels usually already exists. There is a cost of entry that is reflected in the market value of the License Limitation endorsement.

· ***The question of limiting the duration of permits:***

Existing IFQ programs should be grand fathered as currently provided under the MSSFMA. Existing banking and business investments should be disrupted to the least extent possible in consideration of any new rights-based program.

Future programs should consider environmental and dynamic economic concerns, program sunsets or

periodic program reviews. The intent of an IFQ program is to create long-term economic and biological stability. Caution should be given to the degree of "social engineering" that might be written into any future fisheries management plan.

· ***Other limited access systems (such as cooperative fishing agreements)***

Future rights based fishery management plans should include: fishery co-operatives, two-pie rationalization plans (i.e. including both harvesters and processors) and other management structures protect the histories of both harvester and processors. By considering both harvesters and processors impacts to communities would be minimized and long-term stability ensured.

· ***Similar issues which might be associated with the implementation of these other limited access systems:***

Transitional Phase: Design a certain amount of economic inefficiencies into new programs. This allows stakeholders such as crewmembers, new entrants, and small boat owners and support industry an opportunity to adjust to any new program. IFQ programs designed to fit large commercial scales with a finite universe of historic participants can be structured with a more defined process and shorter implementation period than one involving more participants with shorter histories.

Summary:

The sustainability of federal fisheries in the Gulf of Alaska is currently being undermined by the economic marginalization of our industry by those entities that enjoy are more efficient market structure and the cumulative effects of overly stringent environmental regulation that would constrain our sector of the industry to operate. It may be the case that we in Alaska will have the healthiest fisheries resources in the world and Alaska fishermen will not be able to harvest them. IFQs, co-ops or some other form of rights based management structure would encourage harvesters, processors, and fishing dependant coast communities to invest into the long term vision of sustainable fisheries in Alaska to the overall benefit of the nation.

APPENDIX

Acronyms and Glossary

AFA: American Fisheries Act, enabling co-op management structures in the Bering Sea Pollock fishery including both processors and harvesters

EFH: Essential Fish Habitat, as used in Magnuson-Stevens Fishery Conservation and Management Act language

ESA: Endangered Species Act

GOA: Gulf of Alaska

IFQ: Individual Fishing Quota, is "a Federal permit under a limited access system to harvest a quantity of fish, expressed by a unit or units representing a percentage of the total allowable catch of a fishery that may be received or held for exclusive use by a person" (MSFCMA, Sec. 3 (21))

ITQ: Individual Transferable Quota

IVQ: Individual Vessel Quota

MPA: Marine Protected Areas

MSFCMA: Magnuson-Stevens Fishery Conservation and Management Act

NEPA: National Environmental Policies Act

NMFS: National Marine Fisheries Service

RPAs: Reasonable and Prudent Alternatives

TAC: Total Allowable Catch

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