

PACIFIC COUNCIL CHOOSES IFQ SYSTEM FOR WEST COAST GROUNDFISH FISHERY

On November 7th the Pacific Fishery Management Council (the Council) voted to adopt an Individual Fishing Quota (IFQ) based management system for the groundfish fishery off the coast of Washington, Oregon and northern California. The new system will begin in 2011.

Final approval rests with the Secretary of Commerce, but in practice it is rare for the Secretary to oppose proposals from the Council.

The West Coast groundfish fishery comprises 82 species including rockfish, flatfish, roundfish (e.g. Pacific hake), skates and sharks. Pacific hake (a.k.a. whiting) is the most abundant species in the fishery with approximately 300,000 metric tons (MT) of quota.

Prior to this decision, the fleet caught 90% of its harvest with trawl gear and the fishery's quota was divided into four sectors:

- Shore-based vessels targeting groundfish, excluding Pacific hake
- Shore-based vessels targeting Pacific hake
- At-sea catcher-processors (C-P) targeting Pacific hake
- At-sea mothership processors buying Pacific hake from catcher vessels

The case for change

Only in the last couple of years have the fishery's target stocks returned to relative health. Throughout the 1980s and 1990s, the US government nationalized fisheries within its territorial waters, excluding foreign vessels. It encouraged domestic fishermen to fill the void left by the excluded foreign vessels but neglected to research whether the targeted fish stocks could sustain an expanded fishery.

Overfishing became rampant, fish stocks crashed and, only a decade after hyping "Americanization" and growth, the federal government declared the West Coast groundfish fishery an economic disaster in 2000.

In 2003 the federal government paid fishermen to retire approximately half of the fleet's capacity. But so long as the management system of the day forced fishermen to compete for their share of the quota, the incentive remained to increase capacity and effort and maintained the strain on fish stocks. In this climate in 2003, the Council began the rationalization process of which this recent decision is the latest step.

The plan

The council's proposal includes the following major changes:

- Merging the shore-based hake and non-hake sectors.
- Managing the unified shore-based sector with an IFQ system.
- Managing the two offshore sectors (C-Ps and motherships) with an IFQ-like co-op system, in which the fleet must form co-operatives to receive a percentage share of the annual quota. The co-operatives may then distribute the quota to individual vessels at their discretion.
- Impose "accumulation limits," which restrict the total quota share a company or co-operative can own (e.g. the halibut fishery caps fisherman at 1% of the total quota). The Council has yet to agree on the actual limit.
- Require observers on all vessels.
- Distribute 20% of the inshore Pacific hake quota shares to 30 land-based processors (i.e. they receive no quota for other groundfish species).

In addition, the Council's plan includes a provision for "adaptive management," meaning managers will reserve a portion of the quota to use for social goals, such as:

- Encourage vessels to frequent a specific port or processor by giving quota to that community.

- Releasing discounted quota shares to new entrants who would otherwise not be able to afford buying shares at market prices.
- Create incentives for switching from trawl gear to less wasteful and destructive gear types.

Unresolved issues

Including processing plants in the distribution of quota shares was the most controversial component of the plan. The plants argued that without an assured quota, their investments and the jobs of their employees were at risk to an out-of-town fishing company buying local vessels' quota and delivering it elsewhere. Fishers argued that even without quota shares, processors already set prices in the fishery, since they are far bigger than the fishing companies and there are relatively few of them. Granting them shares, and more importantly authorizing them to buy more, will allow these large companies to consolidate quota and dictate terms to fishermen, relegating fishermen to the role of "sharecroppers," as one fishing group spokesperson warned.

Fishers lost the "yes/no" debate on processor shares, but in the ensuing debates about the details of those shares, fishers will likely try to restrict the ability of processors to consolidate and/or increase their shares.

The Council will also hear a heated argument over the as-yet undecided "accumulation limits." Smaller quota holders and conservationists support a lower limit. For example the halibut fishery limits fishermen to 1% of the total quota. Using the same cap, the West Coast groundfish fleet would contract to approximately 75 vessels from the current 140 vessels. Larger companies have proposed higher thresholds of up to 3% or 4%, which would shrink the fleet to approximately 35 vessels.

In the Council's press release about this plan, it acknowledged the fine balance to be struck with accumulation limits:

"...IFQs can lead to the concentration of harvest privileges in the hands of a few large operators. Because of this, the program recommended by the Council includes accumulation limits to ensure that such concentration does not occur. Nevertheless, one of the program's goals is to increase the efficiency of the fleet. As a result of rationalization, inefficient vessels are expected to leave the fishery, leading to a substantial reduction in the number of trawl vessels operating on the west coast."

Although less controversial, the distribution of quota for the many species in the "groundfish" complex will generate some interest. This may not be the first IFQ system in the USA, but it is the first IFQ system covering multiple species. Thus vessels will have to choose which species it treats as target and bycatch species.

IFQs and co-ops

Many policy experts believe the "race for fish" in competition-based fisheries undermines core management goals such as conservation of the resource and economic stability for fishers and communities. The IFQ system is the latest favorite choice for policy makers aiming to eliminate the "race for fish" and better align their goals with those of participants in the fishery. Examples of IFQ fisheries in North America include Alaska's halibut and sablefish fisheries and the groundfish fishery in BC.

An IFQ system allots a share of the annual quota to participants using a formula based on their catch history. The term of the shares varies by fishery, but the halibut fishery grants its shares in perpetuity provided fishers adhere to the rules. Since shareholders are assured their portion of the quota for the term of the share, they do not need to compete against each other during short openings. Conditions vary, but in general, the IFQ holder can then buy, sell or rent his share.

Benefits of this system include:

- Enhanced safety as fishers no longer push through fatigue and fish on crowded grounds during short openings.
- Reduced bycatch as captains have the time to avoid high bycatch areas.
- Incentive for quota holders to conserve target and bycatch stocks.

- Possibility of switching from trawl gear. Trawl nets scoop up the largest volume of target species but also have by far the highest bycatch rates and are the gear type most destructive to ocean floor habitat. Without the need to race, fishers can switch to “cleaner” gear types.
- Reduced wasteful practices on board as fishers have more time to fish efficiently.
- Reduced capacity in the fleet as less efficient vessels have an economic incentive to sell or rent their quota to other shareholders.

Disadvantages include:

- With quota shares bearing a relatively assured income stream and with the scarcity of them for sale, prices for the shares generally increase dramatically, with the main effect being a significant barrier to new entrants.
- As quota holders sell their shares, existing shareholders often snap them up, leading to increased consolidation and fewer vessels, captains, crews and communities involved in the fishery.

The co-operative system proposed by the Council for the offshore Pacific hake sectors will resemble an IFQ system in most respects, except that co-operatives of vessels will receive quota shares rather than individual vessels. The co-operatives can then decide on the most efficient number of vessels needed to pursue their quota. The pollock fishery in the Bering Sea is the most obvious example of this type of system and was likely the model for the Council’s proposal.

Sources: Pacific Fishery Management Council, Uner Barry, Redwood Times, LA Times, The Oregonian, Canadian Department of Fisheries and Oceans

Implications for frozen seafood buyers:

- Although prices may rise and availability may fall in the short term after the IFQ system is introduced, these systems have in general led to a more sustainable and economically balance supply of fish in the long term.
- In particular for the important Pacific hake fishery, the multi-species IFQ shares should allow harvesters to catch a steadier supply of fish and avoid the bycatch problems that have curtailed fishing in the last few years.
- The distribution of quota shares may shuffle supply arrangements somewhat, but since the proposed IFQ system would arrive in 2011 at the earliest, buyers should have plenty of time to prepare.

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