Harriet Nash
Director, Fisheries Campaign
Friends of the Earth
202.783.7400 ext. 123
www.foe.org

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Fishery managers and economists developed the individual fishing quota (IFQ) to provide economic incentives for efficient resource extraction and to encourage environmental stewardship in the nation's fisheries. Unfortunately, such gains may occur at the expense of social equity, ecosystem management, and marine conservation. However, we believe that fish stocks will remain healthy for future generations if managers carefully implement IFQs without privatizing the public fishery resources. We propose that fishery managers use IFQs only in conjunction with other management tools and not as the entire toolbox. A successful IFQ program will incorporate terms accommodating the specific fishery's criteria with mandatory national standards regarding quota allocation, transferability restrictions, and sunset provisions.

The method of quota allocation is perhaps the most controversial component of IFQ programs. To avoid creating an economic windfall for quota recipients while forcing many others out of the fishery, we submit that a periodic, royalty-based auction weighing past participation and investment in the fishery most equitably distributes quota shares. As opposed to the historic free allocation of IFQs based solely on catch history, an auction with caps on total quota purchase will not automatically reward "fishermen whose excessive investment and harvesting caused overcapacity and overfishing" (Reiser, 1999). Instead it will allow independent, or "marginal," fishermen to bid for quota along with the wealthy fishing conglomerates. Using the same logic, more equitable allocation of quota shares will inherently benefit the sustainability of neighboring fisheries as well. Non-recipients or "marginal" shareholders who were bought out of the IFQ fishery refocus their efforts in other open access fisheries, often resulting in overfishing in that fishery. The auction allocation of quota can prevent overfishing in neighboring fisheries by maintaining some distributive nature of the fishing effort.

The auction's periodicity also supports conservation measures within the IFQ-managed fishery. For example, a periodic auction will allow scientists to perform stock assessments regularly and adjust the total allowable catch (TAC) accordingly. Otherwise, unanticipated stock declines may spur further regulation, such as time and area closures, that were not previously in place. In an IFQ fishery such a situation will result in a race for fish as the fishermen try to fish their quota before further limitations are imposed. The periodicity of the auctions conveniently allows scientific assessment and adaptive management of fisheries. Without national standards for periodic assessments within IFQ programs, managed stocks could still be overfished. For example, New Zealand implemented a quota management system in 1986, and in 1998 over 50% of IFQ-managed stocks with known biomass (such as orange roughy) had populations <u>below</u> the maximum sustainable yield (Wallace, 1998). The incorporation of standards to encourage adaptive management ensures that stocks can maintain a biomass

at sustainable levels. Adaptive management most appropriately addresses natural population fluctuations and stochastic events for the managed species and for the entire ecosystem.

Similarly, a sunset provision will also encourage proper adaptive management in fisheries. We suggest a quota expiration of two to five years, therefore allowing timely reassessment of the stock's status. Such a reassessment is essential for species, such as herring, whose populations vary significantly among cohorts. Especially important for naturally unstable fish stocks and species experiencing loss of essential fish habitat, a sunset provision enables scientists and managers to review the IFQ program in light of conservation obligations.

For optimal conservation benefits of an IFQ program, some limits may need to be imposed on quota transferability. We believe that any one fisherman or fishing entity should be allowed to acquire no more than a set amount of quota (i.e. 3% of the TAC). Restrictions on quota consolidation will enhance conservation measures by preventing full privatization of the public resource. Again, New Zealand's experience indicates that consolidation does not enhance environmental stewardship as their fishing industry has successfully opposed research for controlling environmental damage in fisheries (Wallace, 1998). Privatization tends to encourage profit gains over ecological sustainability and hinder federal management whereas maintaining public ownership of the fishery resource supports federal regulations in securing the resource for future generations.

Finally, we suggest that National Marine Fisheries Service and the councils maintain monitoring and enforcement as high priorities in any IFQ program. Onboard observers, vessel monitoring systems, and accurate data reporting secure successful IFQ programs by discouraging discarding (including highgrading and bycatch), quota busting, and data fouling. Such problems affect both the targeted species and interspecies relationships within the ecosystem. The economic nature of IFQs encourages such activities, which cannot be prevented properly without high levels of monitoring and enforcement. While these increase management costs, the aforementioned royalty-based auctions can provide revenue to fund effective monitoring and enforcement.

While aimed to preserve living marine resources, IFQs can cause environmental devastation to fisheries if left unfettered. Fully transferable fishing quotas result in consolidation of quota shares and effective privatization of public-owned national fisheries. As a management tool, the IFQ, can only contribute to the conservation of fish resources if standardized with royalty-based auctions, sunset provisions, and restrictions to limit excessive quota consolidation. We realize that IFQs are a single species management tool and, therefore, are not created to support ecosystem-based management, but we do think that our suggested national standards for IFQ programs create opportunities for adaptive management within our fisheries. Implemented in conjunction with other management tools and according to distinct fisheries' biological criteria, these IFQ standards will protect the public trust, conserve marine ecosystems, and provide sustainable living marine resources for future generations.

Friends of the Earth hopes the Commission seriously considers national standards for IFQ programs when addressing the reauthorization of the Magnuson-Stevens Act. Thank you very much for your time.

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