

IR/IU Technical Committee Report
May 17-18, 2004

The reconstituted IR/IU Technical Committee met at the Alaska Fishery Science Center in Seattle, May 17-18, 2004, to refine the threshold option for underutilized species (Component 10 of Amendment 80a) as requested by the Council at the April 2004 meeting. The Committee was chaired by Dr. Dave Hanson. Committee members present were Earl Krygier, Bill Orr, Dave Wood, Donna Parker, and John Henderschedt. Jon McCracken (NPFMC), Sue Salvason (SF), and Lauren Smoker (NOAA GC) served as primary support staff. Rachel Baker (ADF&G) and Jeff Hartman (SF) were also in attendance. Other industry members attending the meeting were Ed Luttrell, Susan Robinson, and Joe Plesha.

I. Adjustments to the Original Component 10

After hearing a presentation by staff summarizing the Component 10 discussion paper, the Committee agreed to address the issues raised by staff in the discussion paper. After some discussion, the Committee agreed to the following recommendations for revising Component 10.

1. *Remove all species except yellowfin sole from Component 10.*

The Committee agreed that Component 10 is a pilot program that should focus on yellowfin sole, currently the highest valued flatfish of those considered for the program. The structure of the program, when fully developed, would provide the methodology necessary for including other flatfish fisheries (e.g., rock sole and flathead sole) in the program if, in the future, TACs for these fisheries increase dramatically. The Committee noted that fishing effort in the other flatfish fisheries is lower than in the yellowfin sole fishery, and including them in the program might result in large portions of the threshold reserve (*i.e., the available TAC in excess of the threshold*) remaining unharvested. In addition, halibut bycatch rates for these other flatfish fisheries could potentially constrain participants from harvesting the full TAC. In general, the Committee agreed that the value of the other flatfish fisheries, at this time, does not warrant including them in the program given the additional management cost that would be incurred.

2. *Establish a poundage threshold for yellowfin sole.*

The Committee recommends the following thresholds be included as options in Component 10. These threshold options would replace the options currently being considered for defining the threshold:

- a. 125,000 mt
- b. 150,000 mt
- c. 175,000 mt

During the discussion of thresholds, the Committee agreed that the goal of the program should be to develop a procedure for allocating the unharvested portion of flatfish TAC to sectors that could utilize it. The Committee felt that the threshold should be high enough to allow traditional participants to catch their historic share and increase their harvest within their capacity, while not too low to allow stranded TAC or hamper future growth in the sector. In addition, the Committee noted that including actual threshold amounts should reduce confusion surrounding those thresholds and allow the industry to more clearly understand the impacts of the threshold.

3. *Allocate the threshold reserve only to the trawl sectors defined in Amendment 80a.*

The Committee recommends the following ranges for allocating the threshold reserve to the trawl sectors defined in Amendment 80a:

CV/CP Allocation Option A					
Catcher Vessels @ 25%			Catcher Processors @ 75%		
CV Sector Allocation Options	AFA	Non-AFA	CP Sector Allocation Options	AFA	Non-AFA
i).	24.00%	1.00%	i).	25.00%	50.00%
ii).	22.00%	3.00%	ii).	37.50%	37.50%
iii).	20.00%	5.00%	iii).	50.00%	25.00%

CV/CP Allocation Option B					
Catcher Vessels @ 50%			Catcher Processors @ 50%		
CV Sector Allocation Options	AFA	Non-AFA	CP Sector Allocation Options	AFA	Non-AFA
i).	42.00%	3.00%	i).	12.50%	37.50%
ii).	45.00%	5.00%	ii).	25.00%	25.00%
iii).	42.50%	7.50%	iii).	37.50%	12.50%

CV/CP Allocation Option C					
Catcher Vessels @ 75%			Catcher Processors @ 25%		
CV Sector Allocation Options	AFA	Non-AFA	CP Sector Allocation Options	AFA	Non-AFA
i).	72.00%	3.00%	i).	6.25%	18.75%
ii).	70.00%	5.00%	ii).	12.50%	12.50%
iii).	67.50%	7.50%	iii).	18.75%	6.25%

The Committee structured the allocation of the threshold reserve as a two-step process. First, the Council would select the percent of reserve to be allocated between the catcher vessel sectors and the catcher processor sectors. The recommended options are 25/75, 50/50, and 75/25. Second, the Council would then allocate the catcher vessel quota and catcher processor quota between the AFA and non-AFA sectors. Allocations within the catcher vessel and catcher processor sector would be independent from one another but when combined should add to 100 percent. For example, the Council could select Option B which would allocate 50 percent of the threshold reserve to the catcher vessel sectors and 50 percent to the catcher processor sectors. Next, the Council could select Option ii (45/5) for allocations between AFA and non-AFA vessels within the catcher vessel sectors and Option iii (37.50/12.50) for allocations between AFA and non-AFA vessels within the catcher processor sectors.

The Committee noted that the allocation of the threshold reserve would be combined with the initial allocation, allowing participants to harvest both allocations together as one block. License holders eligible to participate in the threshold allocation fishery would be based on the eligibility criteria in Issue 4 of Amendment 80a. The Committee spent some time discussing the criteria for selecting the threshold allocation percentages. That discussion included selecting allocation percentages that best develop the underutilized fishery, while continuing to conserve PSC and reduce discards. In addition, the allocation percentages selected should allow traditional participants to maintain their historic catch and increase their harvest within their harvesting and processing capacity. Other factors that should be considered when selecting the allocation percentages are the ability of the sector to harvest the threshold allocation, the sector's dependence on the yellowfin sole and pollock fisheries, and the different communities' dependence on the yellowfin sole and pollock fisheries.

4. *PSC may be transferred within cooperatives and between cooperatives in the same sector, and also develop a program that enables transfer of PSC and TAC between sectors for future use.*

The Committee recognized that transfers of PSC between sectors in the yellowfin sole fishery would likely be problematic, especially if rollovers of yellowfin sole TAC are included in the threshold program, and thus recommended transfers only within a sector. However, the Committee noted that allowing transfers of PSC between sectors could result in a more efficient use of PSC and could allow the industry to better meet the OY. It was also noted by the Committee that under Amendment 80a, PSC will be allocated to the sectors and that sectors need to be responsible for their own PSC management when harvesting the threshold reserves. However, if a sector does not have enough PSC to continue targeting yellowfin sole and there is PSC remaining from other fisheries within that sector or another sector, then the PSC should be allowed to be transferred from these fisheries to the yellowfin sole fishery. The Committee noted that transfers of PSC within a sector and between sectors currently take place. These transfers are made to better accommodate harvest of the Pacific cod rollovers.

5. *Include a rollover provision for unharvested yellowfin sole, allocated as part of the threshold reserve, that is not harvested by a given date.*

The following are recommended guidelines for the rollover provision:

- a. Rollovers of yellowfin sole would flow from the sectors with projected unharvested reserve to the trawl sectors that are projected to fully utilize their allocation. September 1 would serve as a soft date where a sector could voluntarily relinquish their unharvested threshold reserve. October 15 would serve as a hard date where inseason managers could reallocate unused yellowfin sole reserve to other sectors.
- b. The program would be fashioned similar to the Pacific cod rollover program in that the yellowfin sole reserve would first rollover quota to the sector most similar to the relinquishing sector, followed by the next most similar sector.
- c. The program would require a cooperative to file a plan for using additional yellowfin sole quota.

In addition, the Committee also noted that being able to lease yellowfin sole threshold reserve to other sectors would be problematic for the rollover provision, so the Committee recommends that sectors not be allowed to lease their threshold reserve allocation.

The Committee noted that rollovers are needed because the allocation of the threshold reserve will not necessarily be based on historical fishing patterns. Rollovers would allow adjustments to the sector allocations later in the year if some sectors are unable to harvest their entire allocation.

II. New Proposals for Component 10

1. Lease Auction Program

The Committee recommends that the proposal to lease the threshold reserve through a lease auction program not be included in Component 10 of Amendment 80a. Instead, the Committee recommends the lease auction program be reviewed as a fishery wide policy that would be implemented as a separate plan amendment to be integrated into future Council actions.

During the discussion of Component 10, the Committee was presented a proposal to lease the threshold reserve to the highest bidder through a lease auction program rather than allocate it to sectors. The Committee agreed that one of the potential benefits of the leasing program would be to help pay for future fishery management costs. It was noted in the discussion that the success of the North Pacific fishery has been in part due to the outside funding, and the leasing program could help augment future funding for fishery management costs. It

was also noted that the lease auction program would eliminate the “race for fish” in the threshold reserve fishery. The Committee also recognized that each sector has different levels of capital available to them, and one or two sectors or companies could purchase all of the threshold overage. It was also pointed out in the discussion, that the flatfish fisheries would be a good starting point for the leasing program because portions of those TACs have historically, in years of large flatfish TACs, gone unutilized. However, the Committee noted that it is fundamentally unfair to only lease flatfish while not reviewing other fisheries for including in a lease auction program. Finally, the Committee spent some time discussing some of the legal issues surrounding a lease auction program with regard to the MSA. In addition, there was some discussion on the treatment of auction proceeds. NOAA GC expressed concern with the concept, but was not willing to rule it out as an option. NOAA GC will examine the concept within the provisions of MSA to determine if any legal barriers exist.

2. Shore Processor Consideration

The Committee agreed that BSAI cooperatives are the tool of choice for rationalization. However, they were concerned that interjecting shore plant allocations into the components and options could potentially create difficulties in rationalizing the BSAI groundfish fisheries.

During the discussion concerning Component 10 and the lease auction program, the Committee heard a proposal to allocate groundfish to shore based processors. The Committee discussed the proposal briefly. In the end, the Committee agreed that the proposal was not germane to the task assigned to them, and that the lack the shorebased processor representatives at the meeting hampered their ability to fully explore the issue.

3. Include a PSC only allocation option in for Amendment 80

A proposal for allocating only PSC to trawl sectors was presented and the Committee elected not to recommend this proposal.