

1/12/07

**SUMMARY**

**GULF OF MEXICO FISHERY MANAGEMENT COUNCIL**

**AD HOC GROUPEL IFQ ADVISORY PANEL**

**QUORUM HOTEL**

**TAMPA, FLORIDA**

**OCTOBER 25-26, 2006**

**ATTENDANCE:**

Members:

Pam Baker\*  
Glen Brooks  
James Clements  
Ken Daniels, Jr.  
William (Lee) Deaderick  
Martin Fisher  
Donald Leal\*  
Tom Marvel  
Dave McKinney\*  
Ken Roberts\*  
Bob Spaeth  
Don Waters  
Bill Tucker

Council:

Roy Williams

Staff:

Stu Kennedy  
Assane Diagne, PhD  
Karen Hoak

Others:

Vushuani Marahaj  
Jason Rueter  
Julie Weeder  
Libby Featherston

\* Non voting members

The sixth meeting of the Ad Hoc Grouper IFQ Advisory Panel (AP) began at 9AM January 9, 2007. Dave McKinney chaired the meeting. The agenda for this meeting and minutes from the August 22 meeting were approved with no corrections or additions.

Stu Kennedy provided the Council responses to questions raised by the AP during the October meeting. The Council supported the concept of including tilefish in the grouper IFQ program. The Council tentatively supported the use of flexibility measures (Action 9 in the Grouper IFQ Outline) pending analyses of the biological impact of those measures.

Stu Kennedy then provided a summary of the changes to the M-SFCMA related to Limited Access Privilege (LAP) Programs. The Gulf Council is required to conduct a

referendum on any LAP program before it is finally approved and the Secretary must develop procedures and qualifying criteria for referendums within one year. The AP had previously made recommendations on how to conduct a referendum under either weighted or un-weighted voting and defined “substantial fished” as it applies to a referendum. There was considerable discussion of the requirement for cost recovery because the cap of three percent was removed. The AP was concerned that additional costs would be applied, making the overall costs unacceptable and motioned to request that NMFS establish a percentage for the cost recovery program before any referendum is conducted.

Dave McKinney described the red snapper IFQ enforcement program. There was considerable discussion of the procedures for where fishermen did not have the correct amount of allocation before landing and offloading and how dealers can operate within the time constraints of the three-hour notice of landing. There still appears to be confusion over the definitions being used for “landing” and “offloading” within the fishing community and within NMFS.

Jason Rueter presented a summary of landings by permit that was requested by the AP prior to them making decisions on caps and initial eligibility. Overall, the largest share owned by one permit was approximately 1.5 percent. No analyses have been conducted to determine ownership caps by person rather than permit. The intent of a cap (Action 3 in grouper IFQ outline) is to prevent a person or corporation from obtaining an excessive share of the resource. The AP discussed several ways to accomplish this by either assigning ownership caps (by percentage or poundage) or blocking shares and the effect if TAC was changed. There was considerable discussion of the definition of who could hold shares; a person, natural person, or citizen and how that definition applies to corporations, partnerships, etc. The AP has asked NMFS to provide these definitions under federal law. After several failed motions, the AP settled on the same alternative as for red snapper, the maximum amount issued to a recipient at the time of initial apportionment.

The AP then took up Action 2, multispecies IFQ share definitions in the Grouper IFQ Outline (attached) . Lee Deaderick explained his suggestion (Alternative 3) for the use of various aggregate share types to allow flexibility to match allocation with catch while not causing biological harm. The AP approved recommending Alternative 3 under Action 2 as a substitute if the Council does not approve their preferred Alternative 2, which has only two share types, a deep water and a shallow water aggregate share.

The AP reviewed the flexibility recommendations they had at the last meeting in light of the Council suggestion that they could entertain the use of flexibility measures (Action 9 in the grouper IFQ outline). After a short discussion of banking and borrowing, the AP motioned to recommend allowing banking up to 15 percent of allocation and borrowing up to five percent of allocation. They discussed retrospective balancing as a way to provide more flexibility when landing catch they had no allocation for but realized that Enforcement would likely oppose this measure. The AP approved a recommendation that retrospective balancing not be allowed if borrowing is allowed.

The AP then reviewed a new Alternative in Action 5, Initial Apportionment of IFQ Shares, proposed by Lee Deaderick. Alternative 2b assigns share based on the average of

three conditions; fishermen who are consistent producers, those who had a bad year during the qualifying years and those who bought licenses during or after the qualifying years without knowledge of the grouper IFQ discussions. However, members felt that any attempt to accommodate disadvantaged fishermen adversely affects the consistent producers who are most dependent on the resource. The original recommendation of the AP (Alternative 2a) was retained.

The AP concluded discussion of its overall recommendations for a grouper IFQ program. Staff will develop a complete document of the recommendations which is expected to be ready for the March Council meeting. A Panel Member will be asked to make a presentation of these recommendations in March. No new meetings of the AP will be scheduled until that document is completed and presented to the Council.

Under other business, the AP discussed the effects that final notification of initial allocation had on acceptance of the red snapper IFQ program and any other IFQ programs that might follow. The AP felt that a fisherman should know what his share would be before being asked to approve an IFQ program and approved a motion to that effect. The AP asked the Council to replace Panel members who have not attended meetings and to add someone from the tilefish fishery, possibly from the western Gulf.

The meeting adjourned at approximately 12 PM.

1/12/07

**DRAFT**  
**GROUPEL INDIVIDUAL FISHING QUOTA OUTLINE**

**Goal: Restructure the Gulf of Mexico Grouper Fishery into an Individual Fishing Quota rationalization program.**

**Prioritized Objectives**

1. Develop regulations that provide for a flexible and dynamic fishery.
2. Provide the opportunity for a year-round fishery.
3. Protect participation of small scale fishermen and prevent monopolies.
4. Provide for healthy grouper resources for the commercial fishery and the consumer market and Provide incentives to protect and enhance grouper stocks.
5. Enhance business planning and financial stability.
- 6. Multi species IFQ for the whole grouper fishery.**
7. Implement business compatible incentives to minimize bycatch and regulatory discards mortality.
8. Promote safe fishing operations.
9. Create opportunities for new entry fishermen to enter the industry.
10. Foster improved relations between sectors, including environmentalists, commercial fishermen, and recreational fishermen.

**Prerequisites for an Industry-supported Multispecies Grouper IFQ Program:**

1. No in-season TAC changes or other ceiling changes. Any management measures that change harvest must be done January 1 along with IFQ share distribution.
2. No in-season closures (effort control measures)
3. The fishermen are entitled to a Referendum – Qualifying criteria: active or renewable Reef Fish Permit with an average of 1,000 pounds of grouper landings during five of six years between 1999 and 2004. Votes will be weighted by historical landings from logbooks.
4. Adopt flexibility measures to control discards rather than prohibit individual fishermen from landing all their IFQ annual allocations by species each year.
5. Industry-wide hard quotas must disappear under an IFQ program and be replaced by individual fisherman quotas (allocation).
6. Stock assessments of the major grouper species should be done in the same year (or within one cycle) so that all decisions about revising TACs in the commercial grouper fishery are done at the same time (stability).
7. Under an IFQ program, trip limits, season and area closures, and gear restrictions should be eliminated if they are not biologically necessary.

NOTE: there will be discussion under each of these topics.

## MANAGEMENT ALTERNATIVES

### Action 1: Program Duration

#### Addresses all Objectives

This action will determine when or if there will be a review of the program. If a review is conducted, the evaluation should be based on how well the objectives stated above have been met. The results of the review will determine whether the program should be continued, if the regulations should be improved to better meet the objectives and if objectives should be added or revised.

**Alternative 1:** No action. Do not limit the duration of the Grouper IFQ program.

**Alternative 2:** Do not limit the duration of the Grouper IFQ program. However, require a program evaluation every:

- a). 5 years;
- b). 10 years

NOTE: The re-authorized MSA requires the first review in five years and subsequent reviews up to seven years apart.

The **Grouper IFQ AP** chose **Alternative 2a** as their recommendation for the duration of the IFQ program. They felt that any sunset provision, such as in Alternative 3, would make fishermen apprehensive about the future and less likely to think long term about the resource.

**Alternative 3:** Limit the duration of the Grouper IFQ program to:

- a). 5 years;
- b). 10 years

### Action 2: Multispecies IFQ Share Definitions

#### Addresses Objectives:

- 1: Develop regulations that provide for a flexible and dynamic fishery.**
- 5: Enhance business planning and financial stability**
- 6: Multi species IFQ for the whole grouper fishery**
- 7: Implement business compatible incentives to minimize bycatch and regulatory discards mortality**

There are 15 species of groupers currently managed in the Reef Fish FMP. Two are protected (no harvest) and the remaining are managed as a shallow water complex (red grouper, gag, black grouper, scamp, yellowfin grouper, red hind, rock hind, yellowmouth grouper) and a deep water complex (yellowedge grouper, warsaw grouper, snowy grouper, speckled hind and misty grouper). The two dominant species (red and gag) account for about 85% of total grouper landings and are subject to periodic assessments. Red grouper is currently under a rebuilding plan and gag has recently been found to be subject to overfishing. The selection of IFQ share types should be balanced between the need for individual species

management (e.g. whether TAC changes are expected for individual species) and industry flexibility. The aggregation of scamp and yellowmouth was approved by the AP because yellowmouth is consistently landed as scamp. The AP discussed whether to create a separate scamp/yellowmouth share but decided to aggregate scamp/yellowmouth proportionally within shallow water and deep water aggregate shares. An aggregate black/gag share may become important if the misreporting issues in logbooks can not be resolved. Shares would be used for either species and after several years of accurate reporting by species, shares could be separated as necessary. Flexibility measures could also be used to accomplish this (See Action 9, Alternative 3 or Alternative 10).

The addition of tilefish and/or greater amberjack IFQ shares has been suggested. Tilefish is an integral part of the deep water grouper fishery and it already has a quota of 440,000 pounds. Therefore it might be a good candidate for inclusion. However, greater amberjack is the dominant part of a mixed amberjack fishery associated as much with snapper as with grouper and it currently has no quota. The new stock assessment for greater amberjack determined that the stock is still undergoing overfishing; therefore some additional regulations may be required. For greater amberjack to be part of an IFQ program, a hard quota would have to be set.

**Alternative 1:** Establish a single aggregate grouper IFQ share.

**Alternative 2:** Establish a Deep Water Grouper aggregate IFQ share and a Shallow Water Grouper aggregate IFQ share.

The DWG IFQ share will include yellowedge grouper, warsaw grouper, snowy grouper, misty grouper, DWG scamp and speckled hind.

The SWG IFQ share will include red, gag, black, yellowmouth and yellowfin groupers, red hind, rock hind and SWG scamp,

The **Grouper IFQ AP** chose **Alternative 2** as their recommendation for the types of IFQ shares to be issued. The Panel wanted as much flexibility as practicable without impacting the biological requirements of the multispecies resource. The deep water grouper fishery is a unique fishery composed of a small portion of the reef fish permit holders willing to take risks to fish in deep water. However, because of the depths fished, nearly all fish are dead when brought to the surface. Historical landings show that the availability of species within the deep water grouper complex changes yearly. An aggregate deep water IFQ share should eliminate nearly all discards because the IFQ share can be used for whatever deep water species are caught.

The SWG fishery has lower discard mortality rates than the DWG fishery but still significant. Annual availability of species within the SWG complex varies considerably depending on yearly recruitment of the two dominant SWG species, gag and red grouper. Industry-wide and gear specific red grouper to gag harvest ratios between 1993 and 2005 are presented in Figures 2 and 3, respectively. An aggregate SWG IFQ share will limit discards of legal fish that result from these recruitment variations.

**Alternative 3:** Issue grouper IFQ shares as follows:

**For All Grouper Species**

1) Aggregate Grouper Shares

**For Deep Water Species:**

2) Aggregate Deep Water Grouper Shares

**For Shallow Water Species**

3) Red Grouper Shares

4) Gag Grouper Shares

5) Aggregate Red Shares

6) Aggregate Gag Shares

7) Shallow Water Grouper Shares

If the **Grouper IFQ AP** primary recommendation, **Alternative 2** is not approved by the Council, the AP recommends **Alternative 3**. The IFQ share definition is illustrated in Figure 1 below. The share system proposed attempts to account for the natural variability observed in the relative availability of grouper species, grant enough flexibility to fishermen, and, limit discards that could be generated by present and future participants in the grouper fishery under an IFQ.

All Grouper Species

A given percentage (to be determined) of a fisherman's allocation will be issued as aggregate grouper shares. These shares could be used to harvest all grouper species. These aggregate shares would reduce the likelihood of having to discard fish due to the lack of appropriate quota shares. For example, a fisher who has predominantly prosecuted deep water species would use these aggregate shares to land incidental shallow water grouper that he may have caught during some of his trips. Due to their inherent flexibility, these aggregate shares are expected to be the most valuable shares within the grouper IFQ system. To prevent some IFQ holders from cornering the market, i.e., controlling a significant proportion of aggregate shares, hence denying flexibility to a majority of IFQ participants, two stipulations are attached to the possession and trading of these shares:

- A fisherman will be allowed to trade (sell or lease) his aggregate grouper shares only if he has exhausted his other share types or if he decides not to fish during the fishing season and sells all of his shares. The intent of this provision is to preclude IFQ participants from cashing-in the flexibility they were granted at the beginning of the season and going on the water with their other shares, hence increasing the probability of generating discards.

- At the beginning of each fishing season (calendar year), the same percentage of aggregate grouper shares will be issued to all IFQ share holders, regardless of the proportion of aggregate shares they owned during the previous season. In effect, the proportion of aggregate grouper shares will be reset to a predetermined value at the beginning of each fishing season. Within a given season, a fisherman who wants additional flexibility for his operation is free to lease or buy as many aggregate grouper shares as he sees fit. However, at the start of the next fishing season, he will only be entitled to the predetermined aggregate grouper percentage granted to all participants.

### Deep Water Grouper Species

Generic deep water grouper shares will allow the harvesting of any deep water grouper species prosecuted in the GOM. Aggregate deep water grouper shares are expected to maintain flexibility and limit the incidence of discards; nearly all deep water grouper are dead when brought to the surface. Aggregate deep water shares are freely tradable.

### Shallow Water Grouper Species

Five different types of shares, red grouper, gag grouper, aggregate red, aggregate gag, and, other shallow water groupers will be issued to prosecute grouper species in the shallow water complex. Red grouper and gag grouper shares would be used to harvest red and gag grouper, respectively. Aggregate red and aggregate gag shares would alternatively be used to harvest either red or gag groupers. Aggregate red and aggregate gag shares are issued to minimize discards by granting additional flexibility to fishermen and accounting for annual fluctuations in the red to gag ratio. These aggregate shares can only be traded when linked with species specific (red and gag) shares. Linkages between these aggregate shares and red grouper or gag grouper are based on historical fluctuations noted in the relative magnitude of red and gag grouper harvests. Between 1993 and 2005, the ratio between red grouper and gag grouper harvest varied from 8.24 and 2.846. During the qualifying years selected by the Advisory Panel, i.e., 1999 to 2004, the red to gag harvest ratio decreased from 4.7 to 2.7. Changes in the red to gag ratio can be attributed to natural fluctuations in the relative abundance of red and gag and to adjustments in fishing practices. For example, in an effort to increase the relative proportion of gag grouper harvested, several longline grouper fishermen are now using longer leaders. Changes in the red to gag grouper harvest ratio between 1993 and 2005 are illustrated in Figure 2. Ratio fluctuations by gear type are provided in Figure 3. These figures indicate that, relative to red grouper harvests, gag harvests have significantly increased in recent years. The relative increase in gag harvests has been more pronounced in the longline sector.

Based on observed industry-wide red to gag ratios, the following stipulations are attached to the tradability of Red, Gag, Aggregate Red and Aggregate Gag allocations:

1. Aggregate red grouper allocation may not be transferred unless the seller has no red grouper allocation left and aggregate gag allocation may not be transferred unless the seller has no gag allocation remaining; or
2. To be leased or sold, red grouper allocation must be linked to gag allocation or aggregate red allocation as follows:
  - X red grouper pounds of allocation to 1 gag pound of allocation or 1 aggregate pound of allocation (either red grouper or gag) owned by the purchaser; or
  - X red grouper pounds of allocation and 1 gag pound of allocation sold as a bundle; or

- X red grouper pounds of allocation and 1 aggregate pound of allocation (either red grouper or gag) sold as a bundle.

To be leased or sold, gag grouper shares must be bundled with red grouper shares or aggregate gag shares as follows:

- 1 gag pound of allocation to Y red grouper pounds of allocation or Y aggregate pounds of allocation (either red grouper or gag) owned by the purchaser or
- 1 gag pound of allocation and Y red grouper pounds of allocation sold as a bundle, or
- 1 gag pound of allocation and Y aggregate pounds of allocation (either red grouper or gag) sold as a bundle.

NOTE: The ratio of red and gag shares in the bundle represented by X and Y above should be generally based on historical ratios identified above (2 to 5) but do not have to be the same value.

At the end of each fishing season (calendar year), unused aggregate red and aggregate gag shares revert back to red and gag shares, respectively. All IFQ share holders receive the same percentage of aggregate (red or gag) shares at the beginning of each fishing season.

These trading bundles are designed to minimize the incidence of bycatch, especially for new entrants into the fishery. Allowing the unrestricted trade of species specific shares may lead to more discards. For example, if a new entrant into the grouper fishery were able to buy red grouper shares without gag and aggregate red shares, he would have to discard gag caught while prosecuting red grouper.

Generic Shallow Water shares are issued to prosecute all other shallow water groupers, (excluding red and gag grouper). A priori, no restrictions are placed on the sale or lease of these other shallow water shares.

**Alternative 4:** Establish multispecies grouper IFQ share types as follows:

- 1). Red grouper
- 2). Gag
- 3). Aggregate for red hind, rock hind, SWG scamp, black, yellowmouth and yellowfin groupers
- 4). Aggregate for yellowedge grouper, warsaw grouper, snowy grouper, misty grouper, DWG scamp and speckled hind.

**Alternative 5:** Establish an individual species IFQ share for an aggregate scamp and yellowmouth separate from either shallow water or deep water aggregates. If approved, this would be a fifth type of share

Figure 1: Multispecies Grouper IFQ Share Definition

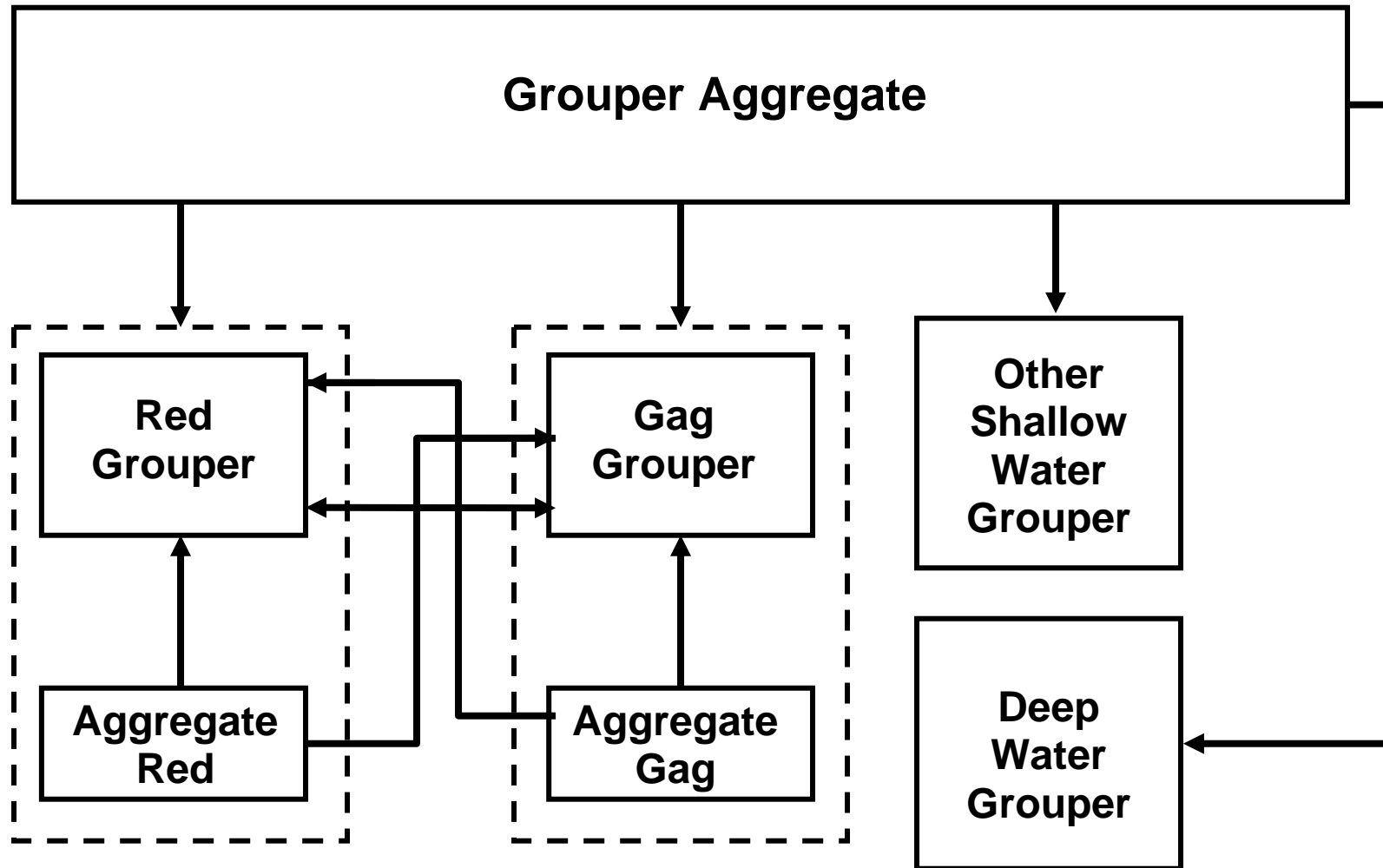


Figure 2: Red Grouper to Gag Grouper Harvest Ratio in the GOM by Gear Type (1993-2005)

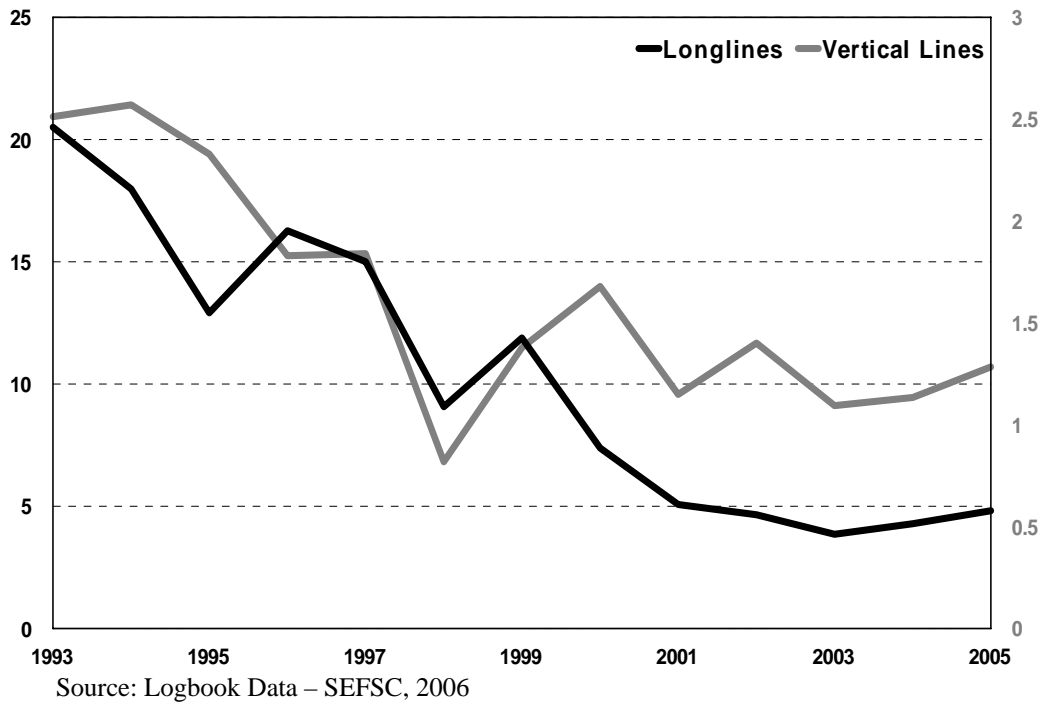
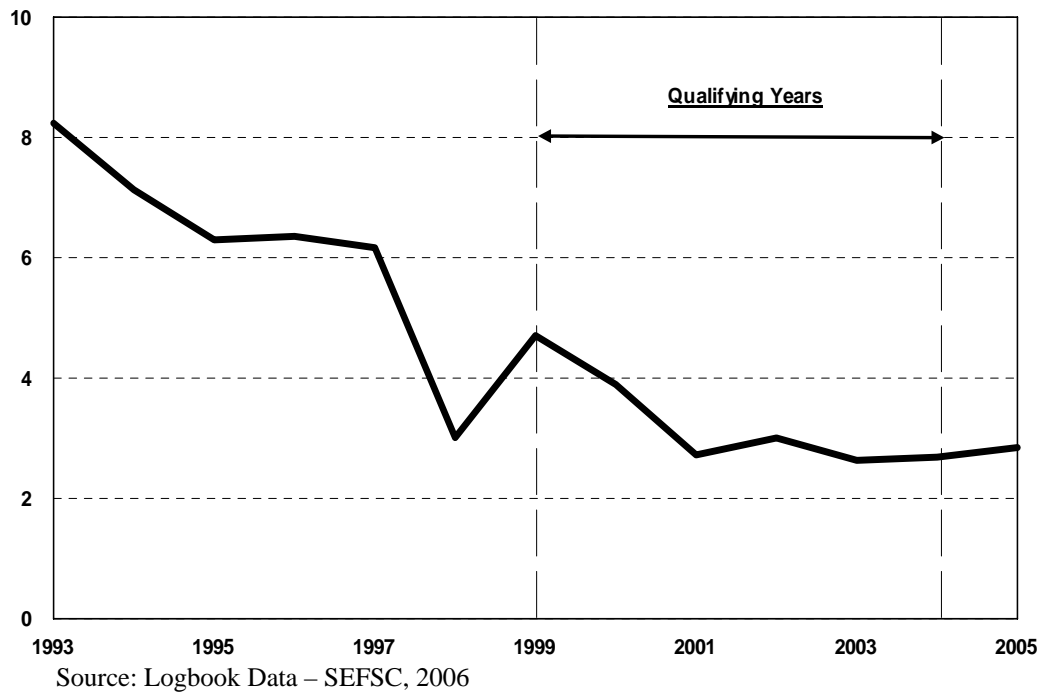


Figure 3: Red Grouper to Gag Grouper Harvest Ratio in the GOM by Gear Type (1993-2005)



**Alternative 6:** Establish an individual species IFQ share for an aggregate black grouper and gag separate from the shallow water aggregate. If approved, this share type would replace the gag share as currently approved by the AP.

**Alternative 7:** Establish an individual species IFQ share for tilefish.

Note: At its November 2006 meeting the Council recommended the inclusion of tilefish into the IFQ program

**Alternative 8:** Establish an individual species IFQ share for greater amberjack.

The **Grouper IFQ AP** has discussed the possibility of including tilefish and/or amberjacks into the IFQ program. However, they hesitate to move in this direction without Council Approval since their current charge is to develop a grouper IFQ plan. Additionally, they have concerns that amberjack and possibly tilefish do not have sufficient representation on the AP if these species are to be considered.

### **Action 3: Caps and Other Restrictions on IFQ Share Ownership**

#### **Addresses Objectives**

**3: Protect participation of small scale fishermen and prevent monopolies**

**9: Create opportunities for new entry fishermen to enter the industry**

Ownership caps are implemented to prevent monopolies from developing. The lower the cap is set, the more likely the current makeup of the participants by size of operation will be maintained and community structures will be supported. Caps are typically set at or below the historical maximum individual share. If the cap is set below the historical maximum share then those above the cap are typically grandfathered in at their historical share. Sale of grandfathered shares would have restrictions.

Establishing blocked shares is intended to prevent small-scale fisherman's initial IFQ shares from being consolidated into much larger holdings. Blocked IFQ shares can not be split when sold and a person may not own more than a specified number of blocked shares. A combination of blocking and ownership caps set the size and number of blocked and unblocked shares a fisherman can own. Setting a lower cap on the size that blocks can be combined (swept up) reduces the likelihood that monopolies will develop.

The "Owner-on-Board" requirement is intended to prevent IFQ shares from being accumulated by speculators or absentee owners. Initial IFQ share holders would be grandfathered in and allowed to continue their current business practices which may include hiring captains to run their vessels.

**Alternative 1:** No action. Do not constrain the number or amount of shares that can be owned by a participant in the Grouper IFQ program.

**Alternative 2:** For any single fishing year, no person shall own Grouper IFQ shares, which comprise more than the following percent of the **TOTAL** quota (9.82 mp gutted weight) allocated to the Grouper IFQ program:

- a). 1 percent; (approximately 98,200 lbs.)
- b). 2 percent; (approximately 196,000 lbs)
- c). 5 percent;( approximately 491,000 lbs)
- d). Persons entitled to more than the ownership cap will be grandfathered in at their entitled holdings. However, such holdings must be reduced (split up) to the ownership cap to be sold.
- e). the maximum percentage, issued to a recipient at the time of the initial apportionment of IFQ shares.

The **Grouper IFQ AP** recommends **Alternative 2e** for caps. This Alternative matches the cap imposed for the red snapper IFQ.

**Alternative 3:** IFQ share holders will be issued unblocked shares if their initial IFQ shares are greater than or equal to 20,000 pounds gutted weight. Initial IFQ shares totaling less than 20,000 pounds gutted weight will be issued as a single block to each fisherman. Blocks can be consolidated (swept-up) to a maximum size of 10,000 pounds. An IFQ share holder may own no more than two blocks or one block in addition to unblocked IFQ shares.

**Example for Blocking Shares:** In the above example, a block includes IFQ shares of red, gag, and Other SWG in proportion to what the fisherman total holdings are; however, a block program could be established for each or for selected IFQ share types. The average annual landings from a vertical line vessel are approximately 5,000 pounds and a guesstimate of the low value for a full-time vertical line vessel may be twice that or 10,000 pounds. This would be the sweep up block size and then set the SWG Block size at two times the sweep up size or 20,000 pounds. A fisherman receiving initial IFQ shares greater than or equal to 20,000 pounds would receive unblocked shares; a fisherman receiving initial IFQ shares less than 20,000 pounds would receive one block equal to the total shares he is entitled to. In this alternative, a fisherman could not own more than two blocks or one block and unblocked shares. For instance, a fisherman entitled to 18,500 pounds of initial IFQ shares would receive one 18,500 pound block. After the program is implemented, the fisherman could “sweep-up” other blocked shares up to 10,000 pounds to create a second block; he would then own 28,500 pounds in two blocks. The market value for blocked shares could likely be less than the comparable unblocked shares allowing a fisherman with less income to possibly afford to buy additional shares, but the fisherman would not be able to buy more blocked or unblocked shares without first selling one of the blocks he already owned. Instead of sweeping up blocked shares, he could purchase unblocked shares in any quantity he was able to afford and repeat that process as often as he was able to. However, the cost of each share could likely be higher.

**Alternative 4:** The IFQ share holder (owner) must be on board the vessel when the vessel is engaged in fishing or landing the catch. The following exceptions apply:

- 1). The initial IFQ share holder may hire a captain to fish the shareholder's annual allocation.
- 2). Corporate, partnership or other "non-individual entities" must designate a captain of record to fish their IFQ shares.
- 3). Transfer of, corporate, partnership or other "non-individual entity" IFQ share must be to an **individual** who has authority to own IFQ shares (**See Action 7**)

#### **Action 4: Eligibility for Initial IFQ Shares**

##### **Addresses Objectives**

**3: Protect participation of small scale fishermen and prevent monopolies**

**5: Enhance business planning and financial stability**

**9: Create opportunities for new entry fishermen to enter the industry**

The requirements for eligibility to receive initial grouper IFQ shares as recommended by the AP include a current Reef Fish permit and a minimum level of annual landings. The Panel requested information showing how many permits would qualify or not qualify under various levels of annual historical landings. They will select the minimum poundage qualification based on that table.

**Alternative 1:** No action. Do not restrict initial eligibility in the grouper IFQ program.

**Alternative 2:** Restrict initial eligibility to Reef fish permit holders who have average annual grouper landings from logbooks during the qualifying years of at least:

- a). 1 pound.
- b). 100 pounds.
- c). 500 pounds

**The Grouper IFQ AP chose Alternative 2a as their recommendation for eligibility for initial IFQ shares. They felt that it was important to allow everyone who has the proper permit and a record of landing grouper from the Gulf of Mexico to be in the IFQ program. It would then be the fisherman's choice to remain in the program or sell out rather than being forced out.**

## Action 5. Initial Apportionment of IFQ Shares

### Addresses Objectives:

**3: Protect participation of small scale fishermen and prevent monopolies**

**5: Enhance business planning and financial stability**

**9: Create opportunities for new entry fishermen to enter the industry**

The alternative as developed by the AP allocates initial IFQ shares proportionally to all eligible fishermen based on Reef Fish Permit history. That method maintains status quo in the fishery; fishermen enter based on their past history or the history of the previous Reef Fish permit owner.

**Alternative 1:** No action. Do not specify a methodology for allocating initial IFQ shares.

**Alternative 2:** Allocate initial IFQ shares proportionately among eligible participants based on the average annual landings from logbooks associated with their current license(s) during the time period:

a.) 1999 through 2004 and allow permit holder to drop 1 year;

**Recommended by the Grouper IFQ AP**

b.) Allocate initial IFQ shares among eligible participants as follows:

- one third of the allocation based on landing records from 1999 through 2004;
- one third of the allocation based on landing records from the best four years between 1999 and 2004; and
- one third of the allocation based on landing records from the participant's last full year of landing history (e.g., 2006).

This initial allocation scheme was designed to recognize and reward three specific categories of eligible participants. The portion of the allocation based on 1999-2004 landing records recognizes that some grouper fishermen were consistent and reported steady grouper landings throughout the five year interval. The second portion of the allocation, which grants participants the opportunity to throw out one out of five years, would benefit fishermen who had a bad year or could not fish for a year due to disability or illness. The last portion of the allocation attempts to boost the initial allocation of late comers into the fishery. Late comers who have recently bought permits with limited catch history over the 1999-2004 interval would be at a disadvantage if their initial allocation were solely based on five years of landing records.

## **Action 6. Establishment and Structure of an Appeals Process**

This action item is Administrative. It does not directly address any of the objectives established by the AP. Fishermen would be allowed to appeal their initial IFQ shares based on evidence that there are errors in their logbook data.

**Alternative 1:** No Action. Do not specify provisions for an appeals process associated with the IFQ program.

**Alternative 2:** The Regional Administrator (RA) will review, evaluate, and render final decision on appeals. Filing of an appeal must be completed within 90 days of the effective date of the final regulations implementing the IFQ program. Hardship arguments will not be considered. Landings records appeals will be based on NMFS' logbooks. If NMFS' logbooks are not available; state landings records or data can be used.

The **Grouper IFQ AP** chose **Alternative 2** as their recommendation for the structure of an appeals process. They believed that NMFS would insist on this process since all appeals will be related to data record held by NMFS and that no hardship cases are to be allowed.

**Alternative 3:** A special board composed of state directors/designees will review, evaluate, and make individual recommendations to RA on appeals. Filing of an appeal must be completed within 120 days of the effective date of the final regulations implementing the IFQ program. Hardship arguments will not be considered.

**Alternative 4:** A special advisory panel composed of IFQ shareholders will review, evaluate, and make individual recommendations to the RA on appeals. Advisory Panel members will be appointed by the Council from a pool of names submitted by state directors. Filing of an appeal must be completed within 180 days of the effective date of the final regulations implementing the IFQ program. Hardship arguments will not be considered.

**Alternative 5:** A total of three percent of the current commercial quota will be initially set-aside to be used to resolve disputes regarding eligibility until the appeals process is finalized. Any amount remaining in the set-aside after the appeals process has been terminated will be proportionately distributed back to the initial recipients as soon as possible that year.

## **Action 7. Transfer Eligibility Requirements**

### **Addresses Objectives**

- 1: Develop regulations that provide for a flexible and dynamic fishery.**
- 3: Protect participation of small scale fishermen and prevent monopolies**
- 5: Enhance business planning and financial stability**
- 7: Implement business compatible incentives to minimize bycatch and regulatory discards mortality.**
- 9: Create opportunities for new entry fishermen to enter the industry**

This action determines how selective the process will be to sell or buy grouper IFQ shares. The least restrictive policy would be to allow anyone who is a U.S. citizen or a permanent resident alien to purchase shares. This opens the door for anyone to get into the fishery, including new fishermen such as deck hands on reef fish vessels or fishermen in other resources such as mackerel. With a larger field of buyers, the value of shares on the open market should be higher. However, openness would also allow transfer to individuals who may not intend to use IFQ shares in support of the commercial fishing industry. Alternatives that require an existing commercial reef fish permit or other types of commercial Gulf of Mexico permits or documented service in the industry combined with a use-it-or-lose-it policy are more likely to keep the shares in the industry. The most restrictive policy would be to allow transactions only between fishermen who already own IFQ shares. This would guarantee that the grouper fishery would remain in the hands of active commercial grouper fishermen but it leaves consolidation as the only mechanism for transfer; IFQ share value would likely be the lowest of any of the other alternatives and without new entrants, the fishery would eventually stagnate.

**Alternative 1:** No action. Do not limit to whom annual allocation/IFQ shares can be transferred.

**Alternative 2: IFQ shares/annual allocations can be transferred only to U.S. citizens and permanent resident aliens. Eligible individuals must be persons, who are U.S. citizens or permanent resident aliens.**

**Alternative 3:** IFQ shares/annual allocations can be transferred only to individuals/vessels with a valid commercial reef fish permit or to individuals who can document at least five years working on a permitted commercial vessel in the Gulf of Mexico or in a fishery related service industry. Eligible individuals must be persons, who are U.S. citizens or permanent resident aliens.

**Alternative 4: IFQ shares/annual allocations can be transferred only to individuals/vessels with a valid commercial reef fish permit during the first 5 years of the IFQ program and to persons, who are U.S. citizens or permanent resident aliens thereafter.**

**Alternative 5:** IFQ shares/annual allocations can be transferred only to individuals/vessels with a valid commercial reef fish permit. Eligible individuals must be persons, who are U.S. citizens or permanent resident aliens.

**The Grouper IFQ AP chose Alternative 5 as their recommendation for transfer eligibility requirements. This alternative keeps the IFQ shares in the hands of commercial fishermen. The Reef Fish Permit has a commercial fishery income requirement every other year. Anyone who wants to get into the commercial grouper fishery will be able to by buying any Reef fish permit and then purchasing IFQ share.**

**Alternative 6: IFQ shares/annual allocations can be transferred only to initial IFQ shareholders during the first 5 years of the IFQ program and all individuals/vessels with a valid commercial reef fish permit thereafter. Eligible individuals must be persons, who are U.S. citizens or permanent resident aliens.**

**Alternative 7: IFQ shares/annual allocations can be transferred only to IFQ shareholders. Eligible individuals must be persons, who are U.S. citizens or permanent resident aliens.**

#### **Action 8. Use it or Lose it: IFQ Shares or Allocations**

##### **Addresses Objectives**

- 3: Protect participation of small scale fishermen and prevent monopolies**
- 4: Provide for healthy grouper resources for the commercial fishery and the consumer market and Provide incentives to protect and enhance grouper stocks.**

## **7: Implement business compatible incentives to minimize bycatch and regulatory discards mortality.**

The Use-It-Or-Lose-It concept is intended to prevent owners from holding shares and not fishing them. There is the possibility that recreational fishermen or environmental organizations may buy into the IFQ program with the intent to either shift the allocation of resources or conserve the stock. These alternatives would establish a limit on how long a person may hold onto their IFQ shares and not fish them. The alternatives are intended to balance the valid health and equipment issues that could prevent a fisherman from using all or some shares for a period of time against the other issues. Leasing annual allocation would be considered as a use.

**Alternative 1:** No action. Do not specify a minimum landings requirement (i.e., use it or lose it provision) for retaining IFQ shares.

**Alternative 2:** Any IFQ share certificates that remain inactive for three years will be revoked and redistributed proportionately among the remaining shareholders. “Inactive” is defined as:

- a. Less than 30 percent of the annual average utilization of allotted IFQ shares in the industry harvest over a three-year moving average period, except in case of death or disability.
- b. Less than 50 percent of the annual average utilization of allotted IFQ shares in the industry harvest over a three-year moving average period, except in case of death or disability.

The **Grouper IFQ AP** chose **Alternative 2a** as their recommendation for the Use-It-Or-Lose-It requirement. The panel wanted to make sure that grouper remained available to the consumer indefinitely so that market share would be less likely to be lost due to imports or other resources. At the same time, they recognize that circumstances occur where a permit owner may wish to reduce harvest for a period of time or may not be able to find a lessor to fish what he has to offer. Therefore the Panel is recommending a high degree of flexibility for use of shares but for a short period of time.

**Alternative 3:** Any IFQ share certificates that remain inactive for five years will be revoked and redistributed proportionately among the remaining shareholders. “Inactive” is defined as:

- a. Less than 30 percent of the annual average utilization of allotted IFQ shares in the industry harvest over a three-year moving average period, except in case of death or disability
- b. Less than 50 percent of the annual average utilization of allotted IFQ shares in the industry harvest over a three-year moving average period, except in case of death or disability.

### **Action 9: Flexibility Measures**

#### **Addresses Objectives:**

- 1: Develop regulations that provide for a flexible and dynamic fishery.**
- 2: Provide the opportunity for a year-round fishery.**
- 5: Enhance business planning and financial stability**

**6: Multi species IFQ for the whole grouper fishery**

**7: Implement business compatible incentives to minimize bycatch and regulatory discards mortality**

Red grouper and gag together, represent about 85% of total historical grouper landings from 1999 through 2004. During this same time period, landings of gag in relation to red grouper have varied from 22% to 39%. Changes in the abundance or catchability between these two species will lead to increased discards once a fisherman has shares of only one of these two species remaining. However, there are catch – quota balancing procedures (flexibility measures) available to allow a fisherman to adjust annual allocation within years. These procedures allow individual fishermen the flexibility to use most of their annual allocation while at the same time reducing discards. One such method is to allow annual allocation to be transferred (See Action 7). Additional alternatives for balancing are presented below.

**Alternative 1:** No action. Do not establish additional Catch – Quota balancing flexibility measures in the grouper IFQ program.

**Subaction A: Aggregate shares**

The **Grouper IFQ AP** recommends the use of aggregate allocation as a method to reduce the likelihood of regulatory discards (See **Action 2, Alternative 2 and 3**).

This alternative sets aside a proportion of the annual allocation of major grouper species as an aggregate to be used for either specie in the aggregate. Fishermen would be expected to use this annual allocation after they ran out of coupons for one of the two species. An aggregate red/gag or gag/black allocation does not increase the total allocation in any year. However, these aggregates can cause short term increases in annual harvest of one of the two species with a concomitant decrease in the other.

**Alternative 2:** Establish a red grouper / gag aggregate share using the following proportion of each fisherman’s allocation of red grouper and gag individual species shares.

- a). 2.5%
- b). 5%
- c). 7.5%
- d). 10%

**Example for Aggregate Shares:** A fisherman’s annual allocation of red grouper is 100,000 pounds and of gag is 30,000 pounds. An aggregate red/gag share equal to 5% of the fisherman’s holdings would be 6,500 pounds; 5,000 pounds of red grouper and 1,500 pounds of gag grouper are converted to an aggregate share leaving him with 95,000 pounds of red grouper shares and 28,500 pounds of gag shares. All 6,500 pounds of aggregate share could be used for either species in any combination the fisherman chooses. The purpose of this aggregate is to allow the fisherman to continue fishing without discards once he has used all his existing shares of one of these two species.

Table 9.2. Example of the use of an aggregate share				
	Red Grouper	Gag	Aggregate	Total
Historical shares	100,000	30,000		130,000
Annual Allocation with 5% aggregate	95,000	28,500	6,500	130,000
Current year catch ratio	5,000	1,700		
Catch until no more shares of one species	83,824	28,500		
Continued catch until no more shares of either species	11,176	3,800	2,700	
Catch Sub-Total	95,000	32,300		
Continued catch until no more shares of aggregate left	2,015	685		
Total Catch	99,015	32,985		130,000

For this example, the fisherman’s fishing practices during the year yield 1,700 pounds of gag for every 5,000 pounds of red grouper. He would use all 28,500 pounds of gag once he caught 83,824 pounds of red grouper leaving him with 11,176 pounds of red grouper allocation and 6,500 pounds of aggregate remaining. He would continue fishing his normal practices with no discards catching his remaining pounds of red grouper and 3,800 pounds of gag using the aggregate allocation to land the gag. Thereafter, the fisherman would still fish using normal practices until he landed 2,700 pounds of a combination of red and gag. All shares would be spent and there would have been no discards of legal red or gag. Had there been no aggregate, he would have caught 100,000 pounds of red and 34,000 pounds of gag of which 4,000 pounds would have had to be discarded unless he could purchase gag allocation.

**Alternative 3:** Establish a black grouper / gag aggregate share using the following proportion of each fisherman’s allocation of black grouper and gag individual species shares.

- a). 2.5%
- b). 5%
- c). 7.5%
- d). 10%

**Example:** The practice of using the aggregate to cover the imbalance between average history and current catch would follow the same pattern as in the previous example.

**Subaction B: Banking / Borrowing**

The **Grouper IFQ AP** is recommending that banking up to 15 percent and borrowing up to 5 percent be allowed in the grouper IFQ program. In the multispecies grouper fishery, flexibility measures such as banking and borrowing will reduce or eliminate discards of legal fish caused when catch does not balance against the historical base years used for development of initial IFQ share proportions by species.

**Banking**

This alternative allows IFQ share holders to bank unused annual allocations for future use. Banking will reduce the harvest of the banked annual species allocation at least one fishing year on average before they can be withdrawn for use. In addition, the fishery can not exceed the annual allocation unless interest is paid on banked shares. If banking is to be promoted, incentives similar to interest could be applied to banked allocation if left untouched for more than a year. Banked allocation could be used or sold as needed.

**Alternative 4:** Allow banking of annual allocation by individual fishermen up to:

- a). 5%
- b). 7.5%
- c). 10%
- d). 15%
- e). Add \_\_\_\_ percent annual interest to allocations that remain unused for more than one year.

**Example for Banking:** Banking could be used to hold onto annual allocation that could not be used before the end of the season or it could be used to reserve annual allocation for a future time when availability or value may be higher, costs lower, unforeseen vessel repairs, etc. This example uses the same fisherman and circumstances in the previous example, except that the current catch ratio has a lower proportion of gag than his historical average. The fisherman fishes as he did before until he runs out of red grouper and has used all the aggregate shares. He still has an allocation of 2,110 pounds of gag remaining and he has already landed slightly more than his average historical catch of red grouper. If he wanted to land the remaining gag allocation, he would have to discard a little over 8,000 pounds of legal red grouper or he has to be able to buy sufficient annual allocation to land the red grouper. However, the gag allocation could be banked. It represents about 7 percent of his annual allocation of gag but only about 1.4 percent of his overall allocation.

	Red Grouper	Gag	Aggregate	Total
Historical shares	100,000	30,000		130,000
Annual Allocation with 5% aggregate	95,000	28,500	6,500	130,000
Current year catch ratio	5,000	1,300		
Catch until no more shares of one species	95,000	24,700		
Continued catch until no more aggregate shares remain	6,500	1,690	0	
Total Catch	101,500	26,390		127,890
		Banked Gag Shares		2,110

If interest were to be allowed to be paid on allocation banked for more than one year, and the rate was five percent, he could accrue 105 more pounds of allocation after 12 months.

**Borrowing**

Borrowing would allow a fisherman to use annual allocation from the following year to apply to the current year's landings. Most likely this would be used near the end of the year to cover an overage that could not be covered by purchasing annual allocation on the open market. As with any lending industry, the fishery as a whole would be authorizing individuals to borrow against future returns, borrowing should have some constraints such as when and how it is used and possibly carry penalties similar to interest.

**Alternative 5:** Borrowing against the following year's allocation may occur:

- a). Anytime during the fishing year.
- b). Only during the last six months of the fishing year.
- c). Only during the last two months of the fishing year.
- d). Only during the last 45 days of the fishing year.

**Alternative 6: IFQ shares/annual allocations can not be transferred until outstanding IFQ share or annual allocation debts are paid or deducted from holdings in full.**

**Alternative 7:** Allow borrowing of annual allocation by individual fishermen up to:

- a). 5%
- b). 7.5%
- c). 10%
- d). 15%
- e). Add a \_\_\_\_\_percent penalty to all allocation borrowed.

**Example for Borrowing:** This example uses the same information as for banking. The fisherman has 2110 pounds of gag allocation remaining at the end of the year. He chooses to make one more fishing trip to use up gag allocation, expecting to have to borrow 8,115 pounds of red grouper allocation from next year's allocation. He avoids having to discard red grouper at a cost of about 8 percent of his next year's red grouper allocation. If a penalty of 5 percent were to be applied to borrowing, the fisherman's total cost would have been 8,521 pounds or 8.5 percent of his next year red grouper allocation.

**Subaction C: Deemed Value**

Under a deemed value program, the fisherman is charged for landing fish for which he has no annual allocation. The deemed value would be equal to the proportion of the price per pound that would be deducted from the payout by the dealer. If the deemed value is equal to the profit margin for a species, then the vessel covers cost but makes no profit. If the deemed value is less than the profit margin, the vessel makes some profit by landing the species and this might encourage landing rather than discarding catch; however; there is a risk that overages become routine in order to land high value species. If the deemed value is more than the profit margin, then there is a cost for landing the species which may encourage changes in fishing practices to avoid discards provided

there are penalties for discarding at sea such as loss of some annual allocation or the mandatory use of bycatch reduction technology. The proportion of the proceeds that accrue from deemed value sales could be used for cost recovery or fishery incentives, infrastructure, etc. Deemed value could have a significant impact on species that are overfished or experiencing overfishing; therefore it may be necessary to incorporate a higher level of disincentive for these species. The use of deemed value to cover landings should be capped and possibly restricted to late in the fishing year.

**Alternative 8:** Establish a deemed value program to charge fishermen who land grouper for which they have no annual allocation remaining.

1). Deemed value charges will be:

- a). 40%
- b). 50%
- c). 60%

of the

- d). current dockside prices paid by species
- e). annual average dockside prices paid by species

2). An additional charge will be added for any species that is under a rebuilding plan or is undergoing overfishing.

3). Annual use of deemed value for any IFQ share types for an IFQ share holder shall not exceed:

- c). 2.5%
- d). 5%
- e). 7.5%
- f). 10%

**Alternative 9:** The use of Deemed Value may occur:

- a). Anytime during the fishing year.
- b). Only during the last six months of the fishing year.
- c). Only during the last two months of the fishing year.
- d). Only during the last 45 days of the fishing year.

**Example for Deemed Value:** A fisherman comes to the dock with 3,000 pounds of red grouper and 1,200 pounds of gag. His current holdings include 8,000 pounds of red grouper but only 500 pounds of gag. He chooses to use deemed value to cover the 700 pounds of gag for which he doesn't have allocation. Deemed value for gag is set at 55 percent of the dockside value. At a dockside value of \$2.50 a pound for gag, the total value of the gag landings is \$1,750; he would receive \$788 (45 percent of the value) and the difference (\$962) would go to the IFQ program.

## **Subaction D: Species Annual Allocation Exchanges**

Species exchanges allow a fisherman to land grouper for which he has no annual allocation and reduce remaining allocation for other species to compensate. Essentially the fisherman would be trading allocation of one species for another. Exchange rates would have to be established for each share type based on some historical market-driven value. There should probably be a maximum level of allowable exchange and/or an added charge for exchanges to avoid large scale shifting of target species particularly those species that are overfished or undergoing overfishing. Exchange would only be allowed if the fisherman had sufficient current allocations to cover the exchange.

**Alternative 10:** Establish species exchange rates for grouper annual allocations.

- 1). Exchange rates will be based on:
  - a). annual average prices paid by IFQ share type
  - b). current market prices by IFQ share type
  - c). and include an added charge (user fee) of:
    - i). 1%
    - ii). 2%
    - iii). 5%
- 2). Annual exchanges between any two IFQ share types for an IFQ share holder can not exceed:
  - c). 2.5%
  - d). 5%
  - e). 7.5%
  - f). 10%
- 3). An additional charge will be added for any species that is under a rebuilding plan or is undergoing overfishing.

**Example for Species Exchanges:** Using the example in deemed value, the fisherman landed 700 pounds of gag for which he had no allocation and had 5,000 pounds of red grouper allocation remaining after landing the 3,000 pounds of red grouper. At a dockside price of \$2.50 for gag, \$2 for red grouper and a two percent penalty for using species exchanges, the fisherman would be able to exchange one pound of red grouper allocation for approximately 0.78 pounds of gag. The fisherman would have to give up 893 pounds of red grouper to land the 700 pounds of gag and lose about \$36 in total value of the allocation used. He would have 4,107 pounds of red grouper allocation remaining.

## **Subaction E: Retrospective Balancing**

The **Grouper IFQ AP** has recommended that retrospective balancing be part of their overall catch balancing tools if borrowing is not allowed.

Retrospective balancing is equivalent to borrowing with the addition of an after-the-fact grace period to balance landings with annual allocation. The fisherman would be given a specific number of days after landing the catch to purchase annual allocation to cover

overages. There should be some limit to the amount of overage that an IFQ share holder can accumulate and it may be necessary to restrict fishing near the end of the year if the fisherman has overages.

**Alternative 8:** An IFQ share holder may land grouper in excess of owned annual allocation under the following conditions:

- 1). The overage is resolved within:
  - a). 15 days
  - b). 30 days
  
- 2). Retrospective balancing may occur:
  - a). Anytime during the fishing year.
  - b). Only during the last six months of the fishing year.
  - c). Only during the last two months of the fishing year.
  - d). Only during the last 45 days of the fishing year.
  
- 3). **IFQ shares/annual allocations can not be transferred until outstanding IFQ share or annual allocation debts are paid or deducted from holdings in full.**
  
- 4: Overages by IFQ share type do not exceed:
  - a). 5%
  - b). 7.5%
  - c). 10%
  - d). 15%
  - e). If retrospective balancing does not occur by the end of the year, add a \_\_\_\_\_percent penalty to all allocation borrowed.

#### **Action 10. Adjustments in Commercial TACs**

The **Grouper IFQ AP** chose **Alternative 2** as the recommendation for adjustments to commercial TACs. This alternative proportionally allocates any increase or decrease in TAC to all IFQ shareholders base on their current holdings. The Panel felt this was the fairest way to adjust and did not want to force reallocation among shareholders as any other alternative would do.

#### **Addresses Objectives:**

- 1: Develop regulations that provide for a flexible and dynamic fishery.**
- 2: Provide the opportunity for a year-round fishery.**
- 4. Provide for healthy grouper resources for the commercial fishery and the consumer market and Provide incentives to protect and enhance grouper stocks.**
- 5: Enhance business planning and financial stability**
- 6: Multi species IFQ for the whole grouper fishery**

## **7: Implement business compatible incentives to minimize bycatch and regulatory discards mortality**

This action establishes when and how adjustments in TAC will be administered. Adjustments in TAC can occur because status of the stock has changed as a result of new assessments or because fishing sector shares of TAC are changed through the amendment process.

**Alternative 1:** No action. Do not specify provisions for annual adjustments in the commercial quota.

**Alternative 2:** Allocate adjustments in the commercial quota proportionately among recognized IFQ shareholders (e.g., those on record at the time of the adjustment) based on the percentage of the commercial quota each holds at the time of the adjustment.

**Alternative 3:** Allocate adjustments in the commercial quota as follows, among recognized IFQ shareholders (e.g., those on record at the time of the adjustment). Fifty percent of the adjustment will be distributed proportionately among individual shareholders based on the percentage of the commercial quota each holds at the time of the adjustment; the remaining fifty percent of the adjustment will be distributed equally among individual shareholders.

**Alternative 4:** Divide quota increases equally among recognized IFQ shareholders (e.g., those on record at the time of the adjustment). Divide quota reductions equally among the (specify number) recognized IFQ shareholders who hold the largest amount of IFQ shares.

## **Action 11. Cost Recovery Plan**

This Action is an administrative function and does not directly address any of the objectives of the IFQ program. However, depending on how and in what form the fees are collected, the cost recovery plan may indirectly address some objectives such as:

- 1: Develop regulations that provide for a flexible and dynamic fishery.**
- 5: Enhance business planning and financial stability**
- 7: Implement business compatible incentives to minimize bycatch and regulatory discards mortality**
- 9: Create opportunities for new entry fishermen to enter the industry.**

The Magnuson Stevens Act requires that limited access privilege programs such as the grouper IFQ include provisions to recover management, monitoring, data collection and analysis, and, enforcement costs. This includes the cost of the computer systems necessary to manage the disbursement and tracking of IFQ share ownership and annual allocations, as well as observer and enforcement programs. It is worth noting that the 2006 MSA does not cap cost recovery fees to 3% of the value of the fishery. In the red snapper IFQ program, the fees are

calculated during sale, deducted from the sellers check and submitted by the dealer to NMFS on a quarterly basis [Alternative 2, A(ii), B(i), C(i), and D(i)(b). Alternative 3 would collect the cost recovery fees up front as a percentage of the annual allocation. The percentage rate would be based on the cost recovery rate, the sale value of annual allocation, and the cost savings from elimination of the fee collection system.

The **Grouper IFQ AP** has not chosen a cost recovery plan at this time. They expect that there will be only one cost recovery process for all IFQ programs and will evaluate the red snapper IFQ cost recovery plan to determine if changes should be recommended.

**Alternative 1:** No action. No IFQ cost recovery plan will be implemented.

**Alternative 2:** All IFQ cost recovery fees shall be the responsibility of the recognized IFQ shareholder. IFQ cost recovery fees will be calculated at the time of sale of fish to the registered IFQ dealer/processor.

- A. The fee collection and submission shall be the responsibility of:
  - (i) the IFQ shareholder
  - (ii) the IFQ dealer/processor
  
- B. The collected fees would be submitted to NMFS
  - (i) quarterly.
  - (ii) at the end of each moth along with logbook records.
  
- C. The cost recovery fee will be based on:
  - (i) the actual\* ex-vessel value of the grouper landings.
  - (ii) the standard\*\* ex-vessel price of the grouper landings as calculated by NMFS.
  
- D. A Registered IFQ Dealer/Processor Ex-vessel Value report (IFQ Buyer report) from each IFQ registered buyer who operates as a shore-side processor and purchases IFQ red snapper would be:
  - (i) required
    - (a). Quarterly
    - (b). Annually
  - (ii) not required

**Alternative 3.** All IFQ cost recovery fees will be withheld at the beginning of each fishing year as a percentage of the annual allocation to each IFQ shareholder. NMFS will disburse the annual allocation back to eligible IFQ share holders through auctions, transfers through brokers, or other means.

\* actual ex-vessel value is the total monetary sale amount fishermen receive for IFQ landings from registered IFQ dealer/processors operating as shore-side processors.

\*\* standard ex-vessel price is the ex-vessel price for the previous fishing year and any expected price changes for the current fishing year.

## **Action 12. Enforcement**

The enforcement of a grouper IFQ program will include all the components of the red snapper IFQ enforcement plan. The following is a short summary of enforcement requirements contained in Amendment 26.

“For enforcement purposes, IFQ landings would be required to be offloaded at permitted IFQ dealers between 6:00 a.m. and 6:00 p.m. daily. Persons landing IFQ catch would be required to notify NMFS Enforcement at least three hours in advance of the time of landing and of the dealer where landing would occur. At sea or at dockage transfers of fish on board IFQ vessels would be prohibited. All of the aforementioned actions are necessary to facilitate law enforcement activities.”

Some aspects of this plan are still being finalized. When they are complete, the Panel will get a copy to review and comment on. There will likely be additional enforcement issues related to the multispecies nature of the grouper IFQ program that the Panel will want to consider. Once the red snapper enforcement plan is complete, this document will be updated for discussion.