



GULF OF MEXICO FISHERY MANAGEMENT COUNCIL

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Tab B, No. 11(a)

August 18, 2008

Dr. Roy Crabtree
Regional Administrator
National Marine Fisheries Service
263 13th Avenue South
St. Petersburg, Florida 33701

Dear Dr. Crabtree:

The Gulf of Mexico Fishery Management Council (Council) has elected to propose implementing an Individual Fishing Quota (IFQ) in the commercial grouper and tilefish fisheries. Provisions of the multi-species IFQ program are included in Amendment 29 to the Reef Fish Fishery Management Plan. Section 303A(c)(6)(D) of the Magnuson-Stevens Fishery Conservation and Management Act (Act) stipulates that the Gulf of Mexico Fishery Management Council may not submit, and the Secretary of Commerce may not approve, an IFQ program that has not been first approved by a majority of those voting in a referendum among eligible permit holders. The Act further stipulates that for multi species permits in the Gulf, only those participants who have substantially fished the species proposed to be included in the IFQ are eligible to vote in the referendum. This letter requests that you initiate a referendum seeking approval for the proposed IFQ program.

The Council proposes that only commercial reef fish permit holders, with valid or renewable permits (within one year of the grace period immediately following expiration), who have combined average annual grouper and tilefish landings from logbooks during the qualifying years of at least 8,000 pounds (per permit) be considered as having substantially fished. Qualifying years selected by the Council cover the 1999 to 2004 period, with an allowance for dropping one year. In addition, the Council has proposed assigning one vote per permit, regardless of catch history. Under the Council's preferred eligibility criterion, individuals eligible to participate in the referendum account for 31 percent of the reef fish permits that are currently valid or renewable and approximately 90 percent of grouper and tilefish landings during the qualifying time period.

The Council's rationale in selecting preferred eligibility requirements, the range of alternatives considered, and, the expected number of individuals eligible to participate in the referendum are discussed in the enclosed document. The Council feels that its proposed referendum

eligibility criteria constitute a fair and equitable means of implementing the requirements of Section 303A of the Act. If you have any questions, please do not hesitate to call.

Sincerely,

Tom McIlwain
Council Chairman

AD:

Enclosures: Reef Fish Amendment 29: Eligibility for Referendum Participation

C: Gulf Council
Staff

Reef Fish Amendment 29: Eligibility for Referendum Participation

Section 303A(c)(6)(D) of the Magnuson-Stevens Fishery Conservation and Management Act (Act) stipulates that, the Gulf of Mexico Fishery Management Council (Council) may not submit, and the Secretary may not approve an Individual Fishing Quota (IFQ) program that has not been first approved by a majority of those voting in a referendum among eligible permit holders. The Act further stipulates that for multi-species permits in the Gulf, only those participants who have substantially fished the species proposed to be included in the IFQ are eligible to vote in the referendum. This document specifies eligibility criteria for participation in the referendum that needs to be conducted prior to the Council's decision to submit the IFQ program for Secretarial review. Eligibility criteria under consideration, which identify individuals that have substantially fished in the commercial grouper and tilefish fisheries, are expressed in terms of average annual grouper and tilefish landings thresholds.

The decision to identify participants who have substantially fished in terms of average annual harvest does not consider dependency on the fishery as a criterion. A fishery participant may not meet the average annual grouper and tilefish landings threshold, but still be dependent on the fishery as a source of income. However, the Council interprets Section 303A(c)(6)(D)(i) to indicate "substantially fished" to represent substantial contribution to the overall fishery production in total harvest, which contrasts with requirements in Section 303A(c)(6)(D)(v) for a New England referendum to consider participant eligibility based on those who derive a significant percentage of their total income from the fishery. Further, the Council proposes using annual harvest as the metric for assessing participation, rather than some other means such as days fished or hook hours. This decision is based on the fact that Council feels that annual harvest, in combination with the persistence demonstrated by maintaining a high level of harvest over the period 1999-2004, is the most straight forward, readily identifiable, and accurate means of identifying the whether a participant has substantially fished for grouper or tilefish species.

The Council's Preferred Alternative (**Alternative 4**) for referendum eligibility restricts participation in the referendum to permit holders who have combined average annual grouper and tilefish landings from logbooks during the qualifying years of at least 8,000 pounds per permit. The Council also elected to assign one vote per permit, regardless of catch history. Qualifying years selected by the Council cover the 1999 to 2004¹ period, with an allowance for dropping one year. A description of the commercial reef fish fishery including a description of the grouper and tilefish fisheries, the Council's rationale for selecting its preferred referendum eligibility criteria and qualifying period and alternative referendum criteria considered are provided in subsequent sections.

¹ For 2004, only landings prior to the October 15, 2004 control date will be considered. The Council's rationale for publishing the control date is discussed in the "Qualifying years" section. In this document, unless explicitly stated, the year 2004 refers to the period from January 1 to October 15, 2004.

The Commercial Reef Fish Fishery in the Gulf of Mexico

This section, which is an abbreviated version of the fishery description included in Reef Fish Amendment 29, describes the commercial reef fish fishery in the Gulf of Mexico. The description particularly focuses on the grouper and tilefish fisheries. The summary description discusses effort levels and species composition in the reef fish fishery and highlights the economic value of the grouper and tilefish fisheries.

Species Composition

As a multi-species fishery, a fishing trip in the reef fish fishery in general and grouper and tilefish fisheries in particular catches a variety of species. Per trip species composition is presented by major species grouping. An exception to this is the explicit consideration of red grouper and gag, because they comprise the majority of species under consideration in Reef Fish Amendment 29.

Table 1 presents the percent distribution of species caught in trips landing at least one pound of selected species. The set of percents under the sub-heading "Red Grouper" pertains to the percent composition of species caught in trips landing at least one pound of red grouper. Similar description applies to the other sub-headings. All numbers are calculated as percent to the total reef and non-reef fish species caught in a trip. Given this method, the sum of reef fish and non-reef fish number should add to 100 percent. Also, the sum of shallow-water grouper (SWG), deep-water grouper (DWG), tilefish, snappers, other reef fish (ORF) should equal the number for reef fish. In addition, the sum of red grouper, gag, and other shallow-water grouper(OSWG) should equal the number for SWG. Take for example the first row of numbers under the red grouper sub-heading. Reef fish (93.7%) plus non-reef fish (6.3%) equals 100 percent. Also, the sum of SWG (69.6%), DWG (2.9%), tilefish (0.9%), snappers (9.5%), ORF (10.7%) is equal to the number for reef fish (93.7%). And the sum of red grouper, gag, and OSWG is equal to SWG ($52.0 + 7.8 + 9.9 = 69.6$ approximately). It is not surprising that for trips landing at least one pound of red grouper, or gag, or SWG, the dominant species group caught was SWG. However, for trips landing at least one pound of DWG, the dominant species group was not DWG but snappers. For trips landing at least one pound of tilefish, this species was the dominant species group caught for the entire 1993-2006 period and all three sub-periods. Within the SWG group, red grouper was clearly the dominant species caught in trips landing at least one pound of any of the selected species.

Landings, Effort and Economic Value

A license limitation program has been in place in the reef fish fishery, and to harvest commercial amounts of reef fish a vessel is required to have an active permit on board. Commercial reef fish permits are renewable every year, although an owner is granted a grace period of one year to renew his permit. Non-renewal of a permit within this grace period results in permanent loss of that particular permit. Currently, there are 878 active permits and 202 which may be renewed within a year, or a total of 1,080 permits.

For the entire 1993-2006 period, Gulf permitted commercial reef fish vessels landed a total of 257 million pounds (MP) of reef fish valued (ex-vessel) at \$562 million in nominal prices or \$642 million in 2005 (real) prices. In addition, these vessels landed another 17 MP of non-reef fish species valued at \$18 million in current prices or \$21 million in real prices. The grouper and tilefish fisheries accounted for 52 percent of all reef fish landings and 56 percent of reef fish ex-vessel values.

Table 1: Species Composition (in percent) on Trips Landing at Least One Pound of Selected Species, 1993-2006.

Period	Red G	Gag	OSWG	SWG	DWG	Tilefish	Snappers	ORF	Reef	Non-Reef	All Species
Red Grouper											
1993-98	55.4	10.6	12.7	78.7	3.5	0.6	9.7	4.8	97.3	2.7	100.0
1999-04	52.1	19.2	10.7	82.0	3.5	0.4	9.6	2.5	98.1	1.9	100.0
2004-06	52.4	18.0	8.1	78.5	2.4	0.4	14.6	2.3	98.3	1.7	100.0
1993-06	53.3	15.9	10.9	80.2	3.3	0.5	10.6	3.3	97.8	2.2	100.0
Gag											
1993-98	43.7	20.1	3.9	67.8	5.2	0.7	18.2	5.8	97.7	2.3	100.0
1999-04	41.4	26.7	3.7	71.8	5.5	0.5	17.6	3.3	98.7	1.3	100.0
2004-06	46.7	23.6	3.8	74.1	4.6	0.4	16.9	2.6	98.7	1.3	100.0
1993-06	43.2	23.8	3.8	70.8	5.2	0.5	17.7	4.1	98.4	1.6	100.0
SWG											
1993-98	36.9	8.3	11.1	56.3	6.1	1.1	27.4	6.2	97.2	2.8	100.0
1999-04	36.7	15.3	9.6	61.6	5.8	0.7	26.3	3.6	98.0	2.0	100.0
2004-06	39.3	14.5	7.4	61.2	5.8	0.6	27.9	2.7	98.2	1.8	100.0
1993-06	37.3	12.7	9.7	59.6	5.9	0.8	27.0	4.3	97.7	2.3	100.0
DWG											
1993-98	15.4	2.9	7.2	25.5	23.4	5.3	37.1	5.5	96.8	3.2	100.0
1999-04	15.0	8.1	7.4	30.5	23.8	4.3	36.1	3.7	98.4	1.6	100.0
2004-06	16.2	8.3	6.4	30.9	29.2	4.3	32.1	2.4	99.0	1.0	100.0
1993-06	15.3	6.3	7.2	28.7	24.7	4.7	35.7	4.1	97.9	2.1	100.0
Tilefish											
1993-98	11.3	2.2	7.5	21.1	34.8	13.0	23.7	5.1	97.6	2.4	100.0
1999-04	9.2	5.9	6.7	21.8	43.3	13.3	17.0	3.1	98.5	1.5	100.0
2004-06	9.5	5.5	5.1	20.1	40.4	15.5	19.7	2.9	98.5	1.5	100.0
1993-06	10.1	4.5	6.7	21.2	39.6	13.6	19.9	3.8	98.2	1.8	100.0

Gulf permitted commercial reef fish vessels landed annually an average of 7.82 MP of swallow-water grouper, 1.17 MP of deepwater grouper, and 0.52 MP of tilefish. The respective ex-vessel values are \$18.91 million, \$3.06 million, and \$0.77 million in nominal prices, or \$21.51 million, \$3.49 million, and \$0.88 million in real prices. Within the shallow-water grouper complex, red grouper and gag dominated the fishery—red grouper accounted for 67 percent of landings and 62 percent of ex-vessel values; gag accounted for 18 percent of landings and 21 percent of ex-vessel values.

Table 2 provides fleet-wide average landings and revenues. In the table, SWG stands for shallow-water grouper and includes gag, red, and other shallow-water grouper and DWG stands for deep-water grouper. The column "Reef Fish" includes all reef fish species. Average landings for all subject species rose from the first period (1993-1998) to the next but fell in the third period (2005-2006), thus landings for all subject species were highest in the 1999-2004 period.

Table 2 Fleet-wide Average Annual Landings and Revenues for Selected Species (1993-2006)

Period	Red Grouper	Gag	SWG	DWG	Tilefish	Reef Fish
Landings (1,000 lbs)						
1993-98	4,790	850	6,840	1,047	507	17,584
1999-04	5,831	1,885	8,946	1,331	534	19,756
2005-06	5,074	1,525	7,389	1,053	510	16,598
1993-06	5,276	1,390	7,821	1,170	519	18,374
Nominal Value (\$1,000)						
1993-98	9,854	2,243	15,057	2,488	697	34,097
1999-04	13,223	5,453	22,136	3,604	814	44,895
2005-06	13,360	4,915	20,779	3,150	841	44,252
1993-06	11,799	4,000	18,908	3,061	768	40,176
Real Value (\$1,000)						
1993-98	12,494	2,814	19,045	3,145	880	43,173
1999-04	14,541	5,959	24,301	3,956	893	49,265
2005-06	13,155	4,868	20,499	3,123	830	43,595
1993-06	13,466	4,455	21,505	3,489	879	45,844

Nominal (current) and real (adjusted for inflation) ex-vessel revenues rose and fell from one period to the next in the same manner as landings, with two exceptions regarding changes in the nominal ex-vessels which showed very slight increases in the third period for red grouper and tilefish. In general, this implies that the second period (1999-2004) registered the highest ex-vessel values for all subject species. Nominal ex-vessel values rose in the second period by 34 percent, 143 percent, 47 percent, 45 percent, and 17 percent for red grouper, gag, SWG, DWG, and tilefish, respectively. A substantial portion of these increases were due to inflation as can be inferred from the corresponding increases in real revenues of 16 percent, 112 percent, 28 percent, 26 percent, and 1 percent for the respective species. Decreases in the third period ranges from 7 percent for tilefish to 21 percent for deep-water grouper.

The number of boats actively participating in the fishery and fleet-wide trips and days away from port are provided in Table 3. For the entire 1993-2006 period, the number of boats harvesting at least one pound of selected species averaged at 765 for red grouper, 591 for gag, 977 for SWG, 376 for DWG, 212 for tilefish, and 1,123 for reef fish. Trips landing at least one pound of selected species averaged annually at 6,627 with a range 5,824 to 7,074 for red grouper, 4,825 with a range of 3,884 to 5,820 for gag, 9,860 with a range of 7,764 to 10,405 for SWG, 2,144 with a range of 1,397 to 2,437 for DWG, 834 with range of 904 to 665 for tilefish, and 14,698 with range of 11,630 to 15,359 for reef fish. Days away from port of boats landing at least one pound of selected species averaged annually at 32,531 with a range 28,165 to 33,363 for red

grouper, 21,133 with a range of 17,432 for gag, 42,333 with a range of 34,433 to 44,079 for SWG, 12,634 with a range of 8,089 to 13,875 for DWG, 6,332 with range of 4,598 to 6,862 for tilefish, and 52,498 with range of 43,035 to 55,204 for reef fish.

Table 3: Average Annual Number of Boats, Trips, and Days Away from Port for trips landing at least one pound of selected species, 1993-2006.

Period	Red	Gag	SWG	DWG	Tilefish	Reef Fish
Boats						
1993-98	797	530	1,059	399	231	1,246
1999-04	767	655	958	368	193	1,075
2005-06	666	579	791	330	215	895
1993-06	765	591	977	376	212	1,123
Trips						
1993-98	6,449	3,884	10,013	2,101	904	15,359
1999-04	7,074	5,820	10,405	2,437	820	15,059
2005-06	5,824	4,664	7,764	1,397	665	11,630
1993-06	6,627	4,825	9,860	2,144	834	14,698
Days Away from Port						
1993-98	33,154	17,432	44,079	12,909	6,862	55,204
1999-04	33,363	24,698	43,219	13,875	6,380	52,946
2005-06	28,165	21,543	34,433	8,089	4,598	43,035
1993-06	32,531	21,133	42,333	12,634	6,332	52,498

Table 3 indicates that effort declined for all selected species, with peaks generally occurring in the second period (1999-2004). Potential reasons for observed declines in effort levels could include the increase in fishing cost (in particular fuel cost in recent years), increase in harvesting efficiency, more restrictive regulations particularly for the grouper fishery, and even improvements in the stock status of certain species may contribute to the decline in fishing effort. However, more research is needed to determine which factors did contribute, or contribute significantly, to such decline in fishing effort.

Average annual landings and revenues per boat are presented in Table 4. Between 1999 and 2004, average annual SWG, DWG and tilefish landings per boats are estimated at 9,338 lbs, 3,617 lbs, and 2,767 lbs, respectively. Corresponding nominal revenues per boat equaled \$23,106, \$9,793, and \$4,218, respectively.

Fish Dealers

There are currently 178 Gulf reef fish dealers with active permits, but since the reef fish dealer permitting system in the Gulf is an open access program, the number of dealers can vary from year to year. For the period 2004-2007, these dealers handled an average of 10.8 million pounds

of grouper and tilefish valued at \$25.4 million. These dealer transactions were distributed as follows: Florida, with 10 million pounds worth \$23.5 million; Alabama and Mississippi, with 102 thousand pounds worth \$222 thousand; Louisiana, with 270 thousand pounds worth \$592 thousand; and, Texas, with 434 thousand pounds worth \$1.03 million. The rest of transactions were handled by dealers outside of the Gulf.

Table 4: Average Annual Landings and Revenues per Boat

Period	Red	Gag	SWG	DWG	Tilefish	Reef
Landings (lbs)						
1993-98	6,010	1,604	6,459	2,624	2,195	14,112
1999-04	7,602	2,878	9,338	3,617	2,767	18,378
2005-06	7,619	2,634	9,341	3,191	2,372	18,545
1993-06	6,897	2,352	8,005	3,112	2,448	16,362
Nominal Value (\$)						
1993-98	12,364	4,232	14,218	6,236	3,017	27,365
1999-04	17,240	8,325	23,106	9,793	4,218	41,763
2005-06	20,060	8,489	26,269	9,545	3,912	49,444
1993-06	15,424	6,768	19,353	8,141	3,623	35,776
Real Value (\$)						
1993-98	15,676	5,309	17,984	7,882	3,810	34,649
1999-04	18,958	9,098	25,366	10,750	4,627	45,828
2005-06	19,752	8,408	25,915	9,464	3,860	48,709
1993-06	17,603	7,538	22,011	9,279	4,146	40,823

It is important to note that the fishery description provided does not discuss employment practices in the fishery because the Council determined that employment practices did not constitute a relevant factor in the selection of referendum eligibility criteria in the Gulf of Mexico. That determination follows from provisions of the Act requiring that the referendum be approved by a majority of eligible participants that have substantially fished and from the Council's decision to base referendum eligibility on recorded average annual landings thresholds; catch histories, which are attached to the reef fish permit, are not impacted by prevailing employment practices.

Qualifying Years

The qualifying period selected for referendum eligibility coincides with years selected for initial IFQ share apportionment, i.e., the years between 1999 and 2004 with an allowance for dropping one year. The Council elected to use the same qualifying period to set a consistent basis for the

