

DRAFT

TO: MULTISPECIES CAPACITY REDUCTION COMMITTEE
FROM: CHRIS MEANEY
SUBJECT: SEPTEMBER 20, 2006 CONFERENCE CALL SUMMARY
DATE: 9/21/2006
CC:

Attendees: Phil Ruhle, Barbara Stevenson, Vito Giacalone, Maggie Raymond, David Borden, Chad Demarest, and Chris Meaney

The conference call began at 3 p.m. The following is a brief summary of the issues discussed.

1. Maximum Buyout Score

At the September 11 Ctte meeting it was decided that all bids would be accepted until the minimum capacity threshold (25% capacity) is reached, and subsequent “overvalued bids” would be rejected. Staff was tasked with developing the appropriate means to do so. Staff proposed a maximum buyout score based on the distribution of received bids, with a cutoff at the 90th quantile of all bids received. This will prevent bids at the extreme upper range from being accepted (i.e. the Buyout overpaying for capacity) while not reducing markedly the overall amount of capacity bought out. It should be noted that this cutoff will only come into play when the amount of loan funds available allow the Buyout to accept greater than 90% of all bids received—a situation that may occur if between 250-500 bids are received.

The other option discussed previously, setting a predetermined maximum buyout score, created a fairness issue, where the Ctte members would know the maximum allowed buyout score but the other permit holders would not.

The Ctte elected to not accept buyout scores in the top 10% (that is, above the 90th quantile) of all received bids when (a) the minimum capacity removal threshold of 25% has been met, and (b) loan funds are still available.

2. Structuring the First Referendum

Staff expressed reservations with two components of the first referendum as decided upon at the September 11 meeting. First, the requirement of having 50% of return votes in favor for the Buyout to proceed may be too stringent to meet the Ctte’s primary objective of gauging permit holder interest. Second, the either/or nature of a “yes/no” vote leaves no room for permit holders still “on the fence” to indicate their position.

Prior to the meeting, staff spoke with Rob Robertson (University of New Hampshire Associate Professor of Resource Economics and Development) to gain insight into optimal framing of the first referendum question. Dr. Robertson supported the Ctte’s effort, and suggested the Ctte consider allowing permit holders to submit an ‘undecided’ vote. He felt that this, together with the Comments section of the referendum, would allow individuals who really don’t know how they felt the option of communicating their reservations. This also allows the Ctte the benefit of qualitatively viewing these on-the-fence opinions without forcing them into a ‘yes’ or ‘no’ vote. He was of the opinion that this method would provide the Ctte with a clear picture of industry interest and support.

The Ctte decided to include an ‘undecided’ response option in the first referendum and abolished the 50% support requirement. Voting will continue to be based on the 4:2:1 ratio as selected at past Ctte meetings.

3. Bid evaluation

Staff asked the Ctte to consider implications of the bid evaluation process and the formula that calculates the buyout score. The two methods that have been considered to date—the “old,” pre-last-Ctte-meeting method and the “new,” post-last-Ctte-meeting method—both have outcomes that may not meet the objectives of the Buyout as well as they could. Staff proposed adjustments to both methods that may bring them more in line with the Ctte’s Buyout objectives.

The Ctte expressed concerns similar to the staff’s, and acknowledged that the proper choice among these methods will have important implications for the future of the groundfish fleet and the ultimate success of the Buyout. Staff will provide focused analysis highlighting the benefits, costs, and distributional impacts of the four methods under consideration (that is, the “old” method, “new” method and the two adjustments for each) prior to September 22, 2006. For details on the “old” and “new” methods, see the staff memo titled “Non-groundfish permit payment discussion document”.

4. Selecting Preferred Alternative

At the outset the Ctte members present indicated that they had not changed their positions on the preferred alternative since the September 11th Ctte meeting. However, in light of the new information presented regarding the bid evaluation process, Ctte members indicated that a decision should not be made at this time. The Ctte tabled selecting a preferred alternative, and elected to hold another Ctte conference call on October 4, 2006.

5. Other

When the Ctte first met, it was agreed that decisions would not have to be unanimous in order for efforts to proceed. Realizing that the selection of a preferred alternative runs the risk of becoming an intractable issue, Mr. Borden asked the Ctte to consider what could happen if all members were unable to agree on a preferred alternative. Four possibilities were suggested: (1) those in disagreement could recuse themselves from the Ctte, and efforts to complete the Buyout would continue; (2) those in opposition to the majority opinion may abstain from the vote for a preferred alternative but remain on the Ctte; (3) the Ctte could proceed based on a majority vote, but provide the opportunity for minority members to convey their opinion to permit holders as well, and (4) cease the proposed Buyout.

One Ctte member indicated that recusal with no ill feelings is preferable, while another indicated that deliberations should continue until a mutually acceptable alternative is selected. It was also mentioned that perhaps the Ctte should approach Congress informally before selecting a preferred alternative.

The Ctte will revisit the bid evaluation method and the preferred alternative during a conference call Monday, October 2nd at 4pm.