

**MULTISPECIES CAPACITY REDUCTION COMMITTEE  
MEETING**

**FRIDAY, APRIL 14, 2006  
10:00 AM  
NESC OFFICE, GLOUCESTER, MA**

**AGENDA**

- A. Approval of minutes from previous meetings**
- B. Introduction to the Strawman Document (review of the table of contents)**
- C. Overview of anticipated timeline/thresholds**
- D. Discussion items:**
  - A. Participation requirements
  - B. Requirements for retired vessels
    - 1. Treatment of other fishery permits, incl. permit-only buyback, threshold allowance for continued activity, federal buyback, state permits
    - 2. Vessel future uses, incl. scrapping voucher, scrapping, Katrina, non-fishery use
  - C. Bid evaluation methods
  - D. Effective Effort calculation
  - E. C-DAS valuation
- E. Others issues***

## Agenda Item B: Strawman document Table of Contents

1. Introduction.....**Error! Bookmark not defined.**
2. Executive Summary.....**Error! Bookmark not defined.**
3. Background.....**Error! Bookmark not defined.**
  - 3.1. The groundfish fishery in the Northeast United States .....**Error! Bookmark not defined.**
    - 3.1.1. Multi-National management .....**Error! Bookmark not defined.**
    - 3.1.2. Federal management.....**Error! Bookmark not defined.**
    - 3.1.3. The quota management period.....**Error! Bookmark not defined.**
    - 3.1.4. The indirect management period.....**Error! Bookmark not defined.**
    - 3.1.5. The limited access period .....**Error! Bookmark not defined.**
    - 3.1.6. The interim-action period.....**Error! Bookmark not defined.**
    - 3.1.7. The post-Amendment 13 period.....**Error! Bookmark not defined.**
  - 3.2. Need for capacity reduction .....**Error! Bookmark not defined.**
    - 3.2.1. An overview of capacity in fisheries .....**Error! Bookmark not defined.**
    - 3.2.2. Fishing Capacity and the New England Groundfish Fleet.. **Error! Bookmark not defined.**
  - 3.3. Fishery buybacks in the United States .....**Error! Bookmark not defined.**
4. The buyback program .....**Error! Bookmark not defined.**
  - 4.1. Objectives of the program.....**Error! Bookmark not defined.**
  - 4.2. Description of the program.....**Error! Bookmark not defined.**
    - 4.2.1. Authorized participants.....**Error! Bookmark not defined.**
    - 4.2.2. Requirements for retired vessels/permits .....**Error! Bookmark not defined.**
      - 4.2.2.1. Limited access permit endorsements for other fisheries. **Error! Bookmark not defined.**
      - 4.2.2.2. Future use of vessels .....**Error! Bookmark not defined.**
      - 4.2.2.3. Requirements for ‘C’ Day-at-Sea permit holders.....**Error! Bookmark not defined.**
    - 4.2.3. Evaluation of bids.....**Error! Bookmark not defined.**
      - 4.2.3.1. Effective effort calculation .....**Error! Bookmark not defined.**
      - 4.2.3.2. Category ‘C’ Days-At-Sea Valuation .....**Error! Bookmark not defined.**
    - 4.2.4. Administration of the program.....**Error! Bookmark not defined.**
      - 4.2.4.1. Referendum requirements.....**Error! Bookmark not defined.**
      - 4.2.4.2. Conditions upon acceptance of a bid.....**Error! Bookmark not defined.**
      - 4.2.4.3. Fee collection system.....**Error! Bookmark not defined.**
5. Impacts of the program .....**Error! Bookmark not defined.**
6. Timeline.....**Error! Bookmark not defined.**
7. Recommendations for the New England Fishery Management Council.....**Error! Bookmark not defined.**
  - 7.1. Category C DAS measures .....**Error! Bookmark not defined.**
  - 7.2. Commercial and Recreational allocation measures **Error! Bookmark not defined.**
8. Congressional actions.....**Error! Bookmark not defined.**
  - 8.1. Enabling legislation.....**Error! Bookmark not defined.**
  - 8.2. Funding for non-NEMS permits on buyback vessels .....**Error! Bookmark not defined.**
9. Appendices.....**Error! Bookmark not defined.**

## Agenda Item C: Anticipated timeline

May 15, 2006	Fishing Capacity Buyback Prospectus draft document completed
May 29 – June 12	Buyback general information sessions held coast-wide
June 26	Fishing Capacity Buyback Prospectus draft document and non-binding straw poll mailed to permit holders
July 17	Return straw poll ballots

-----*contingent upon industry support*-----

July 31	Fishing Capacity Buyback Prospectus final draft available
Summer/Fall	Authorizing legislation passed

-----*as measured from passing of authorizing legislation*-----

Month 1	Initial notice published in Federal Register
Month 3	Final notice published in Federal Register, final bid solicitation letters mailed to authorized participants
Month 4	Bidding period opens
Month 5	Bidding period closes
Month 6	Referendum ballots mailed to authorized participants, voting period opens
Month 7	Voting period closes, Payment tender notice published in Federal Register
Month 8	Accepted bidders permanently cease fishing for groundfish
Months 8-9	Buyout proceeds distributed to accepted bidders

## **Agenda Item D: Discussion Items**

### **Item A: Participation Requirements**

All vessels holding a valid, current Northeast Multispecies Limited Access fishing permit with allocated Category A, B (regular), B (reserve) or C Days-At-Sea is authorized to participate in this program.

## **Item B: Requirements for retired vessels**

### ***Limited access permit endorsements for other fisheries***

In recognition of the fact that nearly all vessels authorized to participate in this program hold permits in other fisheries, the following options are presented.

#### **Other Permits Option 1: Full retention of non-NEMS permits**

This option allows vessels to “split off” their NEMS permit through the buyback while retaining all other permits.

#### **Other Permits Option 2: Federal buyback of non-NEMS permits**

This option provides a mechanism of compensation for the value of non-NEMS permits without requiring the remaining NEMS permit holders to subsidize their removal from active fishing.

#### **Other Permits Option 3: Threshold allowance for retention of non-NEMS permits**

This option sets a threshold (landings???? revenues????) below which vessels would be allowed to retain their non-NEMS permits and above which all permits associated with that vessel would be stripped.

#### **Other Permits Option 4: Non-NEMS permit freeze**

- A participating permit would initially go into a frozen status. (CPH??)
- The Northeast Multi-Species endorsement would be permanently removed along with all associated history.
- All open access permit endorsements would be removed.
- All remaining limited access permits would remain on the permit for a specified period (1 to 5 years???) During which time, the permit cannot be used and must remain frozen. We could specify different periods of time for freeze and thaw for each of the limited access fisheries if necessary (further explanation / discussion to this point)
- Upon completion of this buyout, the NEFMC will give a final report to all other affected councils and fisheries on the status and number of endorsements frozen for their fisheries. They would then be on notice to address those endorsements with the permit holders holding the frozen permits within the specified time period. Any endorsements not addressed within the time period would remain and be thawed along with the federal permit associated with those endorsements.

### ***Future use of vessels***

For vessels no longer permitted to participate in fishing activities (as determined by the Other Permits options), the following options are available.

#### **Future Use Option 1: Scrapping Voucher Program.**

This program is to provide an opportunity for the selling permit holder to recover a reasonable dollar value for the hard asset of the vessel associated with the permit being sold to the industry. This would also relieve the remaining industry of paying for vessels that must be scrapped resulting in a wasteful use of funds. Most importantly, this program would provide a unique opportunity to improve / upgrade the remaining fleet by swapping out older or less capable vessels for newer and safer vessels.

Restrictions on qualified voucher transactions would include that the vessel being removed from the fleet must fall within both the range of 10% below and 10% above the permit baseline length used to calculate the point value of the selling permit and the range of 20% below and 20% above the selling permit horsepower. Additional requirements would be that each vessel involved in the voucher transaction must hold a federal fishing permit for at least the previous 3 years. One exception to this requirement would be for new vessels built within the 3 year period.

It is recognized that with some simple paper shuffling, a selling vessel owner could easily remove the permit from a valuable vessel before participating in the buyback program. To provide an incentive to selling vessel owners to participate in the voucher vessel exchange, a fixed sum based upon the length of the vessel could be added to bids that include qualified voucher exchanges. The details of how the funds are disbursed and the timing of and responsibility of the scrapping should be spelled out in detail by this program.

#### **Future Use Option 2: Vessels sold/donated to Katrina impacted areas.**

At the vessel owner's expense, a present value appraisal could be attained and compared to the price the vessel is offered to a Gulf Coast fisherman whose loss of vessel is documented to have occurred as a result of Katrina. A fixed amount comparable to an Option (a) Voucher could be offered by the industry to vessel owners accepting less than a specified percentage of the appraised value of the vessel.???

#### **Future Use Option 3: Scrapping of the permitted vessel**

We could consider a fixed dollar per foot payment to vessel owners whose vessel that is associated with the permit being purchased has been actively engaged in the NE multi-species fishery within the last (specify period of time).

#### **Future Use Option 4: Non-fisheries use**

Vessels would be permitted to be utilized domestically or abroad for research, including fisheries research, education, training, humanitarian, safety or law enforcement purposes, provided that (a) a provision be placed in the title that the vessel be scrapped once the purpose for which it was transferred had been completed, and (b) that the vessel was permanently prohibited from holding a fishing permit in any fishery, domestic or international.

## **Item C: Bid evaluation**

### **Bid evaluation Option 1: Reverse auction based on ratio of effective effort to bid**

This option would evaluate bids based upon the relationship between the pre-determined effective effort of a particular vessel and the bid submitted for that vessel. The “bid evaluation formula” under this option is:

$$[(\text{effective effort} * \text{allocated DAS}) / \text{submitted bid}] = \text{capacity reduction ratio}$$

All bids would be sorted from highest to lowest based on their capacity reduction ratio. Beginning with the highest ratio, the values of the bids would be subtracted from the amount of money available, and bids would be accepted until no money remains.

### **Bid evaluation Option 2: Reverse auction based on allocated DAS**

This option would evaluate bids based upon the number of DAS allocated to a particular vessel. The “bid evaluation formula” under this option is:

$$[(\text{allocated DAS} * 1000) / \text{submitted bid}] = \text{capacity reduction ratio}$$

All bids would be sorted from highest to lowest based on their capacity reduction ratio. Beginning with the highest ratio, the values of the bids would be subtracted from the amount of money available, and bids would be accepted until no money remains.

### **Bid evaluation Option 3: Standing offer contingent upon acceptance**

This option would not evaluate bids. Instead, an estimated value for each particular vessel would be provided to the vessel’s owners, who could then choose to accept or reject the offer. Accepted offers would be subtracted from the available buyback funds, in the order in which they are received (first come, first served), until no money remains.

## Item D: Effective Effort Calculation

### *Formula for determining effective effort*

The baseline characteristics of each permit would be based upon the current NERO files for vessel replacement and expanded to include allowable upgrades. In other words, each permit is treated as if it was fully upgraded from the baselines as corrected in each vessel's individual NERO file. The DAS leasing and DAS transferring baselines should only be used for estimating and preliminary purposes. **Ultimate values would be based upon currently corrected baselines and potential upgrades if not yet taken.**

#### Effective Effort Formula Option 1: Gut Feel

- Only Length and Horsepower will be used for vessel baseline calculations.
- "A" DAS and "B" DAS allocated through A13 will be treated the same.
- The SAMPLE formula for calculating the value of A and B DAS permits would be:

$$((LEN * 24) + (VHP * 2.8)) * (DAS) = \text{Effective Effort Units}$$

#### Effective Effort Formula Option 2: Damned Statistics

- Only Gross Registered Tonnage (????to be replaced by LEN) and Horsepower will be used for effective effort calculations
- "A" DAS and "B" DAS allocated through A13 will be treated the same.
- The SAMPLE formula for calculating the value of A and B DAS permits would be:

$$(-60.13 + (VHP * 4.09) + (LEN * 45.2)) * (DAS) = \text{Effective Effort Units}$$

### *Catch history bonus*

Catch History would be factored in by establishing vessel classes and associated landings in tiers. Total annual landings of regulated groundfish (monkfish & skates???) would be used. Four Tiers could be set up for each class of vessels. Either an average of the baseline years or a high year or any combination thereof could be used to determine individual vessel tier qualification.

- Tier One would be the highest percentile of historical catch and would result in a multiplier of 1.75. *Example: A vessel baseline calculation resulting in 100,000 points would increase to 175,000 points if determined to be in Tier One of that vessel class.*
- Tier Two would be a factor of 1.5
- Tier Three would be a factor of 1.25
- Tier Four would be a factor of 1.0 (no change)

The resulting formula for determining effective effort value would be:

$$(\text{Effective Effort Formula -either option-}) * (\text{Catch history bonus factor}) = \text{Effective effort value}$$

**Item E: C-DAS Valuation**

***Category 'C' Days-At-Sea Valuation***

**Category 'C' Day-at-Sea Option 1: Pay-for-potential**

$((\text{Effective Effort}) * 0.1) * (\text{Category C DAS}) = \# \text{ of Value Points}$

**Category 'C' Day-at-Sea Option 2: Flat fee**

???? \$75 per 'C'-day