

TO: MULTISPECIES CAPACITY REDUCTION COMMITTEE
FROM: CHAD DEMAREST
SUBJECT: APRIL 14, 2006 MEETING SUMMARY
DATE: 5/15/2006
CC:

Attendees: Peter Kendall, Vito Giacalone, Jackie Odell, Barbara Stevenson, Maggie Raymond, John Poppalardo, Bob Lane, David Borden and Chad Demarest

- (1) The minutes from the March 20th, 2006 meeting were not reviewed.
- (2) The committee reviewed the strawman document Table of Contents and recommended the following changes:
 - a. That “Future Uses” be incorporated into its preceding section (“Limited access permit endorsements for other fisheries”) and that this section be reformatted accordingly.
 - b. That the background information be moved to the end of the document. It was noted that the title headings under the background section were the result of copying previous works and not any new or lengthy work undertaken as part of this project.
 - c. That a section on piggy-packed buybacks be added (for example, a section that recognizes the possibility of a squid permit buyback that would accompany this buyback).
 - d. The inclusion of an option for a second reverse-auction bidding program that would apply for all permits held by a vessel other than groundfish permits. A winning bid would only be officially accepted if both auction’s bids were accepted, and the total amount of the second (non-groundfish) auction would be requested in the authorizing legislation as an authorized payment and would not be part of the loan amount.
- (3) The Ctte reviewed the timeline provided and had no recommended changes.
- (4) The Ctte reviewed specified portions of the strawman document.
 - a. No changes were made to the authorized participants section, and the importance of universal applicability (all limited access permit holders with DAS allocated) was especially noted.
 - b. The “Limited access permit endorsement for other fisheries” section was completely re-organized and now has two options:

- i. Option 1: *Full retention of non-NEMS permits* – This option allows all vessels with accepted bids to “split off” their groundfish permit and retain all other permits held on that vessel.
- ii. Option 2: *Threshold allowance for retention of non-NEMS permits* – This option sets a percentage-of-groundfish-revenue threshold in determining the allowable future uses for the vessel.
 - 1. Option 2(a): Vessels with accepted bids would be allowed “split off” their groundfish permit, as in Option 1 (above) if less than 25% of their reported gross revenue between 2003 and 2005 (NOTE: these dates are for example purposes and were not decided by the Ctte—they will be reviewed at a subsequent meeting) was from trips made on groundfish DAS.
 - 2. Option 2(b): Vessels with accepted bids would be stripped of all state and federal fishing permits if more than 25% of their reported gross revenues between 2003 and 2005 (????) was from trips made on groundfish DAS. The disposition of such vessels would be subject to the “Future uses” options listed below.
- c. The “Future uses” section was re-organized as a sub-heading under Option 2(b) (above). This section is now organized as follows:
 - i. Option 2(b)(1): No restrictions on the future uses of such vessels
 - ii. Option 2(b)(2): Scrapping voucher program (incl. provision for vessels destroyed by Katrina/Rita ????)
 - iii. Option 2(b)(3): Non-fisheries use
 - iv. Option 2(b)(4): Scrapping of the permitted vessel
- d. A new section will be added to create a voluntary vessel scrapping program. Under this program, vessel owners would be compensated a pre-specified amount of money based on the length of their vessel (????) to encourage responsible scrapping of vessels. The money allocated under this program would be added to the total amount of the requested buyback loan.
- e. Bid evaluation Options 2 and 3 were deleted from the document, leaving Option 1 as the only Bid evaluation option.
- f. Only one effective effort calculation formula will be presented in the document. At the present time, this formula is the SPF formula presented to the Ctte in previous memorandums. The exact mechanics of the formula may change in the future, but it is understood that any such changes will be insubstantial and will not have a differential impact on the effective effort calculations for vessels of different sizes. (This means, basically, that the numbers could change a little...but if they change too much, they will be brought back to the Ctte for discussion).

- g. The Catch History Bonus was changed. The new basis for determining a catch history bonus multiplier will be based on the difference between a vessel's reported average daily gross revenue and its effective effort calculation (as determined by the formula referenced above). This difference would be calculated for all vessels, and the resulting ratios would be divided into quartiles. Years used in this calculation would be 1996 – 2001, averaging the four highest values during those five years. Multipliers would be determined as follows:
 - i. Vessels in the fourth (bottom) quartile – CHB multiplier = 1
 - ii. Vessels in the third quartile – CHB multiplier = 1.1
 - iii. Vessels in the second quartile – CHB multiplier = 1.2
 - iv. Vessels in the first (top) quartile – CHB multiplier = 1.3

NOTE: I know that the above proposal was my idea, but I'd like to revisit this. If the intention is to hedge against the potential for catch history-based allocation in the future, I think we should base these quartiles on total groundfish landing during those years.

- h. C-DAS evaluation options were changed as follows:
 - i. Option 1(a) – C-DAS will be bought using buyback funds at a rate of \$100/day or less (actual rate TBD) from all vessels with accepted bids and any vessel allocated less than 10 A or B DAS, or those allocated only C-DAS, that would like to participate in this program.
 - ii. Option 1(b) – C-DAS will be bought from vessels included in Option 1(a) (above) using a federal allocation.
 - iii. Option 2 – C-DAS will be frozen until the loan is repaid.
 - iv. Option 3 – No action taken on C-DAS, but a recommendation that the NEFMC eliminate C-DAS will be included in the document.

(5) Other issues:

- a. A question was raised regarding the handling of permit history for fisheries currently shifting to, or which will be shifting to, a limited access permit. The Ctte felt that, even if the attached vessel and open access permits were retired, the (former) owner should retain the permit history if they so desired. No direct guidance was provided regarding how to incorporate this into the TOC, but the Ctte clearly intends for such provisions to be included in the document.
- b. In reference to the final vote, the idea of removing the votes of those participants who's bids were accepted was discussed. This would mean that only the votes of those who are left with groundfish permits are counted toward approving the buyback. There was some question as to how this would be mechanized, and no final determination was made on this point.

- c. We should probably think about adding a provision that any vessel owner who submits a bid is not allowed to transfer the permit of that vessel until after bid acceptance letters are sent out.
- d. Options should be developed for a minimum annual loan repayment by those retaining their permit (A and B DAS only) who have groundfish revenues below some threshold.