

**MULTISPECIES CAPACITY REDUCTION COMMITTEE  
MEETING**

**FRIDAY, MAY 12, 2006  
10:00 AM  
NESC OFFICE, GLOUCESTER, MA**

**AGENDA**

- A. Approval of minutes from the April 24 meeting**
- B. Strawman document issues for resolution:**
  - A. Counting votes
  - B. Minimum capacity reduction to be achieved
  - C. Disposition of lump sum payouts
  - D. Voluntary vessel scrapping – payout amount
  - E. Capacity reduction options
  - F. Disposition of non-groundfish permits options
  - G. Disposition of vessels options
  - H. C-DAS only permit holders – payout amount
- C. Regulations to be relaxed**
- D. Public hearings / dates**
- E. Website issues**
  - Ctte member's names listed? Mtg summaries posted?
- F. Review of timeline**
- G. Others issues***

## Agenda Item B(a) – Counting Votes:

I think the document would be cleaner if just one option existed for counting votes. The differences are pretty arcane and won't matter much to the industry – the message that C-DAS only permit holders don't get much say is pretty clear.

I've put together some tables to highlight the differences (or non-differences) between the two options. In essence, the only difference between the two options is that Option 2 decreases the relative value of a C-DAS vote:

### Sample vsl w/:

<b>A DAS:</b>	20.75
<b>B DAS:</b>	13.84
<b>C DAS:</b>	53.41

	Option 1	Option 2
A&B Votes	103.8	110.7
C Votes	53.4	53.4

### Total fleet:

	Option 1	Option 2
A DAS holders votes:	238,684	253,263
C DAS (only) votes:	38,054	38,054

There is almost no distributional impact in the two options across geography, gear type or vsl size (small is less than 45ft, medium is btwn 45 and 59ft, and big is bigger than 60ft):

	Option 1		Option 2	
	SUM	PCT	SUM	PCT
<b>HPST</b>				
CT	3,625	1.4%	3,815	1.4%
DE	1,805	0.7%	1,914	0.7%
FL	330	0.1%	345	0.1%
MA	144,380	53.7%	152,450	53.8%
MD	352	0.1%	352	0.1%
ME	46,057	17.1%	48,661	17.2%
NC	3,224	1.2%	3,381	1.2%
NH	16,411	6.1%	17,396	6.1%
NJ	12,597	4.7%	13,119	4.6%
NY	16,800	6.2%	17,457	6.2%
PA	417	0.2%	420	0.2%
RI	21,743	8.1%	22,857	8.1%
VA	1,206	0.5%	1,252	0.4%
WV	88	0.0%	88	0.0%
<b>area</b>				
MA	144,380	52.2%	152,450	52.3%
NH ME	62,467	22.6%	66,057	22.7%
RI south	69,882	25.3%	72,801	25.0%
<b>gear</b>				
gillnet	39,508	14.3%	41,848	14.4%
hook	20,538	7.4%	21,404	7.4%
other	95,949	34.7%	99,930	34.3%
trawl	120,733	43.6%	128,126	44.0%
<b>size</b>				
big	108,932	39.4%	115,344	39.6%
medium	100,939	36.5%	105,542	36.2%
little	66,858	24.2%	70,422	24.2%

Just for fun, I'll throw in this little table:

Interesting table:	A DAS Holders	C DAS (only)
4:2:1	253,263	38,054
3:3:1	238,684	38,054
2:2:1	165,793	38,054
1:1:1	92,903	38,054

## **Agenda Item B(b) - Minimum capacity reduction to be achieved:**

The issue here is the idea that there should be some pre-defined objective that must be met for the buyout to proceed.

### **Question 1: Is it necessary to have a minimum threshold for going forward?**

Without a minimum threshold, it may be possible to pay a lot of money for not much effort...a threshold ends the buyback if we can't meet a specified capacity reduction target w/ the funds available.

### **Question 2: Is 30% the right threshold?**

30% is very close to the active/latent line (34K DAS used, 43.5 DAS allocated = 21.8% latency), meaning that, at 30%, we would probably have little impact on mortality in the short term...if we can get more than 30%, and set a higher threshold, we could play up the short- and medium-term benefits of a buyback via relaxing regulations. If we shoot for 30% or less, than the benefits are more likely to be long-term and felt as the stocks rebuild. It's not really this cut and dry, but that's a decent way to think about it.

**Agenda Item B(c) – Disposition of lump-sum payout:**

The document currently reads:

*“Permit holders may, if they so chose, deposit the entire sum into a standard IRA, SEP or Simple Plan account ?????.”*

I would like someone to take a stab at drafting better wording for this.

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**Agenda Item B(d) – Voluntary vessel scrapping payout**

Just in case everyone hasn't bought off on it, is \$200 adequate for this program?

## Agenda Item B(e) – Capacity reduction options

A couple of issues here. First, is it in our best interest to eliminate any of these options, or should the industry see all three of these?

Second, for Option 2, do we want to use 1996-2001, or 2003-2005?

Here's the table I put together for these two options. My STRONG preference is to reach a decision on these today.

	OPTION A			OPTION B		
	1996-2001			2003-2005		
	permit- only	permit and vsl	<i>total</i>	permit- only	permit and vsl	<i>total</i>
Unk	4	6	10	0	0	0
CT	6	8	14	10	4	14
DE	0	4	4	0	4	4
FL	0	0	0	1	0	1
MA	81	412	493	95	420	515
ME	28	121	149	25	128	153
NC	9	3	12	11	3	14
NH	4	56	60	7	54	61
NJ	21	25	46	36	16	52
NY	18	41	59	35	28	63
PA	1	3	4	1	3	4
RI	24	56	80	29	54	83
VA	2	3	5	4	2	6
<i>total:</i>	198	738	936	254	716	970
		no data=	69		no data=	35
total below 25% threshold:			<b>198</b>	total below 25% threshold:		<b>254</b>
total above 25% threshold:			<b>807</b>	total above 25% threshold:		<b>751</b>
			total: 1005			total: 1005

## **Agenda Item B(f) – Disposition of non-groundfish permits:**

Two options are in the document right now. The first set's a flat fee paid to each permit holder for their permits. The second creates a second reverse-auction, with all of the accompanying details and difficulties.

Option 1:

Pro's – Simpler to administer, predict and deal with

Con's – May be more expensive (probably btwn 0 and 20%) for the American taxpayer

Option 2:

Pro's – May be cheaper (see above)

Con's – Difficult to administer, predict and deal with. Will require more thought/detail than is currently in the document.

For the purposes of Option 1, the reason for the \$500K cap is to keep people from cashing out on their current boat, buying a new one and going fishing with newly aquired permits. This may happen, but it won't be tempting for big-time players w/ the \$500K per permit cap.

I did some very preliminary modeling. I calculated the *average annual non-groundfish landings for all participants landing more than 25% of their gross revenues on non-groundfish trips, regardless of what permits they possess and what species they landed, multiplied that by 1.5 and capped each permit at \$500,000.* The grand total for this is...

**\$43,384,909**

This means that if every boat that landed more that 25% of their landings in groundfish sold out in the buyback, the most the feds could be on the hook for is \$43mil.

So a more likely figure for the federal portion of the buyback is going to be on the order of **\$20-\$25 mil**, max.

That's for Option 1.

**Agenda Item B(g) – Disposition of vessel options:**

Do we want to eliminate any, or send all of these to the public?

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**Agenda Item B(h) – C-DAS (only) payout amount:**

We should make a decision on the final number (between \$100 and \$200 / DAS).

Here’s some info on the distribution of C-DAS (only) totals (not permits, but total numbers held):

**C DAS by Homeport State**

	<b>Total</b>	<b>Pct</b>
<b>CT</b>	352	1%
<b>DE</b>	176	1%
<b>FL</b>	88	0%
<b>MA</b>	14,234	44%
<b>MD</b>	352	1%
<b>ME</b>	4,734	15%
<b>NC</b>	638	2%
<b>NH</b>	880	3%
<b>NJ</b>	2,940	9%
<b>NY</b>	4,136	13%
<b>PA</b>	286	1%
<b>RI</b>	3,386	10%
<b>VA</b>	289	1%
<b>WV</b>	88	0%

**C DAS by Area**

<b>NH and ME</b>	5,614	15%
<b>MA</b>	14,234	37%
<b>RI south</b>	18,197	48%

Total cost to buyout:

<b>Cost to buy out all C-DAS held by C-DAS only permits</b>	
<b>\$100</b>	\$3,804,500
<b>\$125</b>	\$4,755,625
<b>\$150</b>	\$5,706,750
<b>\$175</b>	\$6,657,875
<b>\$200</b>	\$7,609,000

Note that the \$7 million cap is only appropriate if the payment rate is between \$175 and \$200. (AND WE DO NOT PAY FOR C-DAS HELD BY A&B DAS PERMIT HOLDERS, WHICH IS HOW THE DOCUMENT IS CURRENTLY SET UP).

The minimum number of C-DAS held by any one permit is 1, and the maximum is 144. The vast majority of C-DAS only permits (95%) have 88 C\_DAS. Here are some examples of what the payouts might look like:

<b>Cost to buy out C-DAS from sample C-DAS only permits</b>			
	<b>5 DAS</b>	<b>88 DAS</b>	<b>144 DAS</b>
<b>\$100</b>	\$500	\$8,800	\$14,400
<b>\$125</b>	\$625	\$11,000	\$18,000
<b>\$150</b>	\$750	\$13,200	\$21,600
<b>\$175</b>	\$875	\$15,400	\$25,200
<b>\$200</b>	\$1,000	\$17,600	\$28,800

### **Agenda Item C - Regulations to be relaxed:**

If we can achieve a capacity reduction greater than approximately 25%, than used DAS will almost certainly be reduced as a part of the buyout. If this happens, one of the short-term benefits of the buyout *should* be the relaxation of regulations.

**Question: Does the Ctte want to take a stand (via the “Council recommendations” section) on which regs should be relaxed first?**

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### **Agenda Item D – Public Hearings:**

Prior to setting dates/locations, should we determine what the target level of document completion should be prior to general release?

Also, do we want to have the document (or just the summary) translated into Portuguese?

From the last Ctte Mtg Summary, I’ve got:

- a. The following towns were selected as potential sites for public information sessions: Portland, Portsmouth, Gloucester, Scituate, New Bedford, Chatham, Pt Judith, Long Island (Montauk?), and Cape May.

A Ctte member added a city (a correction, I think, not an actual addition) to this list, but I seem to have mis-placed the email and can’t remember what city it was.

Are these still the right cities, and do we want to schedule hearings now or via email?

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### **Agenda Item E – Website issues:**

Note: we’ll be obtaining [www.nebuyout.org](http://www.nebuyout.org) as well, and this will become the primary website.

Can I list the Ctte membership, the staff, source of funding for the staff, etc on the website? Can I post the Ctte Mtg summaries?

What would the Ctte like to see up on the website that’s not there (or what’s there that they don’t want to see)?

## Agenda Item F: Review of timeline

Here's the timeline as it's in the document...are we on track, or do we need to make adjustments?

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