

**Summary Report of
Ad Hoc Red Snapper/Grouper-Tilefish IFQ Advisory Panel
Gulf of Mexico Fishery Management Council
Webinar Meeting
Wednesday, June 2, 2021
9:00 a.m. – 5:00 p.m.**

The Gulf of Mexico (Gulf) Fishery Management Council's (Council) Ad Hoc Red Snapper/Grouper-Tilefish Individual Fishing Quota (RS/GT-IFQ) Advisory Panel (AP) was convened at 9:00 a.m. on June 2, 2021. The panel suggested the addition to the agenda (under *Other Business*) of a discussion on the effects of red grouper recalibrations on IFQ programs and on the expansion of IFQs to other reef fish species. The minutes from the November 7, 2018, meeting and the modified agenda were then approved.

RS-IFQ and GT-IFQ Review Presentation

Staff noted that the IFQ program joint review presentation is a two-part presentation delivered by NMFS-SERO staff and Council staff. Alisha Gray (NMFS-SERO) introduced the joint review of the RS-IFQ and GT-IFQ programs and indicated that the review follows the NMFS Guidance for Conducting Reviews of Catch Share Programs (April 2017). Ms. Gray discussed the legal requirements for reviews and the goals and objectives the two IFQ programs.

Ms. Gray proceeded to discuss IFQ data collection and reporting and reminded the audience that the IFQ programs use an online electronic system. The IFQ website is designed to complete transactions including allocation and share transfers, landing notifications and transactions, registration of new landing locations, and cost recovery fees. Ms. Gray discussed the percentages of valid share and allocation prices for each program, discussed the reported reasons for transfer, and stated that data gaps persist in the collection of shares and allocation prices. AP members suggested that rather than relying on those who do not necessarily want to disclose share and allocation prices, data could be collected from websites offering IFQ shares and allocation for sale.

Ms. Gray discussed the eligibility and participation in the programs and presented changes in the number of IFQ accounts by program and share category and by permit ownership status. She also discussed the increasing trends observed in the percentages of related accounts and in public participation accounts (accounts not associated with a commercial reef fish permit). AP members inquired about public participation accounts. Ms. Gray noted that a majority of public participation accounts are related to other accounts. AP members noted that during the development of the IFQ programs, most commercial fishermen were opposed to public participation. She discussed the sizeable vessel overlap between the RS-IFQ and GT-IFQ programs and the increasing number of IFQ dealers. AP members commented that several fishermen have opened dealer accounts to handle their own landings. Some AP members indicated that a small number of large dealers handles most of the fish landed.

Ms. Gray then discussed landings, including quota utilization rates by share category and landings by share status. She presented share and allocation ownership caps and discussed the

utilization of red grouper and gag multi-use shares. She indicated that the quasi-totality of multi-use shares were devoted to harvesting gag. The panel noted its appreciation for the flexibility afforded by multi-use shares.

Motion: In the Grouper-Tilefish IFQ program, we maintain all flexibility measures associated with red and gag multi-use and shallow water grouper and deepwater grouper.

Motion carried with no opposition.

Ms. Gray presented ex-vessel prices and IFQ share and annual allocation prices and discussed allocation transfers. She noted that annual allocation transfers representing more than 100% of the corresponding quota indicated that some pounds of allocation have been transferred multiple times. AP members noted that high annual allocation prices reflect market conditions.

Ms. Gray presented red grouper, gag and red snapper discard ratios by gear type and listed the reasons provided for discarding fish. She indicated that minimum size limit requirements were the main reason reported. Additional reasons include the lack of annual allocation. She presented the number of enforcement cases resulting in the seizure of fish and noted the recent decreasing trends observed in the number of IFQ seizures and in total pounds of fish seized. She indicated that the bulk of the funds collected through cost recovery are devoted to labor and enforcement costs.

Council staff discussed the impacts of IFQ programs on ex-vessel prices. Staff indicated that two independent studies have both concluded that the RS-IFQ program caused a statistically significant increase in the red snapper ex-vessel price. In addition, one of the studies indicated that the implementation of the RS-IFQ program led to more stable red snapper ex-vessel prices. However, studies both concluded that the GT-IFQ program did not cause a statistically significant increase in the ex-vessel price for any species managed by the GT-IFQ program. AP members expressed skepticism toward this conclusion and indicated that red grouper prices have increased. Staff noted that an increasing trend is not necessarily due to the IFQ program.

Staff then discussed market concentration measures and market power for the IFQ share and annual allocation, and landings markets. Staff indicated that the evidence suggests that markets are unconcentrated and that no evidence of market power has been uncovered in any of the markets studied. However, staff cautioned that current estimates do not account for vertical integration where dealers may also own or control shares and harvesting operations. Therefore, current market concentration measures are likely underestimating the true market concentration levels. NMFS has begun collecting ownership data for dealers to investigate this issue.

Staff discuss the inequality of distributions and noted that the distribution of IFQ shares is highly unequal in every share category. A study evaluating the distribution of vessel revenues for all U.S. catch share programs found that the effects of implementing the RS and GT-IFQ programs were comparable to effects observed in other programs. However, the study noted that, relative to other US catch share programs, vessel revenue distributions in the Gulf of Mexico were highly unequal before the implementation of the RS and GT-IFQ programs.

Staff discussed safety-at-sea and indicated that studies concluded that Gulf IFQ programs improved safety-at-sea. Staff noted that the GT-IFQ program has resulted in greater safety improvements. Staff also noted that, post IFQ, captains give more consideration to weather conditions when making trip decisions. Staff discussed operational changes based on a study that evaluated fleet capacity dynamics in the Gulf of Mexico. The study found that for the red snapper fleet, technical efficiency increased by 6% post-IFQ. For Gulf reef fish, technical efficiency improved by 5%.

Staff then summarized the main conclusions of the joint RS-IFQ and GT-IFQ review, including:

- the IFQ programs have been successful in making progress towards meeting their objectives;
- the number of dealers purchasing IFQ species has increased each year;
- market power does not exist in the markets for landings, shares, or annual allocation;
- distributions of landings and revenues in IFQ fisheries were highly unequal prior to IFQs. Thus, IFQ programs are not the main causes of these unequal distributions;
- concerns about unfairness and distributional inequities persist;
- RS IFQ appears to have increased the ex-vessel price for red snapper;
- GT-IFQ program does not appear to have an appreciable effect on ex-vessel prices for Gulf groupers;
- IFQ programs have provided year-round fishing opportunities to commercial fishermen;
- minimum size limits are the primary reason for discarding of IFQ species;
- IFQ programs have allowed fishermen to select more favorable weather conditions to plan fishing trips;
- promoting new entrants may seem inconsistent with limited access privilege programs. However, replacement fishermen are needed to maintain viable fisheries in the long-run;
- collected cost recovery fees have fully funded the IFQ programs;
- improvements in outreach efforts through new communication methods are noted, e.g., newsletters to address stakeholder requests.

Amendments 36B and 36C Presentation

Staff summarized the history of Reef Fish Amendments 36 and the actions within each amendment. In Amendment 36B, AP members discussed the alternatives in Action 1 that would require some or all public participant accounts to obtain a commercial permit in order to retain their shares. The AP initially approved a motion to add an alternative that would set the date of this AP meeting (June 2, 2021) as the date through which shareholders could retain their shares without being required to obtain a permit. This motion was later reconsidered and a modified motion was approved below.

AP members inquired about how the requirement to hold a permit would affect someone who inherits shares from a deceased shareholder. AP members felt that those who inherit shares should not be subject to the requirement to obtain a reef fish permit and would like more information about how inherited shares are addressed in other IFQ-type programs.

Motion: To have staff review and make recommendations based on other catch share programs on how to handle death and shares.

Motion carried with no opposition.

Motion: To recommend the new alternative to Action 1, to use the latest control date as of June 2, 2021, be selected as the preferred.

Alternative: Shareholder accounts established after June 2, 2021, (AH RS/GT-IFQ AP meeting date) and that are still active must be associated with a valid or renewable commercial reef fish permit.

Motion carried with no opposition.

AP members reconsidered a prior motion that would have added an alternative to set the date of this AP meeting (June 2, 2021) as the date through which shareholders could retain their shares without being required to obtain a permit with no opposition. The alternative selected as preferred should reflect the modified motion as follows. AP members felt that inherited shares should be exempt from a permit requirement for 3 years, whether or not the account from which they were inherited was required to have a permit. The AP did not make recommendations for Action 2.

Motion: To add an alternative to Action 1 to use the latest control date as of June 2, 2021. Inherited shares from a death in the family are exempt from this requirement for a period of 3 years.

Alternative: Shareholder accounts established after June 2, 2021, (AH RS GT IFQ AP meeting date) and that are still active must be associated with a valid or renewable commercial reef fish permit.

Motion carried with no opposition.

Staff reviewed the draft actions in Amendment 36C. Action 1 includes alternatives to redistribute the shares reclaimed from non-activated accounts through Amendment 36A, or to use these shares to start a quota bank. Action 2 includes several sub-actions for the design of a quota bank. AP members expressed support for industry-run quota banks, and did not support a NOAA-run quota bank. An AP member highlighted that results from the joint IFQ programs review just presented had yet to be addressed, and proposed a modification to the amendment's purpose. Speaking to overcapacity, some AP members noted that the lease fee is so high because of demand, and that they need fewer fishermen buying allocation for the amount of quota available.

Motion: To modify the purpose and the need of Amendment 36C.

The purpose of this action is to reduce the continued over capacity in the red snapper grouper tilefish IFQ programs that was identified in the 5-year review which will alleviate discards and increase access to shares to actively fishing commercial fishermen.

The need is to prevent overfishing to achieve on a continuing basis the optimum yield of federally managed fish stocks and to rebuild the red snapper grouper-tilefish stocks.

Motion carried with 2 in opposition.

AP members support the distribution of the reclaimed shares to program participants instead of a quota bank, and recommended the addition of an alternate method of distribution. AP members support private, industry-run quota banks and noted the work involved in their development.

Motion: To recommend to the Council to reconsider adding an alternative to equally distribute reclaimed shares held by NMFS among all accounts with landings of the most current year of each share category to shareholders within one month of the effective date for the final rule implementing this amendment.

Motion carried with no opposition.

Motion: For the NOAA-run quota bank action be eliminated as an option in Amendment 36C.

Motion carried with no opposition.

Action 3 would require the actual landed weight of IFQ share categories be within a determined percentage of the weight estimate submitted on advance landing notifications. AP members did not support the action, with some members expressing concern that they could be penalized unfairly or for mistakes. NMFS staff clarified that vessels may make one modification to their advance landing notification without having to restart the 3-hour minimum time required before landing.

Motion: In Action 3, to make Alternative 1 the preferred in Amendment 36C.

Alternative 1: No Action. Do not change the current reporting requirement regarding estimated weight of IFQ species to be landed on the advance landing notification.

Motion carried with one in opposition.

Public Comments

Eric Brazer of the Gulf of Mexico Shareholders' Alliance expressed his appreciation for the information presented in the joint IFQ review and thanked the AP for its thorough discussion.

Patrick Banks, the Council's representative, thanked the AP members for their thoughtful discussion and indicated that AP comments will be very useful to the Council when it discusses the joint review.

Other Business: Effects of Red Grouper Recalibrations on IFQ Programs

AP members discussed red grouper reallocation alternatives included in Reef Fish Amendment 53 and noted that red grouper is a key species to the survival of several fishermen.

Motion: The AH RS GT IFQ AP supports Reef Fish Amendment 53 Action 1 Alternative 2 which would maintain the sector allocations of the total ACL as 76% commercial and 24% recreational and revise the OFL and ABC as recommended by the SSC.

Motion carried with no opposition.

Other Business: Expansion of IFQs to Other Reef Fish Species

AP members discussed the idea of including additional reef fish species under IFQ management. The AP briefly considered which additional reef fish species should be managed with IFQs. The AP felt that further discussion would be helpful.

Motion: To have the Council establish an Ad Hoc Advisory Panel to develop an IFQ program for the remaining reef fish.

Motion carried with no opposition.

The meeting was adjourned at 5:00 p.m.

Participants

AP members

David Krebs – Chair
David Walker – V. Chair
Jane Black-Lee
William Copeland
Jason Delacruz
Keith Guindon
Scott Hickman
HD Pappas
Dennis Parker
Nick Ruland
Lisa Schmidt
Jim Zurbrick

Council Staff

Ava Lasseter
Assane Diagne
Carrie Simmons
John Froeschke
Natasha Mendez-Ferrer
Jessica Matos

Karen Hoak
Bernie Roy

Council Members

Patrick Banks – Representative
Leann Bosarge
Chris Shieble
Troy Williamson

NMFS Staff

Alisha Gray
Jessica Stephen
Juan Agar
Peter Hood
Michael Jepson
Britni LaVine
Kelli O'Donnell
Jeff Pulver
Michael Travis

Members of the Public

Jason Adriance
Charles Bergmann
Eric Brazer
Catherine Bruger
Ronald Chicola
Bob Gill
Peter Grasso

Drew Hanson
Larry Huntly
Ashford Rosenberg
Nicole Smith
Casey Streeter
Mike Whitfield