SETTING THE STANDARD

The Fishing Quota Standards Act of 2005

For years, some fishery managers and economists have touted individual fishing quota (IFQ) programs as an efficient means of managing our nation's fisheries or even a silver bullet for solving our fisheries management problems. IFQ programs allocate a set percentage of the total annual quota for a species of fish in a particular fishery exclusively to individuals as quota shares. Well designed IFQ programs can increase seafood quality and value, foster resource conservation, and promote safety-at-sea, but IFQ programs, in and of themselves, do not guarantee that a fishery will be sustainably managed or result in appropriate socio-economic benefits. In fact, poorly designed and regulated quota programs often degrade fishing communities, create monopolies, and lead to overexploitation of fish resources and deterioration of the marine environment. If IFQs are to be an effective management tool, strong national standards must be in place to ensure conservation and the equitable distribution of fish resources.

The Fishery Quota Standards Act of 2005 seeks to prevent these problems by establishing a set of national standards to guide the design and implementation of IFQ programs. The following case studies highlight the common pitfalls associated with IFQ programs and demonstrate the need for national IFQ standards.

Photo Courtesy of: Pete Hendrickson, Alaska Marine Conservation Council

New Zealand Quota Management Programs Create "Mining" Incentive

Quota Management Systems (QMS) were first introduced in New Zealand in 1986 to increase the biological and economic productivity of New Zealand's fisheries. Today, these systems cover 85 percent of New Zealand's commercial catch. After more than 20 years, overfishing persists and excessive consolidation of quota shares has created monopolies.

Socio-Economic Impacts

- *Ownership concentrated in large companies:* In the mid-1990's, quota holders began forming quota owner associations, pooling political power in the fisheries and severely reducing competition in New Zealand's fisheries. With liberal limits on the total number of quota shares an individual or company could hold, corporations had little difficulty monopolizing New Zealand fisheries, which decreased fleet diversity and concentrated wealth among the few. By 1997, the three largest fishing companies controlled 60 percent of the quota shares. Small-scale and native fishermen suffered the most because they were unable to compete economically and politically with large corporations.

Ecological Impacts

- *Economic incentives to "mine" slow-growing species:* For fish stocks that grow slowly, the economic value of maintaining a healthy population for the long-term may be less than the economic value of catching the fish as soon as possible and investing the revenues generated elsewhere. Researchers have determined that this incentive to "mine" medium to slow growing fish occurred in New Zealand's orange roughy and hoki fisheries.
- *Fish populations devastated:* As a result, orange roughy populations are currently at 10-25 percent of their original unfished size, and at least seven out of the 11 orange roughy populations are experiencing severe overfishing. The hoki population is currently at 13-22 percent of its unfished size and continues to experience overfishing.
- *Ecosystem-based management undermined:* Trawling for deep-water species such as orange roughy and oreos has damaged over 500 years of coral growth. Since many slow-growing fish that depend on deep-water coral for habitat have little or no market value, fishermen have no economic incentive to look after this critical ecosystem.
- *Environmental protections weakened:* Due to intense pressure from the highly consolidated fishing industry, the QMS does not require environmental impact assessments, and there are no conservation standards to prevent excessive bycatch (the catching and killing of non-targeted ocean wildlife), habitat damage, or other environmental degradation.

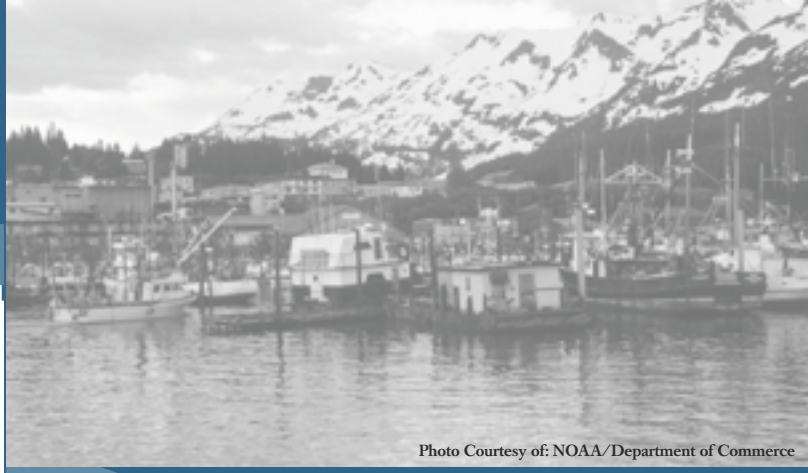


Photo Courtesy of: NOAA/Department of Commerce

Rural Communities Devastated by British Columbia IFQ Programs

In 1990, IFQ programs for the geoduck, halibut, sablefish, groundfish trawl, and three other shellfish fisheries were implemented in British Columbia. According to a recent study by Ecotrust, the British Columbia IFQ program created as many economic, social, and ecological problems as it solved.

Socio-Economic Impacts

- *Overcapitalized fishing fleets:* Designed to reduce overcapitalization and increase economic efficiency, IFQs created severe socio-economic impacts in British Columbia. While the number of vessels in the fishery declined, mostly in small rural communities, the value of fishing licenses and quota shares increased dramatically from 902 million USD in 1988 to 1.8 billion USD in 2003, making it extremely difficult for small fishermen to compete.
- *Rural communities marginalized:* With catches declining and the price of quota increasing, many rural families, native people, and younger fishermen have been forced to sell their quotas. In 1994, fishermen in rural communities held 1199 groundfish, salmon, and shellfish licenses. Due to fleet downsizing and the sale of licenses to individuals and companies in urban areas, the number of licenses held by rural fishermen fell to 659 in 2002. This problem continues to undermine the viability of many rural and native fishing communities today.

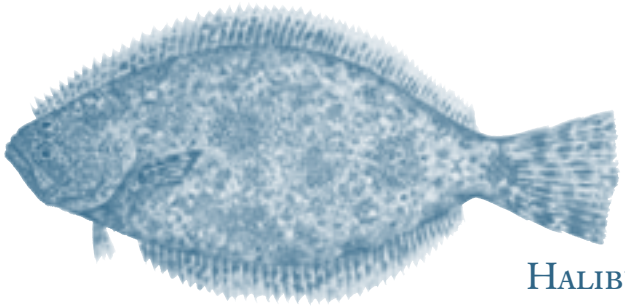
Ecological Impacts

- *Conservation record inconclusive:* While IFQs did end the "race for fish," the conservation record for BC's fisheries is inconclusive. Catches in some fisheries are stable, but others have declined or faced localized depletion. Limited research in the groundfish fishery does point to decreased discards, but other suspected problems like quota busting (exceeding quota limits), poaching, and misreporting catches have not been examined.

North Pacific Sablefish and Halibut IFQ Programs Offer Hope

Until 1995, the sablefish and halibut fisheries of the North Pacific were characterized as "derby fisheries" where fishermen would race to catch as many fish as possible before the quota was reached. These derbies resulted in excessive bycatch, gear loss, safety hazards, poor fish quality at the market, and economic instability. By 1994, this "race for fish" had whittled the annual season for halibut and sablefish to an average of two to three days per year. In response, fishery managers in the North Pacific implemented a fishing quota program in 1995 to manage sablefish and halibut. To avoid the failures of the New Zealand and Canadian IFQ programs, fishery managers incorporated critical safeguards, such as a cap on the amount of quota shares an individual may own, into the management system. While significant challenges remain, these design features have been relatively successful.

Sablefish



Halibut

Images Courtesy of: NOAA/Department of Commerce

Socio-Economic Benefits

- *Coastal communities promoted:* To help develop and support rural coastal communities, fishery managers awarded a portion of several regional quotas to rural villages in the Bering Sea as Community Development Quota. They have also recently added a provision for some rural communities in the Gulf of Alaska to purchase quota for local small boats.
- *Small boat fishermen assisted:* The program protected fleet diversity by reserving blocks of quota for small boat fishermen. By prohibiting the transfer of those quota blocks to larger vessel owners, the program created a mechanism for continued small boat participation in the fishery.
- *Safety-at-sea promoted:* The IFQ program provides fishermen with the flexibility to choose when and where they fish, and thereby avoid dangerous weather and sea conditions.
- *Profitability increased:* Extending the length of the fishing season resulted in new fresh fish markets. Continually supplied high-quality fresh fish now fetches higher prices than the frozen fish that flooded the market prior to the IFQ program, resulting in higher profits for fishermen and processors who adapted to the higher value market.

Socio-Economic Challenges

- *High cost of quota threatens small boat fishermen and crew member jobs:* The high cost of purchasing IFQs requires a greater investment to begin fishing. Many small boat fishermen with small initial quota allocations sold their shares to larger boat owners and companies who had the capital available to purchase additional quota shares. In other cases, the cost was often recovered by hiring fewer crew members or reducing the amount paid to crew for their work.
- *Unexpected reduction in active fishermen:* A loophole in the rules has resulted in far greater absentee ownership than anticipated. Some vessel owners are leasing their shares to other vessels to catch. This reduces crew for those vessels no longer fishing and increases costs to crews fishing the leased quota because they pay the high lease fees.

Ecological Benefits

- *Catch levels adhered to:* Prior to the IFQ program, halibut and sablefish allowable catch was exceeded because fishery managers had difficulty controlling large catches during very short seasons. Since the program began, the allowable catch for both species has never been exceeded.

Ecological Challenges

- *Bycatch and overfishing problems remain:* Many involved in these fisheries have observed high bycatch of non-target rockfish and localized depletions of halibut.

A SOLUTION:
The Fishing Quota Standards Act of 2005

The problems outlined in these case studies can be addressed with national standards that:

• Promote Conservation

IFQ programs must include standards to promote conservation with scientifically measurable improvements in avoiding bycatch, preventing high-grading, reducing overfishing, rebuilding overfished stocks, and protecting essential fish habitat.

Fishermen who use low-impact and selective fishing gear and practices should be rewarded with initial quota allocations based on best conservation practices. Periodic performance reviews to assess whether the program is meeting fishery conservation objectives should also be used to promote conservation.

• Prevent Industry Consolidation

Quota shareholders are prevented from owning more than one percent of the total quota unless a council can demonstrate that such an increase will not be detrimental to other shareholders. The bill provides exceptions for fisheries with a small number of participants.

• Allocate Quota Fairly

Quota shares must be allocated fairly among vessel categories and gear types. Fishery managers should give preference in initial allocations to fishermen who are currently engaged in fishing and have had long-term participation in the fishery.

• Allow New Entrants

IFQ programs must establish a mechanism to allow new entrants, including entry-level fishermen, small vessel owners, and crew members.

• Protect Coastal Communities

Geographically discrete communities are authorized to hold quotas.

• Preserve Owner Operators

IFQ programs must preserve the percentage of the annual catch that is available to vessels where the owner is onboard during fishing operations.

Photo Courtesy of: NOAA/Department of Commerce

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Marine Fish Conservation Network
600 Pennsylvania Ave. SE, Suite 210
Washington D.C. 20003
P: 202.543.5509
F: 202.543.5774
network@conservefish.org
www.conservefish.org