Effects on Communities of Catch Shares (i.e., IFQs): Patterns and Adaptation

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Often in the outcomes of catch share programs, there are changes in patterns of a fishery that we do not want (e.g. social and cultural changes). But another way to frame these issues is to put them in terms of how we design catch share programs to maintain community stability and promote intergenerational equity. The question is, "Can we design changes to better address the full suite of patterns—ecological, economic, and social?" A problem statement (i.e., list) that addresses social and economic issues in catch shares includes a range of serious effects, including migration of quota shares from communities in market transactions, high debt loads that create barriers for replacement (i.e., new) entrants, and leasing practices that accrue gross revenues to non-fishing owners by eroding them from fishermen. The community provisions in the national fisheries law (i.e., MSA §303A) are possible tools to address these issues.

Issues

Increased value to fisheries from catch shares can bolster fishing opportunities or threaten them. Transition from fish in the boat to a quota share on paper creates an "asset" that can be regarded as an economic development asset and used to strong local advantage. However, it also can be tempting to leverage, lease, speculate, and otherwise focus on the quota share as an instrument of trade and business instead of the business of fishing. Asset prices generally increase and this creates opportunities for initial issues and barriers for new entrants.

Perpetual leasing (e.g., British Columbia) may lead to "sharecropping." Leasing by initial recipients at relatively high rates (e.g., 45 to 55 percent or higher) by retired, initial issuee owners of quota shares generates large amounts of cash. But this makes lessors start with far less in gross revenues, "off the top," at the dock. Cash buys even more quota for those owners, of which very few are capped in holdings by the management program (e.g., share caps in the Alaska halibut fishery), suggesting that more consolidation may happen. These buyers are willing to pay higher prices as the cost basis of total quota share holdings is zero (or very low), leaving new fishermen little ability to hold privileges as assets into the future.

Debt loads can severely restrict the ability of the next generation to participate in the fishery. As an example, 25,000 lbs of halibut quota share at $30/lb. equals $750,000. If a new entrant could acquire a NMFS loan at 30 percent down, the cash upfront required would be $225,000. The remaining debt would be $525,000. At six percent interest for 30 years, payments would total $1.14 million, including principal and interest (e.g., interest of $619,000, $38,000 annual payment.) This is the basic barrier for replacement (i.e., new) entrant fishermen—where do you get the down payment or collateral?

Tools

Community entities are allowed under MSA as regional fishing associations or fishing communities, but Regional Fishery Management Councils are required to establish criteria. There is a precedent in Alaska as CDQ and CQE.

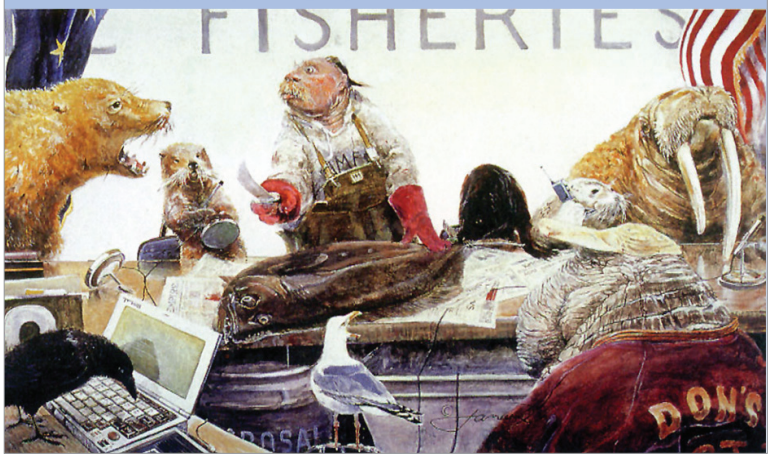
They function like a land trust—hold assets in the public interest, keeping quota in communities for residents, leasing at low rates (e.g., overhead eight to 12 percent). Holdings are a capped portion of potential quota and can be used to help create risk and insurance pools.

Working in the context of community fisheries organizations creates new forms of governance and new capacities at the community level—within fleets, thus sharing the management burden with agencies, an example of real co-management (e.g., New England sectors are one such case). Many participants feel the tension between individual and collaborative approaches—but one supports the other. The Community Fisheries Network has developed a beginning set of standards with the goal of assisting communities and businesses to use and connect these practices to marketplace brands and Community Sustainability Plans (www.communityfisheriesnetwork.org/archives/SustainabilityStandardsOutline.pdf). There are many types of community entities now in existence: permit banks, community fishing associations, community quota banks, community quota entities, sectors, fishing cooperatives, fisheries marketing associations, and community development quota corporations. (For more information and resources developed by Ecotrust on community dimensions and catch share program and market designs, visit: www.ecotrust.org/fisheries and www.ecotrust.ca.)

Standards and Metrics

What should the standards be for sustainable community-based fisheries entities and operations? Many take the "triple bottom line" approach—social, economic, ecological. The Community Fisheries Network has developed a beginning set of standards with the goal of assisting communities and businesses to use and connect these practices to marketplace brands and Community Sustainability Plans. Community Sustainability Plans and Regional Fishing Association Plans are requirements in MSA §303A as part of the community provisions … if exercised by Regional Fishery Management Councils. The Community Fisheries Network has drafted an example plan using a community-based hook-and-line fleet in Oregon. New England sector operations plans are a possible proxy for the development of these plans.

"When it comes to effects on communities of catch shares, it's all in the design." –Ed Backus



An artist's rendition of fishery management that Ed Backus selected to portray his quote.

Lessons Learned

Catch share design solution lessons:

- Grandfather some of the catch history (i.e., that of active vessels).
- Allocate some to community "trusts." CDQs in Alaska were allocated quota. They are thriving multi-million-dollar economic development community engines. CQEs are the opposite—they have to buy quota and they are not making it because they have to take on too much debt.
- No leasing by retirees (i.e., initial issuees).
- Allocate some for fixed term—15 years.
- Only allow community-based perpetual ownerships.
- Require performance indicators are reviewed for retaining quota in a fixed-term cycle.

These solutions to catch share designs help ensure social, economic, and ecological accountability as well as foster both business and community.