



# Backgrounder: Individual Fishing Quotas

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## Background

While individual fishing quotas (IFQs) are controversial, bycatch and economic problems in the commercial fishing industry have led some members of the commercial fishing and conservation communities to consider their use. At the same time, some in these communities oppose IFQs. Strongly-worded arguments have been made that IFQs are both beneficial and harmful to the environment and to fishing industry members. In 1999, the National Research Council published a study reviewing the pros and cons of IFQ programs and recommending their use as a fisheries management tool. This backgrounder was created to clarify some issues surrounding this topic.

## What is an IFQ?

An IFQ is a federal permit to harvest a quantity of fish, usually expressed as a percentage of a fishery's total allowable catch that may be held for exclusive use by an individual. IFQs are often issued as quota shares. A quota share represents a percentage of the total allowable catch in the fishery. Each year, quota pounds are issued to quota share holders based on the total allowable catch for that year. If transferable, quota shares and quota pounds can be leased or sold. Harvest privileges can also be taken away if the IFQ holder does not comply with federal fishing standards.

There are currently IFQ programs in effect for Alaska halibut and sablefish, for surf clams and ocean quahogs off the Mid-Atlantic states, for wreckfish in the South Atlantic, and for the West Coast limited entry fixed gear sablefish fishery. IFQs are also used in New Zealand, Australia, and Iceland. IFQ programs vary considerably, depending on the fishery in which they are used and the regulations for each specific program.

The West Coast limited entry fixed-gear sablefish fishery operates under an IFQ program in which transfer of quota shares is highly restricted. Shares are blocked into three size categories (tiers), shares cannot be transferred separately from the limited entry permit, and no more than three permits can be stacked on a single vessel. Current status of the Pacific Council IFQ Discussions

## **Some potential benefits of IFQs include:**

- Reduced overcapitalization (too many boats and too much gear) in the fishery
- Greater rewards for efficiency, conservation and stewardship (IFQs provide more economic incentive to support conservative harvest levels that allow fish populations to grow)
- Reduced bycatch (when IFQs apply to catch and there is adequate monitoring)
- When transitioning from a derby fishery, more time to catch fish, resulting in safer working conditions

and higher-quality products that can be processed more efficiently

- More flexibility to adjust to regulations and other fishing and market conditions
- More economic certainty for fishermen
- Better balance of supply and demand
- Those wanting to leave the fishery would receive some compensation

***Some potential drawbacks of IFQs include:***

- Difficulty in initially allocating quota shares
- Possible concentration of wealth and control
- Concerns about equity (fears that small boats and communities will be harmed)
- Possible absentee ownership of IFQs
- Need for careful design and monitoring
- Possible cultural changes created by the new system
- Perceptions that IFQs allocate public resource rights to private citizens
- Perceptions that IFQs reduce fishermen's access to a public resource

***Mitigating factors for IFQ programs:***

- IFQ shares may be revoked if abused
- IFQ programs may be modified or discontinued if they do not meet their goals

The Magnuson-Stevens Act requires IFQ holders to pay the costs of managing and enforcing IFQ programs. Federal law limits the collection of fees from fishers participating in IFQ fisheries to 3% of exvessel value. However, additional revenues can be generated through auctions or fishermen can pay for some services (like observers) directly.

## Current status of IFQ discussions in the Pacific Coast region

The Council is currently considering alternatives that would establish a rationalized program for the West Coast groundfish trawl fishery. Trawl individual quotas (TIQ) for all groundfish trawl sectors and co-ops for the whiting sectors are the primary alternatives being considered. The trawl individual quota program would be based on IFQs. Consideration was given to other types of individual quota systems, such as individual processing quotas (IPQs), but was halted when Congress imposed a restriction on consideration of IPQs. Final Council action is scheduled for November 2008.

A complete history of trawl rationalization actions and decisions is available on the Council website at <http://www.pccouncil.org/groundfish/gffq.html>.

The Council has adopted a control date of November 6, 2003 for groundfish trawl individual quotas. This control date will apply to any person potentially eligible for individual quota shares. The control date puts those persons on notice that the Council may decide to not count activities occurring after the control date toward determining a person's qualification for an initial allocation or determining the amount of initial allocation of quota shares.

## **Trawl Rationalization Alternatives**

### ***Status Quo Management Regime Approach***

Status quo, cumulative catch limits for nonwhiting and season management for whiting.

### ***IFQ-Based Management***

IFQs will be used to manage the catch of groundfish caught by trawl vessels operating under a limited entry trawl permit except catch in fisheries in which Groundfish is harvested incidentally.

### ***Whiting Sector Cooperative Based Management***

Co-ops would be established for one or more of the three whiting sectors (motherships, shoreside, and catcher/processors). Options are provided for the possible rollover of whiting among sectors and the possible allocation and rollover of bycatch species.

## **Contact Information**

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