



Meeting to Consider Overcapitalization in the NWHI Lobster Fishery

Council Office Conference Room
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Draft

Introduction

Robert Schroeder introduced the purpose of the meeting as a response to a request by the Council, in June, to investigate overcapitalization in the Northwestern Hawaiian Islands (NWHI) lobster fishery and if it is found to be a problem, to identify alternative solutions. The meeting was coordinated by NMFS-PIAO and the Council. A list of participants is attached.

History of the Fishery

Sam Pooley, NMFS Honolulu Laboratory, reviewed the history of the fishery. He discussed the fishery's management history and participation. The fishery has 15 permit holders and the highest participation rate since 1990 was in 1992 when 12 permit holders participated. In the past five years there have been 12 unique participants but no more than 9 in any one year (9 participated in 1997, 5 in 1998, and 6 in 1999). The annual quota has averaged roughly 250,000 lobsters over the past 4 years, and the annual ex-vessel value has averaged approximately \$1 million over the same time period.

NMFS Over-capacity Exercise

Marcia Hamilton, NMFS Pacific Islands Area Office (PIAO) reviewed an ongoing NMFS project which is examining excess capacity in all FMP fisheries. She discussed the origin of this project (the FAO IPOA on fishing capacity) and distributed a summary of the qualitative assessments for this region's fisheries which have been compiled and submitted to NMFS headquarters. She explained the difference between concerns for overfishing (technical capacity) versus concerns for efficiency (economic capacity) and pointed out that the work to date has focused on active participants, with some discussion of instances in which latent permits are appropriate.

Pooley introduced the new JIMAR economist, Xiulin Gu, who is now working on the second part of the NMFS capacity project, which is the quantitative assessment of capacity in the region's FMP fisheries. She is using the lobster fishery as an introductory exercise, as part of her pelagics research project, but will be concentrating on pelagics thereafter. Pooley explained that her work will not identify an optimum number or type of vessels for the lobster fishery, nor will it examine the issue of latent permits or alternate management regimes.

Proposed Scope-of-Work

Schroeder explained that the Council is considering the option of contracting with a

quantitative economist to conduct the overcapitalization study. The study could include the following components (based on prior discussion with Sam Pooley): economic review of trends in cost vs. value of the fishery over time; determination of optimal fleet size; options, with pros and cons, to reduce participation or permits; time trends in cost/value of the spiny/slipper, live/frozen fisheries; and environmental impacts of alternatives for reduction.

Discussion

Initial discussion focused on the model used to determine the annual harvest guideline and the basis for providing the 15 permits (a history of fishery participation).

Jim Cook and other industry members identified some of their concerns, which include the uncertainty and difficulty in planning a fishing strategy in a fishery with fluctuating participation. When participation can vary from 5 to 12 (or 15) vessels, it is very complicated to predict who will participate and thus to make appropriate decisions on one's own participation. This type of confusion appears inefficient and as a result participants are seeking an alternate management structure.

Meeting participants identified alternate approaches which could be examined by a contractor. These include buy-backs (by NMFS), ITQs, a use-it-or lose-it regime, a fractional licensing system, a corporate management approach, and buy-ins (active participants buy up latent permits). Regarding the latter method, it was pointed out that the current regulations do not allow ownership of multiple permits by one individual and that this would have to change before buy-ins could occur.

Pooley stated that he did not feel that this would need to be a detailed economic study requiring an econometrician, but rather an overview of the fishery (including fishing costs and returns), its history, and its management regime. Such work could be accomplished by a business economist or other economics contractor familiar with fishery management issues and also cognizant of the realities of business management. In other words, an abstract study of a theoretical approach will likely not be very useful and should be avoided. Pooley also discussed the need for a clear objective for the study itself, and the need for a clear management objective before alternatives to reduce capacity in the fishery are evaluated. Finally, he stated that a range of alternatives should be carefully evaluated for both their costs and their benefits relative to the management objective (and to the nation as a whole).

Kitty Simonds suggested that the proposed study go forward. The group discussed whether this was the appropriate time for such a study (pending both litigation and the President's NWHI proclamation) and how or whether it should be connected to the Council's scheduled 5-year review of the lobster management scheme, which will include a technical review panel next year.

The groups reached consensus that a study should be conducted. Pooley agreed to provide input to the Council on the drafting of the SOW for the proposed contract to conduct the study.

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