



# Draft Addendum XVIII for Final Consideration and Public Comment Review

**Effort Consolidation  
August 2012**





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# Purpose

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- The American Lobster Board voted to scale the SNE fishery to the size of the resource
  - including an option that would result in a minimum reduction in traps allocated by 25%
- The addendum proposes a consolidation program for LCMA 2 and 3 to address latent effort and reductions in traps allocated
  - Improve the economic performance of the fishermen who remain in the fishery by constraining unused gear from returning to the fishery should the stock rebuild



# Current Traps Fished

LCMA	2008 Traps Allocated	2008 Max Traps Fished	2009 Traps Allocated	2009 Max Traps Fished	2010 Traps Allocated	2010 Max Traps Fished
LCMA 2	178,376	107,003	175,117	107,886	177,120	104,603
LCMA 3	109,477	87,188	111,109	80,561	111,386	75,808

- Data for LCMA 2 is limited to MA, RI, and CT fishermen; max traps fished is from state harvester reports. Data for LCMT 3 includes MA, RI, CT, NY, NJ, DE, MD, and VA. Max traps fished for MA and RI is from harvester reports for all other states data is from the total trap tags purchased.



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# Proposed Management Options For LCMA 2

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## Initial Trap Reduction

- Option 1: Status Quo: no action
- Option 2: 25% reduction in trap allocation in year one (LCMT preferred)
  - Reduce from the allocation given in 2007 (by states) and allocation given by NMFS (forth coming rule making)
  - Also reduce any other allocation that was obtained by permit holder



# Active Trap Reductions

- Annual Trap reduction
- Option 1: Status quo, no action
- Option 2: 5% reduction in trap allocation per year for 5 years, totaling 25% (LCMT preferred)
  - Assessed on active and banked trap allocations

<b>Year</b>	<b>Starting Allocation</b>	<b>% reduction</b>	<b>New Allocation</b>	<b># traps retired for conservation</b>
<b>Year 1</b>	800	25%	600	200
<b>Year 2</b>	600	5%	570	30
<b>Year 3</b>	570	5%	541	29
<b>Year 4</b>	541	5%	514	27
<b>Year 5</b>	514	5%	488	26
<b>Year 6</b>	488	5%	464	24



# Trap Allocation Transfers

## LCMA 2

### ➤ Partial Transfers of a Multi LCMA Trap Allocation

- Option 1: Status quo: must choose single LCMA to fish multi-LCMA transferred traps, privileges for other LCMAs forfeited
  - **Example:** A person buys 100 traps that have historical allocation to fish in LCMA 2, 3, and 4. 10 traps are retired for conservation and 90 traps are available to be fished or banked. The buyer must choose only 1 of the 3 LCMAs (area 2, 3, or 4) to fish the traps, the other 2 areas will lose fishing privileges for those traps.
- Option 2: (LCMT Preferred Options) May fish any LCMA that the transferred multi-LCMA traps had history in but bound by the most restrictive rule





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# Trap Allocation Transfers

## LCMA 2

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### ➤ Full Business Transfers

- Option 1: May fish any LCMA that the transferred multi-LCMA traps had history in but bound by the most restrictive rule
- Option 2: Status quo: must choose single LCMA to fish multi-LCMA transferred traps, privileges for other LCMAs forfeited



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# Trap Allocation Banking

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- Trap allocation that is owned but may not be fished and are held in a banking account
- Option 1: Status quo, no trap banking
- Option 2: Up to 800 traps can be banked by an individual or corporation at a give time (LCMT preferred)
  - Banked account is by LCMA
  - Traps can not be fished until activated by the allocating agency.
  - Traps are subject to annual reductions





# Ownership Cap

- Ownership cap is the max number of traps an entity may own in a LCMA (combination of individual allocated traps (active traps) and banked traps)
  - Option 1: Status Quo: Limits the number of permits to 2 with the exception to those that had more than 2 before 2003 (Ad. VII)
  - Option 2: Entity could not own more than 1600 traps (800 active and 800 banked), LCMT preferred
  - Option 3: Entity could not own more than 1600 traps (800 active and 800 banked), or more than 2 permits
- Any entity that owns more than the aggregate cap at the time of implementation retain the overage. However all transfers of traps after the implementation date are subject to the cap



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# Controlled Growth

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- Controlled growth prohibits excessive consolidation of industry
- Option 1: Status Quo: No limits on growth
- Option 2: A max of 400 traps could be moved per year (LCMT preferred) from a bank account to active



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# Transfer Tax

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- Current transfer tax in LCMA 2 is 10% for all transfers
- Proposing to change the method a tax is approved, not the tax itself
  - Option 1: Status quo, changes made through addendum or amendment process
  - Option 2: Changes made through Board action
    - Only adjust between 0-20%
    - Only adjust on an annual basis for the following fishing year



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# Proposed Management Tools

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## Proposed Changes for LCMA 3

### ➤ Annual Trap Reductions

- Trap allocation would be reduced from the current (2012) permit trap allocation
- Reductions would be on both active and banked traps
- Option 1: Status quo, no action
- Option 2: 2.5% reduction of trap allocation per year for 10 years (LCMT preferred)
- Option 3: 5% reduction of trap allocation per year for 5 years



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# Transfer Tax

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## Transfer Tax Amount

- Option 1: Status Quo, Conservation tax of 20% is for partial transfers and 10% is assessed on full business sales
- Option 2: Conservation tax of 10% is assessed on and transfer (full or partial) (LCMT Preferred)
  - **Example:** If a fisherman A purchases 100 traps from fisherman B, 10 traps will be retired for conservation purposes and 90 traps will be added to fisherman A's allocation or trap allocation bank account.



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# Transfer Tax

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## Adopting a Transfer tax

- Option 1: Status quo, changes made through addendum or amendment process
- Option 2: Changes made through Board action
  - Only adjust between 0-20%
  - Only adjust on an annual basis for the following fishing year



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# Trap Allocation Transfers

## LCMA 3

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- Entities may transfer full or partial allocations of qualified traps from one owner to another
- Same options as reviewed for Area 2





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# LCMA 3 Designation

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Proposes to split LCMA 3 into 3 designations

- GOM, GBK and SNE
- Option 1: Status quo, no designation
- Option 2: Annually designate one of the 3 areas to fish for the year
  - Part of the permit renewal process
  - Can change area from year-to-year
  - Bound by the most restrictive rule for the area they designate



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# Trap and Permit Cap on Ownership

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Proposing several types of restraints on ownership to inhibit the excessive consolidation of industry. Including:

- a cap on the number of individual active traps a single permit may fish,
- a cap on the number of traps a single permit may fish and own, and
- a cap on the aggregate number of federal permit and traps a entity/ company may own.



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# Trap Cap

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- Option 1: status quo, trap cap is 2000 traps
- Option 2: As specified in table on pg 11
  - Assumes that NOAA Fisheries will implement a 2000 trap cap in proposed federal rules and cut allocated traps by 25 % , as proposed in section 3.2.1 of this addendum).
  - NOAA Fisheries adopts a lower trap cap for LCMA 3 or different trap cut, the schedule will be adjusted accordingly.



# Trap Cap

Year	GBK/GOM	SNE
2012	2000	2000
2013	1950	1950
2014	1901	1901
2015	1853	1853
2016	1807	1807
2017	1762	1800
2018	1718	1800
2019	1675	1800
2020	1633	1800
2021	1592	1800
2022	1552	1800
2023	1513	1800



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# Single Ownership Cap

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- Option 1: Status quo no ownerships cap
- Option 2: Ownership Cap as proposed in table on pg 12
  - Assumes that NOAA Fisheries will implement a 2000 trap cap in proposed federal rules and cut allocated traps by 25 % , as proposed in section 3.2.1 of this addendum).
  - NOAA Fisheries adopts a lower trap cap for LCMA 3 or different trap cut, the schedule will be adjusted accordingly.



# Ownership Cap

Date	Maximum
2012	2396
2013	2336
2014	2277
2015	2220
2016	2165
2017	2111
2018	2058
2019	2007
2020	1956
2021	1907
2022	1859
2023	1800



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# Aggregate Ownership Cap

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- Option 1: no single company or individual may own or share ownership of more than 5 LCMA 3 permits, if more than 5 prior to Dec 2003 may be retained
- Option 2: no single company or individual may own, or share ownership of, more than 5 qualified LCMA 3 permits and can not own >5 times the individual ownership cap of traps
  - Any entity that owns more than the aggregate cap at the time of implementation retain the overage. However all transfers of traps after the implementation date are subject to the cap





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# Aggregate Ownership Cap

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- Under Option 2: If this option were adopted, the Board would recommend that NOAA Fisheries establish a control date for the number of permits or taps a single company or individual may own, or share ownership of for LMCA 3.



# Aggregate Ownership Cap

Year	GOM/GBK	SNE	<b>SNE Correct</b>
2012	10,000	10,000	<b>11,980</b>
2013	9,750	9,750	<b>11,680</b>
2014	9,505	9,505	<b>11,385</b>
2015	9,265	9,265	<b>11,100</b>
2016	9,035	9,035	<b>10,825</b>
2017	8,810	9,000	<b>10,555</b>
2018	8,590	9,000	<b>10,290</b>
2019	8,375	9,000	<b>10,035</b>
2020	8,165	9,000	<b>9,780</b>
2021	7,960	9,000	<b>9,535</b>
2022	7,760	9,000	<b>9,295</b>
2023	7,565	9,000	<b>9,000</b>



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# Trap Banking

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- Option 1: Status quo, no banking permitted
- Option 2: Up to 396 traps can be banked
- Option 3: Up to 900 traps can be banked
- Option 4: Up to 2396 trap can be banked ( equal to the max ownership cap) (LCMT preferred)



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# Controlled Growth

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- Option 1: Status quo, no action
- Option 2: A max of 100 traps could be moved per year (LCMT preferred)
- Option 3: A max of 200 traps could be moved per year
  - provision would be effective in the same year that NOAA Fisheries implements transferability,
  - A full transfer of all qualified and banked traps will be exempt from the controlled growth provision.



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# Compliance and Recommendation to NOAA Fisheries

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- If the existing lobster management program is revised by approval of this draft addendum, the American Lobster Management Board will designate dates by which states will be required to implement the addendum.
  
- Determine measures, if approved, that should be recommended to NOAA Fisheries for implementation in Federal waters.



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# Public Comment

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- 10 Comments
- 1 Joint hearing for MA and RI
  - 12 industry members and 6 State and NOAA staff



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# Comments

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- **Trap reductions: favored LCMT options**
  - Area 2: 25% in year 1 and 5% in years 2-6
  - Area 3: 2.5% over 10 years
  
- **Partial transfers\***
  - Area 2: can fish in any area trap has history (option 2), 1 supported status quo
  - Area 3: Pick 1 area to fish trap but move to allow trap to be fished in any area it has history in the future
  
- **Full Business Sales\***
  - Area 2 and 3: Trap can be fished in any area it has history (status quo)





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# Comments

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- Transfer tax amount
  - Area 3: 10% tax on transfers
- Transfer tax method\*
  - If not going to do an addendum then would like to develop a process to allow LCMT input prior to Board action
- Banking\*
  - Area 2: bank up to 800 traps
  - Area 3: bank up to 2396 traps equal with the single ownership cap



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# Comments

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## ➤ Ownership Cap (area 2)

- Area 2 Can not own more than 1600 traps

## ➤ Trap Cap (area 3)

- Set 2 caps: one for GOM/GBK the other for SNE
- Add the word active traps for clarity

## ➤ Single Ownership Cap (area 3)

- Favor option 2 sets a cap that includes max trap cap and bank traps



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# Comments

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## ➤ Aggregate Ownership Cap (area 3) \*

- Option 2 No more than 5 permits or 5x the ownership cap-
- Recommend a control date
- Define monopoly

## ➤ Controlled Growth \*

- Area 2: move up to 400 traps from bank
- Area 3: annually add no greater than 100 traps to the active allocation, providing no other cap is exceeded  
→ Change from what went out for public comment