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INDIVIDUAL FISHING QUOTAS

Economic Effects on Processors and Methods Available to Protect Communities

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Highlights

Highlights of GAO-04-487T, testimony before the Committee on Commerce, Science, and Transportation, United States Senate

Why GAO Did This Study

To address overfishing, the National Marine Fisheries Service started using individual fishing quotas (IFQ) as a fishery conservation and management tool in 1990. Under an IFQ program, a regional fishery management council sets a maximum, or total allowable catch, and allocates the privilege to harvest a certain portion of the catch in the form of quota to individual vessels, fishermen, or other eligible recipients.

IFQ programs have achieved many of the desired conservation and management benefits, such as helping to stabilize fisheries, reducing excessive investment in fishing capacity, and improving safety. However, concerns have been raised about the economic effects of IFQ programs on fish processors and fishing communities, among others.

This testimony is based on two GAO reports on issues related to the use of IFQs (*Individual Fishing Quotas: Better Information Could Improve Program Management*, GAO-03-159, Dec. 11, 2002, and *Individual Fishing Quotas: Methods for Community Protection and New Entry Require Periodic Evaluation*, GAO-04-277, Feb. 24, 2004).

Specifically, GAO addressed the (1) economic effects of the Alaskan halibut IFQ program on processors and (2) the methods available for protecting communities under an

www.gao.gov/cgi-bin/getrpt?GAO-04-487T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Anu Mittal at (202) 512-3841 or mittala@gao.gov.

What GAO Found

The Alaskan halibut IFQ program has had varied economic effects on processors. The program extended the halibut fishing season to 8 months, allowing more halibut to be processed and sold as a fresh product. This shift to fresh product led to the emergence of the buyer broker, an increased competition for fish, and higher halibut ex-vessel prices (prices paid to fishermen for raw product). In addition, a net decrease of 12 shore-based plants that processed halibut occurred between 1995, when the IFQ program was implemented, and 2001, as well as a reallocation of market share. For the 28 companies that processed halibut in both 1995 and 2001, 15 lost market share and 13 gained market share.

Factors other than the implementation of the IFQ program, such as the diversity and value of species processed, could also have impacted the well-being of Alaskan halibut processors. For example, halibut represented a relatively small portion of the fish processed by shore-based plants in Alaska and of total plant value. Specifically, from 1994 to 2001, halibut represented, on average, 2 percent to 4.1 percent of all fish processed at a plant and accounted for 4.4 percent of total plant value in 1994 and 7.9 percent in 2001. The only estimate of the program's economic effects on processors is a 2002 study commissioned by the state of Alaska. This study estimated that halibut processors experienced a 56-percent loss in gross operating margins. However, GAO's analysis, as well as the analyses of others, identified concerns about the study's assumptions, representiveness, and potential for participant bias that raise questions about the reliability of its estimates.

Several methods are available for protecting the economic viability of fishing communities under an IFQ program. The easiest and most direct way is to allow communities to hold harvesting quota and decide how this quota is to be used. In addition, fishery managers can help ensure the economic viability of communities by adopting quota management rules aimed at protecting certain groups of fishery participants. However, protecting the economic viability of communities is a social objective, and realizing such an objective may undermine economic efficiency and raise questions of equity. For example, rules that allow communities to hold harvesting quota may result in allocations to communities that do not have the knowledge and skills to manage the quota effectively and thus increase costs and/or decrease revenues. Similarly, rules that appear to favor one group of fishermen over another may result in fairness and equity challenges. Fishery managers also face a number of challenges associated with the methods available to protect communities. The resolution of these issues ultimately will depend on the specific circumstances within a fishery and the overall program objectives.