

MEMORANDUM

TO: Council, SSC and AP Members
FROM: Chris Oliver *Chris*
Executive Director
DATE: March 20, 2012
SUBJECT: Halibut Management

ESTIMATED TIME 8 HOURS All C-4 Items
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ACTION REQUIRED

- (a) Final Action on Area 4B "Fish-Up," a proposed regulatory amendment to allow IFQ derived from Category D QS to be fished on Category C vessels in Area 4B.

BACKGROUND

In 2009 the Council called for proposals to amend the halibut and sablefish IFQ and CDQ programs. One proposal, which was supported by the IFQ Implementation Committee in September 2009, requested a halibut IFQ regulatory amendment that would allow IFQ derived from Category D QS to be fished on Category C vessels in Area 4B. The Council approved this proposal for analysis in February 2010. The Council had taken no action for Area 4B in December 2004 when "fish up" was adopted for Area 3B and Area 4C, when no one from the area identified a need for it. For the 2009 proposal; the Council did not schedule an initial review of the analysis because the proposed action had previously been considered and it was deemed not to be controversial. Final action was first scheduled for December 2010.

The proposed action would relieve a restriction placed on IFQ halibut fishery participants in Area 4B. It would further IFQ program goals by increasing the amount of IFQs that may be harvested by vessels < 60' LOA and safety at sea for that fleet. The proposed action would make minor changes in this fishery affecting up to 12 Area 4B Category D QS holders, who hold < 3 percent of IFQs in one area, and a few owners of larger vessels. The Council continues to receive comment letters and public testimony from the proposer and APICDA representatives, who support the proposed action. Note that the analysis would allow the Council to expand the proposed action to Area 4A.

In February 2012, the Council scheduled final action on the November 5, 2010 public review draft for this meeting, after twice tabling the proposed action in 2011. Council staff has provided supplemental information under Item C-4(a)(1), which contains a timeline of Council and AP action, and Item C-4(a)(2), which contains an excerpt of a related February 2012 final action to allow an Area 4B CQE to form on behalf of Adak in order to purchase halibut and sablefish IFQ. Item C-4(a)(3) contains the Council's preferred alternative for the Area 4B (Adak) CQE. Item C-4(a)(4) contains the November 2010 public review draft of the proposed action.

SUPPLEMENTAL INFORMATION
SINCE THE NOVEMBER 5, 2010 ANALYSIS WAS PREPARED FOR FINAL ACTION

Part 1. Final Action Timeline

December 2010. The Advisory Panel unanimously (19:0) recommended, “. . . the Council take no action at this time but schedule final action to run parallel with action on the Community Quota Entity (CQE) program in Area 4B.” The Council tabled the action at the same meeting.

April 2011. The Council decided to consider whether to schedule final action for this proposed action coincident with another proposed action that addresses an amendment to the CQE program for Area 4B.

October 2011. The AP recommended that the Council schedule final action on the analysis, and that the analysis include discussion on the effects of fish-up on the price of D class quota, and the original intent of D class quota in the IFQ program. *Motion passed 14/3/1.* The Council cited several reasons to not schedule final action on this topic: 1) the presence of Icicle Seafoods in Adak, 2) a potential for a newly created market for “D” class QS through an action to allow the community of Adak to purchase QS, and 3) the low amount of “D” class QS available for new entrants in Area 4B and the impact on the price of D class QS if it could be fished on C class vessels. The Council identified that it could schedule final action on this analysis in the future if conditions warrant it.

December 2011. The AP recommended that the Council schedule final action on the analysis to allow D class quota to be fished up as C class quota in Area 4A and 4B for Council action. *Motion passed 12-6.* A minority report was filed in opposition to final action for the Area 4B fish up proposal.

February 2012. The Council approved an amendment to establish a CQE Program in Area 4B. Adak is the only community in Area 4B which meets the proposed eligibility criteria, which targets small, rural, non-CDQ communities in Area 4B with commercial halibut and sablefish participation. The action allows a community non-profit organization to represent Adak for the purpose of purchasing Area 4B halibut catcher vessel quota share (QS), and Aleutian Islands sablefish catcher vessel QS, to promote long-term community access to the commercial halibut and sablefish fisheries. An Adak CQE would be allowed to purchase up to 15% of the Area 4B halibut QS pool, and up to 15% of the AI sablefish QS pool. IFQ resulting from the community QS may be leased to individuals that are not residents of Adak for a period of up to five year after the effective date of implementation of the program. After that time, the CQE may only lease IFQ to residents of Adak.

In addition to supporting the proposed CQE program for Area 4B the AP recommended that the Council schedule final action to allow D class quota to be fished up as C class quota in Area 4A and 4B for Council action. *Motion passed 12-6.* A minority report was filed in opposition to final action for the Area 4B fish up proposal.

Part 2. Public Testimony

Arguments in opposition to the proposed action:

In conjunction with consideration of the action to allow a CQE to form on behalf of Adak to purchase halibut and sablefish quota share, Adak Community Development Corporation (ACDC) requested that D class halibut quota remain restricted to being fished only on D class vessels to preserve entry level opportunity. Small boat fishermen also opposed the proposed action, as D class halibut quota was earned on D class vessels, is typically less expensive than C, B or A quota, and is often a way for those who wish to enter the halibut fishery to get started. Allowing D class halibut quota to be fished up will basically eliminate the D class fishery, which may drive up the price of D class quota, create further barriers to entering the halibut fishery, and compromise the integrity of the Halibut/Sablefish IFQ program. The IFQ fishing season is nearly 8 months long, which allows vessels adequate time for weather windows to fish safely in Area 4B. D class halibut quota is 3% of the total pool in Area 4B, which now has two processors that buy halibut.

The Council cited several reasons to not schedule final action on this topic in October 2011:

1) the presence of Icicle Seafoods in Adak, 2) a potential for a newly created market for "D" class QS through an action to allow the community of Adak to purchase QS, and 3) the low amount of "D" class QS available for new entrants in Area 4B and the impact on the price of D class QS if it could be fished on C class vessels.

Arguments in favor of the proposed action:

The proposed, Bob Snell, has sent numerous letters supporting his proposal and testified on its behalf in February 2012. The primary arguments in favor of the proposed action are safety and efficiency. In addition it will positively impact the problems posed by the historical under harvest of D class quota in Area 4B and minimize bycatch discards, as halibut could be harvested and retained in conjunction with a directed Pacific cod fishery. Most current D class shareholders can be considered entry level participants. The processing plants in Adak and especially Atka would benefit from more potential halibut deliveries. Another benefit accrued by D class shareholders would permit them to purchase sablefish quota in the Aleutian Islands (AI) region which are not listed for D class vessels and thus provide access to another fishery option. The concluding statement from the Impact Draft presented to the Council for the fish-up proposal dated November 5, 2010 states: "None of the alternatives are likely to change fishing patterns or harvest amounts to an extent that would result in an impact on the halibut stock, by catch amounts, or other environmental impacts. There are no data that suggest adverse impacts would result from a higher proportion of the harvest being taken on larger vessels. The preferred alternative is expected to increase economic efficiencies of halibut IFQ operations and safety by allowing small boat IFQ's to be fished on larger vessels. Beneficiaries of the preferred alternative would include all holders of D QS in Area 4B. Minor administrative costs of the program would be recovered by annual cost recovery fees for the entire program. None of the proposed actions are expected to have the potential to result in a 'significant action' as defined in Executive Order." This impact statement provides validation for the fish-up proposal and considerable motivation for the Council to move it to adoption.

Aleutian Pribilof Island Community Development Association has also provided written and public comment in support of the proposed action. Seven active D class IFQ holders in Atka would benefit from increased safety at sea and enhanced economic opportunities for harvesting halibut while also harvesting Pacific cod. Such fishing activities would support Atka Pride Seafood's expansion into purchasing and processing Pacific cod.

EXCERPT FROM:

Public Review Draft

**Regulatory Impact Review
for Proposed Amendment 102 to the Fishery Management Plan
for Groundfish of the Bering Sea and Aleutian Islands**

Establishing a Community Quota Entity Program in Area 4B

December 2011

**North Pacific Fishery Management Council
605 W. 4th Avenue, Suite 306
Anchorage, Alaska 99501
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1.1.1 Commercial halibut and sablefish IFQ fishery

The groundfish fishery management plans for the Bering Sea/Aleutian Islands and Gulf of Alaska designate Pacific halibut as a prohibited species to any new commercial development due to its historical usage by the longline (or setline) fishery. The commercial halibut and sablefish fishing fleet is diverse, using various types of longline gear and strategies. The impetus and design of the IFQ Program, implemented in 1995 (50 CFR 300.60 through 300.65), is discussed in Section **Error! Reference source not found.** In 2011, the IFQ Program enables an eligible vessel to fish any time between March 12 and November 18.

Total halibut setline CEY for Alaska waters was estimated to be over 42 Mlbs in 2010, down 7% from the previous year (IPHC 2010), and over 30 Mlbs in 2011, down 28% from 2010 (IPHC 2011). The IPHC reports that decreased halibut catch limits in Alaska reflect stock biomass declines as the exceptionally strong 1987 and 1988 year classes pass out of the fishery. Recruitment from the 1999 and 2000 year classes is estimated to be above average but the lower growth rates of fish in recent years means that these year classes are recruiting to the exploitable stock very slowly (IPHC 2010).

Currently, the catch limit for the commercial halibut longline fishery is set once all other removals are deducted from the available yield. In effect, any increase in non-commercial (sport, personal use) removals results in a reduction of the commercial sector harvest over an extended period of time. The IPHC sets biologically-based catch limits for Areas 4A, 4B, and a combined Area 4CDE. The catch limits for Areas 4C, 4D, and 4E reflect the catch-sharing plan implemented by the Council. The catch-sharing plan allows Area 4D CDQ harvest to be taken in Area 4E and Area 4C IFQ and CDQ to be fished in Area 4D. In addition, the CDQ Program receives a percentage of the halibut catch limit for Areas 4B - 4E. These allocations come off of the overall IFQ TAC for each area and are as follows: Area 4B (20%); Area 4C (50%); Area 4D (30%); and Area 4E (100%). In 2011, the CDQ allocation in Areas 4B - 4E represented about 26% of the total Area 4 halibut allocation. The proposed action only affects the halibut and sablefish IFQ fishery, and does not affect the CDQ fisheries, thus, the following tables only reflect trends in halibut and sablefish IFQ TACs.

In the past nine years, the halibut catch limit has ranged from 1.15 Mlbs to 3.34 Mlbs in Area 4B; 5.93 Mlbs to 10.94 Mlbs in Area 4; and 30.38 Mlbs to 59.01 Mlbs in all areas (see

Table 1). Overall, the TACs have decreased by more than 40% since 2002 for each of the areas reported in

Table 1. The TACs for Area 4 have generally declined each year since 2002, with a slight increase in 2010 and 2011. Area 4B has generally followed a similar trend to Area 4 as a whole. The Area 4B halibut TACs increased by about 15% from 2009 to 2010, and by about 1% from 2010 to 2011. Note that the 2011 halibut and sablefish quota share pools and IFQ TACs for all areas are provided in **Appendix 3**.

Table 1 Commercial halibut IFQ TAC Area 4B, 2002 – 2011 (in millions of pounds)

Regulatory Area	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Area 4B	1.74	1.73	1.50	1.49	1.15	1.34	1.81	2.25	3.34	3.34
Area 4 Total	6.18	6.01	5.93	6.71	6.28	6.62	7.43	7.78	10.75	10.84
Total AK	30.38	40.29	43.55	48.04	50.21	53.31	56.98	58.94	59.01	59.01

Source: NMFS RAM Program.

The commercial IFQ TAC for Aleutian Islands sablefish is about 2.74 Mlbs in 2011. In the past ten years, the AI sablefish IFQ TAC has ranged from 4.10 Mlbs to 2.74 Mlbs in the AI and from 24.88 Mlbs to 37.94 Mlbs for all areas off Alaska (see Table 2). The sablefish TACs have generally been declining since 2004, with some fluctuation, and at a slower rate than halibut. Overall, the 2011 AI sablefish IFQ TAC is about 33% lower than the highest year reported (2004). However, the 2011 AI sablefish TAC is the same as 2010, and the overall 2011 sablefish TAC increased 8% compared to 2010.

Table 2 Commercial sablefish IFQ TACs in the Aleutian Islands, 2002 – 2011 (in millions of pounds)

Regulatory Area	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
AI	2.74	2.74	2.91	3.23	3.72	3.97	3.47	4.10	4.10	3.37
Total AK	26.79	24.88	26.49	29.97	33.45	34.55	35.77	37.94	34.86	29.39

Source: NMFS RAM Program.

Table 3 Area 4B halibut IFQ and AI sablefish IFQ allocations and landings, 2007 - 2010

Regulatory Area	Vessel landings		Total catch (M lbs)		Allocation (M lbs)		Percent landed	
	Area 4B halibut	AI sablefish	Area 4B halibut	AI sablefish	Area 4B halibut	AI sablefish	Area 4B halibut	AI sablefish
2010	112	94	1.39	1.42	1.73	2.74	81%	52%
2009	67	98	1.23	1.66	1.50	2.91	82%	57%
2008	97	94	1.36	1.42	1.49	3.23	91%	44%
2007	88	75	1.09	1.61	1.15	3.72	94%	43%

Source: NMFS RAM Program reports 2007 - 2010, <http://www.fakr.noaa.gov/ram/07ifqland.htm>

Note: This report summarizes fixed gear IFQ landings reported by Registered Buyers. At-sea discards are excluded, confiscations included. Halibut weights are reported in net (headed and gutted) pounds. Vessel landings include the number of landings by participating vessels reported by IFQ regulatory area; each landing may include harvest from more than one permit holder.

The halibut IFQ TAC in Area 4B is not typically fully harvested each year. From 2007 to 2010, the percent landed ranged from 81% (2010) to 94% (2007), with a range of 88 to 112 vessel landings annually (Table 3). Harvest from the commercial fishery is monitored by NMFS, using a catch accounting system that deducts harvest from an IFQ holder's account. This information is also used to enforce the total annual quota, as well as individual IFQ accounts. Thus, since the IFQ program, annual harvest limits have not been exceeded by a significant margin. The IFQ program also has an overage/underage provision that balances an IFQ holder's account, year to year. This regulation results in a long-term balance of harvest at the catch limit and allows IFQ holders to move small amounts of halibut between years.

About half of the sablefish TAC in the Aleutian Islands is harvested each year (Table 3). From 2007 to 2010, the percent landed ranged from 43% (2007) to 57% (2009), with a range of 75 to 98 vessel landings annually (Table 3). Like halibut, harvest from the commercial sablefish fishery is monitored by NMFS, using a catch accounting system that deducts harvest from an IFQ holder's account. This information is also used to enforce the total annual quota, as well as individual IFQ accounts.

Individual holders in the IFQ Program are also subject to quota share use caps (a limit on the amount of QS each individual can hold) and vessel use caps (a limit on the amount of IFQ that can be used on one vessel in a given year), in order to limit the amount of consolidation in the program. Quota share use caps are based on the size of the relevant quota share pool, and vessel use caps are based on a percentage of the annual IFQ TACs. The 2011 quota share use caps and vessel use caps are provided below in Table 4.

Table 4 Halibut and sablefish quota share use caps and vessel use caps, 2011

Species	QS use cap %	QSP	QS use cap
Halibut	1% of halibut 2C QSP	59,979,977 QS units	599,799 QS units
	0.5% of halibut 2C, 3A, 3B QSP	300,564,647 QS units	1,502,823 QS units
	1.5% of all halibut Area 4 QSP	33,002,937 QS units	495,044 QS units
Sablefish	1% of all sablefish SE QSP	68,848,467 QS units	688,485 QS units
	1% of all sablefish QSP	322,972,132 QS units	3,229,721 QS units
Species	Vessel use cap %	Annual IFQ TAC	Vessel use cap
Halibut	1% of 2C halibut IFQ TAC	2,330,000 net lbs	23,300 net lbs
	0.5% of all halibut IFQ TAC	30,382,000 net lbs	151,910 net lbs
Sablefish	1% of SE sablefish IFQ TAC	6,481,524 net lbs	64,815 net lbs
	1% of all sablefish IFQ TAC	26,794,708 net lbs	267,947 net lbs

Source: NMFS RAM Program, February 2011.

The number of vessels, registered buyers, and quota share holders for both the halibut IFQ and sablefish IFQ fisheries, in all areas, from 2006 through 2010, is provided in Table 5. In 2010, a total of 1,108 unique vessels fished IFQ species (excluding CDQ), with 1,074 vessels fishing halibut and 368 vessels fishing sablefish.

Table 5 Number of vessels, buyers, and QS holders in the IFQ fisheries, 2006 - 2010

Year	Halibut Vessels	Sablefish Vessels	Registered Buyers	QS holders
2006	1,255	372	179	3,467
2007	1,211	373	173	3,303
2008	1,156	362	123	3,136
2009	1,090	363	107	3,070
2010	1,074	368	123	2,998

Source: 2006 – 2009 data are from report, "The Pacific Halibut and Sablefish Report Fishing Year 2009." RAM Program, NMFS. October 2010. 2010 data are considered preliminary.

The 2010 IFQ report to the fleet provides information on the top ports where IFQ landings were made in 2005 through 2009 (RAM October 2010). Preliminary 2010 data are provided by the NMFS RAM Program. The data indicate that 54 percent of the 2010 halibut IFQ was landed in the Central Gulf communities of Homer, Kodiak, and Seward (Table 6). These top three ports held the same rank every year, 2005 through 2010. The ports of Sitka, Juneau, and Petersburg all had halibut landings of about 1.5 Mlbs to 2.0 Mlbs. Data for other top ports are confidential.

Table 6 Top 10 IFQ halibut ports, 2010

Port ¹	2010 Net pounds	2010 Percent total landed ²	2010 Rank	2009 Rank	2008 Rank	2007 Rank	2006 Rank	2005 Rank
Homer	10,644,083	26.69	1	1	1	1	1	1
Kodiak	6,274,179	15.73	2	2	2	2	2	2
Seward	4,760,392	11.93	3	3	3	3	3	3
Dutch/Unalaska	*	*	4	4	4	5	5	4
Sitka	1,986,021	4.98	5	5	6	4	4	5
Juneau	1,752,249	4.39	6	6	8	7	6	6
Sand Point	*	*	7	10	5	8	8	8
Petersburg	1,530,031	3.83	8	7	7	6	7	7
Yakutat	*	*	9	9	12	9	9	11
Aktian	*	*	10	8	9	11	14	13
All ports	39,878,733	100	NA					

Source: The Pacific Halibut and Sablefish Report Fishing Year 2009, RAM Program, NMFS, October 2010. Data for 2010 are considered preliminary.

Table 7 shows the statewide halibut and sablefish IFQ TACs, amount of landed pounds, ex-vessel prices, weighted average price per QS unit, and the percent change in weighted average price per QS unit compared to the prior year. The price received at the point of landing for the catch is the ex-vessel price. Halibut QS prices increased substantially in 2004 (27%) and 2005 (31%) from the previous year, and in 2003 (14%) and 2004 (17%) for sablefish. In 2004 and 2005, the halibut TAC was slowly declining, and the ex-vessel price continued to increase. In 2004, the sablefish TAC was at a 10-year high, with the lowest ex-vessel price during the time period, as well as the largest percentage increase in transfer price from the previous year. Note that 2009 exhibited the largest percentage decrease in transfer price for both halibut and sablefish QS.

Table 7 Statewide halibut and sablefish TACs, ex-vessel prices, IFQ landed pounds, and QS prices, 2000 - 2009

Species	Year	IFQ "TAC"	IFQ Landed pounds	CFEC Statewide Exvessel Price	Count Priced QS Transfers	Weighted Avg \$/QS Unit	Pct Change in Weighted Average Price/QS Unit From Prior Year
Halibut	2000	53,074,000	51,796,153	\$2.52	317	\$1.34	n/a
Halibut	2001	58,534,000	55,758,769	\$1.99	320	\$1.62	20.9%
Halibut	2002	59,010,000	58,122,339	\$2.19	280	\$1.41	-13.0%
Halibut	2003	59,010,000	57,411,780	\$2.84	313	\$1.70	20.6%
Halibut	2004	58,942,000	57,264,375	\$2.97	283	\$2.15	26.5%
Halibut	2005	56,976,000	***	\$3.00	245	\$2.81	30.7%
Halibut	2006	53,308,000	***	\$3.75	246	\$2.60	-7.5%
Halibut	2007	50,211,800	***	\$4.33	233	\$3.19	22.7%
Halibut	2008	48,040,800	47,321,739	\$4.27	207	\$3.27	2.5%
Halibut	2009	43,548,800	42,274,397	unk	129	\$2.38	-27.2%
Sablefish	2000	29,926,122	27,624,505	\$3.53	108	\$0.85	n/a
Sablefish	2001	29,120,561	26,355,159	\$3.04	95	\$0.77	-9.4%
Sablefish	2002	29,388,199	27,091,941	\$3.06	88	\$0.78	1.3%
Sablefish	2003	34,863,545	30,838,900	\$3.46	151	\$0.89	14.1%
Sablefish	2004	37,936,756	33,695,316	\$2.95	86	\$1.04	16.9%
Sablefish	2005	35,765,226	32,877,746	\$3.14	106	\$1.03	-1.0%
Sablefish	2006	34,546,083	30,849,437	\$3.33	88	\$1.05	1.9%
Sablefish	2007	33,450,396	30,080,328	\$3.10	92	\$1.05	0.0%
Sablefish	2008	29,967,127	26,872,648	\$3.45	87	\$1.08	2.9%
Sablefish	2009	26,488,269	24,103,772	unk	57	\$0.70	-35.2%

***confidential data

2009 landings data are through 7 a.m. 12/24/09.

Halibut data are in net wt lbs; sablefish data are in round lbs.

\$/QS is an unweighted average computed for all categories, areas for a species: (total transaction price - broker fees)/(number QS units transferred).

Source: The Pacific Halibut and Sablefish Report Fishing Year 2009. RAM Program, NMFS. October 2010.

Estimates of annual ex-vessel prices also vary by management area. CFEC estimates of Area 4B halibut and AI sablefish ex-vessel prices were highest in the most recent years reported (2007 and 2008 for halibut; 2008 and 2009 for sablefish). Overall, halibut and sablefish ex-vessel prices fluctuated, but generally increased in each area over this time period, and generally lagged slightly behind the statewide average prices. Recent years for sablefish are an exception, during which the AI price was consistently higher than the statewide price. A range of estimated ex-vessel prices are shown below (1992 through 2009), by management area and species (Table 8).

Table 8 Estimated ex-vessel prices for Area 4B halibut and AI sablefish, by year

Year	Area 4B halibut	Statewide halibut	AI sablefish	Statewide sablefish
1992	\$0.94	\$0.96	\$1.88	\$1.89
1993	\$1.28	\$1.23	\$1.67	\$1.67
1994	\$1.88	\$1.93	\$1.98	\$2.36
1995	\$1.85	\$1.97	\$2.99	\$3.23
1996	\$1.92	\$2.19	\$3.03	\$3.30
1997	\$1.94	\$2.13	\$3.60	\$3.53
1998	\$0.99	\$1.29	\$2.21	\$2.34
1999	\$1.66	\$2.00	\$2.75	\$2.83
2000	\$2.13	\$2.52	\$3.17	\$3.53
2001	\$1.73	\$1.99	\$2.93	\$3.04
2002	\$2.14	\$2.19	\$3.09	\$3.06
2003	\$2.53	\$2.84	\$3.46	\$3.46
2004	\$2.62	\$2.97	\$2.81	\$2.95
2005	\$2.61	\$3.00	\$2.87	\$3.14
2006	\$3.43	\$3.75	\$3.55	\$3.33
2007	\$3.90	\$4.33	\$3.53	\$3.10
2008	\$3.64	\$4.27	\$4.37	\$3.45
2009			\$4.78	\$3.71

Source: CFEC.

Notes: Estimated prices reflect weighted average ex-vessel prices reported for all fixed gear types (longline, troll, jig, and handline) and all delivery/condition types.

Estimates reflect deliveries by catcher vessels to shoreside processors.

Estimates are for commercial catch only. They exclude harvest from test fishing, confiscated catch, personal use, discards, and other harvests taken by not sold.

Statewide prices are weighted averages estimated from earnings and harvest over all IFQ areas.

Table 9 and Table 10 show the annual prices for Area 4 halibut QS and AI sablefish QS and IFQ transfers, respectively, from 1995 to 2009, from NMFS transfer reports. In Area 4B, the mean price per IFQ pound was \$6.14 at initial issuance in 1995, compared to \$10.39 in 2009. Prices varied substantially during 1995 through 2009, with 2009 reporting the highest mean price per IFQ pound. For AI sablefish, the mean price per IFQ pound was \$4.57 at initial issuance, compared to \$3.26 in 2009, also with notable fluctuations throughout the fifteen-year time period. Prices per IFQ pound in the Aleutians are substantially lower than those reported in the Gulf of Alaska; Area 4 halibut IFQ average prices are about two and half times lower than average IFQ prices in Area 3A or 2C.

Recent review of two permit and QS brokerage companies in Washington state showed Area 4B catcher vessel halibut QS on the market for \$10 to \$12 per pound in mid-2011, and AI sablefish catcher vessel QS for \$2.50 to \$4.50 per pound.¹

¹Listings from Permit Master (Anacortes, WA) and Dock Street Brokers (Seattle) were reviewed, July 12, 2011. There were six listings for Area 4B halibut QS, totaling about 30,000 lbs; and five listings for AI sablefish QS, totaling about 68,000 lbs.

Table 9 Annual Prices for Area 4 Halibut QS and IFQ Transfer, by Year

Area	Year	Mean Price \$/IFQ	Stan Dev Price \$/IFQ	Total IFQs Transferred Used for Pricing	Mean Price \$/QS	Stan Dev Price \$/QS	Total QS Transferred Used for Pricing	Number of Transactions Used for Pricing
4A	1995	5.64	2.07	114,616	0.74	0.27	873,519	56
	1996	6.68	1.50	160,899	0.87	0.20	1,230,691	65
	1997	6.67	2.79	383,112	1.35	0.56	1,889,914	90
	1998	6.39	1.98	71,280	1.54	0.48	295,358	29
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	6.62	1.65	456,840	2.27	0.57	1,333,201	42
	2001	7.72	1.94	349,190	2.65	0.67	1,019,050	32
	2002	6.06	1.72	173,517	2.07	0.59	507,079	17
	2003	5.94	2.28	275,440	2.02	0.78	808,422	33
	2004	9.64	2.14	248,645	2.29	0.51	1,045,246	23
	2005	10.48	2.51	348,980	2.47	0.59	1,481,217	37
	2006	11.43	2.87	310,125	2.62	0.66	1,350,404	28
	2007	13.6	3.92	386,213	2.69	0.78	1,949,392	33
2008	15.36	5.07	154,056	3.26	1.08	724,924	25	
2009	11.81	3.41	18,998	2.07	0.6	108,676	6	
4B	1995	6.14	1.05	34,716	1.23	0.21	173,523	5
	1996	5.03	0.86	51,769	1.00	0.17	260,336	7
	1997	5.15	1.71	294,051	1.54	0.51	980,663	30
	1998	7.24	1.68	94,579	2.18	0.51	313,790	11
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	4.80	1.12	367,338	2.03	0.47	868,276	23
	2001	5.72	1.04	464,187	2.42	0.44	1,097,211	20
	2002	4.64	1.05	65,507	1.67	0.38	181,883	6
	2003	4.55	3.22	163,662	1.64	1.16	454,412	13
	2004	8.10	1.65	238,591	1.96	0.40	985,437	12
	2005	7.49	1.18	63,139	1.46	0.23	324,243	8
	2006	C	C	7,850	C	C	54,558	2
	2007	8.45	2.51	37,045	1.05	0.31	298,569	9
2008	9.99	2.35	131,987	1.6	0.38	823,570	18	
2009	10.39	1.36	129,379	1.67	0.22	802,982	12	
4C	1997	6.29	0.50	48,681	0.91	0.07	336,313	8
	1998	5.67	1.09	33,902	1.14	0.22	169,265	7
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	3.68	0.48	27,570	0.94	0.12	107,811	6
	2001	5.47	1.31	100,428	1.40	0.34	392,724	8
	2003	C	C	47,020	C	C	186,058	3
	2004	5.74	0.59	62,540	1.23	0.13	292,075	5
	2005	5.46	2.02	86,607	1.23	0.46	383,147	7
	2006	0	0	0	0	0	0	0
	2007	8.04	1.82	67,184	1.87	0.42	289,134	6
2008	8.65	1.47	61,260	1.9	0.32	278,173	7	
2009	11.41	1.56	67,133	2.23	0.31	343,693	6	
4D	1996	C	C	27,358	C	C	237,858	3
	1997	5.85	1.63	82,294	0.99	0.28	485,517	11
	1998	6.07	0.97	49,986	1.39	0.22	218,677	11
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	4.31	0.72	37,604	1.26	0.21	128,852	5
	2001	6.44	1.14	107,734	1.87	0.33	370,961	7
	2002	5.56	1.01	115,755	1.62	0.29	396,655	8
	2003	6.86	1.59	120,944	1.96	0.45	422,009	8
	2004	C	C	79,669	C	C	328,087	3
	2005	9.09	1.31	19,557	2.33	0.34	76,317	4
	2006	0	0	0	0	0	0	0
	2007	8.77	2.18	114,370	2.31	0.57	434,031	9
2008	C	C	3,526	C	C	14,118	1	
2009	8.38	0.47	11,584	1.86	0.11	52,298	3	

Source: Transfer Report: Changes under Alaska's Halibut IFQ Program, 1995 - 2009.

a) C indicates confidential data.

b) NA indicates data are not available.

Table 10 Annual Prices for Aleutian Islands Sablefish QS and IFQ Transfers, by Year

Area	Year	Mean Price \$/IFQ	Stan Dev Price \$/IFQ	Total IFQs Transferred Used for Pricing	Mean Price \$/QS	Stan Dev Price \$/QS	Total QS Transferred Used for Pricing	Number of Transactions Used for Pricing
Aleutian Islands	1995	4.57	0.52	91,553	0.43	0.05	979,271	6
	1996	8.89	3.90	72,881	0.45	0.2	1,446,140	4
	1997	4.14	0.50	66,726	0.21	0.03	1,324,979	10
	1998	3.40	0.59	38,599	0.20	0.03	667,559	8
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	2.01	0.59	72,398	0.20	0.06	719,028	14
	2001	2.34	0.83	97,540	0.24	0.08	941,871	5
	2002	C	C	32,061	C	C	303,445	2
	2003	3.37	1.14	502,187	0.43	0.15	3,910,721	9
	2004	2.60	0.00	35,621	0.33	0.00	277,399	4
	2005	2.66	2.16	286,999	0.29	0.23	2,644,413	9
	2006	2.71	1.22	435,971	0.34	0.15	3,508,222	6
	2007	2.69	0.41	159,707	0.31	0.05	1,372,043	8
2008	2.96	0.77	241,854	0.3	0.08	2,392,855	8	
2009	3.26	0.84	380,862	0.3	0.08	4,179,226	10	

Source: Transfer Report: Changes under Alaska's Sablefish IFQ Program, 1995 – 2009.

a) C indicates confidential data.

b) NA indicates data are not available.

RAM estimates the ex-vessel value of the halibut IFQ fishery using buyer reports. Those reports indicate that the total ex-vessel value of the halibut IFQ fishery ranged from \$133 million to \$208 million dollars from 2005 through 2010 (Table 11). The total ex-vessel halibut value trended downward from 2006 through 2009, but substantially increased in 2010. The halibut ex-vessel value in 2010 was about 7 percent higher than the mean value over that period. Total IFQ ex-vessel revenue was estimated to range between \$210 million and \$289 million, annually, over that time period. The total IFQ fishery ex-vessel value in 2010 was about 8 percent higher than the mean value over that period.

Table 11 Estimated ex-vessel value of the halibut and sablefish IFQ fisheries, 2005 - 2010

Year	Halibut	Total IFQ (halibut and sablefish)
2005	\$191	\$271
2006	\$208	\$289
2007	\$181	\$247
2008	\$175	\$245
2009	\$133	\$210
2010	\$193	\$276

Source: RAM Program, NMFS. 2005 – 2010 data from IFQ buyer reports. 2010 data are preliminary.

1.1.2 Area 4B CQE proposal and Adak

As stated previously, the ACDC submitted testimony related to its proposal at the February 2010 Council meeting. The intent of the proposal is to provide an opportunity for the community of Adak to participate in the halibut and sablefish fisheries in Area 4B. Specifically, ACDC would like to use its crab royalties to purchase Area 4B halibut QS and AI sablefish QS for use by local fishermen and delivery within the region. The original proposal submitted to the Council is provided as **Appendix 4**.

The Aleut peoples have a long history on and around Adak and other communities in the Aleutian Islands prior to World War II. The once heavily-populated island was eventually abandoned in the early 1800s, as the Aleutian Island hunters followed the Russian fur trade eastward, and famine set in on the Andreanof Island group. However, the Aleut people continued to actively hunt and fish around the island

over the years, until World War II. Adak had a significant role during World War II as a U.S. military operations base, and army installations on the island allowed U.S. forces to mount a successful offensive against the Japanese-held islands of Kiska and Attu.² After World War II, Adak was developed as a Naval Air Station, playing an important role during the Cold War as a submarine surveillance center. The station officially closed on March 31, 1997, and the Aleut Corporation acquired a significant portion of Adak Island, along with the naval facilities, under the BRAC (base realignment and closure) and other Federal land transfer processes. This was a complicated and multi-step process that resulted ultimately in a land exchange between the Aleut Corporation and the USFWS. A significant portion of land on the southeastern edge of the former military-controlled land was retained as Federal land, due to its high wildlife value and location (connected to other USFWS-owned land).

As stated previously, Adak is not an eligible CDQ community, as it was not recognized as an Alaska Native village³ certified by the Secretary of the Interior pursuant to the Alaska Native Claims Settlement Act (Pub. L. 92-203). This was one of the original criteria to be determined eligible under the CDQ Program, and was eventually mandated in the Magnuson-Stevens Act.⁴ At the time of the Native village certification, Adak was still a military base, and it did not return to a civilian community until the late 1990s.

Since the military station closed, both the Aleut Corporation and the Adak Community Development Corporation have invested significant effort into developing Adak as a commercial center and civilian community with a private sector economy focused heavily on commercial fishing. As part of that strategy, Adak has been pursuing a broad range of fisheries for a resident fleet to be able to deliver to the shoreside processor located in Adak. Through Congressional action, Adak currently receives an exclusive community allocation of 10% of the Western AI golden king crab TAC, which is allocated to ACDC. The Council motion on that issue related that the purpose was to “aid in the development of seafood harvesting and processing activities within that community.” In addition, fifty percent of the class A IFQ (i.e., IFQ that must be delivered to a processor with matching IPQ) for the Western Aleutian Islands golden king crab fishery must be delivered to a shorebased or stationary floating crab processor west of 174 degrees west. Only two communities, Adak and Atka, are located within this geographic area. To address the lack of processing capacity that occurred because of the Adak plant circumstances (see next section below), an emergency action created an exemption to the regional landing requirement allowing landings from the 2009 - 2010 and 2010 - 2011 seasons to be landed outside of the western region. An amendment is intended to allow future exemptions to the regional landing requirement, but only with the consent of both of the communities of Adak and Atka.

Finally, since 2005, Adak has also received an allocation of the AI pollock fishery, which is allocated directly to the Aleut Corporation. To date, there has been very little opportunity to harvest, and thus process, the AI pollock allocation. Critical habitat issues severely constrain the fishery, and almost all pollock harvests have been under experimental fishery permits thus far.

Shoreside processor in Adak

Although the community of Adak receives crab and pollock allocations, the local shoreside processor has

²Alaska DCCED, Community Database Community Information Summaries, 2011.

<http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

³“Native village” has a specific definition in ANCSA under 43 U.S.C. 1602(c): “Native village” means any tribe, band, clan, group, village, community, or association in Alaska listed in sections 1610 and 1615 of this title, or which meets the requirements of this chapter, and which the Secretary determines was, on the 1970 census enumeration date (as shown by the census or other evidence satisfactory to the Secretary, who shall make findings of fact in each instance), composed of twenty-five or more Natives”.

⁴The Coast Guard and Maritime Transportation Act of 2006 removed the eligibility criteria for CDQ communities in the MSA and instead listed the 65 communities eligible to participate in the program and the CDQ group that represents each community. (Public Law 109-241, July 11, 2006.) Thus, to add a community to the CDQ Program, one must now amend the MSA.

primarily been dependent on the Pacific cod fishery for the past ten years. The community has been trying to ensure that sufficient Pacific cod landings are made in Adak, in order to support the shoreside processor and help provide the year-round markets necessary for smaller vessels that participate in several fisheries. The only two communities in the Aleutian Islands management area that have shoreside processing plants are Atka (Atka Pride Seafoods) and Adak, and the plant in Atka does not currently have the capacity to process Pacific cod. The majority of cod harvested by catcher vessels in the AI has been delivered shoreside since the Adak plant opened in 1999/2000, and the vast majority of that has been delivered to Adak. For the past several years, the A season Pacific cod fishery has been the main source of income for the Adak plant, accounting for about 75 percent of plant revenue.⁵ Landings processed in Adak cannot be provided due to confidentiality restrictions.

The shoreside processor in Adak has realized a number of ownership changes since its establishment in 1999 as Adak Seafoods. In mid-July 2000, Norquest became a predominant partner. In January 2002, Icicle Seafoods became a relatively equal partner in the operation, which operated as Adak Fisheries, LLC. Other ownership changes ensued, although until recently, the company still operated as Adak Fisheries, LLC, and one of the two individuals who originally started the plant was still active in its ownership and operation.

A significant drop in the Pacific cod markets in 2009 affected Adak Fisheries operations. It realized a substantial reduction in the price per ton paid for frozen head and gut cod product compared to 2008, a trend which is not limited to Adak Fisheries. As the market dropped, many customers backed out of their pre- and in-season offers. As a result, sales of product from Adak Fisheries were well below pre-season expectations, and much of the 2009 product is in cold storage. Adak Fisheries was unable to pay for all fish delivered in the Pacific cod State water A season and Federal B season in 2009. At the same time, Adak Fisheries did not pay its power bill in full, so power was shut off to the plant in the spring of 2009. Power is supplied by TDX, a power production and distribution company owned by an Alaska Native village corporation.⁶ In effect, the plant has essentially been in hibernation mode, using generators to keep limited power to the building. Adak Fisheries essentially stopped processing after the 2009 Federal Pacific cod B season and the start of the State waters Pacific cod A season (mid-April).

In early August 2009, a different company assumed majority ownership of Adak Fisheries, and in early September, Adak Fisheries officially filed for Chapter 11 bankruptcy.⁷ On November 10, 2009, the United States Bankruptcy Court approved the sale of the plant to a new company, Adak Seafood, LLC, with the original terms of the offer and including other provisions.⁸ The sale included Adak Fisheries' fish processing equipment and other personal property housed in a building owned by Aleut Enterprises and leased to Adak Fisheries. The sale included provisions for Adak Seafood to pay specific debts and tax obligations, but aside from the primary creditor (Independence Bank), there are several other entities whose claims and liens did not attach to the sale. The order granting the sale notes that the only other offer or expression of interest in the plant was from Trident Seafoods Corporation.⁹

⁵ *Comprehensive Baseline Commercial Fishing Profiles: Sand Point, Adak, St. Paul, and St. George, Alaska*, prepared for the NPRB and NPFMC by EDAW, June 2008.

⁶ Tanadgusix Corporation (TDX) is an Alaska Native village corporation created under the Alaska Native Claims Settlement Act of 1971, to provide economic well-being for the indigenous peoples that resided in the village of St. Paul, Alaska.

⁷ Source: Seafoodnews.com, September 17, 2009.

⁸ Order Granting Debtor's Application to Sell Adak Plant Free and Clear of Liens, Case No. 09-00623 DMD, U.S. Bankruptcy Court for the District of Alaska, November 10, 2009.

⁹ The Court noted that Trident Seafoods expressed an interest in purchasing certain assets, and after adjustment for differences between two offers (Adak Seafood and Trident Seafoods), Adak Seafood's offer was millions of dollars higher. Trident Seafoods offered \$2 million for the assets of Adak Fisheries, and its offer did not include assumption of the \$6.7 million of debt owed to Independence Bank. Memorandum Regarding Potential Acquisition, No. 09-00623 DMD, U.S. Bankruptcy Court for the District of Alaska, November 5, 2009.

Adak Seafood, LLC, was a newly-formed Delaware limited liability company affiliated with Drevik International. Kjetil Solberg, former owner of Adak Fisheries, was the majority (51%) owner of the company, and Drevik owned 49%.¹⁰ Aleut Enterprises, LLC, had objected to the sale, in part on the grounds that the building's lease would expire on December 31, 2009 and that the deadline for extending the lease had passed.¹¹ Under the order, the terms of the lease of the building, from Aleut Enterprises to the new owner, Adak Seafood, stayed the same, including the expiration on the lease. In sum, the lease expired on December 31, 2009, and complaints remained before the Court for most of 2010 with regard to the validity of the lease between Aleut Enterprises and Adak Seafood, with Aleut Enterprises suing to evict Adak Seafood. In October 2010, staff was made aware that the companies had settled the lawsuit and negotiated a new lease agreement; however, by November 2010, it was determined that the company did not have the necessary financing to operate the plant.¹²

As mentioned previously, the plant stopped taking deliveries after mid-April in 2009. However, it did receive limited landings in 2010: four vessels made eleven landings of Pacific cod, all of which were in late February and March (the harvest data are confidential). No subsequent landings have been reported as of May 2011. In the interim, ACDC purchased a building in Adak from which individual catcher-sellers can store and pack halibut and sablefish for shipping by air to Anchorage. The intent is to allow local, small boat IFQ fishermen the ability to continue working out of Adak. The market opportunity, however, is limited by the capacity of the aircraft, which can ship about 10,000 lbs twice a week.¹³

In early 2011, Aleut Fisheries LLC, a wholly owned subsidiary of Aleut Enterprise LLC, and Western Star Seafoods Inc., a wholly owned subsidiary of Icicle Seafoods Inc., finalized a long-term lease of the processing plant, and are scheduled to resume full operations in time for the 2012 Pacific cod A season. Icicle Seafoods Adak started operating in a limited capacity in July 2011, taking halibut, sablefish, and state water Pacific cod deliveries.¹⁴

2010 Steller sea lion biological opinion

NMFS released a draft Steller sea lion Biological Opinion (BiOp) in August 2010 that will directly affect the groundfish fisheries in the Aleutian Islands, including the vessels and processors that operate there. The BiOp concludes that the status quo BSAI and GOA groundfish fisheries jeopardize the continued existence of the endangered western Distinct Population Segment of Steller sea lions and adversely modify its designated critical habitat. In the draft BiOp, NMFS outlined a reasonable and prudent alternative (RPA) that would modify management of the groundfish fisheries, intended to ensure that the fisheries do not result in jeopardy or adverse modification. The primary elements of the RPA significantly restrict the Pacific cod and Atka mackerel fisheries in the Aleutian Islands, with Area 543 (western AI) closed to both fisheries entirely. As a season (February - April) catcher vessel deliveries of AI Pacific cod have been a mainstay of the shoreside processor in Adak historically, staff expects that the RPA would have a substantial impact on the viability of the processor.

Note that NMFS proposed revisions to the draft RPA in October 2010, and presented the final RPA to the Council in December 2010. The EA/RIR supporting the BiOp provides estimates of the reduction in Pacific cod catch for catcher vessels delivering to motherships and shoreside processors in the AI. The estimated average reduction across the entire AI, based on 2003 through 2009 harvest data, is 36%. In Area 541 in particular, where the majority of the catcher vessel effort is focused (around Adak and Atka),

¹⁰ Testimony by Drevik at November 10, 2009, hearing on Case No. 09-00623 DMD.

¹¹ Aleut Enterprises, LLC's Objection to Debtor's Motion to Sell Adak Fish Plant, Case No. 09-00623 HAR, U.S. Bankruptcy Court for the District of Alaska, November 5, 2009.

¹² Fraser, D., personal communication, October 11, 2010.

¹³ Fraser, D., personal communication, August 4, 2010.

¹⁴ Milani, K., personal communication, July 5, 2011.

the estimated average reduction is 27%.¹⁵ Effort in Areas 542 and 543 is largely by catcher vessels delivering to motherships. The impact of the AI Pacific cod restrictions on industry, including the Adak processor, will depend on whether catcher vessel Pacific cod effort will shift to Area 541 or the Bering Sea. If the catcher vessel fleet is unable to fully harvest the CV Pacific cod allocations, it is expected that Pacific cod quota would be reallocated to the C season and likely harvested by fixed gear catcher processors.

The RIR for the BiOp also includes a qualitative discussion of the regional distribution of employment and income impacts, for communities estimated to be affected by the Steller sea lion action (Section 10.7.3, pp. 10 – 135-138). This section from the RIR is provided below, for the community of Adak only. The changes provided in an errata dated December 8, 2010, are also incorporated within the section below:

Regional distribution of employment and income impacts (from p. 10-135 to 10-136 of the EA/RIR for the November 2010 Steller sea lion Biological Opinion)

This discussion examines six possible ways the industry, in responding to the proposed action, could impact a community (crew transfers, other logistical support, processed product transfers, raw product deliveries, home port services, and induced impacts) for five groups of communities (Adak, Atka, Unalaska, other Alaskan communities, coastal Pacific Northwest). This section draws heavily on subsections 10.2.8, 10.2.9, and 10.7.2.

Adak

Adak is a small community. State of Alaska estimates indicate a 2009 population of 165. The economy remains relatively limited. Attempts to diversify into nearby fisheries and sources of deliveries for processing have had limited success to this point. Similarly, there has been limited success in developing other industries.

As discussed in section 10.2.8 (of the original RIR), Adak has received Pacific cod for processing from the federal and state parallel fisheries and from the state GHL fishery. These fisheries take place at separate times. The GHL fishery is closed when the federal fishery is open. In 2006, the first year of the state fishery, the processing plant at Adak received 15 percent of its raw cod product from the GHL fishery and the remainder from the federal and parallel fishery. In 2007 and 2008, the plant received 23 percent from the GHL fishery, and the remainder from the federal and parallel fisheries. The Pacific cod from the federal and parallel fisheries comes predominately from Area 541. Over the period from 2002 to 2008, Adak received 88 percent of its raw cod product from Area 541, and the remainder from Area 542. Area 541 is the least affected by the proposed [Steller sea lion] management measures. An examination of Table 10-47 in section 10.3.4 shows that, if Alternative 4 had been in place in the years 2004 through 2009, estimated Area 541 production would have been from 58 percent to 86 percent of its actual levels, depending on the year.¹⁶ Area 542 production would be reduced by larger proportions. Thus, in the area of Adak, production levels are likely to be reduced, but by significantly smaller amounts than in areas further to the west. Assuming the Adak plant is capable of processing Pacific cod at historical levels in the future, catcher vessels delivering to Adak may face increased competition, for the available Pacific cod, from vessels displaced from the fishery farther to the west. This may reduce potential deliveries to Adak. On the other hand, catcher/processors acting as motherships, and shoreside floating processing capacity, may no

¹⁵August 2010 Draft Biological Opinion: Effects of the Groundfish Fisheries off Alaska on ESA Listed Species Including the Western DPS of Steller Sea Lions, NOAA Fisheries. Table 10-33, p. 10-44.

¹⁶This sentence has been amended from the original sentence in Section 10.7.3 of the EA/RIR to reflect the change provided in an errata sheet updated by NMFS on December 8, 2010.

longer find it worthwhile to operate in the region, reducing market competition for available product.

Adak also serves as a home port for several small vessels, and these may be affected.

In addition to direct impacts in fishing and processing, the Atka mackerel and Pacific cod fisheries generate local indirect employment impacts as well. Catcher/processors use Adak to transfer product to tramp steamers, and for logistical support. The closure of the Atka mackerel and Pacific cod fisheries in Area 543, and the significant restrictions on fishing in Area 542, are likely to reduce the demand for these services. As noted in sub-section 10.2.8, these services include support for crew rotations, fuel supplies, and emergency medical services at the local clinic. The local fuel distributor has indicated that the large volume of fuel sold to fishing vessels allows the firm to sell fuel to residential and commercial customers in Adak at lower prices than it otherwise would be able to. This could increase living costs and the costs of doing business in the community (Tsukada 2010).

Because of Adak's small size, its residents must import a very large proportion of the goods they consume. Moreover, a large part of the processor work force are temporary workers who come to town for the season and who leave when it is over. They spend money in the town while they are there, but a significant part of their income would be spent elsewhere. Thus, the induced impacts of this action may be more limited in size than elsewhere. Other sources of personal income and induced impacts may be so limited, however, that induced impacts (sales at the local grocery store for home consumption, for example) may have importance. As discussed in sub-section 10.2.9, Adak shares in the state's fisheries business tax revenues and its fishery resource landing tax revenues. The loss of part of these municipal revenues would reduce municipal expenditures, and be an additional source of induced effects.

Of all the communities discussed here, Adak may have the most at risk from this [Steller sea lion] action. The fish processing plant in Adak entered bankruptcy in late 2009, and there is considerable uncertainty about its future. The action likely reduces the potential viability of future processing activity. It also reduces the demand for support services. Both elements are relatively important, given the small size of the community and relatively limited alternative base industries.

1.1.2.1 Individual Adak QS holdings

Residents of Adak were not issued any halibut QS or sablefish QS at the start of the IFQ Program in 1995, meaning no residents met the qualifying criteria and received an initial allocation. Table 12 and Table 13 show the amount of halibut QS and sablefish QS in any area held by Adak residents, through May 13, 2011, respectively. These tables show that halibut holdings were first acquired in 2007, and sablefish holdings in 2008.

Data through mid-May 2011 indicate that residents of Adak held a total of 252,290 halibut QS units: 231,248 QS units in Area 4B, and 21,042 QS units in Area 4A. Combined, this represents 46,913 halibut IFQ pounds in 2011. All of the halibut QS held is B category. The Area 4B halibut QS is held by two individual residents.

Adak residents also held 335,025 sablefish QS units in the AI and 116,401 QS units in the Central Gulf, which equates to 37,440 sablefish IFQ pounds in 2011 (Table 13). The sablefish QS held is B and C category. The AI sablefish QS is held by one Adak resident. In total, one Adak resident holds both Area 4B halibut QS and AI sablefish QS, and one Adak resident holds Area 4B halibut QS, for a total of two

unique holders.

Thus, as of May 2011, Adak residents held the equivalent of about 2.5% of the Area 4B halibut QS pool, and about 1.0% of the AI sablefish QS pool. The distribution of all Area 4B halibut QS and AI sablefish QS, by vessel category and the QS holder's community of residence, is provided in **Appendix 5**.

Table 12 Halibut QS holdings by Adak residents, by area, category, and block type, 1995 - 2011

Year	Area	QS category	Blocked or unblocked	Count of QS holders	QS units	IFQ 2011 Lb Equivalents
2007	4B	B	B	1	36,861	6,924
	4B	D	B	1	7,293	1,370
2007 total					44,154	8,294
2008	4A	B	B	1	21,042	3,476
	4A	C	B	1	36,204	5,981
	4B	B	B	2	98,938	18,584
	4B	C	B	1	62,885	11,812
	4B	D	B	1	7,293	1,370
2008 total					226,362	41,223
2009	4A	B	B	1	21,042	3,476
	4A	C	B	1	36,204	5,981
	4B	B	B	3	103,004	19,348
	4B	B	U	1	165,105	31,013
	4B	D	B	1	7,293	1,370
2009 total					332,648	61,188
2010	4A	B	B	1	21,042	3,476
	4A	C	B	1	36,204	5,981
	4B	B	B	2	66,143	12,424
	4B	B	U	1	165,105	31,013
2010 total					288,494	52,894
2011	4A	B	B	1	21,042	3,476
	4B	B	B	2	66,143	12,424
	4B	B	U	1	165,105	31,013
2011 total					252,290	46,913

Source: RAM Program, data as of May 2011.

Table 13 Sablefish QS holdings by Adak residents, by area, category, and block type, 1995 - 2011

Year	Area	QS category	Blocked or unblocked	Count of QS holders	QS units	IFQ 2011 Lb Equivalents
2008	AI	C	B	1	99,140	8,501
	CG	C	B	1	116,401	8,713
2008 total					215,541	17,214
2009	AI	C	B	1	99,140	8,501
	CG	C	B	1	116,401	8,713
2009 total					215,541	17,214
2010	AI	B	U	1	235,885	20,226
	AI	C	B	1	99,140	8,501
	CG	C	B	1	116,401	8,713
2010 total					451,426	37,440
2011	AI	B	U	1	235,885	20,226
	AI	C	B	1	99,140	8,501
	CG	C	B	1	116,401	8,713
2011 total					451,426	37,440

Source: RAM Program, data as of May 2011.

Quota share holdings

Table 14 shows the gradual decline in the number of QS holders of Area 4B halibut QS and AI sablefish QS over time. At initial issuance, there were 152 holders of Area 4B halibut QS; by 2011, there were 91. This represents a reduction of about 40%. Similarly for AI sablefish, there were 135 QS holders at initial issuance, and by 2011, there were 93. This represents a reduction of about 31%. Like in other areas, the consolidation of QS in Area 4B occurred fairly quickly in the first several years of the program, and the rate of consolidation has slowed substantially in the past decade.

Recall that Appendix 5 provides a breakdown of the 2011 holders of Area 4B QS and AI sablefish QS, by community of residence.

Table 14 Number of Area 4B halibut and AI sablefish QS holders, at initial issuance and 2000 - 2011

Year	Halibut IFQ area	# QS holders	Sum of QS units	Sum of IFQ lbs (2011 equivalent lbs)
initial issuance	4B	152	9,293,391	1,745,631
2000	4B	113	9,284,774	1,744,013
2001	4B	112	9,284,774	1,744,013
2002	4B	108	9,284,774	1,744,013
2003	4B	108	9,284,774	1,744,013
2004	4B	107	9,284,774	1,744,013
2005	4B	106	9,284,774	1,744,013
2006	4B	107	9,284,774	1,744,013
2007	4B	103	9,284,774	1,744,013
2008	4B	99	9,284,774	1,744,013
2009	4B	96	9,284,774	1,744,013
2010	4B	96	9,284,774	1,744,013
2011	4B	91	9,284,774	1,744,013
Year	Sablefish IFQ area	# QS holders	Sum of QS units	Sum of IFQ lbs (2011 equivalent lbs)
initial issuance	AI	135	31,518,176	2,702,593
2000	AI	104	31,932,492	2,738,119
2001	AI	97	31,932,492	2,738,119
2002	AI	98	31,932,492	2,738,119
2003	AI	95	31,932,492	2,738,119
2004	AI	98	31,932,492	2,738,119
2005	AI	100	31,932,492	2,738,119
2006	AI	99	31,932,492	2,738,119
2007	AI	94	31,932,492	2,738,119
2008	AI	92	31,932,492	2,738,119
2009	AI	94	31,932,492	2,738,119
2010	AI	93	31,932,492	2,738,119
2011	AI	93	31,932,492	2,738,119

Source: NMFS RAM Program, data as of May 13, 2011.

NMFS also reports on the type of 'person' that holds QS and changes over time. Under the IFQ Program, QS can be held by individuals (natural persons who were initial QS recipients), corporations, estates, partnerships, and crew (natural persons who were not initial recipients but who met the qualifications to receive QS by transfer). Table 15 shows, by person-type, the amount and percentage of QS held and the number and percentage of QS holders, comparing year-end 2000 to year-end 2009. This information is provided for both Area 4B halibut and AI sablefish.

Table 15 shows that the percentage of the total Area 4B halibut QS held by individual initial recipients decreased from 37% of the total in 2000 to 30% by year-end 2009, and the percentage of total holders that were individual initial recipients increased slightly over that same time period. The amount of Area 4B halibut QS held by 'crew' increased from 18% of the total in 2000 to 33% by year-end 2009, and the

percentage of total holders that were crew also increased slightly during this time period. At year-end 2009, 79% of the Area 4B halibut QS holders were either individuals that received QS at initial issuance, or crew (individuals that received QS through transfer after initial issuance), and they held 63% of the total Area 4B halibut QS. The remaining 21% of the holders were corporations, non-profits, or estates, which held about 37% of the Area 4B halibut QS.

For AI sablefish, about half of the total QS has historically been held by corporations. Table 15 shows that the percentage of the total AI sablefish QS held by individual initial recipients decreased from 18% of the total in 2000 to 16% by year-end 2009, and the percentage of total holders that were individual initial recipients decreased slightly over that same time period. The amount of AI sablefish QS held by 'crew' increased from 22% of the total in 2000 to 32% by year-end 2009, and the percentage of total holders that were crew also increased from 14% to 28% during this time period. At year-end 2009, 64% of the Area 4B halibut QS holders were either individuals that received QS at initial issuance, or crew (individuals that received QS through transfer after initial issuance), and they held 48% of the total Area 4B halibut QS. The remaining 36% of the holders were corporations, non-profits, partnerships, or estates, which held about 52% of the Area 4B halibut QS.

Table 15 Area 4B halibut and AI sablefish QS, by type of QS holder

Person Type	2000 QS holdings		2009 QS holdings		2000 QS holders		2009 QS holders	
AREA 4B HALIBUT								
Corp	3,732,168	40%	2,942,191	32%	26	23%	17	18%
Estates	62,077	1%	66,655	1%	1	1%	1	1%
Individual	3,413,398	37%	2,810,727	30%	54	48%	48	50%
Non-profit	370,314	4%	426,241	5%	1	1%	2	2%
Skipper/crew	1,706,817	18%	3,038,960	33%	31	27%	28	29%
Total	9,284,774	100%	9,284,774	100%	113	100%	96	100%
AI SABLEFISH								
Corp	17,881,030	56%	15,190,622	48%	41	39%	29	31%
Estates	331,821	1%	45,768	0%	1	1%	1	1%
Individual	5,740,799	18%	4,958,424	16%	42	40%	34	36%
Non-profit	679,248	2%	1,199,959	4%	1	1%	2	2%
Partnership	359,786	1%	162,537	1%	4	4%	2	2%
Skipper/crew	6,939,808	22%	10,375,182	32%	15	14%	26	28%
Total	31,932,492	100%	31,932,492	100%	104	100%	94	100%

Source: Data from Transfer Report summaries for halibut and sablefish, NMFS Dec 2010 (Table 9).

NMFS also provides data to allow an examination of the distribution of QS and QS holders by state of residence (Alaska, Washington, Oregon, and other). Table 16 below provides a broad overview of how these distributions have changed from initial issuance to year-end 2009, for Area 4B halibut and AI sablefish.

Table 16 Distribution of Area 4B halibut and AI sablefish QS and QS holders, by state of residence

State	Initial issuance QS	2009 QS	Initial issuance # holders	2009 # of holders	2009 average holdings
Area 4B HALIBUT					
AK	3,242,733	4,295,319	80	54	79,543
WA	5,365,129	3,798,203	52	29	130,973
OR	466,964	269,197	14	3	89,732
Other	218,565	922,055	7	10	92,206
Total	9,293,391	9,284,774	153	96	
AI SABLEFISH					
AK	7,112,625	6,470,047	50	37	174,866
WA	22,270,655	23,616,760	73	49	481,975
OR	628,152	1,663,894	5	3	554,631
Other	1,506,744	181,791	9	5	36,358
Total	31,518,176	31,932,492	137	94	

Source: Data from Transfer Report summaries for halibut and sablefish, NMFS Dec 2010 (Table 10).

Table 16 shows that by year-end 2009, about 56% of the total Area 4B halibut QS holders were Alaska residents, holding about 46% of the total Area 4B halibut QS. While data for all areas are not provided, the source report for these data shows that persons from Alaska held the majority of halibut QS at year-end 2009 for all areas except Areas 4C and 4D. Persons from Alaska showed an increase in halibut QS holdings in Areas 4A, 4B, and 4D from initial issuance to 2009, and slight decreases in halibut QS holdings in Areas 2C, 3A, 3B, 4B, 4C, and 4E. Persons from Washington held the majority of the QS in Areas 4C and 4D at year-end 2009, and the average QS holdings of persons from Washington were considerably higher than the average QS holdings of persons from Alaska in most areas, including Area 4B.¹⁷

The distribution of sablefish QS holdings by state of residence is different from that of halibut. Table 16 shows that by year-end 2009, about 39% of the total AI sablefish QS holders were Alaska residents, holding about 20% of the total AI sablefish QS. At both initial issuance and year-end 2009, persons from Washington held the majority of the sablefish QS for all areas, except Southeast. By the end of 2009, Alaska residents had slightly increased their QS holdings in the SE and BS areas, and had slightly reduced their holdings in all other areas.¹⁸ The average QS holdings of persons from Washington were considerably higher than the average QS holdings of persons from Alaska in all areas, including the Aleutian Islands.

Vessel landings

Table 17 below shows the number of unique vessels that landed Area 4B halibut IFQ and AI sablefish IFQ in 2010, and the amount of IFQ landed. In 2010, 41 individual vessels landed 1.4 million lbs of Area 4B halibut IFQ, with a total of 112 landings. Averaged across the fleet, the average vessel landing was about 34,000 lbs in 2010. For sablefish, 38 vessels landed 1.4 million lbs of AI sablefish IFQ, with a total of 94 landings. The average vessel landing of AI sablefish was about 37,000 lbs.

¹⁷Transfer Report Summary: Changes under Alaska's Halibut IFQ Program, 1995 – 2009. NMFS, December 2010, p. 11.

¹⁸Transfer Report Summary: Changes under Alaska's Sablefish IFQ Program, 1995 – 2009. NMFS, December 2010, p. 12.

Table 17 Number of vessels landing Area 4B halibut IFQ and AI sablefish IFQ, 2010

IFQ area and species	# of unique vessels	# of landings	Sum of 2010 IFQ pounds landed
Area 4B halibut	41	112	1,394,752
AI sablefish	38	94	1,409,426

Source: NMFS RAM Program, data as of May 13, 2011.

Table 18 and Table 19 show the ports of landing for Area 4B halibut and AI sablefish IFQ, respectively, from 2006 through mid-2011. The majority of the data by port is confidential, as there were typically fewer than three registered buyers per port. However, the tables indicate the number of IFQ holders and the number of registered buyers by port. For Area 4B halibut, more IFQ holders deliver to Dutch Harbor than any other individual port annually. In the years that can be reported below, Dutch Harbor received more of the total Area 4B halibut IFQ landings than any other port. Very little data can be provided for Adak and Atka, the only two ports with shoreside processing plants located in Area 4B. The number of IFQ holders of Area 4B halibut that deliver to Atka is much lower than that of Adak, however, even though the pounds are confidential.

Similarly with AI sablefish, more IFQ holders deliver to Dutch Harbor than any other individual port, with the exception of 2009 and through mid-2011, in which a greater number of holders delivered to Akutan. In the years that can be reported below, Dutch Harbor received more of the total AI sablefish IFQ landings than any other port annually, with the exception of 2010 (and thus far in 2011). With the exception of 2010, landings data cannot be provided for the port of Adak, due to confidentiality restrictions. Landings data for Atka cannot be provided in any year. Typically, one to two AI sablefish holders delivered to Atka, and several more holders delivered to Adak.

Table 18 Area 4B halibut landings by port, 2006 - 2011

Year	Port	Number of IFQ holders	Number of registered buyers	IFQ lbs	% by port
2006	ADAK	17	1	-	-
2006	AKUTAN	11	1	-	-
2006	ATKA	2	1	-	-
2006	DUTCH/UNALASKA	50	5	739,541	61%
2006	KING COVE	1	1	-	-
2006	SAND POINT	1	1	-	-
(total)				1,220,833	
2007	ADAK	28	1	-	-
2007	AKUTAN	16	1	-	-
2007	ATKA	7	1	-	-
2007	DUTCH/UNALASKA	38	4	542,873	50%
(total)				1,088,443	
2008	ADAK	26	1	-	-
2008	AKUTAN	19	1	-	-
2008	ATKA	1	1	-	-
2008	DUTCH/UNALASKA	36	4	587,125	42%
2008	KING COVE	1	1	-	-
2008	ST PAUL	2	1	-	-
(total)				1,357,128	
2009	AKUTAN	26	1	-	-
2009	DUTCH/UNALASKA	40	1	-	-
2009	HOMER	2	1	-	-
2009	KING COVE	1	1	-	-
2009	KODIAK	9	3	65,886	5%
2009	OTHER AK	1	1	-	-
(total)				1,232,219	
2010	ADAK	11	6	98,289	7%
2010	AKUTAN	22	1	-	-
2010	ATKA	4	1	-	-
2010	DUTCH/UNALASKA	40	2	-	-
2010	HOMER	1	1	-	-
2010	KING COVE	1	1	-	-
2010	KODIAK	2	2	-	-
2010	OTHER AK	1	1	-	-
2010	WHITTIER	1	1	-	-
(total)				1,394,952	
2011	ADAK	13	2	-	-
2011	AKUTAN	15	1	-	-
2011	ATKA	2	1	-	-
2011	DUTCH/UNALASKA	22	3	440,744	45%
2011	OTHER AK	1	1	-	-
2011	SAND POINT	1	1	-	-
(thru 7/25) (total)				980,970	

Source: NMFS RAM Division, data as of 7/25/11.

Note: (-) means data are confidential. "Other AK" port means it is an AK port that is not assigned a port code.

Table 19 AI sablefish landings by port, 2006 - 2011

Year	Port	Number of IFQ holders	Number of registered buyers	IFQ lbs	% by port
2006	ADAK	10	1	-	-
2006	AKUTAN	4	1	-	-
2006	ATKA	2	1	-	-
2006	DUTCH/UNALASKA	32	6	1,211,860	79%
2006	EVERETT	1	1	-	-
2006	SAND POINT	1	1	-	-
2006	SEATTLE	1	1	-	-
total				1,541,898	
2007	ADAK	13	1	-	-
2007	AKUTAN	8	1	-	-
2007	ATKA	1	1	-	-
2007	DUTCH/UNALASKA	22	7	1,415,508	88%
2007	KING COVE	1	1	-	-
2007	SAND POINT	1	1	-	-
2007	SEATTLE	1	1	-	-
total				1,608,434	
2008	ADAK	12	1	-	-
2008	AKUTAN	11	1	-	-
2008	ATKA	1	1	-	-
2008	DUTCH/UNALASKA	27	9	879,715	62%
2008	KING COVE	1	1	-	-
2008	SAND POINT	1	1	-	-
2008	SEATTLE	1	1	-	-
2008	ST PAUL	1	1	-	-
total				1,418,228	
2009	ADAK	1	1	-	-
2009	AKUTAN	22	1	-	-
2009	DUTCH/UNALASKA	20	5	639,543	39%
2009	HOMER	2	2	-	-
2009	KODIAK	2	2	-	-
2009	OTHER AK	7	4	436,802	26%
2009	SAND POINT	2	1	-	-
2009	SEATTLE	1	1	-	-
total				1,660,423	
2010	ADAK	4	4	6,132	0%
2010	AKUTAN	17	1	-	-
2010	ATKA	5	1	-	-
2010	DUTCH/UNALASKA	19	4	515,639	36%
2010	KODIAK	2	2	-	-
2010	OTHER AK	10	6	531,308	38%
2010	WHITTIER	1	1	-	-
total				1,415,751	
2011	ADAK	5	2	-	-
2011	AKUTAN	14	1	-	-
2011	ATKA	2	1	-	-
2011	DUTCH/UNALASKA	13	3	154,949	24%
2011	OTHER AK	9	6	319,382	49%
total (thru 7/25)				6,550,998	

Source: NMFS RAM Division, data as of 7/25/11.

Note: (-) means data are confidential. "Other AK" port means it is an AK port that is not assigned a port code.

Block status

Since the beginning of the IFQ Program, some portion of the QS has been issued in nonseverable 'blocks' in order to limit consolidation. The IFQ in Area 4B and the AI is either blocked or unblocked. Persons received their QS in a block at initial allocation if their QS would have resulted in less than 20,000 pounds of halibut IFQ. Thus, the majority of C and D category QS is blocked, as it corresponds to the smaller vessel size. Table 20 shows the amount of Area 4B halibut QS that is blocked versus unblocked, by category, in 2011. All of the D shares in Area 4B are blocked shares, and those blocks represent relatively small amounts of quota share. In general, the majority of the halibut QS in Area 4B is unblocked; only 36% of the total is blocked. In addition, the great majority of Area 4B halibut QS (77%) is B category.

Table 20 Total amount of Area 4B halibut QS, by category and block status, 2011

Area 4B halibut	QS category	Blocked status	Sum QS units	IFQ lbs 2011	# of blocks	% QS blocked	% QS by category
	A	B	183,431	34,455	6		
	A	U	370,058	69,510	N/A		
A total	A		553,489	103,965	6	33%	6%
	B	B	1,922,264	361,070	54		
	B	U	5,192,262	975,292	N/A		
B total	B		7,114,526	1,336,362	54	27%	77%
	C	B	958,098	179,965	32		
	C	U	389,665	73,193	N/A		
C total	C		1,347,763	253,158	32	71%	15%
D total	D	B	268,996	50,527	18	100%	3%
TOTAL			9,284,774	1,744,012	110	36%	100%

Source: NMFS RAM Program, data as of May 13, 2011.

Table 21 shows the amount of AI sablefish QS that is blocked versus unblocked, by category, in 2011. More than half of the AI sablefish QS is A share (catcher processor shares). Of the remaining 44% that is catcher vessel QS, the vast majority (81%) is B category, and relatively little (18%) of the total CV QS is blocked. The data show that of the catcher vessel QS, about 11% of the B category is blocked, and about 50% of the C category QS is blocked.

Table 21 Total amount of AI sablefish QS, by category and block status, 2011

AI sablefish	QS category	Blocked status	Sum QS units	IFQ lbs 2011	# of blocks	% blocked	% QS by category
	A	B	461,058	39,534	9		
	A	U	17,491,225	1,499,822	N/A		
A total	A		17,952,283	1,539,356	9	3%	56%
	B	B	1,226,924	105,205	32		
	B	U	10,092,709	865,421	N/A		
B total	B		11,319,633	970,626	32	11%	35%
	C	B	1,320,778	113,253	27		
	C	U	1,339,798	114,884	N/A		
C total	C		2,660,576	228,137	27	50%	8%
TOTAL			31,932,492	2,738,119	68	9%	100%

Source: NMFS RAM Program, data as of May 13, 2011.

Transfer rates and nature of transfers

Also relevant to this action is the transfer rate of Area 4B halibut QS and AI sablefish QS. Table 22 displays data on QS transfer rates and on QS holder transfer rates by management area for each year from 1995 through 2009, and for all 15 years combined. The table contains information on the QS holdings at the end of each year, the total QS permanently transferred, the QS transfer rate, the total number of QS holders at the end of the year, the total number of QS holders who transferred QS (transferors), and the rate at which QS holders transferred QS. The QS transfer rates are the ratios of QS transferred to total QS held at the end of the year, expressed as a percentage. The QS holder transfer rate is the ratio of QS transferors to total QS holders at the end of the year, expressed as a percentage. These data reflect total units transferred even if a particular QS unit is transferred more than once. "All Year" data reflect sums of annual QS and QS holders and QS transferors, not numbers of unique QS units or persons.

Table 22 shows a substantial volume of permanent QS transfers in Area 4 (Area 4E is not included as all of the TAC is allocated to the CDQ Program). For Area 4B, over all 15 years combined, the QS transfer rates range from a low of 4.5% in the first year (1994) to a high of 20.6% in 2000. In the past few years reported, the transfer rate has been about 13%. The QS transfer rate in recent years (and the average across all years) does not vary substantially from other management areas in the BSAI; however, it is higher than the QS transfer rates for GOA management areas, recent years for which have ranged from about 3% to 7% for Areas 2C and 3A.

Table 23 provides similar information only for Area 4B, and breaks out the transfer rate by QS category (freezer = A; greater than 60' = B; 36' to 60' = C; and less than 35' = D category). The transfer rate by category varies widely on an annual basis for all QS categories, but the average across all years is very similar for each catcher vessel category. During 1995 through 2009, the transfer rate for Category B QS was 11%, and the rates for C and D shares were each 12%.

This table also provides information on the number of QS holders and the number of people who transferred QS. Recall from Table 14 that there were 96 individual holders of Area 4B halibut QS at year-end 2009, and Table 23 shows there were 7 holders of A category, 63 holders of B category, 28 holders of C category, and 12 holders of D category (a person can hold more than one category of QS). Thus, there are relatively few holders of D category QS in Area 4B. In 2009, there were no transfers of Area 4B D category QS, while in the previous year, the transfer rate was 23% (with a reduction in the number of QS holders from 15 to 12 by year-end 2008).

Table 22 Halibut QS transfer rates, in Area 4, by year

Area	Year	Year-end Total QS	QS Transferred	QS Transfer Rate %	Year-end Total QS Holders	QS Transferors	QS Holder Transfer Rate %
4A	1995	14,276,912	1,757,035	12.3	478	91	19.0
	1996	14,421,900	2,069,893	14.4	433	89	20.6
	1997	14,502,965	3,444,152	23.7	382	134	35.1
	1998	14,503,009	905,843	6.2	359	49	13.6
	1999	14,503,996	1,265,249	8.7	337	73	21.7
	2000	14,503,996	2,865,572	19.8	315	47	15.9
	2001	14,503,996	1,613,476	11.1	295	37	12.8
	2002	14,503,996	1,785,424	12.3	290	40	14.2
	2003	14,587,099	1,497,414	10.3	282	42	15.0
	2004	14,587,099	2,187,984	15.0	280	48	17.1
	2005	14,587,099	2,710,554	18.6	271	53	19.6
	2006	14,587,099	1,877,975	12.9	264	34	12.9
	2007	14,587,099	3,611,517	24.8	248	57	23.0
	2008	14,587,099	1,823,276	12.5	239	32	13.4
2009	14,587,099	531,789	3.6	235	13	5.5	
All Yrs		217,830,463	29,947,153	13.7	4,708	855	18.2
4B	1995	9,022,264	408,998	4.5	145	13	9.0
	1996	9,281,377	432,444	4.7	141	12	8.5
	1997	9,284,774	1,799,544	19.4	132	32	24.2
	1998	9,284,774	579,841	6.2	124	15	12.1
	1999	9,284,774	1,111,136	12.0	117	30	25.6
	2000	9,284,774	1,914,907	20.6	113	39	34.5
	2001	9,284,774	1,344,646	14.5	112	24	21.4
	2002	9,284,774	673,761	7.3	108	14	13.0
	2003	9,284,774	1,388,207	15.0	108	23	21.3
	2004	9,284,774	1,286,251	13.9	107	11	10.3
	2005	9,284,774	750,014	8.1	106	11	10.4
	2006	9,284,774	547,715	5.9	107	8	7.5
	2007	9,284,774	1,178,518	12.7	103	17	16.5
	2008	9,284,774	1,156,951	12.5	99	20	20.2
2009	9,284,774	1,220,059	13.1	96	16	16.7	
All Yrs		139,005,703	15,792,992	11.4	1,718	285	16.6
4C	1995	3,969,186	105,330	2.7	80	3	3.8
	1996	3,969,186	614,446	15.5	80	5	6.3
	1997	3,969,186	380,063	9.6	77	9	11.7
	1998	3,969,186	213,635	5.4	72	7	9.7
	1999	3,969,186	219,964	5.5	71	3	4.2
	2000	3,969,186	222,741	5.6	69	9	13.0
	2001	3,969,186	720,578	18.2	62	12	19.4
	2002	3,969,186	0	0.0	61	0	0.0
	2003	4,016,352	463,048	11.5	63	4	6.3
	2004	4,016,352	379,272	9.4	63	5	7.9
	2005	4,016,352	423,476	10.5	63	8	12.7
	2006	4,016,352	32,196	0.8	62	1	1.6
	2007	4,016,352	403,839	10.1	55	10	18.2
	2008	4,016,352	477,733	11.9	56	8	14.3
2009	4,016,352	579,500	14.4	53	7	13.2	
All Yrs		59,867,952	5,235,821	8.7	987	91	9.2
4D	1995	4,685,986	109,563	2.3	67	2	3.0
	1996	4,790,491	438,168	9.1	68	5	7.4
	1997	4,790,491	1,150,444	24.0	61	21	34.4
	1998	4,746,318	323,172	6.8	56	11	19.6
	1999	4,825,103	371,428	10.9	53	8	15.1
	2000	4,869,276	739,320	15.2	52	15	28.8
	2001	4,869,276	837,814	17.2	50	11	22.0
	2002	4,869,276	952,345	19.6	48	12	25.0
	2003	4,958,250	603,474	12.2	49	9	18.4
	2004	4,958,250	328,087	6.6	49	3	6.1
	2005	4,958,250	105,158	2.1	47	3	6.4
	2006	4,958,250	0	0.0	47	0	0.0
	2007	4,958,250	475,193	9.6	48	9	18.8
	2008	4,958,250	59,427	1.2	47	3	6.4
2009	4,958,250	52,298	1.1	46	2	4.3	
All Yrs		73,153,977	6,545,891	8.9	789	114	14.4

Source: Transfer Report - Changes Under Alaska's Halibut IFQ Program, 1995 Through 2009. NMFS RAM Program. December 2010.

Table 23 Halibut QS transfer rates, in Area 4B, by year and category

Year	Vessel Class	Year-end Total QS	QS Transferred	QS Transfer Rate %	Year-end Total QS Holders	QS Transferors	QS holder Transfer Rate %
1995	Freezer	322,852	0	0.0	7	0	0.0
	GT 60 ft	7,100,366	259,872	3.7	78	8	10.3
	36-60 ft	1,333,447	149,126	11.2	34	5	14.7
	LE 35 ft	265,599	0	0.0	27	0	0.0
1996	Freezer	553,489	0	0.0	8	0	0.0
	GT 60 ft	7,114,526	317,384	4.5	77	7	9.1
	36-60 ft	1,347,763	98,981	7.3	33	2	6.1
	LE 35 ft	265,599	16,079	6.1	26	3	11.5
1997	Freezer	553,489	312,602	56.5	7	3	42.9
	GT 60 ft	7,114,526	1,216,374	17.1	72	19	26.4
	36-60 ft	1,347,763	260,065	19.3	29	9	31.0
	LE 35 ft	268,996	10,503	3.9	26	2	7.7
1998	Freezer	553,489	105,248	19.0	7	1	14.3
	GT 60 ft	7,114,526	350,032	4.9	70	7	10.0
	36-60 ft	1,347,763	112,451	8.3	28	6	21.4
	LE 35 ft	268,996	12,110	4.5	25	1	4.0
1999	Freezer	553,489	0	0.0	7	1	14.3
	GT 60 ft	7,114,526	627,384	0	70	7	10.0
	36-60 ft	1,347,763	145,873	0	28	6	21.4
	LE 35 ft	268,996	83,277	0	25	1	4.0
2000	Freezer	553,489	105,831	19.1	7	3	42.9
	GT 60 ft	7,054,632	1,362,569	19.3	67	22	32.8
	36-60 ft	1,347,763	336,885	25.0	28	12	42.9
	LE 35 ft	268,656	109,622	40.8	18	6	33.3
2001	Freezer	553,489	0	0.0	7	0	0.0
	GT 60 ft	7,114,526	926,376	13.0	71	11	15.5
	36-60 ft	1,347,763	238,235	17.7	31	6	19.4
	LE 35 ft	268,996	180,035	66.9	17	8	47.1
2002	Freezer	553,489	105,248	19.0	7	1	14.3
	GT 60 ft	7,114,526	350,032	4.9	70	7	10.0
	36-60 ft	1,347,763	112,451	8.3	28	6	21.4
	LE 35 ft	268,996	12,110	4.5	25	1	4.0
2003	Freezer	553,489	105,248	19.0	7	1	14.3
	GT 60 ft	7,114,526	350,032	4.9	70	7	10.0
	36-60 ft	1,347,763	112,451	8.3	28	6	21.4
	LE 35 ft	268,996	12,110	4.5	25	1	4.0
2004	Freezer	553,489	0	0.0	7	0	0.0
	GT 60 ft	7,114,526	1,194,758	16.8	68	10	14.7
	36-60 ft	1,347,763	91,493	6.8	32	3	9.4
	LE 35 ft	268,996	0	0.0	16	0	0.0
2005	Freezer	553,489	0	0.0	7	0	0.0
	GT 60 ft	7,114,526	635,373	8.9	66	8	12.1
	36-60 ft	1,347,763	114,641	8.5	32	3	9.4
	LE 35 ft	268,996	0	0.0	16	0	0.0
2006	Freezer	553,489	0	0.0	7	0	0.0
	GT 60 ft	7,114,526	440,034	6.2	67	5	7.5
	36-60 ft	1,347,763	107,681	8.0	32	4	12.5
	LE 35 ft	268,996	32,196	12.0	16	1	6.3
2007	Freezer	553,489	31,563	5.7	7	1	14.3
	GT 60 ft	7,114,526	939,675	13.2	66	9	13.6
	36-60 ft	1,347,763	196,164	14.6	31	6	19.4
	LE 35 ft	268,996	11,116	4.1	15	2	13.3
2008	Freezer	553,489	31,563	5.7	7	1	14.3
	GT 60 ft	7,114,526	924,101	13.0	64	11	17.2
	36-60 ft	1,347,763	139,293	10.3	30	6	20.0
	LE 35 ft	268,996	61,994	23.0	12	6	50.0
2009	Freezer	553,489	0	0.0	7	0	0.0
	GT 60 ft	7,114,526	762,922	10.7	63	6	9.5
	36-60 ft	1,347,763	390,186	29.0	28	10	35.7
	LE 35 ft	268,996	0	0.0	12	0	0.0
All Years	Freezer	8,137,212	651,380	8.0	106	11	10.4
	GT 60 ft	108,121,087	11,811,449	10.9	1,035	161	15.6
	36-60 ft	23,141,856	2,732,472	11.8	460	87	18.9
	LE 35 ft	4,823,783	567,936	11.8	279	39	14.0

Source: Transfer Report - Changes Under Alaska's Halibut IFQ Program, 1995 Through 2009. NMFS RAM Program. December 2010.

Table 24 Aleutian Islands sablefish QS transfer rates, by year

Year	Year-end Total QS	QS Transferred	QS Transfer Rate (%)	Year-end Total QS Holders	QS Transferors	QS holder Transfer Rate (%)
1995	29,863,329	2,143,624	7.2	125	14	11.2
1996	31,103,860	2,062,710	6.6	130	9	6.9
1997	31,518,176	4,917,176	15.6	124	17	13.7
1998	31,518,176	2,526,775	8.0	119	17	14.3
1999	31,932,492	5,222,044	16.4	112	14	12.5
2000	31,932,492	2,375,500	7.4	103	19	18.4
2001	31,932,492	3,487,485	10.9	96	15	15.6
2002	31,932,492	4,077,120	12.8	97	9	9.3
2003	32,932,492	4,024,747	12.2	97	10	10.3
2004	31,932,492	1,376,465	4.3	97	5	5.2
2005	31,932,492	6,102,631	19.1	99	11	11.1
2006	31,932,492	4,116,387	12.9	98	10	10.2
2007	31,932,492	5,580,476	17.5	94	13	13.8
2008	31,932,492	2,741,800	8.6	92	10	10.9
2009	31,932,492	5,399,917	16.9	94	11	11.7
All Yrs	476,260,953	56,154,857	11.8	1581	184	11.6

Source: Transfer Report - Changes Under Alaska's Sablefish IFQ Program, 1995 Through 2009. NMFS RAM Program. December 2010.

Table 24 and Table 25 show similar information related to transfers of AI sablefish QS. Table 24 shows that the number of QS holders of AI sablefish quota has decreased from 125 to 94 over the past fifteen years (1995 through 2009). Like halibut, the QS transfer rate has varied substantially over this time period, ranging from a low of 4.3% (2004) to a high of 19.1% (2005). On average, the transfer rate is almost 12%, which is about the same rate realized for Area 4B halibut QS.

Table 25 breaks down these data by vessel category (freezer = A; greater than 60' = B; less than 60' = C). Similar to halibut, the AI sablefish QS transfer rate by category varies widely on an annual basis for all QS categories, but the average across all years is similar for each catcher vessel category. During 1995 through 2009, the transfer rate for Category B QS was 14%, and the rate for C shares was 15%.

This table also provides information on the number of QS holders and the number of people who transferred QS. Recall from Table 14 that there were 94 individual holders of AI sablefish QS at year-end 2009, and Table 25 shows there were 28 holders of A category, 43 holders of B category, and 32 holders of C category (a person can hold more than one category of QS). The transfer rate for B and C category QS was over 11% in each category. In 2009, five persons transferred B category QS, and 2 persons transferred C category. This resulted in a reduction in QS holders of B category QS from 44 to 43 persons, and an increase in holders of C category from 30 to 32. In general, in recent years, there are relatively few permanent transfers of AI sablefish catcher vessel QS on an annual basis.

Table 25 Sablefish QS transfer rates, Aleutian Islands, by year and category

Year	Vessel Class	Year-end Total QS	QS Transferred	QS Transfer Rate %	Year-end Total QS holders	QS Transferors	QS Holder Transfer Rate %
1995	Freezer	16,374,036	695,809	4.2	28	3	10.7
	GT 60 ft.	11,086,468	550,180	5.0	58	6	10.3
	LE 60 ft.	2,402,825	897,635	37.4	41	5	12.2
1996	Freezer	17,123,651	1,213,703	7.1	30	3	10.0
	GT 60 ft.	11,319,633	352,931	3.1	60	3	5.0
	LE 60 ft.	2,660,576	496,076	18.6	42	3	7.1
1997	Freezer	17,537,967	3,560,809	20.3	29	6	20.7
	GT 60 ft.	11,319,633	743,433	6.6	59	5	8.5
	LE 60 ft.	2,660,576	612,934	23.0	41	6	14.6
1998	Freezer	17,537,967	633,790	3.6	29	3	10.3
	GT 60 ft.	11,319,633	1,501,959	13.3	56	9	16.1
	LE 60 ft.	2,660,576	391,026	14.7	40	5	12.5
1999	Freezer	17,952,283	790,836	4.4	28	2	7.1
	GT 60 ft.	11,319,633	3,937,790	34.8	51	9	17.6
	LE 60 ft.	2,660,576	79,102	3.0	32	2	6.3
2000	Freezer	17,952,283	1,108,521	6.2	27	2	7.1
	GT 60 ft.	11,319,633	988,765	8.7	50	9	15.7
	LE 60 ft.	2,660,576	278,214	10.5	30	10	32.3
2001	Freezer	17,952,283	1,639,258	9.1	28	5	14.8
	GT 60 ft.	11,319,633	1,617,966	14.3	50	7	12.0
	LE 60 ft.	2,660,576	230,261	8.7	29	5	17.2
2002	Freezer	17,952,283	2,760,605	15.4	27	4	7.1
	GT 60 ft.	11,319,633	698,573	6.2	49	5	8.0
	LE 60 ft.	2,660,576	617,942	23.4	29	5	14.3
2003	Freezer	17,952,283	282,769	1.6	28	1	3.7
	GT 60 ft.	11,319,633	3,219,850	28.4	49	8	14.3
	LE 60 ft.	2,660,576	522,128	19.8	31	2	7.1
2004	Freezer	17,952,283	311,496	1.7	28	2	7.1
	GT 60 ft.	11,319,633	792,700	7.0	48	3	6.1
	LE 60 ft.	2,660,576	272,269	10.3	31	3	3.3
2005	Freezer	17,952,283	2,900,646	16.2	29	2	7.1
	GT 60 ft.	11,319,633	2,989,377	26.4	47	10	16.7
	LE 60 ft.	2,660,576	212,608	8.1	31	2	6.7
2006	Freezer	17,952,283	1,793,830	10.0	28	3	10.7
	GT 60 ft.	11,319,633	2,085,637	18.4	46	4	8.7
	LE 60 ft.	2,660,576	236,920	9.0	30	3	10.0
2007	Freezer	17,952,283	3,673,934	20.5	28	3	10.7%
	GT 60 ft.	11,319,633	1,198,450	10.6	46	5	10.9%
	LE 60 ft.	2,660,576	708,092	26.6	30	5	16.7%
2008	Freezer	17,952,283	969,880	5.4	28	2	7.1%
	GT 60 ft.	11,319,633	1,563,403	13.8	44	5	11.4%
	LE 60 ft.	2,660,576	208,517	7.8	30	3	10.0%
2009	Freezer	17,952,283	3,795,638	21.1	28	4	14.3%
	GT 60 ft.	11,319,633	1,289,891	11.4	43	5	11.6%
	LE 60 ft.	2,660,576	314,388	11.8	32	2	6.3%
All Yrs	Freezer	266,048,734	26,131,524	9.8	423	42	9.9%
	GT 60 ft.	169,561,330	23,530,905	13.9	756	87	11.5%
	LE 60 ft.	39,650,889	6,078,112	15.3	499	58	11.6%

Source: Transfer Report - Changes Under Alaska's Sablefish IFQ Program, 1995 Through 2009. NMFS RAM Program. December 2010.

Note that the nature of transfers has also been reported over time. A transfer application form requires information on the type of transfer (sale, gift, trades, or other), the relationship between the person transferring and the recipient of the QS, and the type of financing. Through 2009, 'priced sales' (whereby price information is reported) were the predominant transfer type in all areas, including Area 4B halibut and AI sablefish, with 'personal resources' cited as the primary source of financing for priced sale transfer ('banks' and 'sellers' are other finance source categories). Brokers were also used in a high percentage of halibut QS transfers; NMFS reports 51% of all transactions used brokers in 2006. For both halibut and sablefish, the great majority of QS (almost 70%) was transferred between parties who

indicated 'no relationship', with lesser amounts transferred between family and friends.

Table 26 Nature of QS transfers and relationship between parties, by percent, 1995 - 2009

Area/Species	Priced sales	Other sales	Trades	Gifts	Unknown
Area 4B					
halibut	78.1	1.0	1.0	16.6	3.4
AI sablefish	76.3	1.4	2.2	7.2	13.0
	Family	Friends	Partners	No relation	Missing
Area 4B					
halibut	13.5	11.9	2.0	68.9	3.7
AI sablefish	6.6	17.4	2.2	69.9	4.5

Source: Transfer Reports - Changes Under Alaska's Halibut and Sablefish IFQ Program, 1995 Through 2009. NMFS RAM Program. December 2010, Table 6.

Note: 1999 is not used in the above calculations due to changes in the NMFS database.

1.1.2.2 Effects on non-CQE participants

There is limited quantitative information that would assist in evaluating this action, beyond the background information and trend data characterizing the IFQ fisheries to-date provided in the previous section. Under Alternative 1, initial recipients of QS and IFQ crewmembers (natural persons who qualify to receive QS by transfer) would continue to be the only eligible persons to purchase Area 4B halibut QS and AI sablefish QS. The percent of the annual Area 4B halibut catch limit landed would likely remain about 80 to 90%, and the sablefish landings a little over 50%, given the most recent harvest trends, and the transfer rates would be expected to remain relatively low and stable, barring other unforeseen factors.

Table 27 shows that on average 2000 to 2010, 10% of the total Area 4B halibut *catcher vessel* IFQ remained unfished. During this same time period, an average of 70% of the D category halibut IFQ was not landed, compared to much lower percentages in the other categories (Table 27). Of the total amount of unlanded IFQ (2000 through 2010), 22% is D category. As the majority of the D category halibut QS in Area 4B is unfished, this type of quota may be less desirable to fish in this area. Recall that only 3% of the total Area 4B halibut QS is D category, currently held by 12 persons. In 2009, none of the 12 permit holders fished their Area 4B D category IFQ; in 2010, three permit holders fished; and in 2011, four permit holders fished. There are a myriad of reasons why quota would remain unfished. Due to the relatively long-term trend realized, particularly for D shares, one would expect this to continue under Alternative 1.

Table 27 Amount of Area 4B halibut IFQ unfished, by category, 2000 - 2010

Category	Total IFQ lbs	% of total IFQ by category	IFQ lbs not landed	% unlanded lbs by category	% of total unlanded lbs, by category
A	1,538,012	6%	67,115	4%	3%
B	19,769,549	77%	1,316,607	7%	55%
C	3,745,107	15%	473,319	13%	20%
D	747,475	3%	521,430	70%	22%
Total	25,800,143	100%	2,378,471	n/a	100%

Source: NMFS RAM Division, data 6/22/11.

Note also, that in October 2011, the Council reviewed whether to pursue an action that would allow halibut vessel category D quota shares in Area 4B to be fished on category C vessels (i.e., 'fish up' provision). Fishery participants in Area 4B have asserted that the restrictions governing the use of IFQ

derived from Category D QS present a safety issue that contributes to their inability to harvest their allocations. The analysis for that action reports that, due to weather conditions, a 35' LOA vessel can only safely fish between May 15 and September 15. Additionally, fishing during the safest part of the summer window may not be possible for small vessels, as processors may not be accepting halibut during the peak of the salmon fisheries. Category D vessels may, thus, be limited to a substantially shortened season, and/or forced to fish under less safe conditions in order to harvest their IFQ. As a result of these adverse conditions, category D vessel owners have reported that they prefer to increase their QS holding by purchasing category B and C QS. They prefer those categories to category D QS so that they may harvest their QS on a larger vessel in the future. Consequently, there is very little market demand for the Category D QS, according to industry members. Please see the analysis of this action for details.¹⁹ In October, however, the Council decided not to pursue this action ('fish up provision' in Area 4B) at this time.

Table 28 shows that half of the AI sablefish allocation has been unfished, on average, during 2000 through 2010, with relatively little variability across years. Unlike Area 4B halibut, the percentage of unfished AI sablefish IFQ does not vary substantially by category – about half of each QS category was unfished during this time period. One would expect this trend would also continue under Alternative 1.

Table 28 Amount of AI sablefish IFQ unfished, by category, 2000 - 2010

Category	Total IFQ lbs	% of total IFQ by category	IFQ lbs not landed	% unlanded lbs by category	% of total unlanded lbs, by category
A	21,448,296	56%	10,198,674	48%	53%
B	13,524,008	35%	7,010,889	52%	37%
C	3,178,693	8%	1,931,640	61%	10%
Total	38,150,997	100%	19,141,203	n/a	100%

Source: NMFS RAM Division, data 6/22/11.

Under Alternative 1, one would also expect the trends relative to the type of QS holder would continue; a slight majority of holders of Area 4B halibut QS are Alaska residents. In addition, very little Area 4B halibut QS is held by non-profit corporations (about 5%), with about one-third held by corporations. The majority (63%) is held by individuals (natural persons who were initial QS recipients) or crew (natural persons who were not initial recipients but who met the qualifications to receive QS by transfer). As the Council has included provisions within the IFQ Program which should encourage QS to move gradually to individual owner-operators, one would expect the distribution to individuals and crew to gradually increase, compared to other entities.

For AI sablefish QS, the majority of the QS (56%) is A category (freezer shares), compared to only 6% of the Area 4B halibut QS. In addition, a little over a third of the holders of AI sablefish QS are Alaska residents. About half of the total AI sablefish QS is held by corporations, with very little held by non-profits. About 48% is held by initial recipients or crew. One would not expect significant changes to non-CQE participants under Alternative 1.

1.1.2.3 Effects on Adak

Under Alternative 1, a CQE Program would not be established in Area 4B, and thus, the non-profit representing the community of Adak would not be eligible to purchase Area 4B halibut catcher vessel QS or AI sablefish QS. Alternative 1 would not affect the current halibut and sablefish QS holdings by

¹⁹RIR/IRFA for an Amendment to Regulations that Implement the Halibut IFQ Program to Allow IFQ Derived from Category D QS to be Fished on Category C Vessels in Area 4B, Public review draft. NPFMC, November 5, 2010.

individual Adak residents, which equate to about 47,000 lbs of halibut IFQ and 37,000 lbs of sablefish IFQ in 2011 (refer to Table 12 and Table 13). Only two Adak residents hold Area 4B halibut QS, and only one resident holds AI sablefish QS (a total of 2 unique residents). Like other non-CQE quota, QS is not required to be delivered to a processing plant located in Adak, and it can be sold to another individual or company outside of Adak.

In the past, the shoreside processing plant in Adak was dependent primarily on Pacific cod deliveries from both the Federal and State water fisheries, but also processed halibut, sablefish, and various flatfish species. In 2010, in the absence of an operational shoreside plant, ACDC made significant efforts to facilitate direct sales of halibut by Adak residents by providing a building in which fishermen could store and package fish prior to shipping (refer to Section Error! Reference source not found.). While it is uncertain how the new owner, Icicle Seafoods, will operate, one can speculate that Pacific cod would continue to be the dominant species processed. Icicle started purchasing halibut, sablefish, and AI State fishery Pacific cod in early July 2011, and intends to be fully operational for the 2012 Federal Pacific cod A season.²⁰ Under Alternative 1, it is assumed that the new plant operations, and the efforts of ACDC to further local seafood harvesting and processing development, would continue.

There is no direct measurable impact of Alternative 1 on Adak or the non-profit potentially representing Adak (ACDC) for the purposes of this action.

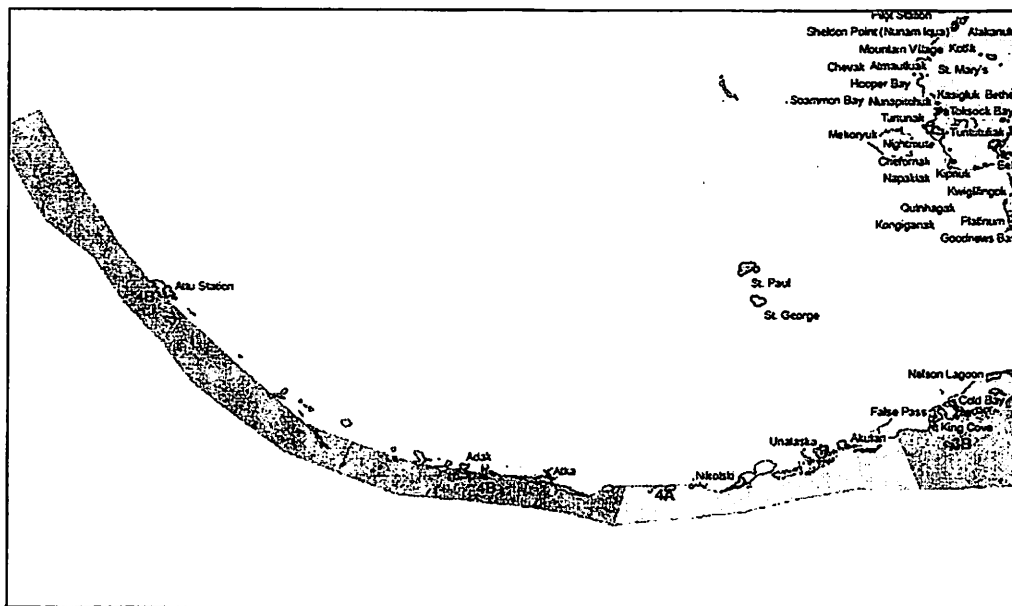


Figure 1 Communities located in IPHC Area 4B

²⁰Personal communication, Krista Milani, NMFS AKR, 7/5/11.

Table 29 Area 4B IFQ allocations and landings, 2005 - 2010

Year	Vessel landings	Catch (in million lbs)	Allocation (in million lbs)	% of allocation harvested
Area 4B Halibut				
2010	112	1.39	1.73	81%
2009	67	1.23	1.50	82%
2008	97	1.36	1.49	91%
2007	88	1.09	1.15	94%
2006	78	1.22	1.34	91%
2005	93	1.60	1.81	88%
Ave 05 - 10		1.32	1.50	87%
AI Sablefish				
2010	94	1.42	2.74	52%
2009	98	1.66	2.91	57%
2008	94	1.42	3.23	44%
2007	75	1.61	3.72	43%
2006	87	1.54	3.97	39%
2005	101	2.09	3.47	60%
Ave 05 - 10		1.62	3.34	49%

Source: NMFS RAM Program reports, 2005 – 2009.

Table 30 Total amount of Area 4B halibut QS, by category and block status, 2011

Area 4B halibut	QS category	Blocked status	Sum QS units	IFQ lbs 2011	# of blocks	% QS blocked	% QS by category
	A	B	183,431	34,455	6		
	A	U	370,058	69,510	N/A		
A total	A		553,489	103,965	6	33%	6%
	B	B	1,922,264	361,070	54		
	B	U	5,192,262	975,292	N/A		
B total	B		7,114,526	1,336,362	54	27%	77%
	C	B	958,098	179,965	32		
	C	U	389,665	73,193	N/A		
C total	C		1,347,763	253,158	32	71%	15%
D total	D	B	268,996	50,527	18	100%	3%
TOTAL			9,284,774	1,744,012	110	36%	100%

Source: NMFS RAM Program, data as of May 13, 2011.

Table 31 shows the amount of AI sablefish QS that is blocked versus unblocked, by category, in 2011. More than half (56%) of the AI sablefish QS is A share (catcher processor shares). Of the remaining 44% that is catcher vessel QS, the vast majority (81%) is B category, and relatively little (18%) of the total CV QS is blocked. The data show that of the catcher vessel QS, about 11% of the B category is blocked, and about 50% of the C category QS is blocked. There are currently 59 blocks of catcher vessel sablefish QS in the AI area. In effect, a maximum of 5 of the existing 59 blocks of sablefish QS (8%) could, theoretically, be purchased by a CQE under the proposed action. The remaining blocks could only be purchased by individuals or initial issues.

Table 31 Total amount of AI sablefish QS, by category and block status, 2011

AI sablefish	QS category	Blocked status	Sum QS units	IFQ lbs 2011	# of blocks	% blocked	% QS by category
	A	B	461,058	39,534	9		
	A	U	17,491,225	1,499,822	N/A		
A total	A		17,952,283	1,539,356	9	3%	56%
	B	B	1,226,924	105,205	32		
	B	U	10,092,709	865,421	N/A		
B total	B		11,319,633	970,626	32	11%	35%
	C	B	1,320,778	113,253	27		
	C	U	1,339,798	114,884	N/A		
C total	C		2,660,576	228,137	27	50%	8%
TOTAL			31,932,492	2,738,119	68	9%	100%

Source: NMFS RAM Program, data as of May 13, 2011.

The majority of Area 4B halibut QS is B category; the majority of AI sablefish QS is A category, and the majority of catcher vessel sablefish QS is B category. Relatively little QS is designated C (and D in the case of halibut) category in this area.

Vessel size category	Percent of total QS
Halibut	
A (CP)	6%
B (>60')	77%
C (36' - 60')	15%
D (≤35')	3%
Sablefish	
A (CP)	56%
B (>60')	35%
C (≤60')	8%

There are also relatively few vessels home ported in Adak, and in 2008 through 2011, all have been reported as 51' to 59' LOA. Thus, these vessels are eligible to fish B and C category halibut and sablefish IFQ, but not D category. Table 32 provides a count of the number of IFQ vessels for halibut/sablefish in any harvest area, excluding CDQ halibut, by year, for which NMFS has a current report of Adak as the homeport community. This information is current as of June 27, 2011. While this information does not denote residency in the community, it is used as a general proxy to evaluate the number of vessels that may potentially be available for use by Adak residents under the proposed action.

Table 32 Number of IFQ vessels home ported in Adak

IFQ Year	Number of IFQ vessels
2008	5
2009	5
2010	3
2011	3

Source: NMFS RAM Program, 6/27/11.

Given that there are few vessels home ported in Adak, there are few existing QS holders that are residents of Adak, and that Adak is trying to attract new residents with fishing opportunities, it may be appropriate to extend the existing Gulf CQE provision, to exempt quota share held by the CQE from vessel size (share class) restrictions, while the QS is owned and leased by the CQE. This provides flexibility to the CQE to purchase any type of catcher vessel category QS and lease it to community residents for use on any size vessel, with the exception of D category QS. Note that there is a provision discussed below pertaining specifically to D category QS, which would require that any D category QS

be used on D category vessels. Thus, under the proposed action to establish a CQE in Area 4B, there are no 'fish up' provisions provided for D category QS.

The second provision states that:

"Transferability of halibut QS in Area 4B from commercial to qualified community entities is restricted to B and C category quota share. Should existing Area 3A CQEs be allowed to purchase 'D' category QS, Area 4B CQEs may purchase and fish Area 4B 'D' category halibut QS under the same rules."

Under the proposed language, the CQE could purchase B and C category Area 4B halibut QS. The CQE could also purchase D category Area 4B halibut QS, conditional on a separate, previous Council decision allowing Area 3A CQEs to purchase D category QS in Area 3A. When the suite of alternatives was approved in December 2010, the Council noted it wanted to be consistent with the provisions put in place for the Area 3A CQEs, without presupposing the Council's decision, which was scheduled for February 2011. **Because the Council took action in February 2011 to allow Area 3A CQEs to purchase D category QS, this analysis assumes that the vessel size restrictions proposed for an Area 4B CQE include allowing a CQE to purchase B, C, and D category Area 4B halibut QS.** Note that this action has not yet been approved by the Secretary of Commerce. The Council's February 2011 motion on the Area 3A D category purchase provisions is as follows:

Alternative 2. (Council preferred alternative) Community Quota Entities located in halibut management Area 3A are permitted to purchase Area 3A "D" category quota share, with the following limitations:

- a. Area 3A "D" category quota share purchased by Area 3A CQEs must have the annual IFQ fished on "D" category vessels ($\leq 35'$ LOA).*
- b. Area 3A CQEs are limited in their cumulative purchase of "D" category quota shares to an amount equal to the total "D" category quota shares that were initially issued to individuals that resided in Area 3A CQE communities.*
- c. Area 3A CQEs may purchase any size block of "D" category quota share.*

Given the motion above, and the statement in the suite of alternatives that the Area 4B CQE would be eligible to purchase D shares under the 'same rules' as Area 3A, staff assumes that Area 4B "D" category quota share purchased by the CQE must have the annual IFQ fished on "D" category vessels ($\leq 35'$ LOA), and the CQE may purchase any size block of 'D' category QS.

However, the provision under the Area 3A action that sets the cumulative limit established on the purchase of D category QS to an amount equal to the total 'D' category QS that were initially issued to individual residents of the CQE community does not apply. Residents of Adak were not initially issued any halibut and sablefish QS at the start of the IFQ Program in 1995, primarily because of the qualifying years and the military status of the community at that time. The IFQ Program issued quota share to qualified applicants who owned or leased a vessel that made fixed gear landings of halibut during 1988 through 1990.²¹ At the time of development of the program, Adak was still a military base, and it did not return to a civilian community until the late 1990s. The issue is slightly different in that the intent of the Area 3A action was to maintain the amount of originally issued D shares in the CQE communities, by

²¹Regular QS units were equal to a person's qualifying pounds for an area. Qualifying halibut pounds for an area were the sum of pounds landed from the person's best 5 years of landings over a 7-year period (1984 – 1990). Qualifying sablefish pounds for an area were the sum of pounds landed from the person's best 5 years of landings over a 6-year period (1985 – 1990).

allowing CQEs to purchase up to that amount and lease the quota to residents for the long-term. The intent of the Area 4B action, of which Adak would be the only eligible community, is not to maintain or regain an amount of quota since transferred out of the community, but to help improve and sustain participation in the halibut and sablefish fisheries as Adak tries to develop an economic base as a civilian community.

Thus, because it is not possible to exactly mirror the action pertaining to the GOA, should the Council select this provision as part of its final preferred alternative, it should consider modifying the language under Alternative 2 as follows:

Transferability of halibut catcher vessel QS in Area 4B from commercial to qualified community entities is allowed for B, C, and D category quota share. The following rules apply to purchases of Area 4B 'D' category quota share purchased by the CQE:

- *Area 4B 'D' category quota share purchased by an Area 4B CQE must have the annual IFQ fished on 'D' category vessels (≤35' LOA).*
- *an Area 4B CQE may purchase any size block of 'D' category QS.*

The primary reason the prohibition on purchasing D shares was originally implemented under the Gulf CQE Program was to reserve the type of shares for the smallest class of vessels, and the least costly type of QS, for individuals and new entrants. Because B and C shares can now be 'fished down' on D category vessels, the issue is not one of matching the QS category to the actual vessel size category. Instead, it is primarily a cost and QS availability issue. While the price of halibut QS in Area 4B is typically less than half of that in Area 2C or 3A, there is still a cost differential between the different categories of QS. The most recent RAM data indicate that B and C category halibut QS in Area 4B were about \$10.16 and \$10.80 (mean price per IFQ lb) in 2009 (Table 34). While the 2009 mean price of D category IFQ cannot be provided due to confidentiality, previous years indicate a trend toward a lower price than B and C shares. In addition, anecdotal evidence suggests that, due to the difficulty in fishing from smaller vessels in Area 4B, category D vessel owners prefer to increase their QS holding by purchasing category B and C QS, so that they may harvest their QS on a larger vessel in the future. Consequently, there is relatively little market demand for Category D QS, according to industry members.

Referring back to Table 30, D shares comprise only 3% of the total catcher vessel QS available in Area 4B, and 18 of the 104 catcher vessel blocks. In 2011, the total amount of D category QS in Area 4B is about 269,000 QS units, or 50,500 lbs, held by 12 persons. If this provision was selected, an Adak CQE would represent a new potential buyer of B, C, and D category halibut QS in Area 4B, and the vessel size restrictions would only apply to the D category QS. If the Council is concerned with retaining D category QS in Area 4B for individual owners, it could either prohibit the purchase of D shares, or develop a CQE cap specific to Area 4B and not linked to the amount of quota initially issued to Adak residents. Given that about 70% of the D category halibut QS in Area 4B typically remains unfished (average 2000 – 2010), and that D category QS remains the lowest cost category of QS, there does not appear to be a reason to prohibit a CQE representing Adak from purchasing D category QS for use by local residents.

Recall that all D category QS (269,000 QS units) in Area 4B is blocked. Under the block provisions of Alternative 2, the CQE would be limited to purchasing a maximum of 10 blocks of halibut QS. Thus, even though the proposed use caps far exceed 269,000 QS units, the CQE would be prevented from purchasing all Area 4B D category QS due to the 10 block limit (see Table 33). If the CQE purchased the maximum of 10 halibut QS blocks, and it was all the largest blocks of D category QS, it would comprise a maximum of 72 percent of the Area 4B D category halibut QS under the current block status. This is because the ten largest D category halibut QS blocks equate to about 194,500 QS units, or 72% of the

total D category QS units in Area 4B.

Table 33 Total Area 4B D category QS, by block

Block size ranking	# QS units	2011 IFQ lbs
1	3,114	585
2	7,293	1,370
3	7,817	1,468
4	9,631	1,809
5	9,820	1,845
6	10,820	2,032
7	11,640	2,186
8	14,389	2,703
9	14,767	2,774
10	14,874	2,794
11	15,004	2,818
12	15,466	2,905
13	15,896	2,986
14	16,925	3,179
15	17,285	3,247
16	20,567	3,863
17	30,726	5,771
18	32,962	6,191
10 largest size blocks (72% of total)	194,472	36,528
Total	268,996	50,526

Source: NMFS RAM Program, data as of 10/6/11.

Table 34 Annual Prices for Halibut QS and IFQ Transfers by Area, Vessel Class, and Year

Area	Vessel Class	Year	Mean Price \$/IFQ	Stan Dev Price \$/IFQ	Total IFQs Transferred Used for Pricing	Mean Price \$/QS	Stan Dev Price \$/QS	Total QS Transferred Used for Pricing	Number of Transactions Used for Pricing
4B	Freezer (A)	1997	C	C	16,846	C	C	56,183	1
		1998	C	C	31,740	C	C	105,248	1
		1999	NA	NA	NA	NA	NA	NA	NA
		2000	C	C	1,002	C	C	2,368	1
	GT 60 ft (B)	1995	C	C	25,118	C	C	125,551	3
		1996	C	C	33,607	C	C	169,002	5
		1997	5.41	1.91	196,074	1.62	0.57	653,912	17
		1998	C	C	35,195	C	C	116,706	5
		1999	NA	NA	NA	NA	NA	NA	NA
		2000	5.02	0.58	305,397	2.12	0.24	721,866	14
		2001	6.01	0.69	346,412	2.54	0.29	818,821	12
		2002	C	C	49,564	C	C	137,616	3
		2003	4.24	1.05	98,937	1.53	0.38	274,698	8
		2004	8.18	1.72	228,002	1.98	0.41	941,702	10
		2005	7.61	1.24	43,133	1.48	0.24	221,501	6
		2007	8.97	2.06	31,403	1.11	0.25	253,095	3
		2008	9.96	1.48	120,182	1.60	0.24	749,908	13
2009	10.16	1.15	83,104	1.64	0.19	515,782	6		
	36-60 ft (C)	1995	C	C	9,598	C	C	47,972	2
		1996	C	C	16,880	C	C	84,886	1
		1997	C	C	77,981	C	C	260,065	10
		1998	6.42	1.55	27,644	1.93	0.46	91,836	5
		1999	NA	NA	NA	NA	NA	NA	NA
		2000	4.14	0.45	41,439	1.75	0.19	97,949	4
		2001	5.15	0.14	93,798	2.18	0.06	221,715	5
		2002	5.01	4.85	64,725	1.8	1.75	179,714	5
		2004	C	C	10,589	C	C	43,735	2
		2005	C	C	20,006	C	C	102,742	2
		2006	C	C	7,850	C	C	54,558	2
		2007	5.35	1.13	4,263	0.66	0.14	34,358	3
2008	10.40	2.23	11,544	1.67	0.36	72,029	3		
2009	10.80	1.59	46,275	1.74	0.26	287,200	6		
	LE 35 ft (D)	1996	C	C	1,282	C	C	6,448	1
		1997	C	C	3,150	C	C	10,503	2
		1999	NA	NA	NA	NA	NA	NA	NA
		2000	2.93	0.62	19,500	1.24	0.26	46,093	4
		2001	C	C	23,977	C	C	56,675	3
		2002	C	C	15,943	C	C	44,267	3
		2007	C	C	1,379	C	C	11,116	2
2008	C	C	261	C	C	1,633	2		

Source: NMFS, Restricted Access Management Program, December 2010. Transfer Report Summary, Changes Under Alaska's Halibut IFQ Program, 1995 Through 2009.

Table 35 CFEC permit and fishing activity for Adak, 2009

Fishery	# permit holders	# permits issued	# fishermen who fished	# permits fished
Halibut	3	3	2	2
Sablefish	2	2	1	1
Other groundfish	2	3	1	1
Total combined	3	8	2	4

Source: CFEC permit and fishing activity by year, state, census area, or city, 2009.

City and state of residence are based on the address and residency claimed year-end by the permit holder when issued the permit.

The CFEC data from 2001 through 2010 show few permits and permit holders as residents of Adak, for both halibut and sablefish. In 2009, it shows that there were three Adak residents holding eight permits, the landings and earnings from which are confidential. In 2011, NMFS RAM Program reported there are two holders of Area 4B halibut QS, and one holder of AI sablefish QS that reported an Adak address (total of 2 unique persons).

Table 36 Vessels landing Area 4B halibut IFQ and AI sablefish IFQ, in amounts <50,000 lbs and ≥50,000 lbs, 2010

Pound category	2010 IFQ Lbs landed	% of total IFQ landed	Number of vessels
Area 4B Halibut			
Under 50,000 IFQ lbs landed	639,441	46%	29
50,000 IFQ lbs or more landed	755,311	54%	12
Total	1,394,752	100%	41
AI Sablefish			
Under 50,000 IFQ lbs landed	271,081	19%	28
50,000 IFQ lbs or more landed	1,138,345	81%	10
Total	1,409,426	100%	38

Source: RAM Program data, 5/13/11.

Table 37 Holdings of Area 4B halibut and AI sablefish QS by Adak residents, 2011

Species	Area	QS units	2011 IFQ lbs	Number of unique holders
Halibut	4B	4,066	764	1
Halibut	4B	227,182	42,673	1
Sablefish	AI	335,025	28,727	1
Total		566,273	72,164	2

Council motion
February 1, 2012

C-1 Final action to allow formation of a CQE in Area 4B (BSAI FMP Amd 102)

The Council adopts the following preferred alternative:

Alternative 2. Establish a CQE Program in Area 4B. Allow a non-profit entity representing an eligible community in Area 4B to purchase and hold Area 4B halibut quota share and Aleutian Islands sablefish quota share, with similar qualifying criteria and operational limits as the existing GOA CQE communities (see specific provisions below).

1. Eligible communities

Non-CDQ communities located in Area 4B with less than 1,500 people, no road access to larger communities, direct access to saltwater, and a documented historic participation in the halibut or sablefish fisheries are eligible to own and use commercial catcher vessel halibut and sablefish quota share. In addition to meeting these criteria at final action, eligible communities must be listed as a defined set of eligible communities in Federal regulation. Communities not meeting the qualifying criteria and not on the list adopted by the Council are not eligible to participate. Other Area 4B communities could petition the Council for inclusion after the implementation of this program.

Qualifying Area 4B communities would be restricted to purchasing Area 4B halibut and Aleutian Islands sablefish quota share.

2. Ownership Entity

A non-profit entity, approved by NMFS as the holder of the Adak Community Allocation of Western Aleutian Islands golden king crab will be recognized as the CQE entity for the community of Adak. The governing body in Adak (currently City of Adak) must approve the CQE to operate on behalf of the community.

3. Use Caps for Individual Communities

Each eligible community in Area 4B is limited to purchasing and using 15% of the Area 4B halibut QS pool and 15% of the Aleutian Islands sablefish QS pool.

4. Cumulative Community Use Caps

All eligible communities combined are limiting to purchasing and using 15% of the Area 4B halibut QS pool and 15% of the Aleutian Islands sablefish QS pool.

5. Purchase, Use and Sale Provisions

Original block and vessel size designations apply if the community transfers the QS to any person other than another eligible community.

Block Restrictions

- *Communities may buy blocked and unblocked quota share.*
- *Individual eligible communities are limited to holding 10 blocks of Area 4B halibut QS and 5 blocks of AI sablefish QS. Individuals receiving IFQ leased from an eligible community entity would be subject to the existing individual use caps in regulation.*

Vessel Size Restrictions

- *Quota share held by communities under this program would be exempt from vessel size (share class) restrictions, while the QS is owned and leased by the community.*
- *Transferability of halibut catcher vessel QS in Area 4B from commercial to qualified community entities is allowed for B, C, and D category quota share. The following rules apply to purchases of Area 4B 'D' category quota share purchased by the CQE:*
 - *Area 4B 'D' category quota share purchased by an Area 4B CQE must have the annual IFQ fished on 'D' category vessels ($\leq 35'$ LOA).*
 - *an Area 4B CQE may purchase any size block of 'D' category QS.*

Sale Restrictions

- *Eligible communities owning catcher vessel quota shares may sell those quota shares to any other eligible community or any person meeting the provisions outlined in the existing IFQ Program.*
- *Eligible communities may only sell their quota share for one of the following purposes:*
 - (a) *generating revenues to sustain, improve, or expand the program*
 - (b) *liquidating the entity's quota share assets for reasons outside the program*

Should an eligible community sell their quota share for purposes consistent with (b) above, an administrative entity would not be qualified to purchase and own quota share on behalf of that community for a period of three years.

Use Restrictions

The CQE may lease to non-residents for a limited period of five years after the effective date of implementation of the program. After that time, the CQE must lease QS to residents of the community it represents. The individual leasing IFQ from the CQE is not subject to the 150 sea days requirement, when leasing to Adak residents.

Additional provisions include:

- *No vessel may be used, during any fishing year, to harvest more than 50,000 pounds of IFQ halibut and 50,000 pounds of IFQ sablefish derived from QS held by a CQE in Area 4. The vessel would also be subject to the same vessel use caps applicable in the overall IFQ Program.¹*
- *A CQE may lease up to 50,000 pounds of halibut IFQs and 50,000 pounds of sablefish IFQs per lessee annually. The 50,000 pound limit is inclusive of any quota owned by the individual (lessee).*

6. Performance Standards

The following are goals of the program with voluntary compliance monitored through the annual reporting mechanism and evaluated upon review of the program. Community entities applying for

¹The vessel use caps applicable in the IFQ Program are 0.5% of all halibut IFQ TAC and 1% of all sablefish IFQ TAC.

qualification in the program must describe how their use of QS will comply with the following program guidelines:

- (a) Maximize benefit from use of community IFQ for crew members that are community residents.*
- (b) Insure that benefits are equitably distributed throughout the community.*
- (c) Insure that QS/IFQ allocated to an eligible community entity would not be held and unfished.*

7. Administrative Oversight

The Council recommends a provision to require submission of a detailed statement of eligibility to NMFS prior to being considered for eligibility as a community QS recipient. The statement would be similar to what is required under the GOA CQE Program. This includes, but is not limited to:

- (a) Certificate of incorporation*
- (b) Verification of qualified entity as approved under "Ownership Entity"*
- (c) Documentation demonstrating accountability to the community*
- (d) Explanation of how the community entity intends to implement the performance standards*

The Council also recommends a provision to require submission of an annual report detailing accomplishments. The annual report would be similar to what is required under the GOA CQE Program. This includes, but is not limited to:

- (a) A summary of business, employment, and fishing activities under the program*
- (b) A discussion of any corporate changes that alter the representational structure of the entity*
- (c) Specific steps taken to meet the performance standards*

PUBLIC REVIEW DRAFT

**Regulatory Impact Review and Initial Regulatory Flexibility Analysis
for an Amendment to Regulations that Implement the Halibut IFQ Program to
Allow IFQ derived from Category D QS to be fished on Category C vessels in Area 4B**

Date: November 5, 2010

Lead Agency: NOAA Fisheries Service

P. O. Box 21668

Juneau, Alaska 99802

Responsible Official: Jim Balsiger, Alaska Regional Administrator

Abstract: This document is a draft Regulatory Impact Review (RIR) and Initial Regulatory Flexibility Analysis (IRFA) for a proposed action to amend halibut Individual Fishing Quota (IFQ) regulations under the authority of the NOAA Fisheries Service. The proposed action would allow IFQ derived from Category D QS to be fished on Category C vessels in Area 4B, also known as "fish-up." This proposed action was requested by industry stakeholders for Council reconsideration during a 2009 request for IFQ proposals. It was unanimously recommended by the IFQ Implementation Team in September 2009. The Council requested this analysis in February 2010.

The proposed action would relieve a restriction placed on IFQ halibut fishery participants and would further program goals by increasing the amount of IFQs that may be harvested by the small boat fleet and increasing safety at sea for that fleet. The proposed action would make minor changes in this fishery affecting up to 12 Area 4B Category D QS holders, who hold < 3 percent of IFQs in one area, and a few owners of larger vessels.

Public Comments: A public comment period will be announced by NOAA Fisheries Service in the proposed rule.

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1.0 Regulatory Impact Review

1.1 Introduction

This document contains the Regulatory Impact Review (RIR) and Initial Regulatory Flexibility Analysis (IRFA) for a proposed amendment to regulations that describe management of Pacific halibut Individual Fishing Quota (IFQ) fisheries in North Pacific Halibut Convention waters in and off Alaska. The proposed regulatory amendment would address a management issue pertaining to the IFQ halibut fisheries in western Alaska. The proposed action would allow Category D QS to be fished on vessels ≤ 60 ft (18.3 m) length overall (LOA) in Area 4B. This action was first proposed in a 2003 call for IFQ proposals. In December 2004, the North Pacific Fishery Management Council took no action for Area 4B when it adopted a similar "fish-up" action in Areas 3B and 4C. The final rule for implementing the fish-up amendment for the Areas 3B and 4C was published in August 2007 (<http://www.alaskafisheries.noaa.gov/frules/72fr44795.pdf>). At the time of the 2004 final action no stakeholders commented on the then proposed action for Area 4B, so the Council did not adopt the action for that area. The Council assumed that Area 4B stakeholders did not believe it was necessary to make this change, or opposed it because of concerns about the potential outmigration of deliveries from the area.

In its call for IFQ proposals in 2009, one proposal requested that the Council adopt this proposed action for Area 4B. The proposer described a lack of moorage and storage for his vessel, especially in the off season at Adak, and potentially hazardous fishing conditions out of Sand Point. In September 2009 the Council's IFQ Implementation Committee unanimously recommended this proposal for Council consideration, noting that the proposed action is the same as action that was implemented for Areas 3B and 4C. In supporting this proposal, the IFQ Committee identified increased concerns about vessel safety; it noted that delivery options for small vessels are limited to Dutch Harbor, which can be several days from the fishing grounds.

In February 2009, the Council approved this proposal for analysis after receiving additional favorable public testimony from community representatives. The Council identified that this proposal previously was analyzed for Area 4B as a part of the Omnibus IV IFQ program amendments that were adopted by the Council in 2006 and implemented in 2007. The Council scheduled the analysis for the selection a new preferred alternative during final action in December 2010. The problem statement from the 2006 analysis was adapted for this proposed action.

1.2 Management Authority

Management of the halibut fishery in and off Alaska is based on an international agreement between Canada and the United States and is given effect by the Northern Pacific Halibut Act of 1982. The Act provides that, for the halibut fishery off Alaska, the Council may develop regulations, including limited access regulations, to govern the fishery, provided that the Council's actions are in addition to, and not in conflict with, regulations adopted by the International Pacific Halibut Commission (IPHC).

Regulations implementing the commercial IFQ fishery for Pacific halibut may be found at 50 CFR 679: Fisheries of the Exclusive Economic Zone off Alaska, Subpart D – Individual Fishing Quota Management Measures, Sections 679.40 through 679.45.

1.3 Requirements of a Regulatory Impact Review

The RIR is required under Presidential Executive Order (EO) 12866 (58 FR 51735; October 4, 1993). The requirements for all regulatory actions specified in EO 12866 are summarized in the following statement from the order:

"In deciding whether and how to regulate, agencies should assess all costs and benefits of available regulatory alternatives, including the alternative of not regulating. Costs and benefits shall be understood

to include both quantifiable measures (to the fullest extent that these can be usefully estimated) and qualitative measures of costs and benefits that are difficult to quantify, but nonetheless essential to consider. Further, in choosing among alternative regulatory approaches agencies should select those approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity), unless a statute requires another regulatory approach."

EO 12866 requires that the Office of Management and Budget review proposed regulatory programs that are considered to be "significant." A significant regulatory action is one that is likely to:

- Have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, local or tribal governments or communities;
- Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;
- Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or
- Raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in this Executive Order.

1.4 Structure of the Halibut IFQ Program

The IFQ Program is a limited access system for managing the fixed gear Pacific halibut (*Hippoglossus stenolepis*) fisheries in the North Pacific Halibut Convention waters in and off Alaska. The North Pacific Fishery Management Council (Council), under authority of the Magnuson-Stevens Fishery Conservation and Management Act (MSA) and the Northern Pacific Halibut Act of 1982, adopted the IFQ Program in 1991, and implementing regulations were published in the Federal Register on November 9, 1993 (58 FR 59375). Fishing began under the program in 1995.

The program was designed to reduce excessive fishing capacity, while maintaining the social and economic character of the fixed gear fishery and the coastal communities where many of these fishermen are based; to allocate specific harvesting privileges among U.S. fishermen; to resolve management and conservation problems associated with "open access" fishery management; and to promote the development of fishery-based economic opportunities in western Alaska. The IFQ approach was chosen to provide fishermen with the authority to decide how much and what types of investment they wished to make to harvest the resource. By guaranteeing access to a certain amount of the total catch at the beginning of the season, and by extending the season over a period of eight months, those who held the IFQ could determine where and when to fish, how much gear to deploy, and how much overall investment in harvesting to make. The development and design of the halibut IFQ fishery is described in Pautzke and Oliver (1997), Hartley and Fina (2001a, b), and the 2009 Annual Report to the Fleet by NOAA Fisheries (2010) (<http://www.alaskafisheries.noaa.gov/ram/rtf09.pdf>).

The purpose of the IFQ program was to provide for improved long-term productivity of the halibut fisheries by further promoting the conservation and management objectives of the MSA and the Halibut Act, and to retain the character and distribution of the fishing fleets as much as possible. The Council protected small producers, part-time participants, and entry-level participants who may tend to be eliminated from the fisheries because of potential excessive consolidation under the IFQ program. For this reason, the system includes restrictions designed to prevent too many quota shares from falling into too few hands (ownerships caps) or from being fished on too few vessels (vessel use caps). Other restrictions are intended to prevent the fishery from being dominated by large boats or by any particular vessel class. Halibut QS were initially assigned to vessel categories based on vessel size and kind of

fishery operation¹ (Table 1) and to one of eight regulatory areas (Figure 1). The Council also designed a “block program,” to further guard against excessive consolidation of QS and consequent social impacts on the fishery and dependent communities. The block program reduced the amount of QS consolidation that could have occurred under the IFQ program, and slowed consolidation by restricting QS transfers.

Table 1. QS/IFQ use restrictions by Category

Category A	authority to harvest and process IFQ species on a vessel of any length (freezer/longliners)
Category B	authority to harvest IFQ species on a vessel of any length (except, in halibut Area 2C or sablefish Southeast Outside District, unless the IFQ derives from blocked QS units that result in less than 33,321 halibut or 33,271 sablefish QS units)
Category C	authority to harvest IFQ species on a vessel \leq 60-ft LOA
Category D	authority to harvest IFQ halibut on a vessel \leq 35-ft LOA

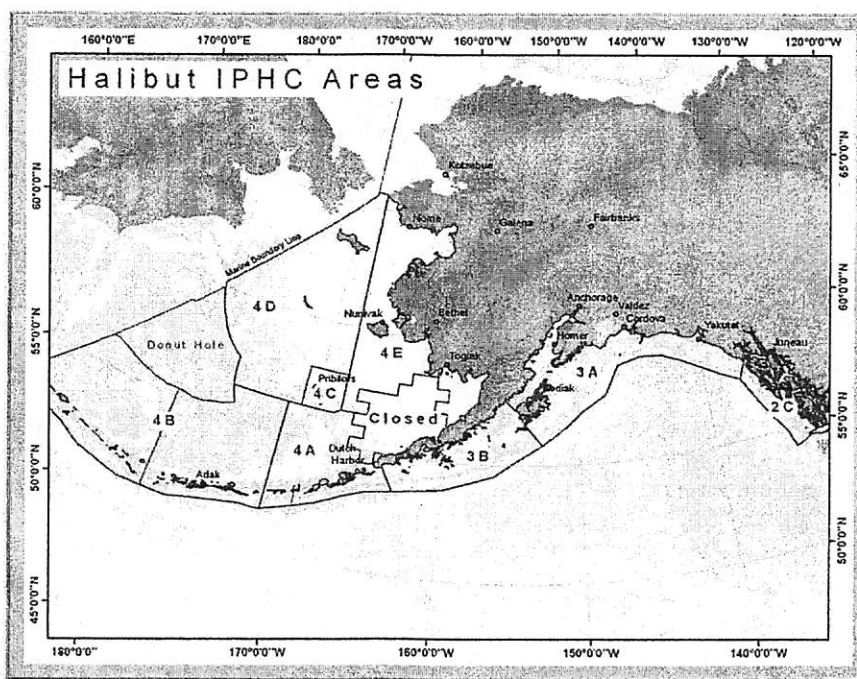


Figure 1. IPHC Regulatory Area

Only part of the original structure of the vessel Category designations of QS remains 16 years after initial implementation of the halibut IFQ program. A 1996 amendment relaxed the restrictions on using QS across vessel categories. This ‘fish down’ amendment, as it was termed, allowed QS deriving from larger catcher vessels to be fished on smaller vessels (http://www.alaskafisheries.noaa.gov/frules/fr_43312.pdf). It increased flexibility of halibut QS transfers for Category B, C, and D vessels to alleviate a scarcity of large to medium size QS blocks in some areas. It allows the use of larger vessel QS (B and C) on smaller Category vessels (C and D: vessels \leq 60-ft LOA), except that fish down of Category B halibut QS in Area 2C was allowed only for blocks of less than 5,000 lb (based on 1996 TACs). The 2007 “fish-up”

¹ There are no vessel categories associated with CDQ halibut.

amendment allowed Category D QS to be fished on vessels ≤ 60 ft (Category C) in Areas 3B and 4C and removed the Southeast exemption from the 1996 amendment.

The Council has also blurred the lines for QS restrictions for other program elements to enhance harvesting opportunity and promote objectives of the Halibut Act, the IPHC, and the Council. Regulations were implemented in 2002 that allowed holders of Area 4D halibut CDQ to harvest such halibut CDQ in Area 4E. A 2005 amendment allowed holders of Area 4C halibut IFQ and CDQ to harvest such halibut IFQ/CDQ in Area 4D. With a decline in catch rates greater than 70 percent over the previous ten years, this action allows 4C IFQ (and CDQ) fishermen to fish outside their localized depleted area.

Vessel Categories			
Vessel Length	Processor Vessel	Catcher Vessel	
		Sablefish	Halibut
Over 60'	A	B	B
>35' to 60		C	C
0 to 35'			D
Processor (Freezer) vessel - any vessel used to process its catch during any fishing trip.			

The Council amended the block program for halibut by allowing a QS holder to hold three rather than two blocks of QS, by dividing halibut blocks in Areas 3B and 4A that yield more than 20,000 pounds into a block of 20,000 pounds and the remainder unblocked, and by increasing the halibut sweep-up level in Areas 2C and 3A to 5,000 pounds; these change were implemented in 2007.

Also, early in the program (for the 1997 season), the Council raised the “sweep-up” levels to 3,000 lb for halibut (based on 1996 QS units from 1,000 lb).

1.5 Description of the Fishery

A detailed description of the fishery can be found in the Report to the Fleet, prepared annually by the Restricted Access Management Program, NOAA Fisheries Alaska Region (NOAA Fisheries 2010). The information below was provided in the report and/or by the NMFS RAM Division. In 2010, approximately 42 million pounds of IFQ halibut were allocated among halibut QS holders in the eight halibut IFQ regulatory areas (Table 2). Overall, nearly all the allocation is harvested. Table 3 shows the number of unique halibut QS holders by regulatory area. Halibut IFQs are not awarded to the 103 persons who hold Area 4E QS, as that entire allocation is made to the western Alaska CDQ Program.

A total of 1,089 unique vessels and 2,852 QS holders participated in the halibut fishery in 2009 (Table 3). In the halibut fishery, less than 10 percent of the annual harvest in any regulatory area is allocated to vessels that are allowed to process onboard (i.e., those with Category A QS). In 2009 in Area 4B, there were: 1) 96 QS holders, 12 of whom held Category D QS (Table 4); 2) no vessels using Category A or D halibut IFQs (Table 4); 3) 17 vessels using Category C shares; and 4) only 82 percent of available IFQs harvested (74 percent in 2010 year to date (Table 2)). There were 67 vessel landings in 2009 in Area 4B.

1.6 Problem and management objectives for the action

The halibut vessel size categories were designed to maintain a diverse, owner-operated fleet and provide an entry-level opportunity in the IFQ fisheries. Increased concerns in Western Alaska regarding vessel safety due to limited delivery options for small vessels warrant a review of vessel size class restrictions in Area 4B to determine if changes are needed to ensure program goals are met.

**Table 2. Individual Fishing Quota (IFQ) Allocations and Landings for Fishing Year 2010
(as of 28 Oct 2010)**

IFQ Area	Landings	Catch Limit (lb)	Catch (lb)	Remaining	% Harvested
2C	1,711	4,400,000	4,220,544	179,456	96
3A	2,158	19,990,000	19,654,143	335,857	98
3B	825	9,900,000	9,719,356	180,644	98
4A	244	2,330,000	2,171,147	158,853	93
4B	99	1,728,000	1,273,197	454,803	74
4C	39	812,500	106,338	706,162	13
4D	58	1,137,500	1,647,415	(509,915)	145
Total	5,134	40,298,000	38,792,140	1,505,860	96

Notes:

1. Total number of vessel offloads containing only halibut IFQ: 4,979
2. 4D allocation may be fished in 4D or 4E. Harvest is debited from the account for the reported harvest area. This may cause 4E landings to appear overharvested and 4D under harvested.
3. 4C allocation may be fished in 4C or 4D. Harvest is debited from the account for the reported harvest area. This may cause 4D landings to appear overharvested and 4C under harvested.
4. Halibut weights are reported in net (headed and gutted) pounds.
5. 'Vessel Landings' include the number of landings by participating vessels reported by IFQ regulatory area. Due to over- or under harvest of TAC and/or rounding, percentages may not total to 100%.
6. Data are derived from initial data entry procedures and are preliminary. Future review and editing may result in minor changes.

Table 3. Number of Persons holding halibut QS at year end 2008 and 2009.

NOTE: Counts are not additive across areas

Area	Number Distinct QS holders end 2008	Number Distinct QS holders end 2009
2C	1,225	1,205
3A	1,547	1,501
3B	495	493
4A	239	235
4B	99	96
4C	56	53
4D	47	46
4E	103	103
Total across areas:	2,909	2,852

Table 4. QS holders and vessels in the halibut IFQ fisheries in 2010 by size and area.
 NOTE: Counts are not additive across areas. Source: NOAA Fisheries RAM.

Area	QS holders			Vessels		
	D	C	B	D	C	B
2C	457	676	71	188	362	19
3A	483	824	280	146	356	71
3B	73	283	177	33	177	56
4A	73	89	99	17	44	26
4B	12	28	63	0	17	17
4C	30	14	23	3	5	0
4D	0	11	39	0	16	14

1.7 Management Action Alternatives

Alternative 1 No action

The Council designed the original IFQ program to include elements that were intended to preserve the diversity of the fleet and maintain entry-level opportunity in the fisheries. The IFQ program, as currently regulated, constrains the use of IFQ derived from a particular QS Category. The use restrictions are described in 50 CFR 679.40(a)(5)(ii) and are listed in Table 1. This provision permanently attributes QS holdings to halibut vessel categories A, B, C, and D, which restricts how the resulting IFQ is fished. The QS Category determines both whether harvested fish may be processed onboard (Category A QS only), and the size of vessel on which the catcher vessel IFQ may be harvested.

At the request of industry, and to facilitate flexibility and efficiency in the fishery, however, a regulatory amendment in 1996 allowed halibut IFQ derived from Category B or C QS to be fished on smaller vessels (“fish-down”), in all halibut areas except Area 2C (NPFMC 1996). In 2007, the Council expanded flexibility across QS categories by adopting a “fish-up” allowance for Areas 3B and 4C and removed the Area 2C fish-down exception.

Taking no action retains the existing restrictions regarding the use of halibut IFQ derived from a particular QS Category. The status quo alternative does not address the safety objectives and low harvest concerns in Area 4B.

Alternative 2 Allow IFQ derived from Category D QS to be fished on Category C vessels in Area 4B

Under Alternative 2, halibut IFQ resulting from Category D QS in Area 4B would be allowed to be fished (up) on vessels \leq 60ft LOA. Some QS holders who fish from small vessels have expressed safety concerns, due to the short season in which they are forced to fish. Under the proposed alternative, they will have more options available. These QS holders may choose to upgrade to a vessel of a larger size, hire a skipper of a larger vessel if they are an initial recipient, or team with a larger vessel as crew to fish their IFQs. It is not known which option QS holders may select.

The proposed alternative would address safety concerns for small vessel operators and concerns over the ability of Category D QS holders in Area 4B to completely harvest their IFQs. The uncertainty surrounding shoreside processing in Adak, which has had a number of ownership changes since its establishment as Adak Seafoods in 1999 contributes to the need for greater flexibility in operating platforms. Additional detail on the status of the Adak processor is addressed in a discussion paper that

addresses a different IFQ proposal for Area 4B². These problems can be alleviated, to some degree, by relaxing the current restrictions on vessel length associated with Category D QS.

The action could potentially directly regulate up to 12 Category D halibut QS holders in Area 4B.³ These persons hold less than 3 percent of halibut QS in that area (Table 5). Fishery participants in Area 4B have asserted that the restrictions governing the use of IFQ derived from Category D QS present a safety issue that contributes to their inability to harvest their allocations. Reportedly, due to weather conditions, a 35ft LOA vessel can only safely fish between May 15 and September 15. Additionally, fishing during the safest part of the summer window may not be possible for small vessels, as processors may not be accepting halibut during the peak of the salmon fisheries. Category D vessels may thus be limited to a substantially shortened season, and/or forced to fish under less safe conditions in order to harvest their IFQ. As a result of these adverse conditions, Category D vessel owners have reported that they prefer to increase their QS holding by purchasing Category B and C QS. They prefer those categories to Category D so that they may harvest their QS on a larger vessel in the future. Consequently, there is very little market demand for the Category D QS, according to industry members.

Table 5. QS Units by Category and area .

Data from end of 2009. Source: NOAA Fisheries RAM.

Area	QS Units end 2008	IFQ Pound Equivalents net wt 2009	Cat A Pct of Total	Cat B Pct of Total	Cat C Pct of Total	Cat D Pct of Total
3B	54,203,176	10,899,931	2.9%	55.3%	38.7%	3.1%
4A	14,587,099	2,550,014	4.2%	58.6%	30.0%	7.2%
4B	9,284,774	1,496,000	6.0%	76.6%	14.5%	2.9%
4C	4,016,352	784,505	0.5%	40.4%	21.6%	37.6%
4D	4,958,250	1,098,294	8.3%	82.7%	9.0%	0.0%

The attainment of TAC in the western areas has become much more reliable through consolidation and changing use patterns in the fisheries, but remains lower for smaller vessels. Table 6 illustrates the attainment of TAC for Category C and D IFQ allocations. The halibut harvest in Area 4C is consistently under-harvested, but this appears to be due to a change in the location of the halibut stock, rather than a safety issue (see NPFMC 2005 for further discussion); Area 4C halibut IFQs may be harvested in Area 4D. Areas 3B, 4A, and 4B appear to have had a higher rate of harvest than Area 4C, with the exception of Category D, in Area 4B.

² In October 2010 the Council will consider whether to initiate an analysis to amend halibut IFQ regulations to allow a Community Quota Entity Program for Adak in Area 4B.

³ Because the analysis includes data for all areas, an expansion of this action to the remaining Western Alaska area (Areas 4A) not yet included under the fish-up provisions would be considered within the scope of this analysis; there is no Category D halibut QS in Area 4D.

Table 6. Percent of Category C and D IFQ harvested, by area, 1998-2003.
Source: NOAA Fisheries RAM.

Year	Area 3B		Area 4A		Area 4B		Area 4C	
	Category C	Category D	Category C	Category D	Category C	Category D	Category C	Category D
2000	98%	96%	99%	96%	93%	38%	87%	51%
2001	98%	90%	97%	87%	90%	47%	96%	43%
2002	100%	99%	102%	92%	91%	29%	75%	17%
2003	100%	96%	99%	98%	97%	46%	73%	4%
2004	98%	96%	94%	95%	87%	18%	89%	13%
2005	98%	99%	94%	99%	94%	74%	21%	0%
2006	99%	97%	98%	100%	85%	1%	3%	37%
2007	100%	98%	94%	95%	85%	59%	4%	22%
2008	98%	97%	95%	93%	83%	14%	13%	3%
2009	96%	93%	93%	89%	80%	0%	13%	8%
2010*	97%	90%	92%	87%	64%	15%	0%	26%

Table 7 attempts to illustrate the degree to which fish up and fish down occurred in 2009. This can be gleaned from a comparison between the left portion of Table 7, which identifies allocations, and the right portion of the table, which identifies the landings, for each area and category. Cases where landings exceed allocations may be interpreted to be situations where fish up/down occurred; however, cases where both fish-up and fish-down occurred may not be evident from the data.

Table 7 Fish down on vessels ≤ 35ft LOA, 2009.

Source: NOAA Fisheries RAM.

Area	Total IFQ Landed on Vessels 0-35' LOA	Number of Distinct Vessels Used, 0-35'	IFQ Derived from QS Categories as % of total IFQ Landed from Vessels 0-35' LOA				IFQ Landed from 0-35' LOA vessels as Pct of Total IFQ derived from QS Categories			
			A	B	C	D	A	B	C	D
3B	650,426	33	3.2%	29.1%	38.5%	29.1%	6.5%	3.1%	5.9%	56.9%
4A	340,804	17	0.0%	25.0%	27.1%	47.9%	0.0%	5.7%	12.1%	89.0%
4B	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4C	9,542	3	7.8%	0.0%	0.0%	92.2%	20.1%	0.0%	0.0%	3.0%

There is no area 4D Category D QS issued.

Table 8 shows the numbers and percentages of blocked and unblocked QS and number of blocks and blocked QS holders in 2009.

Table 8 Counts and percentages of blocked, unblocked QS in 2009 and number of blocks and blocked QS holders

AREA	Total QS	Percent Blocked QS	Percent Unblocked QS	Number of Blocks	Distinct QS Holders
2C	59,552,039	70.8	29.2	1,777	1,168
3A	184,911,315	35.4	64.7	2,231	1,462
3B	54,203,176	46.1	54.0	683	489
4A	14,587,099	65.2	34.9	292	230
4B	9,284,774	35.9	64.1	116	96
4C	4,016,352	52.2	47.8	71	53
4D	4,958,250	49.0	51.0	56	46

Table 9 shows price data for QS holdings, by regulatory area, Category, and blocked or unblocked status. While this does not necessarily provide a complete understanding of the QS market, it gives a general indication of the relative value of QS. One may conclude that the value of Category D blocked QS in the western areas seems to be consistently lower than other categories of blocked QS in those areas, which is to be expected as the QS are more restrictive. The value of these QS is also affected by the remoteness of the fishing grounds, processing uncertainties, and weather.

Table 9 Info on 2009 QS transfers: weighted average prices for priced QS transfers.
Source: NMFS RAM.

Area	A		B		C		D	
	Blocked	Unblocked	Blocked	Unblocked	Blocked	Unblocked	Blocked	Unblocked
2C				*	17.49	23.70	17.43	
3A		*	22.73	26.21	22.60	22.49	17.54	
3B			16.99	15.36	3.23	21.34	*	
4A	*		10.00	*	*	*	6.71	
4B			8.58	10.29	6.22	*		
4C			*	*	*	*	*	
4D			*		*			

*data are confidential

Alternative 2 could reduce entry level opportunities by increasing the cost of acquiring Category D QS, but this possibility is believed to be low due to the aforementioned factors that affect their price. While the marginal increase in the market value of Category D QS may disadvantage new entrants to the fishery, these shares comprise less than 3 percent of Area 4B QS. Category D QS was originally intended, in part, to provide an affordable opportunity for skippers and crew members to buy into the fishery, although safety issues have resulted in past Council action to allow these shares to be "fished-up." The difference in the market price, between Category C and D QS, is discussed above. Too few small vessel QS are held, much less transferred, for this analysis to be informative.

Table 10 indicates the current number of Category D QS holders who are second generation QS holders (i.e., not initial recipients and have bought into the fishery), and also the amount of Category D QS they control. These data represent a point in time, and do not reflect any of the transfer history of QS held by

these second generation QS holders. Initial recipients in Areas 3B, 4A, and 4C still represent the majority of Category D QS holders and hold half the Area 4B QS. New entrants control a disproportionate portion of QS, except in Area 4B. To date, the price of QS does not appear to prevent crew members or other new entrants from being able to acquire QS, although this action may impose some economic cost on new entrants by potentially increasing the cost of the few Category QS in Area 4B. It, however, may not have inhibited acquisition of Category D QS in Area 3B and 4C, where “fish-up” is allowed.

There may be some corollary decrease in the value of Category C QS because the proposed alternative is likely to (marginally) increase the value of Category D QS in this area. However, Category D QS constitutes such a small share of the aggregate halibut TAC in Area 4B, that such a change in relative value would not be expected to substantially influence the market for QS.

Table 10 Category D QS holders that are new entrants to the fishery, and the amount of QS controlled in 2009.

AREA	Total Category D QS holders	Second Generation Category D QS holders	% Second generation Category D QS holders	Total Category D QS units	Second Generation Category D QS	% Second generation Category D QS
3B	73	20	27%	1,653,973	790,347	48%
4A	73	21	29%	1,049,364	764,324	73%
4B	12	6	50%	268,996	158,614	59%
4C	30	8	27%	1,509,042	688,953	46%

1.8 Conclusions

None of the alternatives are likely to change fishing patterns or harvest amounts to an extent that would result in an impact on the halibut stock, bycatch amounts, or other environmental impacts. There are no data that suggest adverse impacts would result from a higher proportion of the harvest being taken on larger vessels. The preferred alternative is expected to increase economic efficiencies of halibut IFQ fishing operations and safety by allowing small boat IFQs to be fished on larger vessels. Beneficiaries of the preferred alternatives would include all holders of Category D QS in Area 4B. Minor administrative costs of the program would be recovered by annual cost recovery fees for the entire program. None of the proposed actions are expected to have the potential to result in a “significant action,” as defined in Executive Order 12866.

NMFS annually publishes “standard prices” for halibut that are estimates of the ex-vessel prices received by fishermen for their harvests. Standard ex-vessel value is the default value on which to base fee liability calculations. Regulations at § 679.45(c)(2)(i) require the Regional Administrator to publish IFQ standard prices during the last quarter of each calendar year. These standard prices are used, along with estimates of IFQ halibut landings, to calculate standard values. The standard prices are described in U.S. dollars per IFQ equivalent pound for IFQ halibut landings made during the year. NMFS calculates the standard prices to closely reflect the variations in the actual ex-vessel values of IFQ halibut landings by month and port or port group. NMFS uses these prices for calculating the permit holder’s cost recovery fee. In 2009, the ex-vessel price per pound for halibut in the Bering Sea was \$2.53 (<http://www.fakr.noaa.gov/notice/74fr65741.pdf>).

The total “standard” ex-vessel value of the total catch taken in the commercial halibut fishery in Area 4B in 2009 was approximately \$3 million (1.2 million lb at \$2.53/lb). This action only affects up to 12 Area 4B Category D IFQ holders (potentially 3 percent of total Area 4B IFQs), whose IFQ holdings are valued at approximately \$90,000. This proposed action would directly affect those participants who hold

Category D QS in the area, and would indirectly affect an unknown number of owners of larger vessels upon whose vessels those Category D QS may be “fished up.”

Although it has not been possible to fully monetize the benefits and costs from these proposed program changes, their total net impact on the economy would be expected to be *de minimus*. The proposed action generally has little attributable costs and is expected to produce benefits in the form of small economic efficiencies, greater operational flexibility, and improved safety at sea for a few fishery participants. For these reasons, they are unlikely to adversely and materially affect the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities. For those reasons, the proposed alternative is not likely to meet the economic criterion for significance under EO 12866.

A summary of benefits and costs that may be attributed to the proposed alternative, relative to the status quo, is included below in Table 11.

Table 11. Summary of the cost and benefit analysis of Action 2.

	Alternative 1. No Action	Alternative 2.
Who may be affected?	Baseline	Up to 12 halibut Category D QS holders, an unknown number of Category D vessels, and up to 17 Category C vessels
Impacts to the resource	Baseline	None
Benefits	Baseline	<ul style="list-style-type: none"> • likely to address safety by providing an alternative to fishing on small boats in hazardous weather • likely to increase optimum yield of the halibut resource • may increase landings valued at \$90,000 • may increase economic efficiencies of small and larger vessel operations • may marginally increase the value of Category D QS • may provide <i>de minimus</i> economic relief to large vessel owners who are experiencing difficulty acquiring halibut QS
Costs	Baseline	<ul style="list-style-type: none"> • may decrease relative market value of Category C QS • may decrease entry-level opportunities • likely to not reinstate use restrictions on small vessel using Category D QS in the future
Net benefits	Baseline	<ul style="list-style-type: none"> • likely to increase safety for small vessel operators • likely to increase optimum yield of halibut resource • likely to increase economic efficiency by allowing small vessel IFQs to be fished on larger vessels, along with the IFQs for that size vessel class
Action objectives	Does not meet safety objectives or allow for increased resource utilization.	Best meets safety objectives or allow for increased resource utilization.

2.0 Initial Regulatory Flexibility Analysis

The Regulatory Flexibility Act (RFA), first enacted in 1980, and codified at 5 U.S.C. 600-611, was designed to place the burden on the government to review all regulations to ensure that, while accomplishing their intended purposes, they do not unduly inhibit the ability of small entities to compete. The RFA recognizes that the size of a business, unit of government, or nonprofit organization frequently has a bearing on its ability to comply with a Federal regulation. Major goals of the RFA are: 1) to increase agency awareness and understanding of the impact of their regulations on small business; 2) to require that agencies communicate and explain their findings to the public; and 3) to encourage agencies to use flexibility and to provide regulatory relief to small entities.

The RFA emphasizes predicting significant adverse impacts on small entities as a group distinct from other entities and on the consideration of alternatives that may minimize the impacts, while still achieving the stated objective of the action. When an agency publishes a proposed rule, it must either, (1) "certify" that the action will not have a significant adverse effect on a substantial number of small entities, and support such a certification declaration with a "factual basis," demonstrating this outcome, or, (2) if such a certification cannot be supported by a factual basis, prepare and make available for public review an Initial Regulatory Flexibility Analysis (IRFA) that describes the impact of the proposed rule on small entities.

This IRFA has been prepared instead of seeking certification. Analytical requirements for the IRFA are described below in more detail. The IRFA must contain:

1. A description of the reasons why action by the agency is being considered;
2. A succinct statement of the objectives of, and the legal basis for, the proposed rule;
3. A description of, and where feasible, an estimate of the number of small entities to which the proposed rule will apply (including a profile of the industry divided into industry segments, if appropriate);
4. A description of the projected reporting, record keeping, and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record;
5. An identification, to the extent practicable, of all relevant Federal rules that may duplicate, overlap, or conflict with the proposed rule;
6. A description of any significant alternatives to the proposed rule that accomplish the stated objectives of the Magnuson-Stevens Act and any other applicable statutes, and that would minimize any significant adverse economic impact of the proposed rule on small entities. Consistent with the stated objectives of applicable statutes, the analysis shall discuss significant alternatives, such as:
 - a. The establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities;
 - b. The clarification, consolidation or simplification of compliance and reporting requirements under the rule for such small entities;
 - c. The use of performance rather than design standards;
 - d. An exemption from coverage of the rule, or any part thereof, for such small entities.

The "universe" of entities to be considered in an IRFA generally includes only those small entities that can reasonably be expected to be directly regulated by the proposed action. If the effects of the rule fall primarily on a distinct segment of the industry, or portion thereof (e.g., user group, gear type, geographic area), that segment would be considered the universe for purposes of this analysis.

In preparing an IRFA, an agency may provide either a quantifiable or numerical description of the effects of a proposed rule (and alternatives to the proposed rule), or more general descriptive statements if quantification is not practicable or reliable.

Reason for the action, objectives, and the legal basis for, the proposed rule

Halibut fishermen in western Alaska have identified safety concerns associated with fishing in Area 4B on small vessels, which could be alleviated, in large part, by relaxing the current restrictions on vessel length associated with Category D QS. As Category D QS comprise less than 3 percent of the halibut QS in the area, relaxing this restriction would allow for increased economic efficiencies and safety in their being harvested along with larger vessel IFQs. The problem statement is discussed in detail in Section 1.6.

Description and estimate of small entities

The RFA recognizes and defines three kinds of small entities: (1) small businesses, (2) small non-profit organizations, and (3) small government jurisdictions.

Small businesses. Section 601(3) of the RFA defines a 'small business' as having the same meaning as 'small business concern' which is defined under Section 3 of the Small Business Act. 'Small business' or 'small business concern' includes any firm that is independently owned and operated and not dominate in its field of operation. The SBA has further defined a "small business concern" as one "organized for profit, with a place of business located in the United States, and which operates primarily within the United States or which makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials, or labor. A small business concern may be in the legal form of an individual proprietorship, partnership, limited liability company, corporation, joint venture, association, trust, or cooperative, except that where the form is a joint venture there can be no more than 49 percent participation by foreign business entities in the joint venture."

The U.S. Small Business Administration (SBA) has developed size standards to carry out the purposes of the Small Business Act, and those size standards can be found in 13 CFR 121.201. The size standards are matched to North American Industry Classification System industries. A business involved in providing fishing charter services is a small business if it is independently owned and operated and not dominant in its field of operation and if it has combined annual receipts not in excess of \$7.0 million. A business involved in fish harvesting is a small business if it is independently owned and operated and not dominant in its field of operation (including its affiliates) and if it has combined annual receipts not in excess of \$4 million for all its affiliated operations worldwide. A business involved in both the harvesting and processing of seafood products is a small business if it meets the \$4 million criterion for fish harvesting operations.

The SBA has established "principles of affiliation" to determine whether a business concern is "independently owned and operated." In general, business concerns are affiliates of each other when one concern controls or has the power to control the other, or a third party controls or has the power to control both. The SBA considers factors such as ownership, management, previous relationships with or ties to another concern, and contractual relationships, in determining whether affiliation exists. Individuals or firms that have identical or substantially identical business or economic interests, such as family members, persons with common investments, or firms that are economically dependent through contractual or other relationships, are treated as one party with such interests aggregated when measuring the size of the concern in question. The SBA counts the receipts or employees of the concern whose size is at issue and those of all its domestic and foreign affiliates, regardless of whether the affiliates are organized for profit, in determining the concern's size. However, business concerns owned and controlled by Indian Tribes, Alaska Regional or Village Corporations organized pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601), Native Hawaiian Organizations, or Community Development Corporations authorized by 42 U.S.C. 9805, are not considered affiliates of such entities, or with other concerns owned by these entities solely because of their common ownership.

Affiliation may be based on stock ownership when (1) A person is an affiliate of a concern if the person owns or controls, or has the power to control 50 percent or more of its voting stock, or a block of stock

which affords control because it is large compared to other outstanding blocks of stock, or (2) If two or more persons each owns, controls or has the power to control less than 50 percent of the voting stock of a concern, with minority holdings that are equal or approximately equal in size, but the aggregate of these minority holdings is large as compared with any other stock holding, each such person is presumed to be an affiliate of the concern.

Affiliation may be based on common management or joint venture arrangements. Affiliation arises where one or more officers, directors, or general partners control the board of directors and/or the management of another concern. Parties to a joint venture also may be affiliates. A contractor and subcontractor are treated as joint venturers if the ostensible subcontractor would perform primary and vital requirements of a contract or if the prime contractor is unusually reliant upon the ostensible subcontractor. All requirements of the contract are considered in reviewing such relationship, including contract management, technical responsibilities, and the percentage of subcontracted work.

Some businesses operating in the commercial halibut fisheries would be directly regulated by this action. The proposed alternative could directly regulate all halibut QS holders who are eligible to transfer Category D QS in Area 4B (up to 12); however, the actual number is expected to be much smaller. At present, NOAA Fisheries does not have sufficient ownership and affiliation information to determine precisely the number of entities in the IFQ program that are "small," based on SBA guidelines, nor the number that would be adversely impacted by the present action. For the reasons discussed above, this analysis assumes that all directly regulated operations are small, for RFA purposes.

For the purpose of this discussion, the entities may be divided into two, mutually exclusive groups. One group include operations that harvest both halibut and groundfish (sablefish is considered a groundfish species, while halibut is not). The Alaska Fisheries Science Center publishes data that allow for the estimation of the total gross revenues, by entity, from all sources in and off Alaska for these operations. A second group includes operations that harvest halibut, but no groundfish. These entities may also harvest species such as herring or salmon.

The 2008 SAFE report (NPFMC 2009) contains data on revenues from all sources, for operations harvesting groundfish. Table 36 of the report indicates that no hook-and-line catcher vessels had more than \$4 million in gross revenues from all fishing sources in and off Alaska. That was also the case in prior years. Average gross revenue for the small hook-and-line catcher vessels was about \$510,000. The IFQ program limits the amount of annual IFQ that any single vessel may be used to harvest and the maximum number of QS units an entity may use. NMFS annually publishes the number of QS units that an entity may use. The use cap for halibut in Area 4 is 1.5 percent of the Area 4 commercial quota share pool, or 495,044 QS units. The vessel cap is 0.5 percent of the all IFQ issued for halibut (217,744 net lb in 2009). The harvest limits and prices, identified in Section 1.8, reflect the maximum ex-vessel gross revenues in 2009 accruing to a vessel operator who owned the maximum permissible amount of QS units for halibut (\$90,000 in Area 4B).

While some operations considered here participate in other revenue generating activities (e.g., other fisheries), the halibut fisheries likely represent the largest single source of annual gross receipts for many of these operations. Based upon available data, and more general information concerning the probable economic activity of vessels in this IFQ fishery, no entity (or at most a *de minimus* number) directly regulated by these restrictions could have been used to land more than \$4.0 million in combined gross receipts in 2009. Therefore, all halibut vessels have been assumed to be "small entities," for purposes of the IRFA. This simplifying assumption may overestimate the number of small entities, since it does not take account of vessel affiliations, owing to an absence of reliable data on the existence and nature of these relationships.

Thus, all of the entities that harvest both groundfish and halibut are under the threshold. Based on the low revenues for the average groundfish vessel, and the low cap on maximum halibut revenues, additional revenues from herring, salmon, crab, or shrimp likely would be relatively small for most of this class of

vessels. Therefore, the available data and analysis suggest that there are few, if any, large entities among the directly regulated entities subject to the proposed action. Because of regulatory limits on the size of halibut QS holdings, and the amounts that may be used on each vessel, NMFS believes that few vessels that harvest halibut but no groundfish, would exceed the \$4 million threshold, either.

Description of reporting and record keeping compliance requirements

No additional reporting requirements have been identified.

Identification of relevant federal rules that may duplicate, overlap, or conflict with the proposed rule

NMFS is not aware of any other federal rules that would duplicate, overlap, or conflict with this action.

Description of significant alternatives to the proposed action that minimize adverse impacts on small entities

The significant alternative to the proposed action (the status quo alternative) for this action is treated, in detail (to the extent practicable), in the RIR. Alternative 1 would not have associated adverse economic impacts on directly regulated small entities. The ways in which the alternative contributes to achievement of the objectives of this proposed action, comports with the Halibut Act and other applicable law, and minimizes the economic impacts on directly regulated small entities is articulated there, and summarized above. On the basis of the foregoing analysis, the proposed alternative (relative to the status quo) appears to be the "least burdensome" for directly regulated small entities, among all available alternatives.

NOAA Fisheries is not aware of any alternatives, in addition to the alternatives considered therein, that would more effectively meet these RFA criteria.

3.0 Preparer

Jane DiCosimo
North Pacific Fishery Management Council
Anchorage, Alaska

4.0 Contributors

Jesse Gharrett, Tracy Buck	NMFS Restricted Access Management Program	Juneau, Alaska
Dr. Lew Queirolo	NMFS Alaska Region	Camano Island, Washington

5.0 Persons Contacted

IFQ Implementation Team		
Bob Snell		Anacortes, WA
Luci Roberts	APICDA	Soldotna, AK

6.0 References

Hartley, Marcus and Mark Fina. 2001a. "Allocation of individual vessel quota in the Alaskan Pacific halibut and sablefish fisheries." Case studies on the allocation of transferable quota rights in fisheries. FAO Fisheries Technical Paper 411. Rome. pp 251-265.

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effects of transferable fishing rights on fleet capacity and concentration of quota ownership. FAO Fisheries Technical Paper 412. Rome. pp 186-207.

NPFMC. 1996a. Environmental Assessment and Regulatory Impact Review/Initial Regulatory Flexibility Analysis for Categories (Class C & D). February, 1996. 28p.

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Pautzke, Clarence and Chris Oliver. 1997. Development of the Individual Fishing Quota Program for Sablefish and Halibut Longline Fisheries off Alaska. North Pacific Fishery Management Council, Anchorage, AK. 22p. www.fakr.noaa.gov/npfmc/sci_papers/ifqpaper.htm.

March 17, 2012

To: North Pacific Management Council
Mr. Eric Olson, Chair

From: Robert Snell
Anacortes, WA 98221 (360- 770-6763)
Re: April 2012 Council Meeting

Attention Staff Tasking: This letter provides support information for the Council to consider when the Fish-up proposal for area 4B comes up for adoption at the April Council meeting and hopefully finalized.

Rationale for fish-up proposal: The primary reasons focused upon safety and efficiency. These were the same reasons given for fish-up proposals for areas 3B and 4C in 2007. In addition this proposal will positively impact the problems posed by the historical under harvest of D class quota in 4B and the problem of by catch, as halibut could be harvested in conjunction with a directed P-cod fishery. Most D class, share holders can be considered entry level, like myself, and need this option to effectively fish P-cod to realize a financial benefit. There have been no objections raised by D class share holders for this option and most have expressed strong support. Moreover, the processing plants in Adak and especially Atka would benefit from more potential harvest deliveries. Another benefit accrued by D class share holders would permit them to purchase sablefish quota in the Aleutian Islands (AI) region which are not listed for D class vessels and thus provide them access to another fishery option. The concluding statement from the Impact Draft presented to the Council for the fish-up proposal dated November 5, 2010 states: "None of the alternatives are likely to change fishing patterns or harvest amounts to an extent that would result in an impact on the halibut stock, by catch amounts, or other environmental impacts. There are no data that suggest adverse impacts would result from a higher proportion of the harvest being taken on larger vessels. The preferred alternative is expected to increase economic efficiencies of halibut IFQ operations and safety by allowing small boat IFQ's to be fished on larger vessels. Beneficiaries of the preferred alternative would include all holders of D QS in Area 4B. Minor administrative costs of the program would be recovered by annual cost recovery fees for the entire program. None of the proposed actions are expected to have the potential to result in a 'significant action' as defined in Executive Order." This Impact statement provides validation for the fish-up proposal and considerable motivation for the Council to move it to adoption.

I spoke at the February Council meeting about my experience fishing my QS in conjunction with a directed P-cod fishery in the summer of 2008. I landed 53 K lbs of P-cod and 4 K lbs of halibut using two jigging machines on our 32ft vessel. I had 12 landings between June 17 and August 3 over a 49 day span generating \$44,450 (less fish tax). The value of cod at .50 lb generated \$26.5 K and halibut valued at \$17.4 K. The average weekly income was \$6.35K. Given the opportunity to fish ten weeks, a typical summer season, I might have grossed 64 K. My son and I were able to do this having had no previous experience with jigging machines, no previous experience fishing in the area, and no previous experience fishing for P-cod. Thus, it should be possible for the native fishers of Atka, with their familiarity of the fishing grounds, to exceed our catch. For comparison my son fishing by himself in Sand Point in 2009 landed 60 K lbs of P-cod in one month from May 7 to June 7 on our FV with a 6000 lb capacity hold. He believes as do I that having a C class vessel would have made a significant difference in our total P-cod poundage in both Adak and Sand Point and such would be the case for all D class shareholders in 4 B in the future if the fish-up proposal passed.

*Sincerely,
Robert Snell*

PUBLIC TESTIMONY SIGN-UP SHEET

Agenda Item: C-4a Area 4b Fish Up

	NAME (PLEASE PRINT)	TESTIFYING ON BEHALF OF:
1	X <u>FRANK Z. BASARGIN X</u>	<u>COMMERCIAL FISHERMAN</u>
2	<u>DUSTAN DICKERSON</u>	<u>UNFA</u>
3	<u>Everette Anderson / Bill Shainsnakeoff</u>	<u>APICDA /</u>
4	<u>Hughy Pelkey / Bill Shainsnakeoff</u>	<u>AFA</u>
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NOTE to persons providing oral or written testimony to the Council: Section 307(1)(I) of the Magnuson-Stevens Fishery Conservation and Management Act prohibits any person " to knowingly and willfully submit to a Council, the Secretary, or the Governor of a State false information (including, but not limited to, false information regarding the capacity and extent to which a United State fish processor, on an annual basis, will process a portion of the optimum yield of a fishery that will be harvested by fishing vessels of the United States) regarding any matter that the Council, Secretary, or Governor is considering in the course of carrying out this Act.



Aleutian Pribilof Island Community Development Association

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March 18, 2012

Mr. Eric Olson, Chair
Mr. Chris Oliver, Executive Director
North Pacific Fishery Management Council

Re: March 2012 Council Meeting
Agenda Item C-4 (a) Final Action to allow Area 4B Fish-up

Mr. Olson,

The Final Action C-4 (a) Agenda Item in front of the Council pertains to Area 4B. Atka presently has 7 active fishermen but not all have been able to harvest their respective IFQ due to weather, fish moving further away from land and safety issues associated with running smaller boats in this area of the Aleutians.

The other Area 4B IFQ holders are from Washington State, Haines and Unalaska, Alaska who hold roughly 4,800lb., 1,370lb., and 3,863lb. respectively (2011 figures).

The remaining Category D shares belong to fishermen who reside in Atka year round.

APICDA is requesting on behalf of the Atka local fleet, to take final action during the March 2012 Council meeting, allowing IFQ derived from category D quota share to be fished on category C vessels. Our fishermen would like to have safe and meaningful options available to them to fully utilize their IFQ.

Similar actions have taken place in Area 3B and 4C as remoteness of those areas and safety considerations were taken into account. We feel that the circumstance in Area 4B is no different. Final action to allow for fish up in Area 4B addresses National Standard 8 and just as important, National Standard 10.

Thank you for the opportunity to submit comments on this agenda item.

Sincerely,

Everette Anderson
Business Development/Corporate Relations