


MEMORANDUM

TO: Council

FROM: Chris Oliver   
Executive Director

DATE: December 1, 2005

SUBJECT: Halibut Charter Individual Fishing Quota (IFQ) Program

ESTIMATED TIME 18 HOURS
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**ACTION REQUIRED**

Consider action to rescind halibut charter IFQ program

**BACKGROUND**

In October 2005, the Council reviewed a letter from Dr. William Hogarth, Assistant Administrator of Fisheries, dated August 3, 2005, in which he requested that the Council confirm its support of the 2001 decision to incorporate the charter sector into the halibut commercial individual fishing quota (IFQ) program before NMFS publishes the proposed rule in the *Federal Register*. After receiving a brief staff report and testimony from nearly 100 members of the public, the Council agreed to send a letter to Dr. Hogarth, stating, "*The Council is concerned with the process that has transpired since its approval of the Halibut Charter IFQ program. This letter does not confirm support nor does it deny support. Without prejudice to any future Council action on this issue, the Council takes no action on your letter. It requests that you proceed with agency assessment of the draft proposed rule.*"

Also in October, Council member Ed Rasmuson notified the Council of his intent to make a motion to rescind the Halibut Charter IFQ Program at the December Council meeting. Background information on the program is provided by the Executive Summary of the analysis and the summary of the Council's 2001 preferred alternative, which are attached under Item C-1(a)(1). The 2004 draft for Secretarial review was mailed to the Council in November.

The Council also requested additional information from the State of Alaska. Rob Bentz, ADF&G Sport Fish Division, will report on charter halibut participation for 1998-2004, including number and percentages of charter halibut landings during 1998 and 1999 that were reported by potentially qualified participants that were still active in 2004 (Item C-1(a)(2)).

## SUMMARY HALIBUT CHARTER IFQ PROGRAM

After two days of public testimony from more than 200 individuals, the North Pacific Fishery Management Council approved an individual fishing quota (IFQ) program for the halibut charter fleet in Southeast and Southcentral Alaska on April 14, 2001. This decision culminated eight years of debate and over 8,000 comments on managing the charter halibut fishery. The IFQ program would replace the guideline harvest level (GHL) program approved by the Council in February 2000, and currently under Secretarial review. No changes were made to the 2-fish daily bag limit or 2-day possession limit for charter anglers. The charter IFQ program could be implemented as early as 2003 if adopted by the Secretary of Commerce. Major features of the approved program will include:

1. The action does not restrict non-charter recreational anglers. It only affects charter operations.
2. The action does not permit a charter captain to sell the fish. Fish caught by charter clients belong to the client.
3. The halibut charter IFQ program would be integrated into the existing halibut commercial IFQ program. The charter sector would be allocated 125% of the average 1995-99 charter harvest to allow for growth in the fishery. The allocation equates to approximately 13% of the combined commercial and charter quota in Southeast Alaska and approximately 14% of the combined commercial and charter quota in Southcentral Alaska. This is more than 36 percent in Southeast Alaska and 37 percent in Southcentral Alaska than is presently being harvested by the charter sector.
4. Charter allocations can grow over time. Charter quota shares may not be transferred (sold) to the commercial sector. In the future, the Council will determine whether to allow a portion of charter QS to transfer to the commercial sector. Quota shares may be transferred within the charter sector. Commercial quota shares may be transferred to the charter sector. They also may be transferred back to the commercial sector. Restrictions on those commercial quota shares would continue to be applied while they are used in the commercial fishery.
5. Twenty percent of charter IFQs (an IFQ is the amount which can be harvested in any one year based on a person's number of quota shares multiplied by the quota) may be leased within the charter sector for the first three years of the program; ten percent may be leased to the commercial sector for the first five years.
6. Between 1 and 2 percent of charter QS will be set aside for underdeveloped Gulf coastal communities to develop additional charter operations (the Council will identify those communities who are eligible for developing new operations and the details for how the program will be administered in a subsequent action).
7. Charter quota will be issued to a charter vessel owner, or to a person who leased a vessel from an owner, and who carried clients in 1998 or 1999, and 2000.
8. A quota share use cap of 1 percent in Southeast Alaska and ½ percent in Southcentral Alaska as well as a cap of ½ percent for both areas combined was approved, however, anyone who is initially issued quota shares above those levels would be grandfathered into the program at their qualifying level.
9. A delay of one year between the issuance of quota shares and fishing under the IFQ program.
10. IFQs would be issued in numbers of fish (compared with pounds in the commercial program) to allow current fishing practices to continue.
11. An agency and charter industry committee will develop an implementation plan to address reporting, monitoring, and enforcement.

The Council is an advisory body to the National Marine Fisheries Service, which manages Pacific halibut in State and Federal waters off Alaska jointly with the International Pacific Halibut Commission under the authority of the Northern Pacific Halibut Act of 1982.

**North Pacific Fishery Management Council**  
**(Draft) Final Motion on Halibut Charter Fishery Management**  
**April 14, 2001**

**Alternative 2. Include the halibut charter sector in the existing halibut IFQ program.**

IFQs are an access privilege, not an ownership right. They may be revoked or limited at any time in accordance with the North Pacific Halibut Act as well as the Magnuson-Stevens Act, and other federal laws. Charter IFQ halibut may not be sold into commerce - i.e., all sport regulations remain in effect.

**Issue 1. Initial QS may be based on:**

1. Equal to 125% of corrected average 1995-99 charterboat harvest.
2. (13.05% in Area 2C and 14.11% in Area 3A of a combined charter and commercial quota).
3. 100% of an individual's QS would float with abundance.

**Issue 2. Initial allocation of QS would be issued to U.S. citizens or to U.S. companies on the following basis: 75% U.S. ownership**

1. Charter vessel owner - person who owns the charterboat and charterboat business; and
2. Bare vessel lessee, where a lease occurred (instead of owner) - person that leases a vessel and controls its use as a charterboat for this fishery. May operate the vessel or may hire a captain/skipper. Lessee determines when the vessel sails and by whom captained.

**Issue 3. Qualification Criteria**

Initial issues who carried clients in 1998 or 1999 and who submitted ADF&G logbooks for an active vessel (as received by ADF&G by February 12, 2000). Initial issues will be required to be currently participating (meeting all legal requirements including filing a logbook) during season prior to final action and any year claimed during the qualifying period (currently May- Sept 20, 2000) and claimed trips must have been under the operation of a person holding a U.S. Coast Guard license.

**Issue 4. Distribution of QS may be based on:**

70% of 1998 and 1999 logbook average with an additional 10% added for each year of operation 1995-97 (longevity reward). (Excess QS would be distributed equally among those initial issues with participation in at least one year during 1995-97).

**Issue 5. Transferability of QS (permanent) and IFQs (on annual basis [leasing])**

Charter QS is non-leasable

Charter QS transfers:

1. Initially issued Charter QS is fully transferrable within the charter sector.
2. For purposes of transfer to commercial sector, 75% of an individual's initially issued charter QS is permanently nontransferable and 25% may be transferrable upon Council review and approval after 3 years.
3. Commercial QS purchased by charter operator is fully transferable (two-way) across sectors and retains original designations.

Charter IFQ leasing:

1. 20% of a charter operator's annual IFQ is leasable within the charter sector for the first 3 years of the program.
2. Leasing is defined as the use of Charter IFQ on a vessel which the owner of the QS has less than a 50% ownership interest.
3. 10% of a charter operator's annual IFQ may be leased to the commercial sector for the first 5 years.

Block restrictions

1. any initially issued (i.e., unblocked) charter QS once transferred to commercial sector shall be unblocked.
2. allow splitting of commercial blocks to transfer a smaller piece to the charter sector - split blocks retain original designations.

Vessel class restrictions

1. from A, B, C, and/or D commercial vessel category sizes to charter sector, except that no charter business may own or control more than 1 "D" category block equal to or above the sweep-up level.
2. from charter to commercial at B, C, and D category.
3. initial transfer from undesignated charter only to catcher vessel of comparable size class. Buy down allowances apply (e.g., charter vessel 35'-60' must sell to C or D class commercial vessel.)

**Issue 6. To receive halibut QS and IFQ by transfer:**

For the charter sector, must be either:

1. an initial charter issuee; or
2. qualified as defined by State of Alaska requirements for registered guides or businesses; and
3. fulfill all legal obligations of the charter sector; and
4. hold USCG license.

For the commercial sector, must have a commercial transfer eligibility certificate. All commercial rules apply to any provision that may permit the use of commercial QS/IFQ for commercial purposes by any entity in the Charter IFQ sector.

**Issue 7. Caps**

1. use cap for charter QS owners only of 1 percent of combined QS units in Area 2C and ½ percent of combined QS units in Area 3A (for all entities, individually and collectively) and grandfather initial issuees at their initial allocation.
2. use caps for charter QS owners only of ½ percent of combined QS units for combined Areas 2C and 3A (for all entities, individually and collectively) and grandfather initial issuees at their initial allocation

**Issue 8. Miscellaneous provisions**

1. Maximum line limit of 12 in Area 3A (remains at 6 lines for Area 2C), grandfather initial issuees at maximum lines in 2000, however, line limits in excess of the maximum are non-transferable.
2. 10% underage provision of total IFQs.
3. A one-year delay between initial issuance of QS and fishing IFQs.
4. Halibut harvested aboard a charter vessel continues to be the property of the angler who caught the halibut provided the charter owner possesses sufficient IFQ.

**Issue 9. IFQs associated with the charter quota shares may be issued in:**

Numbers of fish (based on average weight determined by ADF&G)

**Issue 10. Reporting:**

The Council defers design of the reporting and enforcement strategy to an IFQ technical implementation team, comprised of agency and industry. It is the intent of the Council that a more comprehensive reporting system will address the following items. The Council noted that ADF&G logbooks would not be considered sufficient for monitoring and that the team should consider fish tags and other reporting systems suggested by industry.

- 1. More timely, verifiable reporting of catch;
- 2. Enforcement concerns;
- 3. More accurate geographic referencing of catch location which provides for analysis of halibut harvest in LAMP districts.

**Issue 11. Community set-aside (revised)**

- 1. Set aside 1% of the combined commercial and charter halibut quota to communities with ¼ percent annual increases if utilized, to a maximum of 2 percent.
- 2. Source of the set-aside: Equal pounds from the commercial and charter sectors.
- 3. Sunset provisions: 10 years (starting in the first year of issuance). Persons currently participating in the set-aside program at the time of sunset would be allowed to operate within the guidelines of the program.

**LAMPs**

The Council also supports an expedited local area management planning (LAMP) process by the Alaska Board of Fisheries to address localized depletion and user group conflicts and other issues as appropriate. The Council encourages the Board to complete this process and report back to the Council as soon as possible.

## EXECUTIVE SUMMARY

### SUMMARY OF SECTION 1

This Environmental Assessment/Regulatory Impact Review/Initial Regulatory Flexibility Analysis evaluates a regulatory amendment to implement a new management program to govern the Pacific halibut charter fishery. It assesses the potential biological, economic, and social impacts of implementing management measures to include the charter sector in International Pacific Halibut Commission (IPHC) Areas 2C (Southeast Alaska) and 3A (Southcentral Alaska) in the current halibut IFQ program (Alternative 2). The analysis also examines the no action alternative (i.e., the halibut charter guideline harvest level (GHL) program) and a moratorium on entry into the halibut guided sport fleet (Alternative 3) to augment the halibut charter GHL program. Under the preferred alternative, which is based on Alternative 2, a direct allocation to the halibut charter sector would replace the GHLs that were adopted by the North Pacific Fishery Management Council in February 2000, approved by the Secretary of Commerce and implemented by NMFS in September 2003. Gulf of Alaska coastal communities also were considered for an initial allocation of halibut charter QS.

The Council began considering a management plan for the halibut charter fishery in 1993. It recognized that an expanding charter fleet, which resulted in an unconstrained expansion of charter halibut harvests at the expense of other users, was a management problem. In September 1997, the Council took final action on two management actions affecting the halibut charter fishery, the culmination of more than four years of discussion, debate, public testimony, and analysis.

Recordkeeping and reporting requirements. The Council adopted recording and reporting requirements for the halibut charter fishery. The Alaska Department of Fish and Game (ADF&G) Sport Fish Division, under the authority of the Alaska Board of Fisheries (BOF), implemented a Saltwater Sportfishing Charter Vessel Logbook (SCVL) program in 1998. It was designed to complement additional sportfish data collected through the Statewide Harvest Survey (SWHS), on-site (creel and catch sampling) surveys conducted separately by ADF&G in both Southeast and Southcentral Alaska, and port sampling in Southeast. It was designed to assess salmon sport harvest and fishing effort, but was expanded to include halibut, rockfish and ling cod, in part to respond to the Council's recording and reporting requirements. Collection of halibut data in the SCVL was discontinued in 2001, in part because of concerns over data quality. Currently, charter harvest data are not being collected on a trip-by-trip basis from the vessels operating in the Alaska halibut charter fishery. Data on charter vessel operations are limited to the SWHS and creel survey data. This limits the ability to further analyze the more recent participation of charter vessel operators.

Guideline Harvest Levels in IPHC Areas 2C and 3A. The Council recommended GHLs for the halibut charter fisheries in Areas 2C and 3A. Other areas of the State have limited halibut charter fisheries and were not considered to be developed enough to have a GHL system implemented. The GHLs were based on the charter sector receiving 125% of its 1995 harvest (12.76% of the combined commercial/charter halibut quota in Area 2C, and 15.61% in Area 3A). The Council stated its intent that the GHLs would not close the fishery, but instead would trigger other management measures in years following attainment of the GHL. The overall intent was to maintain a stable charter season of historic length, using area-specific measures. If end-of-season harvest data indicated that the charter sector likely would reach or exceed its area-specific GHL in the following season, NMFS would implement the pre-adopted measures to slow down charter halibut harvest. Given the one-year lag between the end of the fishing season and availability of that year's harvest data, it was anticipated that it would take up to two years for management measures to be implemented. The Council did not adopt the proposed vessel moratorium for the halibut charter fleet. Insufficient data on the number of and harvest by individual operators limited the Council's determination of an appropriate preferred alternative at the time.

In December 1997, the NMFS Alaska Regional Administrator informed the Council that regulations implementing the GHL would not be published, since the Council had not recommended specific management measures to be implemented if the GHL was reached. Therefore, no formal decision by the Secretary was required for the GHL and the analysis was not forwarded for Secretarial review. After that notification, the Council initiated a public process to identify GHL management measures. The Council formed a GHL Committee to recommend management measures for analysis that would constrain charter harvests under the GHL. It convened three times in 1998 and 1999.

In April 1999, the Council identified for analysis: (1) a suite of GHL management measure alternatives; (2) alternatives that would change the GHL as adopted in 1997; and (3) area-wide and LAMP moratorium options under all alternatives. The Council designed management measures to be triggered in subsequent fishing years, should the GHL be exceeded, recognizing that: (1) reliable in-season catch monitoring is not available for this fishery; (2) in-season adjustments cannot be made to the commercial longline individual fishing quotas (IFQs); and (3) the Council stated its intent is to not shorten the charter fishing season.

The Council modified the suite of alternatives during initial review in December 1999. During final action in February 2000, the Council adopted its preferred alternative for the GHL program. The GHLs would be based on 125% of charter harvest estimates for 1995-99 and set equal to 1.4 million pounds (M lb) in Area 2C and 3.91 M lb in Area 3A. The Council also adopted a suite of framework management measures that would be implemented using a framework procedure for each IPHC regulatory area. In December 2000, the ADF&G staff provided corrected halibut charter estimates for 1996-98. The GHL analysis was revised and resubmitted to NMFS on February 14, 2001 to reflect these corrections.

The proposed rule, which was based on the Council's preferred alternative, was published on January 28, 2002. On September 6, 2002, the NMFS Regional Administrator notified the Council that the preferred alternative could not be submitted for Secretarial review because the frameworked management measures to reduce halibut charter harvests under the GHL likely would require additional public comment under the APA rulemaking process. NMFS identified a new preferred alternative. The analysis was revised and resubmitted for Secretarial review in April 2003 with the new preferred alternative. The final rule was implemented on August 8, 2003. Measures included: (1) a GHL for the halibut guided sport fleet of 1.432 M lb net weight in Area 2C and 3.65 M lb net weight in Area 3A; (2) a mechanism for modifying the GHL if stock abundance of halibut declines; and (3) notification of the Council by NMFS in writing within 30 days of receiving information that the GHL has been exceeded. At that time, the Council may choose to initiate analysis in coordination with NMFS for subsequent rulemaking that may implement harvest reduction measures.

Charter IFQ Program. In addition to adopting its preferred alternative for the GHL program in February 2000, the Council initiated an analysis for instituting an IFQ program for the halibut charter fishery and appointed an industry committee to develop recommendations for analytical alternatives. The Council adopted the committee recommendations with modifications as proposed by the Advisory Panel and the public. In October 2000, the Council included an option to set aside a percentage of the combined halibut charter and commercial quota in Areas 2C and 3A for Gulf of Alaska coastal communities, hereafter referred to as the community set-aside (CSA) program. In December 2000, the Council modified the range of the CSA for additional analysis. In February 2001, the Council added a sunset provision for the IFQ program and revised its previously adopted problem statement for the CSA program. While the economic and social consequences of a community quota program will be discussed, this analysis addresses only:

- (1) *whether* to set-aside quota for Gulf communities;
- (2) the *magnitude* of the set-aside;
- (3) the *source* of the set-aside quota (charter and/or commercial); and
- (4) *whether* to include a sunset provision.

If the Secretary approves the community set-aside, the details of the program would be analyzed following that decision. However, it is the intent of the Council that the regulations for the CSA be implemented prior to the first season of fishing under the charter IFQ program. Note that there is a one year scheduled delay between issuance of charter halibut QS and fishing charter halibut IFQs for non-CSA participants, which may provide sufficient time to implement CSA regulations.

### COMMUNITY SET-ASIDE PROBLEM STATEMENT

A number of small, coastal communities in Southeast and Southcentral Alaska are struggling to remain economically viable. The charter IFQ program, as with other limited entry programs, will increase the cost of entry to the halibut charter fishery.

A community set-aside of halibut charter IFQs will remove this economic barrier, promoting geographic diversity in the charter industry and sustained economic opportunity in small, remote coastal communities in Southeast and Southcentral Alaska.

### GUIDED SPORT SECTOR PROBLEM STATEMENT

The Pacific halibut resource is fully utilized. The North Pacific Fishery Management Council recently adopted a GHL to address allocation issues between the guided sport sector and other users of the halibut resource. Upon adoption by the SOC, the GHL is intended to stop the open-ended reallocation between commercial and guided sport sectors and to address a number of other concerns. The Council remains concerned that over time allocation conflicts between sectors may resurface, and that overcapitalization in the guided sport fleet may have a negative impact on both guided sport operators and anglers. The Council is developing a management plan *for the guided sport sector* to address these concerns while:

1. recognizing the unique nature of the guided sport sector;
2. controlling consolidation;
3. Providing entry level opportunities for guided sport operators; and
4. encouraging diversity of opportunities for anglers.

In evaluating alternatives, the Council seeks to maintain access opportunities for halibut fishermen, processors and consumers and to assess costs and benefits to anglers.

The Council adopted its preferred alternative in April 2001 based on Alternative 2, to incorporate the charter sector into the existing commercial halibut IFQ program. The Council preferred alternative follows Alternative 2, which contains a range of options under eleven issues for which the Council selected specific options and suboptions.

**Alternative 1. No action.**

**Alternative 2. Include the halibut charter sector in the existing halibut IFQ program.**

**Issue 1. Initial QS may be based on:**

- Option 1. Equal to 125% of corrected average 1995-99 charterboat harvest (13.05% in Area 2C and 14.11% in Area 3A of a combined charter and commercial quota)
- Option 2. Equal to 100% of corrected average 1998-99 charterboat harvest (10.73% in Area 2C and 9.82% in Area 3A of a combined charter and commercial quota)
- Option 3. Equal to 100% of corrected average 1995-99 charter harvest (10.44% in Area 2C and 11.29% in Area 3A of a combined charter and commercial quota)



Suboption: 0-50% of an individual's QS initial issuance would be fixed and the remainder would float with abundance.

**Issue 2. Initial allocation of QS would be issued to U.S. citizens or to U.S. companies on the following basis:**

U.S. ownership based on: a) 51% ownership; b) 75% ownership

Option 1. Charter vessel owner - person who owns the charterboat and charterboat business

Option 2. Bare vessel lessee - person that leases a vessel and controls its use as a charterboat for this fishery. May operate the vessel or may hire a captain/skipper. Lessee determines when the vessel sails and by whom it is captained.

**Issue 3. Qualification Criteria**

Option 1. Initial recipients who carried clients in 1998 and 1999 and who submitted ADF&G logbooks for an active vessel (as received by ADF&G by February 12, 2000)

Option 2. Initial recipients who carried clients in 1998 or 1999 and who submitted ADF&G logbooks for an active vessel (as received by ADF&G by February 12, 2000)

Option 3. Initial recipients who carried clients prior to June 24, 1998 and who submitted at least one ADF&G logbook for an active vessel (as received by ADF&G by February 12, 2000)

Option 4. Initial recipients who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC, and ADF&G business and guide documentation for 1995-99 and submitted logbooks for an active vessel in 1998 and 1999

Option 5. Initial recipients who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC and ADF&G business and guide documentation for 1995-99 and submitted logbooks for an active vessel for either 1998 or 1999

Option 6. Initial recipients who carried clients three out of five years between 1995-1999 as evidenced by IPHC, CFEC and ADF&G business and guide documentation for 1995-99 and submitted logbooks for an active vessel in 1998 and 1999

Option 7. Initial recipients who carried clients three out of five years between 1995-1999 as evidenced by IPHC, CFEC and ADF&G business and guide documentation for 1995-99 and submitted logbooks for an active vessel in 1998 or 1999

Suboption: Require that initial recipients be currently participating (meeting all legal requirements including filing a logbook) during season prior to final action (currently May- Sept 2000) and claimed trips must have been under the operation of a person holding a U.S. Coast Guard license.

**Issue 4. Distribution of QS may be based on:**

Option 1. 70% of 1998 and 1999 logbook average with an additional 10% added for each year of operation 1995-97 (longevity reward).

Option 2. Modified Kodiak proposal: 5%-30% for A, 33% for B, 37%-62% for C

Part A: each individual gets an equal percentage of the qualified pool as identified by the Council's final action.

Part B: each individual's average 98/99 logbook harvest as percentage of overall harvest is multiplied by 33% of the qualified pool.

Part C: one point for each year of participation during 1995-99.

Suboption: Base distribution for the preferred option on both total catch retained and caught and released

**Issue 5. Transferability of QS (permanent) and IFQs (on annual basis [leasing])**

Option 1. Nature of Charter QS/IFQ:

a) Leasable

b) Non-leasable

Suboption: Define leasing as the use of QS/IFQ on vessels on which the owner of the QS/IFQ has less than 20%-75% ownership

- Option 2. Transfer of QS (permanent) and/or IFQs (leasing):
- a) prohibit transfers between charter and commercial sectors  
Suboption: no QS transfers between sectors for 2-5 years
  - b) allow transfers between charter and commercial sectors
    1. 1-yr one way transfer from commercial to charter
    2. 3-yr one way transfer from commercial to charter
    3. two-way (between commercial and charter sectors).
 Suboptions under Options b (1-3):
    - i. Designate QS pool into two classes for transfer from charter to commercial sector: transferable (25%) and non-transferable (75%) pools on an individual's basis.
    - ii. Cap the percentage of annual IFQ transfers (de facto leasing) between sectors not to exceed 25% of total IFQs and a range of 0-10% of IFQs per year from charter to commercial.
    - iii. on percentage of annual QS transfers between sectors not to exceed 25% of total QS and a range of between 0-10% of QS per year from charter to commercial.
    - iv. A range of 0-10% leasing of charter IFQ to charter from charter for the first 3 years.

- Option 3. Block restrictions
- a) any initially issued (i.e., unblocked) charter QS once transferred to commercial sector shall be:
    1. blocked
    2. blocked up to the limits of the commercial sweep-up and block limits
    3. unblocked
  - b) allow splitting of commercial blocks to transfer a smaller piece to the charter sector
  - c) allow splitting of commercial blocks once transferred to the charter sector

- Option 4. Vessel class restrictions
- a) from A, B, C, and/or D commercial vessel category sizes to charter sector
    1. Leasable
    2. Non-leasable
  - b) from charter to commercial:
    1. D category only
    2. C and D categories only
    3. B, C, and D categories
  - c) initial transfer from undesignated charter to a particular commercial vessel category locks in at that commercial category

Option 5. Minimum size of transfer is range of 20-72 fish

**Issue 6. To receive halibut QS and IFQ by transfer:**

- Option 1. For the charter sector, must be either
- a) a initial charter recipient or
  - b) qualified as defined by State of Alaska requirements for registered guides or businesses\*  
\*Suboption: and hold a USCG license.  
\*this would require a change in the commercial regulations to allow transfer of commercial QS/IFQ to charter operator
  3. fulfill all legal obligations of the charter sector
- Option 2. For the commercial sector, must have a commercial transfer eligibility certificate.  
Suboption: all commercial rules apply to any provision that may permit the use of commercial QS/IFQ for commercial purposes by any entity in the Charter IFQ sector.

**Issue 7. Caps**

Option 1. No caps - free transferability

Option 2. Caps:

1. use cap for charter QS owners only of 0.25%, 0.5%, and 1% of combined QS units in Area 2C and 0.25%, 0.5%, and 1% of combined QS units in Area 3A (for all entities, individually and collectively) and grandfather initial issues at their initial allocation
2. use cap for charter QS owners only of 0.25%, 0.5%, and 1% of combined QS units for combined Areas 2C and 3A (for all entities, individually and collectively) and grandfather initial recipients at their initial allocation

**Issue 8. Miscellaneous provisions**

Option 1. Maximum line limit of 12 in Area 3A (remains at 6 lines for Area 2C), grandfather initial recipients

Option 2. 10% underage provision of total IFQs

Option 3. 10% overage provision of IFQs remaining on last trip to be deducted from next year's IFQs

Option 4. A one-year delay between initial issuance of QS and fishing IFQs.

**Issue 9. IFQs associated with the charter quota shares may be issued in:**

Option 1. Pounds

Option 2. Numbers of fish (based on average weight determined by ADF&G)

**Issue 10. Reporting**

Option 1. Require operator to report landings at conclusion of trip

Option 2. ADF&G logbook

Option 3. Require a reporting station in every city and charter boat location to accurately weigh every halibut caught.

Option 4. Charter IFQ fish tags

Option 5. Require operator to log the catch at the time the fish is retained.

**Issue 11. Community set-aside**

Option 1. No community set-aside.

Option 2. Set-aside 0.5% to 2.5% of combined commercial charter TAC for Gulf coastal communities

Suboption 1. Source of the set-aside

a) equal pounds from the commercial and charter sectors.

b) proportional amount based on the split between the commercial and charter sectors.

c) 100% of the pounds taken out of the charter sector.

Suboption 2. Sunset provision

a) no sunset

b) sunset in 5 years

c) sunset in 10 years

d) persons currently participating in the set-aside program at the time of sunset would be allowed to operate within the guidelines of the program.

**Alternative 3. Moratorium**

**Issue 1. Recipient**

Option 1. owner/operator or lessee (the individual who has the license and fills out logbook) of the charter vessel/business that fished during the eligibility period (based on an individual's participation and not the vessel's activity)

Option 2. vessel

**Issue 2. Qualification Criteria**

Option 1. Initial recipients who carried clients in 1998 and 1999 and who submitted ADF&G logbooks for an active vessel (as received by ADF&G by February 12, 2000)

- Option 2. Initial recipients who carried clients in 1998 or 1999 and who submitted ADF&G logbooks for an active vessel (as received by ADF&G by February 12, 2000)
- Option 3. Initial recipients who carried clients prior to June 24, 1998 and who submitted at least one ADF&G logbook for an active vessel (as received by ADF&G by February 12, 2000)
- Option 4. Initial recipients who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC, and ADF&G business and guide documentation for 1995-99 and submitted logbooks for an active vessel in 1998 and 1999
- Option 5. Initial recipients who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC, and ADF&G business and guide documentation for 1995-99 and submitted logbooks for an active vessel for either 1998 or 1999
- Option 6. Initial recipients who carried clients three out of five years between 1995-1999 as evidenced by IPHC, CFEC, and ADF&G business and guide documentation for 1995-99 and submitted logbooks for an active vessel in 1998 and 1999
- Option 7. Initial recipients who carried clients three out of five years between 1995-1999 as evidenced by IPHC, CFEC, and ADF&G business and guide documentation for 1995-99 and submitted logbooks for an active vessel in 1998 or 1999
- Suboption: Require that initial recipients be currently participating (meeting all legal requirements including filing a logbook) during season prior to final action (currently May- Sept 2000) and claimed trips must have been under the operation of a person holding a U.S. Coast Guard license.

**Issue 3. Evidence of participation**

- Option 1. mandatory requirements:
  - a) IPHC license (for all years)
  - b) CFEC number (for all years)
  - c) 1998 logbook
- Option 2. supplementary requirements
  - a) Alaska state business license
  - b) sportfish business registration
  - c) insurance for passenger for hire
  - d) ADFG guide registration
  - e) enrollment in drug testing program (CFR 46)

**Issue 4. Vessel upgrade**

- Option 1. License designation limited to 6-pack, if currently a 6-pack, and inspected vessel owner limited to current inspected certification (held at number of people, not vessel size)
- Option 2.: Allow upgrades in southeast Alaska (certified license can be transferred to similar size vessel)

**Issue 5. Transfers**

- Option 1. Will be allowed

**Issue 6. Duration for review**

- Option 1. Tied to the duration of the GHL
- Option 2. 3 years
- Option 3. 5 years (3 years, with option to renew for 2 years)

After the merits of the various programs were considered the Council selected a preferred alternative. Their preferred alternative was crafted based on options selected from Alternative 2. The components that comprise the preferred alternative are listed below:

**Preferred Alternative. Include the halibut charter sector in the existing halibut IFQ program.**

As part of their preferred alternative the Council stated that the IFQs proposed as part of this motion are an access privilege, not an ownership right. They may be revoked or limited at any time in accordance with the Northern Pacific Halibut Act of 1982, as well as the Magnuson-Stevens Act, and other federal laws. Charter IFQ halibut may not be sold into commerce - i.e., all sport regulations remain in effect.

**Issue 1. Initial QS may be based on:**

- a) 13.05% in Area 2C and 14.11% in Area 3A of a combined charter and commercial quota
- b) equal to 125% of corrected average 1995-99 charterboat harvest.
- c) 100% of an individual's QS would float with abundance.

**Issue 2. Initial allocation of QS would be issued to U.S. citizens or to U.S. companies with a minimum of 75% U.S. ownership. Persons receiving the allocation are:**

- a) Charter vessel owner - person who owns the charterboat and charterboat business; and
- b) Bare vessel lessee, where a lease occurred (instead of owner) - person that leases a vessel and controls its use as a charterboat for this fishery. May operate the vessel or may hire a captain/skipper. Lessee determines when the vessel sails and by whom it is captained.

**Issue 3. Qualification Criteria**

Initial recipients who carried clients in 1998 or 1999 and who submitted ADF&G logbooks for an active vessel (as received by ADF&G by February 12, 2000). Initial recipients will be required to be currently participating (meeting all legal requirements including filing a logbook) during season prior to final action and any year claimed during the qualifying period (currently May-Sept 20, 2000) and claimed trips must have been under the operation of a person holding a U.S. Coast Guard license.

**Issue 4. Distribution of QS may be based on:**

70% of 1998 and 1999 logbook average with an additional 10% added for each year of operation 1995-97 (longevity reward). (Excess QS would be distributed equally among those initial recipients with participation in at least one year during 1995-97).

**Issue 5. Transferability of QS (permanent) and IFQs (on annual basis [leasing])**

Charter QS is non-leasable

Charter QS transfers:

- a) Initially issued Charter QS is fully transferrable within the charter sector.
- b) For purposes of transfer to commercial sector, 75% of an individual's initially issued charter QS is permanently nontransferable and 25% may be transferrable upon Council review and approval after 3 years.
- c) Commercial QS purchased by charter operator is fully transferable (two-way) across sectors and retains original designations.

Charter IFQ leasing:

- a) 20% of a charter operator's annual IFQ is leasable within the charter sector for the first 3 years of the program.
- b) Leasing is defined as the use of Charter IFQ on a vessel which the owner of the QS has less than a 50% ownership interest.
- c) 10% of a charter operator's annual IFQ may be leased to the commercial sector for the first 5 years.

Block restrictions

- a) any initially issued (i.e., unblocked) charter QS, once transferred to the commercial sector, shall be unblocked.
- b) allow splitting of commercial blocks to transfer a smaller piece to the charter sector - split blocks retain original designations.

Vessel class restrictions

- a) from A, B, C, and/or D commercial vessel category sizes to charter sector, except that no charter business may own or control more than 1 "D" category block equal to or above the sweep-up level.
- b) from charter to commercial at B, C, and D category.
- c) initial transfer from undesignated charter only to catcher vessel of comparable size class. Buy down allowances apply (e.g., charter vessel 35'-60' must sell to C or D class commercial vessel.)

**Issue 6. To receive halibut QS and IFQ by transfer:**

For the charter sector, must be either:

- a) an initial charter recipient; or
- b) qualified as defined by State of Alaska requirements for registered guides or businesses; and
- c) fulfill all legal obligations of the charter sector; and
- d) hold USCG license.

For the commercial sector, must have a commercial transfer eligibility certificate. All commercial rules apply to any provision that may permit the use of commercial QS/IFQ for commercial purposes by any entity in the Charter IFQ sector.

**Issue 7. Caps**

- a) use cap for charter QS owners only of 1% of combined QS units in Area 2C and 0.5% of combined QS units in Area 3A (for all entities, individually and collectively) and grandfather initial recipients at their initial allocation.
- b) use caps for charter QS owners only of 0.5% of combined QS units for combined Areas 2C and 3A (for all entities, individually and collectively) and grandfather initial recipients at their initial allocation

**Issue 8. Miscellaneous provisions**

- a) Maximum line limit of 12 in Area 3A (remains at 6 lines for Area 2C), grandfather initial recipients at maximum lines in 2000, however, line limits in excess of the maximum are non-transferable.
- b) 10% underage provision of total IFQs.
- c) A one-year delay between initial issuance of QS and fishing IFQs.
- d) Halibut harvested aboard a charter vessel continues to be the property of the angler who caught the halibut, provided the charter owner possesses sufficient IFQ.

**Issue 9. IFQs associated with the charter quota shares will be issued in:**

Numbers of fish (based on average weight determined by ADF&G)

**Issue 10. Reporting:**

The Council defers design of the reporting and enforcement strategy to an IFQ technical implementation team, comprised of agency and industry members. It is the intent of the Council that a more comprehensive reporting system will address the following items. The Council noted that ADF&G logbooks would not be considered sufficient for monitoring and that the team should consider fish tags and other reporting systems suggested by industry.

- a) More timely, verifiable reporting of catch;
- b) Enforcement concerns;
- c) More accurate geographic referencing of catch location, which provides for analysis of halibut harvest in LAMP districts.

**Issue 11. Community set-aside**

1. Set aside 1% of the combined commercial and charter halibut quota to communities with 0.5% annual increases if utilized, to a maximum of 2%.
2. Source of the set-aside: Equal pounds from the commercial and charter sectors.
3. Sunset provisions: 10 years (starting in the first year of issuance). Persons currently participating in the set-aside program at the time of sunset would be allowed to operate within the guidelines of the program.

The Council notified the public in June 2001, that it would schedule a vote to reconsider its final action during its October Council meeting. A motion to reconsider failed 6:5 in October 2001.

In February 2002, ADF&G staff notified the Council of its preliminary analysis of the ADF&G Saltwater Sportfishing Charter Vessel Logbook Program regarding the reliability of reported harvest of Pacific halibut taken by guided sport anglers (memo from Allen Bingham to Kevin Duffy dated September 21, 2001). ADF&G staff recommended that the data not be used for management decisions. This comment delayed submission of the analysis for Secretarial review while staff further explored the appropriateness of using the logbook data for determining initial allocations of charter QS during Summer and Fall 2002. After reviewing two ADFG reports on the logbook data in October 2002 and January 2003, the Council's Scientific and Statistical Committee advised the Council that it found that it would be reasonable for the Council to use the logbook data in determining whether a vessel was active in the fishery during the qualifying years (1998-1999 in 2C, 1998 in 3A) and/or as a basis for determining an initial allocation of QS. Therefore, no additional action was necessary and this analysis was revised for NMFS review in April 2003, prior to submission to the Secretary. NMFS staff recommended numerous revisions to the draft prior to Secretarial review, including the addition of an analysis of current participants as required under the Magnuson-Stevens Act Section 303(b)(6). The analysis was revised and resubmitted to NMFS for submission to the Secretary in January 2004.

## **SUMMARY OF SECTION 2**

The environmental assessment of the proposed action is provided in Section 2. It includes a summary of the status quo (Alternative 1), each of the 11 issues pertaining to adding the charter sector to the commercial halibut IFQ program (Alternative 2), a moratorium on new entrants to the halibut charter fleet (Alternative 3), and the Council's preferred alternative.

The preferred alternative is controversial. The Council is recommending the first IFQ program for a sport and/or guided sport fishery in the U.S., and perhaps the world. It also would allocate QS to a class of stakeholders, vessel owners or lessees, rather than the traditional principal harvester in this fishery, the guided angler, under Issue 4. A motion to rescind the preferred alternative failed one meeting (October 2001) after the preferred alternative was selected. In February 2002, the State provided a report to the Council on data quality issues as they related to the determination of catch history for initial allocation of QS. Two additional reports were provided at the request of the Council. Based on advice from its Scientific and Statistical Committee, the Council determined that the use of the data is appropriate.

## **SUMMARY OF SECTION 3**

**Alternative 1, No Action.** The charter halibut fishery is currently operating under a guideline harvest level of 1.432 M lb net weight in Area 2C and 3.65 M lb net weight in Area 3A. Regulations also implemented a mechanism for modifying the GHL if stock abundance of halibut declines; and for notification of the Council by NMFS in writing within 30 days of receiving information that the GHL has been exceeded. Based on 1999 harvest levels and projections of future combined commercial and charter catch limits, charter vessel clients in Areas 2C and 3A can increase their harvests by 340,000 pounds and 950,000 pounds, respectively, compared with 2000 halibut charter harvests before the GHGs would be reached.

The GHG program was designed to limit the halibut removals by sport fishermen using charter vessels. Due to APA concerns, proposed management measures adopted by the Council in its original preferred alternative were not implemented. A new preferred alternative was incorporated into the analysis after final action and approved by the Secretary. Future management measures to reduce harvests below the GHG levels would be considered by the Secretary in following actions. Since the implementation of GHGs and the process for

developing management measures to reduce the charter sector's halibut harvests, once they exceed the GHLS, was maintained, the comparisons between the alternatives in this analysis are still appropriate.

Status quo regulations do not limit entry into the charter fleet. Charter harvests only will be constrained by implementing more restrictive management measures after a GHL is reached and subsequent rulemaking is implemented, but there is currently no way to prevent additional charter operators from entering the fishery. New entry may be beneficial to consumers of halibut charter trips, but may be detrimental to the current charter operators. This is especially true if the new entrants erode the amount of halibut existing charter operators' clients can take before more restrictive management measures are imposed.

Estimates of the economic impacts of the halibut charter fishery were made in the GHL analysis (NPFMC 2000), and some of the more relevant findings are brought forward in this amendment package. A total of 40,400 trips were taken by charter clients fishing from 581 vessels in Area 2C during 1998. Ninety-four percent of the trips were taken by non-Alaska residents. In Area 3A, a total of 83,774 charter client trips were taken from 504 vessels during 1998. About 64 percent of the trips were taken by non-Alaska residents. Over all, anglers are expected to respond inelastically to changes in per day fishing costs (over expected ranges associated with the proposed action). Alaska residents appear to be more responsive to price changes than non-Alaska residents when determining whether to take a charter trip.

Fishing expenditures to take a halibut charter trip were estimated to be \$15 million in the Cook Inlet to western Kenai Peninsula region (\$18 million in all of Area 3A) during 1998. Based on expenditure data collected in the Lee et al. (1999a) survey, input-output (I/O) modeling was performed to gauge the impacts of angler expenditures attributable to the halibut charter fishery on the western Kenai Peninsula. After accounting for the direct, indirect, and induced effects of angler expenditures, the fishery contributes a total of approximately \$22.6 million worth of sales (output), \$9.3 million worth of income, and 738 jobs to the regional economy (western Kenai). Note that these jobs are not full-time equivalents, but include seasonal and part-time positions.

Similar data are not available for Area 2C. However, the cost per charter trips in 2C was between \$150 and \$220, depending on the location. Many of those trips were for salmon or a combination of salmon and halibut, so it is not possible to derive good estimates of the expenditures on "exclusively" halibut charter trips in Area 2C.

**Alternative 2. IFQ Program for the Halibut Charter Fishery (basis of Preferred Alternative).** The preferred alternative recommends incorporating the charter sector into the commercial halibut IFQ fishery.

**Issue 1** of preferred alternative allocates 13.05% in Area 2C and 14.11% in Area 3A of a combined commercial and charter halibut quota for an initial allocation to the charter sector. These percentages are set equal to 125% of the corrected average 1995-99 charter halibut harvest. All of the IFQ associated with the QS is directly tied to the combined halibut quota and would fluctuate with halibut abundance and quotas, as determined by the IPHC.

**Issue 2** defines U.S. ownership requirements and recipients of initial quota. Real persons are required to be U.S. citizens before they may be allocated or purchase quota. Corporations and the other such entities are also required to be U.S. owned. The U.S. ownership level was set at 75%. Initial allocations of QS would be issued to both charter vessel owners, defined as either: (1) the person who owns the charterboat and charterboat business on which the qualified harvests were landed, or (2) a bare vessel lessee, where a lease occurred (instead of a permanent transfer of ownership). A lessee is defined as the person who leases a vessel and controls its use as a charterboat for this fishery. A lessee may operate the vessel or may hire a captain/skipper and would determine when the vessel sails and by whom it is captained.



**Issue 3** defines the level of participation a person must meet to qualify for an initial quota allocation. The preferred alternative defined the qualification criteria for initial recipients as those persons who carried clients in 1998 or 1999 and who submitted ADF&G logbooks for an active vessel (as received by ADF&G by February 12, 2000). Initial recipients will be required to be currently participating (meeting all legal requirements including filing a logbook) during the season prior to final action, and any year claimed during the qualifying period (currently May- Sept 20, 2000). Claimed trips must have been under the operation of a person holding a U.S. Coast Guard license, unless the trip was taken on a non-motorized vessel where the operator is exempt from U.S. Coast Guard license requirements.

The number of persons meeting this criteria, and therefore eligible to receive an allocation at the time of initial issuance, is difficult to precisely determine. A major factor that makes determination very difficult involves tracking claimant's records across various disparate data sets. Approximately 539 persons in Area 2C and 568 persons in Area 3A may qualify. If approved by the Secretary, applicants for initial charter QS would need to provide the appropriate documentation to prove their qualification. The number of applicants is expected to be far lower than these estimates, due to many otherwise eligible persons having left the industry.

**Issue 4** defines the formula that will be used to allocate QS among the initial recipients. The average of each initial recipient's 1998 and 1999 retained halibut harvest will be estimated using logbook records. Of this amount, each person will be awarded 70% of his or her average 1998 and 1999 harvest level. An additional 10% of the individual's 1998 and 1999 logbook average will be awarded for each year of proven participation in the fishery for 1995, 1996, and 1997. The specific formula for determining initial allocations is described in more detail in Section 3.5.4. The total QS pool that would be available for initial distribution would not be known until all potential applicants have applied and the applications reviewed and finalized by NMFS.

**Issue 5** defines the types of transfers that would be allowed under the preferred alternative. Leasing of charter QS is prohibited. Initially issued charter QS is fully transferrable within the charter sector. For purposes of transfer to the commercial sector, 75% of an individual's initially issued charter QS is permanently nontransferable and 25% may be transferred after 3 years, upon Council review and approval. Commercial QS purchased by charter operator is fully transferable (two-way) across sectors, but retains its original designations upon transfer back to the commercial sector.

Limited leasing of charter IFQs would be allowed. Up to and including 20% of a charter QS holder's annual IFQ is allowed to be leased within the charter sector, during the first 3 years of the program. Leasing is defined as the use of Charter IFQ on a vessel in which the owner of the QS has less than a 50% ownership interest. Up to and including 10% of a charter operator's annual IFQ may be leased to the commercial sector during the first 5 years.

Any initially issued (i.e., unblocked) charter QS, once transferred to commercial sector, shall be unblocked. Splitting of commercial blocks to transfer a smaller piece to the charter sector would be allowed and the split blocks would retain their original designations.

Transfers of class A, B, C, and/or D commercial QS to the charter sector would be permitted under one of the options, except that no charter business may own or control more than 1 "D" category block, equal to or above the sweep-up level. Transfers also would be allowed from the charter to commercial sector. Transfers to the commercial sector could only be used as B, C, or D category QS and must be fished from a vessel of similar size as the charter vessel. Transfers would be limited to those occurring between undesignated charter QS and commercial catcher vessels of a comparable size class. USCG vessel documentation and/or State of Alaska registration information could be used to determine track vessel lengths and ensure transfers among

appropriate vessel classes. The buy-down allowances would apply (e.g., charter vessel 35-60 ft must sell to C or D class commercial vessel.)

These limitations are intended to prevent change that is either too rapid or too radical, but they also result in potentially binding (effective) barrier to completely free and unfettered trade. These transfer restrictions will be reviewed once the program is underway to determine if the constraints are necessary and/or appropriate.

**Issue 6** defines persons who are eligible to receive QS and IFQs by transfer. For the charter sector, an eligible person must be either an initial charter recipient or “qualified,” as defined by State of Alaska requirements for registered guides or businesses. Such persons must also fulfill all legal obligations of the charter sector and hold a USCG license (unless the QS will be fished from a non-motorized vessel). For the commercial sector, a person must have a commercial transfer eligibility certificate. All commercial rules apply to any provision that may permit the use of commercial QS/IFQ for commercial purposes by any entity in the Charter IFQ sector.

Limiting the number of people that are allowed to purchase quota may decrease the QS value, if those persons excluded from purchasing QS place the highest value on it. However, limiting those who are allowed to purchase QS also helps to ensure that the fishery remains in the hands of a specific category of people. In making this decision, the Council concluded that the benefits gained from limiting quota ownership, outweighed any losses in quota value that may result from unrestricted QS purchases.

The preferred alternative would require individuals to hold a USCG license, in addition to the other requirements, before they are allowed to purchase QS or IFQ for the halibut charter fishery. If the regulations are written such that quota can only be fished in the commercial fishery by individuals eligible<sup>1</sup> to purchase commercial quota, this requirement would likely be unnecessary.

**Issue 7** identifies the caps to be applied to the use of charter QS. The use cap for charter QS owners only would be 1% of combined QS units in Area 2C and 0.5% of combined QS units in Area 3A (for all entities, individually and collectively) and grandfather initial recipients at their initial allocation. This is in combination with an additional use caps for charter QS owners only of 0.5% of combined QS units for combined Areas 2C and 3A (for all entities, individually and collectively). Initial recipients would be grandfathered into the program at their initial allocation. Commercial use caps would continue to be applied to that sector.

It is difficult to know whether there are economic forces promoting consolidation in the charter halibut fishery. Part of the industry that serves “niche” markets, such as the tour boat industry, may exhibit economies of scope and perhaps economies of scale. Other fleets that serve more skilled angler markets may be optimal at smaller scales. Capping use of QS at levels below the economic scale necessary to maximize benefits will preclude efficiency gains. On the other hand, the consolidation issue is so politically charged that those benefits may not be worth pursuing in the larger arena. In the end, the cap issue is probably more an income distribution issue than an efficiency question.

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<sup>1</sup>Those who wish to receive QS/IFQ by transfer but did not have QS initially awarded to them must submit a Transfer Eligibility Certificate application for approval. Only those who have 150 or more days of experience working as part of a harvesting crew in any U.S. commercial fishery are eligible to receive a Transfer Eligibility Certificate (TEC). Work in support of harvesting but not directly related to it is not considered harvesting crew work. For example, experience as an engineer, cook, or preparing a vessel for a fishing trip does not satisfy the requirement.

**Issue 8** identifies the preferred alternative for four miscellaneous management issues. A maximum line limit of 12 would be implemented in Area 3A (6 line limit would remain in place for Area 2C). Initial recipients would be grandfathered in at the maximum number of lines they fished in 2000, however, privileges to fish in excess of the maximum line limit are non-transferable. This management measure was carried over from the halibut GHL analysis *as a potential means to control harvest*, however, harvest controls are not explicitly needed under an IFQ program. The intent of such a measure under an IFQ program is not clear, since it appears to address allocation issues *within* the charter sector. The analysis concludes that a 12-line limit or any line limit does not address the problem statement; however, the Council included it in its preferred alternative based upon recommendations from public testimony. It may also help to preserve the character of the charter fleet, as primarily six-pack vessels, since each client is allowed to fish two lines at a time.

The preferred alternative includes a 10% underage provision of total IFQs. Allowing underages in the halibut charter fishery could provide charter operators more flexibility in managing their business, and should result in few negative impacts on the commercial fleet. The underage provisions would serve as a mechanism to reduce the need for charter operators to lease quota, since they would be allowed to “borrow” a small amount from their allocation the next year.

The preferred alternative includes a one-year delay between initial issuance of QS and fishing IFQs. This is intended to review the geographic distribution of QS by community. It would allow a cooling off period, after initial QS distribution, and allow additional opportunities for transfers to take place to meet the needs of current charter fishery participants. A predicted high turnover rate of charter operators would result in substantial amounts of QS being initially issued to persons no longer participating in the fishery, accompanied by a substantial number of new participants needing to transfer QS to continue in the fishery, as well as current participants who may require additional QS to meet future client demand.

**Issue 9** of the preferred alternative stipulates that all QS (the long term fishing privileges ) would be issued in units, not pounds or numbers of fish if an IFQ program for the charter sector is implemented. It also stipulates that IFQs associated with the charter QS would be issued in numbers of fish (based on average weight as determined by ADF&G). Nearly all sport fisheries are managed based on numbers, rather than weight, of fish landed. Limits on pounds of fish landed are rarely used as a regulatory mechanism in sport fisheries, because of the higher number of vessel landings and the dispersed nature of the fishery. Because sport-caught fish are not bought or sold, it is impractical and expensive to have enforceable weigh stations at all sites of sport landings. Additionally, managing in numbers, rather than pounds, would have the advantage of linking the limit to the most common management strategy for sport fisheries, that is bag and possession limits.

One cost of specifying charter IFQs in numbers of fish, rather than pounds, is that dockside monitoring would have to be done at major charter ports, on a consistent basis, to obtain an average weight of halibut harvested by charter clients. This would be an expensive program to cover all major charter ports in Areas 2C and 3A. Converting pounds to numbers of fish on a charter IFQ permit would not be administratively difficult.

The preferred alternative defers the design of the reporting and enforcement strategy (**Issue 10**) to an IFQ technical implementation team, comprising agency staff and industry members. The Council intends that a more comprehensive reporting system will address the following items: 1) more timely, verifiable reporting of catch; 2) enforcement concerns; and 3) more accurate geographic referencing of catch location to support future analyses of halibut harvests in proposed local area management plans. The Council noted that ADF&G logbooks would not be considered sufficient for monitoring and that the team should consider fish tags and other reporting systems suggested by industry. The preferred alternative also stipulates that a halibut harvested aboard a charter vessel continues to be the property of the angler who caught the halibut, provided the charter owner possesses sufficient IFQ.

The preferred alternative for **Issue 11** would set aside an allocation for use by qualifying individuals in targeted communities in the Gulf of Alaska, for purposes of starting and/or developing charter businesses. The 37 communities under consideration in Areas 2C and 3A are small (population less than 2,500), coastal, fishing dependent, lacking road access and transportation services, boat facilities, and other services to support tourism. These communities were deemed by the Council to deserve consideration for a separate allocation because of their limited economic opportunities. The analysis is intended to support a Council decision on four decision points: (1) whether to set aside quota for Gulf communities; (2) the magnitude of the set-aside; (3) the source of the set-aside (commercial and/or charter sectors); and (4) whether to include a sunset provision.

The program would initially set aside 1% of the combined commercial and charter halibut quota for communities wishing to foster charter businesses. The set-aside could be increased annually by 0.25%, if the entire allocation was utilized the previous year, up to a maximum of 2%. The set-aside would be funded by equal poundage deductions taken from the commercial and charter sectors. The program will terminate at the close of the charter season, 10 years after the initial allocation to the charter sector. Persons participating in the set-aside program at the time of the sunset may continue to operate within the guidelines of the combined commercial and charter QS program after they obtain their own QS.

**Issue 11** addresses the net benefit implications and distributional effects of the community set-aside on the charter and commercial sectors and implications for communities. The analysis is based on several assumptions and core features of the community set-aside program: (1) set-aside quota is granted to qualifying individuals in eligible communities on a limited right-of-use basis and cannot be sold or leased; (2) set-aside quota is allocated to qualifying individuals on an annual basis subject to individual and community caps; (3) communities, on behalf of qualifying community members, must request an allocation of set-aside quota each year and any quota uncommitted by a certain date is rolled back to the general commercial/charter quota pool for the upcoming season; and (4) set-aside quota is intended to be used for purposes of starting or developing charter businesses by the individual receiving the allocation.

Net Benefit Implications of the Set-Aside: The community set-aside has the potential to impact net benefits to society in several ways: (1) the set-aside may result in halibut quota remaining unharvested, reducing 'supply' in the charter sector; (2) unharvested quota may reduce the size of the commercial sector's landings, which could affect supply and price to consumers at various levels of the seafood market (depending on source of set-aside); and (3) even if set-aside quotas are fully utilized, the set-aside may reduce net benefits if the quota (had it not be "set aside") would have been utilized by more readily accessible, more economically and operationally efficient, and/or lower cost charter services.

The community set-aside may change costs for the charter sector and give new entrants in eligible communities a competitive advantage over certain other new entrants. Costs for some charter operators in major ports (Homer, Juneau, etc.) may rise if the reduction in the charter sector TAC, due to the set-aside, requires such operators to lease or purchase additional QS. Cost increases may cause some marginal charter operators to leave the industry, reducing the total number, and thus available supply of charter services. Alternatively, increases in consumer's and producer's surpluses may result from the availability of charter trips from remote communities. Since charter trips from remote communities are highly differentiated products (i.e., offer clients a more unique charter trip experience), and since such trips may not represent close substitutes for charter trips from major ports, increases in the supply of remote-community charter trips may or may not truly offset reductions in the supply from major ports. This is largely an empirical question which cannot be answered with available information.

Estimated Value of Economic Barrier to Entry: Since one of the main purposes of the proposed community set-aside is to avoid introducing an economic barrier to entry into the charter industry for persons in the

target communities, the size of the potential economic barrier created by the charter IFQ program is estimated. Based on ADF&G logbook data for 1998 and 1999, halibut resource requirements are estimated for start-up and full-time charter operators for the target communities in Areas 2C and 3A. In Area 2C, an estimated 900 lbs and 3,000 lbs of halibut are required to support start-up and full-time charter operators, respectively. These pounds must be converted to numbers of fish before they are allocated to the communities, so the harvest limits can be monitored as they are in the charter program. In Area 3A, an estimated 1,000 lbs and 6,000 lbs of halibut are required to support start-up and full-time operators, respectively.

Using mean 1998 commercial halibut QS transfer prices of \$10.14/lb. and \$8.55/lb. for Areas 2C and 3A, respectively, as an indicator of halibut charter QS prices, the estimated halibut resource requirements may be converted to potential cost of QS for start-up and full-time charter operators. Thus, start-up charter operators may need to purchase \$9,000-\$19,000 and full-time operators may need to purchase \$30,000-\$94,000 worth of halibut QS (assuming no halibut QS units are received in the initial allocation). While the start-up requirements are relatively modest (but not insignificant), the value of halibut QS required to support full-time charter operations is significant and comparable to the cost of other major equipment items (e.g., boat).

Other Economic and Non-economic Barriers to Entry: The lack of charter businesses in some of the target communities, despite growth in the industry during the 1990's, suggests that other significant barriers to entry may exist for these communities. Other potential barriers include economic and non-economic factors. Some of the potential economic barriers to entry include the cost of a boat and other fishing equipment, cost of property (lodge, dock, land, etc.) and the initial funds to finance operating expenses during the start-up phase. Based on data from the ISER (1999) guide and charter survey and adjusting for inflation, the estimated cost per boat ranges from \$40,000-\$67,000 and the estimated overall equipment costs range from \$66,000 to \$125,000. From the same survey data, annual operating expenses are estimated to range from \$29,000 to \$106,000 (adjusted for inflation). A break-down of these operating expenses is as follows: 34% for payroll and other employee expenses; 30% for transportation-related expenses including fuel; 10% for administration; and 9% for other services including advertising. Importantly, most of these expenses would be incurred even if no client demand materializes.

Factors that may have limited past development of charter businesses in some of the 37 target communities and may represent significant barriers to entry include the following: (1) remote location of community; (2) lack of road access; (3) lack of scheduled flights or ferry service; (4) lack of boating facilities; (5) lack of other sport opportunities; (6) lack of food and lodging amenities; (7) lack of tourism; (8) community prefers to limit tourism; (9) not especially scenic; (10) proximity to other "substitute" ports; (11) lack of financial resources; (12) reluctance to take financial risk; (13) lack of business experience and skill; (14) and lack of a USCG license. Of all factors listed, the remoteness of the community is likely the factor most limiting to the development of charter businesses in the 37 target communities. Even if packaged with transportation and lodging, halibut charter fishing from a more remote community would likely appeal to only a small percentage of potential clients. Thus, development of charter operations in the target communities may be as much limited by lack of demand as by the challenges to start and operate a charter business in a remote community.

Impact of Removing an Economic Barrier to Entry: The community set-aside would remove an economic barrier to entry into the charter industry for participants that qualify to use halibut allocated to the program. Removing that barrier essentially preserves the existing cost structure for entry into the fishery, but does not necessarily create any additional incentives or new opportunities for target community members to start a halibut charter business. As a result, it is unlikely that the number of new charter businesses developed in

the target communities would be significantly higher than would develop naturally, if the charter IFQ program is not implemented.

**Administrative Costs:** Administrative costs represent another potential reduction in net benefits, since costs would increase even if the utilization of the resource remains the same. These costs, however, are expected to be minimal. Two types of annual transfers of halibut charter quota would occur under the proposed community set-aside program structure, both of which would impose administrative costs: 1) transfer from the RAM Division of NMFS to the designated community management entity, and 2) transfer from the management entity to qualified individuals within those communities. Also, the cost of enforcing the program would increase if charter activity in additional (especially remote) ports must be monitored.

**Impact of the Source and Magnitude of the Set-Aside on Charter and Commercial Sectors:** The set-aside will be funded by taking equal pounds from the commercial and charter sectors. A 1.0 to 2.0 percent set-aside would result in an allocation of 98,300 - 196,600 pounds to target communities in Area 2C and 246,460 - 492,920 pounds in Area 3A. Since each sector would supply half of the halibut for the allocation, each number above could be divided by two to see the impact by sector. These numbers represent the annual allocations to communities under the proposed set-aside range, before they are converted to numbers of halibut.

**Implications of Magnitude of Set-Aside on Communities:** The magnitude of the set-aside also has implications for the 37 target communities in terms of the amount of halibut quota available to individuals in communities and the extent that the allocations are sufficient to support start-up or mature charter operations. Using the assumptions developed in this analysis to estimate the halibut quota needs of a start-up or mature charter operation in these 37 communities, the proposed set-aside range could support 4 - 10 start-up or 1 - 3 mature charter operations in each Area 2C target community. Using the same assumptions, the set-aside range could support 18 - 35 start-up or 1 - 6 mature charter businesses in each Area 3A target community. Greater quota needs for both start-up and mature charter operations are based on anecdotal evidence.

Using these assumptions, one would conclude that there necessarily must be a decrease in the number of businesses the set-aside range could support in each area, as the businesses mature. This conclusion, however, may be an over-simplification, leading to a mis-interpretation of the likely outcome. For one thing, it assumes that the quantity of guide services demanded will always and everywhere completely utilize the available set-asides (i.e., in each community). In point of fact, demand for halibut charter services in many of these small, remote villages and communities, which do not presently have tourism infrastructure (e.g., hotels, restaurants, reliable commercial access, etc.), is unlikely, in the foreseeable future, to utilize the projected share of quota set-aside. Setting aside this fact, for the sake of argument, clearly, as a charter operation "matures" (e.g., builds a clientele, develops a good reputation, establishes a market niche) and its need for additional QS increases, it is likely to have sufficient revenues (or access to financing, based on its business growth and success) to compete in the QS marketplace, with other charter operations, to acquire those shares. By relying on the free market to allocate QS, society is made better off, as QS goes to those who will, on the basis of their willingness-to-pay, make the highest and best use of it. If these "mature" firms are not able to compete in the marketplace for needed QS, then sustaining (much less expanding) such businesses implies the need for a perpetual "subsidization," reflecting a net loss to society.

**Sunset Provisions:** The long-run implications of the community set-aside depend on whether an explicit sunset provision is included. The Council requested that 5-year and 10-year sunsets be considered. As proposed by the Coalition, participants of the set-aside are expected to eventually purchase halibut QS, rather than rely on set-aside allocations indefinitely. Several provisions in the Coalition proposal are designed to encourage this outcome. Assuming that charter operators relying on the set-aside do purchase their own quota

after a few years, new entrants in the target communities could continue to request quota. If so, the set-aside could effectively represent a permanent allocation to the communities. Alternatively, if the program sunsets in 5 or 10 years, the effects of the set-aside would partially reverse, although sector allocations would likely differ from their starting points due to transfers. If the intent of the program is to provide short-run relief to certain communities so that adjustments to the charter IFQ program can be made more gradually, it is possible that an explicit sunset clause would encourage participants to purchase QS, rather than rely on set-aside quota long term. The impacts of selecting either a 5 or 10 year sunset cannot be estimated, but a 10-year program would provide more time for the goals of the program to be realized. Therefore, the Council selected the 10-year program when making their final decision.

**Impact of Community Set-Aside on QS Values:** Finally, the community set-aside may impact halibut QS values and introduce an additional source of instability. QS prices are likely to be more stable in the short-run if a phase-in approach is adopted and in the long-run if a sunset provision is included. Prices will be impacted by constraints on transfers between sectors and the size of the set-aside. However, it is anticipated that the set-aside would reduce the supply of quota available to charter operators in the major ports. This decrease in supply would tend to result in increased prices, if demand is unaffected. Any instability or uncertainty caused by the set-aside would tend to lower the price charter operators are willing to pay to acquire additional QS.

**Alternative 3, Moratorium.** The moratorium alternative uses the same options for qualification as the proposed IFQ program. Therefore the same number of people would be included under either program. However, under a moratorium, persons with low catch histories would be allowed to increase their catch share without compensating other members of the charter sector (as is always the case when a fishery is not “rationalized”).

A moratorium on new vessel entry under a GHL program would likely have minimal impacts on guided anglers, if the program qualifies operators that have relatively small levels of catch history. The assumption that a large number of vessels would qualify is made based on historical data (ADF&G Logbooks and Survey data) that indicates a substantial amount of entry and exit in the fishery. The data also indicate that charter boats, on average, carry less than six clients, guides are unable to book trips every day their vessel is available during the fishing season, and that more vessels would qualify for the moratorium than operated in any one year. Guided anglers would be more limited by the GHL, in this case, than they would by the moratorium. This assumes anglers are not limited by trip availability, if they are somewhat flexible in when they take the trip. However, the GHL could potentially decrease the number of fish they could retain in addition to other management measures designed to slow the harvest of halibut taken on charter vessels, and these changes would tend to limit demand for trips. The moratorium, on the other hand, would likely not preclude charter clients from finding space on a boat unless the demand by paying clients increase dramatically (which is not anticipated given current trends reported by the State of Alaska) or there is a short period of peak demand that would be greater than the supply of trips during that time period.

**Issue 1** addresses the recipient that would receive the moratorium license. There are two options: (1) owner/operator or lessee of the charter vessel/business that fished during the eligibility period; and (2) the vessel. When the moratorium alternative was originally developed, the committee’s intent was for permits to be issued to persons and not vessels, whereby person is defined as the business owner or lease holder. While this approach may make it more difficult to track persons across different data sets, it reduces problems associated with people using different vessels at various times during the qualifying period.

**Issue 2** addresses qualification criteria. As discussed earlier, the moratorium alternative uses the same qualification criteria as the charter IFQ program. Thus, there are seven options under Issue 2 that correspond to the same seven options for the charter IFQ program. The options rely on varying combinations of 1998

and/or 1999 logbook records and evidence of participation either 3 or 4 out of 5 years between 1995 and 1999, inclusive. In addition, there is a suboption that requires evidence of recent participation. The potential number of qualifiers (owners and vessels) were shown in Table E.1 and equally apply here. Basing the qualification criteria on the activity of the vessel would result in the number of vessels qualifying that are reported in Table E.1 under the "Vessels" columns. As shown in Table E.1, it is obvious that some owners own more than one vessel. As a result, issuing the moratorium permit to persons (and not vessels), would result in a person that owns multiple qualified vessels being issued a permit for each vessel they own that meets the selected criteria.

**Issue 3** addresses evidence of participation. Option 1 governs mandatory requirements (IPHC license, CFEC Number and 1998 logbook), while Option 2 governs supplementary requirements. The appropriate choice of requirements is tied to whether moratorium permits are to be issued to persons or vessels. For example, IPHC licenses vessels, and each license application lists the name of the vessel's owner and the name(s) of the captain(s) if they are different. ADFG logbooks provide information on both the vessel and the vessel owner. Basing the moratorium permit on a person's history may minimize conflicts arising from vessel sales. Thus, while there may be problems associated with issuing permits to persons, the problems may be more easily reconciled compared to issuing permits to vessels.

Table E.1.: Projected number of Owners and Vessels under each qualification option.

Participation Criteria	Projected Number of Qualifiers			
	2C - Owners	2C - Vessels	3A - Owners	3A - Vessels
<b>Option 1: 1998 and 1999</b>	≈322	≈544	≈333	≈444
<b>Option 2: 1998 or 1999</b>	≈539	≈765	≈568	≈674
<b>Option 3:</b>	539 > x > 367	765 > x > 533	568 > x > 366	674 > x > 427
<b>Option 4:</b>	< 322	< 544	< 333	< 444
<b>Option 5:</b>	< 539	< 765	< 568	< 674
<b>Option 6:</b>	< 322	< 544	< 333	< 444
<b>Option 7:</b>	< 539	< 765	< 568	< 674

Source: ADF&G Logbook data

**Issue 4** addresses the type of vessel upgrades that would be allowed. Two options are under consideration: (1) if the current vessel is a 6-pack, limit the license designation to a 6-pack, and if it is an "inspected vessel," limit upgrades to the current inspected certification; and (2) allow upgrades in Southeast Alaska. Vessel upgrades considered by the committee dealt with the number of passengers that could be carried by a vessel. It was the consensus of the committee that permits would be limited to six clients per vessel (except for existing vessels that are licensed for more than 6 passengers). By limiting the number of passengers a charter may carry, upgrade restrictions like those placed on the commercial fisheries may not be needed.

**Issue 5** addresses whether (and how) transfers would be allowed. Any limited entry program will include allowances for transfers of permits. The Halibut Charter Work Group recommended allowing transfers of vessels with or without the associated moratorium permit. Additionally, two types of transfers in the charter fishery may be needed: (1) transfers from one owner/operator to another; and (2) 'temporary' transfers of the permit from one vessel to another, in the event of vessel breakdowns.



**Issue 6** addresses the period of duration for review. There are three options: (1) tie the duration to the GHL, (2) 3 years, and (3) 5 years or 3 years with option to renew for another 2 years. A short-term moratorium may be useful in providing a time-window for the Council (and other management agencies) to develop more specific management programs geared toward specific regional concerns. The Halibut Charter Working Group recommended (by consensus) keeping the moratorium in place as long as the GHL remains in effect. If the Council chooses this option, the moratorium and GHL would be permanent and would require further Council action to amend the program before the moratorium would cease. This would also require the Council to take action to keep the moratorium if they decide to drop the GHL in the future.

**Overview of Impacts to Guided Anglers:** At the February 2001 meeting, the Council requested that the analysis include a section that summarizes the implications of the alternatives for the angler (guided and unguided). Thus, a separate section has been prepared which summarizes the implications of the three alternatives: (1) the GHL management measures (status quo); (2) the charter IFQ program; and (3) moratorium on charter industry participants. Each alternative has the potential to impact stakeholders in the commercial and sport (guided and unguided) fisheries. The alternatives are being considered largely as a result of allocation disputes between the commercial and charter industries that depend on the size of the halibut resource. Growth in the halibut harvest levels by the charter industry has reduced the portion of the GHL available for commercial harvesting which, in turn, represents a cost to the commercial sector. In addition, unconstrained growth in the halibut charter industry has reduced local availability of the resource near some ports, requiring charter operators to travel longer distances. If near port depletion results in sport vessels fishing farther away, that would impose costs on the unguided halibut angler, as well as the charter fleet.

**Impact on Consumer (Angler) and Producer Surplus -** The alternatives under consideration have the potential to impact the cost of supply, availability, spatial distribution, and market price of halibut charter trips. These impacts are discussed in the context of potential changes to the consumer and producer surplus. The potential impacts are discussed qualitatively in terms of the direction of the impacts and how the effects may differ (1) for resident versus non-resident anglers, and (2) in the short- and long-run. No attempt is made to quantify the potential magnitude of the impacts, because of the extensive data requirements (most of which is unavailable) associated with any reliable estimates.

**Impacts of the GHL (Alternative 1):** The implications of this alternative for the guided angler depend on whether the GHL is or is not binding. Based on 1999 halibut harvest levels for the charter sector in Areas 2C and 3A, the GHL is not yet a binding operational constraint. Specifically, the halibut charter harvest would need to grow (or the halibut biomass would need to decline) by 36% or 37% before GHL management measures would be triggered. To the extent that one or the other of these changes occurs, the halibut charter industry may experience changes in its costs of providing trips that may impact charter trip prices and the quality of the halibut charter trip experience.

If growth in the halibut charter sector increases to the point that “overages” occur, triggering GHL measures, participants (guided anglers and charter operators) would be impacted. However, because GHL management measures are implemented in the season after the overage occurred, the industry adjustment would occur in a step-wise fashion. The management measures include a combination of trip limits, skipper/crew harvest limits, angler harvest limits, and a one-fish bag limit in August. Overall, the GHL and associated management measures are likely to increase costs and introduce more variability in the charter industry in years following an overage. While guided anglers would be least impacted by trip limits and crew harvest limits, these measures are also potentially the least effective. Annual harvest limits on anglers and the one-fish bag limit both tend to reduce demand for charter trips, as well as the number of fish harvested by a person taking a trip, or multiple trips in the case of annual harvest limits. Together, the GHL management measures are designed to keep the charter sector harvest below the GHL. As a result of the potential reduction in the

amount of halibut available to the charter sector and the potentially higher charter trip prices that could result (if supply is decreased and demand is relatively stable), net benefits to anglers may be reduced. To the extent that the GHL management measures fail to keep the charter sector harvest below the GHL, the commercial fishing sector's TAC will be decreased accordingly, imposing economic and operational costs on this sector, as well.

Impacts of the Charter IFQ Program (Alternative 2): The staff has been presented with several divergent views on the potential impacts of an IFQ program. Under one set of assumptions, charter trip prices would rise in a manner similar to what would occur under the GHL (assuming a binding GHL or TAC), but efficiency gains under an IFQ program would expand profits for charter operators. An alternative view developed by Dr. Wilen (see Appendix 4) suggests that charter trip prices are constrained by macro-economic factors, and the availability of substitutes for both resident and non-resident anglers. Wilen suggests that the main effect of an IFQ program is to allow and encourage more efficient charter operations, with the resulting cost-savings reflected in the market price of charter QS.

The implications of the charter IFQ program are first discussed assuming no transfers between sectors are allowed (although transfers within the charter sector are permitted). The impacts differ depending on whether the initial charter sector TAC is binding or not binding.

Charter Sector TAC is Not Binding: Upon implementation of the charter IFQ program, costs in the charter industry will rise for at least two reasons. First, there is an opportunity cost associated with holding QS. Secondly, charter operators are not likely to receive the exact amount of QS needed to support their normal business activity. In the short run, charter trip prices may be relatively price sensitive and not likely to increase significantly due to strong competition in the market. As a result, charter operators may not be able to raise prices sufficiently to offset their higher costs and some charter operators will reduce their supply of charter trips. To the extent that supply decreases, the price of charter trips will tend to rise, all else equal. The magnitude of the price increase will depend on the price elasticity of demand. Since demand is more inelastic for non-resident than for resident anglers, charter trip prices may rise more for non-resident, than for resident anglers (for a given reduction in supply and assuming an efficient mechanism for price discrimination exists).

In the longer run (i.e., next season), adjustments in the industry are likely. Some marginal charter operators may choose to exit the industry and sell their QS, resulting in industry consolidation among the lower-cost charter operators. Anglers are also likely to make adjustments, since a rise in charter trip prices may make other substitute sport activities (for residents and non-residents) relatively more attractive. As a result, demand for charter trips may decline. Compared to the GHL (when the GHL is not binding), benefits to consumers are reduced under an IFQ program if the new equilibrium reflects higher prices and a lower quantity of charter trips. Charter operators<sup>2</sup>, however, capture resource rents reflected in the value of their QS holdings. Finally, if transfers between sectors are not allowed, a portion of the charter sector's TAC would remain unharvested, when charter demand is not adequate to harvest their entire allotment, resulting in a reduction in net economic benefits.

Charter Sector TAC is Binding: If the charter sector's TAC is binding, the charter sector, as a whole, has fewer QS's than needed to supply the current demand for trips. If no transfers between sectors are allowed, the sector's TAC constrains the quantity of QS employed in the charter sector and charter sector QS prices move higher (when demand exceeds supply at a given price).

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<sup>2</sup>Rents may only accrue to persons that receive an initial allocation of QS. Persons that must buy QS will likely pay a price for the harvest privilege that reduces the rents they derive from the fishery to zero. The average charter operators that buy into the fishery would only be expected to earn normal profits in the long run.

If at the time of the initial allocation the halibut allotment is binding, some operators will not have enough QS to maintain their previous activity and may reduce the number of trips to avoid operating losses (sell their QS or lease their IFQ). Under a binding TAC, QS that is not being used will be transferred to operations that can efficiently use the QS. Once these transfers are completed, the supply of trips is relatively constant but still does not cover the demand for trips at the original price. As a result of the supply limits, charter trip prices adjust so that the quantity of trips supplied and the quantity of trips demanded are equal at a given trip price. In the long run, industry consolidation occurs among the lower-cost charter operators, marginal costs for the industry decline and profits rise<sup>3</sup>. In addition, demand may decline if other substitute sport activities become relatively affordable compared to charter trips.

Overall, if the TAC is binding and no transfers between sectors are allowed, benefits to anglers will decline (since prices will likely move higher and quantity is constrained by the TAC). Compared to the GHL management measures, however, the IFQ program provides a more efficient mechanism for constraining the charter sector's harvest. In addition, cost savings realized by the charter sector are reflected in the value of QS. That is, an IFQ program allows charter operators to capture resource rents that are largely dissipated under the GHL management measures.

**Impact of Transfers Between Sectors:** Transfer restrictions are likely to have a significant impact on the price of QS (both sale and lease prices), which in turn impacts the magnitude of the opportunity cost of holding QS. The higher the quota share price, the higher the opportunity cost of holding QS.

In the absence of transfer constraints (or other market imperfection) transfers between the charter and commercial sectors will occur to the extent that initial QS prices in each sector differ. If QS prices differ across sectors, transfers will occur until a new equilibrium price is established, reflecting the marginal value of QS in both sectors. If charter QS prices are initially higher, QS will flow into the charter sector and the sector's TAC will rise. Alternatively, if charter QS prices are initially lower, QS will flow out of the charter sector and the sector's TAC will decline.

The price of QS will also depend on whether the charter sector's TAC is or is not binding. If the TAC is not binding, restricting transfers between sectors will suppress the value of charter QS. If the TAC is binding, restricting transfers between sectors may result in higher QS prices. Because the TAC is fixed and restricts the availability of charter trips, limits on the supply of halibut could drive up the price of charter trips even though charter operator costs (excluding the cost of QS) may remain the same or even decline. As a result, profits could be higher, at least for persons initially allocated QS. Thus, if the TAC is binding, allowing transfers between sectors may help keep QS prices in the charter sector, and possibly charter trip prices, lower (unless commercial QS are available and command an even higher price).

**Implications of Issues 1-11:** The implications of the various issues and options under consideration for the charter IFQ program (Alternative 2) depend largely on how the options impact the initial charter sector allocation (i.e., the TAC), quota share prices, and industry costs. Several choices would help to mitigate the impact on guided anglers. For example, basing the initial allocation on 125% of the historical harvest (Issue 1, Option 1) would likely result in an initial charter sector TAC that is not binding. A less constraining TAC will reduce the adverse impacts of the charter IFQ program on the price and characteristics of trips. Or, choosing qualification criteria (Issue 3) and a distribution method (Issue 4) that minimize the need for transfers within the charter sector would help minimize the impact on charter operator costs. The impacts of the choices for transfer restrictions (Issue 5) are highly dependent on whether the TAC is or is not binding. If the charter sector TAC is not binding, restricting transfers between sectors would help to keep QS prices

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<sup>3</sup>Profits and possibly rents could increase since entry into the fishery is limited to those persons holding IFQ.

low. On the other hand, if the charter sector TAC is binding, allowing transfers may help to keep QS prices low. In both cases, lower QS prices would result in lower costs for charter operators. Issue 9, concerning whether IFQs are issued in pounds or fish, does not directly impact charter operator costs, but may be important to maintaining the quality of the charter trip experience for the guided angler. Finally, the community set-aside (Issue 11) would have a higher impact on the charter sector if the charter sector's TAC is initially binding. The set-aside, however, may help increase availability of charter trips from the more remote, coastal communities in the Gulf of Alaska. Therefore, the community set-aside would tend to reduce the availability of halibut assigned to the charter sector in places like Homer and Seward, but could increase charter opportunities in more remote communities.

**Impact of the Moratorium (Alternative 3):** Under the proposed moratorium, qualifying charter businesses would be eligible to receive a moratorium license which limits the number of vessels they could operate in the charter fishery. The number of licenses (which are transferable) issued in the initial allocation relative to the number actively used in the fishery would determine their value. If the number of licenses issued is in excess of the number required, the value of the license will be lower than if the initial allocation is tightly constrained. Based on the analysis provided in Section 4.3, it appears that the number of vessels likely to qualify under a moratorium would be greater than the number required to harvest the GHL. If so, it is likely that moratorium license values will remain relatively low and the cost of entry into the industry will not rise as dramatically. In addition, the GHL is likely to become binding before the moratorium would become binding<sup>4</sup>. As a result, the implications of this alternative largely default to the implications of the GHL (Alternative 1). That is, until the GHL is binding, the charter fishery will continue to operate on an open-access basis. Once the GHL becomes binding, management measures are triggered that work to constrain supply and demand for charter trips. To the extent the GHL sufficiently slows the harvest by guided anglers, the charter fishery is not likely to reach the point where the moratorium becomes limiting.

**Impact of the preferred alternative:** The impacts of the Council's preferred alternative are similar to those described under Alternative 2, when transfers of quota within the charter sector and limited transfers between the charter and commercial sectors are allowed. The Council's preferred alternative will allocate 13.05% of the 2C and 14.11% of the 3A combined commercial and charter quota to the charter fleet. That level of allocation would allow the 2C and 3A charter fleets to grow by over 35%, relative to their estimated harvest in 1999. Given the ADF&G Sportfish Division projections of charter growth, that allocation should meet the demand of charter clients at the time the program is implemented.

IFQs will be issued in numbers of fish. Issuing IFQ in terms of fish is expected to benefit enforcement, charter operator planning, and limit changes in trip attributes for charter clients.

Quota will be allocated to U.S. citizens or companies with 75% U.S. ownership based on catch history reported in log books from 1998-99 that were active at the time of final action. A person's QS allocation will be equal to 70% of their 1998-99 logbook landings, plus an additional 10% of their logbook landings for each year they participated from 1995-97. Any portion of the catch history not assigned using the above method will be equally divided among the participants that were active during the years 1995-97. This allocation formula rewards persons for having large catch histories in 1998 and 1999 and for fishing during the years 1995-97. The formula for allocating the remaining catch history, benefits persons that fished during the 1995-97 period and had a catch history reported in the logbooks that was below the mean during 1998-99.

Charter businesses will be allowed to purchase commercial QS, if additional quota is needed. The only limits on charter purchases of commercial quota is that they will not be allowed to hold more than one "D" class

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<sup>4</sup>It is likely that there would be enough harvesting capacity in the qualified fleet to harvest well over the GHL if the client demand is present.

block. Twenty-five percent of each initial allocation of charter quota may be sold to the commercial sector (three years after the program is implemented and with approval by the Council) for use by commercial vessels of similar size to the charter vessels selling the quota. The sale of charter quota within that sector should help individuals obtain a level of quota that is needed to meet their business needs, and improve the economic efficiency of the sector.

Assuming that 25% of the initial charter allocation can be sold to the commercial sector three years after the program is implemented, the market will be allowed to determine the amount of halibut that will be annually allocated to each sector<sup>5</sup>. The restrictions on transfer and use of the charter quota may make it most valuable to the "D" class charter vessels. Charter quota may only be used in the commercial sector by vessels of similar size. This will make most of the charter quota available for use by "D" class vessels. Since the charter quota will be unblocked in the commercial sector it may command a higher price than blocked "D" shares. Should the charter sector wish to purchase commercial quota they will be allowed to purchase portions of blocks. This flexibility may make "D" class blocks an attractive option for charter vessels to purchase, since blocked "D" class QS has traditionally sold for less money than other classes of quota. Charter operators are limited to holding one block of "D" class QS.

Commercial operators of "D" class vessels and persons wishing to buy into the Commercial IFQ program may take issue with increasing the competition for "D" shares. A major concern when the commercial IFQ program was being developed was ensuring the availability of relatively inexpensive "D" shares for entry level persons buying into the fishery. Increased competition for these shares, from charter operators, could either increase the price of these shares or reduce their availability in the market place. Those outcomes could decrease the "benefits" entry level commercial operators enjoyed as a result of the design of the commercial IFQ program.

Leasing of 20% of charter quota will be allowed within the charter sector for first three years after the program is implemented. Ten percent of a charter operator's initial allocation may be leased to the commercial sector during the first five years of the program. Limited leasing was included in the Council preferred alternative to help smooth the transition to an IFQ program, and improve economic efficiency during the transition. Charter operators would be allowed to lease quota during this time so they could determine the level of quota they need to hold. Allowing quota leasing for 3 and 5 years was determined to be an adequate amount of time for business plans to be developed that do not rely on leasing quota. The Council desires that charter quota be held by owner-operators. Allowing long-term leasing would defeat this goal.

Vessel owners and persons that operated charters under a bare vessel lease will be receive the initial allocation. These individuals were determined to be the most deserving by the Council because they took the greatest financial risk in the fishery. The Council believed that captains and crew were adequately compensated for their labor by wages and tips.

Use caps were included in the preferred alternative to limit excessive consolidation of the charter fishery. The use caps selected limit consolidation to 100 QS holders in Area 2C and 200 QS holders in Area 3A.

The Council also stated its intent to develop a community set-aside program designed to help target communities develop charter business. The set-aside would initially amount to 1 percent of the combined commercial and charter quota, and would be funded by equal contributions from both sectors. That amount

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<sup>5</sup>Recall that a maximum of 25% of a person's initial allocation may be transferred from the charter sector to the commercial sector starting three years after the program is implemented. Any amount of the commercial allocation may be purchased for use in the charter sector.

could increase by 0.25% per year up to a maximum of 2% . The program would expire in ten years. This program will decrease each charter operator's allocation more than commercial allocations. That is because they equally fund the set-aside and the charter sector is allocated a smaller percentage of the combined allocation. The Council felt this was appropriate since the set-aside was designed to fund new charter operation.

Other miscellaneous provisions were also included in the Council motion. The intent of many of those were to help maintain the current characteristics of the charter fleet.

**Changes in Angler Utility/Welfare** - Changes in angler utility and welfare are the result of changes in the prices and/or attributes of a halibut charter trip. The types of trips that charter operators may offer could include everything from catch and release only trips to trips that try to maximize the pounds of halibut retained. A whole range of trips between the polar opposites could be offered, including the clients only keeping "trophy" fish to help minimize the usage of a charter operator's allocation of a specific number of fish. Whatever the type of trips that are offered, if they are marketed to the clients that value that type of trip, the utility of these clients would be higher than clients valuing another type of experience. Therefore under an IFQ program, charter operators may try to market specific trips to a more narrowly focused clientele or design different types of charter packages at various price levels. The price of the trip could be set to reflect the value of the halibut retained under an IFQ program.

Overall, if the charter operators are able to rationalize their operations, they will be able to decrease operating costs. These cost savings will result in increases in producer surplus, and to the degree they are passed through to clients, consumer surplus and aggregate welfare (to the extent the charter sector's TAC is not binding). However, the gains will be offset by (an unknown amount) consumer surplus decreases associated with the opportunity cost of the halibut had it been utilized in the commercial fishery. It is important to note that under a binding GHIL the charter sector also realizes an opportunity cost for halibut, but the system does not provide the appropriate mechanism to rationalize their fishery in order to reduce costs. Therefore, net benefits should be greater under an IFQ program relative to a GHIL in a competitive market.

**Impacts on Unguided Anglers** - The impacts of a halibut charter IFQ program on the unguided halibut anglers are expected to be minimal. Implementing an IFQ program for the guided fishery will not limit the total amount of halibut unguided anglers are allowed to harvest. They will still be limited to keeping up to two halibut per day, and that regulation will be in place regardless of whether or not the Council implements an IFQ program. On the other hand, unguided anglers may be impacted indirectly in two ways. First, to the extent that a fisherman who normally uses guided services, instead pursue unguided fishing activities, safety concerns may lead other management agencies that oversee this fishery to consider stricter regulations for the unguided fishing industry. This is as likely to occur under a binding GHIL as under an IFQ program, since both programs have the potential to increase the price of charter trips. Secondly, a more rationalized charter fishery may reduce the number of charter vessels per day on the halibut grounds. This may occur if charter operators are able to improve planning and extend the length of the charter season. This would also reduce competition for port services between unguided anglers (that rent or own boats) and charter operators. These outcomes would benefit the unguided angler who uses the same fishing areas or port services. However, if the demand for services declines to a level that drives suppliers out of business, unguided anglers that use those services could be disadvantaged.

**Issuance of Quota Shares to Charter Operators vs. Guided Anglers** - Under the proposed charter IFQ program (Alternative 2), QS would be initially allocated to providers of charter services which meet certain qualification criteria. Allocation of QS to the guided angler, the actual harvester of the halibut resource, is not under consideration. This appears to be a departure from the commercial IFQ program because QS would not be allocated to the harvester of the halibut. Yet, there may be an economic parallel and rationale for

allocating QS to the charter operator. Like the commercial IFQ program, under the charter IFQ program, the charter operator is responsible for staying within its individual allocation and helps to enforce the allocation for the entire sector. In addition, QS provide both an incentive and a reward to the charter operator for providing stewardship services.

It is assumed that the moratorium would not replace the GHL as the IFQ program would. Under a moratorium, the fleet would still be limited by the GHL caps so the charter fleet's growth would be constrained, depending on the effectiveness of the GHL.

#### **SUMMARY OF SECTION 4**

Section 4 describes how the proposed action is consistent with other applicable laws.

#### **SUMMARY OF SECTION 5**

Section 5 lists the references cited in the analysis.

#### **SUMMARY OF SECTION 6**

Section 6 lists those individuals consulted in the preparations of the analysis.

#### **SUMMARY OF SECTION 7**

Section 7 lists the preparers of the analysis.

# STATE OF ALASKA

FRANK H. MURKOWSKI  
GOVERNOR

## DEPARTMENT OF FISH AND GAME

### OFFICE OF THE COMMISSIONER

P.O. BOX 25526  
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November 29, 2005

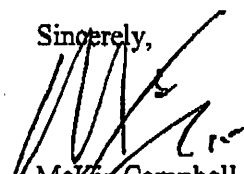
Mr. Chris Oliver, Executive Director  
North Pacific Fishery Management Council  
605 W. 4<sup>th</sup> Avenue, Suite 306  
Anchorage, AK 99501-2252

~~CHRIS~~  
Dear Mr. Oliver:

Please find enclosed the six tables that you requested in your October 21 memo. We have also included a summary table that I found useful in looking at the data. Please contact Allen Bingham in Anchorage at 267-2327, or Rob Bentz in Juneau at 465-6187 if you need any clarification or have any questions regarding the data in these tables.

Allen and Rob have also been working closely with Jane DiCosimo on the preliminary data requests for inclusion in the GHIL analysis. Jane said these requests should be finalized later this week. After we receive the final data requests, my staff will provide that information.

Sincerely,



McKee Campbell  
Commissioner

Enclosure

cc: Jane DiCosimo, North Pacific Fishery Management Council  
Glenn Merrill, National Marine Fisheries Service, U. S. Department of Commerce  
Rob Bentz, Deputy Director, Division of Sport Fish, ADF&G ✓  
Allen Bingham, Biometrician, Division of Sport Fish, ADF&G



The following tables and associated notes have been developed by the Alaska Department of Fish and Game (ADF&G), Division of Sport Fish in response to a request from the North Pacific Fishery Management Council (NPFMC) via a letter from Chris Oliver (Executive Director of NPFMC) to Commissioner McKie Campbell (ADF&G), dated October 21, 2005.

The notes are directed at describing the limitations or constraints related to either how the response to the information request was developed and/or in regards to potential interpretation of the information.

Note that the Table headings, and text immediately associated with each table represent the text (verbatim) as provided in the request included in the October 21, 2005 letter, with the exception that the definition of “qualified for quota shares” was modified during a teleconference between ADF&G and Council staff held on October 28, 2005 at which time the definition was altered as stated in this current document (see Table 3 heading as an example). Additionally, some summary percentages were added to Tables 3 and 6 for reference purposes.

#### **General Error Considerations:**

Certain situations exist that preclude interpretation of the information in the tables as “absolute”. General considerations that apply to all tables are provided in the next paragraph below, and specific notes for each table are provided immediately following each table.

Vessels that fished in 1998 could have been sold to a new business in 2000 that could mistakenly identify that business as meeting the Quota Share (QS) criteria (based on the CFEC association between 1998 and 2000) when in fact that business might not have fished in 1998 and/or 1999. There is also the potential that a business that didn't have the same ADF&G registration number for 1999 and 2000 could potentially not be selected as meeting the QS criteria. In general however, these numbers should be very close to those requested and the exceptions should be minimal.

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Tables and associated notes developed by the Alaska Department of Fish and Game (ADF&G), Division of Sport Fish in response to a request from the North Pacific Fishery Management Council (NPFMC) via a letter from Chris Oliver (Executive Director of NPFMC) to Commissioner McKie Campbell (ADF&G), dated October 21, 2005

**Table 1:** Number of businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with halibut landings AND bottomfish effort in 1998 – 2001.

GOAL: This table can be used to establish if logbook information showing effort in a bottomfish fishery serves as a reasonable proxy for participation in the halibut fishery during those years that halibut landings were not recorded on the ADF&G Saltwater Charter Vessel Logbook. The greater the percentage of common occurrence and the less the degree of variability in that common occurrence, the better the correlation.

IPHC Area	Number of businesses who submitted logbooks with halibut landings in 1998	Number of businesses who submitted logbooks with halibut landings AND bottomfish effort in 1998	Number of businesses who submitted logbooks with halibut landings in 1999	Number of businesses who submitted logbooks with halibut AND bottomfish effort in 1999	Number of businesses who submitted logbooks with halibut landings in 2000	Number of businesses who submitted logbooks with halibut landings AND bottomfish effort in 2000	Number of businesses who submitted logbooks with halibut landings in 2001	Number of businesses who submitted logbooks with halibut landings AND bottomfish effort in 2001
Area 2C	363	349	363	358	402	395	391	379
Area 3A	410	407	453	452	457	453	454	449

**Table 1 Notes:**

In 1998, ADF&G did not associate businesses with each CFEC number when a logbook was assigned – the logbook association was to the vessel only using the CFEC number. In order to calculate business activity for 1998, we need to use the CFEC Registration data (from CFEC) and can summarize the activity by checking for the existence of the CFEC number in the ADF&G active trips records and then grouping the businesses by the business license number field in the CFEC registration table. The business license appears to be the only unique business association between vessels in the CFEC registration table. The totals for 1998 for table one are calculated as follows:

**Number of Businesses with Halibut landings (no regard to indicated effort):**

Select count of unique business licenses in the CFEC Registration table where an associated CFEC number is found in the ADF&G Active trips data in which at least 1 halibut was caught in the relative IPHC Area. This gives us an accurate count of businesses that had this type of activity and were registered with CFEC and listed a business license – however, there is a small but reasonable amount of vessels in the CFEC registration data that does not have a business license number. In order to account for these, a separate query need to be run for all instances in which a CFEC number exists in the Active Trips data but has a ‘blank’ business license number association in the CFEC registration data and then group these by the Business Name field in the CFEC Registration data. The results of each of these two queries are then added together to come up with the best approximation of active businesses for 1998 that meet the given criteria.

**1998 Businesses with Halibut landings (no regard to indicated effort)**

IPHC Area	Grouped by Business License	Grouped by Business Name	Total
2C	342	21	363
3A	391	19	410

The second 1998 request for Table one is calculated in the same manner only the selection criteria has been restricted to those records that also indicate effort based on rods or hours bottom fishing.

IPHC Area	Grouped by Business License	Grouped by Business Name	Total
2C	329	20	349
3A	388	19	407

For 1999 and later, logbooks are directly associated with registered businesses and are grouped by the distinct business registration number – the CFEC number is needed for Business summaries.

**Table 2:** Number of businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with bottomfish effort in 1998 – 2004

IPHC Area	1998	1999	2000	2001	2002	2003	2004
Area 2C	370	387	412	386	351	353	365
Area 3A	411	454	456	452	405	405	427

**Table 2 Notes:**

Table 2 is compiled using the same algorithms as table 1 only bottom fish effort must be indicated and halibut landings are not part of the criteria.

**Table 3:** Number of businesses that are qualified for QS (businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with halibut landings in 1998 and/or 1999 and bottomfish effort in 2000), and that submitted logbooks in 2001 – 2004 with bottomfish effort. (Non-cumulative participation)

IPHC Area	Number of businesses qualified for QS	Number of businesses qualified for QS AND that submitted logbooks in 2001 with bottomfish effort	Number of businesses qualified for QS AND that submitted logbooks in 2002 with bottomfish effort	Number of businesses qualified for QS AND that submitted logbooks in 2003 with bottomfish effort	Businesses qualified for QS AND that submitted logbooks in 2004 with bottomfish effort	
					Number of Businesses	% Qualified
Area 2C	339	272	235	225	218	64.3%
Area 3A	388	338	288	256	256	66.0%

**Table 3 Notes:**

Table 3 Part 1 shows the count of distinct ADF&G registration numbers (businesses) from 2000 that had at least one registration number association in 1999 OR a CFEC association in 1998 that had at least one halibut landing in the respective area (2C or 3A) - this would be the count of businesses that qualify for Quota Share.

Parts 2 – 5 show the counts that meet the QS criteria and also show participation in succeeding years (not cumulative) in which bottom fish effort was indicated without regard to actual halibut landing.

**Table 4:** Number of businesses that are qualified for QS (businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with halibut landings in 1998 and/or 1999 and bottomfish effort in 2000), and that submitted logbooks in each year 2001 – 2004 with bottomfish landings. (Cumulative participation)

IPHC Area	Number of businesses qualified for QS	Number of businesses qualified for QS AND that submitted logbooks in 2001 with bottomfish effort	Number of businesses qualified for QS AND that submitted logbooks in 2001 and 2002 with bottomfish effort	Number of businesses qualified for QS AND that submitted logbooks in 2001, 2002, and 2003 with bottomfish effort	Number of businesses qualified for QS AND that submitted logbooks in 2001, 2002, 2003, and 2004 with bottomfish effort
Area 2C	339	272	224	195	179
Area 3A	388	338	280	239	223

**Table 4 Notes:**

Same as Table 3 only cumulative participation is shown for succeeding years.

**Table 5:** Number of vessels that submitted ADF&G Saltwater Charter Vessel Logbooks with bottomfish effort in 1998 – 2004

IPHC Area	1998	1999	2000	2001	2002	2003	2004
Area 2C	569	591	634	627	567	590	624
Area 3A	503	545	570	560	491	499	532

**Table 5 Notes:**

Count of distinct CFEC numbers from the ADF&G Active Trips data for each year in which bottom fish effort was indicated for each respective area (2C or 3A) without regard to actual halibut landing.

**Table 6:** Number of vessels that are operated by businesses that are qualified for QS (businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with halibut landings in 1998 and/or 1999 and bottomfish effort in 2000), and that submitted logbooks in 2001 – 2004 with bottomfish effort. (Non-cumulative participation)

IPHC Area	Number of vessels operated by businesses that are qualified for QS in 2000	Number of vessels operated by businesses that are qualified for QS AND that submitted logbooks in 2001 with bottomfish effort	Number of vessels operated by businesses that are qualified for QS AND that submitted logbooks in 2002 with bottomfish effort	Number of vessels operated by businesses that are qualified for QS AND that submitted logbooks in 2003 with bottomfish effort	Vessels operated by businesses that are qualified for QS AND that submitted logbooks in 2004 with bottomfish effort	
					Number of Vessels	% Qualified
Area 2C	553	481	416	404	396	71.6%
Area 3A	487	430	360	329	327	67.1%

**Table 6 Notes:**

Same as Table 5 except each vessel counted must have an association to a business that meets the criteria in Table 3.

### Business Summary

IPHC Area	Number of Businesses qualified for Quota Share <sup>a</sup>			Number of Active Business for 2004 <sup>b</sup>		
	Original Number of Businesses	Number still active in 2004	% Still Active	Total Number of Businesses	Number of Business NOT Qualified for Quota Share	% Not Qualified
Area 2C	339	218	64.3%	365	147	40.3%
Area 3A	388	256	66.0%	427	171	40.0%

<sup>a</sup> “Qualified for Quota Share” determined as businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with Pacific halibut landings in 1998 and/or 1999 and bottomfish effort in 2000.

<sup>b</sup> “Active in 2004” is defined as businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with bottomfish effort for 2004.

### Vessel Summary

IPHC Area	Number of Vessels operated by businesses qualified for Quota Share in 2000 <sup>a</sup>			Number of Active Vessels for 2004 <sup>b</sup>		
	Original Number of Vessels	Number still active in 2004	% Still Active	Total Number of Vessels	Number of Vessels NOT Operated by Businesses Qualified for Quota Share	% Not Qualified
Area 2C	553	396	71.6%	624	228	36.5%
Area 3A	487	327	67.1%	532	205	38.5%

<sup>a</sup> “Qualified for Quota Share” determined as vessels operated by businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with Pacific halibut landings in 1998 and/or 1999 and bottomfish effort in 2000.

<sup>b</sup> “Active in 2004” is defined as vessels operated by businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with bottomfish effort for 2004.

The following table and associated notes have been developed by the Alaska Department of Fish and Game (ADF&G), Division of Sport Fish in response to a request from the North Pacific Fishery Management Council (NPFMC) via an email from NPFMC staff to ADF&G Division of Sport Fish Staff, dated November 21, 2005. The request was subsequently amended via teleconference to only include the following informational item:

- A report on the share of Pacific halibut landings during 1998 and 1999 that were reported by Quota Share-qualified participants still active in 2004.

The notes are directed at describing the limitations or constraints related to either how the response to the information request was developed and/or in regards to potential interpretation of the information.

**General Error Considerations:**

Certain situations exist that preclude interpretation of the information in the tables as “absolute”. General considerations that apply to all tables are provided in the next paragraph below, and specific notes for each table are provided immediately following each table.

Vessels that fished in 1998 could have been sold to a new business in 2000 that could mistakenly identify that business as meeting the Quota Share (QS) criteria (based on the CFEC association between 1998 and 2000) when in fact that business might not have fished in 1998 and/or 1999. There is also the potential that a business that didn’t have the same ADF&G registration number for 1999 and 2000 could potentially not be selected as meeting the QS criteria. In general however, these numbers should be very close to those requested and the exceptions should be minimal.

*Note that the summary below only includes landings by clients (i.e., crew or skipper landings not included), partially due to limitations to the crew harvest data for 1998.*

**Number and percentages of Pacific halibut landings by clients during 1998 and 1999 that were reported by Quota Share-qualified participants still active in 2004.** Qualified for Quota Share (QS) defined as businesses that submitted ADF&G Saltwater Charter Vessel Logbooks with halibut landings in 1998 and/or 1999 and bottomfish effort in 2000.

IPHC Area	Year	Total Pacific halibut Harvest (Landings) by Clients for all Businesses qualified for QS (number of fish)	Pacific halibut Harvest (Landings) by Clients for all Businesses qualified for QS AND that submitted logbooks in 2004 with bottomfish effort (numbers of fish) (harvest for 1998 and 1999 years only)	Percent of Total Harvest
Area 2C	1998	57,042	40,910	71.7%
	1999	61,458	52,217	85.0%
	<b>1998 &amp; 1999</b>	<b>118,500</b>	<b>93,127</b>	<b>78.6%</b>
Area 3A	1998	131,856	92,163	69.9%
	1999	155,822	124,768	80.1%
	<b>1998 &amp; 1999</b>	<b>287,678</b>	<b>216,931</b>	<b>75.4%</b>

# STATE OF ALASKA

FRANK H. MURKOWSKI  
GOVERNOR

DEPARTMENT OF FISH AND GAME  
OFFICE OF THE COMMISSIONER

P.O. BOX 25526  
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PHONE: (907) 465-4100  
FAX: (907) 465-2332

November 3, 2005

Dr. William T. Hogarth  
National Marine Fisheries Service  
NOAA U.S. Department of Commerce  
Building SSMC3, Room 14564  
1315 East-West Highway  
Silver Spring, MD 20910-3281

Dear ~~Dr. Hogarth:~~ <sup>Bill</sup>

You have before you, the North Pacific Fisheries Management Council's (Council) 2001 recommendation regarding an IFQ program for halibut charter boats in Alaska. In an August 3, 2005 letter, you asked that the Council "... confirm its support for the proposed program ..." before you published the enclosed proposed rule and initiated the approval process. Instead, after lengthy public testimony and debate, the Council by a ten to one vote passed a motion saying "The Council is concerned with the process that has transpired since its approval of the Halibut Charter IFQ program. This letter does not confirm support nor does it deny support. Without prejudice to any future Council action on this issue, the Council takes no action on your letter. It requests that you proceed with agency assessment of the draft proposed rule."

The Council realizes that two of the substantive issues before the Department of Commerce in its analysis, are present participation and accuracy of qualifying history for participants. Both of these issues were the subject of extensive discussion at the last Council meeting.

The requirements of Section 303 (b)(6) of the Magnuson-Stevens Act to "take into account present participation in the fishery" are made applicable to halibut limited access programs by the Halibut Act of 1982. In *Alliance Against IFQ's v. Brown*, 84 F.3d 343, (1996), the 9<sup>th</sup> Circuit reviewed regulations promulgated by the Secretary for the halibut and sablefish longline IFQ program. In that case, the court considered the length of the three year period between the end of the qualifying participation period and the promulgation of final regulations and found that the interval "pushed the limits of reasonableness," but was not so far from present participation as to be arbitrary and capricious. The court also expressed "concern about whether the Secretary adequately considered 'present participation' in the fishery."



November 3, 2005

John Lepore's, May 16, 2005, memo to James Balsiger points out the importance of including in the record the most recent information available regarding present participation, so the Secretary could review this information prior to his decision whether or not to approve the proposed regulations.

The years of qualifying history for the proposed halibut charter IFQ program closed in 1999. It is now six years later and it will be at least another year before a final regulation can be promulgated. The Alaska Department of Fish and Game (ADF&G) is the agency that has the information on participation.

We have just completed our review of the histories of the involved charter fishing businesses. Based on 2004 data, in Southcentral Alaska (Area 3A), 66% of the halibut charter businesses that qualified for quota share are presently participating and 40% of the businesses presently participating would not qualify for quota share. In Southeast Alaska, (Area 2C), 64.3% of the halibut charter businesses that qualified for quota share are presently participating and 40.3% of the businesses presently participating would not qualify for quota share. We are providing a detailed breakdown of this information to your agency.

To establish qualifying history for the halibut charter IFQ program, ADF&G logbook data was used. We collected halibut logbook data from 1998-2001. We stopped our logbook reporting for halibut in 2002 because our analysis was revealing significant discrepancies between logbook reporting and creel surveys. By November 15, 2005, we will furnish our analysis of the accuracy of the qualifying history on which the proposed share quota allocation is based. Regardless of what may happen with the halibut charter IFQ program, ADF&G is reestablishing the halibut charter logbook requirement with new procedures to improve future accuracy.

In her October 13, 2005 letter to you, Council Chair Stephanie Madsen advised that in a related action, Council member Ed Rasmussen served notice that he intends to make a motion at the upcoming December meeting to rescind the Council's previous action recommending an IFQ program for halibut charter boats.

It appears that the Council is closely divided on whether the halibut charter IFQ program should be implemented, rescinded, or reestablished using fresh data. As indicated by our 10-1 vote on the above-referenced motion and subsequent discussions, however, I believe all of us agree that it would be extremely helpful to have NOAA counsel render its legal opinion on these issues as soon as possible and prior to the Council's December meeting. Doing so will greatly clarify the issues before the Council and save the public, Council staff and members, and the Department of Commerce, time, money, and a great deal of potentially needless controversy.

Sincerely,



McKie Campbell  
Commissioner

cc: Governor Frank Murkowski  
Jim Balsiger, Deputy Assistant for Regional Administrator,  
National Marine Fisheries Service

# STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

## DEPARTMENT OF FISH AND GAME

### OFFICE OF THE COMMISSIONER

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December 1, 2005

Dear :

Thank you for your letter regarding halibut charter IFQ's.

The State of Alaska is opposed to the current halibut charter IFQ proposal. The State has been consistent in this position throughout three votes and 13 years of discussion on this issue. We believe the delay in promulgating the final regulations has created a legal fatal flaw related to the present participation requirements of the Magnuson-Stevens Act. Most of this delay has occurred since the North Pacific Fisheries Management Council recommended the adoption of a halibut charter IFQ program. Whether one supports or opposes the halibut charter IFQ, we do not believe anyone benefits from the adoption of a program that is likely to be overturned in court.

We have urged the National Marine Fisheries Service counsel to render its legal opinion on whether or not this is a significant legal issue prior to the Council's December meeting. This is not an attempt to forestall public conflict, but rather to ensure that the debate has all the relevant facts and can focus on the most effective way to address allocation issues between the longline and charter fleet. We are further concerned that because the proposed program does not represent present participation in the charter fleet, the ripple effects of implementation could cause significant economic dislocations in many of Alaska's coastal communities.

Rationalization of fisheries is normally used for a standard list of reasons. These include reasons such as eliminating a derby style fishery for reasons of safety or conservation, spreading processor load or adding value to the product, reduction of by catch, lengthening the season, etc. We do not believe that these standard reasons for rationalization apply to the current halibut charter IFQ program. We further believe that the proposed IFQ program could have unintended negative effects in some of these areas.

The State of Alaska supports a clear and enforceable allocation, based on a percentage linked to abundance as is the commercial catch limit. If the Council votes to rescind the IFQ program, we believe it is important to immediately move forward with a suite of fishery management measures to manage all uses of halibut in a comprehensive manner. We believe that it is vital for any new program to include present participation of the fleet and not price Alaska resident anglers out of charter boat use.

Enclosed is a two page position paper on halibut charter IFQ's. The first page provides relevant facts and the second page is a detailed listing of actions the state supports to manage the halibut charter fishery. I hope you will take the time to carefully review both the fact sheet and the state's positions.

Thank you again for your interest.

Sincerely,



McKie Campbell  
Commissioner

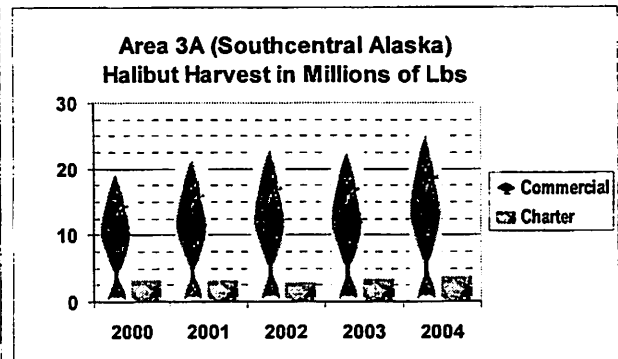
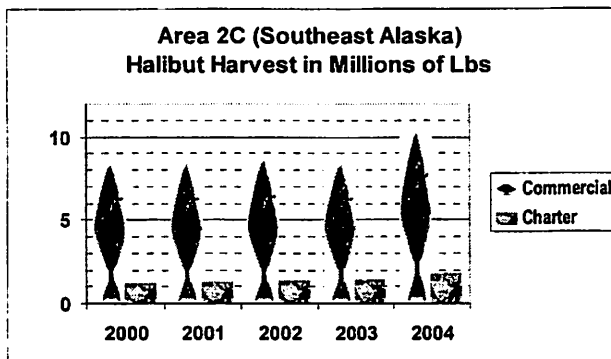
Enclosures



## State of Alaska Recommendations on Halibut Charter GHL/IFQ

### RELEVANT FACTS:

- In Southcentral Alaska (Area 3A), 66% of the halibut charter businesses that would qualify for quota share are still participating and 40% of the businesses presently participating would not qualify for quota share.
- In Southeast Alaska, (Area 2C), 64.3% of the halibut charter businesses that would qualify for quota share are still participating and 40.3% of the businesses presently participating would not qualify for quota share.
- In 2000, the Council approved a motion to set a Guideline Harvest Level for charter caught halibut at a fixed poundage level of 1.432 M lbs. in Southeast and 3.650 M lbs. in Southcentral. It has remained there since.
- The GHL equated to 13.05% (SE) and 14.11% (SC) of the average combined longline catch limit and charter harvest for the years 1995-1999.
- As a percentage of the poundage-based GHL, charter harvest in Southeast increased from -21% to +22% from 2000 to 2004. Charter harvest in Southcentral increased from -14% to +1% of the GHL during that same period.



- During this time, however, the total halibut biomass also increased, as did the commercial longline catch limit. In Southeast the combined longline and charter catch of halibut went from 9.577 M lbs. to 12.045 M lbs. and in Southcentral, from 22.428 M lbs. to 28.720 M lbs.
- From 2000 to 2004, as a portion of the combined longline and charter catch, the percentage of charter caught halibut went from 11.8% to 14.5% in Southeast and in Southcentral actually went down from 14.0% to 12.8%. This is a percentage increase of 2.7% in Southeast and a decrease of 1.2% in Southcentral.

**The State of Alaska recommends the following actions regarding halibut charter fishing:**

1. The “present participation” requirement of the Magnuson-Stevens Act applies to halibut limited access programs. **The State has requested a legal opinion** from NOAA General Counsel as to **whether or not NMFS’ delay** in implementing the IFQ program **has created a fatal legal flaw** regarding present participation. That information is needed by all sides as the NPFMC decides how to proceed.
2. The State of Alaska **supports a clear allocation between the commercial longline and charter fleets** and believes that the NPFMC should start now to develop a legally defensible FMP to address halibut conservation and allocation issues between user groups for implementation ASAP.
3. The State **supports linking the GHL to abundance with the percentage** floating up and down as does the commercial catch limit, rather than as a fixed poundage limit. Maintain existing percentage allocation splits between the commercial longline and charter sectors while the FMP is developed.
4. Ensure the NPFMC’s **economic analysis** for the halibut FMP is **comprehensive**, including primary and secondary impacts.
5. **Subdivide 3A and 2C into subregions:** for example - 3A - Cook Inlet, Kodiak, Prince William Sound; and 2C – Ketchikan and southern communities, Juneau and inside communities, Sitka and outside communities. **Support** the formation of Local Area Management Plans (LAMPS).
6. **Explore a moratorium** on new entrants into halibut charter fishery.
7. Work to **reduce halibut bycatch** in other fisheries and make halibut saved available to the directed halibut fisheries.
8. **Consider size restrictions** on halibut.
9. If the revised catch limit-based GHL is exceeded, impose **trip limits and lower annual harvest limits** by sub-region as needed.
10. Regardless of actions taken by the NPFMC on halibut IFQ’s, ADF&G is going to:
  - **reinstate the halibut reporting requirement** in charter boat logbooks with methodology to insure accuracy;
  - **introduce a regulation** to the Board of Fisheries for Southcentral charter boats to limit the **number of lines to equal to the number of paying customers** (similar to existing regulations in Southeast); and
  - **introduce a regulation** to the Board of Fisheries to prohibit proxy fishing for halibut under state regulations (this would match existing federal regulations).
  - Support the concept of Senator Bunde’s legislation to require a **tax stamp** on all noncommercial fish boxes shipped from state (no tax on first box).
11. Explore the potential for **state management of some aspects of halibut sport fishing**.

COMMISSIONERS:

CLIFF ATLEO  
PORT ALBERNI, B.C.  
JAMES BALSIGER  
JUNEAU, AK  
RALPH G. HOARD  
SEATTLE, WA  
WILLIP LESTENKOF  
ST. PAUL, AK  
AURA RICHARDS  
NANAIMO, B.C.  
GARY ROBINSON  
VANCOUVER, B.C.

# INTERNATIONAL PACIFIC HALIBUT COMMISSION

ESTABLISHED BY A CONVENTION BETWEEN CANADA  
AND THE UNITED STATES OF AMERICA

AGENDA C-1  
DECEMBER 2005  
Supplemental

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November 28, 2005

**RECEIVED**  
DEC - 5 2005  
N.P.F.M.C.

Ms. Stephanie Madsen, Chair  
North Pacific Fishery Management Council  
605 West 4th avenue, Suite 306  
Anchorage, AK 99501-2252

re: Agenda Item C-1 Halibut charter IFQ

Dear Stephanie,

The staff of the International Pacific Halibut Commission (IPHC) would like to offer its views on the issue of IFQs for the guided sport charter fishery operating off Alaska.

Catch sharing and allocation - We have stated in previous letters and continue to believe that a defined allocation between all sectors, such as exists in the Area 2A Halibut Catch Sharing Plan, is the most desirable approach to catch sharing. The Commission staff also believes that the sport charter IFQ program is one component of an allocation process and an important part of catch monitoring; thus, we support it for that reason. However, it is not comprehensive, in that it does not include the non-guided sector. It is also not a necessity to have an IFQ framework in order to have a comprehensive allocation framework – again, in Area 2A there is a comprehensive allocation without an IFQ program.

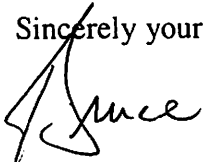
Leakage - We believe the charter IFQ program in Alaska would give more flexibility to catch sharing between charter sport and commercial over the long term, and it is probably one that industry could accommodate most easily. However, it still lacks a means to incorporate unguided angling in an allocation framework. Indeed, we believe the 'leakage' of guided fishing into an 'unguided' mode will assume greater prominence whenever a catch limit is approached. Since the unguided sector is currently uncapped and no in-season catch monitoring occurs, we have strong concerns that some of the stock management benefits of the charter IFQ program could be dissipated by this leakage. A transition to in-season catch monitoring would appear to be necessary under these scenarios, as well.

Local area depletion – A final comment is that the depletion problems reported by the sport fishery, which are also reported regularly to IPHC, will not be addressed by an IFQ program. Certainly an IFQ program will help to promote economic efficiency and perhaps stabilize the growth of the sport charter fishery for halibut. However, excessive vessel effort and the resultant localized depletion, cited frequently for many areas, will not be mitigated by an IFQ solution. Creation of Local Area management Plans (LAMPs) appears to be a far more effective tool for this type of problem and we support the Council's endorsement of such plans.

Guideline Harvest Limit (GHL) – In 2004, the sport charter harvest exceeded the GHL in both Areas 2C and 3A. While we acknowledge the unfortunate time lag in estimating the sport harvest, the most recent estimates will be at least a year and a half old by the time action is implemented to reduce the harvest. We encourage the Council to continue with its effort to maintain the sport charter fishery for halibut within the adopted GHL.

Gregg Williams of our staff will be attending the December meeting and can address any questions the Council may have about these comments.

Sincerely yours,



Bruce M. Leaman  
Executive Director

cc: Commissioners

Donna Bondioli  
Member Alaska Charter Association, Homer Chamber of Commerce, and  
partner in  
Captain B's Alaskan C's Adventures  
PO Box 66  
Homer, AK 99603  
[ashtikan@ptialaska.net](mailto:ashtikan@ptialaska.net)  
December 5, 2005

I would like to address the misconception that the growth of the charter sector is eroding the stability of the commercial investment. According to written testimony of Ms. Behnken and the Halibut Coalition, there has been "dramatic growth" in charter harvest. From 1994-2003 Area 2(C) charter catch increased from 985,514 lbs. to 1.41 million lbs. (1,412,000lbs.). 3(A) increased from 2.6 million lbs (2,553,726 lbs.) to 3.4 million lbs. (3,382,000 lbs.) The total statewide increase in charter harvest is only 1.25 million lbs. (1,254,760 lbs) over a nine year period.

I have studied the NOAA harvest and landing reports for the commercial IFQ program. Regardless of the tremendous increase in commercial harvest, (over 30 million lbs. statewide), the volume of halibut left uncaught annually exceeds the total nine year increase in charter harvest.

There has only been one time in 11 seasons of fishing commercial quota in which the volume of unharvested halibut has been less than 1.27 million lbs and, in fact, in two seasons ('95, '98) there was 4.3 and 4.9 million lbs. uncaught. Even if you throw those two years out of the equation, the average volume of unharvested halibut for the remaining nine years is 1.7 million lbs.

There is no validity to the diminishing investment argument. With the total charter harvest increase equaling only 1.25 million lbs. and the average unharvested commercial quota being 1.7 million lbs- **What the heck are we even doing here????** The charter sector is **nowhere** near encroaching on the commercial investment.

I am unaware of any sort of financial investment (in this country) where the investor gets to define the factors which will guarantee the future value

commercial argument is further undermined by the following section within the IFQ rules. .... "*Halibut quota shares are a privilege and not a right...They may be revoked, reduced, or removed at any time without cause or public comment.*" The very nature of this statement sure seems to erode the integrity of the commercial investment, not Charter Harvest.

I respectfully ask this current council to encourage credibility within the process and vote to rescind the IFQ proposal.



I am a citizen of the United States, and a resident of Alaska.

I am a recreational angler and I fish for halibut.

Halibut is a federally managed public resource. Historically there has been broad public access to this resource through the recreational fishery.

As a member of the public, I have had the right to two halibut per day. Whether I go on a boat that I have chartered to go out fishing, or I have gone out on a private boat with my family and friends, I have had the historical right to take two halibut per day.

Currently, subsistence, unguided and guided recreational angler harvest comes off the top of the TAC.

In 2003 the recreational harvest was approximately 7 million pounds.

Currently, commercial by-catch comes off the top of the TAC, which in 2003 was approximately 13 million pounds.

In 2003 the commercial halibut harvest was allocated approximately 60 million pounds.

You are now considering a proposal to privatize the public resource of recreational fishing through a Halibut Charter IFQ program.

I object to having my historical right of public access to the halibut resource taken from me. And you are taking this from me without any compensation.

The so-called problem statement says that my historical rights to this public resource, the recreational fishery, are infringing upon the commercial halibut fishery ability to make money off of this common public resource.

I find it simply outrageous that my catch and those of my fellow Americans are somehow a problem, and yet the halibut by-catch, which is double the recreational harvest, is not considered a problem.

The Halibut Charter IFQ program privatizes my public access to the fishery, and will increase my costs.

I will be the person who ultimately bears the cost burden of this program. I am the person you are asking to pay through increased charter prices.

You are asking me, the public angler, to subsidize the commercial halibut fishery. I find this simply outrageous.

Why are you not asking the other component of the commercial fishery, which has about double the catch of the recreational sector, to subsidize the commercial halibut fishery.

The commercial fishery in Alaska currently utilizes over 90% of halibut, a federally managed public resource.

In the Halibut Charter IFQ program, you are now asking me, the recreational angler, who uses less than 10% of the overall halibut resource, to subsidize the commercial fishery.

I find this simply outrageous.

If you do not rescind the Halibut Charter IFQ program, I will be subsidizing the commercial long-liners.

When you ask the public angler, who historically uses less than 10% of the overall halibut resource, to start subsidizes the commercial fishery which makes use of over 90% of the resource, then something is dreadfully wrong with this picture.

If I, one lonely recreational angler from Homer, affectionately called Tigger by my friends, sees that the Emperor has no cloths on, how long do you think it will be before all the other small, insignificant people in America see that there is something wrong in Pooh Ville.

With passage of the Halibut Charter IFQ program, Goliath will have succeeded in stomping on David.

It is your conscious – I ask you to follow it.

Sherry Kalander  
41871 Kachemak Dr.  
Homer AK 99603

# Captain B's Alaskan C's Adventures

**PO Box 66  
Homer, Alaska 99603-0066**

I would like to thank the council for the opportunity to testify today. My name is Bryan Bondioli. I have devoted my life to the halibut charter fishery since 1992 and have owned my own charter business since 1997. I would like to address a few concepts which have been continually addressed by both sectors as justification for the charter IFQ program. Let's start with overcapitalization. **Overcapitalization** in simplified terms means too many people competing for too few fish. As evidenced by the 78% increase in commercial allocation, it is quite obvious....there is NOT an issue in regard to a lack of resource. From a commercial perspective, this is solely an issue about preserving their economic prosperity by stifling the potential growth of the priority user group....the recreational angler. From the charter perspective, this is primarily an issue about greed and laziness. Many operators simply don't want to have to improve the quality and diversity of their charter services to compete in the marketplace. They are content to book their seasons by default; with too many clients wanting to fill too few vessels during our peak times. Let's compare....work your butt off, barely make a living....Or....sit on your butt, and be handed a retirement fund.

The other concept which is repeatedly offered to rationalize this program is that of **localized depletion**. What we have experienced over the past several years is NOT **localized depletion** from charter vessels. What we have seen is a twofold shift:... a **change** in oceanic conditions and a continual and increased longline effort within traditional sport fishing waters. Firstly, during the recent past we have seen dramatic changes in water temperatures and bait fish behavior. The fluctuations in the oceanic microbiology have resulted in changing, diminishing, or non existent returns of bait species, such as, Capelin, Hooligan, and Herring. In many areas we have seen the Salmon runs crash hard and rebound slowly. In addition, we have seen an exponential increase in spiny dogfish in many coastal waters. These factors **all** directly influence the predator/prey relationship; and have significant impacts on the migration patterns of Halibut and consequently on seasonal nearshore availability.

Secondly, since the implementation of the Commercial IFQ program we (at least in Cook Inlet) have seen a steady and significant increase in the nearshore longline effort and harvest. On a daily basis, throughout the season, we see longline gear stretched from ½ mile to 45 miles from the Homer Spit. It is not uncommon for our clients to witness multiple vessels working gear in the course of one charter trip. Although it is true that charter vessels are now forced farther from port to provide a quality angling experience: This is NOT the result of localized depletion due to charter efforts, but rather... continual localized pressure on the part of the commercial sector. I am reminded of a rather prophetic quote from Bob Ward in regard to localized depletion. In the Anchorage Daily News, May, 1995. Mr. Ward said: "We're going to be the prospectors for the commercial fleet. ...And then we'll probably be blamed for it, Nearshore

depletions are going to be blamed on us." Isn't it ironic....how accurate he was.

This brings me to the **one pertinent fact** that should be the **only** focus in this entire process and discussion. The July 5, 2005 EA/RIR/IRFA report to NMFS sums it up nicely. It states in section 2.11.2:...and I quote:...

....."**The current total amount of halibut taken by anglers on charter vessels is less than 10 percent. This is a minor amount in terms of the halibut resource ...which is believed to have little impact on bottom habitat, essential fish habitat, trophic interactions, biological diversity, and general ecosystem considerations.**"

This statement clearly shows....**the bottom line**. Once again: "This is a **minor** amount in terms of the halibut resource which has **little impact** on biological diversity and general ecosystem considerations.".....**PERIOD**.....This is the **ONLY** fact that should be considered. This should be the end of the story....No further discussion.

I respectfully ask that this current council reflect on these facts with respect to its own integrity and credibility and vote to rescind the halibut charter IFQ proposal.

Bryan Bondioli  
Captain B's Alaskan C's Adventures  
PO Box 66  
Homer, AK 99603

FRANK H. MURKOWSKI  
ALASKA

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CHAIRMAN  
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December 17, 1999

Amy and Moe Johnson  


Dear Amy and Moe:

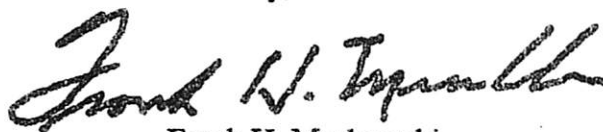
Thank you for contacting me to share your comments on the North Pacific Fishery Management Council's review of possible action on halibut charter vessels. I am aware that this matter has generated a great deal of controversy.

While other options are also under consideration, the Guideline Harvest Level was suggested as a way of providing assurance to charter operators that they would not be forced to accept in-season reductions during a given year, but would allow the charter harvest to be adjusted during subsequent seasons. It was set at a level higher than currently being taken by charter operators in order to provide a cushion for limited future growth. One reason for this approach was to provide a period during which charter operators could suggest more compatible methods.

I understand the suggestion of a fixed allocation for charter operators was made by the director of the State Division of Sport Fish. For my part, I do not believe that is appropriate. To argue that any user-group should be immunized against its conservation responsibilities is contrary to good resource management. This is, at bottom, an allocation dispute between two types of commercial business operators with the potential for conflict in some areas. I believe the Council is the appropriate arena for this discussion, but to give one party a guarantee of a certain catch level while the other party remained responsible for all reductions necessary for conservation is both unbalanced and unfair.

Thank you again for contacting my office.

Sincerely,



Frank H. Murkowski  
United States Senator



**City of Gustavus**  
P.O. Box 1  
Gustavus, AK 99826  
Phone: (907) 697-2451

September 19, 2005

North Pacific Council  
605 West Fourth Ave, Suite 306  
Anchorage, Alaska 99501

To Whom It May Concern:

The Gustavus City Council is concerned about the maintenance of the Halibut Fisheries throughout Southeast Alaska and also concerned about the jobs and livelihood of the citizens who utilize the fisheries for their yearly income. It has become vividly clear to the city council that there are definitely two groups who utilize the halibut resource and those two groups feel very strongly about the charter boat IFQ issue. While we, the city council of Gustavus, are concerned about the health and vitality of the halibut fisheries, we feel it necessary to make the following statement;

The Gustavus City Council is concerned for the welfare of all its citizens who live by and from the sea and we are concerned that while measures are needed to preserve the halibut fisheries for future generations, for the welfare of the citizens of Gustavus and the vitality of our business community, we have no jurisdiction and no expertise in the resource management and IFQ matter and further feel it is inappropriate for this city council to attempt to influence decisions made in matters pertaining to fisheries or fish allocation.

Thank you for your understanding of our situation and our continued concern for the sea resources which are so vital to all of us.

Sincerely

A handwritten signature in cursive script that reads "Sandi Marchbanks".

Sandi Marchbanks  
Mayor, City of Gustavus

# REALITY IN AREA 3-A

Using Simple Math to Disprove the State of Alaska  
Prepared for the NPFMC by Rod Van Saun

## Consider the Following:

Number of Halibut Charter Boats in Area 3-A 536

Average trips per year 75  
(This is a conservative figure. Some boats do as many as 160 trips  
Per year. I consider myself average and do 100 trips annually)

Average number of clients per trip 4  
(Another very conservative estimate. Some boats take 20 or more.  
The average is most likely around 5.2 clients per day or more.  
My personal average is 5.5 on a six pack boat.)

Average number of fish per client 1.90  
This is based on a 95% success rate. This is the rate advertised by  
Charters Statewide and from my experience is very accurate.

## Summation:

536 boats x 75 trips = 40,200 boat days per year  
40,200 x 4 clients = 160,800 client days per year  
160,800 x 1.90 fish per client = 305,520 fish caught by guided anglers annually  
305,520 x 20 pound average = **6.11 million pounds**

This conservative estimate which does not include fish taken by crew puts area 3A  
guided anglers a minimum **60% over the GHL**. Considering the low averages used in  
this tabulation that figure is more likely 80% or more. The charter fleet is by almost  
double exceeding the GHL in 3-A. It is likely the States estimates of take in 2-A are off  
by the same margin.

## ADDITIONALLY

The State of Alaska says we have not seen the projected growth in the industry. Of  
course the growth slowed. This is because the IFQ had passed. Most fiscally responsible  
people would not invest in an industry legally warned of forthcoming restriction by the  
governing body. Yet, since the Charter Boat IFQ was passed in 2000 the fleet in 3-A has  
grown out of control. I personally know of numerous individuals who did not come into  
the fleet because of the IFQ. I also know of bunch that will be entering this coming year  
if the State succeeds in rescinding the proposed rule. If the IFQ is removed be prepared  
for a flood of new entrants.

Testimony for NPFMC Meeting, Anchorage, December 7, 2005

My name is Dave Jones. I have lived in Kodiak for most of my life where I have gained experience in both commercial and sport fishing. I currently operate AlpenView Wilderness Lodge, a remote sportfishing operation on Kodiak Island.

Along with my friends and neighbors, I have witnessed both the causes, and the effects of IFQs in the commercial halibut industry.

I think you're all familiar with the causes of commercial IFQs, some were quite compelling. I think you're also familiar their effect. You know that the portion of the commercial halibut industry that remains today, is very healthy. And, you know that to achieve this health, it was necessary to amputate a chunk of the pre IFQ industry.

Amputation is strong medicine. Usually applied in life or death situations.

The charter industry is simply not that sick. Please, don't cut of a leg to heal a sore toe.

I ask you to resend the current charter IFQ proposal.

Before we amputate, let's try a course of antibiotics if you will.

I ask you to adopt the State of Alaska's recommendations.

I think you're all aware of the many discrepancies between the methods used to privatize other fisheries in Alaska and those proposed to the privatize of the charter industry. I think you're also aware that the motivating factors are very different.

I've got to tell you, that to me, the current sport charter IFQ proposal feels like a slap in the face. It says to me "Dave, your industry is simply not as important as the industries of your friends and neighbors. It says to me that my industry is not worthy of equal or similar considerations in an IFQ process.

I strongly disagree this concept. I think the charter industry deserves a fair shake.

I think it's possible that the recommendations of the State of Alaska will ward off charter IFQs entirely. Or, in the worst case, should charter IFQs become necessary down the road, the state's recommendations will provide several years of accurate catch history, obtained under a moratorium. This will make it possible to privatize the charter fleet with methods that are equal or similar to those used to privatize other fisheries in Alaska.

James "Dave" Jones, 321 Maple St, Kodiak, AK 99615 (907)486-5373



3521 Andree Drive #A  
Anchorage, AK 99517  
December 7, 2005

North Pacific Fishery Management Council  
605 West 4<sup>th</sup> Avenue, Suite 306  
Anchorage, AK 99501-2252

**RE: Agenda Item C-1 Halibut Charter IFQ  
174<sup>th</sup> Plenary Session NPFMC  
December 7-13, 2005**

Dear NPFMC Members,

I am an engineer living in Anchorage, but I spend as many weekends as possible in Ninilchik on the Kenai Peninsula. I do not have a vested interest in halibut charter fishing other than having grown up in Homer and Ninilchik, which are communities very dependent on a thriving halibut charter industry. I own my own recreational boat in Ninilchik and do not have to use charter services to fish for halibut.

I am opposed to implementing a halibut charter IFQ system for the following reasons:

- Negative impact to the local economies of small communities dependent on halibut charters.
- Increase in charter prices if IFQ's are implemented.
- Lack of opportunity for the young rural residents to enter the charter business due to significant cost to acquire IFQ's if implemented.
- The probability of consolidation of charter IFQ's to where eventually charter fishing will be only available on 50 to 100 passenger boats based out of the major harbors.

I also believe that there is a need for an economic benefit comparison between charter-caught halibut and commercially caught halibut to rationalize harvest limits for charters.

Following is discussion of the above points.

#### Small Community Economic Impacts

There are many small communities that survive due to the halibut charter business. Urban residents and tourists come to these rural communities to spend disposable income, which supports charter businesses, B&B's, grocery stores and other services. This provides jobs for skipper/owners, deckhands and employees of the other service providers and brings in money during the summer season that allows for people to live in these communities year around. Charter businesses also tend to spend a large amount of money in these communities for fuel, bait and other consumables. Private boat owners also come to these communities to use the services that are available such as tractor boat launches and also add to the spending in these local economies. If IFQ's are implemented there will be barriers to entry that will severely limit job opportunities for young people in these communities to enter the chartering business.

Additionally through retirements of IFQ holders, the IFQ's will likely be consolidated and move to bigger ports where large boats can be used, with the charter businesses leaving the rural communities.

It is also likely that tractor launches in Ninilchik and Anchor Point will go out of business and private boats will no longer come to launch, further negatively impacting service businesses in these communities.

#### Halibut Charter Pricing

Once IFQ's are implemented, due to the cost of purchasing IFQ's, prices will go up for the typical charter. Depending on whose analysis is used this increase could be \$50-150 per person. This is not beneficial to the growth of the recreational and tourist harvest of halibut that fuel the rural communities.

#### Limit to Entry for the Younger Workforce

Due to high cost of entry, there will not be the opportunities for young deckhands to open their own business. It is estimated that cost for securing IFQ's for the season will be in the \$100,000-\$200,000 range. This will mean that the deckhands will have limited opportunity to move up in their chosen profession. These rural communities already suffer from the impact of young residents having to leave to be able to make a living.

#### Future Chartering Limited to Large Party Boats

As the price to entry will be high, the IFQ's will go through a period of consolidation and the larger operations will get bigger. In efforts to maximize profit (a good thing), these operations will retire smaller boats and go to larger boats similar to the type of boats used in fishing concessions out of California.

#### Economic Comparison between Charter Halibut and Commercial Halibut

In talking to Scott Goldsmith of the UAA's Institute of Social and Economic Research, they are interested in the comparison of total economic benefit of charter caught vs. commercially caught halibut, but have not had the resources to complete such a study. In my view, as an engineer with an MBA, the impact of charter-caught fish is much greater as there are many recreational expenditures made during a typical "halibut charter trip", with associated multipliers, contributing to a more diverse Alaska rural economy.

I suggest that a third party economic study be made to fully understand the economic impacts of charter fishing vs. commercial fishing for halibut to set any guidelines in order to maximize economic benefit.

In closing, although I do not have an economic stake in the game, other than as a recreational boat owner, potentially being targeted by the commercial interests as so called "leakage" to be addressed after charter IFQ's are implemented, I strongly urge the Council to stop the implementation of IFQ's for the charter sector of the halibut harvest.

Very truly yours,

  
Peter J. Stokes

Testimony to the North Pacific Management Council regarding charter boat IFQs and  
GHLs

From: the Kodiak Association of Charterboat Operators (KACO)

Anchorage, Alaska  
December 7, 2005

Council chair, board members and friends throughout Alaska,

My name is Chris Fiala. I've owned and operated a Charterboat in Kodiak for 16 years. At this meeting, I'm representing the Kodiak Association of Charterboat Operators, or KACO.

KACO supports rescinding the current charter halibut IFQ proposal in lieu of creating a better plan. Most of KACO members are long-term charterboat operators who qualify for IFQs and stand to gain by the privatization proposal. It is noteworthy that with one exception, the entire body opposes this plan.

Several reasons KACO members oppose the plan are:

- (1) the 1998 and 1999 state charter logbooks are not a reasonable representation of current charter effort. Kodiak's visitor industry will suffer because more than one third of the current charter fleet would not qualify for IFQs;
- (2) the 1998 and 1999 charter logbook data was unverified and is now outdated;
- (3) commercial IFQs were determined by the best 5-of-7 years delivery, a far more accurate and fair participatory index;
- (4) finally, and of great importance, Kodiak doesn't have a halibut resource problem or an overcapitalized charter fleet.

KACO, recognizing the need may exist to regulate the charter halibut harvest, supports many of the State of Alaska recommended actions. Of the 12 measures the state suggests, KACO only has a problem with a tax stamp on noncommercial fish shipped from the state.

The overwhelming consensus of the Kodiak visitor industry is that halibut charter IFQs under the present proposal, are not appropriate for Kodiak.

"The plan... would have a devastating impact on the local economy of Kodiak, Alaska, and the outlying communities of Kodiak Island Borough," said Roger Aulabaugh,

president of the Kodiak Island Convention and Visitor's Bureau, in a letter to Stephanie Madsen, chair of the NPFMC, dated November 23, 2005.

"Therefore," Roger continued in the letter, "we respectfully ask that you conduct an economic impact study before implementing the halibut charter IFQ plan, or that you consider other forms of management that may have less of an impact."

KACO thanks the (NMFMC) for considering our testimony.

contact:

CHRIS FICCA (907) 486-5380

Roger Aulabaugh (907) 486-2955

Testimony from Fishing Vessel Owners Association to the North Pacific  
Fishery Management Council

Re: Charter boat IFQs

The council is set to discuss a motion to resend a previous council's recommendation to the Secretary of Commerce, which was intended to resolve future allocation struggles between the commercial and charter boat industries. In that previous council solution FVOA members saw four important aspects. One was the GHL or guideline harvest, second was the implementing tools to manage towards that GHL, and third was the ability of the charter vessels to purchase commercial IFQ and the last was the IFQ framework and allocation amongst charter boat operators.

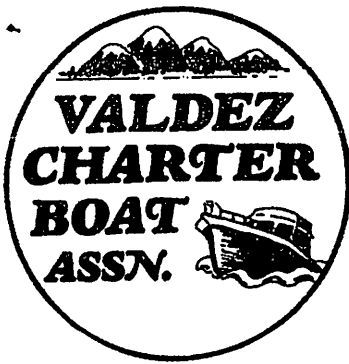
From the FVOA perspective the first three elements are critical to any future stability. The council has a GHL and is proposing a study of regulatory options to maintain the GHL. The ability for future charter boat operators to purchase commercial IFQ gives the commercial and charter vessel owners a means to manage allocation over and above the GHL through the market place rather than through the council process. The previous council saw this as a solution and supported this option. We believe it was the most important aspect of the IFQ charter boat solution.

We are concerned that should the motion to resend be successful, this will stimulate a new round of qualifying years for the charter boat industry for any new moratorium or limited entry format. This in our opinion will lead to a derby style charter season in order to reestablish the different participants and exacerbate existing limitations with the GHL and destabilizing existing charter and commercial operations.

It is important that whoever asks for a resending motion has a functional solution to these potential problems that they can provide to the council. The council needs to be mindful that if resending is successful the new limitations on limited entry programs under Magnuson/Stevens could make any new IFQ program for the charter industry impossible to obtain. The current proposed language would require a limited entry program for a year, which will take the council three years to develop and implement and if an IFQ is determined to be a goal the new legislation would require 50% of the charter persons to submit a petition to the Secretary.

It is very critical of how the council changes directions if in fact that is the choice of the council so as not to create more problems than are already facing both the commercial and charter boat industries. We support publishing the current program and amending as appropriate.

Robert Alverson- manager FVOA  
John Crowley- Trustee  
Jack Knutsen-Trustee



VALDEZ - WHITTIER CHARTER BOAT ASSOCIATION  
P.O. BOX 90  
ESTER, AK 99725  
907-479-5562 fax 479-5563

12 03 2005

Rescinding the charter IFQ just to throw the system open for requalifying does not make sense. The ADF&G numbers show that 65% of the charters who would qualify under the IFQ program are still in business, which does not account for business buy-outs or transfers. With business transfers included, I believe that number would be increase to 75%, or even 80%.

Further, taking into account that a new business without a clientele base will not be nearly "up to speed" as a well established charter would, you might be talking about 10%, or on the outside 15%, of the public access. Chartering is different than commercial harvesting. First a charter has to catch a client, then two fish; it takes time to become established in charter fishing. Being open for business does mean a tax write off, but does not mean instantly harvesting.

Charter businesses have been in limbo since 1993 on this issue, even more so since 2001. With the GHL decision, it is difficult to buy or sell a vessel or business because of the uncertainty of the ever pending actions. To throw this forward into two to four or more years of this uncertainty, when you can end it now with the charter IFQ program you have and amend it to accommodate new entrants, would be in a word, asinine. Twelve years is enough. End it now.

Opening the fishery back up for requalification in an already overcapitalized fishery, creating a race to pump up halibut landings in a logbook, for a future IFQ, under a current GHL, would be about the worst decision this council could make.

All areas would have to start fishing at the same time, or you will have a very unfair playing field. Also, any 6 pack vessel in 3A would be over matched by any certified vessel. The 6 pack is at his passenger limit, where most certified vessels are only working at about 50% to 60% of their legal limit of passengers.

If this is the intention of this council, then the limitations of the GHL need to be removed to create an open opportunity for catch data, as in the commercial IFQ fishery. How can you requalify in a restricted fishery? All you will accomplish is economic instability and chaos up and down the coast.

If you go forward with requalifying for IFQ, you will exceed the GHL in 3A by at least 20%, maybe 25%, and in 2C by as much as 50%. If you think that you will be able to cut that back to the 2001 GHL number, think again. Ask yourself what is the underlying real reason why the GHL in 2001 came with an extra 25%, and you will have your answer. Once a sports fisherman has a fish, you will not get it back. Besides, who would benefit here? Bob Penny? The public certainly would not.

The core of the public access right now is with the older fleet. Give them what they have worked and qualified for over the past 12 years and come up with a simple method of dividing the rest of the pie. If you let the new charters in with some fish, they will be happy.

One simple method is to move forward with granting an IFQ to the qualified charters that are still in business in 2004. Determine that poundage, and subtract it from the current GHL poundage in 3A and 2C, then add the 1% for 3A and the 22% for 2C that the charters are currently over the GHL cap now, and divide that up for the new unqualified charter. The commercial will lose fish, but they will lose more by throwing it open, guaranteed. Or better yet, take the "extra" out of the by-catch this time.

This action you have proposed will destroy all of the good will that commercial and charters have been able to realize, as you pit us against each other again.

John Goodhand, 907-479-5562

## Halibut Charter IFQ Program: Addressing Recent Participation

12/8/05

The concern has been raised that due to delay in implementation, the Halibut Charter IFQ could have a potential problem with recency (i.e. recent participation). While NOAA GC has not identified any specific legal issues with the program, it may be appropriate for the Council to consider an alternative that would adjust the qualifying years to incorporate more recent participation. This alternative should be forwarded to the Secretary with a recommendation that it be included in the Proposed Rule where it would receive public comment and be considered by the Secretary.

**Qualifying Years:** The qualifying period would be participation during any of the years 1998 – 2004 but you must have been an active participant in the charter halibut fishery in 2004 as well. Consideration of the qualifying years 1995-1997 has been dropped. By requiring recent participation, the intent is to not allocate catch share to those businesses that are no longer actively participating in the fishery. The intent is to move that catch share to the more recent entrants that are actively participating in the fishery.

**Initial Allocation to Charter Sector:** Same as in original program, 125% of the average harvest of 1995-1999. The question is how to determine the catch share for individual participants using: 1.) catch data (number of fish) for 1998 and 1999, and 2.) ground fishing effort (groundfish days fished/season) for 2000-2004.

**Rationale:** The use of two data types is due the discontinuance of the logbook catch reporting requirement from 2002 to present and the lack of confidence expressed by ADF&G in the logbook catch data from the 2000 and 2001 logbooks. For 2000-2004, there is effort data for participation in groundfish (expressed as days fished in submitted logbooks). With a few exceptions, groundfish effort in the charter fishery is halibut fishing. The two types of data result in two methods of determining catch share and two initial "pools" of recipients. However the resulting catch share is in one common currency for all-recipients (QS that yields an annual IFQ).

**Initial Allocation to Individual Recipient:** To divide up the total allocation (above, 125% of 1995-99 average), the catch share shall be based on dividing 100% of the average 1998-1999 catch between two "pools" of recipients. The intent is the once the catch shares are determined for each pool, that the catch share be scaled to the initial allocation amount (125% of the average harvest 1995-99.)

**Pool 1: "Deep End":** Businesses qualified under the original program with 1998 and/or 1999 logbook catch history AND must have participation in 2004 AND meet the legal qualifying criteria.

- Individual allocation is based on catch history.
- This pool is approximately 70% of the current participants (from Table 6).
- This pool accounts for approximately 75% - 80% of the 98-99 harvest (from last table of last page in action memo).



**Pool 2: "Shallow End":** Businesses that have participation (submitted logbooks with groundfish fishing days) between 2000 and 2004 AND must have participation in 2004 AND meet the legal qualifying criteria.

- Individual allocation is based on groundfish participation. In the simplest form, a recipient receives 20% of one potential share for each year of participation during 2000-2004 (five years). Other options would be: 1.) to scale the potential share for each year based on groundfish effort (days with groundfish effort/average season length by area), or 2.) establish a minimum threshold of number days with groundfish effort in a season.
- This pool is approximately 30% of the current participants (from Table 6).
- This pool accounted for approximately 20% - 25% of the 98-99 harvest (from last table of last page in action memo).
- The source of the allocation for this pool is the sum of the 98-99 catch history of businesses that qualified under the original program with 1998 and/or 1999 logbook catch history but are no longer active in the fishery, (i.e. did not participate in 2004 and therefore are not included in Pool 1).

**"Pool" Selection:** A recipient can only be in one pool and that would be the pool that gives the recipient the larger catch share. A recipient that had very little catch history in 98-99 may be qualified for "Pool 1", but could potentially receive a larger catch in "Pool 2" due to more recent participation.

**Option:** Recipients moving from Pool 1 to Pool 2 (potential catch share is larger in Pool 2 than Pool 1) would also take their catch share derived from Pool 1 to Pool 2 as well. This would give those businesses with longer participation an increased catch share above those with less participation in Pool 2.

#### **Legal Qualifying Criteria**

- 1.) Proof of USCG license for years claimed (recipient or hired skipper).
- 2.) Proof of commercial charter insurance for each of the years claimed.
- 3.) Proof of USCG random drug test program for a business for each of the years claimed.
- 4.) Submitted ADF&G logbooks showing groundfish activity for each of the years claimed.
- 5.) ADF&G Guide Business License for each of the years claimed.

Submitted by: Assembly Vice-Chair Coffey  
For reading November 22, 2005

CLERK'S OFFICE  
APPROVED

Date: 11-22-05

Anchorage, Alaska  
AR 2005-303

1 **A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY IN OPPOSITION TO**  
2 **THE PROPOSED HALIBUT CHARTER IFQ PROPOSAL.**

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3  
4 THE ANCHORAGE ASSEMBLY RESOLVES:

5  
6 WHEREAS, there are numerous residents of Anchorage, Alaska who fish for halibut in  
7 Cook Inlet; and

8  
9 WHEREAS, many of the tourists and visitors who come to Anchorage, come for the express  
10 purpose of fishing for salmon and halibut in Cook Inlet; and

11  
12 WHEREAS, access to the Cook Inlet halibut fishery is frequently done by charter boats  
13 operating out of towns on the Kenai Peninsula and other towns in Alaska; and

14  
15 WHEREAS, there is a proposal pending before the North Pacific Fisheries Management  
16 Council (NPFMC) to award quota shares (Individual Fishing Quotas) to charter operators based on  
17 their participation in the charter halibut fisheries prior to 2001; and

18  
19 WHEREAS, under the current proposal approximately, 40% of the current charter operators  
20 would not receive an allocation; and

21  
22 WHEREAS, the Alaska Department of Fish and Game has stated its opposition to this  
23 proposal and will use its position on the NPFMC argue against the IFQ proposal for charter  
24 operators; and

25  
26 WHEREAS, many of the towns where the charter industry is a substantial economic force  
27 and other local and statewide fisheries and tourism organizations have spoken out against the  
28 current proposal by passing resolutions against the IFQ proposal for charter operators; and

29  
30 WHEREAS, the towns which have passed resolutions include Homer, Soldotna, Whittier,  
31 Valdez, Kodiak, Gustavus, Houston, Sitka and others; and

32  
33 WHEREAS, the organizations who have passed resolutions include the Southeast Charter  
34 boat Association, the Alaska Sport fishing Association, the Alaska Charter Association, the  
35 Anchorage Advisory Board to ADF&G, the Kenai River Sport fishing Association, the Alaska  
36 Outdoor Council, the Cook Inlet Sport fishing Caucus and the Kodiak Convention and Visitors  
37 Bureau; and

38

1 WHEREAS, if the IFQ proposal is adopted, it is likely that the cost of chartering a halibut  
2 boat to fish for halibut in Cook Inlet will increase substantially;

3  
4 NOW THEREFORE, the Anchorage Assembly resolves as follows:

5  
6 1) The Assembly supports the position of the Alaska Department of Fish and Game in its opposition  
7 to the proposal.

8  
9 2) The Assembly supports the resolutions of the other towns in Alaska where charter boat  
10 operations are substantial which has spoken out against this proposal.

11  
12 3) The Assembly supports the resolutions of the fishing and tourism associations throughout the  
13 State of Alaska in their opposition to this proposal.

14  
15 4) The Assembly urges the North Pacific Fisheries Management Council not to adopt the proposal  
16 for Individual Fishing Quotas for halibut charter boat operators.

17  
18  
19 PASSED AND APPROVED by the Anchorage Assembly this 22<sup>nd</sup> day of  
20 November, 2005.

21  
22  
23 Anna J. Fairclough  
24 Chair

25  
26  
27 ATTEST:

28  
29 Barbara E. Goulet  
30  
31 Municipal Clerk

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Alaska Charter Association  
PO Box 148  
Homer, AK 99603  
(907) 235-4756  
President, Greg Sutter

December 8, 2005

Madame Chair, council members, thank you for your time and consideration today. First of all, I applaud this council for the praise and recognition you received for reducing bycatch. Congratulations! Also, I am thankful that between this body and the A.P. Council, we have represented the recreational/sports fishermen 35/2. Captain Jim Preston, whom I don't always agree with, but am thankful for and council member Ed Rasmuson. They both work hard and, like all council members, take a lot of heat.

What you are facing now is a great opportunity to right a wrong. It must begin with adopting Mr. Rasmuson's motion to rescind the Halibut Charter IFQ proposal. My impression is that this council differs from past North Councils in that this council is more engaged. Before, past councils did not always seem to be receptive when charter people spoke. It was as if the council sought its own agenda and the process did not seem transparent. Eight thousand comments are continually quoted as to input for the IFQ program and portrayed as being in support of the IFQ program. Many of those comments were opposing the program.

Yesterday, I witnessed a question reminiscent of past councils. Mr. Arne Fuglvog asked someone testifying, "Do you want a one fish limit under the GHL or an IFQ?" This question could be perceived as threatening. Inferring that a charter operator will be cut one way or the other. Sometimes even councils make mistakes. The past council's biggest mistake was trying to make IFQs work in a recreational fishery. They used a familiar tool that works exceedingly well in the commercial sector and tried to make it "fit" in the charter industry. Since that time, problems and delays have occurred. It is no wonder. IFQs do not belong in a recreational fishery, period. Especially when halibut stocks are high.

The good thing about this mistake is it can be corrected. Fortunately, we have the benefit of history now with hindsight and data. (By the way, we may have too much history as it pertains to Alliance Against IFQs vs. Brown case.) Nevertheless, you know the movement to limit charters began in 1993. This led to the problem statement which cites the "rapidly growing guided recreational sector... reducing the commercial harvest." We know now the charter sector grew so rapidly that our clients harvested about 7% of all halibut statewide in 2004 when you factor commercial bycatch in the equation.

How has the 7% negatively impacted the commercial sector? Without question, the commercial sector has never been so prosperous. Yet, as made evident by Mr. Fuglvog's question, charters have a choice now: with a one fish limit, get cut in half by the GHL

and reduce our 5.4 million pounds to 2.7 million pounds statewide, or do you prefer a 40% cut in your fleet with an IFQ program? Is the charter industry so out of control that our clients' catch should be cut in half or our fleet reduced by 40%? Where is the problem? The State of Alaska says if the GHL floated, the increase in Southeast is 2.7% and South Central actually decreased by 1.7%. So should we cut charters? I think it would be a big mistake.

Other problems mentioned that IFQs allegedly solve charter overcapitalization, safety, and localized depletion. This is false!

Overcapitalization: Some guys may only take 20 trips a season. It is their choice. What is wrong with that? Some guys own very expensive yachts and will never breakeven. So? In a sport fishery the economic equation is vastly different.

Safety: The biggest factor is the potential increase in the unguided sector as a result of the GHL and IFQ as highlighted on page 29, Charter IFQ Analysis, dated 7/5/05. We are professionals. The charter safety records stands on its own merits.

Localized depletion: IFQ's simply will not solve it. Look at the 11/28/05 letter from IPHC.

In addition, the public testimony against the charter IFQ's is overwhelming. Look at the attached list of towns, chambers, state and national organizational opposition to IFQ's. They want charter IFQ's eliminated.

How is the IFQ that threatens to cut our charter fleet by 40% consistent with Dr. Hogarth's stated priority, which is to "revitalize our recreational fisheries". Is losing 40% consistent with Executive Order 12962, signed by President Clinton and reaffirmed by President Bush? The order states "to provide for increased recreational opportunities nationwide".

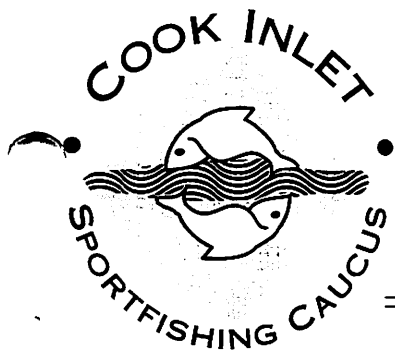
Reward good stewards, don't penalize them at a time of abundance. Like milk, once sour you can't go back and change the expiration date. This Council has a great opportunity to right a huge wrong and move recreational sport fishing in the right direction for Alaska.

**City Councils, Chambers and Convention and Visitors Bureaus in opposition to the IFQ Proposal as of November 28, 2005.**

Anchorage Assembly  
Anchorage Convention and Visitors Bureau  
Gustavus City Council  
Gustavus Chamber of Commerce  
Homer Chamber of Commerce  
Homer City Council  
Houston City Council  
Houston Chamber of Commerce  
Kenai City Council  
Kodiak Convention and Visitors Bureau  
Sitka Visitor Bureau  
Sitka Chamber of Commerce  
Soldotna Chamber of Commerce  
Valdez City Council  
Whittier Chamber of Commerce  
Whittier City Council

**Other Organizations in opposition of the IFQ Proposal**

Alaska Tourism Industry Association  
Alaska Outdoors Council  
Cook Inlet Sportfishing Caucus  
Kenai River Sportfishing Association  
Anchorage Advisory board to ADF&G  
Recreational Fishing Alliance  
International Game Fish Association  
Alaska Charter Association  
Sitka Charter Boat Operators Association  
Gustavus Charter Boat Association  
Alaska Sportfishing Association  
American Sportfishing Association



COOK INLET SPORTFISHING CAUCUS  
3620 PENLAND PARKWAY  
ANCHORAGE, ALASKA 99508  
(907) 276-2222 FAX (907) 278-0896

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December 7, 2005

Bob Penney, Member, Cook Inlet Sportfishing Caucus  
Alaskan resident-54 years  
Address: 913 Keystone Drive, Soldotna

The data in the attached Compass piece is from the Alaska Department of Fish & Game.

- Thanks – We are all here for the halibut.
- "A Deal is a Deal" – since 1977, again ratified in 1995  
"Stay the Course" – "Keep the Plan"
- 'Make Lemonade'
- FMP is THE solution – Regulates ALL halibut users.

**We, the following organizations, representing a broad statewide spectrum of the recreational anglers and the charter industry, respectfully submit the following. These options are adopted directly from the ADF&G position paper of 11/28/05.**

The NPFMC should create a plan development team (PDT), comprised of commercial, recreational and subsistence fishermen for the purpose of developing an Alaska Halibut Fishery Management Plan. The FMP to be developed within three years and in accordance with, **SEC.303. CONTENTS OF FISHERY MANAGEMENT PLANS 16 U.S.C.1853 95-354, 99-659, 101-627, 104-297.**

<http://www.nefsc.noaa.gov/magact/mag3.html#s303>

**Basic FMP assumptions to be:**

1. Annual CEY established by IPHC.
2. Analyze commercial, recreational and subsistence landings over a number of statistically valid years and determine average percentage of removals by each group of fishermen.
3. Apply percentage allocations to all sectors of the fishery (removals) including bycatch wastage, recreational (guided and unguided), subsistence, and directed commercial.
4. Consideration should be given to ensuring that recreational fishing needs are met.
5. Uncaught recreational quota might be applied to the following year's recreational allocation, subject to an analysis of the impact of such unused allocation on the status of the stock
6. Management measures might include the development of Lamps, Limited Entry, Catch Sharing Plan (2A) or any other apt management tools.

Every 3 years after adoption of the FMP, the Council will examine the FMP to see that it complies with Executive Order #12962.

**IMMEDIATE OPTIONS**

The GHF committee should consider the following management options in the interim.

- No crew fish
- One charter boat trip a day in areas deemed necessary.
- Establish a control date for a moratorium.
- One sport harvest per 24 hours in a calendar day.
- Floating GHF

<b>Alaska Charter Association (180 +charter boats)</b>	<b>Kenai River Sportfishing Association</b>
<b>Cook Inlet Sportfishing Caucus</b>	<b>Alaska Outdoor Council</b>
<b>Recreational Fishing Alliance</b>	<b>International Game Fish Association</b>
<b>Sitka Charter Boat Operators Association</b>	

We suggest the following representative makeup for a plan development team.

- |                          |                         |
|--------------------------|-------------------------|
| (1) subsistence          | (2) charter boat member |
| (2) recreational         | (4) longliners          |
| Chairman- council member |                         |



HOOKED ON A LIFESTYLE. JT CAN HE AFFORD IT?

# CHARTER BOAT IPO'S WOULD BE SAME PROBLEM



KLAS STOLPE / The Associated Press

Fisherman Justin Peeler, left, with fellow fisherman Kurt Wohlueter, a crewman in the Petersburg fleet for 15 years, is planning to buy his own boat. He figures the cost of the 56-foot boat, along with the gear and permits he needs, will run him about \$500,000. "The amount of money that I'm borrowing, if I pencil it all out, I barely make it," Peeler said. "I've bet everything on it."

Anchorage Daily News Sunday Dec. 4, 2005

E section



KLAS STOLPE / The Associated Press

Fisherman Justin Peeler, left, with fellow fisherman Kurt Wohlhueter, a crewman in the Petersburg fleet for 15 years, is planning to buy his own boat. He figures the cost of the 56-foot boat, along with the gear and permits he needs, will run him about \$500,000. "The amount of money that I'm borrowing, if I pencil it all out, I barely make it," Peeler said. "I've bet everything on it."

# The Next Wave

*As Alaska's fishing fleet grays, newcomers find the price of entry high*

By **MATT VOLZ**  
The Associated Press

**P**ETERSBURG — For what it's going to cost, Justin Peeler to elbow his way into Southeast Alaska's fishing fleet, he could have gone to Harvard Medical School. Twice.

The 26-year-old Peeler has been a crewman in the Petersburg fleet for 15 years, starting as a kid fishing with his father. He now plans to buy his own salmon seiner, and figures the cost of a 56-foot boat, along with the gear and permits needed to get started, will be about \$500,000.

He's calculated that his yearly catch will bring in just enough to make his debt

payments.

"The amount of money that I'm borrowing, if I pencil it all out, I barely make it," Peeler said. "I've bet everything on it."

Peeler says he's willing to take the risk. Good money can be made as a professional crew member, but it takes a back seat to captaining your own boat, he said.

The costs are steep for the next generation of fishermen like Peeler who are trying to break into the business. Besides buying a good boat and gear, they must pay top dollar for the right to fish in a crowded Alaska industry with limited-entry permits and individual fishing quotas. That's something the last generation

of Alaska fishermen, who got their start when the state's waters were still mostly open to all, didn't have to deal with.

It's not just a problem for the young fishermen. Here in this coastal town of 3,100, where fishing is still the major economic driver, it could turn into a problem for everybody.

In Petersburg, most commercial fishermen are ages 40 through 60, and people are starting to ask about the future of the fleet as graying fishermen look to pass on their nets in the next 10 or 15 years.

"The concern is that as fishermen age and retire, ... that there won't be enough younger fishermen to purchase those rights ... or those fishermen just won't

have the resources available to purchase those rights," said Sunny Rice, an agent with the Marine Advisory Program, part of the University of Alaska Fairbanks School of Fisheries and Ocean Sciences.

To avoid it becoming a problem, she said, the question must be answered over the next decade: "What do we do to make sure that when this happens, we are fostering young people in the business who are able to buy the quotas?"

More and more Alaska fisheries have been limited to permit holders since the state constitution was changed in 1972 to protect popular species such as salmon

See Page E-5, ALASKA FLEET

# ALASKA FLEET: *New blood wants in, but it's expensive*

*Continued from E-1*

from being overfished. Some 68 state fisheries are now limited entry, meaning commercial fishermen must pay one-time entry permits and annual fees to fish them.

The federal government's version, individual fishing quotas, gives a commercial fisherman the rights to a percentage of the year's catch of halibut or sablefish in federal waters off Alaska's coast. That program is meant to end a mad rush to fish those species that in the past would end a season in days.

But the costs of entry permits and quota shares are staggering for a newcomer. They vary by fishery but range from tens of thousands of dollars to hundreds of thousands — and they are rising as the market price of the catch rebounds from a long slump.

Petersburg fisherman Kurt Wohlhueter, 50, said he was recently looking at purchasing a 20,000-pound halibut quota — at a cost between \$380,000 and \$400,000. At those prices, not a lot of 20-somethings are going to start as halibut fishermen, he said.

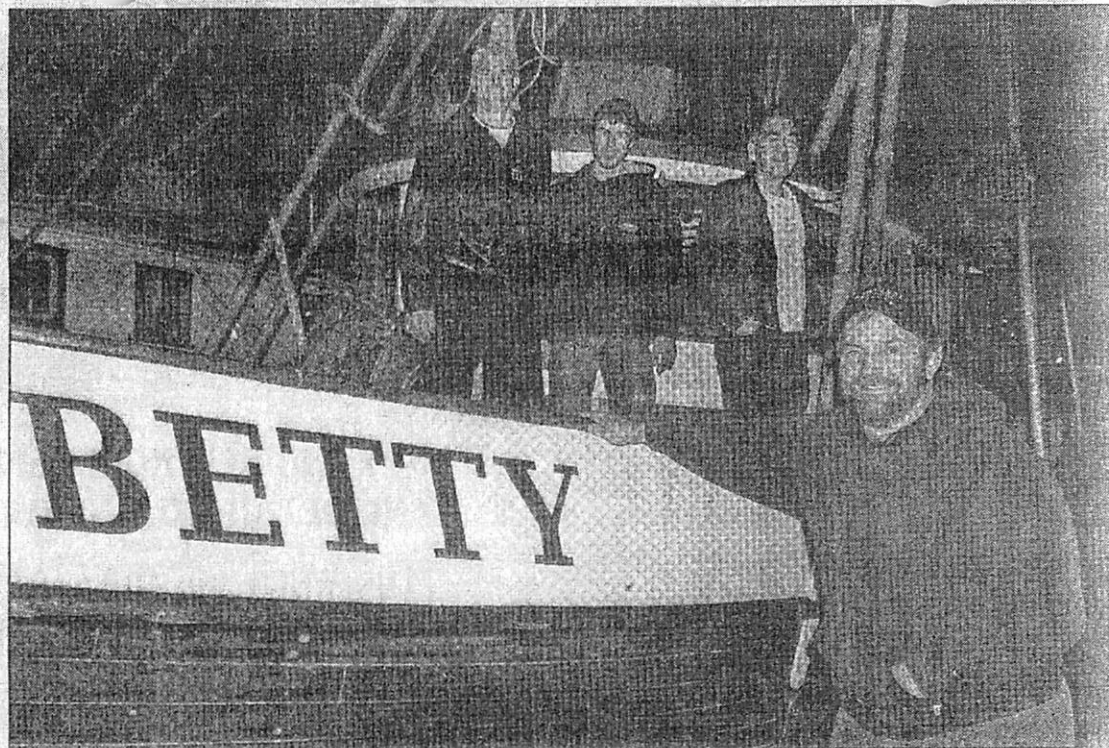
"There's really no room right now for a young man to buy into that fishery because the profit margin isn't wide enough, not with fuel costs, not with the fickle price fluctuations," he said. "I can't imagine a young man trying to buy a boat, trying to buy a home, trying to support a family."

Wohlhueter has been fishing Alaska's waters since the open access days of the 1970s. He's got five daughters to whom he hopes to pass his floating business. But he, too, has been thinking about what will happen to the Petersburg fleet once he and his colleagues step aside.

"My retirement is resting on these guys," said Wohlhueter. "If we don't have a family member to pass it on to, for whatever reason, we have to make sure we have to keep guys like the Justins, his age group, involved and interested in this industry."

Some fishermen say a newcomer can buy a smaller boat or start in less expensive fisheries, then work his way up. Boats, permits and quotas can be financed through a private bank, and federal and state governments have loan programs, as well.

One state program will loan up to \$300,000 to Alaska residents at low interest rates for quota shares, with repayment over 15 years. The program is for fishermen who can't get loans else-



KLAS STOLPE / The Associated Press

Captain Kurt Wohlhueter, front, and crew members Jeff Libbert, left, Brian Whitethorn, and George Skeek, right, prepared the fishing vessel Betty for a weeklong halibut trip in Petersburg's harbor in late October. Wohlhueter, 50, said he was recently looking at purchasing a 20,000-pound halibut quota, at a cost between \$380,000 and \$400,000. At those prices, not a lot of 20-somethings are going to start as halibut fishermen, he said.

where, including young fishermen, said state Division of Investments Director Greg Winegar.

"That's partly why we have this program," Winegar said. "They need to have guarantors, and usually their parents provide the backing."

But Peeler plans to stay away from quota fisheries such as halibut and sablefish for now. They're just too expensive. He already has a salmon permit, which set him back \$42,000.

To make a living while his debt looms, he's going to have to hustle. He plans to fish for salmon, then lease his boat and work as a crewman the rest of the year in exchange for a share of the profits.

"That will help me make it. That will hopefully (let) me be able to live in Petersburg," he said.



- Alaska Commercial Fisheries Entry Commission: [www.cfec.state.ak.us/](http://www.cfec.state.ak.us/)
- Alaska Division of Investments: [www.commerce.state.ak.us/investments/index.cfm](http://www.commerce.state.ak.us/investments/index.cfm)
- National Marine Fisheries Service: [www.nmfs.noaa.gov/](http://www.nmfs.noaa.gov/)
- Alaska Marine Advisory Program: [www.uaf.edu/mep/](http://www.uaf.edu/mep/)

# RAMSEYS: *Learning to cook is a confidence-builder*

*Continued from E-1*

dance builder. Just like playing pi-

advantage of the pantry necessities

(see below) for convenience foods

spouse, we are all judged in social

settings. Knowing how food is pro-

chorage Daily News Web site at

www.adn.com to find the following

# Charter halibut IFQs will cost little guys

## Club listing left out Wolf Pack group

Section of the Sunday paper  
are some places to go to get  
you mentioned a few snow-  
you forgot to mention the  
chine Club (The Wolf Pack).  
marks hundreds of miles of  
ing trails. The trail system  
dges, Wolverine Lodge, Lake  
int Lodge, Mendeltna Lodge  
club has various fun activi-  
s and their families through-  
em maps are available.

—Alicia Jones  
Anchorage

## More money opens up at will help everyone

ot locked into spending half a  
Don Young Way and Ketchi-  
make some real transporta-  
of all the potholes, intersec-  
s, railroads and public transit  
ven a tiny part of that half a  
re costs for that boondoggle  
— all the approaches and  
were not directly included,  
d maintenance and projects  
l suffer for years.  
said he would resign if this  
ral money going to the two  
is cut, even though it would  
jects in the state.  
rassment for such wasteful  
ar, disasters and the largest

By BOB PENNEY

A federal agency 10 years ago gave individu-  
al fishing quotas, or IFQs, to commercial longlin-  
ers to harvest halibut in Alaska waters. This was  
done to abate the dangerous race for fish, and  
parceling out the harvest also created a longer  
fishing season and more fresh fish.

These IFQs can be bought or sold and you  
can't commercial fish without them. Today, some  
3,461 longliners own these IFQs; 2,710 of whom  
are Alaskans. Based on an annual harvest of 50  
million pounds, these quota shares have a mar-  
ket value of \$900 million to \$1 billion.

The historical split of this halibut harvest has  
been about 90 percent to commercial fishing and  
10 percent to sport and subsistence users.

In 1995, when the North Pacific Fishery Man-  
agement Council gave the commercial longlin-  
ers those IFQs, it continued a critically impor-  
tant criterion affecting the public at large and  
rural Alaskans. For the past 30 years, sport and  
the subsistence fisherman have always had first  
catch of the annual harvest, with their 10 per-  
cent right off the top. Then the balance of the  
harvest, some 90 percent, has been commercial-  
ly caught and sold.

What rural Alaskans need for subsistence  
food, and what our families need for our dinner  
tables and freezers, should be the priority har-  
vest and a precedent that shouldn't change.

Now the 90 percent isn't enough for the long-  
liners, who remind me of Pacman in the old vid-  
eo game. Now they want to gobble up our share of  
the halibut, too.

In 2000, these longliners went after the char-  
ter boat anglers in Homer and Juneau by pushing  
through the fishery management council a har-



vest cap called a guideline harvest level (GHL).  
But, these harvest restrictions weren't enough.  
Now they're trying to push through charter boat  
IFQs that will take this resource away from the  
public and give it to the boat captain.

The council is seriously considering giving 5  
million pounds of these quota shares to some of  
these captains that will have a market value of  
\$90 million to \$100 million. If that isn't enough,  
the charter boat captains will have the right to  
sell those IFQs, resulting in a second-tier cap-  
tain having to pay \$100,000 to \$300,000 or more  
for IFQs in order to go into the business. The re-  
sult would be a huge added expense that you and  
I will have to pay for.

These IFQs are a direct attack at the public  
and must be deep-sixed.

How big a deal is this public harvest of halibut?  
In 2004, Alaskans fished 435,658 days and  
caught 303,100 halibut (that's one fish for ev-  
ery two people in the state). Nonresidents fished  
571,717 days and caught 179,450 halibut. It is the  
largest sport halibut fishery in the nation and a  
very important industry in our state.

Each year over 200,000 Alaskans go to catch  
these fish for our family fare, and 60 percent of us

*In Washington and Oregon, the like percentage is  
60 percent recreational and 40 percent commercial.  
Why isn't even 80 percent commercial in Alaska fair  
enough?*

catch our halibut on charter boats. These rights  
are in the process of being given away.

If longliners prevail and charter boat IFQs  
pass the council, these "Pacman" will undoubt-  
edly turn their eyes on the rest of us private boat/  
subsistence anglers and try to gobble up our  
share, too.

In Washington and Oregon, the like percent-  
age is 60 percent recreational and 40 percent  
commercial. Why isn't even 80 percent commer-  
cial in Alaska fair enough? Why go after the re-  
maining percent?

The council is having public hearings on these  
IFQs on Wednesday and Thursday at the Hilton  
Hotel in Anchorage. If you think we should keep  
our priority rights for harvest, please attend and  
be heard. We should continue to have first catch  
of the annual harvest.

And keep a sharp watch as those Pacman  
longliners will be there, waiting to gobble up your  
share.

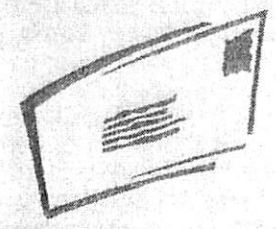
■ Bob Penney is a 54-year resident of Soldotna and longtime  
advocate for sportfishermen. He served on the North Pacific Fishery  
Management Council as the first public-sector appointee from  
2000 to 2002. He can be reached via e-mail at [rcpenney@aol.com](mailto:rcpenney@aol.com).

## DOONESBURY



## HOW TO SEND LETTERS TO THE EDITOR

Letters may not exceed 225 words — as a  
general rule, shorter letters are better letters.  
They will be edited for length, clarity, gram-  
mar and taste and may be republished in  
any format. We will publish only one letter  
per writer every 30 days. Letters must  
include the writer's address and day phone  
number (for verification, not publication).  
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letters to third parties or letters submitted to  
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