

# Discussion Paper: Halibut IFQ leasing by CDQ groups

December 2015

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## 1 Introduction

In June 2015, the Council initiated this discussion paper to examine a proposal to allow Community Development Quota (CDQ) groups to lease halibut Individual Fishing Quota (IFQ) from private entities in Areas 4B, 4C, and 4D<sup>1</sup> for harvest by CDQ residents in years with low halibut catch limits in regulatory areas 4CDE. This proposal, in effect, would allow IFQ to be leased by a CDQ group to be added to their available halibut CDQ, for use by residents (with a halibut CDQ permit and a CDQ hired master permit), subject to the group’s internal halibut management. This proposal was put forward in public testimony as an option to keep CDQ residents fishing in years where the halibut CDQ may not be large enough to present a viable fishery for participants.

Creating this opportunity for CDQ residents, would require two major exemptions. In particular, this practice is not permitted under status quo, as CDQ groups are not eligible to purchase or lease halibut or sablefish QS/IFQ, with the expectation of A shares (catcher/ processor shares; see Section 4.6 for further QS class explanation). Additionally under current regulations, a halibut QS holder, including initial QS recipients, cannot use a hired master to harvest IFQ derived from their catcher vessel (CV) QS on any QS acquired after February 12, 2010 (79 FR 43679, July 28<sup>th</sup> 2014). QS holders that are not initial issuees, are not permitted to use a hired master to harvest their halibut IFQ regardless of when they acquired it.<sup>2</sup> Therefore in many cases, under status quo, the QS holder would need to be on board the vessel with the CDQ hired master.

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<sup>1</sup> The motion for this proposal also suggested leasing Area 4E QS; however, only a CDQ fishery exists in Area 4E. More discussion on this distinction is in Section 2 and Section 4.1.

<sup>2</sup> There are some exceptions to both of these rules. See 50 CFR 679.42(i) for more details.

In this discussion paper we present relevant background information on the CDQ groups, the halibut CDQ, and the residents' dependency on the resource. Additionally, we define the issue and highlight a number of Council considerations and decision points relevant for any continued Council action of this proposal.

## 2 Relevant background information

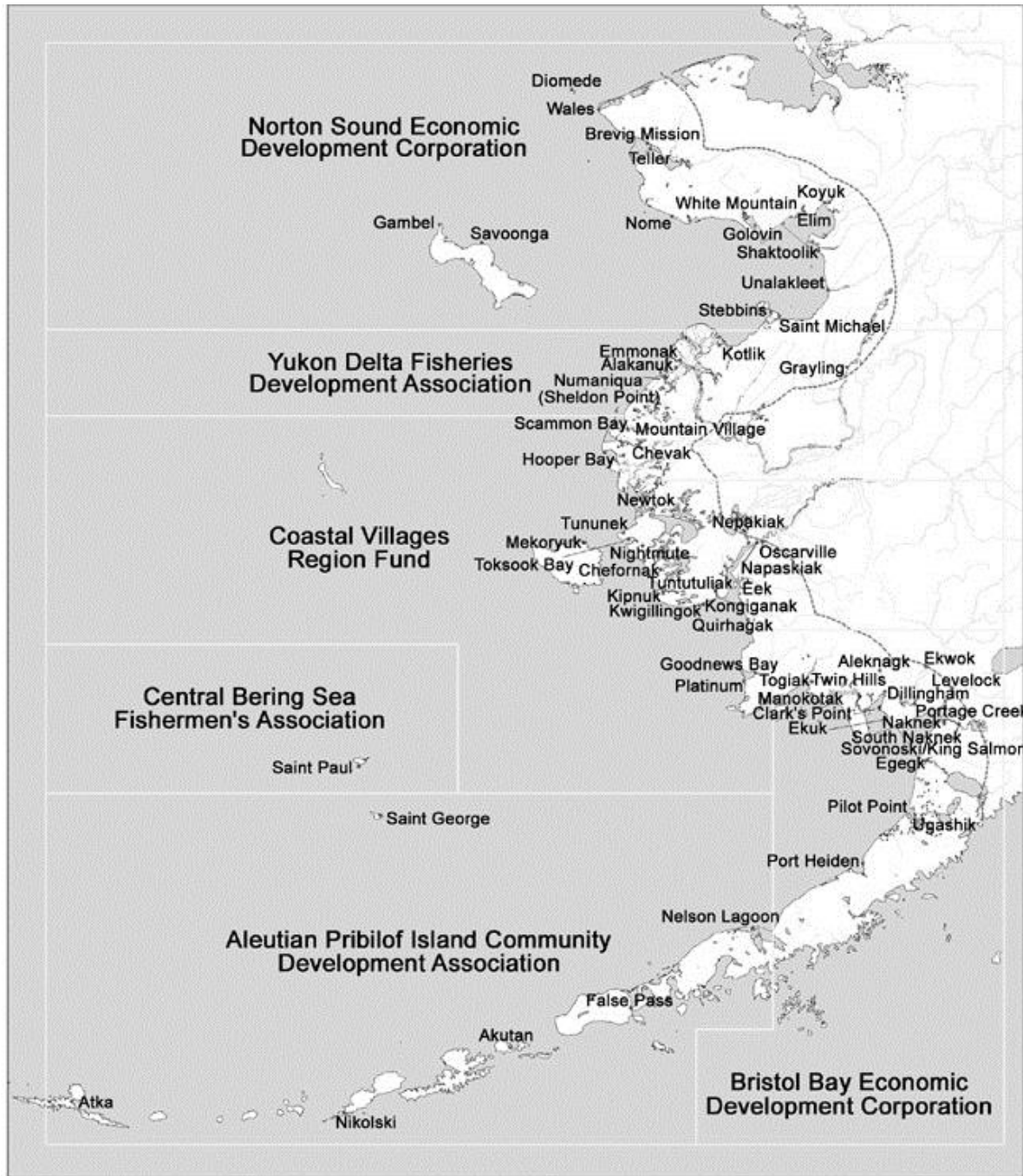
The CDQ Program is an economic development program associated with federally managed fisheries in the Bering Sea/ Aleutian Islands (BSAI). NMFS, the State of Alaska, and the Western Alaska Community Development Association (WACDA) administer the CDQ Program. Its purpose, as specified in the Magnuson-Stevens Fishery Conservation and Management Act (MSA), is to provide western Alaska communities the opportunity to participate and invest in BSAI fisheries, to support economic development in western Alaska, to alleviate poverty and provide economic and social benefits for residents of western Alaska, and to achieve sustainable and diversified local economies in western Alaska.

In fitting with these goals, NMFS allocates a portion of the annual catch limits for a variety of commercially valuable marine species in the BSAI to the CDQ Program. The percentage of each annual BSAI catch limit allocated to the CDQ Program varies by both species and management area. These apportionments are, in turn, allocated among six different non-profit managing organizations representing different affiliations of communities (CDQ groups), as dictated under the MSA. Eligibility requirements for a community to participate in the western Alaska Community Development Program are identified in the MSA at section 305(i)(1)(D). The six CDQ groups include:

- Aleutian Pribilof Island Community Development Association (APICDA)
- Bristol Bay Economic Development Corporation (BBEDC)
- Central Bering Sea Fisherman's Association (CBSFA)
- Coastal Villages Region Fund (CVRF)
- Norton Sound Economic Development Corporation (NSEDC)
- Yukon Delta Fisheries Development Association (YDFDA)

Figure 1 identifies the names and relative locations of the CDQ groups and the communities they represent.

Figure 1 Western Alaska CDQ communities and groups

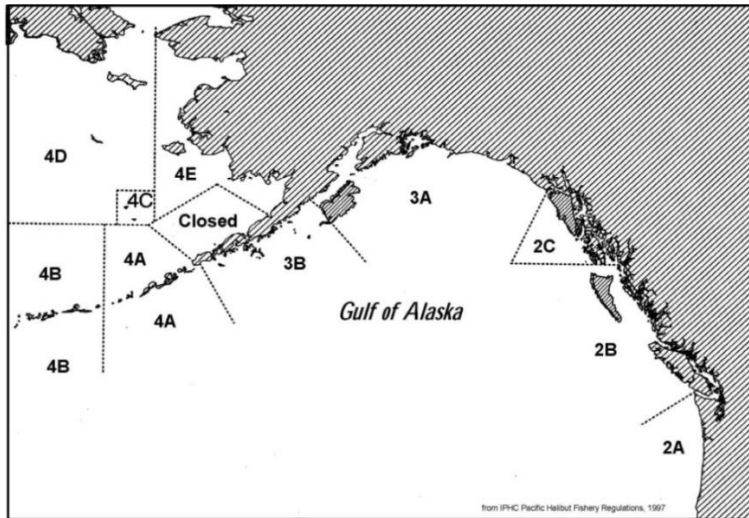


Source: NOAA AFSC

Among the species CDQ groups are allocated for commercial fishing, Pacific halibut is an important species for resident employment and income in many of the groups. Halibut fisheries are regulated by the IPHC and NMFS, in consultation with the Council, as established under the terms of the Northern Pacific Halibut Act between the United States and Canada. In practice, the IPHC establishes catch limits and other conservation measures, and the Council recommends regulations to govern the fishery, including

limited access and allocation decisions. Halibut is allocated to CDQ groups in four IPHC regulatory areas: 4B, 4C, 4D, and 4E (Figure 2).

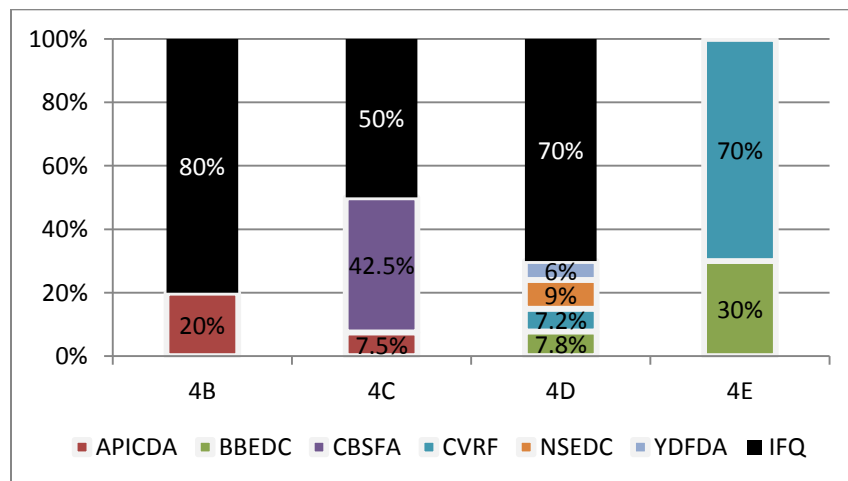
**Figure 2 Regulatory areas for halibut in Alaska**



Source: IPHC, 2013

Allocations of halibut quota are expected to provide CDQ groups real opportunities for small vessel fishing for their fleets, and, as such, area allocations of halibut CDQ are generally correlated with the location of the groups (refer to Figure 1, 2, and 3Figure 3). For instance, Area 4B is located in the Aleutian Islands where the full CDQ allocation (30 percent of total allowable catch (TAC)) is held by APICDA. Area 4C surrounds the Pribilof Islands and the CDQ portion of the TAC is split 85 percent to St. Paul Island’s CBSFA and 15 percent to APICDA, which includes St. George Island as a member. The large BS halibut area of 4D halibut CDQ is split 20 percent to YDFDA, 30 percent to NSEDC, 24 percent to CVRF, and 26 percent to BBEDC. Seventy percent of the final Area 4E halibut CDQ is allocated to CVRF and 30 percent to BBEDC.

**Figure 3 Halibut CDQ/ IFQ allocation in the regulatory Areas 4B, 4C, 4D and 4E**



Source: NMFS, Annual CDQ group quota allocations

In addition to CDQ group transfers, there is some fishing flexibility within the halibut regulatory areas as well. Area 4C CDQ or IFQ may be harvested in Area 4C or Area 4D. Area 4D CDQ may be harvested in Area 4D or Area 4E. Therefore the IPHC dictates that the total about of permissible halibut harvest for Area 4D is the sum of Area 4D TAC and Area 4C TAC. The total about of permissible halibut harvest for Area 4E is the sum of the 4E TAC and 4D TAC. Reasons for this allowance and implications for this proposal are further discussed in Section 4.1.

**Table 1 Annual halibut CDQ allocation by regulatory area (all units in net headed and gutted pounds)**

Area	Year	TAC	Program Allocations	APICDA	BBEDC	CBSFA	CVRF	NSEDC	YFDA
4B	2008	1,860,000	20%	372,000	0	0	0	0	0
	2009	1,870,000		374,000	0	0	0	0	0
	2010	2,164,000		432,000	0	0	0	0	0
	2011	2,180,000		436,000	0	0	0	0	0
	2012	1,869,000		373,800	0	0	0	0	0
	2013	1,450,000		290,000	0	0	0	0	0
	2014	1,140,000		228,000	0	0	0	0	0
	2015	1,140,000		228,000	0	0	0	0	0
4C	2008	1,769,000	50%	132,675	0	751,825	0	0	0
	2009	1,569,000		117,675	0	666,825	0	0	0
	2010	1,625,000		121,875	0	690,625	0	0	0
	2011	1,690,000		126,750	0	718,250	0	0	0
	2012	1,107,356		83,052	0	470,626	0	0	0
	2013	859,000		64,425	0	365,075	0	0	0
	2014	596,600		44,745	0	253,555	0	0	0
	2015	596,600		44,745	0	253,555	0	0	0
4D	2008	1,769,000	30%	0	137,982	0	127,368	159,210	106,140
	2009	1,569,000		0	122,382	0	112,968	141,210	94,140
	2010	1,625,000		0	126,750	0	117,000	146,250	97,500
	2011	1,690,000		0	131,820	0	121,680	152,100	101,400
	2012	1,107,356		0	86,374	0	79,730	99,662	66,441
	2013	859,000		0	67,002	0	61,848	77,310	51,540
	2014	596,600		0	46,535	0	42,955	53,694	35,796
	2015	596,600		0	46,535	0	42,955	53,694	35,796
4E	2008	352,000	100%	0	105,600	0	246,400	0	0
	2009	322,000		0	96,600	0	225,400	0	0
	2010	330,000		0	99,000	0	231,000	0	0
	2011	340,000		0	102,000	0	238,000	0	0
	2012	250,290		0	75,087	0	175,203	0	0
	2013	212,000		0	63,600	0	148,400	0	0
	2014	91,800		0	27,540	0	64,260	0	0
	2015	91,800		0	27,540	0	64,260	0	0
All Areas	2008	5,750,000		504,675	243,582	751,825	373,768	159,210	106,140
	2009	5,330,000		491,675	218,982	666,825	338,368	141,210	94,140
	2010	5,744,000		553,875	225,750	690,625	348,000	146,250	97,500
	2011	5,900,000		562,750	233,820	718,250	359,680	152,100	101,400
	2012	4,334,002		456,852	161,461	470,626	254,933	99,662	66,441
	2013	3,380,000		354,425	130,602	365,075	210,248	77,310	51,540
	2014	2,425,000		272,745	74,075	253,555	107,215	53,694	35,796
	2015	2,425,000		272,745	74,075	253,555	107,215	53,694	35,796

Source: NMFS, Annual CDQ group quota allocations 2008 through 2015

The vast majority of halibut CDQ is prosecuted by fleets of catcher vessels less than or equal to 46 ft. LOA. From 2009 through 2014, the fishery was prosecuted by a fleet with an average of 95 percent of

vessels not exceeding 46 ft. LOA, and an average of 91 percent of vessels not exceeding 32 ft. LOA (Table 2). Table 2 also demonstrates the different compositions of the halibut CDQ fleets within each CDQ group.

**Table 2 Count of unique vessels in each CDQ group landing halibut CDQ from 2009 through 2014**

CDQ group name	Vessel length	Year					
		2009	2010	2011	2012	2013	2014
APICDA	≤ 22			1	1		1
	22-32	5	7	6	11	10	8
	33-46		2	2	3	2	1
	> 46	4	5	7	9	5	5
<i>APICDA total</i>		9	14	16	24	17	15
BBEDC	≤ 22	2	1	1			
	22-32	11	9	12	22	15	15
	> 46	2	2	1	2	1	
<i>BBEDC total</i>		15	12	14	24	16	15
CBSFA	≤ 22						1
	22-32	12	14	14	13	12	11
	33-46	4	4	4	4	4	4
	> 46	1	1	2	1	1	
<i>CBSFA total</i>		17	19	20	18	17	16
CVRF	≤ 22	59	57	69	49	60	1
	22-32	111	101	112	103	119	26
	33-46	1		1			
	> 46	1	1				
<i>CVRF total</i>		172	159	182	152	179	27
NSEDC	≤ 22				14	13	14
	22-32	6	4	4	5	1	2
	33-46	4	3	3	3	2	2
	> 46	3	2	3	2	1	1
<i>NSEDC total</i>		13	9	10	24	17	19
YDFDA	22-32		1				
	> 46	1	1	2	1		1
<i>YDFDA total</i>		1	2	2	1		1
Grand Total		227	215	244	243	246	93

Source: ADF&G Fish Tickets

Halibut has historically been a central species for many types of fishing operations in the North Pacific, including the small vessel fisherman in the communities that make up the CDQ groups. A diversification table can highlight vessel dependency. For instance, Table 3 illustrates that small vessels fishing halibut CDQ are generally not also fishing halibut IFQ. In fact, of the 431 unique vessels that fished halibut CDQ between 2009 and 2014, inclusively, only 52 of these vessels also reported landing halibut IFQ (about 12 percent). Table 3 demonstrates that users of both CDQ and IFQ for halibut are generally the few vessels that are greater than 46 ft. LOA. Table 3 demonstrates that halibut CDQ is the primary source of revenue from all fishing activity for vessels that do not exceed 32 ft. LOA.<sup>3</sup>

<sup>3</sup> Count of vessels reported in Table 2 reports a slightly different number of vessels than in Table 3 due to missing or erroneous data for a small number of landings reported in Table 3.

**Table 3 Diversification of gross revenue for vessels that participate in the halibut CDQ fishery by LOA from 2009 to 2014**

Year	Vessel length	Count of unique vessels:	Average gross revenue <sup>a</sup> from:			Average % of gross revenue:	
			CDQ halibut	All halibut <sup>b</sup>	All fishing activity	From halibut dependent on CDQ	Dependent on CDQ
2009	≤ 32 ft LOA	206	8,918	9,140	13,799	99%	90%
	33-46 ft LOA	8	68,894	72,610	104,957	98%	73%
	> 46 ft LOA	9	168,691	761,341	977,732	33%	25%
2010	≤ 32 ft LOA	192	16,959	18,093	23,347	99%	92%
	33-46 ft LOA	9	124,360	132,454	182,261	92%	70%
	> 46 ft LOA	10	258,779	1,059,735	1,151,267	46%	42%
2011	≤ 32 ft LOA	219	21,787	21,865	26,626	100%	94%
	33-46 ft LOA	9	213,455	257,150	311,287	90%	68%
	> 46 ft LOA	11	375,322	1,814,627	2,139,320	32%	26%
2012	≤ 32 ft LOA	204	8,149	8,750	19,976	97%	87%
	33-46 ft LOA	6	75,595	84,822	180,043	91%	47%
	> 46 ft LOA	13	180,231	938,086	1,371,239	29%	22%
2013	≤ 32 ft LOA	216	8,185	8,553	15,104	98%	90%
	33-46 ft LOA	4	51,206	135,191	243,213	74%	26%
	> 46 ft LOA	7	138,889	659,409	1,085,260	43%	32%
2014	≤ 32 ft LOA	79	22,543	27,118	36,893	95%	79%
	33-46 ft LOA	7	101,373	132,502	163,772	84%	63%
	> 46 ft LOA	7	150,800	698,854	1,378,546	35%	27%

Source: ADF&G Fish Tickets

a All vessels are catcher vessels; therefore, gross revenue represents ex vessel value.

b Gross revenue includes CDQ and IFQ halibut.

In addition to vessel dependency as demonstrated in Table 3, other recent Council documents have worked to explain BSAI community dependence on halibut. For example, Appendix C to the recent Public Review Draft of Amendment 111 to the BSAI groundfish Fisheries Management Plan (FMP) describes BSAI community engagement in the BSAI halibut fishery.<sup>4</sup> This document presents a broad range of information, such as the role of the fishing sector in each community's economy (for selected communities), and in particular the role of the commercial halibut fishing sector. Among other statistics, it also presents the number of community resident-owned BSAI halibut catcher vessels versus resident-owned catcher vessels used for other fisheries, as well as the number of fishermen with permits in the halibut fishery compared to other types of fishing permits.

### 3 Defining the Issue and Potential Benefits

As halibut has been such a central species for so many users in the North Pacific, the dramatic decline in biomass levels has greatly impacted participants from all user groups. While overall exploitable biomass slightly increased in coast-wide assessments from 2014 to 2015, Area 4A, 4B, and 4CDE catch limits did not increase.

<sup>4</sup> North Pacific Fisheries Management Council. 2015. Appendix C: Proposed Bering Sea/ Aleutian Islands Halibut Prohibited Species Catch Limit Revisions: Community Analysis. (May 2015). Prepared for NPFMC by AECOM, Inc. San Diego, CA. Available at:

<http://npfmc.legistar.com/gateway.aspx?M=F&ID=4f5ad4ed-33b1-4dfe-88d2-e7e366e60c5d.pdf>

Given the low halibut CDQ in Area 4B and Areas 4CDE in recent years, some of the CDQ groups are seeking opportunities to keep their residents actively fishing. In addition to the clear incentive of encouraging continued employment and income for residents traditionally involved in the halibut fishery, this proposed action is also seeking to keep processing plants and secondary service providers that the CDQ groups rely on in operation even during years of low halibut abundance.

The benefits that could be derived from such action are different among CDQ groups and would likely even be distributional within a CDQ group. Overall, this action is not necessarily expected to result in a financial gain for CDQ group that choose to lease halibut IFQ. It is likely that some or all of the leasing value would need to be subsidized by the CDQ group. However, in particular representatives from the CDQ groups CBSFA, NSEDC, APICDA, and CVRF have all suggested that if available and feasible, their group would likely take advantage of the opportunity. Representatives have emphasized that the opportunity to keep community members employed has distributional benefits to the individuals involved in the fishery that would likely be worth the subsidized expense to the CDQ group (Jeff Kaufman, 10/9/2015, personal communications).

The nature of the BBEDC and YDFDA halibut fisheries are such that either residents do not have direct access to the halibut resource due to location of CDQ (such as YDFDA's allocation of Area 4D halibut CDQ) or residents target halibut around other priority fisheries (such as salmon fishing in Bristol Bay). Representatives from BBEDC have still voiced support for this proposal; however, there is less certainty with how it could benefit residents of the group (Ann Vanderhoven, 10/20/2015, personal communications).

Halibut QS holders of Areas 4B, 4C, and 4D may also benefit from this opportunity. These QS holders may feel constrained as their QS is associated with smaller and smaller pounds of IFQ. In years of low halibut abundance, it may not be economically viable for some QS holders to harvest their small amounts of IFQ, particularly in these areas. To be clear, this action would not propose any amendments to QS use caps or vessel IFQ caps. This action would provide an opportunity for halibut QS holders with QS in Area 4B, 4C, or 4D a chance to lease this IFQ to CDQ groups in years when the harvest limits drop below a certain threshold. Hired master provisions seeking to retain the owner-on-board characteristics of the fleet do not permit the use of a hired master for many halibut QS holders. Therefore, this proposed action would present some halibut QS holders their *only* opportunity to lease Areas 4B, 4C, and 4D halibut QS. They could benefit from this opportunity by earning a lease rate for the IFQ they may or may not have fished.

#### **4 Council Considerations**

If the Council chooses to move forward with an analysis of this issue, it has several important decision points and considerations.



#### 4.1 Impact of IFQ/ CDQ Harvest Transferability in Area 4

This action could potentially change some of the historic patterns of harvest; both within a regulatory area and through the ability to harvest some halibut QS associated with one regulatory area, across area lines. As previously mentioned, some of the quota is able to be harvested in multiple IPHC regulatory areas. The Area 4C CDQ/ IFQ allocation may be fished in 4C or 4D. The Area 4D CDQ allocation may be fished in 4D or 4E. Although there is no IFQ fishery in Area 4E, and Area 4D cannot be fished in Area 4E, harvest in Area 4E could be indirectly impacted by this proposal as well.

In an example, if a NSEDC wanted to expand their halibut fishing opportunities in Area 4E (the Nome halibut fishery), they may attempt to lease Area 4D halibut QS. This non-CDQ QS would not be transferable to harvest opportunities in Nome, however NSEDC could use this QS to provide opportunities to their Savoonga fishery, freeing up Area 4D CDQ to be transferred to their Nome fishery.

Movement of harvest intensity between regulatory areas might not be considered a conservation concern by the IPHC, as it was determined in 2003 that the entirety of the 4D CDQ catch limit could be caught in Area 4E. NMFS based the previous modifications to allow Area 4D CDQ use in Area 4E primarily on the rationale that the IPHC considers halibut in Areas 4C, 4D, and 4E (4CDE) to be a single stock and finds no biological or conservation basis for separate catch limits in these areas. Separation of these areas was a socio-economic decision established in the Council's Catch Sharing Plan for Area 4.

Subsequent action in 2005 allowed 4C CDQ and IFQ be harvested in Area 4D. This action was propagated by concerns of localized depletion in Area 4C. Diminished catch rates in this area resulted in the inability of halibut IFQ and CDQ participants in Area 4C to achieve the total harvest of their quota during the halibut fishing season. Opening the door to allow participants of both the CDQ and IFQ fishery use 4C quota in 4D was intended to relax some of the pressure on the nearshore fishery.

Historically, Area 4E has had up to 67 percent harvest above its allocated level due to this ability to move fishing effort from Area 4D. Area 4D is often lower than its harvest limit, even with the inclusion of 4C allocation caught in Area 4D. Thus while the IPHC may not perceive this potential for change in locational fishing intensity from the proposed action to be a threat to overall stock conservation, there is a possibility of a localized impact to halibut stocks.

#### 4.2 QS Market Impacts

Allowing for the opportunity for the CDQ to lease halibut QS in Area 4B, 4C, and 4D could have an impact on the halibut QS market.

With no other restrictions, the proposed action could result in individuals seeking to privately acquire more halibut QS with the intention of leasing it to the CDQ groups. This potential result of the proposal would especially work counter to the IFQ program's goal of promoting an owner-operated fleet, in addition to increasing the QS demand which could impact the QS market. These impacts may be mitigated by establishing a control date by which the QS must have been acquired by. In other words, the CDQ groups could only lease IFQ if it had been acquired by the QS holder prior to some specified date.

Particularly with a control date set, by only allowing CDQ groups to lease, rather than permanently acquire QS, this proposed action would not likely induce QS movement or consolidation. Conversely, this action may motivate some QS holders that may otherwise consider selling, to hold onto their halibut QS. This result could be considered either positive or negative, depending on an individual's interest in the fishery. Some stakeholders have highlighted that it could help retain the local holdings of QS. Table 4 demonstrates a link between communities and QS, by linking registered QS address.

One important thing to note, in the context of this proposal, is that CDQ groups are permitted to acquire A share halibut QS. A class QS (as described more in Section **Error! Reference source not found.**) are the most flexible QS. They can be used for both catching and harvesting activities (or just harvesting activities) on a vessel of any size. Three of the CDQ groups currently hold Area 4 halibut A class QS. APICDA and YDFDA both hold halibut QS in Area 4A, 4B, and 4D, and BBEDC holds halibut QS in Area 4B and 4D. Technically, these CDQ groups may already be able to use CDQ residents as hired masters to fish some of this IFQ to augment their CDQ allocation.

For those individuals seeking halibut QS, the lack of movement in the market may not be a positive result. One might expect that decreasing catch limits would be associated with lower QS prices, more exit, and less demand for QS. However, these trends are not being observed in the IFQ fisheries. Area 4B, 4C, and 4D already tend to have the lowest amount of QS transaction of any regulatory area (although, this may also be because a portion of the catch limit is designated as CDQ) and QS price, similar to other regulatory areas appear to be increasing (Table 5). However, compared to other IPHC areas in Alaskan water, acquiring halibut QS in these areas is generally less expensive per pound.

#### 4.3 IFQ Crew and Processor Impacts

This section provides some preliminary discussion on indirect effects that may occur if the Council pursues action on this proposal. Direct impacts would be expected to be positive for both participants of the CDQ groups and IFQ holders because, (as discussed in Section 3) whether the groups take advantage of the opportunity or not, this action would provide additional flexibility in years of low halibut abundance. However, it is possible this action could result in a temporary displacement of crew jobs, for the duration of time that the halibut catch limits are low enough to allow IFQ leasing.

In addition, while the processors that the CDQ groups rely on for their catcher vessel halibut harvest may benefit from this action, there could be some distributional impacts on the processing sector that historically processes IFQ halibut. The extent to which this is a concern depends on the amount of overlap between the processors of IFQ halibut and CDQ halibut as well as the amount of movement of harvest. For example, this would not likely be a concern in Area 4C, where the one plant on St. Paul Island is responsible for the majority of catcher vessel caught IFQ halibut processing and also custom processes CDQ halibut. Further analysis would identify areas where it may be a concern.

Table 4 Halibut QS holders in Area 4B, 4C, and 4D by QS area and registered address

4B			4C			4D		
Registered Address	Number of entities	Sum of units	Registered Address	Number of entities	Sum of units	Registered Address	Number of entities	Sum of units
KODIAK	24	1,588,001	ST PAUL ISD	27	1,070,655	SEATTLE	10	769,550
SEATTLE	15	1,476,520	SEATTLE	8	755,323	KODIAK	4	342,286
ADAK	12	702,575	DELTA JUNCTION	6	366,151	SNOHOMISH	3	325,089
ANCHORAGE	7	532,419	ANCHORAGE	8	297,437	NEWPORT	2	319,995
DILLINGHAM	2	370,314	GIG HARBOR	2	237,054	DELTA JUNCTION	5	292,706
ATKA	19	352,180	SNOHOMISH	2	231,729	WOODWAY	1	284,444
WOODINVILLE	1	339,839	LYNDEN	2	138,206	PORT TOWNSEND	1	280,175
POULSBO	1	308,800	BROOKINGS	1	128,008	NEW CASTLE	1	241,540
SITKA	3	272,771	TRINIDAD	3	109,227	EDMONDS	2	221,365
WOODWAY	1	253,705	HUNTSVILLE	2	107,843	DUTCH HARBOR	3	220,204
VIRGIN	1	239,816	DUTCH HARBOR	3	96,994	JUNEAU	1	213,044
PORT TOWNSEND	5	231,848	ST GEORGE ISD	4	80,621	ANCHORAGE	6	198,868
CORDOVA	3	213,869	NASELLE	2	78,622	BELLINGHAM	2	140,799
CENTRALIA	2	209,014	SANDY	2	55,841	LYNCHBURG	2	134,866
NEW CASTLE	2	206,822	WALDPORT	1	52,434	HUNTSVILLE	2	124,873
HOMER	3	174,732	WARRENTON	2	48,175	DILLINGHAM	2	122,473
STANWOOD	2	171,853	KENMORE	1	47,166	NASELLE	1	118,133
BEAVERTON	4	162,108	POULSBO	1	30,193	SANDY	2	95,019
LAKE HAVASU CITY	1	147,597	STEVENSVILLE	2	28,291	KENMORE	1	88,974
DUTCH HARBOR	4	135,240	LYNCHBURG	1	23,150	EVERETT	2	85,937
NASELLE	3	132,946	HOMER	3	19,948	FRIDAY HARBOR	1	60,594
EDMONDS	2	117,434	SEWARD	1	12,077	WALDPORT	1	45,706
RICHLAND	1	113,630	WASILLA	1	907	SEWARD	1	44,173
FRIDAY HARBOR	1	93,320	SOUTH CLE ELUM	1	300	ST PAUL ISLD	2	38,984
ASTORIA	3	92,664				TACOMA	2	32,286
LYNDEN	1	80,402				POULSBO	1	29,407
GIG HARBOR	3	65,094				TRINIDAD	2	24,351
MURRIETA	1	62,077				VIRGIN	1	23,640
CONTOOCCOOK	1	59,894				GIG HARBOR	1	18,300
WARRENTON	2	59,280				BROOKINGS	1	17,588
COCOA	1	52,434				WARRENTON	2	2,881
LYNCHBURG	2	52,353						
NEWPORT	1	47,536						
CAREYWOOD	1	41,459						
TRINIDAD	2	35,408						
ANACORTES	2	25,587						
FAIRBANKS	1	22,392						
SANDY	1	17,927						
ROCKAWAY BEACH	1	8,762						
HAINES	1	7,293						
WEIPPE	1	4,489						
JUNEAU	1	2,368						

Source: NOAA RAM Division, 2015

Note: APICDA holds Area 4 class A QS registered to Juneau. YDFDA holds Area 4 class A QS registered to Anchorage. BBEDC Area 4 class A QS is registered to Dillingham.

**Table 5 Prices for Halibut QS and IFQ Transfers by Regulatory Area and Year**

	Year	Mean Price \$/IFQ	Stan Dev Price \$/IFQ	Total IFQs transferred used for pricing	Mean Price \$/IFQ	Stan Dev Price \$/IFQ	Total IFQs transferred used for pricing	Number of transactions used for pricing
4B	2005	\$ 7.49	\$ 1.18	63,139	\$ 1.46	\$ 0.23	324,243	8
	2006	C	C	7,850	C	C	54,558	2
	2007	\$ 8.45	\$ 2.51	37,045	\$ 1.05	\$ 0.31	298,569	9
	2008	\$ 9.99	\$ 2.35	131,987	\$ 1.60	\$ 0.38	823,570	18
	2009	\$ 10.39	\$ 1.36	129,379	\$ 1.67	\$ 0.22	802,982	12
	2010	\$ 8.93	\$ 1.53	21,700	\$ 1.66	\$ 0.28	116,598	5
	2011	\$ 11.05	\$ 1.86	122,182	\$ 2.08	\$ 0.35	650,471	15
	2012	\$ 19.60	\$ 1.26	58,425	\$ 3.16	\$ 0.20	362,811	4
	2013	C	C	508	C	C	4,066	1
	2014	C	C	10,332	C	C	105,186	3
4C	2005	\$ 5.46	\$ 2.02	86,607	\$ 1.23	\$ 0.46	383,147	7
	2006	\$ -	\$ -	0	\$ -	\$ -	0	0
	2007	\$ 8.04	\$ 1.82	67,184	\$ 1.87	\$ 0.42	289,134	6
	2008	\$ 8.65	\$ 1.47	61,260	\$ 1.90	\$ 0.32	278,173	7
	2009	\$ 11.41	\$ 1.56	67,133	\$ 2.23	\$ 0.31	343,693	6
	2010	\$ 9.90	\$ 0.22	55,116	\$ 2.00	\$ 0.04	272,450	4
	2011	\$ 12.20	\$ 2.31	116,704	\$ 2.57	\$ 0.49	554,708	18
	2013	C	C	6,873	C	C	64,271	3
	2014	\$ 13.33	\$ 1.46	10,983	\$ 0.99	\$ 0.11	147,877	4
4D	2005	\$ 9.09	\$ 1.31	19,557	\$ 2.33	\$ 0.34	76,317	4
	2006	\$ -	\$ -	0	\$ -	\$ -	0	0
	2007	\$ 8.77	\$ 2.18	114,370	\$ 2.31	\$ 0.57	434,031	9
	2008	C	C	3,526	C	C	14,118	1
	2009	C	C	11,584	C	C	52,298	3
	2010	\$ 9.50	\$ 2.85	39,239	\$ 2.18	\$ 0.65	171,040	4
	2011	\$ 13.58	\$ 1.14	163,162	\$ 3.24	\$ 0.27	683,856	10
	2012	\$ -	\$ -	0	\$ -	\$ -	0	0
	2013	C	C	3,683	C	C	30,370	2
	2014	C	C	5,148	C	C	61,127	3

Source: NOAA RAM division, IFQ Transfer Report 2015

Note: C denotes confidential information. Quota share prices in dollars per QS unit are not comparable across areas because the ratio of IFQs to QS differs from area to area and may differ from year to year as TACs change. QS prices in dollars per pound of associated IFQ are more comparable across areas.

#### 4.4 Consistency with Program Goals

As previously mentioned, one of the Council's chief goals in the creation of the IFQ program was to "assure that those who are directly involved in the fishery benefit from the IFQ program by assuring that these two fisheries are dominated by owner/operator operations" (p. 2-20).<sup>5</sup> Under this purpose, the Council has taken action over the years to amend the program when unintended impacts have directed the

<sup>5</sup> North Pacific Fishery Management Council. 1992. Final Supplemental Environmental Impact Statement/ Environmental Impact Statement for the Individual Fishing Quota Management Alternative for Fixed Gear Sablefish and Halibut Fisheries. Anchorage, AK. September 15, 1992. Page2-20. Available at: [http://alaskafisheries.noaa.gov/analyses/groundfish/Amd15\\_20seis.pdf](http://alaskafisheries.noaa.gov/analyses/groundfish/Amd15_20seis.pdf)

program away from this goal. The proposed action may be considered counter to this purpose, as it allows for an avenue to lease halibut QS without any owner-on-board provisions.

Proponents of the proposed action may argue that this type of leasing would be only permitted in dire circumstances (when halibut abundance has dropped below a certain threshold), and only involving a limited scope of participants (halibut CDQ participants and those that currently hold Area 4B, 4C, or 4D QS – if ability to lease includes a control date for when QS was acquired). Additionally, one of the other goals of the IFQ program are stated as “increase the ability of the rural coastal communities adjacent to the BS/AI to share in the wealth generated by the IFQ program” (p.2-20).

It is the Council’s discretion whether this flexibility is warranted under the goals of the program.

#### 4.5 Setting the Threshold of “Low Catch Limit”

The proposal indicated that the IFQ leasing option would only be available to CDQ groups, in years with low halibut catch limits in regulatory areas Area 4CDE. Thus, one key Council decision point would be setting that threshold of low catch limits.

One thing to note is that, while Area 4E is not open to halibut IFQ fishing, and therefore would not be directly impacted by a regulatory change, the IPHC generates an estimate of exploitable biomass for Areas 4CDE (including biomass from closed areas) as one combined number. The IPHC treats 4CDE as a single unit up through the estimation of the Final Fishery Constant Exploitation Yield (FCEY). The Final FCEY is then further apportioned to each of the three subareas using the Catch Sharing Plan (CSP) developed by the Council.<sup>6</sup> Therefore it should not matter whether the Council used the combined Area 4CDE catch limits or the individual Area 4C and 4D catch limits to create a threshold to trigger the allowance of IFQ leasing; this limits will move together. Since the proposal also includes allowing CDQ groups with CDQ in Area 4B to lease Area 4B IFQ, the Council would need to be clear whether Area 4B would have a separate trigger or whether this flexibly would be available based off of Area 4CDE catch limits.

A few example numbers are presented in the Table 6 to aid the Council in beginning to consider different types of thresholds.

**Table 6 Example blue line and adopted catch limits for Area 4B and combined Area 4CDE**

IPHC Regulatory Area	2013 Catch Limit (pounds)	2015 Blue Line (pounds)	2015 Catch Limit (pounds)
4B	1,450,000	720,000	1,140,000
Combined 4CDE	1,930,000	370,000	1,285,000

Source: IPHC Blue book, 2013, 2014, and 2015

<sup>6</sup> The Council’s Catch Sharing Plan sets the combined Area 4CDE as: 46.43 % to Area 4C, 46.43% to Area 4D, and 7.14% to Area 4E.

Numbers are presented on the adopted catch limit in 2013, and the blue line and adopted catch limits in 2015 for Areas 4B and 4CDE. In 2014, catch limits were the same levels as for Areas 4B and 4CDE as in 2015. For most CDQ groups, a drop in the number of small vessels participating in the CDQ halibut fishery occurred in either 2013, 2014 or both years (refer to Table 2). The public testimony that proposed this action in June 2015, suggested setting a threshold for Area 4CDE when the catch limit is at or drops below 1.5 Mlb.

#### 4.6 Implementation Considerations/ Challenges

There would be a number of other Council decision points and areas for NMFS input with regards to implementation challenges of this proposal. It is presumed that in through this action, CDQ groups could only lease IFQ for the regulatory area for which they already hold QS. This would limit changes in footprint of the halibut fishery.

##### Vessel QS Class

Halibut QS is designated as one of four QS classes (also called “vessel category” or “size category” of QS). These classes include: freezer (catcher processor) category (Category A); greater than 60 ft LOA (Category B); 36 ft to 60 ft LOA (Category C); and 35 ft or less LOA (Category D). However, amendments to the IFQ Program allow an IFQ permit holder to “Fish up” or “Fish down” in some cases. “Fish up” and “Fish down” provisions allow an IFQ permit holder to harvest IFQ halibut or sablefish outside of the originally assigned QS vessel category. Table 7 demonstrates the use restrictions by share category and how “Fish up” and “Fish down” adds flexibility for QS/ IFQ holders. CDQ does not have vessel QS class restrictions.

**Table 7 QS/ IFQ use restrictions by QS class**

Class A	Authority to harvest and process <b>IFQ species</b> on a vessel of any length (freezer longliners)
Class B	Authority to harvest <b>IFQ species</b> on a vessel of any length
Class C	Authority to harvest <b>IFQ species</b> on a vessel $\leq$ 60-ft LOA
Class D*	Authority to harvest <b>IFQ halibut</b> on a vessel $\leq$ 35-ft LOA

\*Under the “fish up” provision, halibut IFQ Category D shares are able to be used on vessel  $\leq$  60 ft LOA in Areas 3B, 4C, and 4B.

Under the proposed action, the Council would need to consider whether the vessel QS class would apply. Based on previous Council action, it was noted that the largest privately owned vessel by the CDQ groups was 46 ft LOA, and therefore this has been used as a threshold in past action. NMFS has noted it would require more administrative effort to establish a specific permit for vessels less than or equal to 46 ft LOA. Using established IFQ vessel use caps would be the more straight-forward approach for monitoring and enforcement purposes.

### **Vessel IFQ Caps**

The vessel IFQ cap (also referred to as “vessel cap” or “vessel use cap”) restricts the amount of IFQ that can be consolidated and accounts for the IFQ species harvest on one vessel during a season. Vessel IFQ caps do not apply to CDQ. However, in the proposed action, vessel IFQ caps would still apply for the IFQ fished, just as it does for the vessel being used by any other hired skipper. Enforcement may provide additional input on how difficult it may be to keep these harvests amount (CDQ versus IFQ) separate at time of landing. This should not be different then under the status quo if a participant of a small vessel halibut CDQ fishery also holds their own IFQ.

### **Overage/Underage Provision**

Council staff would need to work with NMFS in order to understand if and how the overage/ underage provisions could still be apply for the QS holder. The overage/ underage provision for the IFQ fishery provides flexibility for IFQ holders who are near their IFQ landing limits. This provision allows for an administrative adjustment of IFQ permits as a result of under- and overfishing the prior year up to ten percent. Overages of greater than ten percent of the IFQ allocation remaining at time of landing are treated as violations and subject the IFQ holder to enforcement action. Administrative adjustments “follow the QS” so that the adjustment is computed for the permit of the person who, at the beginning of a year, holds the QS associated with the IFQ that was under- or overfished the prior year.

### **Certification**

For monitoring and enforcement purposes, more the provisions matched what is currently required of halibut IFQ hired skippers and the current CDQ requirements, the easier it would be to implement. For example, this would mean the participant would need to carry:

- IFQ permit of CDQ group
- Hired master permit for that IFQ
- CDQ halibut permit
- Hired masters CDQ permit

Halibut that is landed would be coming off two separate catch limits. Therefore, for purposes of catch accounting, participants would need to understand which of the halibut they harvest is associated with the group’s CDQ and what is associated with IFQ.

## **5 Council Action**

Based on the Council’s review of the present document and any further public testimony, the Council should determine whether it is appropriate to initiate further action. Further action could come in the form of expanded information in a discussion paper or the Council could establish a purpose and need, set of alternatives, and initiate an amendment analysis.

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