

NPFMC IFQ Outreach Meeting
June 5, 2018
Kodiak, AK

The Council hosted a listening session for members of the public to share their perspectives on the state of the halibut and sablefish IFQ program and to identify opportunities for improvement. The focus of the session was advertised as entry-level and rural access to fishery participation, though the content of the discussion was wide-ranging. Hosting this session in conjunction with the Council's plenary session in Kodiak allowed individuals who do not regularly attend meetings to interact with Council representatives. Fifty-seven stakeholders attended the session (voluntary sign-in), including fishermen, fishing families, and residents of smaller communities from around the Kodiak Island Borough.

Marysia Szymkowiak (Alaska Fisheries Science Center) provided an overview of findings from the 20 Year Review relative to entry-level and rural participation. Sam Cunningham (NPFMC staff) described the IFQ Committee process and three IFQ-related discussion papers that the Council has slated for work within the next year. Attendees were notified that the Council will receive a summary of the session and have the option to task the IFQ Committee with crafting proposals for action based on areas of interest that the Council identifies. Any proposals coming out of the IFQ Committee would be reviewed at a future Council meeting and could then be tasked to staff for a discussion paper or preliminary analysis of action alternatives.

The themes of the discussion seemed to coalesce around a single observation: *the perceived amount of opportunity in the IFQ fishery has changed dramatically in the course of a single generation*. The most commonly identified barriers to entry – both for entry-level participants (or aspirants) in Kodiak and in remote communities – were high quota prices, high perceived risk in future stock abundance, an unfavorable lending environment, and a quota market with low liquidity. Given these factors, some attendees stated that it is not realistic or appealing to invest in the fishery (said mainly in reference to halibut). Moreover, with hired master fees accounting for a significant percentage of gross trip revenues, some stated that working on a halibut vessel as a crewman is unappealing relative to other fisheries and does not present an opportunity for upward mobility in the fishery through work.

The remainder of this report is separated into entry-level and rural access discussion points, noting that the two issues overlap in many ways.

Entry Level

Attendees' comments generally touched on the following topics:

- Persistently high price of quota share (QS)
- The risk of declining return on QS relative to its price (perceived to be a result of trends in stock abundance and difficult borrowing terms)
- Low market liquidity due to disincentives to sell QS
- Competition with cash buyers on the QS market
- Inability or lack of incentives for young fishermen to gain experience in the fishery
- A Federal loan program where terms do not fit with the current level of borrowing need.

Attendees noted that the relationship between QS prices and the value of participating in the fishery are not moving in concert. For halibut in particular, prices in some areas remain historically high while the IFQ pounds derived from QS are trending downwards. Attendees felt that the net result is a challenging investment profile where a new entrant can expect to be upside down on their loan for years, and with debt service reducing their ability to pay adequate crew shares and maintain their vessel.

The value derived by individuals who prosecute the fishery may also be suppressed by the need to fish as a hired master for an initial QS recipient. Attendees felt that aspects of the program disincentivize the sale of QS by initial recipients, thus reducing opportunities for a second generation to invest in the fishery. Stakeholders noted that the tax implications of selling QS can be unaffordable. As a counterpoint, others noted that sellers are not necessarily required to seek full market value for an asset that they were allocated as a result of participation but did not purchase – especially if the seller expresses a motivation to see the QS remain in a particular community.

Prospective new-entrants noted that it is difficult to get the experience needed to get work as a hired master because QS holders rely on effective and efficient harvest of their QS for income; QS holders who use hired masters might be hesitant to take risks on young fisherman. As a result, prospective new entrants have less incentive to invest their money in gear or their time into learning the fishery as a crewman.

Compared to individuals or families who have built up cash assets via their initial allocation, some young fishermen noted that they find it difficult to keep pace in the market for what QS becomes available. Attendees noted that the Federal loan program functioned adequately as an assistance early on in the program's history when QS prices were lower, but higher market prices have pushed the cash needed for a 20% down-payment to levels that are difficult to attain. It was also stated that Federal loan officers determine cash requirements on a case-by-case basis, and some young fisherman with less experience and collateral are asked to put up more than 20%.

Potential avenues for action

- “Transfer taxes” – Attendees proposed that QS transfers be taxed – so to speak – with a portion of the QS entering a pool to which qualified new entrants can apply to build up resources for their own future investment in the fishery. Some proposed that this tax only apply to transfers by those who use hired masters, but it was also noted that initial QS recipients are among the least likely to sell QS. Another counterpoint offered was that such a tax might reduce the amount of QS that is offered for sale, further reducing the liquidity of a low-volume market.
- Break up QS blocks – Breaking up existing QS blocks might increase the supply of small, affordable units on the market. The ability to break up a block might allow a QS holder to liquidate a portion of their access without completely exiting the fishery. Several attendees noted that any such move should be accompanied by an increase in the limit on the number of blocks that an individual can hold in any one management area. Some attendees noted that the appetite to break up blocks might be suppressed by the fact that low quota levels have made many moderate-to large-blocks feel small – at least at present. This conversation prompted a question about how the price of QS could be suppressed to make it more affordable. Some attendees did not support actions that would devalue the fishery and existing investments; others noted that actions that

move the fishery closer to a pure owner-operator model might reduce QS prices by removing incentives for non-active fishermen to keep their quota off the market.

- Program for crew to earn QS without having to purchase it – This idea was not offered with specifics about where the earned QS would come from. The two options would seem to be transferring QS from the current holders that are associated with the crewman’s vessel, or creating additional quota shares (diluting the total QS pool).
- Major reallocation – This idea was not offered with specifics about who would qualify, whether the reallocation would be based on fishery participation, or whether allocations should be made to community entities.
- Increase collection of crew data – Future analyses of proposals to promote entry-level participation might benefit be better information about crew participation in this and other fisheries. Crew data are currently collected in several formats, but it was suggested that reporting and tracking of crew participation on Fish Tickets could be enhanced. An AFSC representative noted that it has requested increased crew reporting in the past but had not received support from the fleet.

Rural Participation

The discussion of rural participation overlapped entry-level opportunities in many respects. This section pulls out the discussion threads that are unique to rural issues. It was noted in the AFSC presentation that the definition of “rural” is important to how the scope of the issue is framed and is not consistent across Federal programs. (For example, the Federal definition of a rural community is not the same as the one used in the Council’s Community Quota Entity [CQE] program.)

Attendees discussed how to keep initially issued QS in rural communities as individuals age out of the fishery, challenges faced by CQEs that want to either purchase QS or get more residents involved in the fishery, barter restrictions on the use of subsistence halibut, and broader factors that are affecting well-being in rural Alaska communities.

Initial QS recipients who live in rural communities are concerned about the ability to keep that access to the fishery in their community if they are obligated to sell their QS once they cease active on-deck participation. As noted above, purchasing QS is currently a demanding, high-risk proposition and few individuals in some communities would be able to make the investment. Attendees discussed the idea of community quota pools to which the QS could be sold – perhaps with tax advantage – *or* could be donated. Again, some mentioned that a motivated seller might not necessarily need to seek full market value.

Individuals familiar with CQE operations stated that access to capital is the first and largest hurdle, but a loss of fishing capital (gear) and experience within the resident community has also accrued over years of diminished access. Reduced access and lower amounts of IFQ per QS unit has lowered the number of jobs supported in communities where a CQE does own quota. As a result the fishery has generated less interest and fewer young fishermen are developing skills, meaning that a CQE that succeeds in purchasing QS might struggle to get it harvested. A representative of the Aleutian Islands community whose CQE has purchased quota (Adak/ACDC) noted that their success was largely dependent on revenues generated from allocations of other species, including crab quota. In reference to that AI/Area 4 community, other

attendees noted that the CQE's activity on the market had noticeably increased sale prices for QS in that area.

Finally, several attendees noted that some challenges in rural Alaska communities are not the direct result of diminished fishery access. While increasing fishery participation presents an opportunity for income and other positive social outcomes, some noted that the IFQ Program should not, in and of itself, be viewed as the remedy. Some who were skeptical of actions that would redistribute QS to rural communities questioned why State or Federal managers should not then also consider providing no-cost or subsidized access to commercial fisheries for salmon or groundfish.

Potential avenues for action

- Promote QS transfer within a community – Allowing tax-advantaged sale of QS to community pools could support a new generation of participants who could not otherwise afford to purchase the quota, while allowing initial QS recipients to realize the value of their time invested in the fishery. Donation models could also be discussed for communities that are not CQE-eligible (e.g., Bering Sea communities).
- Relax barter restrictions on subsistence halibut – Allowing subsistence halibut fisherman to barter catch that exceeds their food needs could provide valuable assistance to individuals in communities with cash-limited local economies.