AGENDA C-2
APRIL 2002

JDC/Glenn Merrill
+ NK

MEMORANDUM

TO: Council, SSC and AP Members

FROM: Chris Oliver
Executive Director

DATE: April 2, 2002

SUBJECT: IFQ Program

ESTIMATED TIME
6 HOURS

ACTION REQUIRED

(a) Final action on IFQ Implementation amendments.
(b) Final action on Community QS purchase plan amendment.

BACKGROUND

(a) IFQ Implementation amendments

BSAI Amendment 72 and GOA Amendment 64 address several issues recommended for Council consideration by the IFQ Implementation and Cost Recovery Committee and the AP. The analysis was scheduled for final action because the proposed changes primarily affect recordkeeping and reporting requirements. The four actions proposed in this analysis are as follows. Alternatives *in italics* represent NMFS staff recommendations. The analysis was mailed to you on March 8.

(1) **Revise IFQ and CDQ Prior Notice of Landing (PNOL) requirements**. The regulations currently require that the operator of any vessel making an IFQ halibut and sablefish landing, including CDQ halibut landings, notify the NOAA Fisheries Office of Law Enforcement (OLE) no fewer than 6 hours before making the landing. Additionally, vessel operators are required to provide OLE with the name of the Registered Buyer to whom the vessel is delivering. The current PNOL regulations were implemented with the initial IFQ Program regulations to provide shorebased monitoring and enforcement personnel advance notice of vessel landings. Subsequent experience in the management and prosecution of IFQ fisheries suggests that the existing PNOL requirements could be revised to reduce the PNOL call-in time and modify the landing location requirements. Revising the PNOL requirements could improve economic efficiency in the fishery while continuing to provide adequate monitoring and enforcement opportunities for shorebased personnel.

(2) **Revise IFQ Offload Window requirements**. The regulations currently require that vessels may commence any IFQ landing (including CDQ halibut), or offloading, between 6:00 a.m. and 6:00 p.m. unless permission to land has been granted in advance. These regulations were initially implemented to accommodate International Pacific Halibut Commission and OLE staffing limitations. Expanding the offload window to provide additional landing could provide some additional flexibility to the commercial fleet, however, increasing offloading times could increase data collection, and monitoring and enforcement costs and reduce their overall efficacy.

(3) **Revise IFQ Vessel Clearance requirements**. Currently, the BSAI and GOA groundfish FMPs state that vessels that are transporting IFQ catch outside of the jurisdiction of the North Pacific Council must check in their catch at a NMFS specified site and have the load sealed prior to the vessel leaving. Regulations require that vessels landing IFQ catch outside of Alaska must obtain a written vessel clearance at a port

in Alaska prior to departure. There are no regulations requiring vessels to seal their holds prior to departure due to the inability to adequately seal holds without unduly compromising vessel safety. Experience with the vessel clearance requirement indicates that requiring vessels to obtain written permission at a port in Alaska has limited enforcement value.

(4) **Revise IFQ and CDQ Shipment Report requirements**. Current regulations require that each registered buyer must complete and submit a written shipment report for landings of IFQ halibut and sablefish, and CDQ sablefish before the landed fish leave the landing site. Current regulations also require processors to submit a product transfer report (PTR) for all groundfish landings. The existing regulations require processors to submit two separate but essentially identical reports depending on whether the landed fish were harvested under the IFQ Program or CDQ sablefish fishery, or under the groundfish fishery. Combining the shipment report with the PTR would reduce paperwork for processors and registered buyers. They would submit one form, the PTR, to record landings of groundfish, IFQ species, and CDQ sablefish. Under this proposed alternative, Registered Buyers would submit a PTR rather than a shipment report. This would not increase the recordkeeping and reporting requirements for Registered Buyers. Although the PTR and Shipment Report differ in name, the same information is reported on both forms and they are essentially identical in appearance. This proposed change would maintain existing data collection, monitoring, and enforcement capabilities.

Action 1: Revise IFQ and CDQ Prior Notice of Landing Requirements.

Alternative 1:	Status quo: require that vessels adhere to existing PNOL requirements.
Alternative 2:	Eliminate the PNOL requirement.
Alternative 3:	*Replace the reporting of "Registered Buyers" with the reporting of "Location of Landings" in the PNOL reporting requirements.*
Alternative 4:	*Change the minimum PNOL reporting requirement from six hours to three hours.*
Alternative 5:	Randomly apply the PNOL requirements to buyers.

Action 2: Revise IFQ Offload Window Requirements

Alternative 1:	*Status Quo: maintain the existing 6:00 a.m. to 6:00 p.m. offloading requirements.*
Alternative 2:	Extend the offload window landing requirements from 6:00 a.m. to 12:00 a.m.

Action 3: Revise IFQ Vessel Clearance requirements

Alternative 1:	Status Quo: maintain the existing vessel clearance requirement
Alternative 2:	*Eliminate the Vessel Clearance Requirement and require a verbal "departure report" prior to leaving the jurisdiction of the Council.*

Action 4: Revise IFQ and CDQ Shipment Report

Alternative 1:	Status Quo: maintain the existing recordkeeping and reporting requirements.
Alternative 2:	*Eliminate the shipment report and require that IFQ species be reported on the Product Transfer Report.*

(b) Community QS purchase plan amendment

The proposed action would allow eligible Gulf of Alaska communities to purchase commercial halibut and sablefish catcher vessel quota share (QS) in Areas 2C, 3A, and 3B for lease to community residents. The change would create a new category of eligible "person" that may hold halibut and sablefish quota share, with restrictions as developed by the Council and approved by the Secretary of Commerce. Currently, only persons who were originally issued catcher vessel QS or who qualify as IFQ crew members by working 150 days on the harvesting crew in any U.S. commercial fishery are eligible to purchase catcher vessel (B, C, and D category) quota share.

The proposed action targets small, rural, fishing-dependent coastal communities in the Gulf of Alaska that have documented participation in the halibut and sablefish fisheries. The criteria proposed to determine eligible communities are intended to distinguish a distinct set of rural Gulf communities that have experienced a decline in QS since the implementation of the IFQ program and have few alternative economic opportunities. While not necessarily a direct result of the implementation of the commercial IFQ program, declines in the number of community fishermen and access to nearby marine resources are on-going problems in rural communities that may be exacerbated by the IFQ program. The proposed action is an attempt to mitigate the identified problem and provide eligible communities with an opportunity to increase their participation in the IFQ fisheries. The purpose and design of this action is therefore intended to have distributional effects.

The concept proposed in this amendment is based on allowing an eligible community to identify or form an administrative entity to purchase and manage commercial QS, and lease the resulting IFQs to community residents. There are explicit options included for consideration to ensure that QS will be leased exclusively to residents of the target communities.

The Council began considering allowing communities to purchase commercial halibut/sablefish QS in June 2000 in response to a proposal from the Gulf of Alaska Coastal Communities Coalition (Coalition). The proposal cited the disproportionate amount of QS transfers out of smaller, rural communities as a symptom of the continuing erosion of their participation in the commercial IFQ fisheries. Consideration of including communities in the commercial IFQ program is also motivated by the Magnuson-Stevens Act, specifically National Standard 8, which requires that management programs take into account the social context of the fisheries, especially the role of communities. In addition, the National Research Council report, *Sharing the Fish* (1999), recommends that NMFS and the Council consider including fishing communities as stakeholders in fishery management programs, emphasizing the potential for communities to use QS to further overall community development.

The proposed action would be an amendment to the Gulf FMP (Amendment 66). The analysis considers two primary alternatives: Alternative 1 (no action) and Alternative 2, which would allow eligible communities to hold commercial halibut and sablefish QS. Note that under Alternative 2 there are eight individual elements and a multitude of options under each element that would shape the essential components of the IFQ program as it would relate to community purchases:

Element 1. Eligible communities
Element 2. Appropriate ownership entity
Element 3. Individual community use caps
Element 4. Cumulative community use caps
Element 5. Purchase, use, and sale restrictions (vessel size, block, and sale restrictions)
Element 6. Performance standards
Element 7. Administrative oversight
Element 8. Sunset provision

The Council approved the analysis for public review in February 2002, with several modifications and the addition of several new alternatives for analysis. The complete list of alternatives is attached to this memo as Item C-2(b)(1). Final action is scheduled for this meeting. The draft analysis was sent to the Council on March 15.

The IFQ Implementation and Cost Recovery Committee convened on April 7 to provide recommendations for final action on this analysis. The committee minutes will be distributed during the meeting.

Alternatives and options for Gulf FMP Amendment 66
(as revised and approved by the Council in February 2002)

Alternative 1: (No Action) Only qualified persons as defined in the current Federal regulations could hold and use commercial halibut and sablefish QS in the Gulf of Alaska.

Alternative 1 would maintain the language and intent of the current regulations (50 CFR 679.41(g)), effectively limiting the transfer of QS to IFQ crew members and initial recipients. Individual Gulf community residents would continue to be allowed to purchase commercial halibut and sablefish QS and fish the resulting IFQs, but community entities could not receive or hold catcher vessel QS for community benefit.

Alternative 2: Allow eligible Gulf of Alaska coastal communities to hold commercial halibut and sablefish QS for lease to and use by community residents.

Element 1. Eligible Communities (Gulf of Alaska communities only)

Rural communities with less than 2,500 people, no road access to larger communities, direct access to saltwater, and a documented historic participation in the halibut/sablefish fisheries:

Suboption 1. Include a provision that the communities must also be fishery dependent, as determined by:
- Fishing as a principal source of revenue to the community, or
- Fishing as a principal source of employment in the community (e.g., fishermen, processors, suppliers)

Suboption 2. Decrease size to communities with less than 1,500 people.
Suboption 3. Increase size to communities with less than 5,000 people.

Element 2. Appropriate Ownership Entity

(a) Existing recognized governmental entities within the communities (e.g., municipalities, tribal councils or ANCSA corporations)
(b) New non-profit community entity
(c) Aggregation of communities
(d) Combination of the entities (allow different ownership entities in different communities depending on the adequacy and appropriateness of existing management structures)
(e) Regional or Gulf-wide umbrella entity acting as trustee for individual communities

Element 3. Use Caps for Individual Communities

Options (a) - (c) would establish **the same use caps** for all eligible communities:

(a) 2% of 2C and 1% of the combined 2C, 3A and 3B halibut QS, and 2% of Southeast and 2% of all combined sablefish QS.
(b) 1% of 2C and 0.5% of the combined 2C, 3A and 3B halibut QS, and 1% of Southeast and 1% of all combined sablefish QS.
modified (c) 0.5% of 2C and 0.5% of the combined 2C, 3A and 3B halibut QS, and 0.5% of Southeast and ~~1%~~ 0.5 of all combined sablefish QS.

Options (d) or (e) would establish **use caps on an area basis** (i.e., eligible communities in Area 2C, 3A, and 3B would have different use caps):

(d) Place caps on individual communities that limits them from using more than 1% of the combined quota share in the area they reside in and an adjacent quota share area. Communities in 3A could not buy quota shares in 2C.

(e) Place caps on individual communities that limits them from using more than 0.5% of the combined quota share in the area they reside in and an adjacent quota share area. Communities in 3A could not buy quota shares in 2C.

Suboption 1: Place caps on individual communities so that the caps are area specific and not combined with more than one area.

Thus, under Options d and e:

- 2C communities capped at 1% (or 0.5%) of the combined 2C and 3A halibut QS, and 1% (or 0.5%) of the combined Southeast and West Yakutat combined sablefish QS.
- 3A communities capped at 1% (or 0.5%) of the combined 3A and 3B halibut QS, and 1% (or 0.5%) of the combined West Yakutat and Central Gulf combined sablefish QS.
- 3B communities capped at 1% or (0.5%) of the combined 3A and 3B halibut QS, and 1% (or 0.5%) of the combined Central Gulf and Western Gulf combined sablefish QS.

Or, under Suboption 1:

- 2C communities would be capped at 1% (or 0.5%) of the Area 2C halibut QS and 1% (or 0.5%) of the Area 3A halibut QS. They would also be capped at 1% (or 0.5%) of the SE sablefish QS and 1% (or 0.5%) of the WY sablefish QS.
- 3A communities would be capped at 1% (or 0.5%) of the Area 3A halibut QS and 1% (or 0.5%) of the Area 3B halibut QS. They would also be capped at 1% (or 0.5%) of the WY sablefish QS and 1% (or 0.5%) of the CG sablefish QS.
- 3B communities would be capped at 1% (or 0.5%) of the Area 3B halibut QS and 1% (or 0.5%) of the Area 3A halibut QS. They would also be capped at 1% (or 0.5%) of the CG sablefish QS and 1% (or 0.5%) of the WG sablefish QS.

Element 4. Cumulative Use Caps for all Communities

(a) 20% of the combined 2C, 3A, and 3B halibut QS, and 40% of the total combined Gulf of Alaska sablefish QS.
(b) 20% of the combined 2C, 3A, and 3B halibut QS, and 20% of the total combined Gulf of Alaska sablefish QS.
(c) 10% of the combined 2C, 3A, and 3B halibut QS, and 20% of the total combined Gulf of Alaska sablefish QS.
(d) 10% of the combined 2C, 3A, and 3B halibut QS, and 10% of the total combined Gulf of Alaska sablefish QS.

Modify

(e) 10 ~~20~~% of the combined 2C, 3A, and 3B halibut QS, and 10 ~~20~~% of the total combined Gulf of Alaska sablefish QS. However, communities would be limited to 5 ~~10~~% of the combined 2C, 3A, and 3B halibut QS and 5 ~~10~~% of the combined Gulf of Alaska sablefish QS prior to the Council's review of the program in ~~3-10~~ 2-5 years.

Suboption 1: Communities would be limited to 5% of the combined 2C, 3A, and 3B halibut QS and 5% of the total combined Gulf of Alaska sablefish QS in the first 2-5 years of the program.

(f) For options a-e, place cumulative use caps that are area specific rather than applying to combined areas.
(g) No cumulative use caps.

Element 5. Purchase, use, and sale restrictions
(All restrictions on quota shares (e.g., share class, blocked or unblocked status) would be retained once the quota is sold outside of the community.)

Block Restrictions

(a) Communities would have the same blocked share restrictions as individuals
(b) Allow communities to buy only blocked shares or only unblocked shares
(c) Allow communities to buy blocked and unblocked shares

Suboption 1: Communities can purchase blocked and unblocked shares up to the ratio of blocked to unblocked shares in that area (i.e., communities are not limited to the number of blocks that they can own, but are limited in the number of pounds of blocked shares). The community would first need to purchase unblocked shares and then could purchase blocked shares up to the ratio in the area.

Suboption 2: Communities can purchase blocked quota shares in excess of the current limit on block ownership, up to:
(a) 5 blocks per community
(b) 20 blocks per community
(c) Without limitation

Suboption 3: Restrict community purchase of blocked quota share to blocks of shares which, when issued, exceeded a minimum poundage of IFQ.
(a) For Areas 2C, 3A, and 3B, minimum halibut IFQ poundage in a range of 2,500 - 10,000 pounds.
(b) For SE, WY, CG, and WG, minimum sablefish IFQ poundage in a range of 3,000 - 10,000 pounds.

Vessel Size Restrictions

(a) Apply vessel size (share class) restrictions to the purchase of QS by communities.
(b) Do not apply vessel size (share class) restrictions to the purchase of QS by communities.
(c) Transferability of QS (permanent) and IFQs (on annual basis [leasing]) from commercial to community is restricted to the following class of shares:

(i) C and D category
(ii) B and C category
(iii) B, C, and D category

Sale Restrictions

(a) Communities may only sell their QS:
1. after 3 years of ownership
2. to other communities
3. for one of the following purposes:
(A) generating revenues to sustain, improve, or expand the program
(B) liquidating the entity's QS assets for reasons outside the program. In that event, NMFS would not qualify that entity or another entity to hold QS for that community for a period of 3 years.
4. no sale restrictions

(b) Communities may:

1. divide QS blocks that result in IFQs in excess of 20,000 lbs in a given year in half upon sale

   Suboption 1: Allow only Area 3B QS blocks that result in IFQs in excess of 20,000 lbs in a given year to be divided in half upon sale
2. "sweep up" blocks of less than 10,000 lbs and sell as blocks of up to 20,000 lbs.

Use Restrictions

(a) Leasing of community IFQs shall be limited to an amount equal to 25,000 - 75,000 pounds of halibut and sablefish IFQs per transferee

Element 6. Performance Standards

Communities participating in the program must adhere to the following performance standards established in regulation by NMFS:

(a) Leasing of annual IFQs resulting from community-owned QS shall be limited to residents of the ownership community.

Suboption 1: Leasing of community QS shall be limited to residents of the ownership community and residents of other qualifying communities.

guidance

(b) Maximize benefit from use of community IFQ for crew members that are community residents.

(c) Insure that benefits are equitably distributed throughout the community.

(d) Insure that QS/IFQ allocated to an eligible community entity would not be held and unfished.

No consensus

Element 7. Administrative Oversight

(a) Require submission of a detailed statement of eligibility to NMFS prior to being considered for eligibility as a community QS recipient. The statement would include:
1. Certificate of incorporation
2. Verification of qualified entity as approved in Element 2
3. Documentation demonstrating accountability to the community

(b) Require submission of an annual report detailing accomplishments. The annual report would include:
1. A summary of business, employment, and fishing activities under the program
2. A discussion of any corporate changes that alter the representational structure of the entity
3. Specific steps taken to meet the performance standards Element 6.

Element 8. Sunset Provisions

(a) No sunset provision

(b) Review program after 5 years and consider sunsetting program if review reveals a failure to accomplish the stated goals.

(c) Review program after 5 years and, if changes are necessary, provide a "drop-through"[1] of purchase and use privileges, whereby the initial privileges granted to participating communities would continue for an additional 10 years. Additional community purchases would be subject to a new set of purchase and use standards. Incentives for communities to convert from the initial set of purchase and use privileges to the new set would be provided.

Suboption 1: Review program after 10 years.

Suboption 2: Review program after 3 years.

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[10]As described in the National Research Council's 1999 publication Sharing the Fish, p. 150.

AGENDA C-2
APRIL 2002
Supplemental

March 26,2002

TO: Nicole Kimball
North Pacific Fishery Management Council

FROM: Mark Wagner

Let me begin by extending my sincere appreciation to you for the amount of time and energy you have provided me. We had a lengthy telephone conversation on Friday concerning the Gulf FMP - Amendment 66, and in particular, suboption 3 of the block restrictions. Suboption 3 would restrict community purchase of blocked quota shares which, when issued, exceeded a set minimum poundage of IFQ. We went over the possibility of using 2500 pounds for 2C, 3A and 3B. In 2002, that original 2500 pounds would be 1,834 pounds in 2C, 2,075 pounds in 3A, and 10,359 pounds in 3B. Using the original 2,500 pounds figure would protect entry level participants in 3B but not in 2C or 3A. If you use the original 10,000 pounds figure for 2C and 3A, the 2002 pounds for 2C is 7,335 pounds and 8,298 pounds in 3A. The IFQ shares in 2C and 3A will now be high enough to protect the entry level. Obviously, this may be confusing to some, and a far better approach may be to just use the 10,000 pounds threshold for the year 2002. Other fishermen and IFQ brokers I've spoken with considered anything less than 10,000 pounds to be entry level. Restricting communities from purchasing B, C, or D class quota less than 10,000 pounds would protect entry level fishermen and not unduly harm anyone.

One of questions that I'm concerned with pertains to the purchase and use of the quota bought by the Communities. For instance, if a community in 3B bought D class, would they be restricted to fishing that quota on a D class vessel, or would they be allowed to fish the quota on any size vessel. Knowing there are very few small commercial vessels fishing in the 3B communities who qualify to fish D class quota, it's doubtful the communities would consider buying this class if they couldn't fish the shares on a B or C vessel. If the communities would be allowed to fish D class on a larger vessel, myself and other large 3B block holders now have a market to sell in. Also, by allowing the communities to fish shares on a larger vessel, it would increase safety and not impact the local halibut stocks that the subsistence users depend on.

Sincerely,

Mark A. Wagner

Mark Wagner
P.O. Box 10835
Bainbridge Island, WA 98110
Telephone & Fax # 360-415-9241

DRAFT MINUTES
IFQ IMPLEMENTATION AND COST RECOVERY COMMITTEE
APRIL 7, 2002

The committee convened Sunday, April 7, at approximately 6:30 pm. Committee members Jeff Stephen, Beau Bergeron, Dennis Hicks, Jack Knudsen, Paul Peyton, Kris Norosz, Arne Fuglvog attended. Beau Bergeron, representing the Deep Sea Fishermen's Union, replaced John Bruce on the committee. Missing were Gerry Merrigan, Don Iversen, Norman Cohen, Don Lane, and Bob Alversen. Staff in attendance were Jane DiCosimo and Nicole Kimball (Council staff), Jay Ginter and Glenn Merrill (NMFS), LCDR Phil Thorne (USCG). Four members of the public also attended. There were two issues on the committee agenda: 1) review the Gulf of Alaska Plan Amendment 66 to allow communities to hold halibut and sablefish quota shares and 2) review a report on the IFQ loan program.

Nicole Kimball made a brief presentation on the analysis for Gulf of Alaska Plan Amendment 66. The committee complemented Nicole on the quality of the analysis. The committee discussed whether to provide a preferred alternative or general comments about the alternatives and options. The committee opted to provide recommendations on some aspects of Alternative 2, should the Council choose it as its preferred alternative. The committee adjourned its meeting before it had addressed all of the elements.

Alternative 2

<u>Element 1:</u> <u>Eligible communities</u>

Suboption 2 - 1,500 people; and

Suboption 1 - The committee noted it had some reservations that all the listed communities that meet Suboption 2 may not be fishery dependent in either the halibut or sablefish or both fisheries. It recognized the difficulty in determining appropriate measures for determining dependence, but anecdotal information suggests that including some listed communities into the proposed program may not be appropriate

<u>Element 2:</u> <u>Appropriate Ownership Entity</u>

Suboption d.

The committee discussed that the Council's choice of a preferred alternative for ownership entity may be at the community or aggregate of communities because of local governmental infrastructure. The communities would have to select its ownership entity. The committee noted an ownership entity should ensure the economic benefits accrue to community residents. The committee intent is that leasing of QS between eligible communities and corporate leasing should not be allowed.

<u>Element 3:</u> <u>Use caps</u>

New option (modified c): 0.5% of 2C and 0.5% of the combined 2C, 3A and 3B halibut QS, and 0.5% of Southeast and <u>0.5%</u> of all combined sablefish QS.

The committee noted that the Council's choice of a preferred alternative should not undermine the goals of the halibut and sablefish IFQ program or preclude entry-level opportunities for fishermen residing in other fishery-dependent communities (problem statement).

<u>Element 4:</u> <u>Cumulative Use Caps</u>

Option e (modified). 10% of the combined 2C, 3A, 3B halibut QS, and 10% of the total combined GOA sablefish QS. Communities would be limited to 5% of the combined 2C, 3A, 3B halibut QS and 5% of the total combined GOA sablefish QS in the first 2-5 years of the program. A step-up approach would ameliorate a race for fish and give all communities a fair start.

Element 6: Performance Standards

Option a. Leasing of annual IFQs resulting from community-owned QS shall be limited to residents of the ownership community (see p 119 in the analysis). This provision should be in regulations.

Option b. Require that crew members employed by individuals leasing community-held IFQ are community residents (NMFS suggested revised language) (guidance).

Option c. Insure that benefits are equitably distributed throughout the community (guidance).

Option d. Insure that QS/IFQ allocated to an eligible community entity would not be held and unfished. No consensus in putting this provision in regulations.

New DRAFT

ADVISORY PANEL MINUTES
Anchorage Hilton Hotel
Anchorage, Alaska
April 8-13,2002

Advisory Panel members in attendance:

Alstrom, Ragnar
Benson, Dave
Boisseau, Dave
Burch, Al
Ellis, Ben
Enlow, Tom
Falvey,Dan
Farr, Lance
Fields, Duncan
Fraser, David
Fuglvog, Arne
Jacobson, Bill
Kandianis, Teressa
Mayhew, Tracey
Nelson, Hazel
Norosz, Kris
Preston, Jim
Ridgway, Michelle
Steele, Jeff
Stephan, Jeff
Yeck, Lyle

C-2 Halibut/Sablefish IFQ program
(a) Final action on IFQ Implementation amendments:
The AP recommends the Council support the 4 recommendations of NMFS staff.

(b) Final action on Community QS purchase plan amendments:
The AP requests the Council adopt Alternative 2: Allow eligible Gulf of Alaska coastal communities to hold commercial halibut and sablefish QS for lease to and use by community residents (as defined by the following elements and options).

Element 1. Eligible Communities (Gulf of Alaska Communities only)
Rural communities with less than (Suboption 2: 1,500 people), no road access to larger communities, direct access to saltwater, and a documented historic participation in the halibut/sablefish fisheries: Communities meeting the above criteria should be listed as a defined set of qualifying communities. Communities not listed, must apply to the North Pacific Fisheries Management Council to be approved for participation in the program.

Element 2. Ownership Entity
(b) New non-profit community entity
(c) New non-profit entity formed by an aggregation of several qualifying communities.
(e) Regional or Gulf-wide umbrella entity acting as trustee for individual communities

Element 3. Use Caps for Individual Communities

(b) 1% of 2C and 0.5% of the combined 2C, 3A and 3B halibut QS, and 1% of Southeast and 1% of all combined sablefish QS.
(d) ... Communities in 3A and 3B can not buy halibut quota share in 2C and communities in 2C cannot buy halibut quota shares in 3B.

Element 4. **Cumulative Use Caps for all Communities**

(e) ....Communities would be limited to (3%) of 2C, 3A or 3B halibut QS and (3)% of the SE, WY, CG or WG sablefish QS in each of the first five years of the program, 15% total, and upon review of the program the remaining quota share up to communities' individual use caps can be purchased.

Element 5. **Purchase, use and sale restrictions.**

Block Restrictions (Block restrictions are retained if the community transfers QS.)

(c) Allow communities to buy blocked and unblocked shares.
However individual communities will be limited to 10 blocks of halibut QS and 5 blocks of sablefish QS in each management area.

Suboption 3: Restrict community purchase of blocked (halibut) quota share to blocks of shares which, at the time of the implementation of sweep provisions (1996 for halibut), exceeded the following minimum poundage of IFQ:

- (a) For Areas 2C and 3A, minimum halibut IFQ poundage of 3,000 pounds.
- (b) For areas SE, WY, CG, and WG, minimum sablefish IFQ poundage of 5,000 pounds.

Vessel Size Restrictions (Vessel size restrictions are retained if the community transfers the QS)

(b) QS held by communities under this program would be exempt from vessel size (share class) restrictions while the QS is owned and leased by the community.

Sale Restrictions:

(a) Communities may only sell their QS:
- (c) for one of the following purposes:
  - (a) generating revenues to sustain, improve, or expand the program
  - (b) Liquidating the entity's QS assets for reasons outside the program. In that event, NMFS would not qualify that entity or another entity to hold QS for that community for a period of 3 years.

Use Restrictions

(a) Leasing of community quota share shall be limited to an amount equal to 50,000# of halibut and (50,000#) of sablefish IFQs, inclusive of any IFQ owned, per transferee.

(b) Leasing of community quota share shall be limited to an amount equal to 50,000# of halibut and (50,000#) of sablefish IFQs, inclusive of any IFQ owned, per vessel .

Element 6: **Communities participating in the program must adhere to the following performance standards established by NMFS in regulation.**

(a) Leasing of annual IFQs resulting from community owned QS shall be limited to residents of the ownership community. (Residency criteria similar to that established for the subsistence halibut provisions shall be used and verified by affidavit.)

The following should be seen as goals of the program with voluntary compliance monitored through the annual reporting mechanism and evaluated when the program is reviewed. When communities apply to the program they must describe how their use of QS will comply with program guidelines. This information will be used as a benchmark for evaluating the program.

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

Element 7. Administrative Oversight

(A) Require submission of a detailed statement of eligibility to NMFS prior to being considered for eligibility as a community QS recipient. The statement would include:

(a) Certificate of incorporation
(b) Verification of qualified entity as approved in Element 2
(c) Documentation demonstrating accountability to the community
(d) Explanation of how community intends to implement the performance standards.

(B) Require submission of an annual report detailing accomplishments. The annual report would include:
(a) A summary of business, employment, and fishing activities under the program
(b) A discussion of any corporate changes that alter the representational structure of the entity
(c) Specific steps taken to meet the performance standards
(d) Discussion of known impacts to resources in the area.

Element 8 Sunset Provisions

(b) Review program after 5 years.

Motion passed 13/8.

A motion to adopt Alternative 1, Status Quo, failed 14/6/1

Minority Report

The minority wish to commend the makers of the motion, and the work that was done to craft it. We believe that the motion, while well intended, lacks detail and the public scrutiny necessary to insure it addresses the problem statement.

The addition of communities as quota share owners is a radical shift from the existing program. This radical shift will not accomplish the goal in the problem statement of, "minimizing adverse economic impacts" on these struggling, small, remote, coastal communities. These communities have socio-economic problems that are deeper and more far reaching than can be addressed with this motion.

The second part of the problem statement states, "The Council seeks to provide for this sustained participation without undermining the goals of the halibut and sablefish IFQ program or precluding entry-

level opportunities for fishermen residing in other fishery-dependent communities." The addition of communities and the resulting management entities increases the pool of possible buyers that will compete with new entrants outside these communities. The communities or the managing entities are non-profit and can compete for the available quota on a non-tax dollar basis which puts them at a distinct advantage in the marketplace.

There is nothing in this motion that by regulation forces the monies gained by the lessee to stay in the communities, there is no legal requirement that the fish be caught with the vessels crewed by people from the community, and the fish does not need to be delivered or processed in the community.

The AP received public testimony from 4 people, 3 of which testified against the concept of allowing communities to own quota shares. There was no testimony from any of the 45 communities to the need for this program.

Signed: Craig Cross, John Bruce, Dave Benson, Jeff Steele

C-3 Halibut Subsistence

The AP recommends that the Council adopt Alternative 3, modified as follows:

Part 1: Areas 4C, 4D, and 4E — Eliminate Gear Restrictions

Part 2: A: In areas 3A, 3B, 4A and 4B— allow stacking of a maximum of 3 times the number of hooks on a single unit of gear per trip, provided that the subsistence users are on board the vessel. No proxy provisions.

B: In area 2C, excluding Sitka LAMP, 30 hooks and 20 fish per day is the individual and vessel limit (no stacking, no proxy).

Part 3: Add to part 3 (A), (B) and (C) and part 4 (area 2C– Sitka LAMP) a community harvest program as specified by the halibut subsistence committee as specified on page 33 of the analysis, with the inclusion of Sitka as an eligible community. Community harvest permits may not used in the Sitka LAMP.

Additionally, the AP requests the Council Halibut Subsistence Committee work with NMFS to develop and issue community harvest permits to federally recognized tribes and other groups that can demonstrate an established pattern of harvest that includes community harvesters. We further consider the implementation of community harvest permits an essential part of the halibut subsistence management plan.

Part 3 (A): in area 3A, Kodiak road zone and Chiniak bay:

1. 5 hooks
2. 20 fish annual limit
3. No proxy system
4. Allow stacking of a maximum up to 3 times the number of hooks on a single unit of gear provided that the subsistence user(s) are on board the vessel.

Part 3 (B): In area 3A, PWS:

1. 5 hooks
2. No fish annual limit
3. No proxy system
4. Allow stacking of a maximum up to 3 times the number of hooks on a single unit of gear provided that the subsistence user(s) are on board the vessel.

Part 3 (C). In Area 3A Cook Inlet:

1. 5 hooks
2. No fish annual limit
3. No proxy system
4. Allow stacking of a maximum up to 3 times the number of hooks on a single unit of gear provided that the subsistence user(s) are on board the vessel.
5. Cook inlet boundary, No action (retain Council lines)

A motion to retain the Board of Fisheries lines failed 4/8/5.

Part 4: In area 2C Sitka Sound Lamp Area.

September 1 to May 31

1. 30 hooks/vessel, power hauling allowed.
2. 10 halibut per day/vessel
3. No annual fish limit
4. No proxy system

June 1 to August 31

1. 15 hooks per vessel, no power hauling, no proxy, no stacking
2. 5 halibut per day/vessel
3. No annual fish limit
4. No longline fishing area four nautical miles south and west of Low Island (see chart)

Part 5: Adopt a ceremonial, cultural and educational harvest permit system modeled after USFWS existing system as recommended by the Halibut subsistence committee.

Part 6: For Areas 4B, 4C, 4D and 4E, add a provision allowing retention of legal size halibut for subsistence use by residents of qualifying area 4 communities while CDQ fishing on their own vessels. These retained subsistence caught halibut shall be marked while CDQ fishing and would not count against CDQ harvest. *Motion passed 10/7*

Part 7: The AP requests the Council, NMFS, ADF&G, and IPHC assist the Sitka ADF&G Advisory Committee and other interested groups in gathering information, on an annual basis, on the halibut, rockfish, and ling cod removals by all user groups in the Sitka LAMP and other local areas.

Motion passed 16/1/1

DRAFT
6d

ADVISORY PANEL MINUTES
Anchorage Hilton Hotel
Anchorage, Alaska
April 8-13,2002

Advisory Panel members in attendance:

Alstrom, Ragnar
Benson, Dave
Boisseau, Dave
Burch, Al
Ellis, Ben
Enlow, Tom
Falvey,Dan
Farr, Lance
Fields, Duncan
Fraser, David
Fuglvog, Arne
Jacobson, Bill
Kandianis, Teressa
Mayhew, Tracey
Nelson, Hazel
Norosz, Kris
Preston, Jim
Ridgway, Michelle
Steele, Jeff
Stephan, Jeff
Yeck, Lyle

C-2 Halibut/Sablefish IFQ program

The AP requests the Council adopt Alternative 2: Allow eligible Gulf of Alaska coastal communities to hold commercial halibut and sablefish QS for lease to and use by community residents (as defined by the following elements and options).

A motion to adopt Alternative 1, Status Quo, failed 14/6/1

Minority Report

The minority wish to commend the makers of the motion, and the work that was done to craft it. We believe that the motion, while well intended, lacks detail and the public scrutiny necessary to insure it addresses the problem statement.

The addition of communities as quota share owners is a radical shift from the existing program. This radical shift will not accomplish the goal in the problem statement of, "minimizing adverse economic impacts" on these struggling, small, remote, coastal communities. These communities have socio-economic problems that are deeper and more far reaching than can be addressed with this motion.

The second part of the problem statement states, "The Council seeks to provide for this sustained participation without undermining the goals of the halibut and sablefish IFQ program or precluding entry-level opportunities for fishermen residing in other fishery-dependent communities." The addition of communities and the resulting management entities increases the pool of possible buyers that will compete with new entrants outside these communities. The communities or the managing entities are non-profit and can compete for the available quota on a non-tax dollar basis which puts them at a distinct advantage in the marketplace.

There is nothing in this motion that by regulation forces the monies gained by the lessee to stay in the communities, there is no legal requirement that the fish be caught with the vessels crewed by people from the community, and the fish does not need to be delivered or processed in the community.

The AP received public testimony from 4 people, 3 of which testified against the concept of allowing communities to own quota shares. There was no testimony from any of the 45 communities to the need for this program.

Signed: Craig Cross, John Bruce, Dave Benson, Jeff Steele

Element 1. Eligible Communities (Gulf of Alaska Communities only)
Rural communities with less than (Suboption 2: 1,500 people), no road access to larger communities, direct access to saltwater, and a documented historic participation in the halibut/sablefish fisheries: Communities meeting the above criteria should be listed as a defined set of qualifying communities. Communities not listed, must apply to the North Pacific Fisheries Management Council to be approved for participation in the program.

Element 2. Ownership Entity

(b) New non-profit community entity
(c) New non-profit entity formed by an aggregation of several qualifying communities.
(e) Regional or Gulf-wide umbrella entity acting as trustee for individual communities

Element 3. Use Caps for Individual Communities

(b) 1% of 2C and 0.5% of the combined 2C, 3A and 3B halibut QS, and 1% of Southeast and 1% of all combined sablefish QS.

(d) ... Communities in 3A and 3B can not buy halibut quota share in 2C and communities in 2C cannot buy halibut quota shares in 3B.

Element 4. Cumulative Use Caps for all Communities

(e) ....Communities would be limited to (3%) of 2C, 3A or 3B halibut QS and (3)% of the SE, WY, CG or WG sablefish QS in each of the first ~~five~~ 7 years of the program, ~~15% total, and upon review of the program the remaining quota share up to communities' individual use caps can be purchased.~~

w/ a 21% total by area unless modified by Council ~~to~~ the 5-year review

Element 5. Purchase, use and sale restrictions.

Block Restrictions (Block restrictions are retained if the community transfers QS.)

(c) Allow communities to buy blocked and unblocked shares.
However individual communities will be limited to 10 blocks of halibut QS and 5 blocks of sablefish QS in each management area.

Suboption 3: Restrict community purchase of blocked (halibut) quota share to blocks of shares which, at the time of the implementation of sweep provisions (1996 for halibut), exceeded the following minimum poundage of IFQ:

(a) For Areas 2C and 3A, minimum halibut IFQ poundage of 3,000 pounds.
(b) For areas SE, WY, CG, and WG, minimum sablefish IFQ poundage of 5,000 pounds.

Vessel Size Restrictions (Vessel size restrictions are retained if the community transfers the QS)

(b) QS held by communities under this program would be exempt from vessel size (share class) restrictions while the QS is owned and leased by the community.

(c)(ii) - pg 9 of Analysis. Clarify w/ NK, RL, Stosh @ on 3 APB

Sale Restrictions:

(a) Communities may only sell their QS:
  - (c) for one of the following purposes:
    - (a) generating revenues to sustain, improve, or expand the program
    - (b) Liquidating the entity's QS assets for reasons outside the program. In that event, NMFS would not qualify that entity or another entity to hold QS for that community for a period of 3 years.

Use Restrictions

(a) Leasing of community quota share shall be limited to an amount equal to 50,000# of halibut and (50,000#) of sablefish IFQs, inclusive of any IFQ owned, per transferee.

(b) Leasing of community quota share shall be limited to an amount equal to 50,000# of halibut and (50,000#) of sablefish IFQs, inclusive of any IFQ owned, per vessel .

Element 6: Communities participating in the program must adhere to the following performance standards established by NMFS in regulation.

(a) Leasing of annual IFQs resulting from community owned QS shall be limited to residents of the ownership community. (Residency criteria similar to that established for the subsistence halibut provisions shall be used and verified by affidavit.)

The following should be seen as goals of the program with voluntary compliance monitored through the annual reporting mechanism and evaluated when the program is reviewed. When communities apply to the program they must describe how their use of QS will comply with program guidelines. This information will be used as a benchmark for evaluating the program.

(b) Maximize benefit from use of community IFQ for crew members that are community residents.

(c) Insure that benefits are equitably distributed throughout the community.

(d) Insure that QS/IFQ allocated to an eligible community entity would not be held and unfished.

Element 7. Administrative Oversight

(A) Require submission of a detailed statement of eligibility to NMFS prior to being considered for eligibility as a community QS recipient. The statement would include:

- (a) Certificate of incorporation
- (b) Verification of qualified entity as approved in Element 2
- (c) Documentation demonstrating accountability to the community
- (d) Explanation of how the community entity intends to implement the performance standards.

(B) Require submission of an annual report detailing accomplishments. The annual report would include:
(a) A summary of business, employment, and fishing activities under the program
(b) A discussion of any corporate changes that alter the representational structure of the entity
(c) Specific steps taken to meet the performance standards
(d) Discussion of known impacts to resources in the area.

Element 8 ~~Sunset Provisions~~ Program Review

(b) Council Review program of after 5 years. implementation of program.

Motion passed 13/8.

C-3 Halibut Subsistence

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Part 2: A: In areas 3A, 3B, 4A and 4B— allow stacking of a maximum of 3 times the number of hooks on a single unit of gear per trip, provided that the subsistence users are on board the vessel. No proxy provisions.

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Additionally, the AP requests the Council Halibut Subsistence Committee work with NMFS to develop and issue community harvest permits to federally recognized tribes and other groups that can demonstrate an established pattern of harvest that includes community harvesters. We further consider the implementation of community harvest permits an essential part of the halibut subsistence management plan.

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2. 20 fish annual limit
3. No proxy system
4. Allow stacking of a maximum up to 3 times the number of hooks on a single unit of gear provided that the subsistence user(s) are on board the vessel.

Part 3 (B): In area 3A, PWS:

1. 5 hooks
2. No fish annual limit
3. No proxy system
4. Allow stacking of a maximum up to 3 times the number of hooks on a single unit of gear provided that the subsistence user(s) are on board the vessel.

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Part 7: The AP requests the Council, NMFS, ADF&G, and IPHC assist the Sitka ADF&G Advisory Committee and other interested groups in gathering information, on an annual basis, on the halibut, rockfish, and ling cod removals in the Sitka LAMP and other local areas, for all user groups.

Motion passed 16/1/1

APR-03-02 WED 01:26 PM JUNEAU LIO FAX NO. 3818

AGENDA C-2
APRIL 2002
Supplemental

HALIBUT ASSOCIATION OF NORTH AMERICA

P.O. BOX 20717
SEATTLE, WASHINGTON 98102
PHONE: 206-325-3413
FAX: 206-324-7590

RECEIVED
APR - 3 2002
N.P.F.M.C

April 3, 2002

David Benton, Chair
North Pacific Fishery Management Council
VIA FACSIMILE: (907) 271-2817

RE: C-2: Halibut Regulatory Amendments

Dear Mr. Benton and Council Members:

The Halibut Association of North America, a trade association of companies that process halibut in Alaska, Washington and Oregon, urges you to favorably consider the four proposed regulatory changes to the halibut IFQ Groundfish Plans in the Bering Sea and Gulf of Alaska. More specifically, we recommend that you adopt the staff recommendations for each of them.

The proposals make only minor technical changes to existing record keeping and reporting requirements. They set no new precedents, are not controversial to the industry or fishery managers, and will not affect fishing operations or compromise enforcement efforts.

With respect to proposed Action 2, while HANA's preference is to gain additional flexibility through an expanded offload window, we appreciate the added costs and other enforcement and sampling difficulties it would generate and can accept the staff recommendation to maintain the status quo of 6:00 a.m. to 6:00 p.m.

HANA has been in the forefront of encouraging consolidation of reports and other added efficiencies in the regulatory system for the halibut IFQ program during the past four years. We are pleased the end is in sight and ask you to approve the proposals and move them forward for implementation.

Sincerely,

John Woodruff

John Woodruff
President

Skua Fisheries

P. O. Box 2481
Homer. Ak. 99603
USA

Fax (907)-235-7670

April 03, 2002

North Pacific Fisheries Management Council
605 West 4th Avenue, Suite 306
Anchorage, Ak 99501-2252

All Council Members,

As a small boat (32-foot) longliner who has purchased 90% of the IFQ's I catch, I cast a skeptical eye towards the plan to allow coastal communities to purchase quota share for their residents. Already there are residents of some of these communities who hold quota and do not wish to fish it. I know this first hand, for one of my good friends was contacted by a village leader from Old Harbor on Kodiak. This individual explained he didn't have time to fish his quota, needed to work on his lodge,would my friend fish it for him. That's all fine and dandy, but don't turn around and then tell me how badly you need it, as this individual has since done. This is troubling to say the least. Should these communities be allowed to purchase and distribute quota it <u>must be absolutely required those receiving the quota also be the ones who fish it</u>.

Where is the money going to come from? If these groups want special dispensation then some questions get answered, and one of them is "who's paying?" Anybody mentioned the Feds paid $42 million to Akhiok and Old Harbor for Sitkalidik Island on Kodiak. The Ouzinkie native group also received millions for land on the north end of Kodiak. Point being there are substantial assets around that some folks would rather we didn't know about. Let's see the native corporations representing a large portion of the residents of these communities put up some money. Seems reasonable to me. Myself and my crew have gotten loans from a variety of commercial institutions. We've put up houses, property, cash, boats--you name it. Nobody has made any special rules for us. And we still pay a management tax for the program, which I would expect to be paid by any participant.

Use caps. Start small. You can't put the cat back in the bag. It's a lot easier to expand than downsize. You better prove this idea will work and the people will go fish before you get my support.

Finally, there have been several IFQ proposals before you for about 3 years which you have ignored. Know the old saying do first things first. I would appreciate you doing those first things first, then we'll talk about community quota. Good luck.

Sincerely,

David Whitmire

David Whitmire

April 3, 2002

North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, Ak. 99501-2252

North Pacific Council Members:

I am not happy about the continuing push to allow coastal communities to purchase quota shares. I work on a small boat, and have purchased every pound I own through the sale of a herring permit and loans through the State of Alaska and National Marine Fisheries. My concerns have not changed since they first wanted quota share given to them. At least they're talking about purchasing them now.

1. These communities will be in direct competition with small quota share owners such as myself for buying quota. They have access to more avenues of financing than I have ever had, and what is to prevent them from bidding up the shares out of my reach? Where will the money come from? Hopefully not from the burdened NMFS loan program which is dependent year-to-year on how benevolent Congress feels. The crew members that were disenfranchised through the creation of the IFQ program will be even further behind if they have more competition for money as well as quota. The Exxon Trustees' Council has written some pretty fat checks to small coastal communities in Kodiak the past few years. Why don't they use it to support their individual fishermen? Why do they need to have a special class created? If they financed their members with loans, they could lien the loans, and that quota wouldn't leave the village without their permission. Why create a new, cumbersome entity?

2. What will ensure that the person who has quota share from these communities will be physically on the boat while harvesting? Who gets to have the quota share? Favorites/friends of whomever is administering the program for that particular community? Whoever gets share in their name should have to be qualified to hold IFQs according to how the system is already set up. I see unnecessary layers of bureaucracy being formed for this. Who pays for it? We already pay a use tax, will we be made to pay for this additional program? They should pay their own way, all the way. A few years ago, Freddy Christensen from Old Harbor, approached a friend of ours in Kodiak about fishing his halibut quota because he was too busy with his lodge to fish. The intent of letting communities purchase quota is to put people in the communities to work, and ON the boats that harvest that quota.

3. If you let the communities own too much quota, they will have far too much potential control over smaller quota share owners such as myself. The smallest possible use caps should be used. It can always be reviewed and changed, but it's harder to go down than it is to go up.

4. The whole thing loses more credibility when I look at the median incomes of some of the communities that are on the list. Halibut Cove has a median income of $68,760 from 1990 census figures. Homer, where I live, has a median income of $36,692 from those same figures. Sand Point, King Cove, Chignik Lagoon, Port Lions, Ouzinkie, Nanwalek, Cordova, and Akhiok all have median incomes above $40,000, higher than Homer's. For the Southeast communities, Coffman Cove, Craig, Elfin Cove, Gustavus, Kassan, Petersburg, and Whale Pass all have median incomes above $40,000, again, greater than the coastal community of Homer. If the intent is to truly create a means of helping struggling communities, than why not allow quota share purchase only by those communities with median incomes of $30,000 or less? To allow it based on size, lets the "struggling" community of Halibut Cove have access. Don't think they need it quite as much as some others.

I support the system as is. Alternative One. If you disagree, and go with community purchase, then please keep it to a minimum, with lots of oversight to make sure it is not abused. And don't make me pay for it.

Sincerely,

Tamara Shrader

Tamara Shrader
P.O. Box 2601
Homer, Ak.
99603

PUBLIC TESTIMONY SIGN-UP SHEET FOR AGENDA ITEM C-2(b) Halibut/Sablefish IFQs

PLEASE SIGN ON THE NEXT BLANK LINE.
LINES LEFT BLANK WILL BE DELETED.

	NAME	*AFFILIATION*
1.	Beau Bergeron	Deep Sea Fishermen's Union
2.	Tammie Shrader	halibut fisherman
3.	John Crowley	F.V.O.A.
4.	~~Duncan Fields~~ Matt Kookesh + Fred Christiansen	~~GOAC3~~ ~~Koniag Inc.~~ AFN
5.	Dick Jacobson	AEB
6.	Gale K. Vick	KASAAN & S/E groups
7.	DAN FALVEY	ALFA
8.	Bob Henrichs	Eyak
9.	Sheri Buretta	Chugach Corp
10.	~~Will Brown~~ Marcus Nelson	MIC
11.	TOM CASEY	AFCG
12.	Rick Berns – Harold Christiansen	OLD HARBOR Fisherman
13.	Carl Christiansen Iver Malutin	OLD HARBOR SEINERS
14.	Emil Christiansen + Al Cratty	OLD HARBOR Fisherman's Assoc.
15.	Jeff Peterson & Alex Shugak	OLD HARBOR
16.	Dan Hull	CDFU
17.	~~Duncan Fields~~ ~~Sven Haakonson~~	~~GOAC3~~ ~~OHTC~~
18.	Tony Gregorio	Chignik
19.	Chuck Totemoff	Chenega Bay
20.	~~Gle Olsen / Tom Panamaroff~~	~~Koniag~~ ″
21.	Pat Norman	Port Graham
22.	Cora Crome	PVOA
23.	DUNCAN FIELDS	GOAC3
24.	Will Brown	IFQ Holder
25.		

Dan Falvey
C-2b

ALASKA LONGLINE FISHERMEN'S ASSOCIATION
403 Lincoln Ste. 237
Sitka, AK 99835

April 5, 2002

Dear Members of the Council,

I am submitting this testimony to you on behalf of the Alaska Longline Fishermen's Association (ALFA) on the IFQ Community Purchase.

Let me first tell you that our membership is divided on this issue. While members recognize the economic difficulties faced by many small Gulf coastal communities, they are extremely hesitant to support a program that allows additional leasing of IFQ. Members are also concerned that allowing communities to purchase quota will increase the cost of quota share, making it more difficult for fishermen in communities that do not qualify for this program to purchase shares. Nevertheless, with these very grave concerns, the membership voted by a slim margin to support the IFQ community purchase. I have outlined below the caveats essential to our support.

First, the membership believes the communities should be fishery dependent (Element 1, suboption 1), and have **no more than 2500 people**. More ALFA members support the program with a population limit of 1500 for qualifying communities; ALFA does not support the program if the population limit is increased to 5000 residents.

Second, ALFA members urge the Council to adopt conservative ownership and use caps, and to establish those caps on both a cumulative and individual community basis. Members support a cumulative cap of 10% (Element 4(d)), and an individual community cap as outlined under (e) in Element 3.

Third, members believe the Council must carefully design the program to ensure that it does not undermine either the vessel size class or the block system, both of which are crucial to maintaining a diverse fleet and providing an entry level to fishermen from communities not eligible for this program. If communities are allowed to buy blocks in excess of the existing block limits for individuals, members believe those limits should only be minimally exceeded (5-10 blocks per community). The number of 'D' class blocks purchased by communities in any given area should also be limited (to 10% of the D blocks for that area) to ensure an entry level is maintained for residents of non-qualifying communities.

Finally, the Council should also take every possible precaution to ensure that the Community IFQ Purchase does not result in additional leasing of quota share outside the qualifying communities. Quota share purchased by communities should retain its initial vessel size class and block restrictions. If this quota is sold back to a non-community entity (whether an individual or an initially qualifying corporation), it should not only hold initial vessel size class and block restrictions, but require the quota share holder to be on board when the quota is harvested.

In closing, ALFA members hesitantly support the Community IFQ Purchase. If the Council moves ahead with this program, we urge the Council to do so cautiously and conservatively, ensuring that the concerns and entry-level opportunities of non-qualifying community residents are safe-guarded. Liberalizing rules is seldom difficult; making them more restrictive is virtually impossible.

Thank you for the opportunity to comment.

Sincerely,

Linda

Linda Behnken
Director, ALFA

C-2b
Tom Casey

Alaska Fisheries Conservation Group

BSAI crab vessel owners from Washington, Oregon and Alaska

Box 910 Woodinville, WA 98072 (206) 849-6752 Fax (425) 823-3964

Community allocations should not be allowed by the NPFMC nor the SOC!

1. The MSA 96 Conference Report specifically says about NS#8 that

   "This standard does not constitute a basis for allocating resources to a specific community nor for providing preferential treatment based on residence in a fishing community."

2. The Draft EARIR for Amendment 66 specifically says that

   "This amendment was proposed "solely" to provide for the sustained participation of small, fishery-dependent rural communities in the Gulf of Alaska in the IFQ fisheries."

   What could be plainer?

3. Community quotas clearly violate the intent of National Standard 8 and that alone should preclude the NPFMC from passing such an amendment to the Gulf FMP.

4. Duncan's Double Standard: Community quotas are illegal under the Alaska State Constitution. Fishing rights may only be assigned to "individuals" according to the testimony of Alaska CFEC Commissioner Bruce Twomley and Asst.-Attorney General Thomas White testifying before the Alaska Senate Resources Committee on March 22, 2002 in Juneau.

5. Community quotas are CDQ's-in-disguise and they will grow like mushrooms once the NPFMC or the SOC authorizes the. The State of Alaska accepted the need to disadvantage the GOA fishing communities when CDQ's were first authorized for the BSAI, only. Larry Carter explained how the CDQ deal was originally struck (to get around National Standard 4) in testimony he gave to the NPFMC during 2000. Community quotas are the Alaska voting members' crude and transparent attempt to welch on the original CDQ deal.

(4) Conservation and management measures shall not discriminate between residents of different States. If it becomes necessary to allocate or assign fishing privileges among various United States fishermen, such allocation shall be (A) fair and equitable to all such fishermen; (B) reasonably calculated to promote conservation; and (C) carried out in such manner that no particular individual, corporation, or other entity acquires an excessive share of such privileges.

2

106. National standards.

[MSFCMA section 301]

National standard 5.

Summary:

The word "promote" is replaced with "consider" so that standard 5 reads: "Conservation and management measures shall, where practicable, consider efficiency in the utilization of fishery resources...."

Legislative history:

National standard 5 became one of the symbols in the conflict between the Washington factory trawlers and the Alaska-based fishermen. Small operators were seeking to disarm larger vessels that might be considered more "efficient," and thus sought to dilute the efficiency standard. Senator Gorton, on the other hand, cited a "disturbing trend toward unfairly demonizing more productive, more efficient fleets." In fact, the guidelines for standard 5 have balanced promotion of efficiency against competing factors since the 1977 guidelines were issued. No management measure has ever been mandated by standard 5, nor has one ever been rejected on the basis of standard 5. The Senate report says the standard has been used to "justify ecologically wasteful, but economically efficient practices such as roe stripping." The only legal debate over roe stripping, however, was not whether it should be allowed, but whether a Council could limit the practice. National standard 5 was not part of that debate.

National standard 8.

Summary:

This new standard requires conservation and management measures to take into account the importance of fishery resources to fishing communities (see discussion under 102). Measures are to provide for the sustained participation of such communities and, to the extent practicable, minimize adverse economic impacts on such communities. An important qualifier was added by the managers' amendment: "consistent with the conservation requirements of this Act (including the prevention of overfishing and rebuilding of overfishing stocks)."

Legislative history:

This was another stratagem in the Alaska/ Seattle conflict, joined by New Englanders who feel that Multispecies Amendment 7 is hitting their constituents too hard. The Senate report, however, said the intent was not to allocate resources to a specific fishing community or to provide preferential treatment based on residence in a fishing community. In any event, the new understanding of the meaning of "fishing communities" has reduced the impact of standard 8 as a tool against factory trawlers or large fishing corporations. NOAA objected that the mark-up version seemed to place avoidance of adverse economic effects on fishing communities above the need to end overfishing and rebuild depleted stocks. The Senate added the qualifier that conservation requirements take precedence.

Issues:

If properly prepared, existing FMPs should be in compliance with this new standard, because accompanying regulatory flexibility analyses and fishery impact statements would have addressed the effects of management measures on fishing communities. Note: This standard does not address financial assistance to fishing communities; see □ 116(a).

National standard 9.

Summary:

This standard requires that measures, to the extent practicable, minimize bycatch (as defined in □ 102) or the mortality of such bycatch. It is related to required and discretionary provisions of FMPs added by the 1996 amendments.

Legislative history:

The House's version was slightly different: "...shall, to the maximum extent practicable, minimize bycatch." The House report acknowledged that most fisheries have some level of unavoidable bycatch, but encouraged Councils to look for innovative ways to reduce bycatch and mortality of bycatch. Cong. Young explained in his floor statement that the term "to the extent practicable" had been chosen deliberately. The Councils should make "reasonable efforts," Young said, but "it is not the intent of Congress that the [C] ouncils ban a type of fishing gear or a type of fishing in order to comply with this standard. 'Practicable' requires an analysis of the cost of imposing a management action; the Congress does not intend that this provision will be used to allocate among fishing gear groups, nor to impose costs on fishermen and processors that cannot be reasonably met."

(a) Standard 8. Conservation and management measures shall, consistent with the conservation requirements of the Magnuson-Stevens Act (including the prevention of overfishing and rebuilding of overfished stocks), take into account the importance of fishery resources to fishing communities in order to:

(1) Provide for the sustained participation of such communities; and

(2) To the extent practicable, minimize adverse economic impacts on such communities.

(b) General. (1) This standard requires that an FMP take into account the importance of fishery resources to fishing communities. This consideration, however, is within the context of the conservation requirements of the Magnuson-Stevens Act. Deliberations regarding the importance of fishery resources to affected fishing communities, therefore, must not compromise the achievement of conservation requirements and goals of the FMP. Where the preferred alternative negatively affects the sustained participation of fishing communities, the FMP should discuss the rationale for selecting this alternative over another with a lesser impact on fishing communities. All other things being equal, where two alternatives achieve similar conservation goals, the alternative that provides the greater potential for sustained participation of such communities and minimizes the adverse economic impacts on such communities would be the preferred alternative.

(2) This standard does not constitute a basis for allocating resources to a specific fishing community nor for providing preferential treatment based on residence in a fishing community.

(3) The term ``fishing community'' means a community that is substantially dependent on or substantially engaged in the harvest or processing of fishery resources to meet social and economic

[[Page 24235]]

needs, and includes fishing vessel owners, operators, and crew, and fish processors that are based in such communities. A fishing community is a social or economic group whose members reside in a specific location and share a common dependency on **commercial**, recreational, or subsistence fishing or on directly related **fisheries**-dependent services and industries (for example, boatyards, ice suppliers, tackle shops).

(4) The term ``sustained participation'' means continued access to the fishery within the constraints of the condition of the resource.

(c) Analysis. (1) FMPs must examine the social and economic importance of **fisheries** to communities potentially affected by management measures. For example, severe reductions of harvests for conservation purposes may decrease employment opportunities for fishermen and processing plant workers, thereby adversely affecting their families and communities. Similarly, a management measure that

5

DRAFT

Initial Review Draft

ENVIRONMENTAL ASSESSMENT/REGULATORY IMPACT REVIEW/INITIAL REGULATORY FLEXIBILITY ANALYSIS

For proposed

AMENDMENT 66

to the Fishery Management Plan for Gulf of Alaska Groundfish

To allow eligible Gulf of Alaska communities to hold commercial halibut and sablefish quota share for lease to community residents

Prepared by staff:

North Pacific Fishery Management Council
605 West Fourth Avenue, Suite 306
Anchorage, AK 99501

November 7, 2001

6

...ment targets small, rural Gulf of Alaska communities as the intended beneficiaries of ...ommunities that do not meet the criteria (small, rural, coastal, historical participation) ...nor are communities in other states. This is because the action is designed to provide ... economic growth and sustained participation in the fisheries specifically for small, rural ...n the Gulf of Alaska who are in close proximity to the IFQ fisheries. This policy choice ...efines those to be included and cannot help but exclude others.

...Standard 5 - Conservation and management measures shall, where practicable, consider efficiency ...lization of fishery resources, except that no such measure shall have economic allocation as its sole ...se.

...s amendment was proposed to improve the opportunities for remote Gulf communities to participate in ...e halibut and sablefish fisheries by allowing communities entities to purchase QS. By introducing community purchases as a mechanism for capturing the total value (including social values) of QS, the IFQ program can provide a higher net benefit from the fisheries. Although some private fishers could face higher costs for QS, their added costs will be less than the social benefit realized by communities that purchase the QS. In addition, any potential increase in the price of fish to consumers would also be less than the added social benefit realized by the communities purchasing QS under the program. The development of the program will provide a vehicle for communities to realize social benefits previously unrepresented in the IFQ program.

National Standard 6 - Conservation and management measures shall take into account and allow for variations among, and contingencies in, fisheries, fishery resources, and catches.

This amendment was proposed to take variations in the fishery into account when determining who can hold and use commercial halibut and sablefish QS. Variations in the fishery and localized depletion may cause some QS to remain unharvested if conditions arise in the future that limit some vessels' ability to harvest their IFQs. This proposal would expand the opportunity for fishers in more remote communities, as opposed to the more accessible locations, to harvest commercial halibut and sablefish. Development of fisheries in more remote locations may provide an added conservation benefit by spatially dispersing the catch.

National Standard 7 - Conservation and management measures shall, where practicable, minimize costs and avoid unnecessary duplication.

This management measure would modify existing regulations and allow a different entity to be eligible to hold halibut and sablefish commercial QS. It would not be a duplication of any other laws. The costs to NMFS may slightly increase if this amendment is implemented. The costs would be primarily due to modification in the data system used to track the harvest of each IFQ permit holder and the transfer of community QS among holders. Monitoring and enforcement of the program would also represent a slight increase in administrative costs.

National Standard 8 - Conservation and management measures shall, consistent with the conservation requirements of this Act (including the prevention of overfishing and rebuilding of overfished stocks), take into account the importance of fishery resources to fishing communities in order to (A) provide for the sustained participation of such communities, and (B) to the extent practicable, minimize adverse economic impacts on such communities.

This amendment was proposed solely to provide for the sustained participation of small, fishery-dependent, rural communities in the Gulf of Alaska in the IFQ fisheries. This amendment is intended to provide economic development opportunities for the target communities, as well as minimize the adverse economic

7

impacts of the current IFQ program on such communities. The concept necessitates that there be a change in the distribution of halibut and sablefish QS. Overall, Gulf communities will still reap the benefits of the QS, but more of the revenues will be captured in the small, remote communities than are currently, and less in the larger, more accessible ones. If one accounts for social values, net benefits generated from the fisheries may increase.

Information on the various fishing communities that could be impacted by this amendment is found in Section 2.0 and 3.0 of this analysis. That section of the document discusses both the target communities, their historical and current participation in the halibut and sablefish fisheries, and the impacts of the IFQ program.

National Standard 9 -Conservation and management measures shall, to the extent practicable, (A) minimize bycatch, and (B) to the extent bycatch cannot be avoided, minimize the mortality of such bycatch.

This amendment is not likely to impact bycatch levels in an appreciable way. The distribution of the QS may shift, but the way the IFQ fisheries are conducted and the gear type used will not change. Therefore, bycatch and mortality of species other than halibut and sablefish are not expected to increase or decrease as a result of this amendment.

National Standard 10 - Conservation and management measures shall, to the extent practicable, promote the safety of human life at sea.

This amendment is not likely to spur safety concerns, as the same types of vessels will be used to harvest the fishery as are used currently. While smaller vessels may be used due to the make up of the fleet in the smaller Gulf communities, the IFQ fisheries tend to be characterized as slower and longer than most. However, the authors feel that safety concerns, if they exist, should be resolved through other means while working closely the U.S. Coast Guard.

4.3 Section 303(a)(9) - Fisheries Impact Statement

This section of the Magnuson-Stevens Act requires that any management measure submitted by the Council take into account potential impacts on the participants in the fisheries, as well as participants in adjacent fisheries. The impacts of allowing communities to purchase commercial halibut and sablefish QS have been discussed in previous sections of this document. Participants in this and other fisheries should not be affected, as the amount of halibut and sablefish available for harvest is currently and would remain limited by the annual TAC and the total quota share pool. These factors would not change upon approval of this amendment. Because it is the choice of an individual holder to sell their QS to an eligible community, there should be no "spillover" effects of vessels being forced to spend more time in other fisheries. Any holder that wishes to sell their QS and move into an adjacent fishery would have the same incentives and ability to do so regardless of this amendment.

There could be some impacts on current participants or new individual entrants in the halibut and sablefish fisheries. If communities purchase a moderate amount of QS, the price of QS would remain unchanged and likely not affect other individual participants in the IFQ program. If communities purchase a substantial share of the available QS in the market, the price of QS could increase. However, by introducing community purchases as a mechanism for capturing the total value (including social values) of QS, the IFQ program can provide a higher net benefit from the fisheries. Although some private fishers could face higher costs for QS, their added costs will be less than the social benefit realized by communities that purchase the QS. In addition, any potential increase in the price of fish to consumers would also be less than the added social benefit realized by the communities purchasing QS under the program. The development of the program will

C-2b

Testimony of Duncan Fields
GOAC³
Amendment 66 — Community IFQ Purchase
April 10, 2002

Mr. Chairman, members of the Council, my name is Duncan Fields and I represent the Gulf of Alaska Coastal Communities Coalition on the Community IFQ purchase proposal — Amendment 66.

As you know, the Coastal Coalition has worked through the Council process for the past four years to arrive at final action today. I have appreciated working with each of you and want to thank you for committing staff time to analyzing our program. I must also compliment your staff on their analysis. I believe the analysis of our program, edited by Nicole, is a well written document that throughly covers the issues with an understanding of the program objectives.

In the past you have heard me talk about the need for this program and my hopes for what the community purchase program could provide for participatory communities. Much of the testimony from community residents amplifies these issues. It should be clear to the Council that this program is not be expected to solve all community economic needs or even a large part of the economic problems that smaller gulf communities face. However, the program should be evaluated on whether or not it improves economic opportunities for fishermen in some coastal communities. This has been my goal in working to shape the proposal.

Folks that have been critical of the community purchase proposal are generally already vested or invested in the fishery. We appreciate their fear of change and desire to protect the status quo. However, over the past three years, despite much testimony about tax advantages of non profits, little or no testimony has been provided regarding the impacts of gifted capital (initial issuance of IFQs) on the halibut IFQ market or how gifted capital has advantaged folks currently in the fishery. Communities entering the IFQ market, 8 to 9 years after the program was implemented, without any gifted capital, are already entering the market at a considerable disadvantage. They must purchase QS at market prices, pay for debt service on all of their quota and still provide opportunities and income for resident fishermen.

Once again it must be noted that this is a purchase program. Willing sellers will sell to the communities. We believe that community purchase of IFQs will provide additional markets for willing sellers and actually improve the current market for IFQs and may advantage shareholders that may want to sell over the next several years. These shares will be going to smaller Alaskan communities and be fished by residents on smaller vessels. Despite some of the public comments, I believe that this is exactly what the halibut and sablefish IFQ program was intended to do. The community purchase provisions are not a departure from the principles of the existing program but a further refinement of the current program.

Several questions regarding the economics of the program have been raised. We believe that the program, for many communities, is economically feasible. Assume, for illustration, that you purchase one pound of quota for $8.00. To meet a dept service of 7% and a 20 year payment schedule the community would need annual revenues of approximately 60 cents. If the pound of halibut sells for the current market price of about $1.80 per pound, approximate 33% of the revenue will be returned to the community. This is well within the range of what quota share holders currently obtain by having someone fish their shares.

The AP spent much of its time yesterday wrestling with the community purchase proposal. Not surprisingly, many of the issues and options for the program are inter-related. The program, to be successful, must balance relaxing some current IFQ regulations with implementing additional restrictions and accountability. If believe the AP motion, for the most part, provides this balance. With two exceptions, the GOAC[3] and the qualifying communities support the AP motion.

Under element 5 of the program, regarding subparagraph (c), the AP motion restricts each community to 10 blocks of halibut and 5 blocks of sablefish. These restrictions are unnecessary to accomplish the goals of the proponents and would significantly inhibit communities as they enter the IFQ market. We suggest that this restriction be removed.

Under element 4 of the program regarding the cumulative use caps. We would suggest that the 5 year period be extended to 7 years and it be understood that the use cap applies individually to each halibut area and each sablefish area. In other words, in the first seven years of the program, no more than 21% of the area quota in each halibut and sablefish management area could be purchased by communities. The last part of subparagraph (e) under element four after the word program should be deleted. New language should be added that says: "A cap of 21% per area unless modified by the Council through the 5 year review.

These are the two changes we would suggest for the AP motion. I appreciated how hard and co-operatively the AP worked to craft, as I have said, a balance between relaxed regulations and community limitations.

Mr. Chairman, members of the Council, thank you again for your interest in our program and I trust, your support, as you move toward final action.

C-2

Petersburg Vessel Owners Association

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April 3, 2002

Mr. David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501-2252

Subject: December 2001 Agenda Item C-2(b): Community Quota Share Purchase

Dear Chairman Benton and Council Members:

Petersburg Vessel Owners Association is a diverse group of commercial fishermen, many of whom participate in the halibut and sablefish fisheries that will be affected by the proposed amendment. The halibut and sablefish fisheries are two of the primary revenue generators for our community and our region. We rely on this income for a substantial portion of our livelihood. We urge the council to carefully consider the impacts this program will have on fishermen, communities, and markets.

We have numerous concerns about the proposed program, including its departure from the basic premises of the original program and impacts on non-eligible communities. Great uncertainty also exists about the impacts of this program on independent fishermen. Specifically, we are concerned that this amendment will disrupt the market for quota shares, put fishermen at a disadvantage when buying or selling shares, result in a lack of available quota share for fishermen, and disadvantage fishermen who are residents of ineligible communities. We are also concerned that this program may not be necessary or appropriate to address the problems faced by coastal communities.

This amendment represents a significant departure from the philosophy and goals of the original IFQ program. According to a report by Pautzke and Oliver on the development of the program, the primary intent of the Council in adopting certain provisions was to maintain a diverse, owner-operated fleet and prevent a "corporate" absentee ownership of the fisheries. The proposed program would allow quota shares to be purchased by communities and leased to fishermen. This is essentially the same situation that the designers of the original program were attempting to avoid. An owner-operated fleet is necessary to ensure the profitability of individual fishermen. Any departure from this principal should be carefully considered and determined to be absolutely necessary.

The amendment may negatively affect ineligible coastal communities. The fishermen who are residents of ineligible communities will be asked to compete in the marketplace against communities who have much greater resources. In many cases, the resources available to the communities may even come in the form of grants or are government subsidized. This makes it less likely that residents of ineligible communities will be able to enter the program at the current rate. Because the economies of many coastal communities are extremely dependent on fishing, this disadvantage could impact the community overall as well as the individual fishermen. In addition, as shares transfer to smaller communities, they will necessarily come from larger communities who will lose revenue from fishermen, taxes, and support businesses. Staff analysis identified losses to larger communities and to fishers wishing to purchase quota shares (particularly those fishers in larger communities not included in the program) as potential costs of this action.

Another concern with this program is that it disrupts the market balance achieved by quota share holders. Since the beginning of the program, the supply and demand of quota shares has been variable; price is responsive and fluctuates accordingly. Staff analysis indicates that communities have many funding sources available, including grant programs. Funds are available from the Alaska Department of Community and Economic Development, the US Forest Service Community Assistance Program, the Denali Commission, Alaska Native Claims Settlement Act, Exxon Valdez Oil Spill Trustee Council, Alaska Growth Capital, the Business and Industry Loan Program, and the Bureau of Indian Affairs, to name a few. Therefore it is foreseeable that **the addition of a new group of stakeholders with a significant amount of capital to invest will disrupt the market balance and put fishermen wishing to buy quota shares in competition with communities with virtually unlimited funding and buying power.** It is obvious that in this scenario the individual operator will be at a significant disadvantage.

Much of the justification offered by the proponents of this proposal comes from the NRC report <u>Sharing the Fish</u>. The Council may also wish to consider this recommendation from the same publication:

> *"Recommendation: Councils should* ***proceed cautiously in changing existing programs, even to conform to the recommendations of this report.*** *In spite of initial windfall gains (or even in the absence of them), many individuals have made subsequent investments in quota shares. Changes should be designed to maintain the positive benefits of IFQs that result from their stability and predictability."*

A program such as the proposed amendment will affect supply and demand and change the program substantially. It undermines the stability and predictability that fishermen were counting on when they decided to invest in IFQs, vessels, and gear. **In addition, depending on the options selected by the Council, fishermen may experience a shortage of available quota due to purchases by communities.** The extent to which this occurs will depend on the individual and cumulative use caps, block restrictions, vessel class restrictions, and other options selected at final action.

There has been no comprehensive analysis of the reasons for economic declines in coastal communities or the part the IFQ program may have played in those declines. Given that a large portion of the difficulties faced by coastal communities are due to losses in timber, salmon, and other industries, we are unsure that this amendment to the IFQ program will have a significant impact on the communities it is intended to benefit. Although we are concerned about the struggling economies of coastal communities, we do not feel that the IFQ program has been a primary factor in declines. This proposal could negatively impact the current IFQ fishery that coastal communities and fishermen depend on as a main source of revenue. **It is not reasonable to expect the IFQ program to compensate for unrelated economic losses.**

The problem identified by those who proposed this action was twofold. First, communities were issued very little quota share and second, quota share which they were issued has since left the community. **Communities whose residents were never issued any quota may lack a historical dependence on the commercial fishery and therefore should not receive special privileges based on a loss of access.** If they wish to develop a new industry in their community, many programs exist that would enable the individuals in that community to do so. **Although small communities overall may have received small percentages of quota shares, an analysis that takes population into account indicates that small communities were actually issued 34% more halibut and 11% more sablefish *per capita* than larger communities.** Therefore it appears that the initial issuance was somewhat more equitable than first thought. **Given these factors, it may not be appropriate to allocate access privileges to certain communities based on the inequity of initial issuance.**

The analysis also indicates that communities may not have been initially issued much quota share because of choices to invest in other fisheries. In addition, the transfer of quota shares out of the target communities does not necessarily mean the communities themselves are worse off for the transaction. The voluntary business decision to sell IFQs resulted in a transfer of money to community residents – money which could be used to develop other fisheries or for non-fishery related businesses.

A question also arises of whether this amendment is necessary to provide opportunities for residents of coastal communities to participate in the halibut and sablefish fisheries. We feel that existing loan and grant programs provide ample opportunities for those living in coastal communities to buy quota. The IFQ fleet has recently been assessed to finance a program to provide low interest rate federal loans for those who were issued no quota share or a small amount. As a result, a large amount of funding has become available recently through the North Pacific Loan Program. This and many other programs (state, private, and CFAB) allow residents to buy quota but don't change the demographic of the fleet or force independent fishermen to compete unfairly for the opportunity to buy quota. It may also be possible to modify existing programs to benefit residents of the identified communities. The analysis identifies an option we believe may be an appropriate solution. It suggests that communities could create a loan pool to subsidize the purchase of quota shares by local residents. The result of this would be that residents of the target communities could increase their participation in the IFQ fisheries, cumulatively providing these communities with more employment opportunities and an economic base. **This alternative would not require an amendment or regulatory**

action, would preserve the owner-operated fleet, and would address the concerns of fishermen about market impacts and availability of quota shares.

Given that the proposed program is not likely to address the root of the economic problems faced by the identified communities, the potential for negative impacts on commercial fishermen and communities that are not eligible under this program, and the possibility that the goals of this action could be achieved through existing mechanisms, we have serious reservations about this proposal. However, if the Council determines that this course of action is desirable, we recommend that the program be developed in a precautionary and limited fashion initially, with the potential for expansion in the event that it proves successful. To best achieve the goals of the action while providing a maximum degree of stability in the current fishery, we prefer the following elements and options:

Element One: Eligible Communities

We hope that the Council will carefully examine the historical participation of the proposed communities in the commercial fisheries for halibut and sablefish as well as the degree to which these communities have experienced losses related to the program. A more stringent standard of fishery dependence should be applied in determining the final list of eligible communities. In addition, we feel that it is important that a final list of eligible communities be fixed in regulation. Because there is no minimum population size or definition of a community, we feel that it is important that additional communities wishing to participate in the program be subject to Council review.

The question of what makes a community fishery dependent concerns us very much. Analysis shows that many of the communities identified do not historically depend on the commercial halibut and sablefish fisheries for a significant portion of their income. Therefore, economic problems faced by these communities are the result of losses in other industries and compensation programs and special development opportunities should be considered in those industries, not in an unrelated commercial fishery. Many of the communities defined as eligible have been dependent on the resource for recreation or subsistence only. In that case, the community and its residents have access to the resource in their traditional manner and do not require special incentives to correct an imbalance. The Council and the existing IFQ holders are under no obligation to upset the quota share market balance and disadvantage commercial fishermen in order to develop a new industry in communities that have no history of participation in the fishery. If the concern is overall loss of fishing access, it is inequitable to focus on remedying this through what is arguably the highest value fishery currently available when no attempt has been made to compensate for said losses through access to fisheries in which the losses actually occurred.

Three of the communities identified as fishery dependent in area 2C did not have gross earning from commercial fisheries in 1999. Four of the possible eligible communities have experienced a substantial increase in quota holdings. The Alaska Department of

Community and Economic Development (DCED) database indicates that three of the communities have no reliance on commercial fishing, being primarily logging communities. CFEC data indicates that another community has only had two residents participate in limited fisheries, neither of which were IFQ fisheries. Two other communities have experienced very minor declines, mostly in distant areas. Given this information, it seems that if one were to apply criteria of dependence on commercial fishing and a loss of quota since initial issuance, the list of eligible communities in area 2C would be reduced substantially. Requiring the communities demonstrate a reliance on the commercial fishery for halibut and sablefish would narrow the list even more; many of the communities gain fishing income primarily from salmon fisheries. It is likely that applying these criteria would allow communities that remain eligible to participate in the program more fully.

Given this information about the identified communities, we propose that if the Council determines that a community purchase program is appropriate, that it be limited to communities with a historical dependence on the commercial halibut and sablefish fishery who have experienced significant losses since the implementation of the IFQ program. Several of the potentially eligible communities have actually suffered no significant net loss or made substantial gains in the amount of quota share held by residents. Others demonstrate no reliance on the commercial fishery for halibut and sablefish. We believe these communities do not fit the objectives of this action and therefore do not need special opportunities to compensate for losses related to the IFQ program.

Element Three: Use Caps for Individual Communities

In its December 2001 minutes, the SSC noted that "it is usually easier to relax constraints imposed at the time a program was approved than it is to impose new constraints after a program has been implemented – as such, if the Council decides to adopt a community purchase provision, the Council may wish to consider starting out with a fairly constrained program and adjust the program subsequently if needed to meet perceived goals." We agree with this assessment and also feel that the substantial uncertainty about the effects of this program require that a precautionary approach be taken. **Therefore we suggest that use caps for individual communities be set as dictated in option e, sup-option one, which will limit community ownership to 18.2 percent of halibut quota shares and 9.8 percent of sablefish quota shares.** Given the concerns about the potential negative impacts of this program on fishermen, we feel that it is prudent to begin the program at a low level. After an evaluation has been made of the impacts of the program, it can easily be expanded if it should prove successful. In order to limit consolidation of quota shares by communities and ensure that an adequate amount of quota is available for existing participants and new entrants, we feel that this is the best option available. This is consistent with the problem statement which indicates that the proposed action should help provide for the sustained participation of the target communities "without undermining the goals of the halibut and sablefish IFQ program or precluding entry level opportunities for fishermen residing in other fishery dependent communities."

Element Four: Cumulative Use Caps for all Communities

As noted above, it is preferable to relax constraints imposed at the time a program was approved rather than impose new constraints after a program has been implemented. In addition, significant negative impacts on fishermen may be caused by this program. **Therefore, we support the adoption of option e, sub-option one, as well as option f.** Option e, sub-option one would apply a use cap of 5% of the halibut quota and 5% of the sablefish quota in the first five years of the program. Option f would further specify that the use caps apply to specific areas as well as to the overall quota. The low use caps will ensure that the potential for market disruption, consolidation of quota shares, and lack of stability in the fishery will be minimized. The area restriction will protect areas with a large number of eligible communities from having a larger percentage of the quota controlled by communities. This is appropriate in the initial stages of the program, pending a thorough review and evaluation of impacts. Again, this option is consistent with the problem statement.

Element Five: Purchase, Use, and Sale Restrictions

Communities should be held to the same block restrictions as individual purchasers. Although it would benefit eligible communities to ease the restrictions, it would also allow them the purchase larger amounts of the type of quota that is most accessible to entry level fishermen. Small blocks of quota are desirable to new entrants due to a lower price. In addition, easing block restrictions would enable communities to control substantial amounts (in some cases all) of the blocked shares and provide a market advantage when purchasing or selling shares. Further advantaging communities over individual fishermen is not necessary or desirable at this time given the uncertainty about the amount of investment communities will make under this program and the effect of this investment on the availability of quota to new entrants. As noted by the SSC in December 2001, relaxation of block restrictions would be as advantageous to any holder as it would be to communities. However, allowing this relaxation could lead to consolidation and changes in ownership that may not be consistent with Council objectives for this fishery.

It is appropriate to apply vessel size restrictions to quota used by communities. Prior to purchasing quota shares, communities will have the opportunity to evaluate resident vessels and purchase the appropriate quota shares. Communities are more likely to purchase D class shares due to lower prices. Vessel size class restrictions will ensure these quota shares are fished by the small boat residents they were intended to benefit. This will prevent large boat fishermen from dominating the leasing of community shares. The original intent of the vessel size restriction was to preserve access for smaller vessels, and the intent should also apply to leased quota shares.

At this time, we do not see a compelling reason to limit the type of quota share that communities can purchase, provided that they are required to fish the quota on a vessel of the designated size. Although it is true that D class quota shares are most desirable to new entrants, other entrants, such as crewmembers on larger vessels, will be seeking B and C class quota shares. Applying vessel class restrictions appears to be a more feasible alternative that enables communities to purchase quota shares while protecting existing operators and new entrants. **Therefore we feel that applying vessel size class restrictions without restrictions on the type of quota share communities can purchase will best achieve the stated goals.** However, this flexibility should only be allowed if communities are limited to reasonable purchase caps, both individually and cumulatively.

We strongly oppose options that would prevent communities from selling their shares on the open market. Not allowing this will permanently restrict the amount of quota available to individual operators and create a separate class of quota. We **also oppose options that would allow communities to divide blocks and sweep up blocks of quota share.** Potential buyers may choose to purchase quota shares from a community if they can purchase more quota shares within one block; individual sellers would not share this market advantage. **Allowing communities to sweep up quota would create a competitive advantage for communities selling quota shares and would negatively impact smaller and individual operators by irreversibly decreasing the number of small blocks available for purchase.** If flexibility to divide blocks is desired, we suggest the Council consider providing the flexibility to all quota holders in areas where it would be advantageous given changes in the TACs.

<u>**Element Six: Performance Standards**</u>

We strongly support performance standards that would require communities to lease quota shares to the residents of that community, require crew members to be community residents, and require benefits to be equitably distributed throughout the community. This program is a substantial change to existing regulations and will have significant impacts on the current commercial fishery. If the Council determines that the potential benefits of this program warrant the risks to the existing fishery, measures should be adopted to ensure that community residents benefit to the greatest degree possible. The analysis indicates that communities may face some difficulty in finding a management entity representative of the entire community. It has also been noted that equitable distribution of benefits to community residents is vital to the success of the program. For these reasons, it is important that the community be held accountable for the equitable distribution of benefits.

<u>**Element Eight: Sunset Provisions**</u>

This proposed amendment is a substantial change from existing regulations and a great deal of uncertainty exists involving the impacts of this action. Therefore we request that the Council adopt option b, which would provide for a thorough review of the program after five years, at which point the program would sunset if it has not achieved its stated goals. If the program has achieved its goals, it can be renewed. We would also suggest that the Council review the program again at a later time. It is predicted that communities will enter the program gradually and ongoing review should occur until it is clear that the program is successful in both improving the economies of local communities and preserving access for existing fishermen and residents of ineligible communities. If the program has achieved its goals to some extent, changes to the program could be made at review to make the program more successful. At this time, drop-through provisions could be implemented if deemed appropriate. If the program has not achieved its goals, it is only appropriate that the program be phased out and that other solutions to address the economic problems in coastal communities be considered.

Summary

PVOA has numerous serious reservations about the proposed amendment. It is unlikely to solve the economic problems of coastal communities and is not necessary in order to provide residents of those communities with the opportunity to participate in the fisheries. In addition, we anticipate significant negative impacts on commercial fishermen as well as ineligible communities. We also see logistical barriers to the development of this program even if it were authorized by the Council. For these reasons, we believe that allowing communities to own quota share is not the best solution to the economic problems faced by coastal communities. However, if the Council chooses to authorize this amendment, we strongly support beginning with a restricted program initially and only considering expansion after a thorough review of the impacts of the program. We appreciate your consideration of these comments.

Sincerely,

Cora Crome
Director

C-2b

CRAIG COMMUNITY ASSOCIATION
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CRAIG, ALASKA 99921
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April 10, 2002

Gulf of Alaska Coastal Communities Coalition (GOAC3)
P.O. Box 201236
Anchorage, Alaska 99520

To Whom It May Concern:

The Craig Community Association is writing in support of the Gulf FMP Amendment 66. This amendment would allow existing fishermen and vessels in smaller Gulf of Alaska communities to access Alaska's halibut and sablefish fisheries through the community purchase and leasing of IFQs.

The intent of this amendment is to benefit a number of individuals within each community that presently, years after the issuance of IFQs, are without any gifted quotas for security. With the Prince of Wales Island communities suffering during this time of economic hardship due to the depleting timber and fishing industries this amendment would significantly and positively impact these communities.

We are aware that for this program to be successful some of the IFQ regulations that currently apply to individuals, ie. Block limitations and vessel size restrictions, may need to be relaxed for Gulf of Alaska coastal communities and Craig Community Association is also in support of this change.

Thank you for your time and dedication to those small communities and the residents that call them home.

Sincerely,

A. Millie Stevens

A. Millie Stevens
Tribal President
Craig Community Association

C-2b

Klawock Cooperative Association, Tribe
310 Bayview Blvd.
P.O. Box 430
Klawock, Alaska 99925

PHONE: 907-755-2265
FAX: 907-755-8800

April 10, 2002

Gulf of Alaska Coastal Communities Coalition
P.O. Box 201236
Anchorage, Alaska 99520

To Whom It May Concern:

The Klawock Cooperative Association, Tribe is writing this letter in support of the following preferred alternatives.

Element 1. Eligible Communities

Rural communities with less than (suboption 2: 1,500 people), no road access to larger commmunities, direct access to saltwater, and a documented historic participation in the halibut/sablefish fisheries.

Element 2. Appropriate Ownership Entity

(b) New non-profit community entity
(c) Aggregation of communities
(c) Regional or Gulf-wide umbrella entity acting as trustee for individual communities.

Element 3. Use Caps for Individual Communities

(b) 1% of 2C and 0.5% of the combined 2C, 3A, and 3B halibut QS, and 1% of Southeast and 1% of all combined sablefish QS.

However (d)... Communities in 3A (and 3B) could not buy quota share in 2C.

Element 4. Cumulative Use Caps for all Communities

(g) No cumulative use caps

However (c)... **Communities would be limited to (3%) of the combined 2C, 3A and 3B halibut QS and (3)% of the combined Gulf of Alaska sablefish QS (in each of the first five years of the program)**

Element 5. **Purchase, use and sale restrictions.**

Block Restrictions

(c) Allow communities to buy blocked and unblocked shares.

Suboption 3: **Restrict community purchase of blocked (halibut) quota share to blocks of shares which, when issued, exceeded a minimum poundage of IFQ.**

(a) For Areas 2C and 3A, minimum halibut IFQ poundage of 3,000 pounds.

Vessel Size Restrictions

(b) Do not apply vessel size (share class) restrictions to the purchase of QS by communities.

Sale Restrictions

(a) Communities may only sell their QS:

3. for one of the following purposes:

(A) generating revenues to sustain, improve, or expand the program

(B) Liquidating the entity's QS assets for reasons outside the program. In that event, NMFS would not qualify that entity or another entity to hold QS for that community for a period of 3 years.

Use Restrictions

(a) Leasing of community quota share shall be limited to an amount equal to 50,000# of halibut and sablefish IFQs per transferee (per vessel).

Communities participating in the program must adhere to the following Performance standards established by NMFS:

(a) Leasing of annual IFQs resulting from community owned QS shall be limited to residents of the ownership community.
(b) Maximize benefit from use of community IFQ for crewmembers that are community residents. [NMFS language: "Require that crew members employed by individuals leasing community-held IFQ are community residents"]
(c) Insure that benefits are equitably distributed throughout the community.
(d) Insure that QS/IFQ allocated to an eligible community entity would not be held and unfished. [NMFS language: "Require that QS/IFQ allocated to an eligible community is leased and fished"]

Element 7. Administrative Oversight

(a) Require submission of a detailed statement of eligibility to NMFS prior to being considered for eligibility as a community QS recipient. The statement would include:

1. Certification of incorporation

2. Verification of qualified entity as approved in Element 2.

3. Documentation demonstrating accountability to the community

(b) Require submission of an annual report detailing Accomplishments. The annual report would include:

1. A summary of business, employment, and fishing activities under the program

2. A discussion of any corporate changes that alter the representational structure of the entity

3. Specific steps taken to meet the performance standards

Element 8. Sunset Provisions

(c) Review program after (Suboption 1: 10 years)

Delores Peratrovich

Delores Peratrovich, Secretary

Cheryl Griffitts, Treasurer

Donald Marvin

Donald Marvin, Council Member

Byron Skinna, Sr., Council Member

Jonathan Rowan Sr

Jonathan Rowan, Sr., Council Member

Arthur Demmert, Council Member

ORGANIZED VILLAGE OF KASAAN

PO BOX 26 -KASAAN ✧ KETCHIKAN, AK 99950-0340 ✧T: 907.542.2230 ✧ F: 907.542.3006
E-MAIL KASAANIRA@HOTMAIL.COM

April 9, 2002

To Whom It May Concern:

I would like to take this opportunity to thank you for taking into consideration the needs of the small Gulf Coast communities of Alaska. I would also like to point out the needs for a community quota buy-in program in the Gulf of Alaska. Kasaan is a small community of approximately 54 people. At one time the population numbered in the hundreds as Kasaan was a booming fishing town with a cannery and numerous local businesses to support the local economy. Now there is but one fishing boat left, one small bed & breakfast-restaurant, and no stores. The people in Kasaan like many others in small coastal communities of Alaska live day by day as they no longer have the fishing industry in which they were raised on to support them and their families. With the opportunity that a community quota buy-in program could bring, Kasaan could see a return of the economy that once flourished here and is now denied. This program isn't about handouts, rather it is about affording communities the ability to buy in to the fishing industry so that all of our coastal peoples of Alaska have an equal chance to enter the fishing industry.

Again I thank you for taking our coastal voices and concerns into consideration.

Sincerely,

Richard J. Peterson

Mayor, City of Kasaan
President, Organized Village of Kasaan

P.O. BOX 26 – Kasaan
Ketchikan, Alaska 99950-0340
Telephone No. (907) 542-3008
FAX No. (907) 542-3006

ORGANIZED VILLAGE OF KASAAN-IRA

FAX

To: Miranda	From: Richard Peterson
Fax: 907-677-0455	Date: 04/10/02
Phone: 907-561-7633	Pages (INCUDING COVER PAGE): 2
Re: Community Quota buy-in Program	CC:

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•Comments:

C-2

Comments on the Matulich and Clark Report

"Efficiency and Equity Choices in Fishery Rationalization Policy Design"

Robert Halvorsen
Professor of Economics
Department of Economics
University of Washington

April 2002

Introduction

The Matulich and Clark paper reports the results of an attempt to determine the policy impacts of the individual fishery quota (IFQ) program for the North Pacific halibut and sablefish fisheries. They assume that the change in economic welfare emanating from the implementation of the IFQ program can be measured as the change in "quasi rents" retained by processors, which they define as the change in revenues in excess of all variable processing costs. Data for the study were obtained from a sample of processors, who were asked to estimate their total revenue, total raw fish cost, and several cost items assumed to be equal in aggregate to total variable processing costs.

The study is ambitious, but critical defects in its theoretical and empirical methodology invalidate its results. The fundamental theoretical problem is that the quasi-rent measure used to evaluate welfare changes is not consistent with economic theory and would not provide reliable estimates of changes in welfare even if it were estimated accurately. Furthermore, the empirical methodology is deeply flawed and would be incapable of providing reliable estimates of welfare change even if a theoretically correct measure were being used. In short, the study measures the wrong thing, and measures it poorly.

The Measure of Welfare Change

Quasi-rents are fundamentally a short-run concept. The short-run is defined as the period of time during which at least one of the firm's input quantities cannot be changed. It should be noted that, although it is customary for expository reasons to use capital inputs as examples of fixed inputs, and labor and materials inputs as examples of variable inputs, some capital inputs may in fact be variable in the short-run (e.g., motor vehicles, personal computers), and some labor and materials inputs may be fixed (e.g., because of transportation costs, job-specific human capital, or contractual commitments).

The difference in the short-run between the firm's total revenue and total expenditures on variable inputs is defined as the quasi-rent to the fixed inputs. That is, the amount in excess of the amount required to keep the fixed inputs in their current use. Thus a decrease in quasi-rents would indicate a decrease in the firms' welfare in the short-run.

In the long-run, by definition, all inputs are variable, and the amount required to keep inputs in their current use is equal to what they could earn elsewhere, including a normal rate of return to capital. Therefore the relevant concept for measuring a firm's welfare change in the long-run is that of economic profit. Quasi-rents would have no operational meaning, being simply equal to economic profit if correctly measured.

There is no direct connection between the economic concepts of the short- and long-run and calendar time. Instead, the amount of time required before all inputs can be considered variable will vary across industries, although it is plausible that in any given industry the number of inputs that are fixed will decrease with the length of time being considered.

Thus the first-step in attempting to use quasi-rent data to measure changes in a firm's welfare should be a careful evaluation of which, if any, inputs are fixed, given the period of time over which changes are being evaluated. Simply assuming that labor and material inputs are variable and all other inputs are fixed, as done by Matulich and Clark, is not adequate even for a period as short as a year, and is clearly unjustified for the seven-year period over which they are evaluating changes.

To illustrate the type of error their assumption can introduce in the measurement of welfare change, consider the results of applying Matulich and Clark's definition of quasi-rents to evaluate changes that are distant enough in time for all inputs to be variable. Further suppose for ease of exposition that in both periods the price of processed fish is $1.00, the cost of raw fish is $0.40, and average cost is $0.50. Thus economic profit per unit would be equal to $0.10 in both periods and the firm's welfare would be unchanged. Nevertheless, if the firm had become more labor intensive over time, the unit quasi-rent as calculated by Matulich and Clark would have indicated a decrease in welfare. For example, if average costs were split equally between capital and labor costs in the first period, but labor costs accounted for 80% of average costs in the second period, the unit quasi-rent as calculated by Matulich and Clark would have decreased from $0.35 to $0.20, a decrease of 43%.

While this example is hypothetical, it does illustrate that quasi-rent as evaluated by Matulich and Clark does not provide reliable estimates of changes in welfare over longer periods of time. More specifically, increases in labor intensity, other things equal, will result in decreases in welfare as evaluated by their measure.

Lastly, even if reliable estimates of welfare changes were obtained, their normative significance would depend in part on the benchmark on which they were based. Matulich and Clark choose as their benchmark the welfare of processors in 1992-1993, asserting that this period represented an open-access long-run equilibrium. One reason for doubting this assumption is that it is not clear that the fishery would have stabilized at the 1992 levels in the absence of an IFQ program. If not, then a more appropriate benchmark would be the counterfactual case of how the fishery would have developed in the absence of a program.

More directly, the 1992-1993 experience reflected the fact that fishery participants expected an IFQ program to be implemented, and this provided incentives for different behavior than would have occurred in an open-access equilibrium. For example, harvesters might have considered it worthwhile to fish at a loss in order to try to capture or protect catch history.

Data Acquisition and Analysis

Matulich and Clark obtained the data used to estimate changes in quasi-rents from a questionnaire distributed to a sample of processors. The principal types of data requested are total revenue, total raw fish cost, and total variable processing costs, defined as the aggregate of several specific cost elements, including custom processing fees, wage and housing costs for direct labor, and packaging and freight costs. Data on total revenue and total raw fish cost were verifiable from Alaska Department of Fish and Game data, the data for variable processing costs were not.

Economists using survey research techniques have noted that the design of a questionnaire can result in a number of different types of biases. In particular, respondents may engage in strategic misrepresentation of the data if it is clearly in their economic interests to do so. Therefore, one of the most important protocols for survey design is to avoid providing material that establishes a clear link between a participant's responses and his or her economic interests.

The survey design used by Matulich and Clark clearly violates this protocol. The material accompanying the questionnaire noted that Professor Matulich was the principal investigator, that he had written an article showing that the type of program used for halibut and sablefish transfers wealth from processors to harvesters, and that the purpose of this survey was to see if that was true empirically. It was further noted that the purpose of the study was to obtain information for use in evaluating future rationalization programs, in particular to help policy makers to avoid unintended distributive effects, and that distributional impacts would be based on measuring changes in processors' total revenue minus various processing costs. This material can be expected to have helped participants to have realized that there were incentives for misrepresenting data, specifically by overstating the increase in variable costs over time, for which there was no independent source of data.

An important difficulty in assessing the treatment of a number of empirical issues is that the discussion in the report is often qualitative where it would normally be expected to be quantitative. Examples include the section on data problems where it is noted that it was "not uncommon" for aggregation problems to prevent accurately measuring variable processing costs, and that "some" firms were unable to access historical data. No information is provided on the number of firms that were eliminated from the sample for these reasons. Similarly , they report that there were a "few" instances" where inventory issues were "problematic".

In addition, Matulich and Clark report that some firms were considered to be outliers, usually by exhibiting unrealistically high quasi-rents. These firms were contacted for an explanation, and if it was not satisfactory, the firm was dropped from the sample or its data replaced by the sample average. The number of firms considered outliers, how many were considered to report too high quasi-rents, how many justified their data, were dropped, or had their data replaced by sample averages, is not specified.

Lastly, and most surprisingly, Matulich and Clark do not report the number of participants included in the final data. They report that the number of buyers/processors asked to participate in the survey was 53 for halibut and 46 for sablefish, accounting for 88% to 96% of all fish purchased, and that the retained survey data accounts for 52% to 61% of fish purchased. Given the degree of concentration in these fisheries, this may or may not represent a substantial percentage of the number of total firms.

Matulich and Clark do note that the final sample does not include data for any firms that exited the fisheries, which accounted for one-fifth of the total 1992-1993 catch in both fisheries. Although these firms might be expected to have been less profitable than the surviving firms, they are assumed to have had the same quasi-rent share in 1992-1993 as the surviving firms. Similarly, surviving firms that lost market share are assumed to have had the same quasi-rent share as the firms increasing market share.

Concluding Comments

Matulich and Clark conclude from their analysis that 82% of the halibut processing sector (as measured by raw fish weight rather than number of firms) lost quasi-rents relative to the pre-IFQ period, with the average loss being 56%. Even more dramatic results are reported for the sablefish processing sector. However these results cannot be considered to be reflective of the actual effects on the economic welfare of processors.

The basic problem with their approach is that the results depend on the estimates of total variable processing costs, which in turn depend on arbitrary, and unrealistic, assumptions concerning which inputs are variable over a seven-year time span. In addition, estimation of total variable costs conditional on these assumptions depends on survey data from processors, who can be expected to clearly realize that there are incentives for strategic misrepresentation.