

M E M O R A N D U M

TO: The Advisory Panel
FROM: The Council
DATE: December 5, 1984
SUBJECT: Council motions on agenda item C-2

After public comment on halibut management at the joint Council/AP meeting on December 5, several Council motions were made. Action on the motions was deferred until the Council receives relevant AP reports. These motions are listed below and should be considered on December 6 when the AP addresses agenda item C-2.

Motion 1

I move that the Council recommend that the IPHC implement for the 1985 season in Areas 2C, 3A, 3B, 4A and 4D, a scheme of concurrent 1-, 2-, or 3-day openings spaced 20-30 days apart, pre-season hold inspections in lieu of a lay-up, and pre-season non-exclusive area registration.

Motion 2

I move that the North Pacific Fishery Management Council recommend to the IPHC that if the Commission implements a pre-season tank inspection requirement, that it also, concurrent with the inspection provision, eliminate the requirement, for the 1985 halibut season in Alaska, that a vessel using setline gear must stop fishing for other species five days before a halibut opening.

Motion 3

I move that the Council formalize its relationship with the IPHC through a joint Memorandum of Understanding (M.O.U.). (A copy of a draft M.O.U. is included as Attachment A to agenda item C-2.)

Motion 4

I move the Council authorize the Halibut Subcommittee to rework all briefing material developed on management options, including the status quo. When this material has been placed in a format suitable to solicit public comment, the Subcommittee will proceed with a series of workshops in Alaska and Seattle.

REPORT FROM THE COUNCIL HALIBUT SUBCOMMITTEE
TO THE COUNCIL, SSC AND AP

The Council Halibut Subcommittee met on October 24 and 25, November 14, and December 2 to carry out its charge pursuant to the following motion passed at the September Council meeting:

Motion: That the North Pacific Fishery Management Council take an active role with the IPHC in the management of the halibut fishery and exercise its option to implement regulations in the North Pacific halibut fishery in accordance with the Section 5(c) of the North Pacific Halibut Act of 1982 and that the Council staff and a special Council subcommittee prepare material on management options in the North Pacific Halibut Fishery to be presented to the Council at its December 1984 meeting. The material should put emphasis upon, but not be limited to, exclusive area registration, license limitation, and share quotas.

During its meetings, the Subcommittee formulated recommendations for 1985 halibut regulations, to formalize the working relationship between the Council and the IPHC, to address recent local government resolutions regarding Council actions in the halibut fishery and to direct staff in the preparation of material on halibut management options. These recommendations are reported below.

A. Subcommittee Recommendations for the 1985 Halibut Season

The Subcommittee passed the following motions to address the need for management actions in the 1985 halibut fishery:

Motion 1 (passed unanimously at December 2, 1984 Subcommittee meeting)

The Halibut Subcommittee proposes that the Council recommend that the International Pacific Halibut Commission (IPHC) implement, for the 1985 halibut season in Alaska, a system of pre-season hold inspections and 24-36- or 48-hour openings. These openings are to be staggered by area to reduce conflicts with other fisheries and problems caused by large amounts of halibut being delivered to processors within short time periods.

The Subcommittee also recommends that the North Pacific Fishery Management Council implement for the 1985 season, exclusive area registration of vessels and skippers under the emergency regulation provision of the Magnuson Fishery Conservation and Management Act [Section 305(e)] and under Section 5(c) of the North Pacific Halibut Act of 1982. The area registration requirement is to expire on December 31, 1985 and should not be applied in IPHC Areas 4A and 4D. If the implementation of exclusive area registration is not possible for the 1985 season, the Subcommittee recommends that the IPHC then implement for the 1985 season in Areas 2C, 3A, 3B, 4A, and 4D, a scheme of concurrent 1-, 2-, or 3-day openings spaced 20-30 days apart, pre-season hold inspections, and pre-season non-exclusive area registration.

Motion 2 (passed unanimously at the December 2, 1984 Subcommittee meeting)

The Halibut Subcommittee proposes that the North Pacific Fishery Management Council recommends to the IPHC that if the Commission implements a pre-season tank inspection requirement, that it also, concurrent with the inspection provision, eliminate the requirement for the 1985 halibut season in Alaska that a vessel using setline gear must stop fishing for other species five days before a halibut opening.

B. Working Relationship Between the North Pacific Fishery Management Council and the International Pacific Halibut Commission

It is the opinion of the Subcommittee that the working relationship between the NPFMC and the IPHC could be improved. The Subcommittee therefore recommends that the Council formalize its relationship with the Commission through a joint Memorandum of Understanding (M.O.U.). A copy of a draft M.O.U. is included as Attachment A.

C. Local Government Resolutions Against Halibut Limited Entry

The Subcommittee was concerned that resolutions recently passed by the Kodiak City Council and Borough Assembly and the Alaska Municipal League misrepresent the Council's actions and intentions regarding the halibut fishery. The essence of these resolutions is that the Council plans to enact a form of limited entry that will remove at least 50% of the current fishermen and a higher percentage of the Kodiak fishermen from the halibut fishery. These resolutions further state that the Council is proposing to turn over ownership of the halibut resource to a few individuals and is showing no concern for the impacts halibut limited entry would have on the Kodiak economy. The Subcommittee [by a vote of four to one (Mitchell opposing)] recommends that the Council send letters to the City and Borough of Kodiak and all members of the Alaska Municipal League pointing out the erroneous assumptions upon which the respective resolutions were based. Included with these letters should be the Council's halibut management goals, the motion on halibut management passed at the September Council meeting, and a listing of the Halibut Act criteria that any Council halibut regulation must meet.

D. Management Option Briefing Material

Included as Attachment B is part of the briefing material the Council staff prepared on management options for the halibut fishery. At its December 3 meeting, the Subcommittee reviewed an analysis, prepared by Doug Larson and Ron Rogness, which addressed aspects of license limitation and an auction-based or participation-based (grandfather rights) quota share system. Because much of the material in the presentation was preliminary, and no text had yet been developed to more fully explain and qualify the figures in the tables which were presented to the Subcommittee, the Subcommittee recommended that this analysis not yet be released to the public. However, one part of the analysis which the Subcommittee felt was particularly important to bring to the Council at this time was the section on projected fleet participation in 1985 and 1986 if no new management measures are implemented in the fishery. This analysis also contains estimates of the effects that participation will have on average catches in the halibut fleet. This material is included in Section D of Attachment B.

The Subcommittee recommends the briefing material presented to the Subcommittee be reworked in a format designed to solicit public comment and, then, presented to the Council at the February 6-8 meeting. The Council would then review this material and decide if it should be approved as the subject matter for a series of workshops to be held in Alaska and Seattle.

DRAFT

ATTACHMENT A
AGENDA C-2
DECEMBER 1984

JOINT MEMORANDUM OF UNDERSTANDING

WHEREAS the International Pacific Halibut Commission and the North Pacific Fishery Management Council are both empowered to enact regulations in the North Pacific halibut fishery off Alaska, and

WHEREAS the North Pacific Fishery Management Council's regulatory authority regarding the North Pacific halibut fishery off Alaska is limited to the development of management regimes that complement those of the International Pacific Halibut Commission, and

WHEREAS the fulfillment of their respective duties would be assisted through close interaction between the International Pacific Halibut Commission and the North Pacific Fishery Management Council,

THEREFORE, THE INTERNATIONAL PACIFIC HALIBUT COMMISSION AND THE NORTH PACIFIC FISHERY MANAGEMENT COUNCIL HEREBY AGREE AS FOLLOWS:

- (1) to identify and list the points of common concern where coordination between the two agencies is necessary,
- (2) to develop the most effective and appropriate means to accomplish that coordination, and
- (3) to form a joint committee composed of one U.S. Commissioner, one Canadian Commissioner, and two Council members to meet and consider those recommendations as frequently as considered necessary by the Chairman of the International Pacific Halibut Commission and the Chairman of the North Pacific Fishery Management Council.

Chairman, International Pacific
Halibut Commission

Chairman, North Pacific Fishery
Management Council

Date: _____

Date: _____

Place: _____

Place: _____

DRAFT

DRAFT

ATTACHMENT B
AGENDA C-2
DECEMBER 1982

At its September 1984 meeting, the North Pacific Fishery Management Council decided to take an active management role in the North Pacific halibut fishery pursuant to its authority under §5(c) of the North Pacific Halibut Act of 1982. To assist in this process, the Council staff and a special Council Subcommittee were directed to prepare material on halibut management options available to the Council. This report was to emphasize exclusive registration areas, license limitation and quota share systems. A discussion of these options along with projections of vessel participation patterns if no action is taken by the Council follows.

A. Exclusive Registration Areas

Under this system, fishery participation in a particular area would be limited to those who registered for that area prior to the fishing season. Multiple-area registration would not be allowed.

If implemented in the halibut fishery, registration areas could be based upon International Pacific Halibut Commission (IPHC) administrative areas or on IPHC administrative areas with special sub-areas providing developmental fishery opportunities for areas such as Nelson and the Pribilof Islands. Because a system of exclusive registration areas may equate to access limitation, it must comply with Halibut Act [§5(c)] criteria for allocation of fishing privileges as well as other Act requirements.

Halibut Act Allocation Criteria:

- (a) Allocations must be fair and equitable to all fishermen;
- (b) Allocations must be based upon the rights and obligations in existing federal law;
- (c) Allocations must be reasonably calculated to promote conservation;
- (d) Allocations must be carried out in such a manner that no particular individual, corporation, or other entity acquires an excessive share of the fishing privileges.

DRAFT

DRAFT

Other §5(c) Criteria:

(a) Regulations must not discriminate between residents of different states.

(b) Regulations must comply with the limited entry criteria of §303(b)(6) of the Magnuson Act, i.e., consideration must be given to:

1. Present participation in the fishery;
2. Historical fishing practices in, and dependence on, the fishery;
3. The economics of the fishery;
4. The capability of fishing vessels used in the fishery to engage in other fisheries;
5. The cultural and social framework relevant to the fishery, and
6. Any other relevant considerations.

In previous work on exclusive registration areas, a model was usually built using the assumption that participation by a vessel in any one area was dependent on relative catch per unit of effort values between areas. Acknowledging fishery pressure and size of the areas, the major influence on CPUEs is relative stock health. Through this linkage, it can be seen that area participation is mostly a function of the relative stock health.

If we wish to analyze the effect of exclusive registration areas over a number of years, we must consider the changes in the effects based on changes in stock healths. There is no evidence nor any logical basis to support the claim that exclusive area registration is an effort-reducing or even effort-controlling management option. At best, it reallocates effort between areas over a number of years. It may in fact make multi-year effort predictions even more deficient which, in turn, may complicate the management of the fishery. Exclusive areas may reduce effort in any one area in any one year to protect isolated stocks in poor health. Any effects on effort beyond that are very difficult, if not impossible, to predict.

DRAFT

DRAFT

Exclusive registration may, in the short term, spread effort and reduce the aggregation of landings per opening. In the long term, however, new entry and vessel upgrading would tend to expand catch effort and shorten seasons. Any reductions in catch rates and lengthening of seasons in one area would probably be offset by increases in catch rates and reductions of season length in other areas in the short term.

Another factor that perhaps should be given some consideration is the recent reluctance of the Council to utilize exclusive area registration in face of federal criteria that must be met by new regulations. The Council staff has not been able to demonstrate net economic gains to the Nation by using exclusive registration as a management tool.

B. License Limitation

Under a license limitation system, fishing participation would be restricted to holders of fishing licenses and a limitation would be placed on the number of such licenses issued. If effort reduction is to be accomplished through removal of fishermen from the fishery at the outset of a licensing program, it may be necessary to, initially, determine the optimal harvest effort needed for the fishery. A number of licenses representing the optimum effort would then be issued, generally under a grandfathering system based upon a history of participation in, and economic dependence on, the fishery. This type of license limitation system is similar to that used in Alaska's salmon and herring fisheries and, if applied to the halibut fishery, must comply with the allocation and limited entry criteria of §5(c) of the Halibut Act described in Section A above.

If fishermen are not to be initially removed from a fishery, the number of available licenses may be set at the level of current participation in the subject fishery. Eventual reduction in effort could then be accomplished by several methods: issuing transferable and non-transferable licenses; issuing non-transferable licenses with a "use

DRAFT

DRAFT

it or lose it" provision; or, implementing a buy-out program that reduced the number of license to an optimum level.

Another form of license issuance, in addition to the methods described above, is one based upon the size of vessel a fisherman used in the fishery, e.g., a 5 n.t. vessel would be issued a 5 n.t. license. Vessel upgrade would only be possible through acquisition of the appropriate license for the size of new vessel desired. This system is similar to British Columbia's salmon limited entry program.

One advantage of a license limitation system is its similarity to the current system of management in most fisheries in this country, i.e., licensing of fishermen and vessels. For this reason, licensing might be more acceptable to fishermen and, therefore, more politically practical than other methods of access limitation. There is a basic weakness in this system, however, that renders it useless in reducing overcapitalization and spreading effort over time. Because fish harvesting has several dimensions, or inputs, restrictions on one or more inputs would not necessarily halt an expansion in harvest capacity. If fish prices rise or costs decrease, there will be incentives to increase harvest capacity through substitution of unrestricted inputs for restricted inputs. Illustrations of this point may be found in the British Columbia salmon fisheries.

A licensing and buy-out system in the British Columbia salmon fishery initially limited the number of vessels participating in the fishery. This limitation was followed by an increase in the size of the vessels in the fishery. Restrictions on vessel length and tonnage were then implemented; however, increased investments in new gear and other vessel improvements followed. The capacity of the fleet has at least doubled since the start of the licensing program and there are calls now for a second buy-out program to reduce effort.

It may be argued that license limitation could lead to a reduction in effort if accompanied by restrictions on all inputs or dimension of harvest effort. A system that limited the number of licenses issued and

DRAFT

size of vessels, engines and crews, restricted the time and area of harvest, and regulated harvesting and electronic gear would prove to be cumbersome and costly to administer.

License limitation would also provide no incentives for fishermen to spread the harvest effort over a long season since those who waited on the beach for optimum market conditions would, undoubtedly, find the entire catch quota taken by fishermen less concerned with those conditions. An example of the failure of a license limitation system to spread harvest effort over time is the Canadian halibut fishery.

In 1979, the Canadian halibut fleet was placed under a program of license limitation; however, this "freeze" in the number of participants has not lengthened the season off the coast of British Columbia (IPHC Administrative Area 2B). In 1982, the Area 2B catch of 5.2 million lbs. was taken in 61 days, while in 1983, the catch of 5.4 million lbs. was taken in 24 days. The 1984 season lasted 22 days even though the quota was increased to 9 million lbs. The primary reason for this decrease in season lengthen while there was a 85% increase in quota between 1983 and 1984 and no increase in the number of licenses issued, is increased gear efficiency through widespread use of circle hooks in place of the traditional "J" hook. As a consequence of the B.C. fleet's use of an unrestricted input - the circle hook - harvest effort was increased and the season shortened even though the number of fishermen eligible to fish did not increase.

C. Quota Shares

Under a quota share system, the annual total allowable catch (TAC) for the subject fishery would be assigned to fishermen as individual quotas or shares. Assignment of shares may be through an application process similar to that used in the Alaska salmon and herring license limitation systems (i.e. a grandfather rights system) or through an auction. If implemented in the halibut fishery, shares would be designated by IPHC area and a limit would be placed on the amount of shares an individual fisherman could hold. Also, the allocation and limited entry criteria of

DRAFT

DRAFT

the Halibut Act as described in Section A above must be met. Regardless of the method of share distribution used in a fishery it must be decided whether any preferential consideration is to be given for a long history of participation in, and a high degree of economic dependence on, the fishery.

(1) Issues common to share application and auction systems.

Areas of concern common to discussions of application and auction systems are quota accounting, enforcement and transferability of shares. These are discussed below.

(a) Share Accounting

Possible share accounting methods include a system of deducting overages during a season's harvest from the individual's quota the following season. A system of penalties for overharvest and underharvest above a certain level, e.g., 10% of an individual's quota, could also be implemented as an incentive to comply with quota guidelines. Another method that may be used would be to cancel underages at the end of each season and levy fines for any overharvest. This might reflect the view that the flexibility provided by longer seasons is sufficient to allow fishermen to respond effectively to changing in-season conditions. Some consideration may be given to whether there should be a "use it or lose it" provision attached to each share.

A system available for tracking catch rates during the season is a "reverse money" system. This would require establishing for each eligible fisherman a "checking" account in the amount of the individual share or catch quota that individual was entitled to for each season. Landings would be subtracted from that account by the fisherman writing landing tickets or checks against that balance and presenting them to the processor when deliveries are made.

DRAFT

DRAFT

Inseason transfers of shares, if allowed, could be handled as second-party checks. One fisherman would buy quotas from another and attach the purchased check to his fish ticket along with a check of his own to cover the balance of the landing, if necessary.

The poundage checks would be cleared through each fisherman's account just as a monetary check is cleared through a bank. Penalties or enforcement actions could also be initiated against fishermen who overdraw or in some other manner abuse the system. Income generated by the sale of fish over an individual's quota could be deposited in a special fund.

(b) Enforcement

The enforcement system could rely primarily on established recording procedures including the IPHC logbook system and the State of Alaska fish ticket system. Failure to comply with the reporting provision would subject fishermen to substantial penalties including, for repeated or flagrant offenses, the permanent cancellation of entitlements.

(c) Transferability

Permanent entitlements could be made freely transferable, subject to the following conditions: a limit on the number of shares owned; an individual's entitlement account would designate a single vessel in which fish harvested on that account must be taken. To discourage absentee ownership, entitlement owners may be required to be present on the vessel whenever a catch is made on their account. The transfer of annual quotas among entitlement holders could be permitted any time during the year of their assignment. Such sales would be recorded through an annual accounting system.

Other questions that must be answered when considering quota-share systems are whether shares should be divided into transferable and non-transferable classifications, whether emergency transfers should be allowed and whether shares may be leased.

DRAFT

DRAFT

(2) Share application, share auction and optional common property fishery.

Discussions of the application and auction methods of share distribution along with an optional common property fishery follow.

(a) Application System

Under an application system, eligibility for shares would be based upon various participation and economic dependence criteria provided the allocation and limited entry criteria of the Halibut Act as described in Section A above were met. If the system was designed to remove fishermen from the fishery at the outset of the program, initial eligibility could be based upon a lengthy history of participation in the fishery or a minimum number of annual landings over a base period of years. If the purpose of the system were otherwise, then more recent participation in the fishery could be emphasized.

After establishing initial eligibility, assignment of individual catch entitlements would be made based upon an individual's past catch level. This could be either a fisherman's highest annual catch occurring during a base period of years or a fisherman's average annual catch during a base period.

An individual entitlement would represent the percentage of the annual area quota a fisherman could catch. The percentage would remain constant unless additional entitlements were acquired from other fishermen or portions of an entitlement were sold. Fluctuations in the annual quota would, however, cause changes in the individual's catch level--increases in annual area TAC would translate into an increase in the individual's annual share and decreasing TAC would have the opposite effect. Listed below are some of the pros and cons of the application share system. These may also apply to an auction share system.

PROS

-The fishing industry would be driven by the marketplace rather than by regulatory agencies.

CONS

-Enforcement would require constant monitoring of ex-vessel sales.

-Substantial political opposition

DRAFT

DRAFT

- Fishermen would have more flexibility to develop individual fishing strategies and diversified fisheries.
 - The possibilities of improvement in product quality are greatly enhanced.
 - A fishery could be conducted in a manner where potential conflict with other fisheries for processing facilities and market access would be lessened.
 - The need to impose inefficiencies by fishery management agencies would be eliminated.
 - Opportunities to explore different fishing grounds and experiment with different gear types would be enhanced.
 - Financing opportunities for fishery operations could be improved if the fishery were stabilized.
 - The flow of product to the market could be better rationalized.
 - Harvest effort could be spread over a longer period of time.
 - Production costs should be reduced.
- would be raised to a new approach to fishery management.
 - An end to the traditional concept of free access to the fishery.
 - Initial assignment of shares might be considered by many to be inequitable.
 - Fears by the industry that a vested property right of great value would be created.
 - New entry might require increased investment.

(b) Auction System

Under an auction system the annual TAC would be divided into lots or units by area and those lots would then be awarded to the highest bidder through an auction system. These lots could be in sizes such as 200, 500, 1,000, or 10,000 lbs. A successful bidder could be required to deposit a portion of the purchase price or the entire amount on the day the lots are awarded. If a partial payment is made on the day of sale, the balance could be made when the fisherman sells his catch. A minimum bid per lot could also be established.

Share auctions could be open to anyone wishing to bid or limited to those who have some history of participation in the fishery. If the auction is closed,

DRAFT

consideration must be given to what criteria is to be used to establish eligibility for admission. To limit the number of fishermen able to participate in the auction, an established history of participation in the fishery could be required. More bidders would be allowed into the auction with a lower participation threshold, such as anyone who ever made a commercial delivery in the subject fishery. Large potential bidding audiences may create problems in administering an auction--if the audience is several thousand, where would the auction be held? Some of these problems may be addressed through submission of written bids rather than through outcry; however, an administrative staff would be required to process thousands of bids and determine the successful bidders. To provide some element of stability lots may be auctioned on a multi-year basis.

Some thought must be given to opportunity for new entry into a closed auction. One method of doing this is by setting minimum participation criteria that must be met before a person is entitled to bid on fishery shares. An example of this would be to establish certain crew participation criteria an individual would have to meet to be admitted to the auction. A system like this, however, creates the requirement of initially including all who meet that participation criteria at the outset of the program. In the halibut fishery, this could result in a potential audience of bidders well in excess of 10,000 if all experienced crew members were allowed into the initial auction.

(c) Optional Common Property Fishery

A potential compromise management method that may allow some flexibility in implementing a share system would be to establish an optional common property fishery. Under such a system, after assignment of entitlements, fishermen would be given a choice between participating in the share system or continuing in a common property fishery much like that in effect today. Those in each area electing not to participate in the quota system would, on an annual basis, surrender their entitlements to a common pool in return for being allowed to continue fishing during a season established as follows.

DRAFT

DRAFT

The total quota for the common property fishery would be the sum of quotas held by those electing not to participate in the share system. The IPHC would estimate how long it should take common property fishermen to harvest the sum of their quotas. Based on these estimates an opening (or series of openings) would be announced during which common property fishermen could fish without any limits on their individual catches.

Fishermen electing the share system might or might not be permitted to fish during the common property season. But they would still be subject to their annual catch quotas. Catches taken by share fishermen would not be considered in determining the length of the common property season.

Initially qualifying fishermen would be permitted to continue using their present vessels (or vessels of no greater tonnage) in the common property fishery, in return for surrendering an amount of quotas equal to the ratio of total area catch to total area tonnage (e.g., 800 pounds of quotas per net vessel ton in Area 3). Any fisherman wanting to increase the size of his vessel, or any new entrant, would also be required to contribute to the pool an amount of quotas equal to that ratio.

By providing the common property option it may be possible to satisfy many of the objections raised against the quota system while imposing no losses on fishermen who prefer the share system.

In either the dual option or the status quo, stock abundance would be determined by natural conditions and the IPHC conservation program. Similarly, seasons could continue to be shortened in either type of fishery; however, under the optional common property fishery the decline may be less rapid because of the required ratio between quota contributions and new tonnage. Those electing the optional common property fishery would have access to the same resources for at least as long as under the status quo. Thus fishermen who want the risk of fishing under common property condition, who feel that they can do better than in the past, or who just don't want to change, can achieve all those aims independently of those who prefer the quota system.

DRAFT

DRAFT

To enter the quota fishery a fisherman would have to buy enough entitlements to allow him to land his expected harvest. By contrast, the same fisherman could enter the optional common property fishery by contributing to the common pool an amount of quotas less than his expected harvest. He would have the opportunity to catch his expected catch, possibly a larger harvest or a smaller harvest.

Entry costs would be even lower if a fisherman were to lease annual quotas and contribute to the common pool because annual quotas would sell for much less than permanent entitlements.

The second advantage of the optional common property fishery would be the opportunity to test the quota system. With additional time to catch their quotas and the opportunity to trade quotas among themselves, quota fishermen would be able to plan their fishing to take account of weather, tides, participation in other fisheries, shoreside employment, and other options. They would also have more time to search out higher prices for their catch in existing markets or to penetrate more attractive markets. Optional common property fishermen taking note of these advantages could be expected to opt for the share system in subsequent years.

If the prospective benefits of the share system fail to appear, initial participation would attract no followers from the optional common property fishery. Indeed, the share fishermen might themselves choose (and be allowed annually) to return to the common property fishery.

This capability to move incrementally toward a new management regime and to learn by doing may be imperative when one considers the essentially irreversible nature of a step such as implementing a quota-share system. Once fishery rights are established under a limited entry system it is unlikely that they could later be significantly altered or canceled.

An optional common property fishery would avoid any such irreversible commitment. Instead, the two systems would coexist, or one or the other would wither away, as determined by the individual choices of fishermen based on their own continuing experience.

DRAFT

D. Status Quo

The Halibut Subcommittee believed it was vital to include a section on maintenance of the status quo management regime to any discussion of halibut management options. Under status quo, the Council does not exercise any management authority in the fishery and International Pacific Halibut Commission manages under a regime of area quotas, short openings, gear restrictions, size limits and area closures.

Projections of vessel participation in the halibut fishery for 1985 and 1986 were made assuming that present participation trends continue and no new management measures would be implemented. Historical data upon which these projections are based was readily available for the period of 1981-84, although the numbers for 1984 are preliminary and somewhat different from 1981-83 information because 1984 figures are counts of licensed vessels (vessels that applied for and received IPHC licenses). In contrast, data for the earlier years is a count of vessels that actually participated; this data is not yet available for the 1984 fishery, but IPHC sources indicated that the 1984 count of licensed vessels was a good indication of the actual vessel participation.

In the 1981-83 period there were approximately 33% increases in participation by both class I (unlicensed, less than 5 net tons) and class II (licensed 5-19 tons) vessels, a 68% increase in class V (60 ton and above) vessels, and relatively modest increases in class III (20-39 tons) and class IV (40-59 tons) vessels (see Table 1). From 1983-84 alone, there were substantial, apparent increases in participation by all categories of licensed vessels (categories II-V), with an apparent, slight decrease in participation by unlicensed (class I) vessels. The increase in participation in 1984 may have been due to increased quotas for halibut, continued speculation by the NPFMC regarding limited entry, or lack of prospects in alternative fisheries, such as king crab or Tanner crab. As a result, the growth rate in fleet size for licensed vessels was greater for the 1981-84 period than it was for the 1981-83 period.

DRAFT

DRAFT

TABLE 1

HISTORIC AND PROJECTED VESSEL PARTICIPATION IN THE
ALASKA HALIBUT FISHERY (IPHC AREAS 2C, 3 AND 4) BY VESSEL CLASS

	VESSEL CLASS				
	I	II	III	IV	V
	-----NUMBER OF VESSELS-----				
<u>HISTORICAL DATA</u>					
1981	1,439	753	245	59	19
1982	1,526	718	262	59	34
1983	2,199	1,016	271	58	32
1984 ^{a/}	2,176	1,569	500	113	102
<u>PROJECTIONS</u>					
1985	2,502-2,698	1,820-2,008	526-635	112-140	132-179
1986	2,877-3,346	2,114-2,570	553-806	111-174	172-313

a/ 1981-1983 information is based on actual vessel participation. 1984 numbers are preliminary counts of licensed vessels. These vessels may not have actually participated in the 1984 fishery. Also, vessels may have fished halibut in 1984 even though they did not apply for licenses.

DRAFT
-14-

DRAFT

To provide rough projections of possible vessel participation in future years, annual growth rates based on the 1981-83 period and the 1981-84 period were calculated. These annual growth rates were then applied to data from the 1984 season to derive the projections for 1985 and 1986 listed in Table 1. For vessel classes II-V, the lower number in each range is a projection based in the 1981-83 period, while the higher number in each range is based on the 1981-84 period. For vessel class I, the lower number is based on the 1981-84 period while the higher estimate is based on the 1981-83 period. These projections do suggest that the halibut fleet will continue to grow in future years, fueled by continued poor prospects in some other fisheries like crab, the potential for increasing halibut quotas, and by continued speculation about possible limited access for the halibut fishery.

The second set of projections are of future average catches per vessel, given the increased participation expected in 1985 and 1986. The data used in making these projections of average catch are given in Table 2. Vessels in each class were assumed to have the same average catch per day as in 1983, and the same relative number of fishing days as in 1983. (That is, from Table 2, class I vessels were assumed to have 1.85 (7.6/4.1) times the number of fishing days that class II vessels would have, class V vessels were assumed to have 2.3 (9.6/4.1) times the number of fishing days that class II vessels had, etc.) Given these parameters and estimates of the number of vessels in each class and total quotas for future years, it is possible to project average catches.

To account for uncertainty concerning future quotas, two different assumptions were made about future growth in quotas and catches. To be conservative, one assumption was that future quotas will remain unchanged from the 1983 level of 33 million pounds for Alaska waters (IPHC Areas 2C, 3, and 4). A second assumption was that future quotas and catches will continue to grow as rapidly as they did from 1981 to 1983, or at roughly 31% per year. If this were the case, the 1985 Alaska quota would be 57 million pounds, and the 1986 Alaska quota would be 74 million pounds, which may be overly optimistic projections.

DRAFT
-15-

DRAFT

TABLE 2

ESTIMATED DAYS FISHED AND AVERAGE CATCH PER DAY OF THE
1983 HALIBUT FLEET IN THE ALASKA HALIBUT FISHERY
(IPHC AREAS 2C, 3 AND 4) BY VESSEL CLASS

<u>Vessel Class</u>	<u>No. of Vessels 1983</u>	<u>Estimated no. of days fished in 1983</u>	<u>Average Catch per day</u>
I	2,199	7.6	200
II	1,016	4.1	2,300
III	271	6.8	5,100
IV	58	11.4	9,300
V	32	9.6	10,400

Source: IPHC estimates of catch and effort.

DRAFT

Tables 3(A) and 3(B) present projected average catches per vessel for 1985 and 1986, with the 1983 actual average catches for comparison. The numbers in the table are presented as ranges, corresponding to the ranges of projected vessel participation given in Table 1. As an example, in the constant quota case, the projected average catch per vessel for class V vessels in 1985 is presented as 42,300 lbs. to 51,000 lbs.; the 42,300 lbs. is based on the high estimate of 1985 participation by class V vessels (179), while the 51,000 lb. estimate is based on the lower projected participation of 132 vessels. It can be easily seen from the projections in Table 3 that average catches per vessel will almost surely decline in future years if the status quo (no active management by the Council) continues. If the total quotas for Alaska waters stay roughly constant, the figures in Table 3(A) suggest that the reductions in average catch per vessel could be quite severe. Only in the most optimistic situation, with continued large increases in quotas and catches and relatively smaller increases in fleet size, will average catches remain close to the actual 1983 levels.

DRAFT

DRAFT

TABLE 3

PROJECTED AVERAGE ANNUAL HALIBUT CATCHES BY VESSEL CLASS IN
ALASKA WATERS (IPHC AREAS 2C, 3 AND 4), FOR 1985 AND 1986
UNDER DIFFERENT QUOTA ASSUMPTIONS

(A) Alaska quota and catch (Areas 2C, 3, and 4) constant at 33,000,000 lb.

<u>VESSEL CLASS</u>	<u>1983 (ACTUAL) (LBS)</u>	<u>1985 (LBS/VESSEL)</u>	<u>1986 (LBS/VESSEL)</u>
I	1,520	600-800	500-700
II	9,430	4,000-4,800	2,900-4,300
III	34,680	14,700-17,800	10,700-15,700
IV	106,020	45,000-54,300	32,800-47,800
V	99,840	42,300-51,000	30,900-45,000
TOTAL	33,000,000	33,000,000	33,000,000

(B) Alaska quota and catch increases at 1981-83 growth rate.

<u>VESSEL CLASS</u>	<u>1983 (ACTUAL) (LBS)</u>	<u>1985 (LBS/VESSEL)</u>	<u>1986 (LBS/VESSEL)</u>
I	1,520	1,100-1,300	1,100-1,500
II	9,430	6,900-8,300	6,600-9,500
III	34,680	25,600-30,700	24,100-35,100
IV	106,020	78,100-93,900	73,700-107,300
V	99,840	73,500-88,100	69,400-101,000
TOTAL	33,000,000	57,000,000 ^{a/}	74,100,000 ^{a/}

^{a/} PROJECTIONS OF INCREASES IN AGGREGATE CATCH BASED ON GROWTH IN CATCH OVER THE 1981-83 PERIOD (30.9%/YEAR).

RECEIVED DEC - 4 1994

Mr. Rick Phillips
Box 1781
Kodiak, Alaska
November 20, 1984

North Pacific Fisheries Management Council
Box 103136
Anchorage, Alaska

Dear Sirs:

I am writing to express my concern about the Councils' upcoming management decisions relating to Alaskas' halibut stocks. I am the owner of a 56 foot vessel that pursues most of the fisheries in the Kodiak area. I am currently set up to crab, longline, shrimp, and bottomfish with the vessel and feel that various fisheries that I participate in allow me to make a living fishing. Diversefying into other fisheries is necessary in order for myself to survive as a boat owner and fisherman. Limited Entry of the halibut fishery and sales of halibut stocks, if it came to be, would greatly impede that ability to diversify and survive in the fisheries. With halibut stocks in the healthy status they enjoy presently I cannot see the need of a limited entry approach. Problems forseen by the Council relating to management, quality of product, and product flow to the market place can be controlled without resoting to limited entry, in my opinion. Some suggestions to help insure management for a continued viable halibut fishery for all the fleet could be achieved through improved management techniques such as more and continued short openings to help insure quality of the halibut and steady flow of product. A pre-registration system prior to openings could be set up to maintain an accurate count of vessels and the effort involved in the halibut fishery. Limited entry is no guarantee of stock control and is no guarantee of quality. Tradtional management techniques have been working very favorably as the current levels of the halibut stocks reflect. There is no need for a radicl change in management strategy. Limited entry would remove a large degree of flexibility from the Alaska fishing fleet and greatly impede its ability to conduct business. I am writing to voice my concern and want to have my voice heard that I do not want to see limited entry instituted in the halibut fishery.

Yours truly,

Rick Phillips

NICHOLSON DELANEY
P. O. BOX 994
KODIAK, ALASKA 99615

RECEIVED NOV 14 1984

November 8, 1984

ACTION	ROUTE TO	INITIAL
	Exec. Dir.	J
	Dep. Dir.	
	Asst. Dir.	
	Adm. Serv.	
	Ext. Aff.	
	Finance	
	Gen. Inv.	
	Legal Coun.	
	Off. of Cong. & Public Aff.	
	Rec. Mgmt.	
	Tech. Serv.	
	Training	
	Director's Sec'y	

Mr. Jim Branson
Executive Director
North Pacific Fisheries Management Council
P. O. Box 3156 DT
Anchorage, Alaska 99510

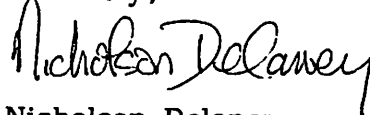
Dear Mr. Branson,

I would like to take this opportunity to formally submit to the North Pacific Fisheries Management Council members and staff for review and analysis the accompanying document entitled North Pacific Halibut Fishery: Controlling Effort Through License Reduction.

Although several areas regarding legal and administrative formulations necessary to implement such a plan are outside my expertise, I believe that the underlying premise, that the halibut industry must be instrumental in both the structure and control of any effort management plan is essential to the success of any such plan.

Thank you for whatever considerations can be given for my views on the subject.

Sincerely,



Nicholson Delaney

Enclosure

*** NORTH PACIFIC HALIBUT FISHERY ***

**CONTROLLING COMMERCIAL EFFORT
THROUGH
LICENSE RETIREMENTS**

A non-discriminatory method of enhancing overall halibut fishery management.

The proposal outlines a managerial plan for the North Pacific Halibut Fishery that controls future unrestricted entrance in the fishery while reducing the present levels of commercial effort over the next ten years by approximately 25% - 40%. These goals are accomplished without radical or significant changes in the openly competitive fishing traditions that are the hallmark of all the North Pacific fisheries. Nor are these goals attained through the discrimination against any recent entry into the fishery due to catch record or length of involvement. Funds used for the purchase and retirement of licenses and for the administration of the program are totally generated from within the industry. Partial control of effort management is left in the hands of the future participants while the freedom of the open market economy provides the remaining controlling force. Jurisdiction over the integrity of the plan is maintained by the North Pacific Fisheries Management Council, NMFS and the Federal Government.

TABLE OF CONTENTS

Introduction

Qualification of License Holders: Rights and Restrictions

Revenue Sources for License Retirement Funds

The Board of Trustees

License Retirements Through Trust Fund Purchases

Advantages of the Proposed Plan

Observations

Introduction

The objective of this proposal is the long-term reduction of commercial fishing effort in the Alaskan halibut fishery. Only through this reduction can the halibut management goals set forth by the North Pacific Fishery Management Council in December of 1983 be met while maintaining the economic well-being of the North Pacific longline fleet for which halibut is a principal target. The goals are as follows:

1. Distribute the halibut fishery in time and place to ensure the harvest of available surplus of all components of the halibut population over all areas of the North Pacific Ocean, including the Bering Sea.
2. Continue to limit the harvesting of halibut to hook and line as the best means of utilizing and maintaining the resource at its' highest sustained level of abundance.
3. Retain the International Pacific Halibut Commission as the primary management authority over the coastwide range of the halibut population.
4. Provide high quality fresh, frozen or preserved halibut to the consumer throughout the year.

The key in finding the solutions to the halibut fishery management problem is through the realization that the final answers must come from the fishing segment itself rather than from outside fisheries managers and bureaucrats. This is stated neither out of prejudice against such people nor because of doubts concerning their intelligence or goodwill. The fishing segment of the industry not only knows the whole industry better than any other segment, (processors, marketing and management), it is also the one segment in which lays the overwhelming percentage of industry capitalization and jobs. It is in this segment where the economic consequences of fisheries mismanagement would be most acutely felt. Participants in the fishery can expect to find no better motivation by which to secure the orderly attainment of long range management goals of the halibut fishery than that of their own self-interest and self-preservation.

The Alaskan halibut fishery has become a complex fishery managerial problem in recent years. No plan designed to address the broad range of issues that compose the overall problem can have immediate "solutions" without causing severe economic, social and political upheaval within the industry.

The proposed plan is both simpler and more practical than others being proposed before the North Pacific Fisheries Management Council. It is a long-range remedy to the problems of effort management for which the future fishing segment of the halibut industry will bear the economic cost. The more obvious benefits of the plan such as substantially increased fishing time for the fleet may not be realized for up to five years. This plan's target of a 25% - 40% reduction of fishing effort may not be attained for a full ten years. However, some extremely positive and valuable changes within the fishing segment of the industry would be attained immediately. A fleet-wide acceptance of this plan would put an end to the coastwide diversiveness that has plagued fishing communities over the issue of effort management in the halibut fisheries for the past four years. The plan would give the modern North Pacific long-line fleet a potential political unity that has never

existed before. Most importantly, the plan would provide a framework for which all the diverse participants of the fishery would be able to more actively provide the input and constructive response necessary to attain the fulfillment of all the goals set forth by the North Pacific Fisheries Management Council as outlined above.

This plan is designed to operate alongside the biological and commercial harvest management framework developed by the IPHC that has been in place for many years. Such traditional management tools as nonexclusive areas, concurrent openings and tightly controlled calendar openings should be maintained. Uses of experimental "secondary" management techniques often set precedences catering to special interest groups whether they are a minority or a majority. Until such time as fishing effort reduction lessens managerial difficulties, only management techniques of proven merit should be attempted.

Qualification of License Holders: Rights and Restrictions

1. Any person having held a valid Permit Card from the State of Alaska, Commercial Fisheries Entry Commission for the halibut fishery between January 1, 1980 and December 31, 1984 and having made a minimum of one legal commercial halibut delivery during this period will receive a permanent license for the North Pacific Halibut Fishery.

(Five-year base period)

2. (a) Each permanent license granted will be one of five classifications. Individual classification will be determined by the vessel tonnage used in the commercial fishery by the participating permit holder during the five year base period. The five license classifications are:

Class	A	Undocumented Vessels
	B	5 - 10 Net Tons
	C	11 - 20 Net Tons
	D	21 - 40 Net Tons
	E	41 - Up Net Tons

(b) Only one license may be held by a single individual.

(c) Individuals having fished vessels of various tonnage classification must choose a permanent license of a single class.

3. Every permanent license and the fishery rights associated with it are fully transferable to another individual through sale, gift or will.
4. (a) Each vessel operating in the North Pacific halibut fishery must have at least one permanent license holder aboard while engaging in the commercial fishery. The classification of the license on board must be the same as the operating vessel's net tonnage.

(No "absentee" license ownership)

- (b) During the first year of this program past participants qualifying for permanent cards but no longer active as participants may pre-register specific vessels with net tonnage matching their license class. These vessels may operate in the fishery without the license holder on board. This will allow time for retiring license holders to divest ownership of license and/or equipment without economic hardship.
5. A license holder would not have to actively use a license on an annual basis in order to maintain full future fishing rights associated with the license.

(Reduce artificial effort)

Revenue Sources for License Retirement Funds

6. To maintain full halibut fishing rights associated with each license, the individual license holder must pay a yearly license fee. The amount of fee paid would be dependent on license class. Using a hypothetical fee model, the following serves only as an example:

<u>Class</u>	<u>Yearly License Fee</u>
A Undocumented	\$ 250.00
B 5 - 10 Net Tons	500.00
C 11 - 20 Net Tons	750.00
D 21 - 40 Net Tons	1,000.00
E 41 - Up Net Tons	1,500.00

This license fee must be paid yearly regardless of participation in the halibut fishery for that year. Failure to pay annual fees would officially retire a license with the holder losing all rights to the license.

7. A tax of 2 1/2% of ex-vessel price would be levied on all deliveries of North Pacific Halibut. These revenues would be withheld by the primary buyer.

Note: The rationale of having two revenue sources is as follows: If only an endline tax on product landed is used as a revenue source, non-active license holders would realize an appreciation of their license's value through the tax on active producers. Through a front-line fee "tax" non-active card holders will be forced to pay substantial yearly fees. This will diminish the speculator's role in the industry.

The 2 1/2% tax on landed product would make up the remainder of the funds needed to finance the buy-out program. Using the endline tax, the largest producers of halibut would be taxed the greatest. Theoretically they would benefit most from the gradual reduction of the halibut fleet.

Presently the pool of permit holders in the Alaskan halibut fishery is full of non-active permits. Many are being kept current on speculation of limited

entry while others are inactive due to better economic opportunities in different fisheries. To develop a complex and legalistic point system type of limited entry program to separate "non-active" and "active" permits would be impossible as well as both arbitrary and subjective. Rather, by using the licensing fee plan as a revenue source, the overall number of licenses serves as an excellent revenue source. For instance, if there were 6,000 license holders in the total pool and the average license classification fell mid-way between a Class B and a Class C license (\$625.00 yearly license fee) a total revenue source of \$3,750,000 per annum is available. On the other hand, a 2 1/2% tax on ex-vessel landings would produce a total annual revenue source of \$750,000 if the value of Alaskan halibut landings equalled \$30,000,000.

8. All revenues collected annually through license fees and product landng tax would be credited to a North Pacific Halibut Fisheries Trust Fund. This fund would be administered similarly to the present Alaska Permanent Fund. A Board of Trustees would be established whose responsibility would be the fund's financial health and strength. The assets of the fund would be maintained in the highest-yielding U.S. Government monetary instruments in order to ensure optimum and secure growth. It is from this trust fund revenues will be available for license purchases and retirement.

The Board of Trustees

9. The Board of Trustees of the North Pacific halibut fishery will have a total of fifteen permanent seats. Eleven of these seats will be held by members of the halibut fishing community elected by the overall pool of license holders on a regional representational basis. The other four seats will be held by representatives of the North Pacific Council and/or NFMS. It is the intent of the structuring of the overall board that the four governmental seats will not be political appointments but rather persons with professional expertise in the four areas of law, economics, statistics, and fisheries management. The eleven board members from fishing communities will represent the following geographic areas:

- I. Pacific Northwest Two Members
(Washington and Oregon)
- II. Southeast Alaska Three Members
(Petersburg, Sitka, Pelican, Ketchikan,
Juneau, and other Southeast communities)
- III. East Central Gulf of Alaska One Member
(Yakutat and Prince William Sound communities)
- IV. Kenai Peninsula One Member
(Seward and Homer)
- V. Central Gulf of Alaska Two Members
(City of Kodiak, Kodiak Island communities
and Chignik)

VI. Western Gulf of Alaska One Member
(Sand Point and King Cove)

VII. Bering Sea One Member
(Dutch Harbor, Aleution Chain communities
and Bering Sea communities)

10. Each fishing member of the Board of Trustees will be determined through the election process. Every license holder in the fishery will be entitled to register and vote in any one of the seven geographical zones. Representatives will serve for two year periods. Four geographic areas will elect representatives on even years, while three areas will hold elections on odd years. Using these methods representation will be democratic rather than political. Past political differences that exist between and within various communities would play no part to proper representation of the fishing license holders.
11. The Board of Trustees will conduct two annual meetings in Anchorage, Alaska. It will be the overall goal of the Board that the intense level of commercial fishing effort be uniformly reduced in every geographic fishery zone in the North Pacific over the next ten year period. This reduction of effort will be accomplished using the funds generated by the fishery through license fees and the fish tax to purchase and permanently "retire" a percentage of fishing permits that annually become available for sale in the open market. The Board of Trustees will set buy-out policies and strategies and oversee the activities of their agents who will conduct the actual license purchases and administration of this program in conjunction with NMFS.
12. An office will be established in Anchorage, Alaska for the agents of the Board of Trustees and NMFS to keep all records concerning the ownership and transfer of all fishing licenses, collection of revenues from license fees and fish taxes, the assets of the trust fund, and all associated documents related to the administration of the program. It is also through this office that the agents of the Board of Trustees will conduct purchases and the retirement of available fishery licenses.

License Retirements Through Trust Fund Purchases

13. The Board of Trustees through agents, will purchase and permanently retire a percentage of the licenses that become available for sale. Decisions regarding purchases will be made dependent upon market conditions and the availability of revenues within the Trust Fund.

Note: One of the keys to the success of this proposal is the ability of the Trust Fund to provide revenues to purchase and retire fishing licenses that become available on the open market at the lowest possible cost. The Board of Trustees and their agents must minimize itself as an inflationary influence that manipulates the market value of available permits. The Board must be able to take advantage of market conditions that develop. A certain degree of autonomy in the decision-making process, as to when and at what price should

be paid for varying classes of licenses, needs to be maintained. No formal restraints should force the Board to purchase licenses at any time other than of it's own choosing.

14. All fishing licenses intended to be sold, gifted or willed must be pre-registered with the office of the Board of Trustees. Full transfer from original holder to any new holder would not be completed for a 15 day period.

(Temporary license freeze)

Note: This technically will enable the agents of the Board of Trustees an opportunity to tender an offer on any and all licenses that are transferred.

15. No fishing licenses will be sold, gifted or willed without the yearly license fee current.
16. The industry will determine the point in time for the termination of this retirement program.
17. The certification process for permanent fishing licenses would begin April 1, 1985 and end April 1, 1986. This program would be in effect for the 1986 North Pacific Halibut season.
18. No restrictions would affect fishing participants during the 1985 halibut season, but qualifications for permanent licenses and their respective classifications would be based only on the five-year period (1980 - 1984).

Advantages of the Proposed Plan

1. This plan would be politically acceptable to by far the greatest number of participants in the fishery while providing a means to begin effective effort reduction.
2. It is designed to operate alongside the traditional and historical management mechanisms of the IPHC.
3. The acceptance of the plan would put an end to the divisiveness within the fishing fleet over the entire question of effort management.
4. By unifying the participants in the North Pacific halibut fishery, the plan would greatly reduce the danger of outside regulators being brought into the industry who would be unresponsive to both the proper biological management of the fishery and the economic and social needs of the fleet. Without such unity, the present system of fishing faces it's strongest political adversary - it's own diversity of interests.
5. By identifying the license holders, the plan gives all license holders equal voting rights on issues of importance to the fishing segment of the fleet.

6. The plan eliminates complicated and discriminatory qualifying standards for issuance of permanent licenses.
7. The plan addresses both the problem of affordable entry by newcomers and constant upward capitalization by license classification based on vessel tonnage (entry ladder).
8. The initial pool of license holders is large in each classification. The present economic return is small. The entrance into the fishery through the purchase of a permanent license will be relatively inexpensive the first years of the program. It should be remembered the retirement Trust Fund starts with a zero balance at the initiation of the program.
9. The plan would be simple to administer.
10. All funds needed to finance the plan would be internally generated within the industry.
11. Supply and demand, rather than the arbitrary nature of government, remains the controlling forces of the system.
12. The implementation of the plan would change the relationship between government and fishing industry from that of guardian and ward to that of equal partners in which the activity of each is monitored by the other for the good of all.
13. All these concepts will be thoroughly upheld by our elected representatives in government if some safeguard plan is actively supported by the industry as a whole. Without unified political backing, we will be collectively battling an array of varying and never ending regulatory changes which will always cater to some special interest group.

Observations

License Fee Structure

Using the hypothetical license fee structure outlined in the plan, the vessels of the A, C and E classes would contribute the following sums to the trust fund:

1. An undocumented vessel (Class A - under 5 net tons) with a season catch valued at \$7,500 would contribute a total of \$438; \$250 license fee plus \$188 fish tax. 5.8% of gross revenues.
2. A class C licensed vessel (11-20 net tons) with a season catch valued at \$20,000 would contribute a total of \$1,250; \$750 license fee plus \$500 fish tax. 6.2% of gross.
3. A class E licensed vessel (44-up net tons) with a season catch valued at \$60,000 would contribute a total of \$3,000; \$1,500 license fee plus \$1,500 fish tax. 5.0% of gross.

An alternative method of calculating license fees for each class is for the fees to be deducted proportional to the total percentage of the overall quota that each class catches. This percentage could be calculated on an annual basis or on a three year average.

For example, if the required trust fund annual contribution from all license fees is \$3,750,000 and class E licensed vessels catch 30% of the quota, then each class E license holders annual contribution is determined by dividing the total number of license holders in class E into \$1,125,000 (30% of \$3,750,000). The advantages of this system is that the amount of the various license fees would more accurately reflect the average economic return of this fishery to the different sized user group.

In using these examples as illustrations it should be remembered that the total license pool is very diverse in the degree to which income from the halibut fishery is important in relationship to all yearly fishing revenues. Obviously, a license holder that does not fish on a given year is going to contribute more than 100% of gross revenue from the halibut fishery to the trust fund (the license fee itself being greater than fishing revenues). On the other hand, for the participants within the fishery that are more dependant on the halibut resource, the total percentage of their gross revenue that goes in the trust fund diminishes as their catch value increases although the total dollar amount of their contribution increases.

This phenomenon could be said to force an effort increase within the license pool. However, considering that this system is designed to be placed into effect into the present fisheries situation where the effort increase no longer returns economical advantages, the possibility of continued effort increase within the total existing license pool is minimal. The fishery has reached the stage of economic developemnt that financial opportunity is no longer a strong attraction.

Management

By clearly identifying the user groups within the fishery, management is given a framework by which to overcome one of the most immediate managerial problems - too much catch in too short a period. This could most simply be accomplished using the split fleet concept of effort management. In areas such as the Gulf of Alaska, openings for both class A and B vessels could be on a different calendar schedule than those of class C, D and E. These two sizes of groups rarely fish the same grounds. The overall quota could be divided between the two groups on a three-year historical average. Operating within this framework the present dangerous situation regarding safety for smaller vessels forced to operate in fishing openings regardless of weather conditions would be overcome.

Numbers of Initial Permits

The total number of qualifying license holders is unknown. However, it can be estimated that probably 10% - 25% of eligible individuals would fail for one reason or another to actively gain the permanent licenses that would be

Page Nine

issued. This is based on the large amount of peripheral interest in the fishery over the last five years, the numbers of people that have left the fishing industry entirely, and those that simply do not wish to pay a substantial yearly license fee.

Annually an unknown percentage of the total pool can be expected to let their licenses and the rights associated lapse for various reasons.

RECEIVED NOV 28 1984

November 19, 1984

North Pacific Fishery Management Council
P.O. Box 103136
Anchorage, Alaska 99510

Dear Council and Advisory Panel Members,

I am writing this letter to make you aware of some of my concerns regarding the management of the Alaskan halibut fishery.

I understand that some Council and staff members continue to be strongly inclined toward implementing some form of limited access management regime in the halibut fishery in an attempt to correct some problems perceived as a product of excessive effort. In this letter I will discuss: that it is imperative to the health of fishing fleets and coastal communities throughout Alaska that access to the halibut fishery remain open; my own perceptions of conditions in the halibut fishery; and that there are other approaches available to management to address these conditions, that can have a positive impact on the fishery without the serious, irreversible economic "fallout" that will necessarily accompany any limited access system.

First, I strongly urge the Council to recognize and examine the economic relationships that exist between fishery resources, fishing fleets, and coastal communities throughout Alaska. I further urge the Council to expand the scope of its consideration of management options for the halibut fishery to include consideration of the impact of those options, especially those affecting fishery access, on the economic viability of Alaska's fishing fleets and the communities dependent on them.

Fishery resources and market conditions vary widely throughout Alaskan waters. Resource abundance can dramatically fluctuate as a result of various factors including climactic conditions, predator-prey relative abundance levels, and fishing pressure. Ex-vessel prices and market availability can also fluctuate for reasons beyond control.

To accommodate these highly variable conditions in the industry, successful Alaskan fishing vessels have necessarily evolved as flexible, highly diversified businesses, entering various fisheries as their needs dictate. The "economic stability" of a fishing fleet, and a community dependent on that fleet is a product of the fleet's ability to exercise flexibility. Obviously, impairments to that flexibility threaten the economic viability not only of fishing fleets, but of coastal fishing communities. A fishing vessel is "dependent on" ALL available fishery options, depending on the resource and market conditions at various times. Any management system or regulation which limits entry to a fishery reduces the number of options available for the maintenance of viable fishing businesses.

Since the halibut fishery is currently playing such a vital part in contributing to the economic viability of Alaska's fishing community, it would not be concordant with provisions in Sec. 303(b)(6) of the Fishery Conservation and Management Act for the Council to implement a limited access system in that fishery. In view of the above discussion, it is clear that such implementation could only occur if the Council blatantly were to ignore the dictates of that Act to "take into account...dependence on the fishery...the economics of the fishery...the cultural and social framework relevant to the fishery, and (F) any other relevant considerations" when developing a limited access system. I would

further remind the Council of the primary intent of the Congress in creating the FCMA to ensure fishery conservation and rebuilding of depleted stocks, rather than providing for mechanisms to allocate fishery resources.

The halibut fishery is indeed currently experiencing record high fishing effort levels. At the same time, the halibut resource is at a very high, and increasing, abundance level. While more fishermen than ever are generally meeting with tremendous success fishing for halibut, the NPFMC has identified some "problems", specifically in the area of product quality, which it feels are resultant of the high fishing effort level. To correct these problems the Council feels that some effort management regulation, limiting access, must be implemented. I don't agree.

It is my belief that the high effort level in the halibut fishery is a natural result of a combination of factors currently affecting the entire Alaskan fishing industry, and that the "problems" identified by the Council can be most effectively addressed from within the industry or with existing, traditional and flexible management tools.

There is a high level of fishing effort in the halibut fishery at this time because:

- (1) many fishermen have felt "forced" to participate in response to the threat of exclusion brought on by long, drawn-out LE discussions
- (2) there are LOTS of halibut. They are easy to catch, and offer a good return on gear investments, etc.
- (3) other viable fisheries are few at this time.

Some steps I believe that could be taken without implementing any limited access system:

- (1) abandon all discussion of limited entry for the halibut fishery. This will help eliminate speculators and those interested in accumulating "points" toward initial LE allocation. Fishermen will not feel obliged to fish every opening to avoid losing "points".
- (2) exploitation rate of halibut resource should be increased significantly. There are too many halibut. Record high CPUE statistics indicate that fish are being TOO FAST to guarantee ideal fish handling conditions. If the exploitation rate were too great, CPUE statistics would decline. They have increased.
- (3) increased exploitation should take the form of several short (one or two day) fishery openings, spaced in time throughout the summer and fall, to provide "fresh" halibut to the market at several times through the year. Short openings, and increased pre-and-post-opening data processing efficiency will promote resource conservation. Some openings will naturally coincide with other activities in which a vessel may wish to be involved (such as salmon fishing or tending, or dungeness fishing, etc.) providing a choice. Fishermen with viable revenue alternatives may choose options other than a short halibut opening for various logical reasons such as contractual obligations, or loss of fishing time and continuity in other fisheries.
- (4) pre-opening registration by vessels by area, to give management information regarding effort levels before an opening takes place. A "deadline" for registration should be set to provide proper digestion of pre-registration data by management. Preregistration data should include vessel size, amount of gear, and the area to be fished.
- (5) pre-opening fish hold inspections. This will aid in enforcement of opening time, and will allow greater fishing continuity and revenue opportunity to those involved in longlining for other species than the present system. Inspections can be financed by revenues earned from (6)

- (6) higher license fees, the amounts proportional according to vessel size. This will help "weed out" speculators, and reduce the effort level to those halibut fishermen of the most serious intent.
- (7) encourage development of alternate fisheries to help channel effort away from the halibut fishery. Since fishery resources can fluctuate in abundance, no "optimum level of participation by fishermen" can ever be set by management. a downturn in fish abundance will result in the same circumstances---high effort relative to resource abundance---that the Council finds objectionable now. The key to avoiding concentration of effort in one fishery is for fishermen to have as many viable options as possible. Shellfish stocks will rebuild to commercial levels eventually, again providing those options. Shore-site processing of bottomfish would provide alternate markets to many for that resource.

There are many obvious, traditional management tools available to affect resource conservation. Limited access systems only allocate fishing rights among fishermen. Resource conservation tools must be implemented regardless of the number of participants in a fishery.

The final point I would like to make to the Council is that a perceived problem with the "quality" of the halibut product can most effectively be resolved from within the existing framework of the industry. Implementation of a limited access system by the federal government on a fishery to correct product quality problems would be drastic "overkill", at best.

Processors should shoulder the greatest responsibility for product quality. They buy the fish, and can set and enforce quality standards, and should closely monitor their purchases to guarantee that only high quality fish reach the consumer. Sub-quality fish should not be purchased by processors. If a fisherman has a hard time selling a load of low-quality, or improperly dressed fish, or can't sell them at all, it will be in his own interest to correct the situation next time, or quit fishing for halibut.

Fishermen who are newcomers to the halibut fishery do not need "on the grounds" fish handling experience to deliver high-quality fish. Fishermen's associations around the state should be encouraged to sponsor fish-handling workshops regularly, to discuss and demonstrate fish dressing and handling techniques, and it wouldn't hurt for management to provide literature and guest speakers for such workshops. Government expense to provide literature and speakers would be far less than that required to administer a limited access system, and would more directly address any real problems of halibut product quality.

I sincerely hope that the Council will recognize the serious threat that limiting access to the halibut fishery presents to the economic structure of Alaska's fishing community, and proceed with some of the many other options which can favorably impact that fishery without hurting anything.

Thank you for considering my views.

Please provide each individual Council and AP member with a copy of this letter BEFORE the December 1984 Council meetings.

Sincerely,
David Shrader
David Shrader
412 Willow
Kodiak, Alaska 99615

C-2
SUPPLEMENTAL

11/30/84

TELEGRAM REC'D OVER TELEPHONE

TO: JIM CAMPBELL

FROM: GORDON JENSEN

I STRONGLY SUPPORT THE COUNCIL'S GOALS AND PLANS FOR HALIBUT FISHERY
MANAGEMENT. KODIAK OPPOSITION DOES NOT REPRESENT ALL KODIAK FISHERMEN.

SIGNED

GORDON JENSEN

WESTERN ALASKA FISHERIES, INC.

KODIAK, ALASKA 99615

P.O. BOX 2367

PHONE (907) 486-4112

TELEX 25-288

12-4-84

To; North Pacific Management Council

I am speaking for myself and Western Alaska Fisheries Inc.
We are against limited entry in the halibut fisheries.

With the amount of halibut that is available to the fisherman
now, limited-entry certainly can't be imposed for biological reasons.

Any quality Problems should be taken care of by the processors
theirselves. We are in a position with our fisherman that we can expect
the utmost cooperation from them to achive the best quality possible.

I believe that the IPHC should make some fishing regulation changes
at their next annual meeting. Proper changes could help to insure better
quality. this is our stand on this matter being that we are not in a
depressed fisheries.

I have been processing halibut since 1968 in Kodiak at B&B Fisheries,
which is now Known as Western Alaska Fisheries Inc.

Respectfully



Ralph Skip Greene
Superintendent



1944

Department of the Interior

Washington, D.C.

Dear Sir:

Very truly yours,
[Signature]



C-2 Supple.
December 1984

Jack G. Knutsen

F/V GRANT

December 3, 1984

800 NORTHWEST ELFORD DRIVE
SEATTLE, WASHINGTON 98177
(206) 362-2525

North Pacific Fisheries Management Council
Anchorage, Alaska

Dear Council Members;

This letter pertains to the halibut fishery and the mess, in my opinion, it has become. It is hard to believe what has happened to the halibut fishery in such a relatively short time. In 1977 we had 126 fishing days, in 1984 we had 7 fishing days, electing to pass up a couple of short openings to stay on the black cod and because of the low halibut price. As you well know, there are horrendous quality problems from the fishing end of the business and tremendous handling and freezing problems from the processing end. It seems to do nothing but get worse.

If there are to be any solutions to these problems, the Council is going to have to make some major policy decisions. It seems to me that there are only two directions to take, limited entry or make the fisheries wide open to everybody or a survival of the fittest concept.

There has been a lot of talk this fall about pursuing limited entry on halibut again. Some say it's hopeless, some say it's too late, others say it's wrong, and others say it's worth another try. I think there is larger issue involved. The real question is whether or not limited entry is a legitimate management tool. If the Council considers it a bona-fide tool, then it should be pursued in all fisheries, if not, it should be laid to rest once and for all. If nothing else were accomplished, it at least would end the bickering and fragmentation of the fleet. It would also end the amazing hypocrisy involved. I'm a traditional longliner from Seattle and obviously am pro limited entry. Consider the plight of the long-time halibut fisherman. We have people from "Open Oceans Coalitions" and Joint Venture organizations calling us protectionists and not willing to compete. Then they turn around and ask for government subsidies and bail-out programs. All the while, a good portion of them are spending all their time on charters or joint ventures where they have a pre-determined price, set number of boats, and an allocated quota. That's limited entry with a share system thrown in. If we could get that kind of deal, we would never make a noise for limited entry again. We have people from Western Alaska who hold salmon and herring permits, telling us that limited entry is wrong, and that they need halibut to pay for their salmon permits. A good portion of them have salmon charters in the summer, working for canneries that only take a set number of boats. They are adamantly against lifting the 58 foot seine boat limit and adamantly for area registration for crab, both of which are very effective forms of limited entry. We have a "Coastal Community" organization that tells us that limited entry is wrong. Isn't Seattle a "Coastal Community?" Were you ever in Sand Point before limited entry? They had an old run down fleet; now they have a beautiful boat harbor full of first class new boats. A Peninsula or Chignik permit is worth anywhere from \$300,000 to \$400,000; my halibut permit is worth nothing. We both pay the same yearly renewal fee. Up until recent years, every pound of halibut delivered into Sand Point or Kodiak was delivered by a Seattle, Canadian, or Southeastern Alaska boat. They just were not interested in halibut fishing. We have the State of Alaska that says limited entry

Jack G. Knutsen

F/V GRANT

Page 2.
North Pacific Fisheries Management Council

800 NORTHWEST ELFORD DRIVE
SEATTLE, WASHINGTON 98177
(206) 362-2525

is a legitimate tool. Soon there will be fishermen in Southeastern who hold up to five permits (salmon, herring seine, herring gillnet, Chatham Strait black cod, S.E. king and tanner crab). For a group that's called protection seekers the facts don't seem to support it. We can't fish salmon, that's under limited entry. Trollers, seiners, gillnetters, all fish halibut. We can't fish herring, some of it is under limited entry, we don't have the boats for it anyhow. Most herring fishermen fish halibut. We haven't the boats for crab fishing, most of them fish halibut. We can't trawl for bottomfish, that's mainly taken care of by joint ventures, a lot of them fish halibut. We take on all comers and still manage to survive, if just barely; but it seems like a strange reward for a bunch of fishermen who stayed with the same boats through the good times, made a living in the hard times, and watched the fleet expand out of control completely from outside the industry.

If the Council deems limited entry not to be a legitimate management tool, so be it. Personally, I think I would prefer this alternative, but let's do it right. Let's make a united effort to eliminate any limited entry in Alaska, and get the Council and the State of Alaska moving on the same guidelines. Give me a chance to seine False Pass or gillnet in Bristol Bay, with nothing but biological restrictions. Eliminate the exclusive nature of the joint ventures and give everyone a fair shot at it, without having to be members of the "club." Eliminate the brokering of joint ventures and the sale of licenses. The only money made in the industry should come from the catching or processing of fish. Let's eliminate exclusive area registration, in the case of halibut it would take away the one thing we have going for us, the ability to take in different areas and come out of it with some kind of season. Let's do away with all government loan programs or Capital Construction Funds, let the marketplace and private financing determine things. Let the chips fall where they may, then we will find out who the real fishermen are.

Thank you,


Jack G. Knutsen

jgk/gk

WOODRUFF
handed out
Wed 12

December 1, 1984

James Campbell, Chairman
North Pacific Fishery Management Council
Box 103136
Anchorage, Alaska 99510

Dear Mr. Chairman:

I understand that the issue of halibut management has been placed on the meeting agenda of the North Pacific Fishery Management Council for discussion on December 5-6, 1984. Previously, the Council was provided with a copy of my July 12, 1984 letter to Dr. Donald McCaughran, Director, International Pacific Halibut Commission, written to appeal for greater consideration of economic and social factors in the regulation of that fishery. By way of response to recent assumptions regarding my motivation for writing that letter, I submit the following for the record.

The Alaska Seafood Marketing Institute's letter to the IPHC was intended to be a constructive message with one objective: to maximize the value of the halibut resource. Prepared at the request of the ASMI Board of Directors, the letter was intended to provide timely illustration of problems relevant to future management deliberations. We noted, for example, that the April 24 opening of area 2B off British Columbia dampened the market for Alaska halibut harvested one month later, and that the timing of the pre-holiday closure of some areas increased Alaska production costs. ASMI also observed that the abbreviated seasons and high level harvests appeared to cause deterioration of raw product quality. These problems effectively undermine the efforts of the Institute.

ASMI's goal, simply stated, is to expand the sale of Alaska seafood products worldwide and to increase the perception of value to the consumer. If we succeed the entire industry will benefit. The Alaska seafood industry is facing stiff competition from the seafood producers of other areas, well as from the U.S. beef, pork and poultry industries. We believe it is possible to expand Alaska's market share, and that product quality is one of the keys. To compete we must strive to maintain the quality which is inherent in raw products at the time of harvest.

ASMI does not advocate any specific methodology for regulating or managing Alaska's fisheries resources. That is rightfully a function of agencies such as the NPFMC. The comments we offer are intended to elicit common

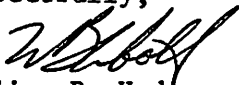
Alaska Seafood Marketing Institute
526 Main Street
Juneau, Alaska 99801
(907) 586-2902



James Campbell
Page 2
December 1, 1984

concern for maintenance of quality and due consideration of economic as well as biological factors in management decisions. Thank you for this opportunity to set the record straight; Tom Bellamore of the ASMI staff will be in attendance at the December 5 meeting to answer any questions on my behalf.

Respectfully,

for 
William R. Hudson
Executive Director

cc: Governor Bill Sheffield
Don Collinsworth, Commissioner of Fish and Game
Richard Neve', Commissioner of Environmental Conservation
Richard Lyon, Commissioner of Commerce and Economic Development
Bruce Twomley, Chairman, Commercial Fisheries Entry Commission
Alaska Board of Fisheries
Donald McCaughran, Director, IPHC
Rick Lauber, Pacific Seafood Processors Association
Cass Parsons, United Fishermen of Alaska

December 5, 1984

0-2

TO: North Pacific Fisheries Management Council

RE: Testimony opposed to limited entry system implementation
into North Pacific Halibut Fishery

FROM: Peter Kendrick
UFMA

Mr. Chairman:

The UFMA is a co-operative fishermen's marketing association in Kodiak. Our members include pot fishermen, seiners, gillnetters, trawlers, and longliners who harvest salmon, herring, crab, bottomfish, black cod and halibut. Our members participate in the harvest of fisheries producers primarily in the Kodiak, Westward and Bering Sea areas.

The recent increase in the number of participants in the North Pacific Halibut Fishery must be primarily attributed to the sizable increase of stocks. Naturally more individuals are able to take part in the distribution of the wealth of this resource. The question of who participates in the harvesting of this resource should not be a managerial problem.

The Alaska Halibut Fishery is in a unique situation. A high CPUE enjoyed recently has peaked interest by prospective new entrants. However, this condition and others, such as alternative fisheries available are subject to constant change. No one plan designed to address the present state of these fisheries can be expected to be the ultimate solution to all of the fisheries problems in the years to come. For this reason management plans must be responsive to the changes in the industry and at times be reversible if needed.

The UFMA supports the IPHC as the primary management authority over the coastwide range of the halibut fishery. The traditional management mechanisms presently applied in the halibut fishery have provided stock

abundance at or near historical peaks in the central gulf of Alaska and other areas. We believe that further application of this policy coupled with short concurrent state wide openings scheduled strategically throughout the season will favorably effect the quality and quantity of product reaching the markets. Early non-exclusive pre-registration may assist the commission in determining the dates of these openings. Preseason in-port hatch inspections, to ensure no halibut are on board will serve two purposes. It will aid in the pre-fishing enforcement of these short openings while enabling that portion of the fleet which is longlining for sablefish to fish right up to the halibut opening.

The UFMA encourages the application of these management tools which allow participants to enter and leave the halibut fishery. An understated result of a limited entry type of system is that it equally limits a persons retreat out of a fishery once stocks decline ~~or~~ when it simply becomes prudent to seek a better economic opportunity elsewhere in the industry. The "personal property rights" of the fishery, generated by a system of limited access are either used by the owner or they are transferred by sale or lease to someone who will. Individuals who have capitalized these fishing rights are compelled to fish whether stocks are high or low to try defer the cost of participation. This is not a nebulous model based on economic theory which has been described here. This is the tragedy

witnessed by our members as it has evolved in the State limited entry system in effect today.

While the plans employing share quotas as described by Stokes and Guild "bid shares" are incomplete the direction which the Council is pursuing seems clear. In these preliminary reports many problems created by these new systems have failed to be addressed and even ignored. Our experience in these matters of "personal property rights" of our fishery resources compells us to scrutinize them even in their infant stages. The expense, time and energy being dedicated to these two plans by this council's halibut sub-committee causes or forces us to consider some grave questions:

- 1.) If the biological conservation of the resource can be achieved without limited entry as indicated by IPHC officials, then what interest is being served by pursuing these plans further,
- 2.) Who will finance the continued developments, implementation and administration of these highly complex plans and at what cost,
- 3.) Will the revenue which will be taxed from the fisherman's profit to pay for the right to fish ever filter back to his business or even the coastal community in which he lives.
- 4.) Finally are we going to be subjected to another economic experiment in which the fisherman put up all the stakes and suffer the most immediate hardships if the plan fails.

In closing, we petition the council to consider our concerns over these severe alternatives. Perhaps this is a case of less being more.

Is the less complex management techniques more effective in serving the changing biological needs of the resource and the socio-economic demands of those most involved.

The UFMA recommends to the council that plans which include these personal ownership rights to the fisheries resource be dropped. Management techniques which employ more traditional tools ultimately will be needed even if limited entry, share-quotas or Guild Shares are implemented. The duplication of management plans can only create a cumbersome and expensive system which will be less responsive to the industry.



Peter Kendrick