


MEMORANDUM

TO: Council, SSC and AP Members

FROM: Clarence G. Pautzke  
Executive Director 

DATE: April 10, 1997

SUBJECT: Groundfish/Crab License Limitation Program and CDQs

ESTIMATED TIME  
3 HOURS

**ACTION REQUIRED**

- (a) Receive progress report on Proposed Rulemaking.
- (b) Receive progress report on skipper reporting system.
- (c) Receive progress report on buyback program.

**BACKGROUND**

(a) Proposed Rulemaking

Proposed Rulemaking for the LLP/CDQ program is very near completion and is expected to be published for formal review and comment prior to the June meeting. The LLP portion of that rule was previously reviewed by the Council, in draft form, and is essentially the same, with one change to more accurately reflect Council intent (the section dealing with initial allocation and recognition of vessel transfers). The CDQ portion of the package continues to be a much more complex regulatory package, though that portion is also near completion.

Item C-4(a)(1) is a recent letter to the Council from Mr. Rollie Schmitten outlining the agency's commitment to processing this package, but cautioning against unrealistic expectations. According to that letter, the Council should expect the LLP program to be implemented in 1999, if approved, while the CDQ portion for groundfish could be implemented sometime in 1998. Implementation of the crab CDQ program is possible in early 1998 according to the letter. The Council's existing moratorium will serve to mitigate any adverse impacts resulting from delayed implementation of the LLP. The Council may wish to schedule a detailed review of the actual regulations for these programs at the June meeting.

(b) Skipper Reporting System

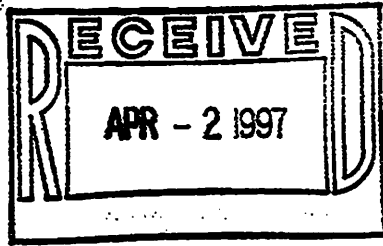
When the Council approved its LLP, they also urged development of a system for collecting information on skipper participation in the groundfish and crab fisheries. NMFS, ADF&G, and Council representatives met in March to discuss this issue, with those meetings forming the basis for the letter from NMFS under Item C-4(b)(1). In summary, this letter describes a process whereby the relevant information can be collected, largely within existing State and Federal reporting systems. However, this is based on the assumption that the 'skipper' would be defined as the CFEC permit holder, which may not be consistent with the Council's intent with regard to 'skipper' definition. Voluntary submission of fish tickets would be available for at-sea operations. This is an issue for which we will need some Council feedback. An alternative system, depending on Council direction with regard to 'skipper' definition, would likely be coupled with the initiative for electronic reporting which is

currently being developed by NMFS, and would be developed separately from the LLP. Other relevant information on this issue is contained in previous correspondence between the Council and NMFS (Item C-4(b)(2)).

(c) Vessel Buyback Program

During the December 1996 meeting the Council reviewed two proposals recommending development of a buyback program for the crab LLP fisheries. At that time industry representatives came forward to take a lead role in developing such a program, potentially accomplished through industry funding. Gordon Blue and Arni Thomson will report to the Council regarding progress on that initiative.

APRIL 1997



UNITED STATES DEPARTMENT OF COMMERCE  
 National Oceanic and Atmospheric Administration  
 NATIONAL MARINE FISHERIES SERVICE  
 1335 East-West Highway  
 Silver Spring, MD 20910  
 THE DIRECTOR

MAR 31 1997

Mr. Richard B. Lauber, Chairman  
 North Pacific Fishery Management Council  
 605 West 4th Avenue  
 Anchorage, Alaska 99501

Dear Mr. Lauber:

Thank you for your letter regarding the implementation of the License Limitation Program (LLP) and expanded Western Alaska Community Development Quota (CDQ) program proposed by the North Pacific Fishery Management Council (Council). The Alaska Regional Office of the National Marine Fisheries Service (NMFS) has been preparing the draft proposed regulations and associated documents on behalf of the Council and anticipates completing this task by early spring. This work has been done in consultation with Council staff and certain State of Alaska staff personnel.

The proposed LLP/CDQ programs involve not only two complicated regulatory proposals linked in one Fishery Management Plan amendment package but also would require the creation of new systems for monitoring and reporting CDQ catches. Accurate accounting of catches by individual vessels is critical to a system that allocates quotas among specific entities. To improve the precision of reported catches, the Alaska Region has been working on a certified scale program that would require weighing harvested fish on shore or at sea. We have enjoyed close cooperation between State of Alaska agencies and the NMFS Alaska Region in developing the certified scale rule. This rule and appropriate changes in our observer program need to be accomplished before the multi-species CDQ program can be implemented. Hence, the proposed certified scale rulemaking and the proposed LLP/CDQ rulemaking are closely linked. In addition, many other implementation details must be carefully developed before the LLP/CDQ proposed rule can be submitted for Secretarial review.

The Magnuson-Stevens Fishery Conservation and Management Act, as amended by the Sustainable Fisheries Act last year, contemplates a CDQ allocation of 3.5 percent of the guideline harvest limit of Bering Sea crab fisheries in 1998. No similar CDQ allocation of the groundfish TAC or implementation year for CDQ groundfish fisheries is stipulated in either Act. I understand that the Council had expressly requested implementation of the full LLP/CDQ proposal in 1998. We intend

THE ASSISTANT ADMINISTRATOR  
 FOR FISHERIES



to process these amendments as quickly as feasible, but, even if approved, implementation of the LLP in 1998 is not possible. The date by which the proposed groundfish portion of the CDQ program could be implemented, if approved, cannot be predicted but probably would be later than January 1, 1998.

If approved this year, the implementation of the crab portion of the proposed CDQ program will be possible early in 1998. Separate implementation of the CDQ crab fisheries would be accomplished by the State of Alaska and, because that part of the whole CDQ proposal is significantly simpler than the CDQ groundfish part, it could be possible to begin it sooner. We will not place the integrity of Bering Sea groundfish fishery resources at increased risk of overfishing due to catch monitoring procedures in which we lack confidence. We must have a system of accurate catch monitoring and accounting, even if it means some delay in the expected social and economic benefits to Western Alaska CDQ communities from the proposed program.

I have watched with interest the development of the Western Alaska CDQ program, and I can assure you that I am very supportive of the goals of the current program. Of paramount importance, however, is our assurance that the LLP/CDQ proposal is consistent with all applicable laws and that it would be implemented without conservation risk. NOAA and NMFS personnel currently are working on these assurances, and, when completed, a notice of proposed regulations will be published and an approval, disapproval or partial approval decision will be made as prescribed by the law.

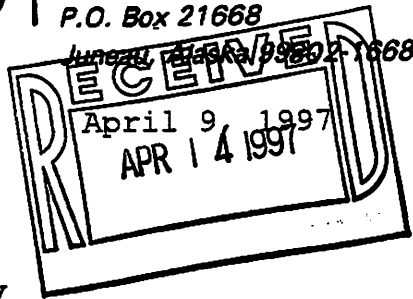
Sincerely,



Rolland A. Schmitt  
Assistant Administrator  
for Fisheries



UNITED STATES DEPARTMENT  
National Oceanic and Atmospheric Administration  
National Marine Fisheries Service  
P.O. Box 21668



Mr. Richard B. Lauber  
Chairman, North Pacific Fishery  
Management Council  
605 W. 4th Avenue  
Anchorage, Alaska 99510

Dear Rick,

When the North Pacific Fishery Management Council (Council) adopted its proposed license limitation program for the Alaska groundfish and crab fisheries, the Council included a provision that NMFS establish a "Skipper Reporting System." The intent of this system is to collect data that may be used for the future analysis and implementation of a limited access program for vessel "skippers." At its December 1996 meeting, the Council requested that a progress report on the development of this system be presented at its April 1997 meeting.

NMFS staff met with staff from the Council and the Alaska Department of Fish and Game (ADF&G) to explore options for the collection of species catch data to document individual "skipper" participation in the groundfish fishery. The design of an appropriate information system depends on how the Council chooses to define the term "skipper" and the level of detail of catch accounting that can reasonably be credited to an individual. Ostensibly, the data collected on "skipper" participation should be sufficiently detailed to support an analysis of an individual fishing quota (IFQ) program as a type of "skipper" limited access program.

A detailed discussion among staff was hampered somewhat by several fundamental issues that will need to be resolved by the Council before staff development of the program is pursued further. Nonetheless, staff made some assumptions about these issues and developed a possible data collection plan for Council consideration. A summary of the staff discussion follows.

Definition of the term "skipper". The definition of the term "skipper" for purposes of the Council will need to be clarified. For example, a "skipper" could be any person with an Alaska State Commercial Fisheries Entry Commission (CFEC) permit who signs an ADF&G fish ticket, any person aboard a fishing vessel with a U.S. Coast Guard fishing master license, or the person aboard a fishing vessel who makes major decisions about fishing operations (vessel operator). Existing Federal or State regulations



(attached) may provide pertinent guidance to the Council during the development of an operational definition of "skipper".

The Council should consider whether a vessel could have more than one person aboard at any time who would be designated as a "skipper" (e.g., the engineer or first mate)? If so, would the catch on board a catcher/processor vessel or catch delivered to a mothership be attributed to a "skipper" on a haul by haul basis? Should guidelines be developed on how catch landed shoreside would be split between more than one "skipper" aboard a vessel? From the perspective of information system design, a new "Skipper Reporting System" would be simplified if the term "skipper" was defined so that, at any time, only one individual aboard a vessel could be designated as the "skipper."

Existing Federal and State reporting programs. The NMFS industry recordkeeping and reporting program was not designed to provide species specific information on a haul by haul or landing basis. Rather, this system was designed to collect aggregate data on species catch information that is submitted weekly by processors to NMFS for purposes of monitoring groundfish quotas. Although vessel operators are required to maintain daily fishing logbooks, logbook data are not entered into a database because of insufficient staff resources and prohibitive costs associated with verifying, keypunching, and maintaining such a large database. Furthermore, catcher vessel logbooks are not required for vessels less than 60 ft length overall, nor do these logbooks collect information on species composition of retained catch. This information is recorded in processor logbooks and reported to NMFS on Weekly Production Reports.

Shoreside landings of catch are recorded on ADF&G fish tickets. The ADF&G fish tickets identify the CFEC permit holder who signed the ticket. Under Alaska State regulations at AS 16.43.140 (see attachment), the permit holder is responsible for the operation of fishing gear, although the permit holder is not always the person responsible for the operation of the vessel ("skipper").

Fish tickets are not required from operations fishing exclusively in federal waters, including catcher/processor vessels or catcher vessels delivering to motherships. ADF&G does record fish ticket data voluntarily submitted by these at-sea operations.

Potential changes to existing reporting programs? ADF&G recommends that the CFEC permit holder be used as the basis to define qualifiers in a future "skipper"-based limited access program because 1) extensive historical records on participation already exist, 2) personal documentation of the permit holders is extensive, and 3) major revisions to the data collection system

are not required to provide these data. "Skippers" of vessels operating in Federal waters off Alaska could continue voluntary submission of ADF&G fish tickets to document individual participation in the groundfish fisheries.

Changes to the Federal and State reporting programs would be required if the Council chose an operational definition of "skipper" different from the CFEC permit holder who signed an ADF&G fish ticket. These changes could be substantive depending on how "skipper" is defined, the level of catch accounting that would be credited to an individual "skipper", and whether or not multiple "skippers" could be aboard a vessel at the same time.

Species composition and amounts on a haul by haul basis are conceptualized as components of the Federal electronic reporting program that will be developed by NMFS over the next 2 years. Any new electronic reporting program that is developed will likely replace the existing logbooks and reporting requirements and would provide the level of catch reporting necessary to support an analysis of an IFQ program.

Initial proposal for collection of "skipper" data. At this time, staff and budget resources will not support substantive changes to the Federal or State recordkeeping and reporting program for the single purpose of collecting data that may or not be used in the development of a future "skipper" limited access program. If the Council wishes to pursue a "skipper" reporting system using other than ADF&G fish ticket data to document participation in a fishery, NMFS would need to remove this element from the Council's proposed vessel license limitation program. This action would allow separate development of a "skipper" reporting system in conjunction with NMFS's initiative to develop an electronic recordkeeping and reporting program.

Sincerely,



Steven Pennoyer  
Administrator, Alaska Region

Attachment

## Attachment

Existing State and Federal operational terms and definitions that could provide guidance to the Council for the development of a definition of "skipper" for purposes of the Council's proposed "Skipper Reporting System."

1. The following is from the CFEC-related Alaska State statutes and highlights that the CFEC permit holder is the person responsible for operating the fishing gear:

AS 16.43.140 Permit Required. (a) After January 1, 1974, a person may not operate gear in the commercial taking of fishery resources without a valid entry permit or a valid interim-use permit issued by the commission.

(b) A permit is not required of a crew member or other person assisting in the operation of a unit of gear engaged in the commercial taking of fishery resources as long as the holder of the entry permit or the interim-use permit for that particular unit of gear is at all times present and actively engaged in the operation of the gear.

2. The following is from the ADF&G-related statutes and refers to the operator of a vessel, rather than the operator of gear:

AS 16.05.940(23) "operator" means the individual by law made responsible for the operation of the vessel.

3. Federal regulations at 50 CFR 600.10 define the "operator" of a vessel as follows:

"Operator, with respect to any vessel, means the master or other individual on board and in charge of that vessel."



# North Pacific Fishery Management Council

Richard B. Lauber, Chairman  
Clarence G. Pautzke, Executive Director

Telephone: (907) 271-2809



605 West 4th Avenue, Suite 306  
Anchorage, AK 99501-2252

Fax: (907) 271-2817

December 19, 1996

Steve Pennoyer, Director  
NMFS, Alaska Region  
P.O. Box 21668  
Juneau, AK 99802-1668

Dear Steve:

At their recent December meeting the Council discussed the issue of a Skipper Licensing Program and determined that some type of skipper reporting system should be implemented to gather necessary data for such a program, consistent with one of the specified provisions of the License Limitation Program (LLP). NMFS and ADF&G representatives agreed to work out necessary changes in data collection and reporting processes to compile this information. We would like to offer our thoughts on what would be needed in order to complete a future analysis of this proposal.

Currently, information on skippers is not specifically collected by ADF&G. Fishtickets identify the Commercial Fisheries Entry Commission's permit holder. This person is often, but not always, the skipper of the vessel. With the current information provided in the fishticket, there is no way to know if the skipper or another member of the crew was the permit holder.

Skipper information from catcher vessels delivering to shoreside processing plants and floating processors operating in State waters would best be collected by ADF&G through the fishticket system. This information might be collected by adding a check box to the fishticket that indicates if the permit holder is also the skipper. If they are different people, the skipper's printed name and SSN could be provided in spaces added to the fishticket. This method of collecting the data would likely be the most accurate because it would link the skipper with specific landings, and knowing how much catch each skipper is credited with may be important for future actions the Council may consider. Changing the fishticket's structure to collect this information will require action by the State legislature.

NMFS requires the skippers to fill out and sign a Federal log book. However, these data are not computerized and not all skippers fishing in the waters off Alaska's coast are required to fill them out. For example, vessels participating in State water fisheries without federal permits and some small vessels. Also, the log books do not identify the skipper other than by signature. Additional information will likely be required for unique identification of the skipper. Computerizing the log book information on skippers would provide the Council with the information they are requesting if the skippers name were printed and a SSN was also collected. The Council's actions have focused on collecting current skipper data, so computerizing historical log books would not be required.

Combining skipper information from updated log books and fishtickets would provide the Council with the data they require. Log books would be used to identify skippers participating in Federal fisheries, and fishtickets would be used for vessels not required to fill out Federal log books and to verify log book data.

Steve Pennoyer  
December 19, 1996  
Page 2

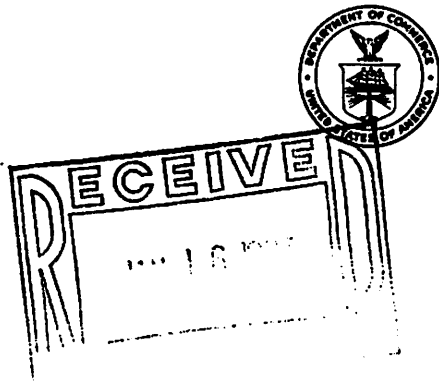
Ideally, such a reporting program would be implemented in 1997, though we realize that may be overly-optimistic. Perhaps we need to look towards 1998, and concurrent implementation with the vessel LLP. Please let us know how we can interact with your staff, ADF&G staff, and perhaps AKFin staff, to accomplish this action.

Sincerely,



Clarence Pautzke  
Executive Director

cc Dave Benton  
Dave Hanson



UNITED STATES DEPARTMENT OF COMMERCE  
National Oceanic and Atmospheric Administration

National Marine Fisheries Service

P.O. Box 21668

Juneau, Alaska 99802-1668

January 7, 1997

Mr. Clarence G. Pautzke  
Executive Director, North Pacific  
Fishery Management Council  
605 West 4th Avenue, Suite 306  
Anchorage, Alaska 99501-2252

Dear Clarence:

Thank you for your recent letter suggesting we combine skipper information from NMFS Federal logbooks and ADF&G fishtickets to provide the Council with a skipper reporting system under the License Limitation Program (LLP). We propose a slightly different solution for identifying skippers through our existing data collection and reporting program.

As you know, the Federal logbook is basically the source document for individual participation in the groundfish fisheries and, as such, remains on site at a facility or onboard a vessel as long as groundfish are present. Any timely information needed from the logbooks is transmitted to NMFS through individual reports, e.g., check-in/check-out reports, weekly production reports (WPRs), etc. This has proven to be an efficient system, and the fishing industry is familiar with it.

We agree that skipper information from catcher vessels delivering to shoreside processor plants and floaters would best be collected by ADF&G through the fishticket system. For processor vessels, we suggest that the revision you propose for the fishticket and Federal logbook could also be provided in information fields added to the WPR, i.e., adding a check box that indicates if the permit holder is also the skipper; if they are different people, the skipper's printed name and SSN could be added. The skipper information could then be transferred from the Federal logbook to a WPR and submitted to NMFS weekly. Since the WPR data are computerized, the data would be available weekly.



The recordkeeping and reporting revisions have been completed for 1997 through technical amendments and a final rule, which will be effective in March 1997. Although the suggested changes are simple, they would require redesign of all logbooks and two WPRs, as well as a regulatory amendment. As a result, the proposed change could not be implemented before 1998.

Sincerely,

A handwritten signature in cursive script that reads "Steve".

Steven Pennoyer  
Administrator, Alaska Region

**IFQ/CDQ FEE COLLECTION PROGRAM**  
Progress Report and Discussion of Issues Raised  
Alaska Region  
National Marine Fisheries Service  
April 1997

This is the second report on the IFQ/CDQ Fee Collection Program currently being developed at the Alaska Region Office for the fisheries operating under the individual fishing quota (IFQ) and community development quota (CDQ) programs. The first report was presented to the Council at its meeting in February 1997.

The IFQ/CDQ Fee Collection Team (Team) met on March 3, 1997, and again on April 7, 1997, to review and discuss preliminary matters concerning the development and operation of a fee collection program for IFQ and CDQ fisheries as required by the Magnuson-Stevens Act (Act). Team members are identified at the end of this report.

1. BACKGROUND

The Magnuson-Stevens Fishery Conservation and Management Act (Act), at section 304(d)(2), requires the Secretary of Commerce to "...collect a fee to recover the actual costs directly related to the management and enforcement of any individual fishing quota program; and community development quota program that allocates a percentage of the total allowable catch of a fishery to such program." Other parts of the law also authorize:

- A Limited Access System Administration Fund into which the IFQ/CDQ fees are to be deposited (sec. 305(h)(5)(B));
- A program, funded by collected fees, to aid the financing of IFQ permits by certain fishermen (sec. 303(d)(4)); and
- A central registry system for limited access system permits (sec. 305(h)).

Specific requirements and limitations of the law were reviewed in the first discussion paper presented to the North Pacific Fishery Management Council at its meeting in February, 1997. The purpose of this paper is to review certain issues raised, but not fully resolved, by the Team, and to present alternatives developed by the Team for analysis. Some of these issues will require interpretation of the statutory language of the Act. These issues are presented here simply as unresolved questions on which NMFS has no formal position. They will be examined in greater depth, however, in the analysis of alternatives.

## 2. MAGNUSON-STEVENSON ACT ISSUES

An initial issue that needs resolution is the "partitioning" of deposits and the priority of disbursements of the Limited Access System Administration Fund (LASAF). The Act does not specifically identify what funds should be used for which programs and the priorities of those programs if the funds in LASAF are insufficient to meet all the stated uses. Section 305(h)(5)(B) establishes:

[I]n the Treasury a Limited Access System Administration Fund. This Fund shall be available, without appropriation or fiscal year limitation, only to the Secretary [of Commerce] for the purposes of--

- (i) administering the central registry system; and
- (ii) administering and implementing this act **in the fishery in which the fees were collected**. Sums in the Fund that are not currently needed for these purposes shall be kept on deposit or invested in obligations of, or guaranteed by, the United States. (emphasis added)

This paragraph provides for a single fund and limits disbursements to administering the central registry system and administering and implementing the Magnuson-Stevens Act **in the fishery in which the fees were collected**. (emphasis added). The preceding paragraph, section 305(h)(5)(A), describes some of the fees that "shall be deposited" in the LASAF, namely, a reasonable fee of not more than one-half of one percent of the value of a limited access system permit (1) upon registration of its title with the central registry and (2) upon transfer of that title.

Other fees that "shall be deposited" in the LASAF are described in section 304(d)(2). Section 304(d)(2)(C)(i) provides:

Fees collected under this paragraph [assumably meaning paragraph (d)(2)] . . . shall be deposited in the Limited Access System Administration Fund established under section 305(h)(5)(B), **except that the portion of any fees reserved under section 303(d)(4)(A) shall be deposited in the Treasury and available, subject to annual appropriations, to cover the costs of new direct loan obligations and new loan guarantee commitments as required by section 504(b)(1) of the Federal Credit Reform Act (2 U.S.C. 661c(b)(1))**. (emphasis added)

The fees collected under section 304(d)(2) are:

[Fees] to recover the actual costs directly related to the management and enforcement of any--

- (i) individual fishing quota program; and
- (ii) community development quota program that allocates a percentage of the total allowable catch of a fishery to such program.

Also, "[fees provided for in paragraph (d)(2)] shall not exceed 3 percent of the ex-vessel value of fish harvested."

Finally, section 303(d)(4)(A) provides that:

A Council may submit, and the Secretary may approve and implement, a program that reserves up to 25 percent of any fees collected from a fishery under section 304(d)(2) to be used . . . to issue obligations that aid in the financing the--

- (i) purchase of individual fishing quotas in that fishery by fishermen who fish from small vessels; and
- (ii) first-time purchase of individual fishing quota in that fishery by entry level fishermen.

As for disbursements, section 304(d)(2)(C)(ii) provides:

Upon application by a State, the Secretary shall transfer to such state up to 33 percent of any fee collected pursuant to subparagraph (A) ***under a community development program*** and deposited in the Limited Access System Administration Fund in order to reimburse such state for actual costs directly incurred in the management and enforcement of such program.  
(emphasis added)

Also, section 305(i)(3) provides:

The Secretary shall deduct from any fees collected from a community development quota program under section 304(d)(2) the costs incurred by participants in the program for observer and reporting requirements which are in addition to observer and reporting requirements of other participants in the fishery in which the allocation to such program has been made.

As the foregoing illustrates, several income sources for LASAF, and several targets for disbursements, are identified. Some of the income sources, such as fees from section 304(d)(2), are reduced prior to depositing in LASAF. These reductions are either reimbursed to the payer for costs incurred for observer.

and reporting requirements that are more than required of others in the same fishery, as in the case of community development program participants, or they are directly deposited in the Treasury and subject to annual appropriations, as in the case of fees (up to 25 percent of the total) reserved under section 303(d)(4)(A) and that are collected under section 304(d)(2).

Several issues regarding income sources and priorities must be clarified before a fee collection program can be established. First, should the up to 25 percent of the total fees that is reserved, i.e., funds not in the LASAF and subject to appropriation, be based on fees collected from IFQ program(s) exclusively, or from IFQ and CDQ program(s) collectively? A Guide to the Sustainable Fisheries Act (February 1997), prepared by NOAA GC, indicates that the wording in the Act says that the program would use the full amount of fees authorized under section 303(d)(4), which provides that up to 25 percent of **any fees collected from a fishery under section 304(d)(2) may be used to issue obligations.** (emphasis added) Section 304(d)(2) authorizes the collection of fees from any IFQ program and any CDQ program based on a percentage of TAC. The Guide further indicates, however, that despite the wording of the Act, the Senate report indicates Congress intended that the North Pacific IFQ loan guarantee program would be financed from fees collected from the IFQ fishery and not from the CDQ fishery.

Second, can the money deposited in LASAF be partitioned for specific purposes? This issue is extremely relevant to the priority of disbursements. Establishing a priority for disbursements might prove to be critical to program design and accounting if, for example, fees collected from a fishery are to benefit only qualifying participants in that fishery. Further need for partitioning is indicated by section 304(d)(2)(C)(ii), which requires the Secretary to transfer to a State up to 33 percent of any fee **collected . . . under a community development program.** (emphasis added) A method to account for, or partition, the money will be necessary to ensure that only fees collected under a CDQ program are reimbursed.

A related issue is whether central registry fees should be commingled with IFQ/CDQ fees. Should the one-half of one percent fee collected under the central registry be held separate from the three percent fee collected from IFQ/CDQ participants? Or, should all the fees (excluding those used to guarantee loans) be deposited together into LASAF and used to administer the central registry system and the Act in the fishery in which the fees were collected?



3. DETERMINATION OF "ACTUAL COSTS DIRECTLY RELATED TO THE MANAGEMENT AND ENFORCEMENT OF ANY IFO AND CDO PROGRAM."

Very rough estimates of IFQ/CDQ costs have already been determined for the Restricted Access Management Division and NMFS Enforcement. These estimates need to be further refined. Costs related to management and enforcement of IFQ/CDQ programs must be calculated also for other Alaska Region divisions and NOAA General Council and for the State of Alaska. An important consideration is what to include as costs. For example, enforcement personnel that are needed but not actually hired due to staffing limitations, hardware and support, planning and developing the program, are costs but are they "directly related"?

4. DETERMINATION OF EX-VESSEL VALUE.

Several suggestions were made concerning the determination of ex-vessel value. For example, the ex-vessel values estimates developed for the Research Plan can be updated and used. Another alternative is to use the same values used by the State of Alaska, Department of Revenue for "landings" tax collection. Landed value for purposes of Alaska's tax collection is based on an annual report required of commercial operators. From these reports, the State annually publishes a list of average fish prices statewide on which taxes for the previous year's landings are calculated. Fish prices on fish tickets are not used because State law does not require price data on fish tickets (except for salmon). The State of California also taxes commercial fish landings based on a schedule of fish values established by the legislature. In general, using annually determined ex-vessel prices would be easier than using the reported prices at time of landing. This approach, however, was contested during Research Plan development by the affected fishermen and processors. The Team will investigate further into different methods of determining ex-vessel values.

An alternative suggested for the CDQ program was to use the revenues reported in the community development plans for fee collection purposes. This would alleviate some of difficulties in determining ex-vessel value for CDQ fish, which may or may not be sold on the open market.

5. HOW SHOULD FEES BE COLLECTED?

The Act provides at section 304 (d) (2) (B) that:

[Fees] shall be collected at either the time of the landing, filing of a landing report, or sale of such

fish during the fishing season or in the last quarter of the calendar year in which the fish is harvested.

This language gives the agency little discretion on how and when to collect the fees. The general consensus of the Team was that it is better to collect from as few entities as possible. This can be easily achieved for the CDQ program because there are relatively few CDQ group entities from which to collect. Conversely, the IFQ program has numerous participants (over 5000). Given the number of participants, an annual collection would be a daunting task; collecting at the time of landing or sale could be more difficult. The number of entities from which to collect could be reduced by collecting from registered buyers (over 500). Some resistance to the Research Plan resulted from the collection method, i.e., using processors to collect the fee. Because registered buyers are typically processors, we may expect some opposition to this method of collection. The agency will weigh the pros and cons of collecting from processors vs. collecting from fishermen.

Another consideration for fee collection is whether billing statements should be generated. Billing statements could be a marginal convenience to participants, who would otherwise be required to account for their own landings or sales. Billing statements could be done annually (last quarter of calendar year) or connected with a landing report at multiple times throughout the year, e.g., send bill with a landing report to the participant, who must verify the information on the report, sign the report, and file it. Alternatively, collection could be made at the time of sale. This collection could be held by the registered buyer until such time as it has to be submitted to the agency, e.g., weekly, monthly, quarterly, or annually. For example, without being prompted by a billing statement, a registered buyer may be required to file a return, similar to a personal income tax return, at the end of each fishing year paying the fees collected on IFQ landings during that year.

#### 6. DETERMINING COSTS THAT SHOULD BE DEDUCTED FROM CDO FEES.

The Act provides in section 305(i)(3) that:

The Secretary shall deduct from any fees collected from a community development quota program . . . the costs incurred by participants in the program for observer and reporting requirements *which are in addition to* observer and reporting requirements of other participants in the fishery in which the allocation to such program has been made. (emphasis added)



-- Required submission (e.g. tax return)

When to pay: -- At time of landing  
-- Monthly  
-- Quarterly  
-- Annually (in last quarter)

How much to pay--determining the basis for the fee:  
-- Calculate average exvessel prices; published annually  
-- Require reporting of exvessel value at time of landing  
(for catcher vessels; C/Ps would have to use standard price estimates)

9. TEAM MEMBERS

Alaska Region, Fisheries Management Division:  
Jay Ginter (Chair), John Lepore, Sally Bibb, Kim Rivera;  
Alaska Region, Restricted Access Management Division:  
Phil Smith, Jessica Gharrett, Tracy Buck;  
Alaska Fisheries Science Center:  
Joe Terry;  
North Pacific Fishery Management Council staff:  
Chris Oliver;  
Alaska Department of Fish and Game:  
Seth Macinko;  
Alaska Department of Community and Regional Affairs:  
Julie Anderson; and  
NOAA General Counsel:  
Connie Sathre

Date: April 17, 1997

To: Rick Lauber, Chairman  
North Pacific Fisheries Management Council

From: Gordon Blue

Re: Report to the Council on activities pertaining to a crab permit buy back program under LLP.

Agenda Item: C4 (c) Buyback program: Industry report.

The CRAB Group met yesterday in Anchorage to compile a report on our activities since the last Council meeting. None of the members of the work group, will be able to remain in Anchorage beyond today, because of the press of business. It seems likely that other issues will delay the scheduled time of this item, therefore I submit this memo and attachments as accompaniment to verbal testimony, or in lieu of such, as circumstance dictates.

Since the last Council meeting, the CRAB Group was incorporated under Alaska statute. We have taken, or initiated, the following actions:

- An initial board of directors has been formed, and three additional board positions remain to be filled. We are asking that any BSAI crab vessel owner that may be interested in serving in one of these positions contact us. Point of contact is Gordon Blue at (907) 747-7967. It is our intent to provide as broad representation within this industry segment as possible for this board.
- A library of material about the development and accomplishment of buy back programs in other fisheries is being compiled. Copies of any such material are being solicited. A number of individuals involved in this sort of program have been contacted and this network continues to grow.
- A mailing list has been compiled. This list resulted from sorting Alaska Commercial Fisheries Entry Commission records of vessel registrations in such fashion as to include all those owners of vessels which held registrations in those years which define qualification under the LLP as the Council has defined qualification. The data was compiled using the most recent available mailing address of record for those owners.
- The McDowell Group of Juneau was retained to conduct a survey of the vessel owners as identified. A survey questionnaire was prepared and mailed to the owners of record on April 11. Information from the survey will be compiled in time for a report to the Council at the June meeting.

The provisions in Magnuson - Stevens for an industry funded buy back program require a referendum of the affected fisheries participants. This sort of comprehensive and direct democratic approach is somewhat novel in the council process, and a survey may produce information that will assist in the approach. During discussions with people in the industry that have frameworked our activities, two questions about potential Council actions have repeatedly arisen.

These are: Why doesn't the Council limit the number of licenses issued initially under LLP through some sort of recent participation requirement?

And: Will the Council make it possible for a buy back of crab fishing rights from a vessel, without also having to purchase the groundfish rights? ( and vice-versa)

April 10, 1997

Dear Fellow Vessel Owner:

As many of us are aware, the Bering Sea and Aleutian Islands crab fisheries could now be categorized as "overcapitalized or depressed" due to the low abundance of stocks, low ex-vessel prices occasioned by poor market conditions, and the large number of participants in these fisheries. Most of us saw revenues decline in 1996, to one-half of the five year average. One remedy for this situation was proposed by the United Fishermen's Marketing Association of Kodiak, several years ago. This was the idea of a buy back program for crab fishery permits. This proved to be an idea ahead of its time, as no basis in law for such a program in the BSAI crab fisheries could be found. The Magnuson-Stevens Fishery Conservation Management Act, however, contains explicit authorization for fishing capacity reduction programs, including the possibilities of Federal funding and a mechanism for industry self funding through an assessment of up to 5% (or less) of vessel revenue.

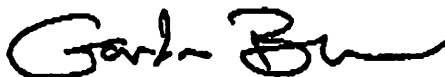
This opportunity has occasioned a fresh look at the possibility of such a program for the crab fisheries in the BSAI. Such a program could provide a fair solution to the problem of overcapitalization for both those choosing to sell permits, and those choosing to keep them. A buy back program could reduce the number of permits to be issued under the pending License Limitation Plan, which has been authorized by the North Pacific Fisheries Management Council, by at least a hundred or more. A buy back program could allow a vessel owner to sell crab permits for immediate financial gain, or to keep these permits. A properly structured buy back could allow increased returns to those choosing to remain in the fisheries because the number of vessels remaining would be reduced. A properly structured buy back could amortize the cost of reducing the number of permits in fisheries over a long enough time period that the burden of retiring those permits could be borne by those choosing to remain. Finally, a buy back program could provide the stability necessary to allow long-term management perspectives to bear fruit - enhancing the ability of new participants coming up through the fishery to find financing for crab fishing operations, and providing for the orderly transfer of participation in healthy fisheries to the next generation.

The interest generated by this fresh look at a buy back program has resulted in the creation of an Alaska Non-Profit Corporation, the Capacity Reduction And Buyback (or CRAB) group. This is an organization of crab vessel owners; our workgroup and our officers are also vessel owners. The sole purpose of our group is to create a program that will generate benefit to all of the vessels that will be licensed under the License Limitation Plan. If you are interested in being a part of our industry group and in helping to develop solutions to our industry's problem of overcapitalization, please contact one of the members of the workgroup listed below.

In order to estimate the support such a program might have among vessel owners, to gauge the numbers of those willing to sell or to hold permits in a buy back, and to help to structure such a program, we would appreciate you taking a few minutes to complete the survey (attached) and to mail or FAX it back to the McDowell Group, in Juneau. This independent consulting and research firm is well-respected for their ability to manage surveys confidentially and competently. The McDowell Group will tally the results of the survey and report (in grand totals only, and without individual responses identified to the respondents) to the Capacity Reduction And Buyback Group.

Sincerely,

*Workgroup Members:*



Gordon Blue  
Workgroup Coordinator  
F/V Ocean Cape  
(907) 747-7967

Bill Jacobson  
Spike Jones  
Richard Powell  
David Wilson

F/V Silver Spray (907) 486-4552  
F/V Guardian (541) 563-4321  
F/V Patricia Lee (907) 486-4250  
F/V Destination (907) 383-3755

# Bering Sea/Aleutian Islands Crab Fisheries Survey For: North Pacific Fishing Management Council License Limitation and Buy Back Program

Please take a moment to read the cover letter attached to this survey. The information requested will be handled as CONFIDENTIAL and will be reported in group totals only. No individual responses will be reported. Once you have completed the survey, please return it in the envelope provided. If you wish, you may FAX your survey back to the McDowell Group at (907) 586-2673. The McDowell Group is an independent Alaska research firm which has conducted numerous fishing industry reports for both government and private industry.

This survey is being used solely to gather opinions on important issues affecting your industry. Any referendum or ballot will be mailed separately.

If you have questions regarding content or purpose of the survey, please direct inquiries to: Gordon Blue at (907) 747-7967.

## General Information:

1. How many vessels do you operate in the Bering Sea/Aleutian Islands crab fisheries?
 

<input type="checkbox"/> One	<input type="checkbox"/> Three	<input type="checkbox"/> NONE (Please read remainder of survey and answer any questions that apply.)
<input type="checkbox"/> Two	<input type="checkbox"/> Four or more	
  
2. How long have you been a crab vessel owner in the Bering Sea/Aleutian Islands crab fisheries?
 

<input type="checkbox"/> 01 Prior to 1985	<input type="checkbox"/> 04 Since 1988	<input type="checkbox"/> 07 Since 1991	<input type="checkbox"/> 10 Since 1994
<input type="checkbox"/> 02 Since 1986	<input type="checkbox"/> 05 Since 1989	<input type="checkbox"/> 08 Since 1992	<input type="checkbox"/> 11 Since 1995
<input type="checkbox"/> 03 Since 1987	<input type="checkbox"/> 06 Since 1990	<input type="checkbox"/> 09 Since 1993	<input type="checkbox"/> 12 Since 1996
  
3. How are your vessels used, are they used as catcher vessels or catcher processor vessels?
 

Please indicate number of vessels in each classification.

<input type="checkbox"/> A Catcher Vessel(s)	<input type="checkbox"/> 1 One	<input type="checkbox"/> 2 Two	<input type="checkbox"/> 3 Three	<input type="checkbox"/> 4 Four or more
<input type="checkbox"/> B Catcher/Processor Vessel(s)	<input type="checkbox"/> 1 One	<input type="checkbox"/> 2 Two	<input type="checkbox"/> 3 Three	<input type="checkbox"/> 4 Four or more
  
4. What is your vessel length (LOA)?  
(If you have more than one vessel, please indicate the number of vessels following your response below.)
 

<input type="checkbox"/> 1 Less than 90 feet _____ # of boats	<input type="checkbox"/> 3 126 feet and over _____ # of boats
<input type="checkbox"/> 2 91 to less than 126 feet _____ # of boats	<input type="checkbox"/> 4 No longer own a vessel
  
5. In which years did you participate in the Bering Sea Tanner Crab fisheries? (please check all that apply)
 

<input type="checkbox"/> 01 Prior to 1985	<input type="checkbox"/> 02 1986	<input type="checkbox"/> 05 1989	<input type="checkbox"/> 08 1992	<input type="checkbox"/> 11 1995
	<input type="checkbox"/> 03 1987	<input type="checkbox"/> 06 1990	<input type="checkbox"/> 09 1993	<input type="checkbox"/> 12 1996
	<input type="checkbox"/> 04 1988	<input type="checkbox"/> 07 1991	<input type="checkbox"/> 10 1994	<input type="checkbox"/> 13 1997
  
6. In which years did you participate in the Bristol Bay King Crab fishery? (please check all that apply)
 

<input type="checkbox"/> 01 Prior to 1985	<input type="checkbox"/> 03 1987	<input type="checkbox"/> 05 1989	<input type="checkbox"/> 07 1991	<input type="checkbox"/> 09 1993
<input type="checkbox"/> 02 1986	<input type="checkbox"/> 04 1988	<input type="checkbox"/> 06 1990	<input type="checkbox"/> 08 1992	<input type="checkbox"/> 10 1996

7. If you have not participated in the Bering Sea/Aleutian Islands crab fisheries in recent years, please briefly explain why, or check the appropriate response below.

- Other Fisheries     Medical Reasons     Vessel Lost or Damaged  
 Sold Vessel(s)     Financial Reasons     Other reason: \_\_\_\_\_

8. What source of information do you use most often to learn about changes in the industry, laws or regulations that may effect you and your vessel(s)?

- Fishing Magazines     Crab Buyers     Newspaper  
 Trade Association     Friends/Family     Other sources: \_\_\_\_\_  
 NPFMC Newsletters     Television/Radio     Other sources: \_\_\_\_\_

9. What percent of your 1994 income was earned from Bering Sea/Aleutian Islands (BS/AI) Crab fisheries?

- 0 to 10%     26% to 50%     76% to 100%  
 11% to 25%     51% to 75%     Not Sure

10. What percent of your 1995 income was earned from BS/AI Crab fisheries?

- 0 to 10%     26% to 50%     76% to 100%  
 11% to 25%     51% to 75%     Not Sure

11. What percent of your 1996 income was earned from BS/AI Crab fisheries?

- 0 to 10%     26% to 50%     76% to 100%  
 11% to 25%     51% to 75%     Not Sure

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### **Issues and Opinions**

The proposed buy back program could reduce the number of permits by at least 100 or more, it could increase profits and crab harvest for those who do not opt for a buy back of their permit(s).

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12. Are you aware of the limited entry program for King and Tanner crab fisheries?

- Yes     No     Don't Know/Not Sure

13. Will your vessel qualify under the limited entry program for BS/AI crab?

- Yes     No     Don't Know/Not Sure

14. Will your vessel qualify under the limited entry program for BS/AI groundfish?

- Yes     No     Don't Know/Not Sure

15. How important do you feel it is to reduce the size of the crab fleet?

- Very Important  
 Important  
 Not Important  
 Not at all Important

15A. Why, \_\_\_\_\_  
not important? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



16. How likely are you to sell your permits(s) if a buy back program were offered?

- 1  Very Likely                      3  Not Likely
- 2  Likely                                4  Not at all Likely

17. In your opinion, should permits that have been recently fished be valued higher than those permits which have not been used?

- 1  Yes, recently used permits should be valued higher than those not used in past years.
- 2  No, all permits should be valued equally whether they have been used recently or not.
- 3  Don't Know/Not Sure

18. If you were interested in selling your permit(s), what would be a fair price for your complete package of BSAI Crab License Limitation Permit(s) for each vessel?

- 01  \$0,000-99,000      04  \$300,000-399,000      07  \$600,000-699,000      10  \$900,000-999,000
- 02  \$100,000-199,000      05  \$400,000-499,000      08  \$700,000-799,000      11  \$1,000,000 or over
- 03  \$200,00-299,000      06  \$500,00-599,000      09  \$800,000-899,000

19. What percent of your crab fisheries gross stock would you be willing to pay for an annual assessment to help fund the industry share of the buy back program?

- 1  One percent                      2  Two percent                      3  Three percent
- 4  Four percent                      5  Five percent                      6  None

Please add any comments, opinions or suggestions regarding the survey and/or buy back program in the space below.  
 (Also, please feel free to attach letters or other pertinent information.)

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**Thank you for participating in this**  
**important project.**

**Please FAX or mail your survey in the envelope provided to the McDowell Group by April 30.**

***McDowell Group, Inc.***

416 Harris St., Suite #301  
 P. O. Box 21009  
 Juneau, Alaska 99801  
 Attn: Patty Rome, Survey Manager  
 Phone (907) 586-6133  
 FAX (907) 586-2673

**Change of Address Notification**

If your address has changed, please enter your correct address below.

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Phone: \_\_\_\_\_  
 FAX: \_\_\_\_\_