

## Expanded Discussion Paper: IFQ Access Opportunities (March 12, 2021)<sup>1</sup>

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### 1 Introduction

At the June 2019 meeting, the Council reviewed a discussion paper entitled “IFQ Access Opportunities: Global Examples.”<sup>2</sup> The Council requested that discussion paper in June 2018, after receiving a presentation titled “Turning the Tide: Addressing the Graying of the Fleet and Loss of Rural Fisheries Access in Alaska” by Dr. Courtney Carothers and Dr. Rachel Donkersloot. The presentation was based on a research report (Cullenberg et al. 2017) that outlined “barriers to entry for the next generation of fishermen” and provided some examples of fisheries management programs with specific provisions designed to facilitate participation by “small-scale fishermen, rural communities, indigenous peoples, and youth and future generations.” In response to this report, information from the IFQ Program Review and public testimony regarding access challenges in the IFQ Program, the Council requested a discussion paper to review global examples of programs that facilitate access opportunities for rural communities and new entrants within limited access fisheries and how these programs may apply to the Halibut and Sablefish IFQ Program.

The June 2019 discussion paper (IFQ Access Opportunities: Global Examples) provided a brief background on the tradeoffs of limiting access in fisheries, existing provisions in the IFQ Program designed to facilitate access to specific users, and highlighted access challenges in the IFQ program. The document also summarized the characteristics and intent of other programs in the US and other countries designed to facilitate access; noting different target populations and mechanisms employed. This review of access programs identified multiple target populations which would benefit from programs to support or improve fisheries access: young people, small-scale fishermen, indigenous populations and rural communities, low income and disenfranchised populations. It also classified specific mechanisms used to improve access opportunities into nine categories: 1) separate allocation- a distinct quota pool that is allocated for the target population, 2) different criteria/rules- specific regulatory provisions that apply to the target population, 3) opportunity to buy in- special opportunities allowing target populations to

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<sup>2</sup>D5 IFQ Access Opportunities-Global Examples- Discussion Paper, June 2019 Council Meeting  
<https://meetings.npfmc.org/Meeting/Details/763>

purchase quota, 4) permit bank-a subset of quota managed by a government agency or non-governmental organization that offers quota to specific target populations below market rates, 5) open access- a subset of an otherwise limited access fishery that is maintained as open access for a target population, 6) technical assistance- usually in the form of business planning or financial management, 7) educational support- providing knowledge and skills to participate in fisheries and fisheries management processes and run successful businesses, 8) financial support- direct financial assistance or access to subsidized loan programs, and 9) direct marketing- allowing target populations to receive premium prices on their product. (See June 2019 discussion paper, particularly Table 1 for more information on the access programs reviewed).

After reviewing these global examples of fishery access programs, the Council requested an expanded discussion paper focused on creating an access pool of halibut and sablefish quota share that facilitates entry level opportunities for crew and owner-operators.<sup>3</sup> The access pool would target entry level fishermen defined as those owning less than 5,000 pounds of combined QS in 2019 values. Participation in the access pool would be temporary, access pool QS units could not be sold, and would be subject to observer and cost recovery fees. The Council motion identifies two potential sources of QS for the access pool: 1) newly created QS units equal to 1% of 2019 QS for halibut and sablefish in all IFQ areas, 2) a deduction of 0.5% or 1% on all QS transfers. The motion also specifies that some type of entity such as a Regional Fishery Association or other existing or newly formed regional association would receive and distribute the access pool allocation based on criteria established by the entity and approved by the Council.

This expanded discussion paper outlines the existing decision points and design questions for a quota access pool as well as potential implications of different design strategies. This paper was originally scheduled to be reviewed at the April 2020 Council meeting which was cancelled due to the Coronavirus pandemic. The motion specifically refers to 2019 QS values, however, because the paper is now being reviewed after the completion of the 2020 IFQ fishing season, 2020 data have been added where relevant.

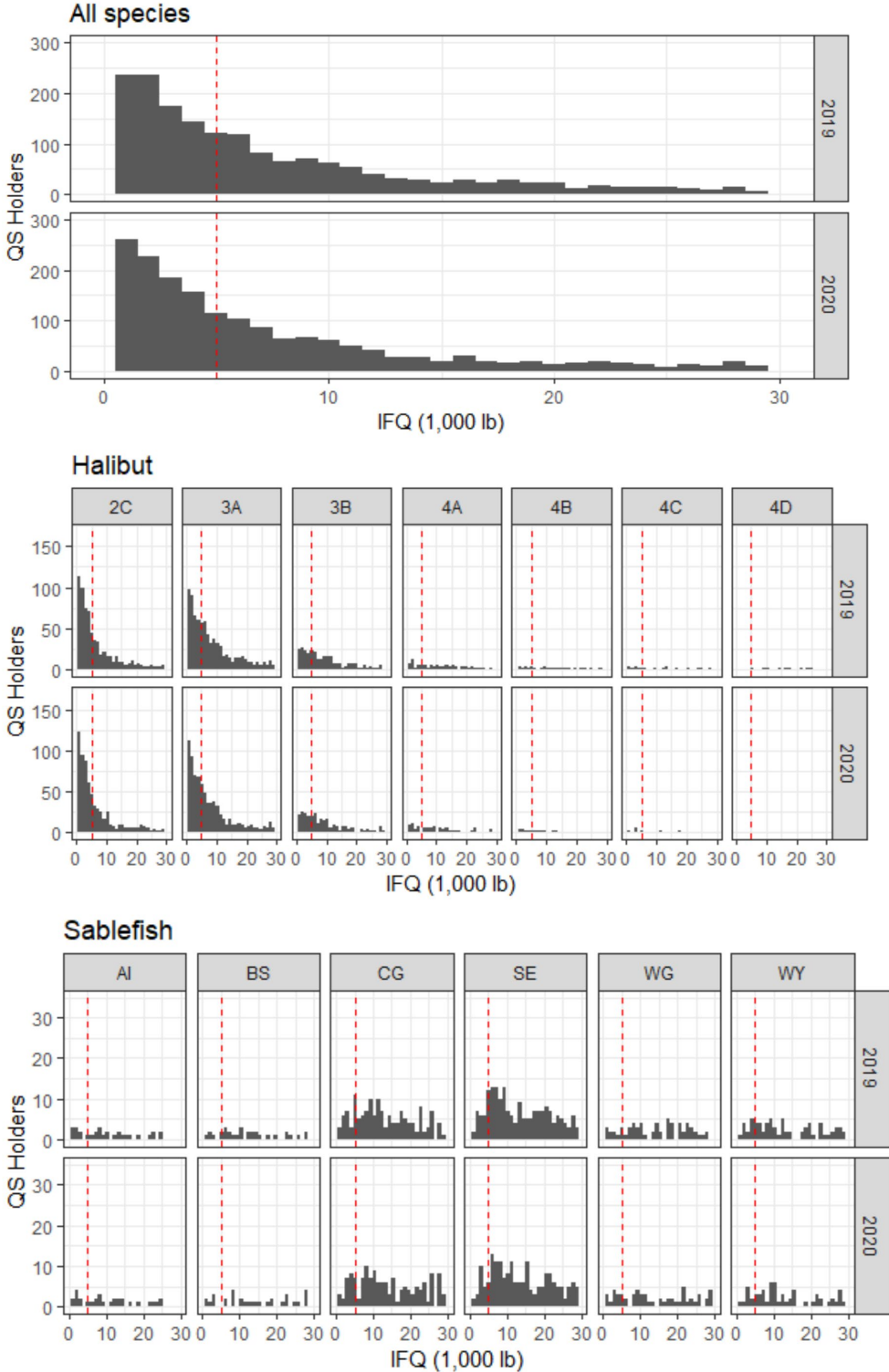
## **2 Target Population: Entry Level Fishermen**

### **2.1 Current distribution of IFQ program participant QS holdings**

The distribution of overall QS holdings is skewed such that there are numerous holders of QS representing small amounts of IFQ pounds and fewer holders of larger amounts of IFQ. The total combined holdings in IFQ pounds of holders who participate in halibut areas 2C, 3A and, to a lesser degree 3B follow a similar skewed distribution, while participants in other halibut areas and sablefish have a more random distribution of total combined IFQ pounds of QS holdings. Figure 1 shows the distribution of QS holders' holdings in pounds of IFQ in 2019 and 2020 for all species combined and by halibut and sablefish regulatory area(s) in which they participate. Participants who hold QS in multiple species and/or regulatory areas are represented by the same total amount of combined IFQ pounds in each applicable panel in the figure. For example, a fisherman who holds QS valued at 1,000 pounds of IFQ in area 2C and 2,000 pounds of IFQ in area 3A and 1,000 pounds of IFQ in sablefish area SE is represented as 4,000 pound in each panel. Note that the x-axis in Figure 1 ends at 30,000 pounds of IFQ although there were six participants in 2019 and 17 in 2020 who held greater than 30,000 pounds of IFQ.

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<sup>3</sup> <https://meetings.npfmc.org/CommentReview/DownloadFile?p=b4f07aff-7f08-405d-a2a8-047fec26e485.pdf&fileName=D5%20MOTION.pdf>



**Figure 1.** Distribution of QS holders' total holdings in pounds of IFQ in 2019 and 2020 for all species combined and by halibut and sablefish regulatory area(s) in which they participate. Participants are represented in each applicable panel by the same total combined value of QS held. Note that x-axis ends at 30,000 pounds although a small number of participants hold QS equal to a greater amount of IFQ pounds. The red dashed line represents the Council's proposed 5,000 pound threshold.

Table 1 shows the median, average and standard deviation of total combined IFQ pounds by participants in each regulatory area and fishery. This table displays the same underlying data as Figure 1, therefore participants who hold QS in multiple areas are represented in each area with the same total amount of IFQ pounds. These data show that when including an individual’s IFQ from every area they participate in there is a relative difference in median and average IFQ pounds by area. For participants in the halibut fishery, those in area 2C have the lowest median and average amount of total combined IFQ pounds, followed by areas 3A, 3B, and 4A. Participants in area 4B, 4C and particularly 4D have much larger average total overall holdings in IFQ pounds. For sablefish participants, those in the SE area have the lowest average total IFQ pounds, followed by the CG. It is important to note that these data include all vessel categories (including A shares) and may exhibit different trends if broken down further. The Council motion does not specify any particular treatment of vessel share categories, however the Council may wish to consider the applicability of eligibility thresholds with respect to share types, if they move forward with an access pool. Traditionally class A shares have been omitted from protection provisions of various sorts.

**Table 1. Summary of QS holders total IFQ pounds in 2019 and 2020 by each regulatory area and fishery in which they participate.**

Species	Area	Total combined 2019 IFQ			Total combined 2020 IFQ		
		median	average	st dev	median	average	st dev
<b>Halibut</b>	2C	3,816	15,431	36,043	3,598	17,132	42,198
	3A	6,462	24,103	48,212	5,852	26,117	55,118
	3B	10,070	38,914	67,536	9,816	42,593	77,352
	4A	15,522	51,095	77,161	13,991	52,290	83,578
	4B	26,515	82,828	104,296	29,318	88,009	115,840
	4C	22,517	60,924	85,564	19,385	59,883	86,737
	4D	84,929	125,099	103,979	78,378	126,957	115,592
	All Areas	4,145	16,271	38,690	3,846	17,522	43,922
<b>Sablefish</b>	AI	78,494	103,603	103,354	72,262	109,856	115,731
	BS	41,940	79,871	93,299	40,137	87,228	104,426
	CG	29,546	62,710	76,910	31,374	70,715	88,669
	SE	21,945	43,442	58,490	23,941	49,140	67,635
	WG	37,663	82,602	93,035	36,173	92,263	107,458
	WY	46,259	78,993	83,912	56,012	91,929	97,911
	All Areas	19,867	43,303	61,391	22,034	48,690	70,050
<b>All</b>		4,408	16,929	39,299	4,123	18,472	44,861

## 2.2 Defining “entry level” participation

The Council motion identifies entry level crew and owner-operators as the target population for the access pool, defining entry level as IFQ participants owning less than 5,000 pound of combined halibut and sablefish IFQ in all areas based on 2019 quota share holdings.

According to this definition, in 2019, 1,363 QS holders, or 53% of current QS holders would be eligible for this pool, representing 5% of 2019 IFQ (Table 2). Using 2020 data, the number of eligible QS holders increases to 1,405 or 54% of holders, but still represent 5% of 2020 IFQ. Table 2 displays the number and

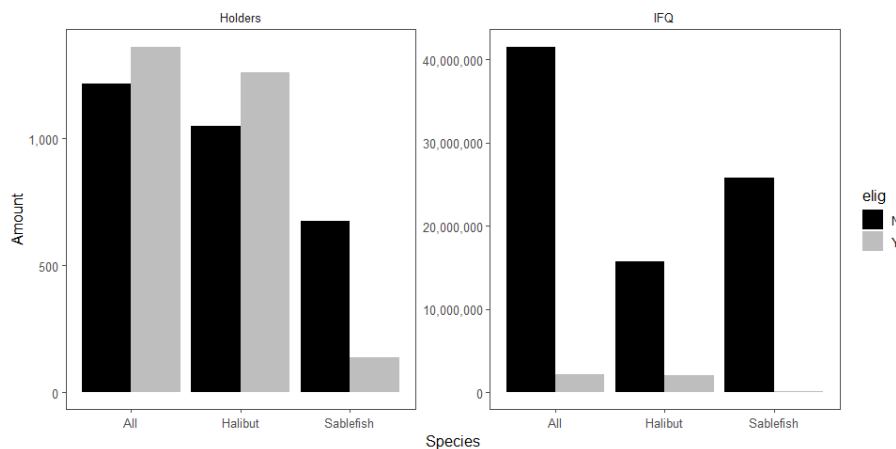
percent of current QS holders and IFQ TAC represented by those who would be eligible under this definition as well as under thresholds of 1,000; 2,500; 7,500; 10,000; 25,000 and 50,000 pounds of combined IFQ based on 2019 and 2020 holdings and applicable year's QS:IFQ ratios. Minimal differences in eligibility result from calculating the threshold based on 2019 or 2020 quota share holdings and IFQ values. Eligibility in Table 2 is based on combined sablefish and halibut IFQ for every row, however the QS holders and IFQ held is based on the species as listed in the table. For example, an individual holding 4,000 pounds of halibut IFQ and 999 pounds of sablefish IFQ is listed in the eligibility threshold rows of 5,000 pound and above for each species category, and 4,999 pound of IFQ is included in the applicable all species IFQ cells, but only 4,000 pound of IFQ is included in the halibut cells and 999 pound of IFQ is included in the sablefish cells.

**Table 2. Potential eligible access pool recipients under different eligibility thresholds.**

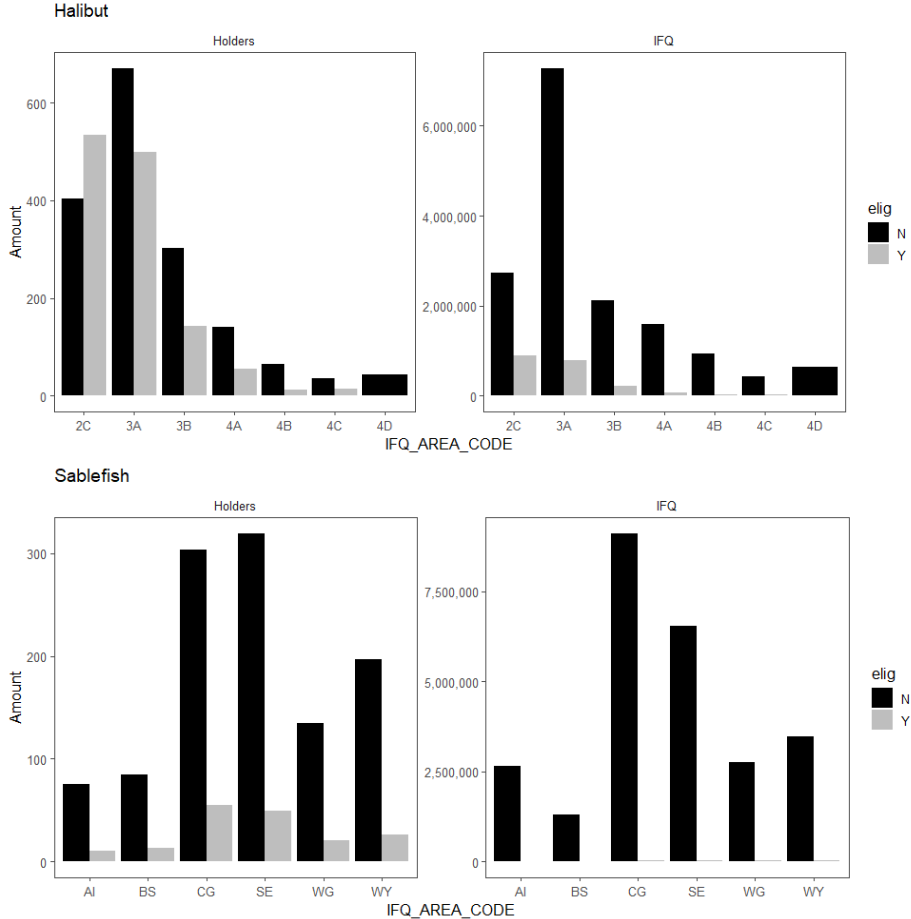
Species	Eligibility threshold (total pound combined IFQ)	2019				2020			
		QS holders		IFQ held		QS holders		IFQ held	
		number	percent	pound (1,000)	percent	number	percent	pound (1,000)	percent
All	1,000	635	25%	155	0%	652	25%	161	0%
	2,500	990	38%	770	2%	1,010	39%	765	2%
	5,000	1,363	53%	2,135	5%	1,405	54%	2,203	5%
	7,500	1,634	63%	3,786	9%	1,650	64%	3,704	8%
	10,000	1,799	70%	5,224	12%	1,818	70%	5,175	11%
	25,000	2,199	85%	11,556	26%	2,175	84%	10,804	23%
	50,000	2,370	92%	17,608	40%	2,356	91%	17,199	36%
	Total	2,580	100%	43,678	100%	2,587	100%	47,788	100%
Halibut	1,000	483	22%	146	1%	498	22%	152	1%
	2,500	822	37%	728	4%	848	38%	739	5%
	5,000	1,176	53%	2,002	11%	1,218	55%	2,064	13%
	7,500	1,416	64%	3,397	19%	1,437	65%	3,343	21%
	10,000	1,559	70%	4,501	25%	1,586	71%	4,508	28%
	25,000	1,903	85%	8,498	48%	1,883	85%	7,743	48%
	50,000	2,049	92%	11,059	62%	2,029	91%	10,154	63%
	Total	2,226	100%	17,710	100%	2,222	100%	16,079	100%
Sablefish	1,000	75	9%	9	0%	74	9%	9	0%
	2,500	97	12%	42	0%	88	11%	26	0%
	5,000	136	17%	133	1%	136	17%	139	0%
	7,500	198	24%	388	1%	184	22%	361	1%
	10,000	259	32%	723	3%	240	29%	668	2%
	25,000	471	58%	3,057	12%	446	54%	3,061	10%
	50,000	611	75%	6,549	25%	595	73%	7,045	22%
	Total	812	100%	25,968	100%	820	100%	31,709	100%

Aside from current QS holders, in 2019 and 2020 there were an additional 2,765 and 2,835 IFQ crewmembers<sup>4</sup> respectively who do not currently hold any QS. These crewmembers are defined as individual US citizens who: were not initially issued QS; have demonstrated 150 days US commercial fishery harvesting experience; and who have been issued a Transfer Eligibility Certificate (TEC). This number, combined with the number of QS holders under the program eligibility threshold, represents the largest possible number of eligible applicants at this time. However, the number of crewmembers who actively participate in IFQ fisheries and would be interested in an access pool is unknown because crew participation in the IFQ fisheries is not tracked. The number of current TEC holders who do not own QS could represent an overestimate of the actual number of interested and eligible participants given that some of those crewmembers who are eligible to hold QS may no longer be active in the IFQ fisheries or uninterested in holding QS. Alternatively, it could represent a low estimate if an access pool creates an incentive to apply for a TEC for those who have participated as crew in other fisheries or IFQ crewmembers who otherwise felt no need for a TEC if holding QS seemed financially unattainable. This analysis focuses on current QS holders because we do not have data on crewmembers' participation in IFQ fisheries. However, crewmembers may be one of the groups of participants impacted most positively by an access pool if they are able to access IFQ below market value. This could allow them to gain more experience and gradually be in a position to purchase their own quota share. The income from these shares could also be used to expand participation in other fisheries, or for non-fishery related purposes.

The number and proportion of eligible participants varies by fishery and regulatory area. Figure 2 shows the breakdown of eligibility of current QS holders and IFQ holdings by fishery and IFQ area, given an eligibility threshold of 5,000 pounds of total combined halibut and sablefish IFQ in 2019. In the halibut fishery, area 2C has the largest number of eligible QS holders, followed by 3A, 3B, 4A, 4B and 4C. Area 2C is the only area where the majority of QS holders would be eligible for the program under a 5,000 pound threshold. In the sablefish fishery, the Central Gulf area contains the largest number of eligible QS holders, followed closely by SE, then WY, WG, BS and AI. Eligible sablefish participants represent no more than 1% of 2019 IFQ pounds in any of the sablefish areas. It should be noted that in this figure, each individual is only included in one eligibility category (Yes or No); however, some individuals are counted in multiple species and areas if they hold QS in both the sablefish and halibut fisheries or multiple regulatory areas. For example, an individual holding QS representing 4,000 pounds in Area 2C and 999 pounds in area 3A is included as an eligible participant in both Area 2C and 3A, however the IFQ pounds represented in each area include only the IFQ from that area (4,000 pounds in 2C and 999 pounds in 3A in this example). Of 2,580 total halibut and sablefish QS holders in 2019; 545 hold QS in both the sablefish and halibut fishery and 823 hold QS in more than one regulatory area.



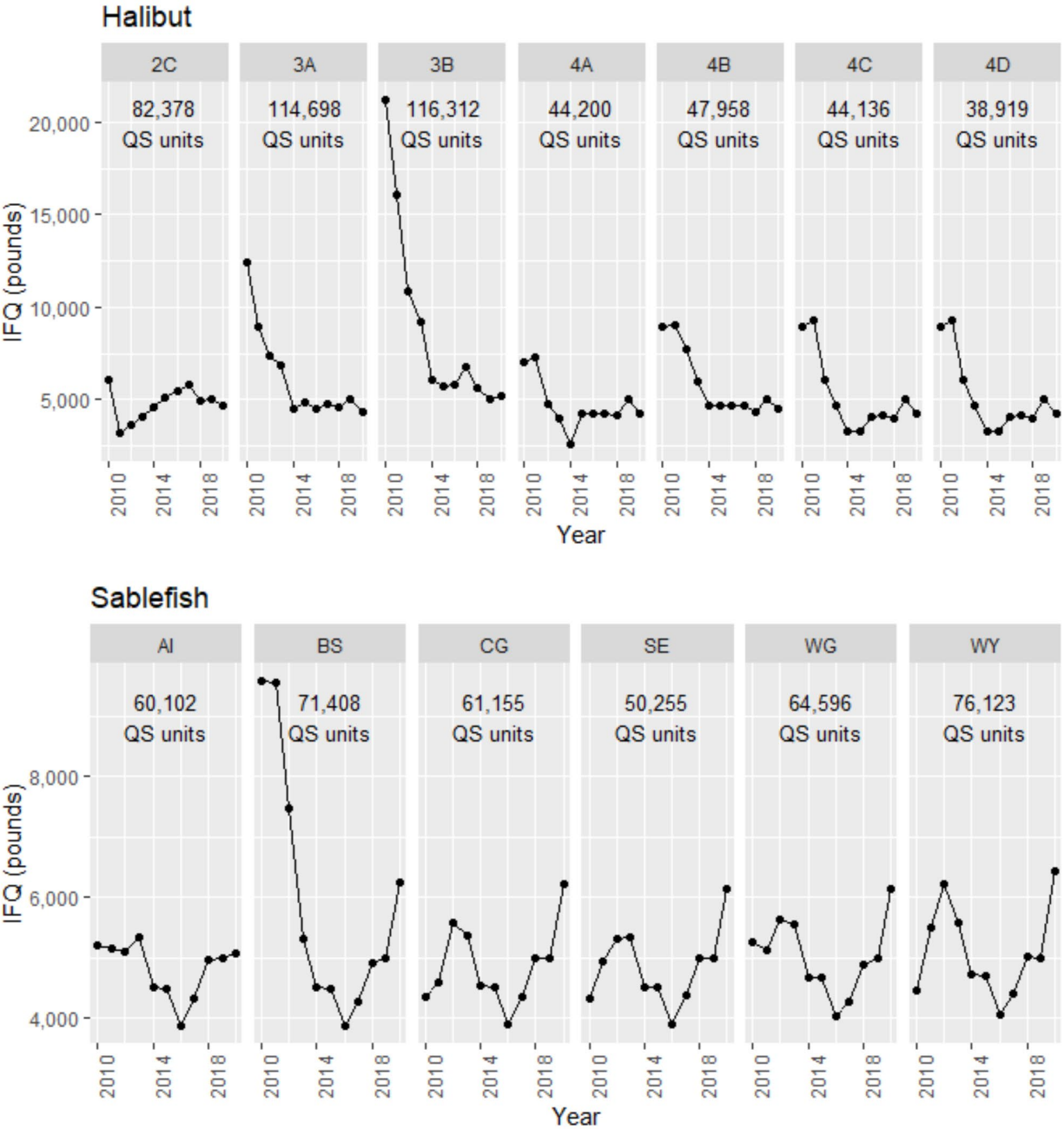
<sup>4</sup> <https://www.fisheries.noaa.gov/sites/default/files/akro/19ifqcrew.htm>  
<https://www.fisheries.noaa.gov/sites/default/files/akro/20ifqcrew.htm>



**Figure 2. Number of QS holders and pounds of IFQ represented by eligibility based on 5,000 pounds 2019 combined halibut and sablefish IFQ**

The Council motion defined eligibility based on the combined IFQ value of 2019 QS holdings. While this threshold is a static quantity based on 2019 data, it is useful to note that the amount of QS equivalent to 5,000 pound of IFQ in 2019 varies by IFQ area and is equivalent to different quantities of IFQ pounds each year as halibut and sablefish TACs and thus the annual amount of IFQ issued fluctuates.

Figure 3 displays the number of QS units equivalent to 5,000 pounds of 2019 IFQ in each species and regulatory area (in text) and charts the changing value in IFQ pounds from 2009-2020 (in black line and points). There is not a direct correlation between the number of QS units required for eligibility in each area and the number of eligible QS holders (as there are many combinations of QS that are below the eligibility threshold), however these differences likely impact the number and distribution of eligible participants across areas. Additionally, it is useful to consider if the eligibility threshold would remain static at 2019 levels regardless of how IFQ TACs and therefore the ratio of QS to IFQ may change by area in the future. If eligibility thresholds remain indexed to static 2019 IFQ values, clear rationale should be stated for the selection of 2019 as the index year.



**Figure 3. 2009-2020 value in IFQ pounds (black line) of QS units equivalent to 5,000 pounds of IFQ in 2019 (text) by IFQ Area and species. Note Y-axis differs for Halibut and Sablefish.**

Categorizing a QS holder as entry level is not straightforward. Entry level connotes a relative lack of experience in the fishery, however, the motion defines entry level based on the quantity of QS holdings and does not include criteria for the number of years an individual has participated in the fishery. Examining quota share holdings data over the last 20 years (2000-2019) shows that the total amount of QS held and the rate of accumulation of QS varies by individual and operation and does not always correlate with the length of time an individual has held QS. In 2019, both eligible and ineligible QS holders (at a 5,000 pound total IFQ threshold) have held QS for an average of just over 16 years (they first held QS in 2004).



Figure 4 displays average and median IFQ pounds held in 2019 aggregated by the total number of years the individual has held QS. These data are from 2000-2019 so QS holders with 1 year holding QS first held QS in 2019, while those with 20 or more years holding QS have held QS since 2000 or earlier. There is no obvious trend in 2019 IFQ when analyzed by years holding QS at a one-year increment (Figure 5 top panel). However, grouping into five-year increments (Figure 5 lower panel) shows a trend of increasing average and median 2019 IFQ holdings for those who've held QS for up to 15 years that then decreases for those individuals who have held QS over 15 years. If there was a consistent relationship between IFQ pounds in 2019 and years holding QS, one would expect the percentage of participants who are eligible for the access pool to decrease with an increase in the length of time they have held QS. However, an examination of the past 20 years of QS holdings data shows a relatively consistent pattern of around a 50% eligibility rate regardless of years of participation in the fishery (Figure 4).

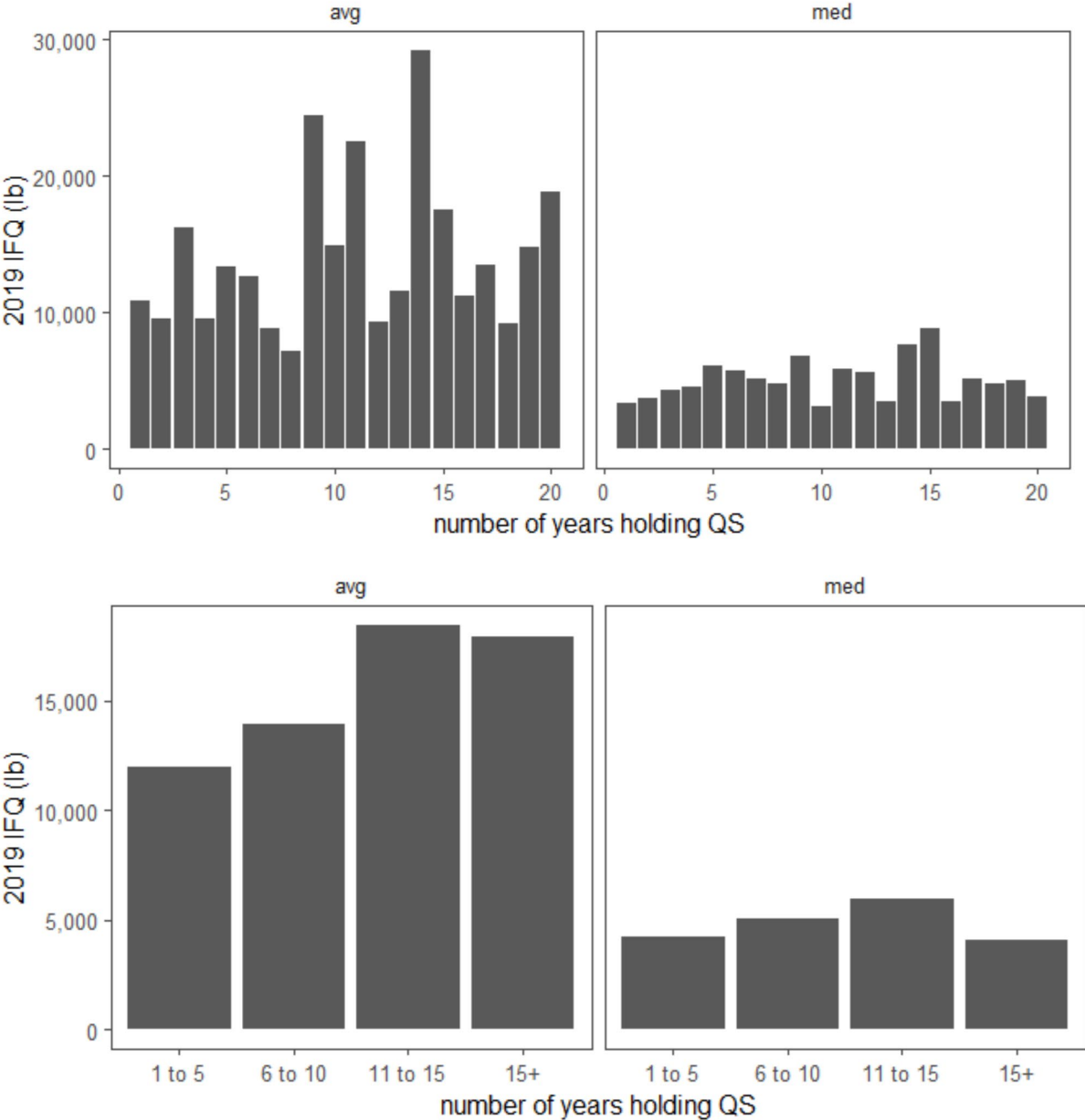
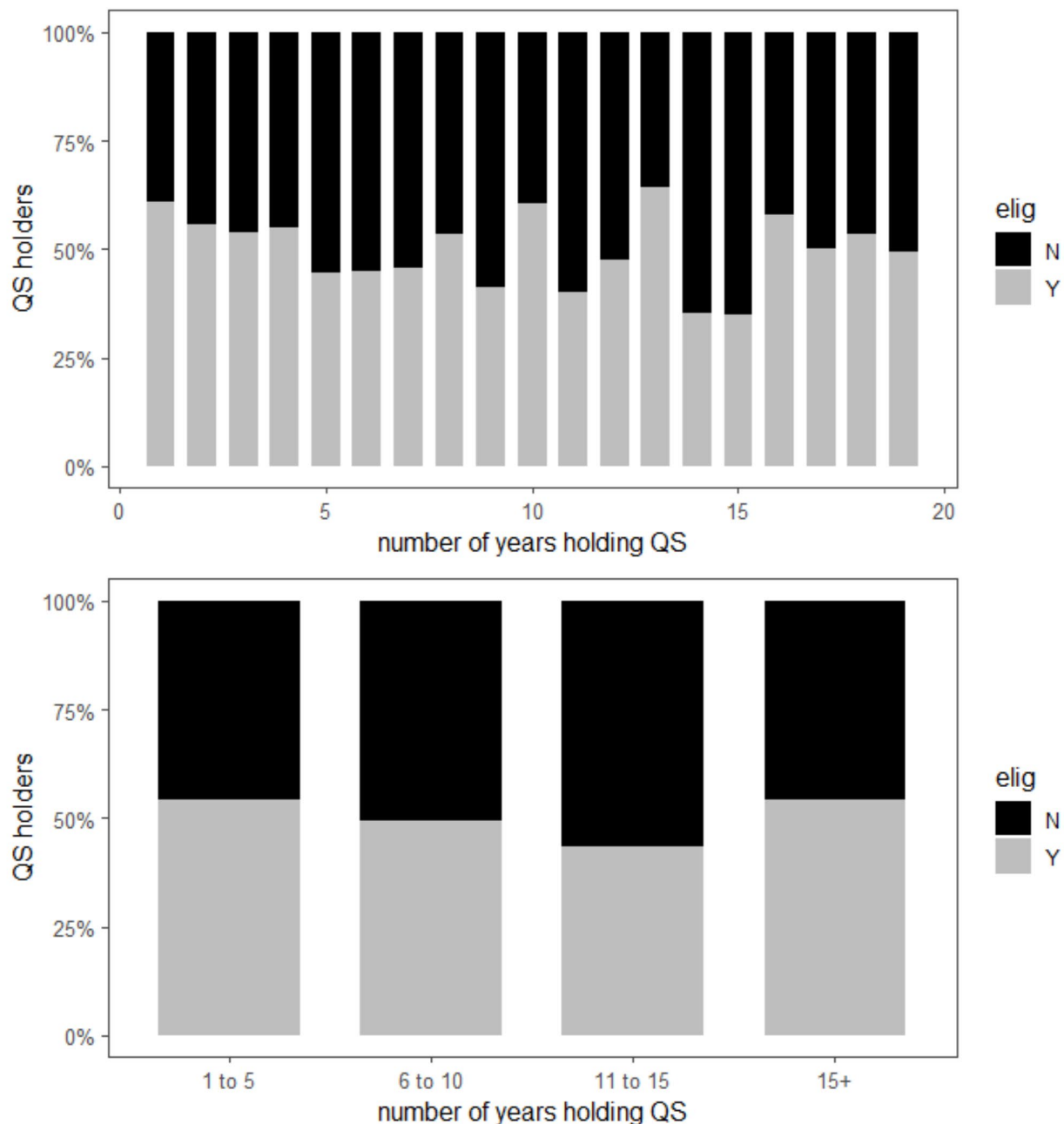


Figure 4. Average and median total pounds of 2019 IFQ held by individuals grouped by number of years holding QS.



**Figure 5. Percent of eligible 2019 QS holders (at 5,000 pound IFQ threshold) based on years holding QS.**

However the Council chooses to define entry level for the QS access pool, sufficient rationale must exist for why the particular criteria was chosen and why this particular group should be advantaged and treated differently than other IFQ participants or potential participants. This process should include consideration of other thresholds such as a higher or lower pounds of IFQ or altogether different measures of entry level. The record for the definition must be well documented, supported by fisheries data, public testimony, and other evidence. It is important to keep in mind that in a fully allocated fishery, creating access opportunities for some has the potential to limit access for others. An access pool that carves out a separate quota allocation from a fully allocated fishery is likely to directly impact non-target populations as it reduces the existing quota pool available to other populations. Balancing the distribution of impacts of an access program between the benefits to target populations and potential costs to other participants is an important aspect to be considered when designing eligibility thresholds for an access pool.

### 3 Access Pool QS quantity and distribution

The Council motion specifies the total amount of QS in the access pool as one percent of the 2019 QS pool. The Council should specify if this is a static number or if it would fluctuate annually relative to the total QS pool, and if static, why 2019 was selected as the index year. The total QS pool has not changed dramatically year to year but can vary if new QS is created or existing QS is revoked. Annual changes were more common in the early years of the IFQ program, while in more recent years there has been very little annual variability in the size of the overall QS Pool. Since 2009, the largest annual changes in total QS pool have been 0.04 percent for halibut and 0.25 percent for the sablefish fishery and have held constant for both species over the past four years.

The Council motion also did not specify whether the QS would be sourced from all regulatory areas and/or QS vessel categories or what the distribution of QS would be across areas and/or vessel categories. Table 3 and Table 4 display the breakdown of the total amount and one percent of QS and IFQ by area and vessel category for halibut and sablefish in 2019 and 2020. The QS pool did not change from 2019 to 2020 so these quantities are identical, however the IFQ pounds represented changed both overall and in the distribution by IFQ area. In total, 1% of the halibut TAC resulted in 177,100 pounds of halibut across all areas in 2019 and 160,792 pounds in 2020, while 1% of the sablefish TAC resulted in 259,680 pounds of sablefish across all areas in 2019 and 317,088 pounds in 2020. Assuming the access pool follows 2019/2020 distribution of QS by area and vessel category, the amounts listed in columns 7 and 10 (“1% IFQ”) of Table 3 and Table 4 represent the access pool quantity in pounds of IFQ in 2019 and 2020.

**Table 3. Halibut Quota Share pool and IFQ TAC and 1% access pool by area and vessel category 2019-2020.**

IFQ Area	Vessel Category	2019-2020		2019			2020		
		QS pool (units)	1% QS (units)	Ratio (QS:IFQ)	IFQ (pounds)	1% IFQ (pounds)	Ratio (QS:IFQ)	IFQ (pounds)	1% IFQ (pounds)
2C	A	1,249,141	12,491	16.4757	75,817	758	17.4421	71,617	716
	B	2,672,115	26,721	16.4757	162,185	1,622	17.4421	153,200	1,532
	C	46,676,897	466,769	16.4757	2,833,070	28,331	17.4421	2,676,113	26,761
	D	8,879,243	88,792	16.4757	538,929	5,389	17.4421	509,071	5,091
	<b>All</b>	<b>59,477,396</b>	<b>594,774</b>	<b>16.4757</b>	<b>3,610,000</b>	<b>36,100</b>	<b>17.4421</b>	<b>3,410,000</b>	<b>34,100</b>
3A	A	4,773,918	47,739	22.9396	208,108	2,081	26.226	182,030	1,820
	B	68,569,538	685,695	22.9396	2,989,137	29,891	26.226	2,614,567	26,146
	C	98,876,488	988,765	22.9396	4,310,301	43,103	26.226	3,770,176	37,702
	D	12,673,064	126,731	22.9396	552,454	5,525	26.226	483,226	4,832
	<b>All</b>	<b>184,893,008</b>	<b>1,848,930</b>	<b>22.9396</b>	<b>8,060,000</b>	<b>80,600</b>	<b>26.226</b>	<b>7,050,000</b>	<b>70,500</b>
3B	A	1,593,155	15,932	23.2624	68,486	685	22.4902	70,838	708
	B	29,989,850	299,899	23.2624	1,289,200	12,892	22.4902	1,333,465	13,335
	C	20,966,072	209,661	23.2624	901,287	9,013	22.4902	932,233	9,322
	D	1,652,238	16,522	23.2624	71,026	710	22.4902	73,465	735
	<b>All</b>	<b>54,201,315</b>	<b>542,013</b>	<b>23.2624</b>	<b>2,330,000</b>	<b>23,300</b>	<b>22.4902</b>	<b>2,410,000</b>	<b>24,100</b>
4A	A	619,003	6,190	8.84	70,023	700	10.3447	59,838	598
	B	8,547,977	85,480	8.84	966,965	9,670	10.3447	826,316	8,263
	C	4,371,347	43,713	8.84	494,496	4,945	10.3447	422,569	4,226
	D	1,047,684	10,477	8.84	118,516	1,185	10.3447	101,277	1,013
	<b>All</b>	<b>14,586,011</b>	<b>145,860</b>	<b>8.84</b>	<b>1,650,000</b>	<b>16,500</b>	<b>10.3447</b>	<b>1,410,000</b>	<b>14,100</b>

4B	A	553,489	5,535	9.5917	57,705	577	10.5509	52,459	525
	B	7,114,526	71,145	9.5917	741,737	7,417	10.5509	674,306	6,743
	C	1,347,763	13,478	9.5917	140,513	1,405	10.5509	127,739	1,277
	D	268,996	2,690	9.5917	28,045	280	10.5509	25,495	255
	<b>All</b>	<b>9,284,774</b>	<b>92,848</b>	<b>9.5917</b>	<b>968,000</b>	<b>9,680</b>	<b>10.5509</b>	<b>880,000</b>	<b>8,800</b>
4C	A	18,876	189	8.8271	2,138	21	10.4866	1,800	18
	B	1,620,909	16,209	8.8271	183,628	1,836	10.4866	154,570	1,546
	C	867,827	8,678	8.8271	98,313	983	10.4866	82,756	828
	D	1,508,740	15,087	8.8271	170,920	1,709	10.4866	143,874	1,439
	<b>All</b>	<b>4,016,352</b>	<b>40,164</b>	<b>8.8271</b>	<b>455,000</b>	<b>4,550</b>	<b>10.4866</b>	<b>383,000</b>	<b>3,830</b>
4D	A	413,936	4,139	7.7838	53,179	532	9.247	44,764	448
	B	4,100,095	41,001	7.7838	526,750	5,268	9.247	443,397	4,434
	C	444,219	4,442	7.7838	57,070	571	9.247	48,039	480
	<b>All</b>	<b>4,958,250</b>	<b>49,583</b>	<b>7.7838</b>	<b>637,000</b>	<b>6,370</b>	<b>9.247</b>	<b>536,200</b>	<b>5,362</b>
	4E	B	11,176	112	0	-	-	0	-
C		37,032	370	0	-	-	0	-	-
D		91,384	914	0	-	-	0	-	-
<b>All</b>		<b>139,592</b>	<b>1,396</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>All</b>		<b>331,556,698</b>	<b>3,315,567</b>		<b>17,710,000</b>	<b>177,100</b>		<b>16,079,200</b>	<b>160,792</b>

Source: Source: NMFS Restricted Access Management (RAM) division IFQ landings database sourced through AKFIN

**Table 4 Sablefish Quota Share Pool and IFQ TAC and 1% access pool by area and vessel category 2019-2020.**

IFQ Area	Vessel Category	2019, 2020		Ratio (QS:IFQ)	2019		Ratio (QS:IFQ)	2020	
		QS pool (units)	1% QS (units)		IFQ (pounds)	1% IFQ (pounds)		IFQ (pounds)	1% IFQ (pounds)
AI	A	17,952,283	179,523	12.0203	1,493,495	14,935	11.8434	1,515,804	15,158
	B	11,319,633	113,196	12.0203	941,708	9,417	11.8434	955,775	9,558
	C	2,660,576	26,606	12.0203	221,340	2,213	11.8434	224,646	2,246
	<b>All</b>	<b>31,932,492</b>	<b>319,325</b>	<b>12.0203</b>	<b>2,656,543</b>	<b>26,565</b>	<b>11.8434</b>	<b>2,696,226</b>	<b>26,962</b>
BS	A	7,470,227	74,702	14.2817	523,064	5,231	11.4407	652,952	6,530
	B	7,754,799	77,548	14.2817	542,990	5,430	11.4407	677,826	6,778
	C	3,540,254	35,403	14.2817	247,888	2,479	11.4407	309,444	3,094
	<b>All</b>	<b>18,765,280</b>	<b>187,653</b>	<b>14.2817</b>	<b>1,313,942</b>	<b>13,139</b>	<b>11.4407</b>	<b>1,640,222</b>	<b>16,402</b>
CG	A	17,557,104	175,571	12.231	1,435,462	14,355	9.8256	1,786,876	17,869
	B	53,057,658	530,577	12.231	4,337,973	43,380	9.8256	5,399,949	53,999
	C	41,071,860	410,719	12.231	3,358,019	33,580	9.8256	4,180,093	41,801
	<b>All</b>	<b>111,686,622</b>	<b>1,116,866</b>	<b>12.231</b>	<b>9,131,453</b>	<b>91,315</b>	<b>9.8256</b>	<b>11,366,918</b>	<b>113,669</b>
SE	A	6,133,979	61,340	10.051	610,287	6,103	8.1879	749,156	7,492
	B	13,436,073	134,361	10.051	1,336,793	13,368	8.1879	1,640,976	16,410
	C	46,550,567	465,506	10.051	4,631,447	46,314	8.1879	5,685,318	56,853
	<b>All</b>	<b>66,120,619</b>	<b>661,206</b>	<b>10.051</b>	<b>6,578,526</b>	<b>65,785</b>	<b>8.1879</b>	<b>8,075,450</b>	<b>80,755</b>
WG	A	13,671,401	136,714	12.9193	1,058,216	10,582	10.5167	1,299,974	13,000
	B	15,597,495	155,975	12.9193	1,207,302	12,073	10.5167	1,483,120	14,831
	C	6,760,683	67,607	12.9193	523,301	5,233	10.5167	642,854	6,429

	<b>All</b>	<b>36,029,579</b>	<b>360,296</b>	<b>12.9193</b>	<b>2,788,819</b>	<b>27,888</b>	<b>10.5167</b>	<b>3,425,948</b>	<b>34,259</b>
WY	A	4,373,738	43,737	15.2246	287,280	2,873	11.8265	369,826	3,698
	B	32,262,359	322,624	15.2246	2,119,089	21,191	11.8265	2,727,977	27,280
	C	16,630,333	166,303	15.2246	1,092,330	10,923	11.8265	1,406,195	14,062
	<b>All</b>	<b>53,266,430</b>	<b>532,664</b>	<b>15.2246</b>	<b>3,498,700</b>	<b>34,987</b>	<b>11.8265</b>	<b>4,503,998</b>	<b>45,040</b>
	<b>All</b>	<b>317,801,022</b>	<b>3,178,010</b>		<b>25,967,983</b>	<b>259,680</b>		<b>31,708,762</b>	<b>317,088</b>

Source: Source: NMFS Restricted Access Management (RAM) division IFQ landings database sourced through AKFIN

## 4 Access pool QS source mechanisms

The motion defines two potential mechanisms through which to source quota share for the access pool: 1) a deduction of 0.5% or 1% on all QS transfers or 2) newly created QS units. The following sub-sections outline the potential function of these mechanisms and identify potential management and legal concerns.

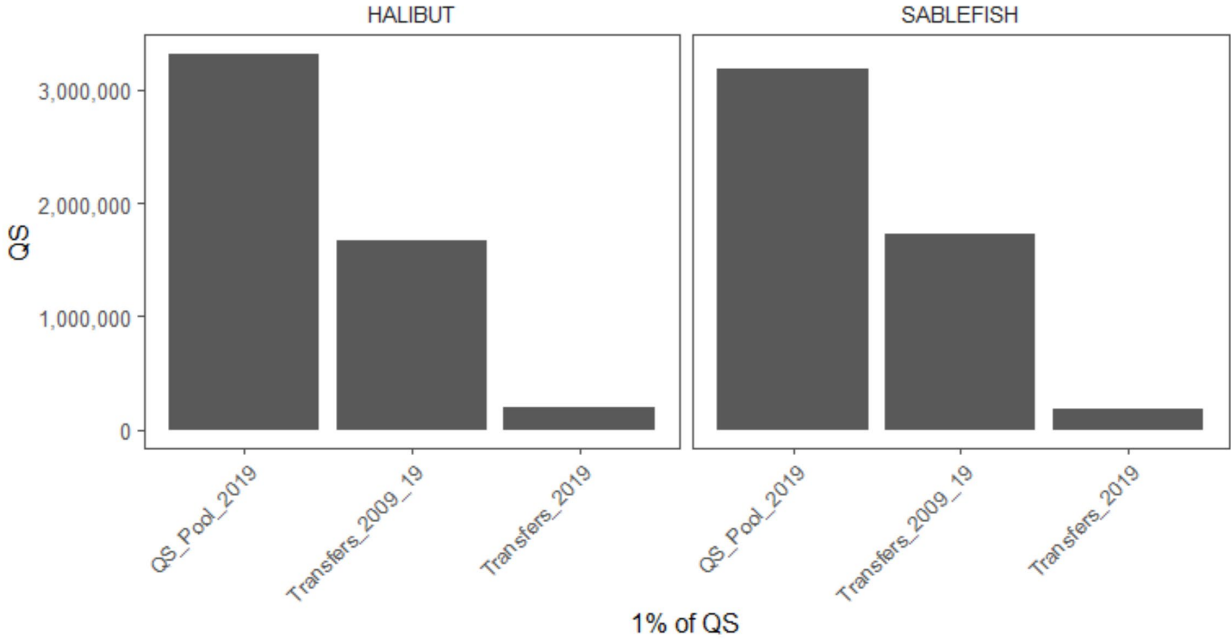
### 4.1 Transfer Deduction

The first mechanism proposed in the Council motion is a deduction of either 1% or 0.5% withheld from each QS transfer and deposited in the access pool until an amount equal to 1% of the total 2019 QS is accumulated in the access pool. The Council motion did not specify to which QS transfers the deduction would apply. QS transfers referenced in this paper include all Quota Share transfers<sup>5</sup> which include beneficiary, voluntary and legal transfers<sup>6</sup>. These do not include Self Sweep, Transfer Sweep, GAF or IFQ only transfers such as medical transfers of IFQ. If a transfer deduction were to be imposed, parameters on which types of transfers to include would need to be defined.

There are numerous ways this transfer deduction could function. The simplest method would apply the deduction to every permanent transfer regardless of IFQ Area or QS vessel category. This would subtract the relevant percent of QS from each transfer and add the deducted QS to the access pool regardless of IFQ Area or QS vessel category. Even under this, the least restrictive scenario, it would take numerous years to accrue the full one percent of the 2019 QS into the access pool. Figure 6 shows the QS equal to one percent of the total 2019 QS units and one percent of all permanent transfers in 2019 and 2009-2019. If a one percent deduction was taken from all QS transfers since 2009 the access pool would still not have reached the full 1% by the end of the 10 year period in 2019.

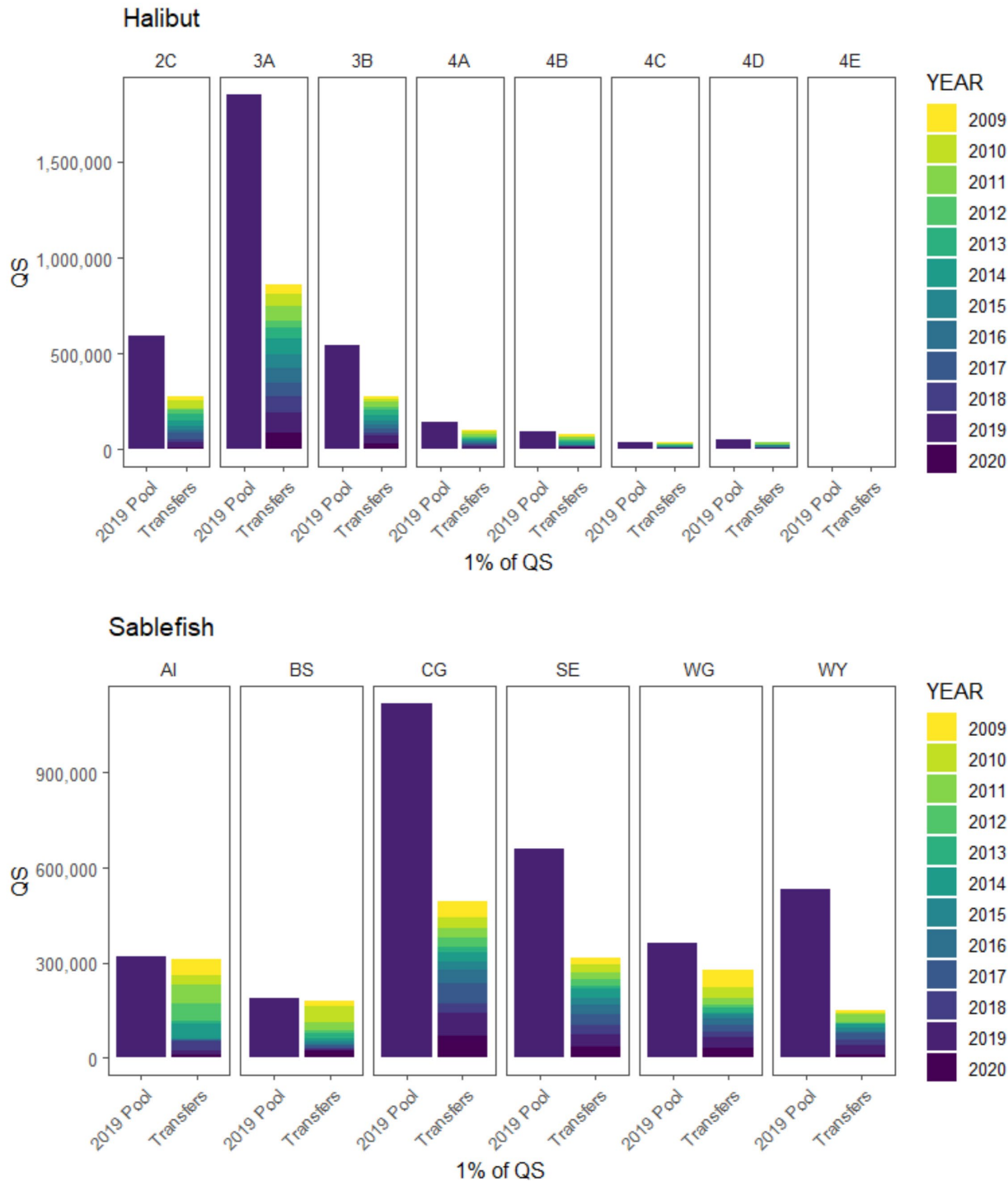
<sup>5</sup> TRANS\_TYPE\_CODE Q in the RAM database accessed through AKFIN

<sup>6</sup> CAUSE\_CODE V, B, L in the RAM database accessed through AKFIN



**Figure 6. One percent of the 2019 QS Pool and one percent of all QS transfers in 2009-19 and 2019.**

While deducting 1% of the QS units from all transfers, regardless of regulatory area or QS vessel class would allow for the quickest accumulation of QS for the access pool, it could also result in QS coming from some areas or vessel class categories disproportionately to others depending on the transfer rates of each area and vessel category. A more complex method could apply the transfer deduction based on the IFQ Area associated with the QS that was transferred. If this were the case, the rate of accumulation of QS in the access pool would differ for each IFQ area based on the frequency and quantity of QS traded in that Area. Figure 7 shows the QS equal to one percent of the 2019 QS pool and one percent of all transfers by species and IFQ Area from 2009-2020. If a one percent deduction was taken from all QS transfers since 2009 by IFQ Area, none of the areas would have accumulated 1% of 2019 QS through the end of 2020, although some areas, such as AI and BS Sablefish would be relatively close. This would result in different regulatory areas benefitting from the program differentially over the period of QS accumulation into the pools.



**Figure 7. One percent of the 2019 QS Pool and one percent of all QS transfers 2009-2020 for Halibut (top panel) and Sablefish (bottom panel).**

A percentage deduction on QS transfers could impact the QS market in numerous ways. The direct impact may depend on the specific deduction procedure. For example, if 10 QS units are intended to be transferred, does the seller sell 10 units and the buyer pay for 10 units but receive 9 or 9.5 QS units after the 1% or 0.5% deduction? Or is a 10 QS unit transfer listed as 9 or 9.5 QS units? In either case the likely outcome is that the cost of deduction is transferred to the buyer who effectively pays a higher price per

unit transferred, whether that is because they receive fewer units or because the seller increases the asking price to make up for the deduction. The overall impact of the price increase depends on how price sensitive QS buyers are.

A transfer deduction could also delay potential transfers until the access pool accumulation limit is reached to avoid losing the deduction percentage on the transfer. Both sellers and buyers could choose to avoid market activity until the deduction is no longer applicable thus elongating the length of time that the deduction is in place. If a transfer deduction were to create fewer QS transfers or an increase in price per unit QS the indirect effect would decrease the ability of entry level participants to acquire QS. Thus a potential unintended consequence of a transfer deduction could be the antitheses of the access pool objective to increase entry opportunities.

A transfer deduction poses numerous management and implementation challenges. The first challenge involves QS that is issued in blocks. Regulations state that “a QS block must be transferred as an undivided whole” (§679.41). According to discussions with NMFS RAM, the structure of the IFQ program is predicated upon the fact that QS blocks are preserved. Therefore, deducting a percentage of any transfer of a QS block would require both a regulatory change and significant, fundamental changes in RAM’s programming of the IFQ system. Regardless of whether the transfer involves a QS block, creating the infrastructure to track and execute deductions on every QS transfer would require a re-write of the entire programming of the IFQ system. Implementation would have to be carefully coordinated as this would require a temporary halt to all IFQ related transactions while the entire system is rebuilt. This would also result in delays for other permitting processes as the needed resources would require a shift in workforce distribution at RAM. A one-time rebuild of the IFQ system would be a challenging undertaking that may require additional resources and staff to accomplish.

## 4.2 Newly Created QS Units

The second mechanism proposed in the Council motion to source QS for the access pool would create new QS units equaling 1% of the total 2019 QS pool. These QS units would create a new share type subject to the restrictions of the access pool. Functionally, the creation of new units would dilute existing QS such that even with a stable TAC each unit of QS would correspond to a smaller amount of IFQ pounds. Table 5 provides an example of how a 1% dilution would affect the IFQ associated with 1,000 QS units in 2019. The final column in Table 5 calculates the change in dollar value per 1,000 QS units assuming a constant price that is the median price per pound of IFQ transferred in 2018 and 2019 (years were combined to include sufficient transactions to display data in more regulatory areas without exposing confidential data).<sup>7</sup> According to these calculations, the changing dollar value associated with a 1% dilution would range from a reduction of \$2.35 for 1,000 units of AI sablefish QS, to a reduction of \$31.48 for 1,000 units of 2C halibut QS. These calculations demonstrate a simple example based on a static price estimate, however, the QS market is fluid and the actual value change depends on the specific market dynamics.

Quota share values reflect rational expectations about the future value of the resource. If the underlying allocation (in pounds) is reduced each year by the amount of the access pool, IFQ and QS transfer prices will adjust accordingly. On the one hand, the pounds of IFQ halibut and sablefish represented by each QS unit declines if the allocation declines. On the other hand, IFQ prices in dollars per pound rise if the allocation declines as a result of a reduction in supply. Depending on the price sensitivity of QS buyers, the increase in the per pound price may or may not offset the decrease in QS unit prices due to each QS

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<sup>7</sup> Unless otherwise noted, QS or IFQ prices reported in this document are median price of all QS transfers where a positive amount of QS was transferred and a transaction price was listed. These transfers were also filtered to remove any data where it is likely that the two parties are closely related and are unlikely to represent an arm’s length transaction. QS Transfer data is provided by NMFS RAM, sourced through AKFIN.



unit representing fewer pounds (e.g., the effective dilution of each QS unit due to the access pool). For example, if QS buyers are relatively price sensitive and will purchase less quota when prices increase, the percent increase in the price per pound would not offset the percent decrease in the allocation and QS value could decline. In the short run, the potential decrease in QS value may adversely impact current halibut QS holders, especially those that have purchased their QS holdings or hope to secure loans by using their QS holdings as collateral.

**Table 5. Calculation of changes due to newly created 1% QS units.**

Species	Area	2019		2019 + 1% new QS units		2018-2019 Median price per pound IFQ	Change due to new 1% QS units	
		Ratio (QS:IFQ)	Pounds of IFQ per 1,000 units QS	Ratio (QS:IFQ)	Pounds of IFQ per 1,000 units QS		Pounds of IFQ per 1,000 units QS	\$ value* of IFQ per 1,000 QS units
Halibut	2C	16.48	60.70	16.64	60.09	\$52.37	(0.60)	\$ (31.48)
	3A	22.94	43.59	23.17	43.16	\$42.00	(0.43)	\$ (18.13)
	3B	23.26	42.99	23.49	42.56	\$24.50	(0.43)	\$ (10.43)
	4A	8.84	113.12	8.93	112.00	\$20.00	(1.12)	\$ (22.40)
	4B	9.59	104.26	9.69	103.22	\$19.96	(1.03)	\$ (20.60)
	4C	8.83	113.29	8.92	112.17	-	(1.12)	-
	4D	7.78	128.47	7.86	127.20	-	(1.27)	-
Sablefish	AI	12.02	83.19	12.14	82.37	\$2.85	(0.82)	\$ (2.35)
	BS	14.28	70.02	14.42	69.33	\$3.00	(0.69)	\$ (2.08)
	CG	12.23	81.76	12.35	80.95	\$18.00	(0.81)	\$ (14.57)
	SE	10.05	99.49	10.15	98.51	\$25.00	(0.98)	\$ (24.62)
	WG	12.92	77.40	13.05	76.64	\$18.00	(0.77)	\$ (13.79)
	WY	15.22	65.68	15.38	65.03	\$30.00	(0.65)	\$ (19.51)

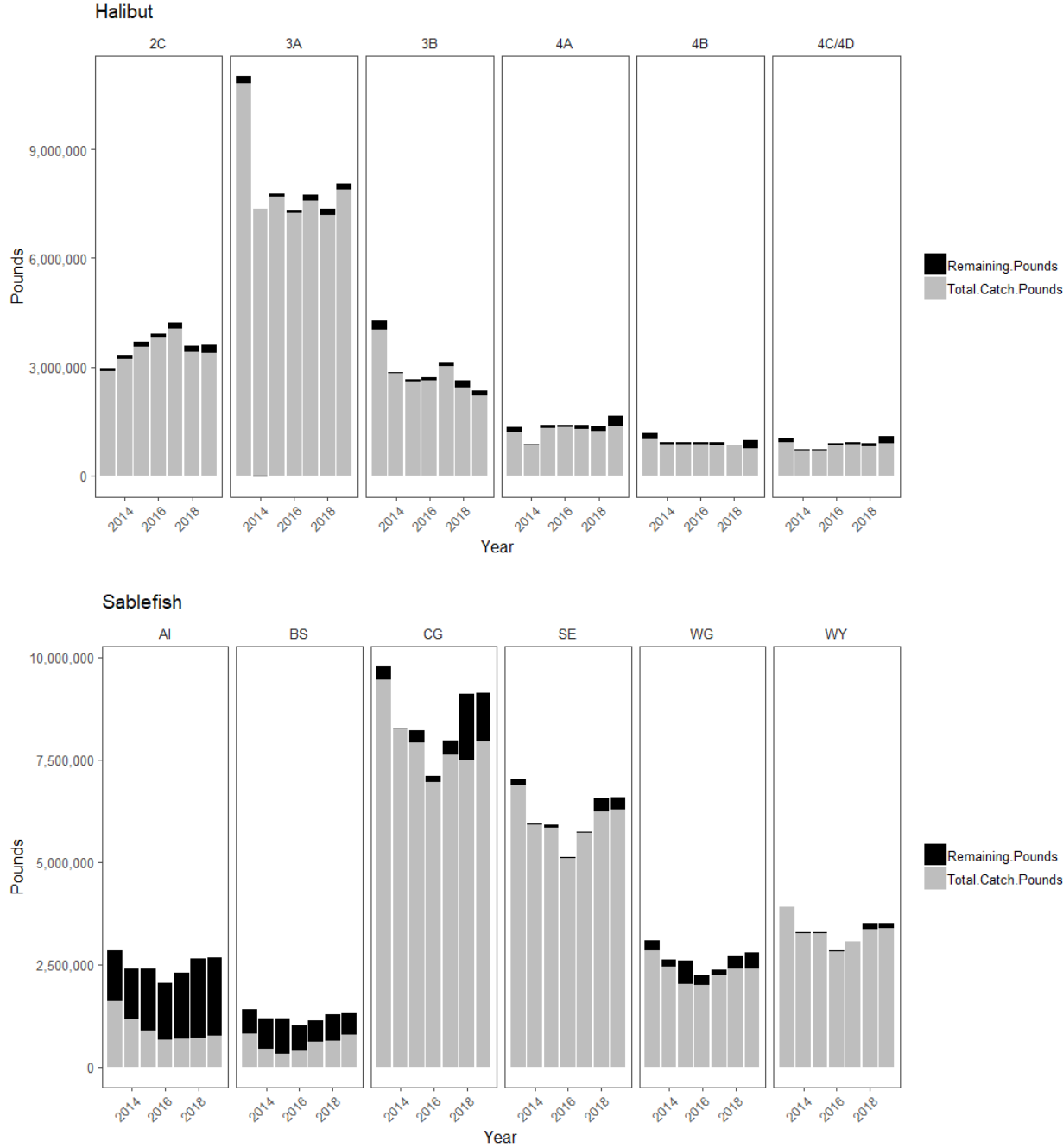
Source: NMFS Restricted Access Management (RAM) division database sourced through AKFIN

\*Value change is calculated using 2018-2019 median price per IFQ pound as listed in this table. See text for discussion of variability in IFQ value.

The impact of the dilution of quota share on current QS holders will depend on many things including the amount and type of quota held. Individuals who hold large amounts of quota will experience larger nominal impacts as any decrease in per unit quota value will be multiplied by the amount of quota held. However, larger operations may be more likely to withstand a decrease in QS value, while an equivalent decrease may have a larger relative impact on smaller operations. QS value also varies across regulatory areas and vessel categories so the impacts of any change in value will differ across these categories. For QS holders operating close to the margin any dilution may be enough that participation may no longer be viable for them. In addition to the economic impact of the dilution of QS on current QS holders there may also be a social impact in terms of perceived fairness if access pool recipients are seen as receiving free or subsidized access to a resource that others paid for.

The proportion of total allowable catch (TAC) landed in each fishery and area should be evaluated when considering creating additional quota share units. Figure 8 displays the annual catch and remaining pounds of the TAC in each fishery and area from 2008-2019. Some areas and fisheries such as sablefish in AI, BS and more recently CG have landed less than 100% of their annual TAC. Thought should be given before creating new QS units in areas where it is common for residual quota to remain unharvested. The effect of decreasing the relative amount of pounds represented by current holdings may be particularly objectionable to existing quota holders in these areas. The Council may want to consider

whether there may be alternative options to creating additional QS units in areas with consistently low utilization rates.



**Figure 8 Annual catch and remaining pounds of the total allowable catch by regulatory area for halibut (upper panel) and sablefish (lower panel).**

Preliminary discussions with RAM indicate that, while there is an additional administrative burden associated with the creation of new quota share units, the marginal cost associated with this task would be fairly small. The internal structure for processing and distributing QS already exists. Thus, should the Council decide to create new QS units for the access pool, the existing structure will simply be extended and is not expected to significantly increase the administrative costs or disrupt other program related

activities. Administratively, this is a much simpler and more rapidly implementable approach than the transfer deduction as described in section 4.1.

## 5 Access Pool Management Entity

Once the source of QS for the access pool is identified, the specifics of how the QS will be managed must be determined. The motion specifies two options of quota management entities: a regional fishery association, or another non-profit.

### 5.1 Regional Fishery Association

The Council motion identifies a regional fishery association (RFA) as a potential entity to manage the access pool. RFAs are defined specifically in section 303A(c)(4) of the Magnuson Stevens Act (MSA) as potential participants in limited access privilege programs (LAPP) with the following authorities and restrictions:

- (A) IN GENERAL.—To be eligible to participate in a limited access privilege program to harvest fish, a regional fishery association shall—
- (i) be located within the management area of the relevant Council;
  - (ii) meet criteria developed by the relevant Council, approved by the Secretary, and published in the Federal Register;
  - (iii) be a voluntary association with established by-laws and operating procedures;
  - (iv) consist of participants in the fishery who hold quota share that are designated for use in the specific region or subregion covered by the regional fishery association, including commercial or recreational fishing, processing, fishery-dependent support businesses, or fishing communities;
  - (v) not be eligible to receive an initial allocation of a limited access privilege but may acquire such privileges after the initial allocation, and may hold the annual fishing privileges of any limited access privileges it holds or the annual fishing privileges that its members contribute; and
  - (vi) develop and submit a regional fishery association plan to the Council and the Secretary for approval based on criteria developed by the Council that have been approved by the Secretary and published in the Federal Register.

To date, authors are unaware of any RFA that has been developed anywhere in the United States. Therefore, it is difficult to determine more specifically how an RFA may or may not be applicable for management of the access pool. The most definitive limitation of an RFA is the prohibition on receiving an initial allocation in a LAPP. The MSA specifies general guidance on allocation in Section 303A(c)(5):

- (5) ALLOCATION-In developing a limited access privilege program to harvest fish a Council or the Secretary shall—
- (A) establish procedures to ensure fair and equitable initial allocations, including consideration of—
    - (i) current and historical harvests;
    - (ii) employment in the harvesting and processing sectors;
    - (iii) investments in, and dependence upon, the fishery; and
    - (iv) the current and historical participation of fishing communities;
  - (B) consider the basic cultural and social framework of the fishery, especially through—
    - (i) the development of policies to promote the sustained participation of small owner-operated fishing vessels and fishing communities that depend on the

fisheries, including regional or port-specific landing or delivery requirements;  
and  
(ii) procedures to address concerns over excessive geographic or other consolidation in the harvesting or processing sectors of the fishery;

(C) include measures to assist, when necessary and appropriate, entry-level and small vessel owner-operators, captains, crew, and fishing communities through set-asides of harvesting allocations, including providing privileges, which may include set-asides or allocations of harvesting privileges, or economic assistance in the purchase of limited access privileges;

(D) ensure that limited access privilege holders do not acquire an excessive share of the total limited access privileges in the program by—  
(i) establishing a maximum share, expressed as a percentage of the total limited access privileges, that a limited access privilege holder is permitted to hold, acquire, or use; and  
(ii) establishing any other limitations or measures necessary to prevent an inequitable concentration of limited access privileges; and

(E) authorize limited access privileges to harvest fish to be held, acquired, used by, or issued under the system to persons who substantially participate in the fishery, including in a specific sector of such fishery, as specified by the Council.

According to NMFS guidance on The Design and Use of Limited Access Privilege Programs: “The initial allocation task can be broken down into two parts. First, it is necessary to select the pool of entities that will be eligible to receive harvest privileges...It is possible however, that the pool of potential recipients can be a subset of those who are qualified to own privileges. The Council may approve of certain types of entities being able to acquire privileges in the open market, but may feel that they do not merit an initial allocation. Congress has placed RFAs in this category” (Anderson and Holliday 2007).

The regulations for initial allocation of QS for the IFQ Program at § 679.40(a) state:

- (1) General. The Regional Administrator shall initially assign to qualified persons, on or after October 18, 1994, halibut and sablefish fixed gear fishery QS that are specific to IFQ regulatory areas and vessel categories. QS will be assigned as a block in the appropriate IFQ regulatory area and vessel category, if that QS would have resulted in an allocation of less than 20,000 lb (9 mt) of IFQ for halibut or sablefish based on the 1994 TAC for fixed gear in those fisheries for specific IFQ regulatory areas and the QS pools of those fisheries for specific IFQ regulatory areas as of October 17, 1994.

Regulations define calculation of initial QS as based on a person’s highest total legal landings for any 5 years of the 7-year halibut QS base period 1984 through 1990 or any 5 years of the 6-year sablefish QS base period 1985 through 1990 (§ 679.40(a)(4)).

Determining whether access pool QS could be considered an initial allocation and thus not eligible to be received by an RFA may depend on the specifics of the program design, particularly if the shares are accumulated from a transfer deduction as described in section 4.1. If the shares are derived from newly created QS units as described in section 4.2 this may be more likely to be considered an initial allocation. While it may be possible to argue that the initial allocation occurred when the IFQ program was implemented as defined at § 679.40; eligibility requirements that are based on historical participation in the fishery or QS holdings appear functionally similar to initial allocations such that an RFA may not be an appropriate entity to manage the access pool.

## 5.2 Other Entity

Existing entities in the IFQ program provide other examples of potential management structures for the access pool. As they currently exist, these entities could not be used to manage an access pool, but they can provide a useful blueprint for the development of future entities. The Council developed the Community Quota Entity (CQE) program in 2002 in response to concerns about migration of QS out of small Gulf of Alaska coastal communities. Eligible communities<sup>8</sup> can form non-profit corporations called CQEs to purchase catcher vessel QS. The IFQ resulting from the QS must be leased to community residents annually. In effect, the CQE remains the holder of the QS, creating a long-term asset for the community to use to benefit the community and its residents. The CQE Program was also intended as a way to promote ownership by individual residents, as individuals can lease annual IFQ from the CQE and leverage this to eventually purchase their own QS.

A more recent example of the Council developing requirements to allow a non-profit entity to be involved in the IFQ fishery is the Recreational Quota Entity (RQE) program. Regulations implemented in 2018 (83 FR 47819) authorize the formation of a non-profit charter halibut recreational quota entity (RQE) to purchase and hold commercial halibut quota share to augment the charter catch limits in IPHC Regulatory Areas 2C and 3A. Unlike the CQE, QS purchased by the RQE would not be allocated to individuals, rather, any IFQ annually generated from the RQE's QS holdings would augment the pounds allocated to the charter sector through the Catch Sharing Plan and potentially result in less restrictive annual management measures.

While the CQE and the RQE programs were developed for different purposes, the application process, regulatory requirements and organizational structures for these entities are very similar. To be eligible to purchase QS, both a CQE and an RQE must be incorporated as a non-profit and submit an application to NMFS. Both applications require: 1) the articles of incorporation, 2) management organization information, including: A) the bylaws; B) a list of key personnel of the managing organization including, but not limited to, the board of directors, officers, representatives, and any managers; C) a description of how the non-profit entity is qualified to manage QS on behalf of its representatives (eligible community, or communities, in the case of CQEs and charter fishery participants for RQEs) and a demonstration that the non-profit entity has the management, technical expertise, and ability to manage QS and IFQ or RFQ; and D) the name and contact information of the non-profit organization, including the name of contact persons and resumes of management personnel for the non-profit entity. (For language specific to each entity see § 679.41). CQE applications require additional statements and contact information for the community represented by the CQE as well as procedures that will be used to determine the distribution of IFQ to residents of the community which will be discussed further in section 6 of this document.

Alternatives including prescriptive requirements of organizational structure were proposed but not selected during the development of the RQE program. One alternative included specific numbers of board members, sector representation, length of terms and requirements for frequency of board meetings.<sup>9</sup> NMFS staff early review of this alternative indicated that the Council is within its authority to define the

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<sup>8</sup> Eligibility to participate in the CQE program was limited to communities with fewer than 1,500 people, documented historical participation in the IFQ fisheries, direct access to saltwater on the Gulf of Alaska, and no road access to a larger community.

<sup>9</sup> Alternative 2, Element 5. RQE Organizational Structure. The RQE shall consist of a board of seven people and shall include the following: 6 CHP holders, 3 from each halibut management area (2C/3A); 2 commercial halibut quota share holder, one from each halibut management area (2C/3A); 2 community representative (not a holder of a CHP or commercial QS), one from each management area (2C/3A); and Commissioner of Alaska Department of Fish and Game, or designee.

Option 1. A representative of the Alaska Department of Revenue shall sit as an ex-officio member of the RQE board.

Option 2. RQE board terms shall be for [Options: 3 or 5 years].

Option 3. The RQE shall hold no less than two board meetings annually.

Option 4. The RQE shall file an annual report to NMFS detailing RQE activities during the prior

organizational structure of the entity and that these provisions would be “enforced” by requiring the RQE to submit an annual report specifying their organizational structure. NMFS would then verify that the listed members were consistent with the requirements. The annual report would serve as the RQE’s attestation that it was meeting the Council’s requirements, therefore the Council should specify what information should be included in the annual report, and to whom and by when it should be submitted each year.

Although the more specific organizational requirements were not included in the final RQE regulations, submission of an annual report is a requirement for both RQEs and CQEs<sup>10</sup>. These reports include similar administrative information such as changes to bylaws, board of directors or other key management personnel as well as information on QS holdings and transfers. RQEs are required to report more information on annual expenses and how funds are spent (including QS transaction prices), while CQEs must report more information regarding the communities they represent and IFQ recipient selection.

Reporting requirements are an important component of the existing entity programs that provide the Council with the necessary information to evaluate the progress of these entities towards meeting the objectives of the programs and the Council’s intent as well as providing an opportunity for the entities to communicate with the Council about program effectiveness. The Council should consider reporting requirements for any entity that is selected to manage the access pool.

### **5.3 Number and Location of Entities**

The number and geographic distribution of the management entities is also an important consideration in the design of an access pool. IFQ participants in different regions experience different barriers to entry and in some cases operate under different regulatory conditions. For example, initial recipients cannot use hired masters in Halibut Area 2C or Sablefish Area Southeast Outside. Cultural and operational differences exist even among areas with identical regulatory requirements. The use of hired masters in Seattle-based fleets has been documented as an arrangement that provides crewmembers with experience and capital to invest in their own fishing operations, while in other regions it may function more similarly to a strict lessor, lessee relationship (Szymkowiak and Himes-Cornell, 2015). Financial obstacles differ geographically as well. Median QS prices, ex-vessel prices and the discrepancy between the two vary significantly by area. Additionally, regulatory areas differ for halibut and sablefish and sablefish areas often overlap multiple IPHC areas (Figure 9).

Given the cultural and regulatory differences between regions, a simple option may be to create a single entity for each fishery and IFQ Area. However, creating 12 separate entities may cause unnecessary redundancies and duplicative administrative costs for both the entities and NMFS. The RQE program wrestled with similar challenges, although on a smaller scale, and compromised by allowing one RQE to represent both regulatory Areas 2C and 3A, with each having its own separate QS management pool to provide administrative efficiencies. In a similar way administrative tasks for the access pool could be consolidated among fewer entities while more area specific tasks could be delegated to a lower level sub-unit. Regardless of the number of entities, methods to cover the administrative costs of the entity(ies) may need to be devised.

The challenges facing entry level participants is not uniform across IFQ fisheries and regulatory areas. Balancing these regional differences with the costs and administrative efficiencies of fewer entities will be an important consideration when designing an access pool program. Determining the appropriate

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<sup>10</sup> For complete information on annual reporting requirements see § 679.41

number and location of entities should consider these differences as well as the logistical and operational challenges presented by creating numerous entities that may be functionally similar.

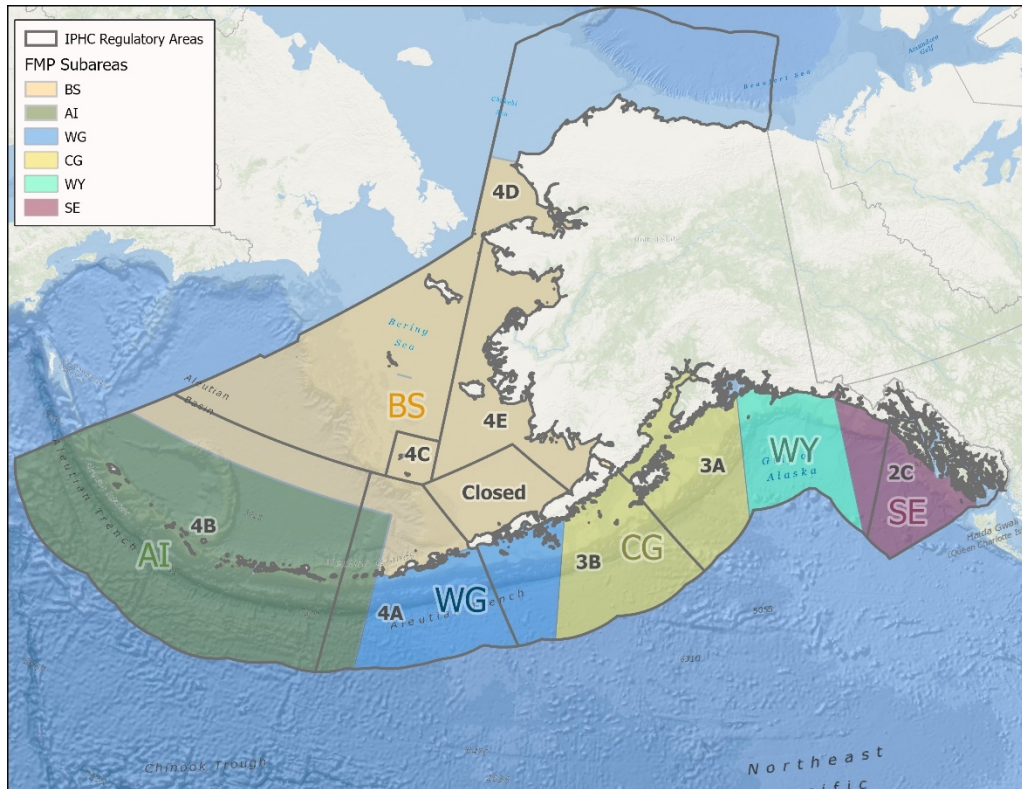


Figure 9. IPHC and sablefish regulatory areas

## 6 Access Pool Quota Disbursement

In addition to defining ‘entry level’ to determine the overall eligibility of applicants for the access pool, the program must develop criteria used to select individuals who will receive IFQ from the pool of eligible applicants. This criteria could be functionally similar to the CQE program in which each CQE must include in their application to NMFS a description of the criteria they will use to determine which residents may lease IFQ derived from CQE-held QS. There are no regulatory requirements in the CQE program for what the criteria should include or how to prioritize applicants. However, the Council included three performance standards in its final motion developing the program, which outline their intent regarding the distribution and use of community-held QS. The performance standards are: 1) equitable distribution of IFQ leases within a community, 2) the use of IFQ by local crew members, 3) the percentage of IFQ resulting from community-held QS that is fished on an annual basis. In this way the Council helped direct the overall intent of the selection criteria while allowing flexibility for the unique goals of each individual community.

Many CQEs have developed specific and comprehensive criteria to distribute IFQ among community residents, based on the goals and objectives set out by the community. The city of Craig was the first CQE formed in late 2004, and it was very proactive in developing the first set of organizational governance and distribution criteria for quota share. NMFS only requires that criteria are developed, not that each community follow specified criteria. For example, some communities may emphasize providing

IFQ to new entrants versus long-term participants (or vice-versa), while others may focus on ensuring that the resident IFQ holder's crew is comprised of resident crewmembers. Some communities have employed a 'point system', while others have developed other types of rating criteria. It may also be prudent to develop a contingency framework to allow for program IFQ to be reissued to another participant in the event the original recipient would be unable to harvest it before the end of the season.

The Council could employ a similar method to develop access pool selection criteria by outlining the larger goals of the program and leaving the specific selection metrics up to the individual entities. Depending on the number of entities and the different selection criteria developed, allowing for differences at the entity level could create an additional administrative burden if RAM is required to confirm eligibility of different participants under multiple criteria. The more complex and data dependent the criteria are, the more challenging and resource-intensive they may be to implement.

In addition to the selection criteria for who will receive the IFQ, other specific protocols regarding the QS distribution will also need to be developed: 1) Ownership of access pool quota share: would access pool quota function similarly to CDQs where the allocation is made to the CDQ group, and that group captures the fishery resource benefits, just like other corporate entities under the IFQ program? Or would ownership of the access pool quota be explicitly retained by the government and allocation made to entities but only for redistribution to individual applicants. 2) Number of recipients and quantity of QS distributed to each selected individual. How much quota share will an applicant receive? Is this a consistent amount for every individual for every year they participate in the program or does it vary by recipient and/or by year and if so, on what basis? 3) What happens to any QS held by an access pool that is not leased out as IFQ to an applicant? 4) What happens if an applicant fails to harvest their allocation?

## **7 Regulatory and Administrative Costs and Considerations**

There are two large cost categories associated with a quota access pool as outlined by the Council motion. The first large cost category includes the costs associated with agency management of the program. These costs include the costs of receiving and processing entity applications and annual reports, initial transfer of QS to the entity(ies) (which would vary significantly based on the source of the quota--transfer deduction or newly created quota shares-- as discussed in sections 4.1 and 4.2), and verifying eligibility of selected applicants. These costs would be subject to cost recovery fees which, in 2019 were set at 3.0 percent the maximum rate allowed.

The second cost category includes those costs borne by the access pool management entity(ies). Depending on the structure of the entity required by the Council, some existing non-profits may have an appropriate management structure or may need to make slight modifications in order to qualify as an access pool entity. New non-profits may also be established as access pool entities. For any new entity there would be the initial administrative cost of creating a non-profit and applying for non-profit status, in order to participate in this program. Regardless of if a new or existing non-profit, setting up will likely entail several organizational tasks, including establishing a decision-making structure and executive leadership, establishing financial oversight capability, and creating working ties to the RAM Division. These costs may vary substantially based on existing infrastructure and experience. Entities would also incur costs associated with soliciting and processing individual applications for access pool quota, selecting individual recipients based on their established criteria, and potentially distributing and tracking IFQ as well as other, general overhead expenses. The entities would be responsible for covering these costs therefore they may consider soliciting funding, application fees, and/or implementing quota lease rates to cover their administrative and overhead costs.

It is also important to define how an access pool would be considered successful and identify metrics that would be used to determine whether or not a program is achieving its goals and objectives. Depending on the Council's final program design and rationale, potential measures of success could include the number



of recipients and the proportion of recipients who are able to purchase their own QS after participation in the program. The amount of quota distributed by the access pool and the average savings by participants if they had purchased the quota on the open market. These, and/or other metrics of success should be included in whatever reporting requirement the Council designs.

## 8 Next Steps

There are numerous program design specifications of an access pool that remain undefined and details to be worked through. The following is not a comprehensive list of unresolved questions, however it represents the most immediate outstanding issues that should be considered if the Council chooses to move forward with this action:

- Eligibility threshold
  - Quantity of QS held does not correlate with length of time holding QS, therefore defining eligibility based solely on a threshold of QS holdings may not sufficiently target entry level participants.
  - Over half (53%) of current QS holders would qualify for an access pool under an eligibility threshold of 5,000 pounds of combined QS in 2019 values.
  - Could QS holders become eligible through QS sales (i.e. currently ineligible QS holders sell QS until holdings are under threshold to gain access)?
  - How would the eligibility threshold apply to crewmembers who do not currently hold QS (would current and future TEC holders be eligible)?
- QS Source mechanisms
  - Under a transfer deduction of 1% or 0.5% of permanent QS transfers, it would take numerous years to accrue the full one percent of the 2019 QS into the access pool
- Access pool QS
  - How would access pool QS source and distribution relate to current breakdowns by IFQ regulatory areas and/or QS vessel categories?
  - Would this action apply to A shares?
  - Would the overall access pool quantity and eligibility thresholds remain static in terms of 2019 QS values and IFQ TACs or would it fluctuate annually? If static, clarify why 2019 was selected as the index year.
- Access pool management entity
  - What is the optimal structure and number of access pool management entities to balance tradeoffs of representing regional differences and maintaining administrative efficiencies?
- Access pool quota disbursement
  - Develop guidance regarding selection criteria for who will receive access pool IFQ.

After clarifying the above issues, the Council should identify a purpose and need statement and develop (an) alternative(s) for consideration in an initial review draft analysis.

## 9 References

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