DISCUSSION PAPER
AMEND THE SABLEFISH CATEGORY A (FREEZER LONGLINER) USE CAP
May 31, 2013

INTRODUCTION The North Pacific Fishery Management Council (Council) called for proposals to amend the commercial halibut/sablefish Individual Fishing Quota (IFQ) Program during summer 2009. The IFQ Implementation Committee convened in November 2009 to review IFQ proposals and recommended that several proposals be advanced for consideration by the Council[1]. The committee reconvened in February 2010 to consider a few late proposals. The Council then recommended that five proposals from the committee recommendations be developed into analyses for Council action. The Council forwarded preferred alternatives for five proposed actions[2] in 2011 and 2012 to NMFS for approval and implementation. Final action was taken on one new proposal[3] in 2013.

In April 2012, the Council also adopted the priorities recommended by the committee on developing four proposals into discussion papers prior to deciding whether to initiate an analysis for potential action. The Council directed that staff prepare the discussion papers as time was available after other higher Council priorities[4]. In April 2013, the Council recommended that the International Pacific Halibut Commission proceed with considering a proposed action based on an expanded discussion paper[5] and the request for another paper[6] was withdrawn by its proposers.

Two proposed discussion papers remain from the 2009 proposal cycle. A separate discussion paper, which also will be reviewed at the Council's June 2013 meeting, reviews information to allow the use of pots to harvest sablefish IFQs in the Gulf of Alaska. Additional proposals have been submitted since 2009 but the Council has deferred consideration of them to the next, as yet unspecified, proposal cycle in order to address current issues and allow staff to promulgate the required Federal regulations.

The proposal addressed in this discussion paper would amend the sablefish IFQ program to revise Category A share use caps; a previous status report on this proposal indicated that perhaps three QS holders would benefit under this proposal. Additional data is reported later in the paper. In April 2013, the Council considered another proposal to increase sablefish IFQs for all QS holders under changes to the sablefish harvest specification process; additional information from the sablefish industry was requested for October 2013.

Summary: The Council may choose to identify next steps for this proposal at this meeting. To initiate an analysis, the Council's first step is to adopt a statement of purpose and need for the action (problem statement) and alternatives for analysis. The committee recommended the following options if the Council chose to request an analysis: 1.25% to 1.5% of the current use cap. Several implementation issues are raised in the paper for Council consideration.

---

[1] http://www.alaskafisheries.noaa.gov/npfmc/halibut/sablefish-ifq-program.html

[2] 1) Revise CQE vessel use caps (October 2011); 2) Allow Area 3A CQEs to purchase category D halibut QS; 3) Set control date for hired skipper program (April 2011); 4) Allow IFQ from category D QS to be fished on Category C vessels in Area 4B (April 2012); and 5) Establish a CQE Program in Area 4B (February 2012).

[3] Allow CQE communities to purchase any size block of halibut and sablefish QS (April 2013)

[4] During the same period, Council staff also organized a halibut bycatch workshop, and prepared analyses of GOA FMP Amendment 95 to reduce halibut bycatch in groundfish fisheries and a revised Area 2C and Area 3A Halibut Catch Sharing Plan.

[5] Allow IFQ halibut to be retained in IFQ sablefish pots in Area 4A.

[6] reasons for unharvested halibut IFQ in Area 4.

APRIL 2012 COUNCIL MOTION

Initiate a discussion paper for removal of the block system for sablefish A shares and increase in the sablefish A share only cap. The A share exemption, would be from the overall sablefish use cap (no catcher vessel QS onboard) and regardless of whether the sablefish harvest was processed. The discussion paper should explore adding a use cap increase to the BSAI

The proposal by Clipper Seafoods is intended to relieve restrictions on consolidation for all sablefish freezer category (A) quota shares in each of the sablefish regulatory areas in the Gulf of Alaska, Bering Sea, and Aleutian Islands (Appendix 1).

From *IFQ Implementation Team* minutes,

"Dave Little, Clipper Seafoods, presented his proposal to remove Category A shares from the block program and allow an exception to the sablefish vessel cap for A category shares. The intent of the proposal is to address stranded QS, which can not be transferred by interested parties due to the cap and is not being fully harvested under the current program. Dave suggested that the use cap for sablefish could be set at 5% for Category A shares.

Kris Norosz observed that increasing the cap fivefold would be a significant departure from the original program.

a) Motion: Recommend that the Council consider removing the block program for sablefish A shares.

Failed 3:7:1

Bob Alverson recommended that the Council consider exempting Category A shares for the all area use cap at a range between 1.25% and 1.5% of the existing cap for vessels upon which ONLY A shares are fished and regardless of whether harvest was processed. His proposal was for another $400K gross. Paul Peyton supported the motion; he observed that it would take 2 ¾ percent of the limits to make CDQ vessels economical. He noted that only about 50% of the sablefish (Category A) TAC has been harvested under the current program.

b) Motion: Recommend that the Council consider exempting A shares from the overall sablefish use cap and apply a use cap at between 1.25% to 1.5% of the current use cap for vessels that ONLY fish A shares (no catcher vessel QS onboard) and regardless of whether the sablefish harvest was processed.

Passed 9:2

An *interagency staff group* commented that enforcement of use caps is problematic.

The *AP* took no action on this proposal.

In February 2010 *the Council* adopted the motion as noted above. *Staff assumes that the committee recommendation for a range of options to analyze for increasing the Category A share cap is included in the Council motion (i.e., 1.25% to 1.5% of the current use cap for vessels that ONLY fish A shares (no catcher vessel QS onboard) and regardless of whether the sablefish harvest was processed for IFQs and CDQs in all areas (cumulatively).* In December 2012, the proposer reiterated his interest in Council consideration of this proposal.

DISCUSSION

This management issue is driven by a Council policy to minimize consolidation of the fishery (National Standard 4 ~ Allocations should be fair and equitable, promote conservation, and *prevent excessive shares*) while achieving optimal yield of the resource (National Standard 1). The IFQ regulations limit the amount of QS that a person may hold (QS Use Caps). The Council is interested in exploring several potential management solutions to the stated problem of some initial recipients of sablefish QS vessel category A shares who are capped for their maximum holdings, which already may exceed the cap under a "grandfather" exemption, when much QS are "stranded" in the hands of holders who are not fishing their IFQs. Potential solutions include: 1) exempt A shares from block program (but keep the use cap) (note that a motion to this effect by the IFQ Implementation Committee failed); 2) exempt A shares from the use cap; or 3) adopt a sablefish use cap for A shares. Under a separate management initiative that was reviewed by the Council in an April 2013 discussion paper, the Council also may consider reapportioning unused trawl sablefish TAC to the fixed gear (i.e., IFQ) sector either 1) using existing management authority under the harvest specification process or 2) through an amendment to the fishery management plans.

Table 1 identifies the two use caps for the sablefish IFQ fishery for all vessel categories and management areas combined. Note the QS use caps are constant, based on the 1996 QSPs. QS use caps are determined "individually and collectively;" that is, by QS held in a person's name, plus a part of QS held by any entity in which the person is an owner (collectively). Table 2 identifies the quota share pool units, 2013 IFQ allocations (quotas) by area, and their ratio (used later in Table 5). Table 3 illustrates the 2012 sablefish landings by management area; the GOA has a greater percentage of allocation that is landed (91 percent) compared to the BS (54%) and AI (67%).

Table 1. Quota share use caps[a] (Source: RAM)

Species	Applicants %	Size of Relevant	QS Use Cap
Sablefish[b]	1% of Sablefish SE QSPs	68,848,467 QS units	688,485 QS units
	1% of All Sablefish QSPs	322,972,132 QS units	3,229,721 QS units

[a] Vessel IFQ caps are calculated on the IFQ TACs only; CDQ TACs are not included in the calculations.
[b] Halibut weights are in net (headed and gutted) pounds, and sablefish weights are in round pounds.

Table 2. 2013 Sablefish quota share pools and IFQ Total Allowable Catches (Source: RAM)

Sablefish Area	Quota Share Pool (units)	IFQ Pounds TAC	Ratio QS:IFQ
AI	31,932,492	2,830,706	11.28
BS	18,765,280	1,393,307	13.47
CG	111,686,622	9,770,787	11.43
SE	66,120,619	7,032,674	9.40
WG	36,029,579	3,086,440	11.67
WY	53,266,430	3,899,937	13.66
All GOA	**317,801,022**	**28,013,851**	11.34

Table 3. Sablefish landings in 2012 by management area.

Sablefish Management Area	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
AI	109	1,806,117	2,710,776	904,659	67
BS	159	1,060,884	1,966,503	905,619	54
CG	656	9,762,447	10,158,797	396,350	96
SE	608	6,878,168	6,995,196	117,028	98
WG	202	2,806,219	3,139,350	333,131	89
WY	236	4,237,514	4,356,290	118,776	97
Total	**1,970**	**26,551,349**	**29,326,912**	**2,775,563**	**91**

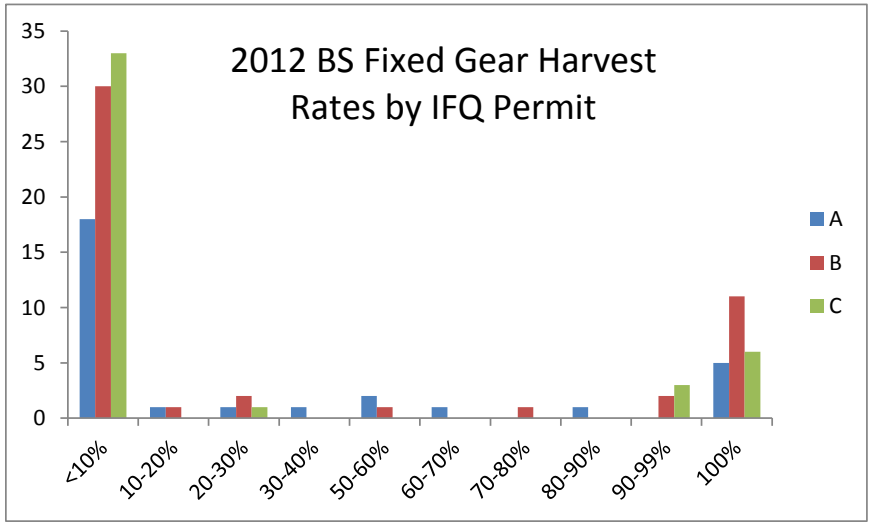
Figure 1 indicates that only a small portion of QS holders are limited by the current use cap; the percent landed of the BS and AI allocation is well below 100% for all QS holders, while the GOA is closer to 90% of the allocation(s). For example, only 3 IFQ holders in the BS are at or over the sablefish use cap from direct QS holdings (3,229,721 QS units); two hold category A QS and one holds category B QS. CDQ holders, who are allocated 20% of the 50% BS fixed gear sablefish apportionment, also do not all attain their entire allocations. The data also show a high percentage and number of IFQ permit holders with very low holdings and rates of harvest to their holdings.

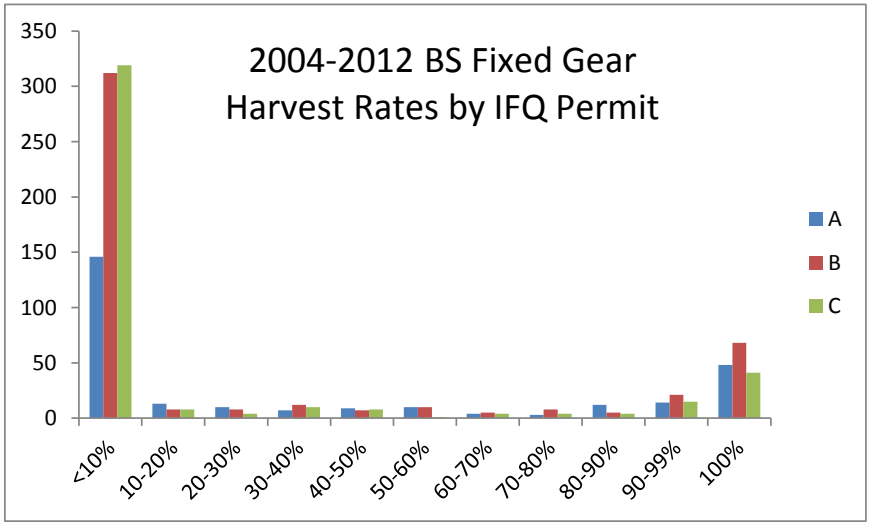
Table 4 reports the percentage of allocations landed by all IFQ permit holders each year between 2004 and 2012 by vessel category and management area. The data indicate that none of the categories are close to landing all their allocations as a whole. However, when that data (same as used in the figure) are examined by permit holder several can be identified as being limited by the use cap; however initial sablefish QS recipients may have been grandfathered at amounts that exceed the use cap. Note that the use cap is cumulative across all sablefish management areas and vessel categories, but the quota share pool and quota are only set by area. Therefore the effect of increasing the use cap will have differential effects by area. And sablefish QS holders may hold IFQ in multiple areas. Table 5 illustrates the potential *maximum* effects of amending the sablefish use cap in pounds *for Category A QS only* (i.e., all QS holdings were Category A QS) and *if all holdings were held in one area. It is unlikely that all Category A QS holders would avail themselves of the proposed higher caps.* Table 6 applies the average ex-vessel price per pound for sablefish by management area, as reported by NMFS RAM Division to report a rough estimate of the dollar value associated with the proposed use caps. The same caveats apply, i.e., this assumes all QS are Category A, all holdings are in one area, and not all QS holders would transfer QS to the maximum use cap.

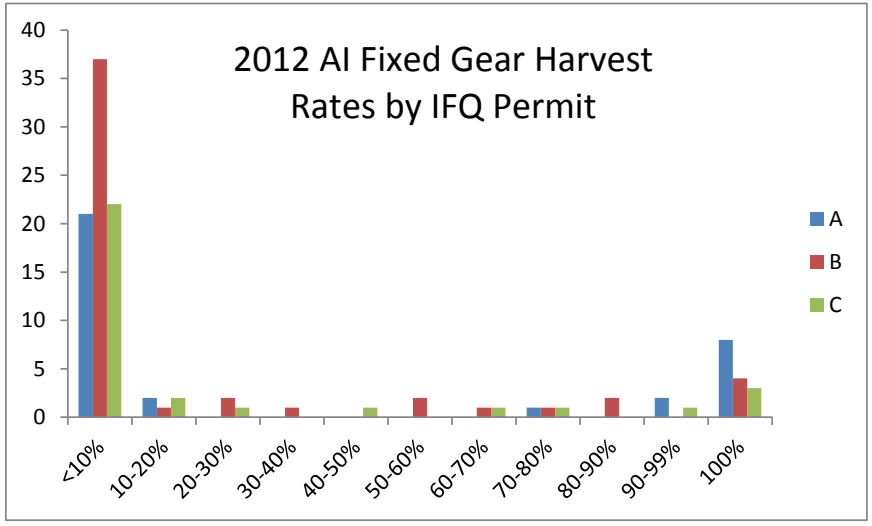
Intuitively, removing category A sablefish QS from the current (all area) use cap would increase the remaining use cap on Category B and C QS, ***unless*** *the Council adjusts it downward to reflect that it would cover only the two catcher vessel categories (B and C), instead of the original three categories. A simpler solution that would not affect other QS holders would be to remove the block program for the A shares; however additional analysis likely could indicate that the block program is not as limiting as the use cap and that even exempting A shares from the block program would not allow sufficient increases in QS holdings to meet Council objectives for the action to warrant the regulatory amendment.. Further the IFQ Implementation Committee did not support a motion to exempt A shares from the block program.*

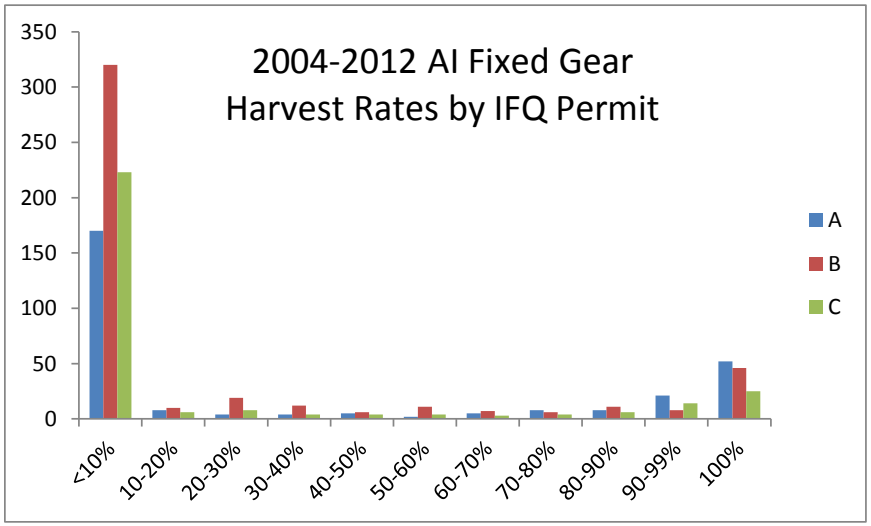
The proposal also contains two elements that may be problematic. It states a requirement that only A QS be "onboard" the vessel for any change to management of Category A QS. This could result in enforcement difficulty in identifying ***when*** *the A shares exemption would be in effect since both vessel owners and crew may hold fished or unfished catcher vessel QS coincident with Category A QS. Further, an A QS exemption from the use cap "****regardless of whether the sablefish harvest was processed"*** *would be treated as an underlying assumption in the analysis and not as a decision point. In moving this proposal forward for analysis, the Council should articulate the problem that it wishes to address.*

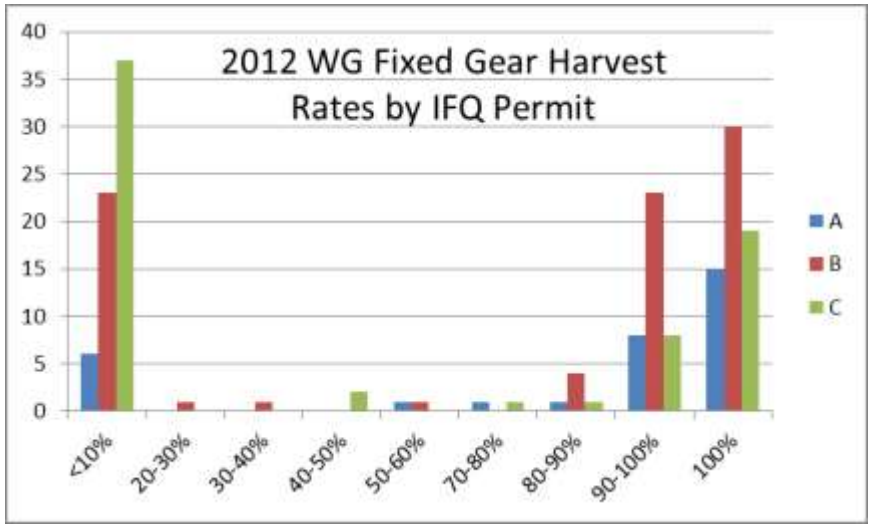
Figure 1. Comparison of harvest rate of sablefish IFQs relative to use cap by IFQ permit holder for the Bering Sea, Aleutian Islands, and Gulf of Alaska (by subarea) for 2012 (left) and 2004-2012 (right) (Source: AKFIN from RAM data)

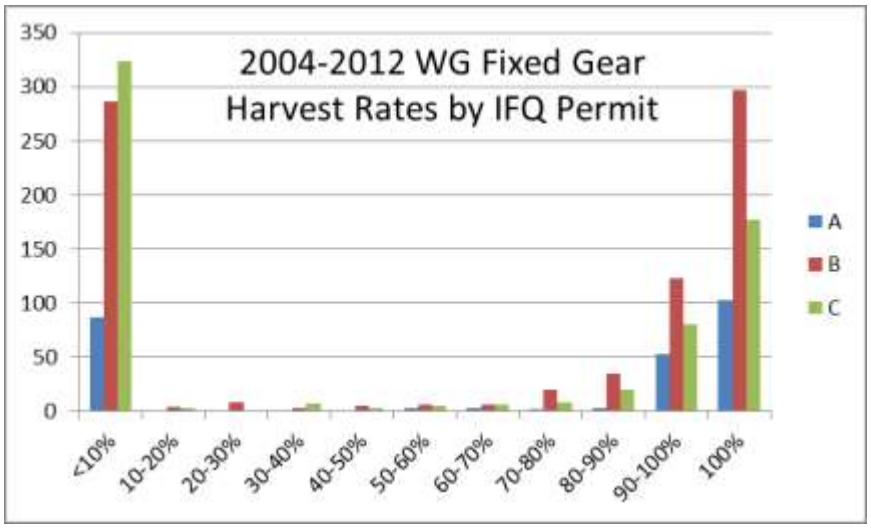


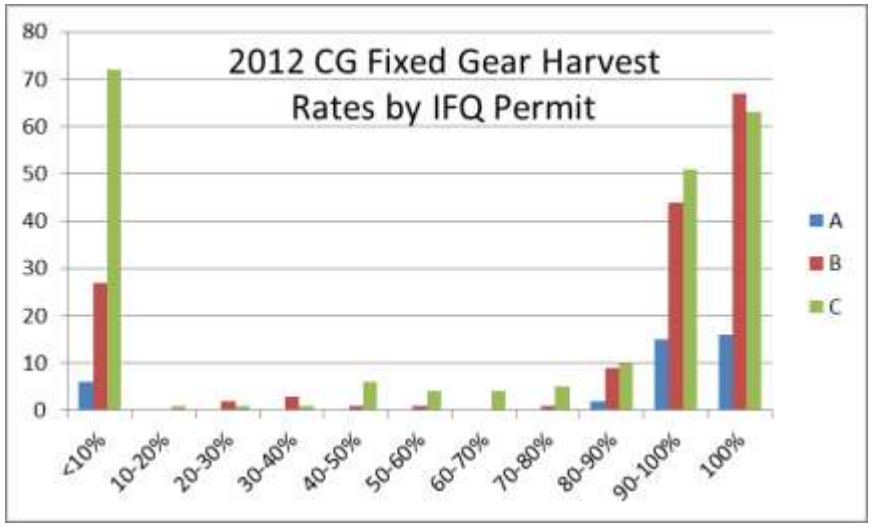


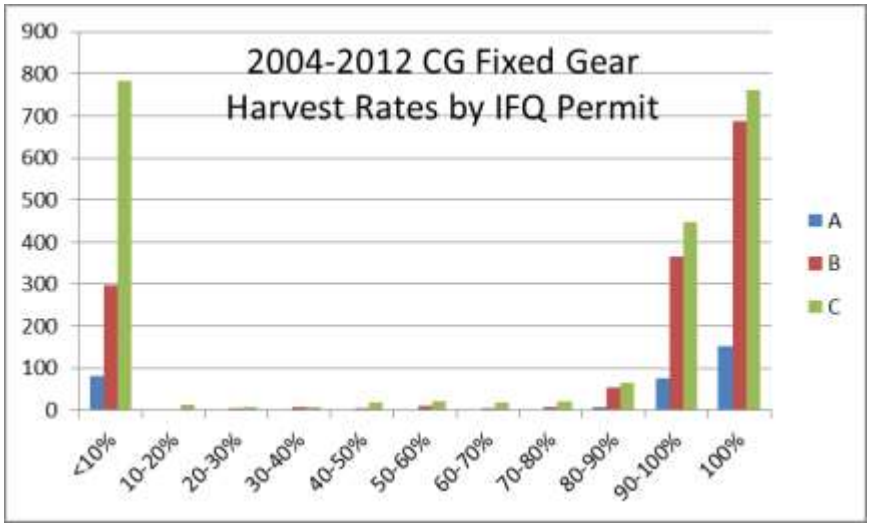


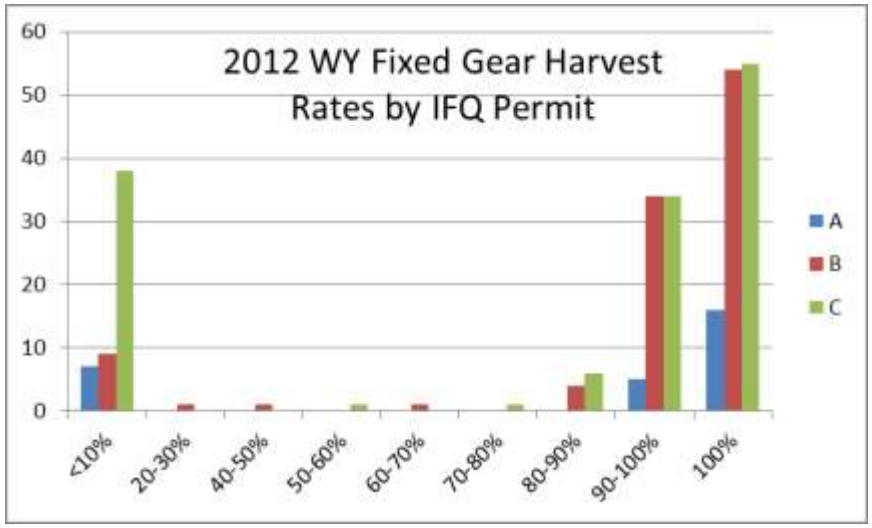


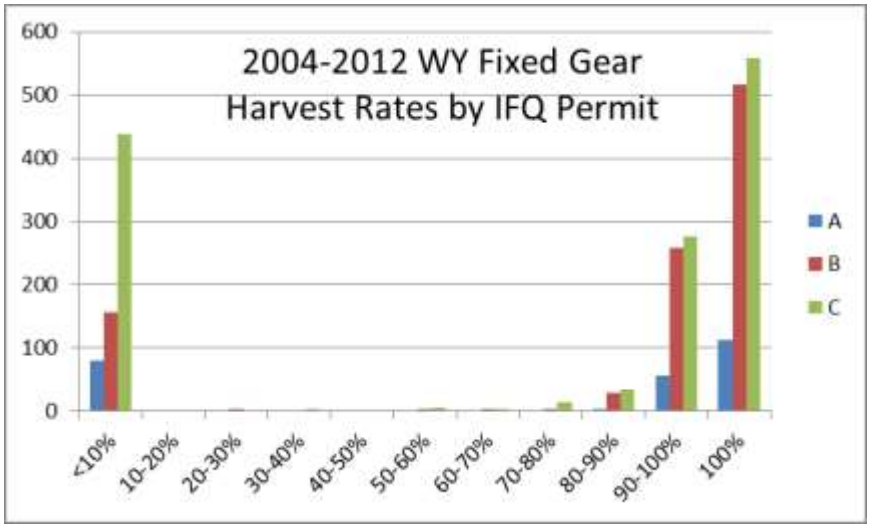

2012 WG Fixed Gear Harvest Rates by IFQ Permit
40
35
30
25
20
15
10
5
0
<10%
20-30%
30-40%
40-50%
50-60%
70-80%
80-90%
90-100%
100%
A
B
C

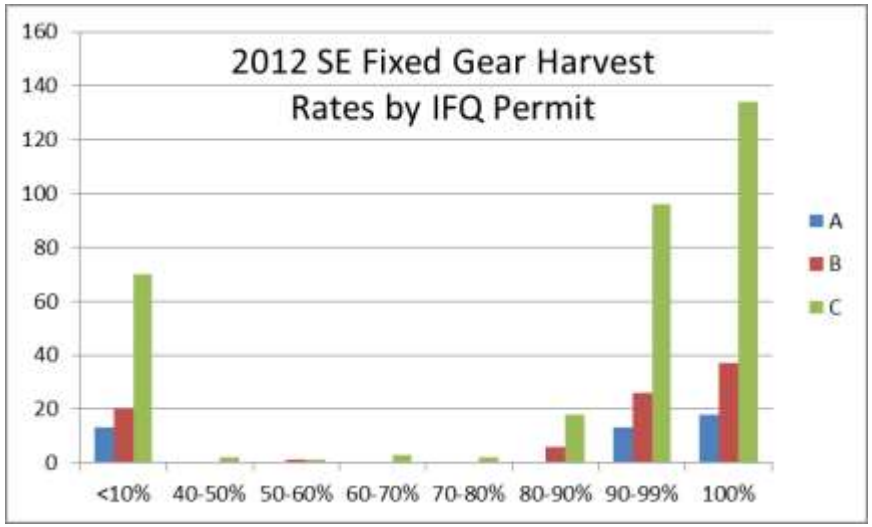

2004-2012 WG Fixed Gear Harvest Rates by IFQ Permit
350
300
250
200
150
100
50
0
<10%
10-20%
20-30%
30-40%
40-50%
50-60%
60-70%
70-80%
80-90%
90-100%
100%
A
B
C


2012 CG Fixed Gear Harvest Rates by IFQ Permit
80
70
60
50
40
30
20
10
0
<10%
10-20%
20-30%
30-40%
40-50%
50-60%
60-70%
70-80%
80-90%
90-100%
100%
A
B
C


2004-2012 CG Fixed Gear Harvest Rates by IFQ Permit
900
800
700
600
500
400
300
200
100
0
<10%
10-20%
20-30%
30-40%
40-50%
50-60%
60-70%
70-80%
80-90%
90-100%
100%
A
B
C


2012 WY Fixed Gear Harvest Rates by IFQ Permit
60
50
40
30
20
10
0
<10%
20-30%
40-50%
50-60%
60-70%
70-80%
80-90%
90-100%
100%
A
B
C


2004-2012 WY Fixed Gear Harvest Rates by IFQ Permit
600
500
400
300
200
100
0
<10%
10-20%
20-30%
30-40%
40-50%
50-60%
60-70%
70-80%
80-90%
90-100%
100%
A
B
C


2012 SE Fixed Gear Harvest Rates by IFQ Permit
160
140
120
100
80
60
40
20
0
<10%
40-50%
50-60%
60-70%
70-80%
80-90%
90-99%
100%
A
B
C

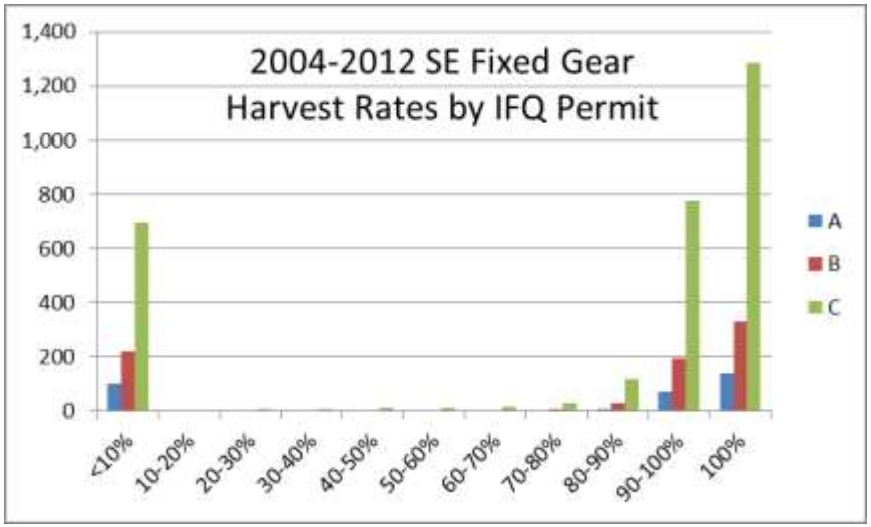

2004-2012 SE Fixed Gear Harvest Rates by IFQ Permit
1,400
1,200
1,000
800
600
400
200
0
<10%
10-20%
20-30%
30-40%
40-50%
50-60%
60-70%
70-80%
80-90%
90-100%
100%
A
B
C

Table 4a. Fixed Gear Sablefish allocation and weight (in mt) posted by Vessel Category in the BS.

	A			B			C		
Year	**Initial Quota**	**Catch Weight**	**Percent**	**Initial Quota**	**Catch Weight**	**Percent**	**Initial Quota**	**Catch Weight**	**Percent**
2004	462	209	45.29%	479	253	52.73%	219	61	27.83%
2005	388	259	66.84%	404	235	58.04%	184	63	34.07%
2006	448	349	77.93%	467	301	64.54%	213	77	36.41%
2007	474	406	85.58%	494	315	63.73%	224	82	36.48%
2008	455	325	71.35%	474	281	59.35%	215	77	35.58%
2009	433	312	72.11%	450	275	61.14%	205	87	42.62%
2010	455	177	38.99%	462	242	52.40%	198	71	35.81%
2011	454	204	44.98%	471	205	43.58%	215	69	31.89%
2012	355	189	53.16%	369	219	59.33%	168	73	43.47%
Total	3,924	2,430	61.94%	4,070	2,326	57.15%	1,840	659	35.81%

Table 4b. Fixed Gear Sablefish allocation and weight (in mt) posted by Vessel Category in the AI.

	A			B			C		
Year	**Initial Quota**	**Catch Weight**	**Percent**	**Initial Quota**	**Catch Weight**	**Percent**	**Initial Quota**	**Catch Weight**	**Percent**
2004	*	*	56.13%	*	*	45.16%	*	*	38.37%
2005	884	542	61.32%	557	343	61.52%	131	61	46.65%
2006	*	*	40.89%	*	*	31.66%	*	*	55.11%
2007	948	414	43.72%	598	273	45.70%	140	42	29.94%
2008	823	409	49.64%	519	191	36.77%	122	44	35.82%
2009	742	443	59.75%	468	275	58.77%	110	34	30.55%
2010	705	431	61.15%	442	181	40.98%	95	29	30.80%
2011	698	521	74.55%	440	222	50.47%	103	21	20.39%
2012	691	510	73.74%	436	276	63.42%	102	33	32.05%
Total	5,491	3,270	59.54%	3,460	1,761	50.91%	804	264	32.78%

Table 4c. Fixed Gear Sablefish allocation and weight (in mt) posted by Vessel Category in the WG.

	A			B			C		
Year	Initial Quota	Catch Weight	Percent	Initial Quota	Catch Weight	Percent	Initial Quota	Catch Weight	Percent
2004	889	832	93.58%	1,014	904	89.14%	440	390	88.71%
2005	771	791	102.65%	879	783	89.06%	382	323	84.60%
2006	810	777	95.82%	924	893	96.63%	401	373	93.07%
2007	750	731	97.52%	855	811	94.76%	371	313	84.27%
2008	574	446	77.75%	655	628	95.89%	284	268	94.30%
2009	498	492	98.86%	568	556	97.97%	246	234	95.20%
2010	504	495	98.28%	575	546	94.90%	249	216	86.66%
2011	492	491	99.92%	561	545	97.09%	243	210	86.47%
2012	540	502	92.98%	616	548	88.85%	267	222	83.23%
Total	5,828	5,559	95.38%	6,648	6,213	93.46%	2,883	2,550	88.43%

Table 4d. Fixed Gear Sablefish allocation and weight posted by Vessel Category in the CG.

	A			B			C		
Year	Initial Quota	Catch Weight	Percent	Initial Quota	Catch Weight	Percent	Initial Quota	Catch Weight	Percent
2004	918	903	98.32%	2,773	2,746	99.04%	2,149	2,115	98.42%
2005	912	891	97.74%	2,755	2,725	98.94%	2,134	2,096	98.22%
2006	801	791	98.78%	2,420	2,409	99.52%	1,875	1,849	98.63%
2007	778	767	98.54%	2,352	2,352	100.02%	1,822	1,799	98.78%
2008	692	578	83.50%	2,090	2,101	100.51%	1,618	1,580	97.66%
2009	628	621	98.90%	1,896	1,875	98.86%	1,468	1,464	99.70%
2010	567	564	99.46%	1,714	1,710	99.80%	1,327	1,318	99.35%
2011	596	592	99.38%	1,801	1,796	99.71%	1,394	1,361	97.60%
2012	724	715	98.68%	2,189	2,136	97.57%	1,695	1,574	92.90%
Total	6,616	6,422	97.06%	19,991	19,851	99.30%	15,480	15,156	97.90%

Table 4e. Fixed Gear Sablefish allocation and weight (in mt) posted by Vessel Category in the WY.

	A			B			C		
Year	Initial Quota	Catch Weight	Percent	Initial Quota	Catch Weight	Percent	Initial Quota	Catch Weight	Percent
2004	183	174	94.85%	1,353	1,355	100.15%	698	681	97.59%
2005	187	189	101.42%	1,377	1,378	100.07%	710	693	97.63%
2006	163	159	97.40%	1,205	1,191	98.79%	621	619	99.61%
2007	164	163	99.19%	1,210	1,208	99.87%	623	619	99.28%
2008	152	139	91.30%	1,122	1,122	100.00%	579	566	97.79%
2009	128	126	98.55%	943	940	99.65%	486	479	98.53%
2010	116	115	98.98%	854	852	99.71%	440	437	99.28%
2011	143	139	97.08%	1,056	1,058	100.12%	544	538	98.86%
2012	162	161	99.44%	1,197	1,170	97.78%	617	589	95.41%
Total	1,399	1,365	97.59%	10,317	10,273	99.57%	5,318	5,220	98.15%

Table 4f. Fixed Gear Sablefish allocation and weight (in mt) posted by Vessel Category in the SE.

	A			B			C		
Year	Initial Quota	Catch Weight	Percent	Initial Quota	Catch Weight	Percent	Initial Quota	Catch Weight	Percent
2004	350	337	96.31%	766	757	98.78%	2,654	2,611	98.36%
2005	331	329	99.21%	725	718	99.05%	2,513	2,486	98.90%
2006	327	325	99.41%	715	719	100.48%	2,478	2,451	98.92%
2007	313	315	100.71%	685	676	98.73%	2,372	2,342	98.74%
2008	299	285	95.49%	654	657	100.35%	2,267	2,251	99.31%
2009	255	254	99.86%	558	556	99.59%	1,933	1,939	100.33%
2010	239	236	98.65%	524	518	98.87%	1,816	1,807	99.49%
2011	273	270	98.86%	597	594	99.39%	2,070	2,055	99.29%
2012	294	293	99.53%	645	632	98.00%	2,234	2,190	98.01%
Total	2,680	2,643	98.63%	5,870	5,826	99.25%	20,338	20,132	98.99%
Notes: *Confidential, Catch Weight in Product Amounts									
Source: NMFS Alaska Region IFQ, data compiled by AKFIN									

Table 5. Current and proposed sablefish Category A quota share use caps in pounds.

		Status Quo		Proposed Options			
	Ratio QS:IFQ	1% of Sablefish SE QSPs	1% of All Sablefish QSPs	1.25% of Sablefish SE QSPs	1.25% of All Sablefish QSPs	1.5% of Sablefish SE QSPs	1.5% of All Sablefish QSPs
QS units		*688,485*	*3,229,721*	*860,606*	*4,037,151*	*1,032,728*	*4,844,582*
AI lb	11.28	61,036	286,323	76,295	357,903	91,554	429,484
BS lb	13.47	51,112	239,771	63,891	299,714	76,669	359,657
CG lb	11.43	60,235	282,565	75,294	353,207	90,352	423,848
SE lb	9.40	73,243	343,587	91,554	429,484	109,865	515,381
WG lb	11.67	58,996	276,754	73,745	345,943	88,494	415,131
WY lb	13.66	50,402	236,436	63,002	295,545	75,602	354,655
GOA lb	11.34	60,713	284,808	75,891	356,010	91,069	427,212

Table 6. Range of values (in $) associated with proposed options for sablefish Category A QS use caps

		Status Quo		Proposed Options			
Area	Estimated Ex-Vessel Price*	1% of Sablefish SE QSPs	1% of All Sablefish QSPs	1.25% of Sablefish SE QSPs	1.25% of All Sablefish QSPs	1.5% of Sablefish SE QSPs	1.5% of All Sablefish QSPs
AI	$7.85			$119,783	$561,908	$239,566	$1,123,817
BS	$7.18			$91,747	$430,390	$183,494	$860,779
CG	$6.01			$90,503	$424,554	$181,006	$849,109
SE	$5.03			$92,103	$432,061	$184,206	$864,122
WG	$7.70			$113,568	$532,752	$227,135	$1,065,504
WY	$5.69			$71,696	$336,331	$143,392	$672,662
All sablefish	$5.85			$88,793	$416,531	$177,585	$833,063

*Source: RAM

Proposal Summary *In consideration of this proposal, the Council should consider its policy objectives for the IFQ program, consider the national standards, and identify next steps. If the Council initiates an analysis, it should adopt a purpose and need statement (problem statement) for the action, and identify alternatives and options for analysis. For analysis, the IFQ Implementation Committee recommended sablefish QS use cap options of 1.25 percent and 1.5 percent of the status quo (1.0 percent) for the Southeast management area and for sablefish QS in all areas. Additional clarifications are requested regarding other elements of the Council's original motion (i.e., "no catcher vessel QS onboard" and "regardless of whether the sablefish harvest was processed."*

Preparers

Jane DiCosimo	NPFMC
Mike Fey	AKFIN

Persons Contacted

IFQ Implementation Committee	NPFMC
Tracy Buck	NMFS RAM
Bob Alverson	Fishing Vessel Owners Association
Dave Little	Clipper Seafoods

APPENDIX 1.

Clipper Seafoods, Ltd.

641 W. Ewing Street
Seattle, WA 98119
(206) 284-1162 p / (206) 283-5089 f

September 1, 2009

Chris Oliver
North Pacific Fisheries Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501

Dear Chris:

I am writing to you today to ask that the NPFMC consider changes to the Sablefish IFQ program. It is my understanding that the IFQ committee has been reformed and will meet before the October council meeting. I am proposing two changes to the "A" share Sablefish program:

- Remove the block system for "A" shares
- Increase the "A" share ownership cap

Making these changes to the program would allow "A" share participants to use their vessels more effectively. Under the current system it is marginally practical to catch small amounts of Sablefish on a freezer vessel.

I will gladly provide you with more information and will be available to participate at the committee meeting, if you could put this on the agenda.

Thank you for consideration,

David Little
Clipper Seafoods, Ltd.

cc. Bob Alverson, Don Iverson