

Public Review Draft

Regulatory Impact Review for a Regulatory Amendment

to

**Allow Community Quota Entities in Area 3A to Purchase D Category
Halibut Quota Share**

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North Pacific Fishery Management Council
605 W. 4th Avenue, Suite 306
Anchorage, Alaska 99501
(907) 271-2809

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EXECUTIVE SUMMARY

This Regulatory Impact Review (RIR) was prepared to evaluate the economic and socioeconomic effects of a proposed Federal regulatory amendment, as required under Presidential Executive Order 12866. The proposed amendment would be a revision to the Gulf of Alaska Community Quota Entity (CQE) Program, which was approved by the North Pacific Fishery Management Council (Council) in 2002 and implemented by NMFS in 2004, under Amendment 66 to the Gulf of Alaska (GOA) Fishery Management Plan. The program was developed in order to allow a distinct set of 42 small, remote coastal communities located in the Gulf of Alaska to purchase catcher vessel quota share (QS) under the existing halibut and sablefish Individual Fishing Quota (IFQ) Program.

Halibut quota share is designated under four vessel categories: freezer (catcher processor) category (A share); catcher vessels greater than 60' LOA (B share); catcher vessels 36' to 60' LOA (C share); and catcher vessels 35' LOA or less (D share). The existing CQE Program prohibits CQEs representing communities in halibut IFQ regulatory Area 2C and Area 3A from purchasing D category halibut quota share; only B and C category are allowed to be purchased. The proposed action would amend Federal regulations to allow CQEs representing communities in IPHC Area 3A to purchase Area 3A D category halibut quota share, with specified limitations. The prohibition on purchasing D category QS in Area 2C would remain. This issue was submitted as an IFQ proposal during the 2009 call for IFQ proposals, and an analysis was initiated by the Council in February 2010.¹ The Council reviewed the initial draft analysis in December 2010, approved changes, and scheduled final action on the revised analysis at its February 2011 meeting.

In effect, D shares are often used for smaller operations, or new entrants, and there is a relatively small amount of D share quota designated in each area. Generally, D shares are the least expensive category of halibut QS, as they can only be used on the smallest category of vessel.² One of the primary reasons the Council established a prohibition on the CQE purchase of D shares was to help ensure that D shares would continue to be available to new entrants and crew members that wanted to start their own businesses. There was concern that an influx of CQEs in Area 2C and 3A would drive up the market for D shares, and result in more expensive, and fewer available, shares for individuals. CQEs, like any new entrant, have had difficulty in funding the purchase of QS, and very little QS has been purchased through the program to-date. The least costly category of QS is preferred, and it corresponds to the type of vessel that most residents use in these smaller communities. In addition, about one-third of the QS currently held by residents of the eligible communities in Area 3A is D category; individuals that wish to transition out of the fishery may desire to sell their QS to the CQE in order to ensure it remains within the community.

The analysis examines two alternatives, one of which is the no action alternative. The alternatives under consideration are as follows:

Alternative 1. No action. Regulations at 50 CFR 679.41(g)(5) would remain unchanged. Current regulations state that "A CQE may not hold QS in halibut IFQ regulatory areas 2C or 3A that is assigned to vessel category D."

Alternative 2. Community Quota Entities located in halibut management Area 3A are permitted to purchase Area 3A "D" category quota share with the following limitations:

¹*IFQ proposal to allow CQE communities to purchase QS in all vessel categories*, submitted by Gulf Coastal Communities Coalition, May 27, 2009.

²The exception to this rule is that D shares can be 'fished up' on vessels $\leq 60'$ LOA (C category) in Areas 3B and 4C. See 72 FR 44795, August 9, 2007. This rule was implemented to address economic hardship and safety concerns resulting from fishing in small vessels in these areas. These areas are unaffected by this action. Note that there is a current proposal for consideration by the Council that would allow D category QS to be 'fished up' and used on C category vessels in Area 4B.

- a. Area 3A “D” category quota share purchased by Area 3A CQEs must have the annual IFQ fished on “D” category vessels ($\leq 35'$ LOA).
- b. Area 3A CQEs are limited in their cumulative purchase of “D” category quota shares to an amount equal to the total “D” category quota shares that were initially issued to individuals that resided in Area 3A CQE communities.
- c. Area 3A CQEs may purchase any size block of “D” category quota share.

The action alternative (Alternative 2) would revise Federal regulations at 50 CFR 679.41(g)(5) to allow Area 3A CQEs to hold a limited amount of D category halibut QS in Area 3A. Alternative 2 would also require that any D category halibut QS that is purchased by a CQE could only be used on a D category vessel. Existing regulations exempt CQEs from the vessel size (share class) restrictions when the QS is held by the CQE. The second provision under Alternative 2 would limit the amount of D category QS that could be purchased in total by Area 3A CQEs to the amount that was initially issued to individual residents of Area 3A CQE communities.

The CQE Program also currently restricts the size of blocked QS CQEs may purchase; CQEs are prohibited from purchasing a halibut QS block in Area 3A if it is less than or equal to 46,520 QS units (i.e., the sweep-up limit; about 5,000 lbs in Area 3A in 2010). In December, during initial review, the Council reviewed data that showed that CQEs would not have access to 62% of the D category QS pool in Area 3A if CQEs were restricted to purchasing unblocked QS and QS in blocks greater than the sweep-up limit. In addition, the problem statement recognizes that one potential source of quota share for CQEs is quota held by residents of the CQE communities, as they retire or transition to a different type of QS. Of the total catcher vessel QS held by the Area 3A CQE communities, about 30% is D category, and the vast majority of that (70%) is in small blocks. Upon review, the Council added a third provision under Alternative 2 that would allow Area 3A CQEs to purchase any size block of D category QS in Area 3A, up to the limits specified below.

Under Alternative 2, the maximum effect is that CQEs representing communities in Area 3A would cumulatively be eligible to purchase up to 1,223,740 QS units of D category Area 3A halibut QS, which represents 9.6% of the total Area 3A D category quota share pool. Using the 2010 TAC, this equates to 132,293 lbs in 2010. [Note that the IPHC staff recommendation for the 2011 catch limit in Area 3A is 28% lower than the 2010 catch limit. Final 2011 catch limits will be approved in late January.] In sum, under Alternative 2, if Area 3A CQEs were to purchase D shares, they could cumulatively purchase up to 9.6% of the total D category QS pool, in either unblocked or blocked shares, and the IFQ derived from this QS could only be used on D category vessels (catcher vessels $\leq 35'$ LOA). Currently, 10% of the Area 3A D category QS is unblocked, 28% is blocked at levels greater than the sweep-up limit (large blocks), and 62% is blocked at levels less than or equal to the sweep-up limit (small blocks). As of mid-2010, there were 50 large blocks and 553 small blocks of D category QS in Area 3A. Each CQE would continue to be limited to purchasing a total of 10 blocks of halibut quota share in Area 3A.

Effects on Area 3A CQEs

The proposed action implies that the rules addressing CQE purchases in the original CQE Program have, to-date, failed to achieve some of the Council’s objectives with respect to preserving fishing opportunity in small communities. The purpose of the action is therefore to have distributional effects, to allow some redistribution of the smallest vessel category QS from individuals to CQEs. The maximum effect could be a redistribution of 1,223,740 QS units of D category Area 3A halibut QS, which represents 9.6% of the current total Area 3A D category quota share pool.

Regardless of the intent, the effect of Alternative 2 depends upon the extent to which CQEs desire to and are capable of purchasing D category halibut QS in Area 3A. Given the financially prohibitive factors for CQEs and any new entrant to finance a QS purchase, and the current trends in transfer rates, analysts cannot speculate as to whether the proposed action would have the intended effect. While CQEs would likely continue to have difficulty in funding the purchase of QS and participating in the CQE Program, this action would potentially provide a better opportunity for communities to participate in the market.

In the future, forthcoming actions (i.e., fixed gear permits for Pacific cod in the Central Gulf and community charter halibut permits in Area 3A, both issued to CQEs at no cost and non-transferable)³ could potentially provide seed money for Area 3A CQEs to purchase halibut and sablefish QS, as CQEs lease licenses to individual residents. As D category QS appears to be the most desirable for residents of small communities (the amount and percentage of D share holdings by residents of Area 3A CQE communities has increased slightly over time, as opposed to B and C shares), CQEs may look to transition D share purchases to individual community residents in the long-run. One would expect Alternative 2 would provide a better opportunity for CQEs to leverage those assets to purchase QS, and potentially use those QS purchases to build on both CQE-held and individually-held QS.

Effects on IFQ fishery participants

No significant effect on individual participants in the IFQ fisheries, or residents of non-CQE communities, is anticipated under Alternative 2 compared to the status quo. The primary effect on existing participants would be the potential for greater competition in the market for purchasing D category QS, which could result in a higher price. However, several factors limit the impact of the proposed action, most importantly the cumulative limit on the amount of D category QS CQEs would be allowed to purchase. Under Alternative 2, CQEs would be limited to purchasing a relatively small percentage of the overall pool of Area 3A D category QS (9.6%). In addition, under the existing CQE Program rules, a CQE is limited to purchasing a maximum of 10 blocks of halibut QS in Area 3A in total. Due to the cumulative limit, it is likely that non-CQE participants would be marginally negatively affected by the proposed action. Only non-CQE participants would continue to have access to over 90% of the D category QS in Area 3A, without potential competition from CQEs. This action also would not affect IFQ participants' access to other categories (B and C) of catcher vessel quota share, nor would it affect their access to D category QS in areas other than Area 3A.

Based on the analysis and criteria under Presidential Executive Order 12866, the proposed action does not constitute a significant regulatory action, recognizing that there may be distributional impacts among the various participants affected.

³The programs containing these provisions (GOA Am. 86 and the Area 2C/3A halibut charter limited entry program), have not yet been implemented.

1.0 INTRODUCTION

The Pacific halibut fishery off Alaska is managed by NMFS under the authority of the Northern Pacific Halibut Act of 1982, and in coordination with annual fishery management measures adopted by the International Pacific Halibut Commission (IPHC) under the Convention between the United States and Canada for the Preservation of the Halibut Fishery of the Northern Pacific Ocean and Bering Sea. The IPHC promulgates regulations governing the Pacific halibut fishery under the Convention, and regulations that are not in conflict with approved IPHC regulations may be recommended by the North Pacific Fishery Management Council (Council). Council action must be approved and implemented by the Secretary of Commerce.

This Regulatory Impact Review (RIR) was prepared to meet the requirements of Presidential Executive Order 12866 for an evaluation of the benefits and costs, and of the significance, of the proposed Federal regulatory action. This would be a revision to the Community Quota Entity (CQE) Program, which was implemented by NMFS in 2004, in order to allow a distinct set of small, remote coastal communities located in the Gulf of Alaska to purchase catcher vessel quota share (QS) under the existing halibut and sablefish Individual Fishing Quota (IFQ) Program. Halibut quota share is designated under four vessel categories: freezer (catcher processor) category (A share); catcher vessels greater than 60' LOA (B share); catcher vessels 36' to 60' LOA (C share); and catcher vessels 35' LOA or less (D share). The existing CQE Program prohibits CQEs representing communities in halibut IFQ regulatory Area 2C and Area 3A from purchasing D category halibut quota share; only B and C category are allowed to be purchased. The Council is considering amending Federal regulations to allow CQEs representing communities in IPHC Area 3A to purchase Area 3A D category halibut quota share, with specified limitations.

This was cited as an issue at a 2009 CQE workshop,⁴ and was also submitted as an IFQ proposal during the 2009 call for IFQ proposals, for consideration by the Council in February 2010.⁵ Generally, D shares are the least expensive category of halibut QS, as they can only be used on the smallest category of vessel.⁶ This is opposed to B and C category QS, which can be used on the category of vessel to which the QS corresponds, or 'fished down' on vessels within a smaller size category. The Council heard testimony on this issue with regard to the IFQ proposal requesting that CQEs be allowed to purchase D category halibut QS in Area 2C and 3A. This issue was also recognized in the Council's review of the CQE Program, at the February 2010 Council meeting.⁷

The analysis examines two alternatives, one of which is the no action alternative. The action alternative would revise Federal regulations at 50 CFR 679.41(g)(5) to allow Area 3A CQEs to hold halibut QS in Area 3A that is assigned to vessel category D. The existing restriction prohibiting CQEs from holding D category halibut QS in Area 2C would remain.

Presidential Executive Order 12866 mandates that certain issues be examined before a final decision is made. The RIR associated with the proposed action is contained in Chapter 2.0. References and a list of preparers are in Sections 3.0 and 4.0, respectively.

⁴*Community Quota Entities: Workshop Proceedings*, February 17 – 18, 2009, Alaska Sea Grant, Anchorage.

⁵*IFQ proposal to allow CQE communities to purchase QS in all vessel categories*, submitted by Gulf Coastal Communities Coalition, May 27, 2009.

⁶The exception to this rule is that D shares can be 'fished up' on vessels ≤60' LOA (C category) in Areas 3B and 4C. See 72 FR 44795, August 9, 2007. This rule was implemented to address economic hardship and safety concerns resulting from fishing in small vessels in these areas. These areas are unaffected by this action.

⁷http://www.fakr.noaa.gov/npfmc/current_issues/halibut_issues/CQEREport210.pdf

2.0 REGULATORY IMPACT REVIEW

An RIR is required under Presidential Executive Order (E.O.) 12866 (58 FR 51735; October 4, 1993). The requirements for all regulatory actions specified in E.O. 12866 are summarized in the following statement from the order:

“In deciding whether and how to regulate, agencies should assess all costs and benefits of available regulatory alternatives, including the alternative of not regulating. Costs and benefits shall be understood to include both quantifiable measures (to the fullest extent that these can be usefully estimated) and qualitative measures of costs and benefits that are difficult to quantify, but nonetheless essential to consider. Further, in choosing among alternative regulatory approaches agencies should select those approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity), unless a statute requires another regulatory approach.”

E.O. 12866 requires that the Office of Management and Budget review proposed regulatory programs that are considered to be “significant.” A “significant regulatory action” is one that is likely to:

- Have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, local or tribal governments or communities;
- Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;
- Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or
- Raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles set forth in this Executive Order.

2.1 Purpose and need

The Council approved the following problem statement for this action in December 2010:

Area 3A CQE communities were created approximately 10 years after the halibut and sablefish IFQ Program was implemented in an attempt to provide for the sustained participation of these communities in the halibut and sablefish fisheries and to mitigate adverse economic impacts on these communities caused by the program. Most CQE communities had experienced the substantial loss or migration of locally owned quota shares. The CQE Program allowed these communities to purchase limited amounts of “B” and “C” category halibut and sablefish quota to hold in trust for use by community residents. However, because CQE community entities were new organizations without assets, it has been difficult for them to access Area 3A “B” and “C” category quota. One potential source of quota share for CQEs is quota held by residents of the CQE communities. Residents of CQE communities are more likely to be willing to “self finance” CQE purchase of their quota shares. However, much of the quota currently held by residents of Area 3A CQE communities is “D” class quota and therefore not available for CQE purchase. In addition, “D” category quota held by non-CQE community residents generally sells for a slightly lower purchase price and is therefore more accessible to first time quota purchasers like the CQEs. Allowing Area 3A CQE community entities to purchase “D” category quota will enhance CQE

quota acquisition possibilities and further the goals of the Council to enable CQE communities to sustain community participation in the fishery as well as mitigate economic impact.

The discussion during the adoption of alternatives and options in both February and December 2010 noted that the purpose of the proposed amendment is to allow CQEs representing Area 3A communities to purchase Area 3A 'D category' QS for use on vessels $\leq 35'$ LOA, such that additional opportunities may be provided for these communities to participate in the CQE Program. Unlike individual holders, CQEs are currently prohibited from purchasing D category halibut quota share in Area 2C and Area 3A.

In effect, D shares are often used for smaller operations, or new entrants, and there is a relatively small amount of D share quota designated in each area. Generally, D shares are the least expensive category of halibut QS, as they can only be used on the smallest category of vessel. One of the primary reasons the Council established a prohibition on the CQE purchase of D shares was to help ensure that D shares would continue to be available to new entrants and crew members that wanted to start their own businesses. There was concern that an influx of CQEs in Area 2C and 3A would drive up the market for D shares, and result in more expensive, and fewer available, shares for individuals.

CQEs, like any new entrant, have had difficulty in funding the purchase of QS. The least costly category of QS is preferred, and it corresponds to the type of vessel that most residents use in these smaller communities. The IFQ proposal on this issue noted that some very small blocks of D shares might be feasible for a CQE to purchase, and make sense to lease to a start-up operation. In addition, there are resident crewmembers of CQE communities that cannot afford to purchase QS, and the CQE lease arrangement may be a viable option. There are also D shares held currently by individual residents of the fourteen CQE-eligible Area 3A communities. Public testimony suggests that as individuals wish to transition or retire out of the fishery, they may prefer to transfer shares to the CQE representing their community, in order to ensure the QS stays within the community.

Upon hearing public testimony and reviewing the CQE Program review and IFQ proposal on this issue, the Council recognized that there has been very little participation in the CQE Program to date. Only one community has purchased (halibut) quota share, in Area 3B. Community residents have testified that the ability to purchase D shares in Area 3A may serve to improve participation in the program and make the purchase of quota share more financially feasible. The Council thus initiated a regulatory amendment in February 2010, for review at the December 2010 Council meeting, to evaluate this issue. Upon initial review in December, the Council requested revisions and scheduled final action for the February 2011 meeting.

2.2 Proposed alternatives

The Council approved two primary alternatives in February 2010, and made one revision in December 2010. Alternative 1 is the no action alternative, meaning the current prohibition on the transfer of vessel category D halibut quota share to Area 3A CQEs would remain. Alternative 2 would revise Federal regulations to allow Area 3A CQEs to hold halibut QS in Area 3A that is assigned to vessel category D. Note that the existing restriction prohibiting CQEs from holding D category halibut QS in Area 2C would remain.

Alternative 2 also contains three provisions (not options) that further describe the amount of D category halibut quota share that could be purchased by Area 3A CQEs and the type of vessel on which the annual IFQ may be used. The first provision would require that any D category halibut QS that is purchased by a CQE could only be used on a D category vessel ($\leq 35'$ LOA). Existing regulations exempt CQEs from the vessel size (share class) restrictions when the QS is held by the CQE; this exemption would not apply to CQE purchases of D category QS. The second provision would limit the amount of D category QS that

could be purchased in total by Area 3A CQEs to the amount that was initially issued to individual residents of Area 3A CQE communities.

The third provision, added in December 2010, addresses the size of the D category QS blocks that CQEs would be allowed to purchase if Alternative 2 was selected. Currently, CQEs are prohibited from purchasing blocks of halibut QS that are less than or equal to the existing sweep-up limit. In Area 3A, that limit is 46,520 QS units in Area 3A, which equates to about 5,000 lbs in 2010. In December, the Council reviewed data that showed that CQEs would not have access to 62% of the D category QS pool in Area 3A if CQEs were restricted to purchasing unblocked QS and QS in blocks greater than the sweep-up limit, which may negate the intent of the proposed action. Thus, the Council added a provision under Alternative 2 that would allow Area 3A CQEs to purchase any size block of D category QS in Area 3A. Each CQE would continue to be limited to purchasing 10 blocks of Area 3A QS (of any category) in total.

The alternatives under consideration are as follows:

Alternative 1. No action. Regulations at 50 CFR 679.41(g)(5) would remain unchanged. Current regulations state that “A CQE may not hold QS in halibut IFQ regulatory areas 2C or 3A that is assigned to vessel category D.”

Alternative 2. Community Quota Entities located in halibut management Area 3A are permitted to purchase Area 3A “D” category quota share with the following limitations:

- a. Area 3A “D” category quota share purchased by Area 3A CQEs must have the annual IFQ fished on “D” category vessels ($\leq 35'$ LOA).
- b. Area 3A CQEs are limited in their cumulative purchase of “D” category quota shares to an amount equal to the total “D” category quota shares that were initially issued to individuals that resided in Area 3A CQE communities.
- c. Area 3A CQEs may purchase any size block of “D” category quota share.

2.3 Statutory authority for this action

The International Pacific Halibut Commission and NMFS manage fishing for Pacific halibut through regulations established under the authority of the Halibut Act. The IPHC promulgates regulations governing the Pacific halibut fishery under the Convention between the United States and Canada for the Preservation of the Halibut Fishery of the North Pacific Ocean and Bering Sea, signed in Ottawa, Ontario, on March 2, 1953, as amended by a Protocol Amending the Convention, signed at Washington, D.C., on March 29, 1979.

Regulations that are not in conflict with approved IPHC regulations may be recommended by the Council, and Council action must be approved and implemented by the Secretary of Commerce. Regulations implementing the Halibut Act in waters in and off Alaska appear at 50 CFR part 300.60 - 300.66.

2.4 Background

The Council recommended a limited access system for the fixed gear halibut and sablefish fisheries off Alaska in 1992. NMFS approved the halibut and sablefish IFQ Program in January 1993 and implemented the program on November 9, 1993 (58 FR 59375). Fishing under the IFQ Program began on March 15, 1995. The Council and NMFS developed the IFQ Program to resolve the conservation and management problems commonly associated with open access fisheries. The preamble to the proposed

rule, published on December 3, 1992 (57 FR 57130), describes the issues leading to the Council's recommendation for the IFQ Program to the Secretary.

Federal regulations at 50 CFR part 679, established under the authority of the Magnuson-Stevens Fishery Conservation and Management Act of 1976, implement the IFQ Program for the halibut and sablefish fisheries. Additional federal regulations at 50 CFR part 300, subpart E, and 50 CFR part 679, established under the authority of the Northern Pacific Halibut Act of 1982, also govern the halibut fishery.

The IFQ Program limits access to the halibut and sablefish fisheries to those persons holding quota share in specific management areas. The Council and NMFS designed the IFQ Program to provide economic stability to the commercial halibut and sablefish fixed gear fisheries. Quota shares equate to individual harvesting privileges, given effect on an annual basis through the issuance of IFQ permits. An annual IFQ permit authorizes the permit holder to harvest a specified amount of an IFQ species in a regulatory area. The specific amount (in pounds) is determined by the number of QS units held for that species, the total number of QS units issued for that species in a specific regulatory area, and the total amount of the species allocated for IFQ fisheries in a particular year. If the abundance of halibut or sablefish decreases over time, the total allowable catch (TAC) for that species will decrease and, subsequently, the number of pounds on a person's annual IFQ permit also will decrease. By ensuring access to a certain amount of the TAC at the beginning of the season and by extending the season over a longer period, QS holders may determine where and when to fish, how much gear to deploy, and how much overall investment to make in harvesting.

The Council and NMFS also intended the IFQ Program to improve the long-term productivity of the halibut and sablefish fisheries by further promoting the conservation and management objectives of the Magnuson-Stevens Act and the Halibut Act, while retaining the character and distribution of the fishing fleets as much as possible. During the development of the IFQ Program, the Council built in several provisions to address concerns regarding transferability and the goal of preserving an owner-operated fleet. Among other things, the Council was concerned about consolidation of ownership and divestiture of coastal Alaskans from the fisheries.

Ultimately, the Council provided a design which was intended to control transferability through: 1) limits on the amount of QS which could be owned or controlled by individuals and companies (1% of the total QS pool for sablefish and 0.5% of the combined Area 2C, 3A, and 3B QS pool for halibut); 2) establishment of vessel size categories; 3) restrictions on who could purchase catcher vessel QS; and 4) limitations on leasing certain categories of QS (Pautzke and Oliver 1997). A report on the development of the program from Pautzke and Oliver states, "The primary intent of the Council in adopting these provisions was to maintain a diverse, owner-operated fleet and prevent a 'corporate,' absentee ownership of the fisheries" (p. 14).

This program changed the management structure of the fixed gear halibut and sablefish program by issuing quota share QS to qualified applicants who owned or leased a vessel that made fixed gear landings of halibut during 1988 – 1990.⁸ Halibut quota share is specific to one of eight halibut management areas throughout the BSAI and GOA, and four vessel categories: freezer (catcher processor) category (A share); greater than 60' LOA (B share); 36' to 60' (C share); and 35' or less (D share). Sablefish quota share is specific to one of six sablefish management areas throughout the BSAI and GOA, and three vessel categories: freezer (catcher processor) category (A share); greater than 60' LOA (B share); and 60' or less (C share). The quota share issued was permanently transferable, with several restrictions on leasing. As

⁸Regular QS units were equal to a person's qualifying pounds for an area. Qualifying halibut pounds for an area were the sum of pounds landed from the person's best 5 years of landings over a 7-year period (1984 – 1990). Qualifying sablefish pounds for an area were the sum of pounds landed from the person's best 5 years of landings over a 6-year period (1985 – 1990).

stated above, the Council developed leasing and other restrictions in order to achieve some benefits associated with IFQ management but also retain the owner-operator nature of the fisheries and limit consolidation of quota share. To that end, the Council only allowed persons who were originally issued catcher vessel quota share (B, C, and D category) or who qualify as IFQ crew members⁹ to hold or purchase catcher vessel quota share. Thus, only individuals and initial recipients could hold catcher vessel quota share, and with few exceptions, they are required to be on the vessel and fish the QS.

During the development of the IFQ Program, the Council noted that maintaining diversity in the halibut and sablefish fleets and minimizing adverse coastal community impacts were particularly important considerations since these fisheries had typically been characterized by small vessel participation by thousands of fishermen, many residing in small coastal communities in Alaska and the Pacific Northwest (Pautzke and Oliver 1997). In addition, the 1996 amendments to the Magnuson-Stevens Act require that management programs take into account the social context of the fisheries, especially the role of communities (Sec. 301[a][8], 303 [a][9]). Although halibut is managed under the authority of the Halibut Act (sablefish is managed under the MSA), the Council considers the impacts of all its management measures on fishery-dependent communities.

Although the IFQ Program has resulted in significant benefits for many fishermen, many quota holders in Alaska's smaller coastal communities have chosen to transfer their quota to others, for various reasons, or have moved out of these communities. Local conditions, location, and market forces were likely factors in the sale of QS originally held by residents of small communities. These conditions include: the cost of access to markets is greater to fishermen landing fish in remote communities; fishermen based in remote communities tend to fish smaller amounts of quota using smaller, less efficient vessels, which result in lower profit margins than larger operations; and fishing infrastructure in remote communities tends to be less complete.¹⁰

In addition, NMFS RAM Program data show that a small amount of QS (relative to the number of initial recipients) was initially issued to residents of most of the CQE communities, which in part may explain the transfer of QS from residents of those communities. Evidence suggests that many residents that were initially issued relatively small allocations, such as a few thousand pounds, often sold their quota share in the first few years of the program. Many reasons for this are available anecdotally. Many residents of these communities fish multiple fisheries opportunistically, so most residents may not have qualified for a relatively large share of halibut or sablefish QS under a short (three year) qualifying period. Very small amounts of QS were not economically viable to fish, and individuals could not afford to purchase additional QS to support a viable business plan. In contrast, fishermen who received larger initial allocations were more able to finance additional QS purchases with the capital provided from their new asset base. In this context, the pattern of increased divestment is specific to small quota recipients and does not depend on whether the fishermen live in a rural or urban community. However, RAM Program and CFEC data¹¹ confirm that: 1) the rate of decline of the amount of QS held by residents of the smaller Gulf communities is higher than that of the larger communities, 2) the bulk of the QS consolidation has taken place in the smaller holdings, and 3) very few initial large quota share recipients reside in the smaller, CQE communities. Various data sources have illustrated the early out-migration of halibut and sablefish fishing effort from the smaller communities of the Gulf of Alaska, and the subsequent impact on

⁹IFQ crew member means any individual who has at least 150 days experience working as part of the harvesting crew in any U.S. commercial fishery, or any individual who receives an initial allocation of QS (50 CFR 679.2).

¹⁰*Community Quota Entity Financial Analysis*, prepared for Southeast Alaska Inter-tribal Fish and Wildlife Commission, by McDowell Group, October 28, 2005.

¹¹"Holdings of Limited Entry Permits, Sablefish Quota Shares, and Halibut Quota Shares Through 1998 and Data on Fisheries Gross Earnings," CFEC, 1999.

the diversified fishing portfolios of community residents.^{12,13} Refer to recent research for a more detailed evaluation of halibut quota transfer patterns out of small, rural communities.¹⁴

As a result of quota transfers, the total amount of quota held by residents of small, coastal communities and the number of IFQ holders, declined since the inception of the IFQ Program (see Table 1). The Gulf of Alaska Coastal Communities Coalition submitted a proposal to the Council, citing the disproportionate amount of QS transfers out of smaller, rural communities and noting that this trend may have a severe effect on unemployment and related social and economic impacts. The lack of sustained participation in the smallest, rural Gulf communities was identified by the Council as a concern, and the Council approved an action in 2002 to allow a specified set of small communities to purchase commercial halibut and sablefish catcher vessel QS to attempt to alleviate this issue. Under GOA Amendment 66, the Council revised the IFQ program to allow a distinct set of 42 remote coastal communities with few economic alternatives *to purchase and hold catcher vessel QS in Areas 2C, 3A, and 3B*, in order to help ensure access to and sustain participation in the commercial halibut and sablefish fisheries. (The list of eligible communities is provided in Section 2.4.3, Table 10.) Eligible communities can form non-profit corporations called Community Quota Entities (CQEs) to purchase catcher vessel QS, and the annual IFQ resulting from the QS can only be leased to community residents.

Table 1 Percent of QS held by residents of CQE communities, at initial issuance (1995) and year-end 2009

Halibut	2C, 3A & 3B total	2C	3A	3B	
initial issuance	9.1%	19.4%	4.9%	12.1%	
year-end 2009	5.6%	10.7%	3.1%	8.7%	
Sablefish	SE, CG, WG, WY total	SE	CG	WG	WY
initial issuance	5.3%	12.6%	2.9%	4.4%	1.9%
year-end 2009	2.4%	6.4%	1.6%	0.7%	0.3%

Source: NOAA Fisheries, AKR, RAM. Data as of 2/26/10.

Note: The year-end 2009 data include Area 3B halibut QS held by one CQE. Excluding the CQE-held QS would reduce the halibut Area 3B holdings in 2009 to 8.4% of the total.

In effect, the CQE remains the holder of the QS, creating a permanent asset for the community to use to benefit the community and its residents. The QS can only be sold in order to improve the community's position in the program, or to meet legal requirements, thus, the QS must remain with the community entity.¹⁵ 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 gradually be in a position to purchase their own quota share. During the development of the program, it was noted that both community and individually-held quota were important in terms of fishing access and economic health. This amendment was approved by the Secretary of Commerce and effective in June 2004.

¹² "Smaller Gulf of Alaska Communities: Alaska Peninsula Subgroup: Holdings of Limited Entry Permits, Sablefish Quota Shares, and Halibut Quota Shares Through 1997 and Data On Fishery Gross Earnings, CFEC Report 98-SPAKPEN-N Alaska Commercial Fisheries Entry Commission Juneau, Alaska 99801.

¹³ "Access Restrictions in Alaska's Commercial Fisheries: Trends and Considerations." Prepared by DORY Associates for Alaska Marine Conservation Council and Gulf of Alaska Coastal Communities Coalition, January 2009, Kodiak, AK.

¹⁴ Carothers, C. D. Lew and J. Sepez. (In review). Fishing rights and small communities: Alaska halibut quota transfer patterns. Ocean and Coastal Management. Carothers, C. 2007.

¹⁵ If the CQE sells its QS for any other reason, NMFS will withhold annual IFQ permits on any remaining QS held, and will disqualify the CQE from holding QS on behalf of that community for 3 years. It also requires that the CQE divest itself of any remaining QS on behalf of that community.

The CQE Program includes several elements which make CQEs subject to either more, the same, or fewer constraints than individual quota share holders. In some cases, the CQE is subject to the same latitude and limitations as individual users, as if the CQE is simply another category of eligible person. For example, an individual CQE is held to the same quota share cap as an individual holder. In other cases, the CQE is subject to less restrictive measures than individual holders. For example, the vessel size categories do not apply to QS when held by CQEs. In yet other cases, the CQE is subject to more restrictive measures than individuals, in part to protect existing holders and preserve entry-level opportunities for fishermen residing in other (non-eligible) fishery-dependent communities. The action at issue would remove one of those measures: CQEs cannot purchase D category halibut QS in Area 2C or Area 3A. In addition, there are caps on the amount of QS that all CQEs combined can purchase, and that each individual CQE can purchase. CQEs also cannot lease more than 50,000 lbs of halibut and 50,000 lbs of sablefish IFQ to an individual resident, and no more than 50,000 lbs of halibut and 50,000 lbs of sablefish IFQ can be used on an individual vessel. Both limits are inclusive of any individual IFQ held. Please refer to the April 2002 Council motion for the comprehensive suite of elements that comprise the CQE program (**Appendix 1**). One may also refer to the final rule authorizing the program (69 FR 23681; April 30, 2004).

Six years after implementation, participation in the CQE Program has been relatively limited with respect to the purpose of allowing communities to purchase halibut and sablefish quota share in the Gulf and retaining that QS for use by resident fishermen. Only one CQE has purchased quota share to-date, and the program has not come close to reaching its regulatory limits on the amount of QS that may be purchased (these limits are described in Section 2.4.3, Table 11 and Table 12). While only one CQE has purchased QS, 21 of the 42 eligible communities have completed the process to form a CQE and have it approved by NMFS. Thus, half of the eligible communities have invested substantial time and resources in preparing to participate in the program, and several additional communities have made efforts to evaluate whether forming a CQE is of interest and benefit to the community at this time. Regardless of the interest conveyed and effort put forth to participate in the program, very little quota share has been purchased. Several entities have evaluated the reasons for the lack of participation in the CQE program to-date, and they can primarily be categorized as: 1) barriers to purchasing QS; and 2) program-related restrictions.

Barriers to purchasing QS

Availability of QS and funding the purchase of community-owned QS has been the primary obstacle cited to participating in the program. The number and rate of QS transfers have declined since the inception of the IFQ Program, and sales have become a smaller portion of all transfers (as opposed to gifting). The price of both halibut and sablefish QS has increased since the IFQ Program was implemented fifteen years ago. NMFS RAM Program provides regular IFQ reports that document information on QS transfers and prices (any transaction resulting in a permanent change of ownership is considered a transfer). Two of the most recent reports documenting QS transfers and prices are “Changes under Alaska’s Halibut IFQ Program, 1995 – 2006” and “Changes under Alaska’s Sablefish IFQ Program, 1995 – 2006”, published in January 2009. The RAM Program has provided the information from these tables, updated through 2009, for the purposes of this analysis. Table 2 provides the estimated annual prices for halibut QS sold with the associated current year IFQ, by area and year. In the first year of IFQ Program implementation (1995), the average halibut prices in dollars per IFQ pound were \$7.58 in Area 2C, \$7.37 in Area 3A, and \$6.53 in Area 3B. These prices tended to increase each year slightly, drop in 1998, increase again starting in 2001, and increase substantially in 2004.

In 2004, the year in which the CQE Program was effective, the average halibut prices in dollars per IFQ pound were \$13.70 in Area 2C, \$13.88 in Area 3A, and \$11.16 in Area 3B. By 2009, the last year of data available, average halibut prices in dollars per IFQ pound had increased to \$20.14 in Area 2C, \$25.52 in Area 3A, and \$18.07 in Area 3B. Thus, between the year of program implementation and 2009, halibut IFQ prices have increased by almost 3 times in Area 2C and 3B, and 3.5 times in Area 3A. At these

prices, for example, 50,000 lbs of Area 3A halibut QS would cost about \$1.28 million in 2009. Using an ex-vessel price of \$4/lb, this would equate to about \$200,000 in gross revenues.

Table 2 Annual prices for halibut QS with IFQ transfers by area and year

Area	Year	Mean Price \$/IFQ	Stan Dev Price \$/IFQ	Total IFQs Transferred Used for Pricing	Mean Price \$/QS	Stan Dev Price \$/QS	Total QS Transferred Used for Pricing	Number of Transactions Used for Pricing
2C	1995	7.58	1.21	996,874	1.14	0.18	6,629,554	315
	1996	9.13	2.71	681,056	1.37	0.41	4,539,813	289
	1997	11.37	2.53	517,715	1.92	0.43	3,057,477	211
	1998	10.14	2.11	220,894	1.79	0.37	1,253,771	106
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	8.20	1.88	423,347	1.15	0.26	3,006,920	95
	2001	9.22	1.97	412,990	1.36	0.29	2,806,238	100
	2002	8.97	1.94	363,474	1.28	0.28	2,550,052	84
	2003	9.76	1.97	274,537	1.39	0.28	1,926,434	93
	2004	13.70	3.48	365,513	2.41	0.61	2,073,407	93
	2005	18.06	5.01	311,907	3.31	0.92	1,699,765	72
	2006	18.43	3.57	246,540	3.29	0.64	1,380,274	77
	2007	19.62	4.95	183,297	2.8	0.71	1,282,693	76
	2008	25.90	10.47	206,440	2.7	1.09	1,979,395	96
2009	20.14	4.94	75,636	1.7	0.42	897,261	30	
3A	1995	7.37	1.44	1,792,912	0.79	0.15	16,658,196	355
	1996	8.40	4.07	1,582,609	0.90	0.44	14,724,748	352
	1997	9.78	2.45	1,276,525	1.32	0.33	9,443,198	294
	1998	8.55	3.04	666,649	1.20	0.43	4,743,875	157
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	7.94	1.64	614,960	0.79	0.17	6,212,009	120
	2001	8.63	2.79	771,815	1.02	0.33	6,519,428	145
	2002	8.35	1.94	711,255	1.02	0.24	5,810,732	124
	2003	9.81	2.56	565,653	1.20	0.31	4,629,364	126
	2004	13.88	4.22	875,829	1.88	0.57	6,463,336	157
	2005	18.07	4.83	385,893	2.49	0.66	2,803,054	96
	2006	18.09	3.14	586,035	2.46	0.43	4,301,567	116
	2007	20.53	6.72	814,949	2.91	0.95	5,750,520	169
	2008	26.83	8.06	498,864	3.51	1.06	3,808,709	126
2009	25.52	8.34	183,766	3	0.98	1,565,934	71	
3B	1995	6.53	1.40	225,912	0.44	0.10	3,323,670	88
	1996	7.88	2.30	323,160	0.53	0.16	4,760,536	165
	1997	8.58	2.53	605,744	1.43	0.42	3,634,335	157
	1998	7.92	1.78	169,833	1.62	0.36	832,225	49
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	7.84	1.55	464,711	2.19	0.43	1,666,773	44
	2001	8.74	1.32	739,936	2.68	0.41	2,413,081	49
	2002	7.09	1.66	663,248	2.25	0.53	2,087,216	42
	2003	8.01	1.58	769,927	2.53	0.5	2,436,231	46
	2004	11.16	1.87	498,167	3.21	0.54	1,730,918	42
	2005	13.53	1.95	415,646	3.27	0.47	1,718,360	27
	2006	14.83	2.3	428,693	2.96	0.45	2,147,624	42
	2007	16.9	4.97	239,317	2.87	0.84	1,406,901	29
	2008	25.84	8.82	137,505	5.19	1.76	685,144	27
2009	18.07	5.23	67,663	3.63	1.05	336,484	11	

Source: Transfer Report Summary: Changes under Alaska's Halibut IFQ Program, 1995 - 2006, Table 3-3. Updated by RAM Program through year-end 2009, August 2010.

Similar trends are evident in the transfers of sablefish QS and IFQ. In the first year of IFQ Program implementation (1995), the average sablefish prices in dollars per IFQ pound were \$6.73 in SE, \$5.93 in WY, \$6.02 in CG, and \$6.16 in WG. Generally, these prices increased each year slightly, with a few exceptions. In 2004, the first year in which CQEs could purchase QS, the average sablefish prices in dollars per IFQ pound were \$11.69 in SE, \$12.21 in WY, \$11.50 in CG, and \$8.19 in WG.

By 2009, the last year of data available, average sablefish prices in dollars per IFQ pound were estimated as \$18.22 in SE, \$17.18 in WY, \$16.75 in CG, and \$12.11 in WG. Thus, between the year of program implementation and 2009, sablefish IFQ prices have increased by approximately 2.75 to 3 times in each area, with the exception of the Western Gulf, which increased by 2 times. More detailed information on transfer rates, consolidation of QS, and prices are provided in Section 2.6.1.

One analysis of the financial viability of the CQE Program concluded that it did not appear feasible to purchase quota share at current prices, particularly with the added overhead necessary to establish and support the CQE organization, unless the cost of capital is very low.¹⁶ The administrative cost necessary to both establish a non-profit corporation and manage assets can be significant in a small village. Because the CQE Program represents community-held quota for annual lease to local residents, but not owned by residents, there is a layer of both administrative cost and fiduciary responsibility that has proven difficult in using currently available funding sources. The administrative overhead for a CQE, which must arrange and maintain financing for the QS, negotiate purchases of QS, develop and administer the criteria for distributing IFQ among potential lessees, and submit annual reports to NMFS detailing its activities, is potentially one barrier to participation. A more significant problem may be that the profit margin for shares is very low. The price of QS is such that CQEs cannot afford the administrative costs, lease the shares at a reasonable rate, and have remaining funds for debt repayment.¹⁷

In addition to the current price and availability of QS, one of the biggest challenges facing CQEs appears to be the financing terms associated with currently available funding. Specifically, the lack of low interest, long-term loans, and high down payment requirements, are cited as primary obstacles. The lack of credit history and the fact that they are non-profit organizations likely also increases the perceived risk to lenders. Thus, a loan guarantee program has been discussed as necessary, in which larger, more established corporations, or the Federal government, could guarantee CQE loans.¹⁸ Both Langdon (2008) and several workshops on the CQE Program have cited the need for more favorable loan terms for CQEs, both in a private lending environment, through the State of Alaska's Commercial Fishing Revolving Loan Fund, or through the North Pacific Loan Program (NPLP) in the Magnuson-Stevens Act. The NPLP is currently limited by statute to financing the purchase of IFQ by individuals, either those who fish from small vessels or first-time purchases by new entrants. Refer to the *Review of the CQE Program under the Halibut/Sablefish IFQ Program* (NPFMC 2010)¹⁹ for more detail on the funding obstacles cited.

A few recent developments could help overcome the financial barriers to implementation. One possible alternative to conventional financing is through the North Pacific Fisheries Trust (Trust), a non-profit subsidiary formed through Ecotrust in 2006. The Trust was formed to provide financing with more flexible terms for CQEs and other entities that have community economic development goals, and one of the primary components of the Trust's strategy is to pursue long-term funding relationships with qualified CQEs. In order to finance a purchase of quota, the Trust can take down payments as low as 5% of the purchase price, depending on the risk of the deal. One of the limitations of the Trust is that the maximum duration of the loan is 5 years; however, the Trust is working on finding longer-term funding sources.²⁰

¹⁶ *Community Quota Entity Financial Analysis*, McDowell Group. Prepared for the Southeast Alaska Inter-tribal Fish and Wildlife Commission. October 28, 2005.

¹⁷ Partnering with local organizations, when possible, may help fulfill some of the administrative and accounting duties, in order to lower the cost of operating a CQE. In addition, establishing regional CQEs, or having a CQE represent more than one community would consolidate the administrative functions of the CQE and potentially increase efficiencies and lower costs. Only two communities have used this approach (King Cove and Sand Point are represented by one CQE). However, using an 'umbrella' CQE may make it less appealing to a community that wants to play an integral part in a comprehensive economic development strategy that includes participation in the halibut and sablefish fisheries.

¹⁸ Discussion at *Technical Support Workshop and Development Summit for CQEs*, February 17 – 18, 2009, Anchorage, AK.

¹⁹ http://www.fakr.noaa.gov/npfmc/current_issues/halibut_issues/CQEREport210.pdf.

²⁰ Personal communication with Jeff Batton, February 16, 2010.

In addition, subsequent program development associated with other fisheries (i.e., fixed gear permits for Pacific cod in the Western and Central Gulf, charter halibut permits in Areas 2C and 3A) may help to further the opportunities provided under the original CQE Program. These programs are discussed in Section 2.4.3.3. The expansion of the base of community holdings beyond that of halibut and sablefish QS may help further the CQE Program, and may allow CQEs to leverage their assets such that purchases of halibut and sablefish QS become more financially feasible.

Program-related barriers

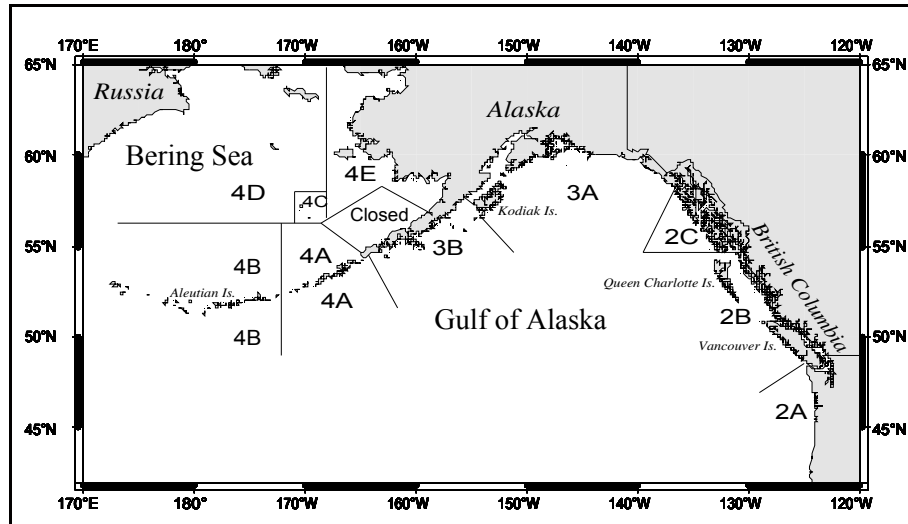
Some of the program-related restrictions have also been recognized as barriers. The restriction at issue in this proposed action is applicable only to CQEs and not individual IFQ holders: a prohibition on purchasing D category (for use on catcher vessels ≤ 35 feet) halibut quota share in Area 3A. This prohibition also exists for D category halibut quota share in Area 2C, but the proposed action is limited to removing this prohibition only for Area 3A. Generally, D shares are the least expensive category of halibut QS, as they can only be used on the smallest category of vessel ($\leq 35'$ LOA).²¹ A prohibition on the purchase of D category QS also serves to limit the overall QS pool from which a CQE may buy. In addition, of the existing holdings by residents of Area 3A CQE communities, about one-third is D category. Anecdotal evidence suggests that residents that want to transition out of the fishery, or purchase a different category of share, may be interested in selling their D shares to the CQE representing their community, in order to keep the shares within the community.

In sum, the issue cited by CQEs has been that CQEs, like any new entrant, have difficulty in funding the purchase of QS. The least costly category of QS is preferred (D category), and it corresponds to the type of vessel that most residents use in these smaller communities.

²¹The exception to this rule is that D shares can be 'fished up' on vessels $\leq 60'$ LOA (C category) in Areas 3B and 4C. See 72 FR 44795, August 9, 2007. This rule was implemented to address economic hardship and safety concerns resulting from fishing in small vessels in these areas.

2.4.1 Affected resource and areas

The action considered in the analysis pertains to D category halibut QS in IPHC regulatory Area 3A (see Figure 1). The proposed alternatives would be in place for the entire fishing season.



Source: IPHC.

Figure 1 IPHC regulatory areas for the commercial halibut fishery

2.4.2 Commercial halibut IFQ fishery

The groundfish fishery management plans for the Bering Sea/Aleutian Islands and Gulf of Alaska designate Pacific halibut as a prohibited species to any new commercial development due to its historical usage by the longline (or setline) fishery. The commercial halibut fishing fleet is diverse, using various types of longline gear and strategies. The impetus and design of the IFQ Program, implemented in 1995 (50 CFR 300.60 through 300.65), is discussed in Section 2.4. The IFQ program enables an eligible vessel to fish any time between March 6 and November 15 in 2010.

Total setline CEY (at a harvest rate of 20 percent for Areas 2C and 3A, and 15% for Area 3B) for Alaska waters is estimated to be over 42 M lbs in 2010, down 7% from the previous year (IPHC 2010). In the past nine years, the fishery CEY has ranged from 4.4 – 10.93 Milb in Area 2C; 19.99 – 26.2 Milb in Area 3A; and 9.9 – 17.13 Milb in Area 3B (see Table 3). The TACs for Areas 2C and 3A have generally been declining each year since 2005. The 2010 Area 2C and Area 3A TACs are 60% and 22% lower compared to 2005, respectively. Area 3B TACs have fluctuated between 10 Milb and 11 Milb for the past five years.

The IPHC reports that decreased catch limits reflect stock biomass declines as the exceptionally strong 1987 and 1988 year classes pass out of the fishery. Recruitment from the 1999 and 2000 year classes is estimated to be above average but the lower growth rates of fish in recent years means that these year classes are recruiting to the exploitable stock very slowly (IPHC 2010). While the 2011 catch limits have not yet been finalized, the IPHC staff recommendations for 2011 are 2.33 Milb in Area 2C, 14.36 Milb in Area 3A, and 7.52 Milb in Area 3B. Compared to 2010, these recommended catch limits are 47% lower for Area 2C, 28% lower for Area 3A, and 24% lower for Area 3B. Catch limits for 2011 will be approved by the IPHC in late January 2011.

Currently, the catch limit for the commercial longline fishery is set once all other removals are deducted from the available yield. In effect, any increase in non-commercial (sport, personal use) removals results

in a reduction of the commercial sector harvest over an extended period of time. Of the non-commercial removals accounted for by the IPHC, the guided sport harvest has increased at a rapid rate, whereas other removals have remained relatively constant. The relationship between the guided sport and commercial sectors has resulted in consideration of numerous actions to control charter halibut removals, including a limited entry permit program for charter halibut fishing operations in Areas 3A and 2C, which was approved by the Council in April 2007 and is scheduled to be effective in 2011. A subsequent Council action created a catch sharing plan that establishes a clear allocation, with sector accountability, between charter and commercial halibut sectors in Areas 2C and 3A. This plan has not yet been implemented.

Table 3 Commercial halibut catch limits in the Gulf of Alaska, 2004 – 2011 (in millions of pounds)

Regulatory Area	2011 (IPHC staff recomm.)	2010	2009	2008	2007	2006	2005	2004	2003	2002
Area 2C	2.33	4.4	5.02	6.21	8.51	10.63	10.93	10.5	8.5	8.5
Area 3A	14.36	19.99	21.7	24.22	26.2	25.2	25.47	25.06	22.63	22.63
Area 3B	7.52	9.9	10.9	10.9	9.22	10.86	13.15	15.6	17.13	17.13
Total	24.21	34.29	37.62	41.33	43.93	46.69	49.55	51.16	48.26	48.26

Source: NMFS RAM Program.

Note: 2011 catch limits reported in this table are IPHC staff recommendations. Final limits will be approved in late January 2011.

The halibut TACs in each regulatory area of the Gulf are almost fully harvested each year. In 2009, about 98% of the Gulf allocation was harvested, with a total of 4,764 vessel landings; in 2010, 100% of the Gulf allocation was harvested, with 4,883 vessel landings (Table 4). Harvest from the commercial fishery is monitored by NMFS using a catch accounting system that deducts harvest from an IFQ holder's account. This information is also used to enforce the total annual quota as well as individual IFQ accounts. Thus, since the IFQ program, annual harvest limits have not been exceeded by a significant margin. The IFQ program also has an overage/underage provision that balances an IFQ holder's account, year to year. This regulation results in a long-term balance of harvest at the catch limit and allows IFQ holders to move small amounts of halibut between years.

Table 4 IFQ halibut allocations and landings, 2009 - 2010

Regulatory Area	Vessel landings		Total catch (M lbs)		Allocation (M lbs)		Percent landed	
	2009	2010	2009	2010	2009	2010	2009	2010
Area 2C	1,689	1,784	4.83	4.35	5.02	4.40	96%	99%
Area 3A	2,289	2,240	21.36	20.1	21.70	19.99	98%	101%
Area 3B	786	859	10.67	9.97	10.90	9.90	98%	101%
Total	4,764	4,883	36.85	34.41	37.62	34.29	98%	100%

Source: NMFS RAM Program, www.fakr.noaa.gov/ram/09ifqland.htm and www.fakr.noaa.gov/ram/daily/ifqland.htm

Note: This report summarizes fixed gear IFQ landings reported by Registered Buyers. At-sea discards are excluded, confiscations included. Halibut weights are reported in net (headed and gutted) pounds. Vessel landings include the number of landings by participating vessels reported by IFQ regulatory area; each landing may include harvest from more than one permit holder.

The number of vessels, registered buyers, and quota share holders for both the halibut and sablefish IFQ fisheries, in all areas, from 2006 – 2009, is provided in Table 5. In 2008, a total of 1,184 unique vessels fished IFQ species, with 817 of those vessels fishing halibut IFQ only (RAM Program, NMFS).

Table 5 Number of vessels, buyers, and QS holders in the IFQ fisheries, 2006 - 2009

Year	Halibut Vessels	Sablefish Vessels	Registered Buyers	QS holders
2006	1,255	372	179	3,467
2007	1,211	373	173	3,303
2008	1,156	362	123	3,136
2009	1,090	363	107	3,070

Source: The Pacific Halibut and Sablefish Report Fishing Year 2009. RAM Program, NMFS. October 2010.

The 2010 IFQ report to the fleet provides information on the top ports where IFQ landings were made in 2009 (RAM October 2010). That report indicates about 57 percent of the 2009 halibut IFQ was landed in the Central Gulf communities of Homer, Kodiak, and Seward (Table 6). These top three ports held the same rank every year, 2006 through 2009. The ports of Dutch Harbor/Unalaska, Juneau, and Petersburg all had halibut landings of about 1.6 million lbs to 2.5 million lbs. Data for other top ports are confidential.

Table 6 Top 10 IFQ halibut ports for the 2009 fishing year

Port	2009 Net pounds Landed	2009 Percent of total landed	2009 Rank	2008 Rank	2007 Rank	2006 Rank
Homer	12,026,360	28.45	1	1	1	1
Kodiak	7,623,603	18.03	2	2	2	2
Seward	4,491,708	10.62	3	3	3	3
Dutch/Unalaska	2,454,426	5.80	4	4	5	5
Sitka	*	*	5	6	4	4
Juneau	2,173,256	5.14	6	8	7	6
Petersburg	1,564,582	3.70	7	7	6	7
Akutan	*	*	8	9	11	14
Yakutat	*	*	9	12	9	9
Sand Point	*	*	10	5	8	8
All ports	42,274,397	100				

Source: The Pacific Halibut and Sablefish Report Fishing Year 2009. RAM Program, NMFS. October 2010.

Table 7 shows the statewide halibut and sablefish IFQ TACs, amount of landed pounds, ex-vessel prices, weighted average price per QS unit, and the percent change in weighted average price per QS unit compared to the prior year. The price received at the point of landing for the catch is the ex-vessel price. While the proposed action does not pertain to sablefish IFQ, data are provided for sablefish in order to show trends applicable to the entire IFQ Program. Halibut QS prices increased substantially in 2004 (27%) and 2005 (31%) from the previous year, and in 2003 (14%) and 2004 (17%) for sablefish. In 2004 and 2005, the halibut TAC was stable but slowly declining, and the ex-vessel price continued to increase. In 2004, the sablefish TAC was at a 10-year high, with the lowest ex-vessel price during the time period, as well as the largest percentage increase in transfer price from the previous year. Note that 2009 exhibited the largest percentage decrease in transfer price for both halibut and sablefish QS.

A recent paper (Langdon, 2008)²² discusses the upward trend in the price of halibut in particular, noting that the rise in price has occurred even when the amount of halibut harvested has increased. The paper notes that it may be due to a combination of factors, which may include changing dietary preferences of consumers (and increasing wealth). In addition, the cost of fuel may also factor into the rising price of halibut. The paper notes that another possibility may be the longer length of the halibut season, and thus, a longer market for fresh fish. Langdon cites an econometric analysis and simulation of ex-vessel price

²²Langdon, Steve J. 2008. The Community Quota Program in the Gulf of Alaska: A Vehicle for Alaska Native Village Sustainability? American Fisheries Society Symposium 68:155-194.

changes in halibut from 1995 to 2002, which suggests that the IFQ Program itself accounts for an increase of \$0.21 in the ex-vessel price from a 1995 base of \$2.00/lb (Herrmann and Criddle, 2006).²³ The Langdon paper states: “This research suggests that while the program may have increased the ex-vessel value of Pacific halibut to fishermen by approximately 10% through 2002, neither the IFQ Program nor other factors noted above can account for the much more substantial increase in quota share price that occurred between 2003 and 2006”(p. 187). Two potential factors to consider may include: 1) a change in QS price may have lagged behind the change in the ex-vessel price of halibut; and 2) there may a higher willingness to pay by people who wish to maintain a fishing lifestyle.

Table 7 Statewide halibut and sablefish TACs, ex-vessel prices, IFQ landed pounds, and QS prices, 2000 - 2009

Species	Year	IFQ "TAC"	IFQ Landed pounds	CFEC Statewide Exvessel Price	Count Priced QS Transfers	Weighted Avg \$/QS Unit	Pct Change in Weighted Average Price/QS Unit From Prior Year
Halibut	2000	53,074,000	51,796,153	\$2.52	317	\$1.34	n/a
Halibut	2001	58,534,000	55,758,769	\$1.99	320	\$1.62	20.9%
Halibut	2002	59,010,000	58,122,339	\$2.19	280	\$1.41	-13.0%
Halibut	2003	59,010,000	57,411,780	\$2.84	313	\$1.70	20.6%
Halibut	2004	58,942,000	57,264,375	\$2.97	283	\$2.15	26.5%
Halibut	2005	56,976,000	***	\$3.00	245	\$2.81	30.7%
Halibut	2006	53,308,000	***	\$3.75	246	\$2.60	-7.5%
Halibut	2007	50,211,800	***	\$4.33	233	\$3.19	22.7%
Halibut	2008	48,040,800	47,321,739	\$4.27	207	\$3.27	2.5%
Halibut	2009	43,548,800	42,274,397	unk	129	\$2.38	-27.2%
Sablefish	2000	29,926,122	27,624,505	\$3.53	108	\$0.85	n/a
Sablefish	2001	29,120,561	26,355,159	\$3.04	95	\$0.77	-9.4%
Sablefish	2002	29,388,199	27,091,941	\$3.06	88	\$0.78	1.3%
Sablefish	2003	34,863,545	30,838,900	\$3.46	151	\$0.89	14.1%
Sablefish	2004	37,936,756	33,695,316	\$2.95	86	\$1.04	16.9%
Sablefish	2005	35,765,226	32,877,746	\$3.14	106	\$1.03	-1.0%
Sablefish	2006	34,546,083	30,849,437	\$3.33	88	\$1.05	1.9%
Sablefish	2007	33,450,396	30,080,328	\$3.10	92	\$1.05	0.0%
Sablefish	2008	29,967,127	26,872,648	\$3.45	87	\$1.08	2.9%
Sablefish	2009	26,488,269	24,103,772	unk	57	\$0.70	-35.2%

*** confidential data

2009 landings data are through 7 a.m. 12/24/09.

Halibut data are in net wt lbs; sablefish data are in round lbs.

\$/QS is an unweighted average computed for all categories, areas for a species:(total transaction price - broker fees)/(number QS units transferred).

²³Herrmann, M., and K. Criddle. 2006. An econometric market model for the Pacific halibut fishery. Marine Resource Economics 21:129-158.

Estimates of annual ex-vessel prices also vary by management area. The NMFS IFQ reports show estimates of halibut ex-vessel prices were highest during 2007 for all three areas (years reported were 1992 – 2007). Overall, halibut ex-vessel prices fluctuated but generally increased in each area over this time period. A range of estimated ex-vessel prices are shown below (1992 – 2007), by management area (Table 8). For more detail, please reference the source report.

Table 8 Halibut estimated ex-vessel prices by management area and year

Year	Area 2C	Area 3A	Area 3B
1992	1.01	0.96	0.93
1993	1.27	1.21	1.21
1994	2.01	1.91	1.90
1995	2.04	1.99	1.95
1996	2.26	2.24	2.16
1997	2.24	2.16	2.08
1998	1.39	1.36	1.27
1999	1.99	2.09	2.06
2000	2.62	2.60	2.55
2001	2.11	2.03	2.00
2002	2.22	2.23	2.20
2003	2.95	2.89	2.87
2004	3.04	3.04	2.96
2005	3.08	3.07	3.01
2006	3.75	3.78	3.78
2007	4.41	4.40	4.30

Source: Transfer Report Summary: Changes under Alaska's Halibut IFQ Program, 1995 - 2006, p. 191.

RAM estimates the ex-vessel value of the halibut IFQ fishery using buyer reports. Those reports indicate that the total ex-vessel value of the halibut IFQ fishery ranged from \$133 million to \$208 million dollars from 2005 - 2009 (Table 9). The value in 2009 was about 75 percent of the mean value over that period. The total ex-vessel halibut value trended downward from 2006 through 2009, as TACs also decreased. Total IFQ ex-vessel revenue was estimated to be between \$289 million and \$210 million annually over that time period.

Table 9 Estimated ex-vessel value of the halibut IFQ fishery, 2005 - 2009

Year	Halibut	Total IFQ (halibut and sablefish)
2005	\$ 191	\$ 271
2006	\$ 208	\$ 289
2007	\$ 181	\$ 247
2008	\$ 175	\$ 245
2009	\$ 133	\$ 210

Source: RAM Program, NMFS. 2005 – 2009 data from IFQ buyer reports.

2.4.3 CQE Program

2.4.3.1 Eligible CQE communities and CQE holdings to-date

There are 42 eligible communities in the CQE Program, the same number since its inception: 21 are located in Southeast Alaska (Area 2C) and 21 are located in Southcentral Alaska (14 in Area 3A and 7 in Area 3B). The list of communities is part of the Council's final motion and shown below in Table 10. A map of all 42 eligible communities is provided as **Appendix 2**. To be determined eligible, each community must have met the following criteria: fewer than 1,500 people;²⁴ documented historical participation (at least one commercial landing) of halibut or sablefish;²⁵ direct access to saltwater on the GOA coast; no road access to a larger community; and listed in Federal regulation. Communities that were not identified at final action as meeting these criteria must apply to the Council to be approved for participation in the program. A regulatory amendment would need to be developed and approved in order to add a community to the list in Federal regulation, and communities applying for eligibility would be evaluated using the original criteria above.²⁶

Table 10 Eligible CQE communities, as of December 2010

Area 2C communities		Area 3A communities		Area 3B communities	
Angoon*	572	Akhiok*	80	Chignik	79
Coffman Cove*	199	Chenega Bay*	86	Chignik	103
Craig*	1,397	Halibut Cove	35	Chignik Lake	145
Edna Bay	49	Karluk	27	Ivanof Bay	22
Elfin Cove*	32	Larsen Bay*	115	King Cove*	792
Gustavus	429	Nanwalek*	177	Perryville*	107
Hollis	139	Old Harbor*	237	Sand Point*	952
Hoonah*	860	Ouzinkie*	225		
Hydaburg*	382	Port Graham*	171	7 communities	2,200
Kake	710	Port Lions	256		
Kasaan*	39	Seldovia	286		
Klawock*	854	Tatitlek	107		
Metlakatla	1,375	Tyonek	193		
Meyers Chuck	21	Yakutat*	680		
Pelican*	163				
Point Baker	35	14 communities	2,711		
Port Alexander	81				
Port Protection	63				
Tenakee Springs	104				
Thorne Bay*	557				
Whale Pass	58				
21 communities	8,119				

Source: Table 21 to 50 CFR 679.

Note: Population is based on 2000 U.S. census data, as required by the eligible criteria.

*Eligible communities that have formed Community Quota Entities, as of October 2010.

²⁴As documented by the 2000 U.S. Census (i.e., a community must be recognized by the U.S. Census as an incorporated city or census designated place in order to be included in the census.)

²⁵As documented by the Alaska Commercial Fisheries Entry Commission.

²⁶Note that the Council took action to add 3 new communities (2 in Area 2C and 1 in Area 3B) to the CQE Program in December 2010. The preferred alternative and analysis have not yet been forwarded for Secretarial review.

Under the program, an eligible community must form a nonprofit corporation to act on its behalf (i.e., the CQE). The CQE permitted to purchase and hold the quota share for eligible communities must be: 1) a new non-profit entity incorporated under the State of Alaska; or 2) a new non-profit entity formed by an aggregation of several eligible communities. The non-profit corporation must apply to NMFS for recognition as a CQE, must have the written approval of the community, and upon approval by NMFS, may buy, sell, and hold halibut and sablefish QS for the community.

There are caps on the amount of QS that can be held by each individual community, and caps on the amount of QS that can be held cumulatively by all communities in a specified area (e.g., Area 2C, 3A, 3B for halibut; SE, WY, CG, or WG for sablefish). The program limits each CQE to the same use caps as individual holders: 1% of Area 2C halibut QS and 0.5% of the combined Area 2C, 3A, and 3B halibut QS, and 1% of southeast sablefish QS and 1% of all combined sablefish QS (Table 11).

Table 11 2010 quota share use caps for CQEs and individuals

Use Cap	2010 QS Use Cap	Equivalent 2010 IFQ lbs
Halibut		
1% of 2C quota	599,799 QS units	44,316 IFQ lbs
0.5% of 2C, 3A, 3B	1,502,823 QS units	111,036 lbs if all 2C quota ¹ ; 162,464 lbs if all 3A quota; 274,483 lbs if all 3B quota
Sablefish		
1% of SE quota	688,485 QS units	59,225 IFQ lbs
1% of all quota	3,229,721 QS units	230,017 lbs if all CG; 277,828 lbs if all SE ² ; 262,442 lbs if all WG; 188,478 lbs if all WY quota

Source: RAM Divison, NMFS, 2010. The 2011 catch limits will be finalized in late January 2011.

¹Note that the Area 2C use cap (44,316 lbs) is also in place, so 111,036 lbs is only a theoretical example.

²Note that the SE use cap (59,225 lbs) is also in place, so 277,828 lbs is only a theoretical example.

The program also limits all CQEs to holding 3% of the QS in each area in each of the first seven years of the program, culminating in a limit of 21% in each area by 2010 (Table 12).²⁷ Table 12 shows the limits in both QS units and annual IFQ pounds. The same limits shown for 2010, in terms of QS units, are applicable in 2011 and all future years. The 2011 limits, in terms of IFQ pounds, are not provided, as the 2011 catch limits will not be approved until after the release of this document. Note that these limits are exclusive of any QS owned by individual residents. Refer to Appendix 1 for the rules governing CQE transfers, limits, and reporting requirements.

Table 12 2009 and 2010 cumulative CQE quota share use caps¹

Use Cap	QS Use Cap and equivalent annual IFQ lbs			
	Area 2C	Area 3A	Area 3B	
Halibut				
2009	10,719,367 QS units	33,284,037 QS units	9,756,572 QS units	
18% of each area	903,597 lbs	3,905,981 lbs	1,961,988 lbs	
2010	12,505,928 QS units	38,831,376 QS units	11,382,667 QS units	
21% of each area	923,997 lbs	4,197,896 lbs	2,078,988 lbs	
Sablefish				
	Southeast	Central Gulf	Western Gulf	West Yakutat
2009	11,901,711 QS units	20,103,594 QS units	6,485,324 QS units	9,587,957 QS units
18% of each area	1,089,691 lbs	1,584,133 lbs	520,638 lbs	617,860 lbs
2010	13,885,330 QS units	23,454,193 QS units	7,566,212 QS units	11,185,950 QS units
21% of each area	1,194,447 lbs	1,670,384 lbs	614,819 lbs	652,782 lbs

Source: RAM Divison, NMFS, February 2010.

¹The cumulative use caps apply to the amount of QS that can be held and used by all CQEs combined.

²⁷See 50 CFR 679.42(e)(6).

Thus far, 20 CQEs have been formed, representing 21 communities (the list of current CQEs is provided as **Appendix 3**). Ten of those communities are in southeast Alaska, and eleven are in southcentral Alaska. Each of these CQEs completed the process of forming a non-profit corporation under laws of the State of Alaska, which requires time and resources of the community. In addition to the incorporation process, in order to be approved by NMFS as a CQE representing an eligible community, the CQE must also submit an application to NMFS.²⁸ A complete application to become a CQE consists of: (i) the articles of incorporation; (ii) a statement indicating the eligible community, or communities, represented by the CQE for purposes of holding QS; (iii) 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 CQE is qualified to manage QS on behalf of the eligible community, or communities, it is designated to represent, and a demonstration that the CQE has the management, technical expertise, and ability to manage QS and IFQ; and (D) the name of the non-profit organization, taxpayer ID number, permanent business mailing addresses, name of contact persons and contact information of the managing personnel, resumes of management personnel, name of community represented by the CQE, and the point of contact for the governing body of each community represented.

The application also requires a statement describing the procedures that will be used to determine the distribution of IFQ to residents of the community, including: (A) procedures used to solicit requests from residents to lease IFQ; and (B) criteria used to determine the distribution of IFQ leases among qualified community residents and the relative weighting of those criteria. Finally, the application must include a statement of support from the governing body of the eligible community. The statement of support is: (A) a resolution from the City Council or other official governing body for those eligible communities incorporated as first or second class cities; (B) a resolution from the tribal government authority recognized by the Bureau of Indian Affairs for those eligible communities that are not incorporated as first or second class cities; but are represented by a tribal government authority; or (C) a resolution from a non-profit community association, homeowner association, community council, or other non-profit entity for those eligible communities that are not incorporated as first or second class cities or represented by a tribal government.

Thus, while the application process is relatively straightforward, it requires submittal of several documents, including a letter of approval from the community and a description of the criteria the CQE will use to determine which residents may lease IFQ derived from CQE-held QS on an annual basis. Note that the Council included three performance standards in its final motion developing the program, and although these are not regulatory requirements, they outline the intent regarding the distribution and use of community-held QS. The performance standards are:

- equitable distribution of IFQ leases within a community
- the use of IFQ by local crew members
- the percentage of IFQ resulting from community-held QS that is fished on an annual basis

Many communities 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. For example, one CQE reports

²⁸This application is also submitted to the State of Alaska (DCCED) for a 30-day review and comment period.

that it leases quota share to community residents on an equitable basis, and that preference is given to residents that have experience, equipment, investment, and commit to the employment of community residents. The point system developed by the CQE reflects these preferences.

Each CQE must report to NMFS annually on IFQ activities, including nonprofit governance, QS holdings, IFQ recipient selection, landings, and other relevant information. If a CQE fails to submit a timely and complete annual report, NMFS would initiate an administrative action to suspend the ability of that CQE to transfer QS and IFQ, and to receive additional QS by transfer. The annual report is also required to be provided to the governing body of each community represented by the CQE. This is intended to assist the governing body and residents of that community in reviewing the activities of the CQE relative to that community.

To date, only one CQE, representing Old Harbor, has purchased halibut quota share, and no CQEs have purchased sablefish quota share. Old Harbor has been participating in the program using halibut quota share since 2006, with quota share originally obtained through a private financing arrangement. As of year-end 2009, the CQE representing Old Harbor held 151,234 halibut QS units in Area 3B, which equates to 27,622 IFQ lbs in 2010. The QS is in 4 blocks: 3 blocks of C category QS and 1 block of B category; the majority of the QS is C category. This represents about 0.05% of the combined Area 2C, 3A and 3B QS pool, and 0.28% of the total Area 3B QS pool. Recall that the program allows all CQEs combined to purchase up to 3% of the QS in each area in each of the first seven years of the program, culminating in a limit of 21% in each area in 2010. Thus, the program has not come close to reaching its regulatory limits.

The majority of CQEs have not submitted annual reports, as they have not purchased quota share to-date. Several CQEs have submitted reports, even if no quota share had been purchased, in order to report changes in the Board of Directors, etc. The CQE representing Old Harbor has submitted the required annual report each year it held QS, starting in 2006. No less than 20% of their total IFQ is leased to 'entry level resident fishermen' as specified by the CQE, and the remainder is leased to a 'general pool.' In sum, this CQE has leased QS at equal or below market rates to 5 participants using 3 vessels in 2006;²⁹ 8 participants using 5 vessels in 2007; and 10 participants using 5 vessels in 2008. The number of crew used increased each year, and all were residents of Old Harbor, with few exceptions (residents of Kodiak). Starting in 2008, the CQE also formally developed a 'clean-up' fishery, in that the IFQ contracts with individual fishermen include a provision that allows the CQE to lease the IFQ to another resident fisherman if the IFQ is not fished by August 1 of the fishing year.

2.4.3.2 Individual community resident QS holdings

The NMFS RAM Program produces reports on the changes in holdings of quota share by residents of Gulf of Alaska fishing communities since the implementation of the halibut and sablefish IFQ program in 1995. NMFS has updated this report through 2008 (NMFS, July 2009).³⁰ Note that the QS holdings in this report are by individual residents of the CQE eligible communities, not CQEs, with the exception of the QS holdings by the CQE representing Old Harbor.

Holdings attributed to residents of all 42 CQE communities

One impetus for establishing the CQE Program was the transfer of initially-issued quota share out of the smallest, remote coastal Alaska communities and the change in the geographic distribution of QS

²⁹In 2006, the IFQ was purchased and leased in late September, allowing only a couple months to fish; 2006 was the only year in which all of the CQE QS was not fished.

³⁰*Report on Holdings of IFQ by Residents of Selected Gulf of Alaska Fishing Communities, 1995 – 2008*. NOAA (NMFS), Alaska Region, RAM Program, Juneau, AK. July 2009. <http://www.fakr.noaa.gov/ram/reports/ifqholdings0709.pdf>

holdings. The CQE Program was intended as a mechanism for quota share to be held at a community level, and thus a long-term asset available for use by community residents. Overall, residents of the 42 eligible communities held about 9.1% of the total Gulf halibut QS (Areas 2C, 3A, and 3B combined), and about 5.3% of the total Gulf sablefish QS (Southeast, West Yakutat, Central Gulf, and Western Gulf combined), at initial issuance (refer to Table 1). By year-end 2009, residents of these communities held 5.6% of the total Gulf halibut QS, and about 2.4% of the total Gulf sablefish QS.

In effect, at year-end 2009, NMFS RAM Program data indicate that residents of the 42 CQE communities held 38% fewer halibut QS holdings in Area 2C, 3A, and 3B, compared to initial issuance. Sablefish QS holdings declined by 55%, from initial issuance to year-end 2009. In Area 3A in particular, residents of all 42 CQE communities held 4.9% of the total halibut QS in Area 3A at initial issuance, and 3.1% at year-end 2009, which represents a reduction of 37%. Refer to Table 13 below.

Table 13 Reduction in Gulf QS holdings by residents of CQE communities, by area, from 1995 to 2009

Halibut	2C, 3A & 3B total	2C	3A	3B	
	-38%	-45%	-37%	-28%	
Sablefish	SE, CG, WG, WY total	SE	CG	WG	WY
	-55%	-49%	-45%	-84%	-84%

Source: NOAA Fisheries, AKR, RAM. Data as of 2/26/10.

Note: The year-end 2009 data include Area 3B halibut QS held by one CQE. Excluding the CQE-held QS would change the reduction in halibut Area 3B holdings since initial issuance to 31%.

The July 2009 NMFS report provides information on QS holdings and number of holders for each of the 42 eligible communities, by year, from 1995 through year-end 2008. The total halibut and sablefish IFQ holdings for residents of the 21 eligible communities located in southeast Alaska decreased by 49% and 45% from 1995 through year-end 2008,³¹ and the number of holders of halibut and sablefish IFQ decreased by 55% and 58%, respectively. For residents of the 21 southcentral communities, the total halibut and sablefish IFQ decreased by 26% and 53% from 1995 through year-end 2008, and the number of holders of halibut and sablefish IFQ decreased by 50% and 61%, respectively. Tables summarizing QS holdings and the number of eligible holders by CQE community, at initial issuance and year-end 2008, are provided in **Appendix 4**.

Holdings attributed only to residents of the 14 CQE communities in Area 3A

A brief summary of the QS holdings and number of QS holders from the July 2009 NMFS report for the fourteen Area 3A communities is provided below. Table 14 and Table 15 compare the amount of halibut and sablefish IFQ holdings, respectively, held by individual Area 3A CQE community residents at four periods: initial issuance (1995), year-end 2000, year-end 2008, and year-end 2010. The ‘2010 equivalent pounds’ are used such that pounds are comparable across all reported years. Table 16 shows the percent change in IFQ holdings and number of IFQ holders from initial issuance to year-end 2010.

Table 14 shows all but one Area 3A CQE community has either reduced the amount of halibut QS held by residents since initial issuance or has net zero holdings. The one community that has increased halibut

³¹The report uses ‘2008 Equivalent Pounds’ for comparison purposes. These are IFQ pounds derived from all QS held by residents of the subject community, in all IFQ management areas.

QS holdings is Halibut Cove. The three communities with the largest amount of QS holdings (Halibut Cove, Yakutat, and Seldovia) comprise 79% of the total halibut QS holdings among all Area 3A CQE communities. Table 16 shows that across all 14 Area 3A CQE communities, the net reduction in halibut QS and number of QS holders is 13% and 52%, respectively, since initial issuance.

Table 14 Halibut IFQ holdings and holders that are residents of Area 3A CQE communities, by year

Area 3A CQE Community	1995 halibut lbs	# holders	2000 halibut lbs	# holders	2008 halibut lbs	# holders	2010 halibut lbs	# holders
Akhiok	7,548	1	0	0	0	0	0	0
Chenega Bay	1,761	3	68	1	68	1	68	1
Halibut Cove	41,110	7	75,708	4	87,834	4	94,266	5
Karluk	0	0	0	0	0	0	0	0
Larsen Bay	14,013	8	493	2	0	0	0	0
Nanwalek	301	1	0	0	0	0	0	0
Old Harbor	99,688	15	30,286	8	46,187	7	46,187	7
Ouzinkie	84,513	21	79,828	20	69,024	12	65,997	11
Port Graham	18,183	7	2,483	3	10,366	4	10,366	4
Port Lions	34,799	21	27,613	15	21,559	13	19,593	10
Seldovia	351,586	30	317,536	22	297,362	13	313,889	13
Tatitlek	264	1	0	0	0	0	0	0
Tyonek	0	0	0	0	0	0	0	0
Yakutat	142,385	48	137,468	34	130,797	30	140,602	28
Total	796,151	163	671,483	109	663,197	84	690,968	79

Source: NMFS RAM Program, 12/30/10. The table uses ‘2010 Equivalent Pounds’ for comparison purposes. These are IFQ pounds derived from all QS held by residents of the subject community. They are computed using 2010 quota share pool and TACs; therefore, they are comparable across all years. ‘Number of holders’ includes all entities (including individuals, corporations, etc.) that reported the subject community as a permanent business mailing address, as of year-end. For example, this table includes the halibut holdings by the CQE representing Old Harbor (~27,600 lbs in 2010).

Table 15 Sablefish IFQ holdings and holders that are residents of Area 3A CQE communities, by year

Area 3A CQE Community	1995 sablefish lbs	# holders	2000 sablefish lbs	# holders	2008 sablefish lbs	# holders	2010 sablefish lbs	# holders
Akhiok	0	0	0	0	0	0	0	0
Chenega Bay	0	0	0	0	0	0	0	0
Halibut Cove	50	1	207,547	1	50	1	50	1
Karluk	0	0	0	0	0	0	0	0
Larsen Bay	0	0	0	0	0	0	0	0
Nanwalek	0	0	0	0	0	0	0	0
Old Harbor	2,623	2	0	0	0	0	0	0
Ouzinkie	6,513	1	6,513	1	6,513	1	6,513	1
Port Graham	27	1	27	1	27	1	27	1
Port Lions	0	0	22,139	1	27,070	1	0	0
Seldovia	170,232	10	167,208	9	88,583	6	88,447	6
Tatitlek	0	0	0	0	0	0	0	0
Tyonek	0	0	0	0	0	0	0	0
Yakutat	11,133	6	4,617	2	77	1	77	1
Total	190,578	21	408,051	15	122,320	11	95,114	10

Source: NMFS RAM Program, 12/30/10. The table uses ‘2010 Equivalent Pounds’ for comparison purposes. These are IFQ pounds derived from all QS held by residents of the subject community. They are computed using 2010 quota share pool and TACs; therefore, they are comparable across all years. ‘Number of holders’ includes all entities (including individuals, corporations, etc.) that reported the subject community as a permanent business mailing address, as of year-end.

Table 15 shows that residents of only six of the fourteen Area 3A CQE communities were initially issued sablefish QS, and three of those communities have realized a net loss compared to 2010. The other three communities have maintained the same, small amount of QS since initial issuance (a total of about 6,590 lbs in 2010), with one holder in each community. Only Seldovia residents have a sizeable number of

holdings relative to other communities, with over 88,000 lbs held by six holders in 2010. The Seldovia residents' holdings comprise 93% of the total sablefish QS holdings by Area 3A CQE communities. Overall, Table 16 shows that the net reduction in sablefish QS and number of QS holders is 50% and 52%, respectively, since initial issuance.

Table 16 Percent change in IFQ holdings and holders in Area 3A CQE communities, 1995 to 2010

Area 3A CQE Community	% change halibut lbs	% change halibut holders	% change sablefish lbs	% change sablefish holders
Akhiok	-100%	-100%	-	-
Chenega Bay	-96%	-67%	-	-
Halibut Cove	129%	-29%	0%	0%
Karluk	-	-	-	-
Larsen Bay	-100%	-100%	-	-
Nanwalek	-100%	-100%	-	-
Old Harbor	-54%	-53%	-100%	-100%
Ouzinkie	-22%	-48%	0%	0%
Port Graham	-43%	-43%	0%	0%
Port Lions	-44%	-52%	-	-
Seldovia	-11%	-57%	-48%	-40%
Tatitlek	-100%	-100%	-	-
Tyonek	-	-	-	-
Yakutat	-1%	-42%	-99%	-83%
Total	-13%	-52%	-50%	-52%

Source: NMFS RAM Program, 12/30/10. The table uses '2010 Equivalent Pounds' for comparison purposes. These are IFQ pounds derived from all QS held by residents of the subject community. They are computed using 2010 quota share pool and TACs; therefore, they are comparable across all years. 'Number of holders' includes all entities (including individuals, corporations, etc.) that reported the subject community as a permanent business mailing address, as of year-end. Note: "-" means that no lbs were issued at initial issuance or 2010.

Table 14 and Table 15 also show that a small amount of QS (relative to the number of initial recipients) was initially issued to the majority of these Area 3A CQE communities, which in part may explain the transfer of QS from residents of those communities. While the communities that received relatively larger shares have also realized a reduction in the amount of QS held by residents and the number of QS holders, these communities are typically larger, and either a processing plant is located in the community or they are in close proximity to markets. Note that Table 14 and Table 16 include the halibut QS holdings by the CQE representing Old Harbor in 2010, which totaled about 27,600 IFQ lbs, or more than half the halibut holdings in Old Harbor.

Table 17 shows the amount of combined catcher vessel (B, C, and D) category halibut QS in Area 3A, in QS units and percentage, held by residents of the Area 3A communities eligible under the CQE Program at initial issuance compared to 2010 (as of July 28). At initial issuance, 169 residents of the Area 3A CQE communities held 3.1% of the total Area 3A catcher vessel halibut QS; in 2010, 77 residents held 2.7%. Both the total amount of halibut QS (in any area) issued to residents of the Area 3A CQE communities (Table 16), and the amount of Area 3A catcher vessel halibut QS issued to these communities (Table 17) has declined by 13% since initial issuance. The corresponding number of QS holders has declined by more than half.

Table 17 Amount of Area 3A catcher vessel category halibut quota share held by residents of Area 3A communities eligible under the CQE Program, initial issuance compared to 2010

Year	Total QS for Area 3A, for combined categories B,C,D (and number of Holders)	Total Area 3A, combined categories B, C, D QS held by residents of CQE communities located in 3A (and # of holders)	2010 equivalent IFQ lbs for QS held by Area 3A CQE communities	Percent of totals held by residents of CQE communities located in Area 3A
At initial Issuance	180,718,515 Units (3,035 persons)	5,551,220 Units (169 persons)	600,119	3.1% of QS (5.6% of holders)
On 7/28/10	180,137,397 Units (1,458 persons)	4,852,170 Units (77 persons)	524,548	2.7% of QS (5.3% of holders)

Source: NMFS RAM Program, data as of July 28, 2010. Note: residency is self-reported.

2.4.3.3 Other Council actions that include a CQE component

Two subsequent actions approved by the Council, that are not related to the commercial halibut and sablefish IFQ Program, have included explicit provisions for CQEs that represent new fishing opportunities. One of these programs has been approved by the Secretary of Commerce and is in the process of implementation, the other action is currently undergoing Secretarial review.

The first action is the proposed charter halibut limited entry action that the Secretary of Commerce approved in January 2010. This action establishes a limited entry program for charter halibut businesses in Area 2C and Area 3A, and will issue permits to qualified charter business owners. As part of this action, the Council approved issuing a limited number of permits to each CQE representing a community in Area 2C and Area 3A by request at no cost, if the community meets specific criteria denoting underdeveloped charter halibut ports. The Council intent was to balance the identified need to limit new entry in the charter halibut fishery in the context of exceeded GHGs in recent years, with a second stated need to maintain access to the charter halibut fishery in specified rural communities by creating additional permits.

The criteria targets CQE communities in which 10 or fewer active charter businesses were operating in the community during the initial qualifying years for the overall program.³² Each CQE located in Area 2C and Area 3A that meets the criteria can request up to 4 and 7 permits, respectively. The analysis for this action estimates that 18 of the 21 eligible CQE communities in Area 2C^{33,34} would qualify to receive charter permits, and all 14 eligible CQE communities in Area 3A would qualify. Recall, however, that not all of the eligible CQE communities have formed a CQE, which is necessary to participate. There are several provisions established to guide the use of CQE requested charter halibut permits, including that the permit must be used in the community represented by the CQE (i.e., all charter trips must originate or terminate in the CQE community). The Council also recommended an overall limit on the number of charter halibut permits that each CQE can hold and use (inclusive of both purchased permits and permits requested and issued at no cost). The use cap for each CQE in Area 2C is 8 permits; the use cap for each CQE in Area 3A is 14 permits. The use cap applies to all CQEs formed in Area 2C and Area 3A, regardless of whether the community meets the qualification criteria to receive permits at no cost.

³²“Active” is defined as at least 5 bottomfish trips in a year, and the qualifying years specified are 2004 or 2005.

³³The three Area 2C CQE communities that are not estimated to qualify for CQE charter halibut permits are Craig, Elfin Cove, and Gustavus. These communities are estimated to have had more than 10 active charter businesses in 2004 or 2005.

³⁴In December 2010, the Council approved two new Area 2C communities into the CQE Program, and explicitly allowed them to receive community charter halibut permits if they meet the same criteria as other CQE communities. This recommendation has not yet been forwarded to the Secretary. If approved, it could add a maximum of 8 new community charter halibut permits.

The charter halibut limited entry program was approved by the Secretary on January 5, 2010,³⁵ and the application period and issuance of individual business permits is expected to be completed in 2010. NMFS announced and provided an application for CQEs to request community charter halibut permits in December 2010.³⁶ The application for these permits will remain open; there is no deadline for CQEs to request their specified number of permits. The first year a permit is required on a charter halibut vessel in Area 2C and Area 3A is 2011.

The second action is the proposed GOA fixed gear recency action that the Council approved in April 2009 (GOA Am. 86). This action would add non-severable, gear-specific Pacific cod endorsements to fixed gear licenses that qualify under the landings thresholds, effectively limiting entry into the directed Pacific cod fisheries in Federal waters in the Western and Central GOA. Similar to the charter halibut limited entry program, the Council balanced the intent of preventing future entry of latent fixed gear groundfish licenses into the Pacific cod fisheries with retaining opportunities for CQE communities dependent on access to a range of fishery resources. The purpose was to promote community protections at a level that imposes minimal impact on historic catch shares of recent participants.

The CQE component of the action would allow each of the 21 communities eligible under the CQE Program in the Western and Central GOA to request a number of fixed gear and Pacific cod-endorsed licenses equal to the number currently held by residents of the community that are estimated to be removed under the fixed gear recency action under a 10 mt landing threshold, or two licenses, whichever is greater.³⁷ These licenses would be non-transferable and have a specified MLOA of <60'. CQEs would only be issued licenses for the area of the community they represent (Western GOA or Central GOA). In addition, licenses issued to CQEs located in the Western GOA would be endorsed only for pot gear. CQEs representing communities in the Central GOA would have the option of selecting what proportion of their LLP licenses would have a pot endorsement or a hook-and-line endorsement, provided the CQE notifies NMFS of their choice within six months of the effective date of a final rule. Selection of gear type would be a one-time permanent choice.³⁸

The notice of availability for this action was published July 2, 2010 (75 FR 38452), and the proposed rule was published July 23, 2010 (75 FR 43118). The comment period on the proposed rule ended September 7. The number of LLPs available by request to *each specific CQE* was published in the proposed rule, based on information in the NMFS RAM database (p. 43136), and is provided in **Appendix 5**. Under the above criteria, a total of 27 LLPs endorsed for the Western GOA could be requested by four CQEs located in the Western GOA, and a total of 58 LLPs endorsed for the Central GOA could be requested by seventeen CQEs located in the Central GOA.³⁹ The FMP amendment was approved on September 29, and the final rule is scheduled for publication in early 2011. Upon implementation, it would allow eligible CQE communities access to a limited number of permits for the fixed gear Pacific cod fisheries in the Western and Central Gulf at no cost.

³⁵[75 FR 554, January 5, 2010.](#)

³⁶http://www.fakr.noaa.gov/ram/charter/military_permitapp.pdf

³⁷Note that while the CQE provisions were included in the overall motion on fixed gear recency approved in April 2009, the Council amended the motion with respect to CQE licenses in December 2009. This action was taken in order to remedy an inconsistency with the Council's original stated intent of providing the same number of licenses to CQEs that residents of those communities were estimated to lose under the recency action.

³⁸If a CQE did not notify NMFS within this timeframe, NMFS would issue any LLP licenses that are requested by a CQE so that half the LLP licenses issued to the CQE would be endorsed for pot gear and half would be endorsed for hook-and-line gear.

³⁹In December 2010, the Council approved one new Area 3B community into the CQE Program, and explicitly allowed it to receive pot-endorsed Pacific cod licenses in the Western GOA if it meets the same criteria as other CQE communities. This recommendation has not yet been forwarded to the Secretary. If approved, it could add a maximum of 2 new cod licenses to this estimate for the Western GOA.

2.5 Related documents and actions

The documents listed below include detailed information on the halibut fishery, groundfish fisheries with halibut bycatch, and on the natural resources, economic and social activities, and communities affected by those fisheries:

- Groundfish Programmatic Supplemental Environmental Impact Statement (PSEIS) (NMFS 2004)
- Essential Fish Habitat Environmental Impact Statement (EIS) (NMFS 2005b)
- The Harvest Specifications Environmental Impact Statement (EIS)(NMFS 2007)
- Guideline Harvest Level Environmental Assessment (EA, Council 2003)
- Draft EA for measures to reduce charter harvest in Area 2C to the GHL (Council 2007b)
- EA regulatory amendment to define subsistence halibut fishing in Convention Waters (Council 2003b)
- EA/RIR/IRFA to allow eligible Gulf of Alaska communities to hold commercial halibut and sablefish quota share for lease to community residents (GOA FMP Am. 66) (NPFMC 2002)
- EA/RIR/FRFA for a Regulatory Amendment to Limit Entry in the Halibut Charter Fisheries in IPhC Regulatory Areas 2C and 3A (NPFMC 2009)
- Review of the Community Quota Entity Program under the Halibut/Sablefish IFQ Program (NPFMC 2010)

2.6 Effects of the alternatives

2.6.1 Alternative 1

Alternative 1 is the no action alternative, and thus would not change the CQE Program within the halibut and sablefish IFQ Program. Alternative 1 would retain the current prohibition on the transfer of vessel category D halibut quota share to Area 3A CQEs. Only individuals with the mandated sea time and individuals that were initially issued catcher vessel QS would be allowed to purchase category D shares in Area 3A. It is expected that the status quo would not change with respect to the general trends of D share quota share holders and transfers under Alternative 1. The status quo is summarized in the remainder of this section.

Effects on non-CQE participants

While the analyst cannot speculate as to the future value trends of QS, under Alternative 1, one could expect that the rate of D share QS transfers would continue its current trend, that the number of D share QS holders would remain relatively stable, and that D shares would remain the least costly category of quota share. If no action is taken, non-CQE participants in the halibut and sablefish fisheries would continue to be able to operate in the market for A, B, C, and D shares, and D category QS in Area 3A would continue to only be available to initial recipients of catcher vessel QS and individuals with the appropriate sea time. No significant effect on individual participants or new entrants is anticipated. The remainder of this section outlines the existing quota share pool and market for D category QS, specifically in Area 3A.

The following tables provide information as to the availability of D category QS in Area 3A. Currently, there are relatively few D shares in each Gulf management area. In Area 2C, D shares make up about 15% of the total QS, and in Area 3B they comprise 3.1% of the total. In Area 3A, they make up almost 7% of the total QS in the area, with 90% being B and C category (Table 18). The remaining 3% are A (catcher processor) shares.

Table 18 Amount of Area 3A halibut quota share, by category

QS category	Area 3A halibut QS units	% of total
A	4,773,918	2.6%
B	68,567,651	37.1%
C	98,878,681	53.5%
D	12,691,065	6.9%
Total	184,911,315	100.0%

Source: NMFS RAM Program, July 2010.

Many of the provisions of the IFQ Program were intended to limit the level of consolidation, a recognized objective in designing the program. The NMFS RAM Program reports that the greatest consolidation occurred, in both a numeric and percent basis, in Areas 2C, 3A, 3B, and 4A.⁴⁰ (Note these are also the management areas in which persons received CDQ compensation QS at initial issuance. Many of the persons who were issued CDQ compensation only received small amounts of QS in areas in which they had no prior history of fishing. A considerable amount of CDQ compensation QS was transferred and contributed to the decrease in the number of QS holders in the areas.) In addition, most areas realized the most consolidation, in terms of percent change in number of QS holders, in vessel category D halibut QS. In effect, over time, the average QS holdings per person increased in most of the areas and vessel categories that experienced declines in the number of QS holders.

Table 19 shows the initial and year-end 2006 distributions of Area 3A QS holders in each vessel category. It also indicates changes in the number of QS holders and average QS holdings for each vessel category. A person may hold QS in more than one vessel category in an area. For this reason, the sum of QS holders in the different area/vessel category combinations can be greater than the number of unique persons who hold QS in the area. In Area 3A, the number of D share quota holders changed from 1,287 persons at initial issuance to 695 at year-end 2006, a reduction of 46%. In the same time period, the average D share Area 3A quota share holdings went from 10,615 QS units to 18,273 QS units, an increase of about 72%. While not included in this table, trends are similar in the other Gulf areas.

As of mid-2010, NMFS RAM Program reports that there are 500 D share quota holders in Area 3A. Thus, while D shares make up about 7% of the total QS in Area 3A, as of 2010, those shares are held by about 34% of the total catcher vessel QS holders in Area 3A.⁴¹ Under the status quo, only individuals and initial recipients are eligible to purchase shares from those holders; CQEs are restricted from negotiating a purchase of QS with a substantial percentage of the current holders.

Table 19 Number of initial allocation and year-end 2006 Area 3A QS holders, by vessel category

Vessel category	Initial # of QS holders	2006 # of QS holders	Initial % of Area 3A QS holders	2006 % of Area 3A QS holders	Change in QS holders	% change in QS holders	Initial Average QS holdings	2006 Average QS holdings	% change in average QS holdings
A	36	36	1.2	1.9	0	0.0%	132,086	132,609	0.4%
B	300	282	9.6	14.6	-18	-6.0%	226,839	243,118	7.2%
C	1496	925	47.9	47.7	-571	-38.2%	66,122	106,896	61.7%
D	1287	695	41.3	35.9	-592	-46.0%	10,615	18,273	72.1%

Source: Changes under Alaska's Halibut IFQ Program, 1995 – 2006. NMFS RAM Program, January 2009. Excerpt of Table 2-2b, p. 14.

⁴⁰ Changes under Alaska's Halibut IFQ Program, 1995 – 2006. NOAA, NMFS AKR, RAM Program, January 2009. pp. 13 – 14.

⁴¹ As of 2010, there were 1,458 catcher vessel QS holders in Area 3A, 500 of which hold D shares (see Table 17 and Table 25).

Table 20 Area 3A halibut QS transfer rates, 1995 – 2009

Year	Year-end Total QS	QS Transferred	QS Transfer Rate %	Year-end Total QS Holders	QS Transferors	QS Holder Transfer Rate %
1995	182,683,910	28,557,489	15.6	2,764	523	18.9
1996	184,311,045	26,626,791	14.4	2,541	529	20.8
1997	184,740,655	18,560,798	10.0	2,343	436	18.6
1998	184,723,476	11,374,984	6.2	2,247	242	10.8
1999	184,806,828	16,247,898	8.8	2,156	248	11.5
2000	184,902,586	14,104,337	7.6	2,098	183	8.7
2001	184,873,475	12,824,496	6.9	2,049	190	9.3
2002	184,930,966	13,014,661	7.0	2,017	192	9.5
2003	184,930,966	10,957,094	5.9	1,964	210	10.7
2004	184,910,103	11,069,057	6.0	1,897	208	11.0
2005	184,911,315	7,631,332	4.1	1,842	154	8.4
2006	184,911,315	9,386,115	5.1	1,795	163	9.1
2007	184,911,315	11,330,694	6.1	1,667	257	9.8
2008	184,911,315	8,583,586	4.6	1,547	195	16.6
2009	184,911,315	5,081,707	2.7	1,501	133	8.9
All Yrs	2,770,370,585	205,351,039	7.4	30,428	3,945	13.0

Source: RAM Program, August 5, 2010.

Quota share consolidation happened relatively quickly in the IFQ Program, and the RAM Program reports that the rate of QS transfers in all areas has generally declined over time. Table 20 reports the QS and QS holder transfer rates in Area 3A from 1995 - 2009. These are the rates derived from the ratios of the number of persons transferring QS to the total number of persons holding QS at the end of the calendar year. Over the 15 years combined, the halibut QS transfer rate in Area 3A was 7.4%, and the QS holder transfer rate was 13.0%. These rates ranged from a high of 15.6% in the first year of the program (1995) to a low of 2.7% in 2009. The movement in the number of QS transferors and the QS holder transfer rate paralleled similar declines from 1997 to 2009 in the volume of QS transfers and the QS transfer rate. While not provided here, the QS transfer rate exhibits a similar trend in the other Gulf areas.

Table 21 shows more detailed information on the number and description of Area 3A halibut QS transfers in the most recent five years, from 2006 through July 22, 2010. This table shows permanent transfers of QS, not annual IFQ. Comparing Table 18 and Table 21 shows that in 2009 for example, about 1% to 3% of the total Area 3A halibut QS in each category was transferred: 1.2% of A shares; 2.8% of B shares, 2.6% of C shares; 2.1% of D shares.

Category D quota shares make up almost 7% of the total halibut QS in Area 3A; Table 21 shows that in the past several years, D shares have accounted for 6% - 11% of the total number of Area 3A halibut QS units transferred. The number of transactions of D shares has declined in the past three years, from 54 in 2007, to 47 in 2008, to 27 in 2009. As of mid-year 2010, 20 individual transactions of D shares had occurred. The corresponding number of D category QS units transferred has declined as well since 2007, from about 1.2 million QS units in 2007, to 830,000 QS units in 2008, to 267,500 QS units in 2009. Thus far in 2010, 420,600 Area 3A category D QS units have been transferred. Similar trends are found in the other catcher vessel QS categories.

Table 21 Description of halibut QS transfers in Area 3A, by block and category, 2006 - 2010

YEAR	QS category	Blocked code	Number of transactions	QS units transferred	IFQ lbs	% of total units transferred
2010 (thru 7/22)	B	B	3	297,442	32,155	7.5%
	B	U	8	545,004	58,918	13.8%
	B	Total	11	842,446	91,073	21.4%
	C	B	42	1,927,659	208,391	48.9%
	C	U	5	750,200	81,101	19.0%
	C	Total	47	2,677,859	289,492	68.0%
	D	B	20	420,600	45,469	10.7%
2010	TOTAL		78	3,940,905	426,035	
2009	A	U	1	18,806	2,207	0.4%
	A	B	1	37,476	4,398	0.8%
	A	Total	2	56,282	6,605	1.2%
	B	B	6	343,042	40,257	7.1%
	B	U	16	1,595,627	187,252	32.9%
	B	Total	22	1,938,669	227,509	39.9%
	C	B	41	1,710,396	200,720	35.2%
	C	U	10	884,329	103,779	18.2%
	C	Total	51	2,594,725	304,499	53.4%
	D	B	27	267,503	31,392	5.5%
	2009	TOTAL		102	4,857,179	570,004
2008	A	B	2	37,223	4,876	0.5%
	B	B	12	618,691	81,037	7.6%
	B	U	30	2,173,286	284,659	26.6%
	B	Total	42	2,791,977	365,696	34.1%
	C	B	72	2,821,086	369,508	34.5%
	C	U	16	1,703,600	223,139	20.8%
	C	Total	88	4,524,686	592,648	55.3%
	D	B	46	781,846	102,407	9.6%
	D	U	1	48,428	6,343	0.6%
	D	Total	47	830,274	108,750	10.1%
2008	TOTAL		179	8,184,160	1,071,969	
2007	A	B	2	14,001	1,984	0.1%
	B	B	12	588,493	83,383	5.4%
	B	U	32	3,063,324	434,040	28.1%
	B	Total	44	3,651,817	517,423	33.5%
	C	B	84	3,132,196	443,798	28.7%
	C	U	32	2,908,734	412,136	26.7%
	C	Total	116	6,040,930	855,935	55.4%
D	B	54	1,200,271	170,065	11.0%	
2007	TOTAL		216	10,907,019	1,545,407	
2006	A	B	1	7,618	1,038	0.1%
	B	B	6	238,387	32,488	2.6%
	B	U	21	2,590,449	353,028	27.9%
	B	Total	27	2,828,836	385,516	30.4%
	C	B	104	3,928,967	535,442	42.3%
	C	U	20	1,793,668	244,442	19.3%
	C	Total	124	5,722,635	779,884	61.6%
	D	B	33	654,509	89,197	7.0%
D	U	3	80,887	11,023	0.9%	
D	Total	36	735,396	100,220	7.9%	
2006	TOTAL		188	9,294,485	1,266,658	

Source: RAM Program, NMFS AKR. 2010 data are through July 22, 2010.

The cost of IFQ by category has also been documented since the beginning of the IFQ Program (Table 22). Generally, B shares have had the highest mean price (dollars per IFQ), with C shares a little lower, and D shares the least costly category. In the past five years for which data are available (2005 – 2009), the annual mean price per Area 3A D category IFQ has been 13% to 30% less than B category, and 8% to 25% less than C category. The greatest difference in the past several years was in 2009. At these average prices, for example, 50,000 lbs of Area 3A halibut QS (C category) would cost about \$1.2 million in 2009; the same poundage in D category QS would cost about \$90,000. Using an ex-vessel price of \$4/lb, this would equate to about \$200,000 in gross revenues.

Table 22 Annual prices for Area 3A halibut QS and IFQ transfers by catcher vessel category and year

Vessel Category	Year	Mean Price \$/IFQ	Stan Dev Price \$/IFQ	Total IFQs Transferred Used for Pricing	Mean Price \$/QS	Stan Dev Price \$/QS	Total QS Transferred Used for Pricing	Number of Transactions Used for Pricing
>60 ft B	1995	7.77	0.70	551,559	0.84	0.08	5,124,599	54
	1996	8.65	3.37	526,090	0.93	0.36	4,894,746	67
	1997	10.05	2.95	469,850	1.36	0.40	3,475,740	35
	1998	9.13	2.37	147,463	1.28	0.33	1,048,807	38
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	8.41	1.09	182,138	0.83	0.11	1,839,501	17
	2001	9.55	1.84	185,825	1.13	0.22	1,569,649	22
	2002	9.63	1.52	224,297	1.18	0.19	1,832,359	24
	2003	11.54	2.82	150,674	1.40	0.34	1,238,188	12
	2004	15.43	2.04	238,649	2.09	0.28	1,761,256	22
	2005	20.08	2.37	123,234	2.77	0.33	894,653	18
	2006	18.70	2.22	259,860	2.55	0.30	1,906,787	20
	2007	21.32	6.00	365,089	3.02	0.85	2,576,689	23
2008	28.31	10.12	170,116	3.71	1.33	1,298,767	26	
2009	25.91	6.11	123,484	3.04	0.72	1,052,233	11	
36-60 ft C	1995	7.23	1.69	1,024,463	0.78	0.18	9,518,413	185
	1996	8.41	4.72	888,858	0.90	0.51	8,270,019	199
	1997	9.95	2.06	654,926	1.34	0.28	4,844,878	155
	1998	8.18	2.41	307,403	1.15	0.34	2,187,960	63
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	7.91	1.47	396,190	0.78	0.14	4,001,381	73
	2001	8.30	2.91	483,091	0.98	0.34	4,080,602	85
	2002	7.98	1.62	407,445	0.98	0.20	3,328,778	71
	2003	9.69	2.04	304,087	1.19	0.25	2,484,987	67
	2004	13.67	3.25	506,639	1.85	0.44	3,738,736	69
	2005	17.85	4.15	193,793	2.46	0.57	1,408,440	42
	2006	18.06	2.45	260,751	2.46	0.33	1,913,297	57
	2007	20.14	4.61	377,931	2.85	0.65	2,666,184	54
2008	26.60	5.07	280,334	3.48	0.66	2,140,271	47	
2009	24.27	6.19	86,973	2.85	0.73	741,144	19	
≤35 ft D	1995	6.99	1.29	208,552	0.75	0.14	1,937,712	115
	1996	7.31	1.20	149,614	0.79	0.13	1,392,081	82
	1997	8.01	1.17	136,462	1.08	0.16	1,009,492	101
	1998	6.43	2.60	146,774	0.90	0.37	1,044,742	54
	1999	NA	NA	NA	NA	NA	NA	NA
	2000	5.88	0.78	36,632	0.58	0.08	371,127	30
	2001	7.40	1.87	72,418	0.88	0.23	611,708	37
	2002	6.59	1.11	78,066	0.81	0.14	637,767	27
	2003	7.80	2.10	110,892	0.95	0.26	906,189	47
	2004	11.61	3.62	124,655	1.57	0.49	919,906	64
	2005	14.68	3.63	63,494	2.02	0.50	460,960	35
	2006	15.75	2.43	64,315	2.14	0.33	473,334	37
	2007	18.59	6.31	71,929	2.63	0.89	507,647	92
2008	23.02	6.35	48,414	3.02	0.84	369,671	53	
2009	18.07	4.87	29,419	2.12	0.57	250,679	39	

Source: NMFS RAM Program, 1995 – 2009. Prices are reported by transfer applicants as part of the application information collected by NMFS. This table includes only QS transfers that included at least some IFQ, and for which the value reported was within 5% of the standard IFQ per unit of QS in that year and management area. Standard IFQs were calculated by multiplying the amount of QS by the ratio of the area's total allowable catch to the amount of QS in the area's QS pool on January 31st of the year. NMFS, RAM supplied this ratio. NA indicates data not available.

In addition, since the beginning of the IFQ Program, some portion of the QS has been issued in nonseverable 'blocks' in order to limit consolidation. Persons received their QS in a block at initial allocation if their QS would have resulted in less than 20,000 pounds of halibut IFQ. Thus, the majority of blocked QS is D category, as it corresponds to the smaller vessel size. Ninety percent of the D shares in Area 3A are blocked shares, and most of those blocks represent relatively small amounts of quota share (see Table 23).

There are additional rules regarding the ability for small blocks to be combined together to a maximum size block. In most areas, persons can combine, or ‘sweep-up’ more than two blocks if their combined total is worth less than 3,000 lbs of the 1996 quota share pool and TAC.⁴² In 2007, the halibut sweep-up level was increased to 5,000 lbs equivalents in Area 2C and 3A.⁴³ The Council provided a sweep-up provision for small blocks of halibut QS because many of the blocks initially issued under the IFQ program were too small and not worthwhile to fish. It was hoped that the sweep-up provision would allow such blocks to be combined into fishable blocks of QS. Sweepable QS blocks represent a relatively small portion of the total QS in each area, but a relatively large percentage of the persons in each area hold them. A consolidated block cannot be divided and is considered a single block for purposes of use and transferability. The maximum number of QS units that may be consolidated into a single block in each IFQ regulatory area in the Gulf is as follows: Area 2C (33,320 QS); Area 3A (46,520 QS); and Area 3B (44,193 QS).⁴⁴

Table 23 shows that as of July 2010, 10% of the Area 3A D category QS is unblocked, 28% is in large blocks greater than the sweep-up limit, and 62% is in small blocks less than or equal to the sweep-up limit.

Table 23 Amount of blocked and unblocked halibut QS in Area 3A

Area 3A QS category	Amount of QS that is unblocked (QS units and %)		Amount of QS that is blocked (QS units and %)		Amount of total QS in blocks >46,520 units (QS units and %)		Number of QS blocks that are >46,520 units	Amount of total QS in blocks ≤46,520 units (QS units and %)		Number of QS blocks that are <46,520 units
B	61,605,451	90%	6,962,200	10%	5,427,935	8%	61	1,534,265	2%	62
C	52,729,038	53%	46,149,643	47%	31,985,705	32%	403	14,163,938	14%	589
D	1,214,224	10%	11,476,841	90%	3,574,905	28%	50	7,901,936	62%	553

Source: NMFS RAM Program. Data as of July 23, 2010.

Blocks cannot be broken up for transfer, meaning all the QS in a block must be sold or passed on to another person as a single unit. Block rules have changed over time, but currently, a person can hold a maximum of three blocks of halibut QS in an area (and 2 blocks of sablefish), and a person, individually or collectively, who holds unblocked QS for a species in an IFQ regulatory area, may hold only one QS block for that species in that regulatory area (50 CFR 679.42(g)(1)). Blocked QS is typically less costly than unblocked QS, and smaller blocks sell for less than larger blocks, due to the block limits and the limited flexibility for future transfers. In effect, while prices vary depending on the individual transaction, the least costly type of quota share is often the smaller blocks of D category QS. Median prices for blocked Area 3A halibut QS are provided by category in Table 24.

⁴²The original sweep-up limit was 1,000 pounds. In April 1996, the Council approved an amendment that increased the halibut sweep-up limit to 3,000 pounds (see 50 CFR 679.41(e)(3)). The 3,000 pounds of hypothetical IFQ was based upon 1996 TACs for an area and the QS pool as of January 31, 1996. The regulation translates the rule into a specific amount of QS units for each halibut area. This amendment became effective in December 1996. In 2007, sweep up limits again changed.

⁴³72 FR 44795, August 9, 2007.

⁴⁴50 CFR 679.41(e)(3).

Table 24 Median prices for Area 3A halibut QS blocks, 2006 - 2010

Year	Category	Median per share price (\$/QS unit)	Median per pound price (\$/lbs)	# of transactions (for per lb price)
2010 (thru July 26)	B	2.41	22.25	2
	C	2.25	21.00	20
	D	2.12	19.00	13
2009	B	2.40	20.75	3
	C	2.29	19.25	26
	D	1.59	11.11	23
2008	B	3.40	26.00	10
	C	3.33	25.31	34
	D	3.01	23.00	30
2007	B	3.24	22.88	6
	C	2.98	19.50	46
	D	2.62	18.00	30
2006	B	2.54	17.75	4
	C	2.25	17.00	69
	D	2.10	15.25	27

Source: NMFS RAM Program, July 26, 2010. Prices are provided as reported by transfer applicants as part of the application information collected by NMFS.

Effects on CQEs and CQE community residents

Under Alternative 1, the rules for CQE purchases of catcher vessel quota share would not change. CQEs representing communities in Area 3A would continue to be allowed to participate in the market for and use B and C shares in Area 3A, but would be prohibited from purchasing Area 3A D shares. In effect, CQEs would not have access to 7% of the total Area 3A QS that is category D, held by approximately 34% of the total Area 3A catcher vessel QS holders. (CQEs would also continue to be restricted from purchasing D shares in Area 2C, but be allowed to purchase D shares in Area 3B.) When held by the CQE, catcher vessel QS could be fished by eligible residents on a vessel of any size.

Note also that under the status quo, CQEs have different restrictions on holding blocked QS than those described above for individuals. CQEs are allowed to purchase both blocked and unblocked shares, and may purchase up to 10 blocks of halibut QS and 5 blocks of sablefish QS in each management area. However, while CQEs may purchase blocked shares, they are prohibited from purchasing Area 2C and 3A blocked halibut shares, which, at the time of the implementation of the sweep-up provisions (1996), are less than or equal to the maximum sweep-up level of 5,000 lbs.⁴⁵ Thus, in Area 3A, CQEs are not allowed to purchase or use halibut QS blocks that are $\leq 46,520$ QS units. This measure was originally intended to allow some community purchase of blocked QS while preserving the smallest, and least costly, blocks for individual holders.

Table 23 shows the amount of halibut QS in Area 3A that is blocked versus unblocked, by vessel category, as of July 23, 2010. With respect to QS availability under Alternative 1, CQEs would continue to be limited to purchasing B and C category halibut QS in Area 3A, either unblocked QS or blocks $>46,520$ QS units. Referring to Table 23, this means that 98% of the total B shares and 85% of the total C shares in Area 3A would be the correct block type for CQE purchase. This type of B and C quota represents about 84% of the total catcher vessel QS in Area 3A. However, while 84% of the catcher vessel QS is the correct type for CQE purchase, CQEs remain subject to cumulative use caps. All CQEs combined are limited to purchasing up to 21% of the QS in each area cumulatively. Twenty-one percent of the quota share in Area 3A is 37,828,853 QS units, which represents about 23% of the total B and C

⁴⁵See 50 CFR 679.41(e)(5). Recall that the sweep-up level for Area 2C and 3A halibut shares changed from 3,000 lbs to 5,000 lbs equivalents (using 1996 quota share pool) in 2007. Thus, the CQE restriction changed accordingly.

shares in Area 3A. Under Alternative 1, these limits would remain. In effect, all CQEs combined could theoretically purchase up to 23% of the total B and C shares in Area 3A under the status quo.

Category B and C quota shares typically sell for a higher price than D shares. As stated previously, during 2006 – 2010, the annual mean price per D category IFQ has been 13% to 30% less than B category, and 8% to 25% less than C category. The greatest difference in the past several years was in 2009 (Table 22). Similar trends are found in the median price per share for blocked QS in particular; blocked D shares are consistently lower in price than B or C blocks (Table 24).

If no action is taken, CQEs would likely continue to have difficulty in accessing capital and funding the purchase of QS, and the inability to purchase the least costly type of QS is one, although not likely the primary, of several contributors to this problem (refer to Section 2.4). This inhibits the ability of CQE community residents to participate in the commercial halibut and sablefish fisheries, as a lease arrangement with the CQE may be a viable alternative to purchasing QS.

However, should CQEs desire to purchase QS, subsequent program development associated with other fisheries (i.e., fixed gear permits for Pacific cod in the Western and Central Gulf, community charter halibut permits in Areas 2C and 3A) may help to further the opportunities provided under the original CQE Program. (Refer back to Section 2.4.3.3.) The limited entry program for charter halibut will be implemented in 2011. This program establishes a new requirement that charter businesses meet criteria and hold a charter permit for charter halibut fishing in Areas 2C and 3A. It also allows for CQEs to request a limited number of permits at no cost, depending on the area. CQEs representing communities in Area 3A could request up to 7 charter permits. Thus, new charter businesses in these communities, or existing businesses that did not meet the qualification requirements for a charter permit, could potentially lease a community charter halibut permit from the CQE and lower the cost of entry into or expansion in the charter halibut fishery. The fixed gear Pacific cod fishery is a slightly different situation. The Council's overall action would remove existing latent licenses from the fixed gear Pacific cod fisheries in the Gulf, including those from residents of eligible CQE communities. The Council then recommended that NMFS issue a number of permits to each CQE, equivalent to the number estimated to be removed from residents of the represented community, or two permits, whichever is greater, such that access to Pacific cod remain as a long-term community asset.

Under the forthcoming programs, Area 3A CQEs could receive up to 7 charter halibut permits each and a minimum of two fixed gear Pacific cod licenses. The expansion of the base of community holdings (acquired at no cost) beyond that of halibut and sablefish QS may help further the CQE Program, and may allow CQEs to leverage their assets such that purchases of halibut and sablefish QS become more financially feasible.

2.6.2 Alternative 2

Alternative 2 would revise Federal regulations to allow Area 3A CQEs to hold halibut QS in Area 3A that is assigned to vessel category D. Note that the existing restriction prohibiting CQEs from holding D category halibut QS in Area 2C would remain under Alternative 2.

Alternative 2. Community Quota Entities located in halibut management Area 3A are permitted to purchase Area 3A "D" category quota share with the following limitations:

- a. Area 3A "D" category quota share purchased by Area 3A CQEs must have the annual IFQ fished on "D" category vessels ($\leq 35'$ LOA).

b. Area 3A CQEs are limited in their cumulative purchase of “D” category quota shares to an amount equal to the total “D” category quota shares that were initially issued to individuals that resided in Area 3A CQE communities.

c. Area 3A CQEs may purchase any size block of “D” category quota share.

Alternative 2 also contains three provisions (not options) that further describe the amount of D category halibut quota share that could be purchased by Area 3A CQEs and the type of vessel on which the annual IFQ may be used. The first provision would require that any D category halibut QS that is purchased by a CQE only be used on a D category vessel ($\leq 35'$ LOA). Existing regulations exempt CQEs from the vessel size (share class) restrictions when the QS is held by the CQE. The second provision would limit the amount of D category QS that could be purchased in total by Area 3A CQEs to the amount that was initially issued to individual residents of Area 3A CQE communities.

The third provision addresses the size of the D category QS blocks that CQEs would be allowed to purchase if Alternative 2 was selected. Currently, CQEs are prohibited from purchasing blocks of halibut QS that are less than or equal to the existing sweep-up limit. In Area 3A, that limit is 46,520 QS units in Area 3A, which equated to about 5,000 lbs in 2010. In December, the Council reviewed data that showed that CQEs would not have access to 62% of the D category QS pool in Area 3A if CQEs were restricted to purchasing unblocked QS and QS in blocks greater than the sweep-up limit, which may negate the intent of the proposed action. Thus, the Council added a provision under Alternative 2 that would allow Area 3A CQEs to purchase any size block of D category QS in Area 3A. Each CQE would continue to be limited to purchasing 10 blocks of Area 3A QS (of any category) in total.

Table 25 shows the amount of D category halibut QS in Area 3A, in QS units and percent, held by residents of the Area 3A communities eligible under the CQE Program at initial issuance (1,223,740 QS units) compared to July 2010 (1,384,665 QS units). In 1995, residents of Area 3A CQE communities held 9% of the Area 3A D category QS, and in 2010, they held 11%. The percentage of all D share holders that reside in Area 3A CQE communities increased slightly, from 8% in 1995 to 9% in 2010.

Table 25 Amount of Area 3A D category halibut quota share held by residents of Area 3A communities eligible under the CQE Program, initial issuance compared to 2010

Year	Total Area 3A, Category D QS (and number of holders)	Total Area 3A, Category D QS (and # of holders) held by residents of Area 3A CQE communities	Percent of totals held by residents of Area 3A CQE communities
At initial issuance (1995)	13,661,874 QS units (1,287 holders)	1,223,740 QS units (103 holders)	9.0% of QS (8.0% of holders)
2010 (as of Feb 12)	12,691,065 QS units (500 holders)	1,384,665 units (46 holders)	10.9% of QS (9.2% of holders)

Source: NMFS RAM Program, July 19, 2010. Note: Residency is self-reported information.

Thus, while the *overall* amount of Area 3A halibut catcher vessel QS issued to residents of the Area 3A CQE communities has declined 13% since initial issuance (refer to Table 17)⁴⁶, the amount of Area 3A *category D* halibut QS held by residents has increased by about 12%, from 1.22 million QS units to 1.38 million QS units. This increase in holdings is attributable to two Area 3A communities: Seldovia and Yakutat; 94% of all Area 3A category D QS held by these communities is by residents of Seldovia and Yakutat. All other Area 3A communities realized a reduction in D category QS held by residents. Note

⁴⁶The amount of B and C category QS in Area 3A held by Area 3A CQE communities has declined by 20% since initial issuance.

that while the amount of D category QS held has increased, the number of D category QS holders in these communities has decreased from 103 persons to 46 persons (-55%).

In sum, in 1995, residents of eleven Area 3A CQE communities held about 9% of the D category halibut QS in Area 3A, and in 2010, seven Area 3A CQE communities held about 11%. The remaining 89% of the Area 3A D category QS is held by residents of 57 other communities in Alaska and 54 communities outside of Alaska. **Appendix 6** provides the amount of Area 3A category D QS attributed to each community, by the QS holder's (self-reported) residency, at initial issuance and as of July 2010.

Regardless of individual holdings, the CQE Program is premised on the concept that communities need the opportunity to hold a perpetual investment in nearby fisheries that have been historically available to resident fishermen, in order to provide long-term benefits to community members. While communities clearly benefit from individual residents holding QS, the individual's interests would not be expected to mirror the community's interests. There is no guarantee that an individual would remain in the community in the future, or that an individual would not transfer the QS to a resident of another community. Thus, the proposed action is intended to increase the amount of QS held by the community, through the CQE.

The problem statement also recognizes that one potential source of quota share for CQEs is quota held by residents of the CQE communities that want to retire out of the fishery or need to transition to a different category or type of QS. Residents of CQE communities may be more willing to "self finance" CQE purchases of their quota shares, if there is a desire to retain the QS for use in the community. Because about 30% of the catcher vessel halibut QS currently held by residents of Area 3A CQE communities is D category, a relatively large share is not currently eligible for CQE purchase. Table 26 shows the current holdings of D shares by residents of the eligible Area 3A CQE communities, broken out by block size, as of December 2010. Note that the total amount of D category QS held by residents of CQE communities in Table 26 is slightly different from that reported in Table 25, due to the different reporting dates.

Table 26 Holdings of D category QS in Area 3A CQE communities, by block size (as of December 2010)

Area 3A community	Unblocked QS units	% of total	blocked QS units >sweep-up		blocked QS units <sweep-up		Total QS units held	# of blocks
			units	% of total	units	% of total		
Chenega Bay					628	100%	628	1
Old Harbor					3,849	100%	3,849	2
Ouzinkie					53,710	100%	53,710	7
Port Graham					18,285	100%	18,285	2
Port Lions					3,769	100%	3,769	3
Seldovia	69,695	20%	114,181	34%	156,216	46%	340,092	12
Yakutat			249,125	24%	789,959	76%	1,039,084	38
Grand Total	69,695	5%	363,306	25%	1,026,416	70%	1,459,417	65

Source: NMFS RAM Program, December 8, 2010. Note: Residency is self-reported information.
Note: The sweep-up limit for halibut QS in Area 3A is 46,520 QS units or about 5,000 lbs in 2010.

Table 26 shows that of the seven Area 3A communities that currently have residents that hold D category halibut QS, residents of five of those communities do not hold any unblocked shares or blocked QS in excess of the sweep-up limit (~5,000 lbs). All D category halibut QS held by residents of five of the communities is in blocks less than or equal to the sweep-up limit. When considering all seven communities, 70% of the total D category halibut QS held by residents is in blocks less than or equal to the sweep-up limit. Thus, if there was a limit on the size of the QS block that a CQE could purchase equal to the sweep-up limit, similar to that currently established for B and C category QS, it would mean CQEs

would be prevented from entering the market for 70% of the D category QS currently held by CQE residents.

Funding the purchase of QS

In December 2010, the Council requested amplified discussion on whether or not CQE communities have financial advantages when purchasing D category quota shares, and whether or not individual fishermen in CQE communities are disadvantaged by allowing CQEs to purchase D category quota share. Several private entities have provided technical workshops to assist communities in participating in the program, much of which has focused on working with national organizations to help identify optimal loan models and identifying low interest loans or grant opportunities. Entities that have provided ongoing support and/or technical workshops include the Southeast Alaska Inter-tribal Fish and Wildlife Commission, Chugach Regional Resources Commission, Gulf of Alaska Coastal Communities Coalition, Alaska Sea Grant Marine Advisory Program, and individual communities. In addition, several departments of the University of Alaska have assisted and continue to assist with CQE-related projects. One of the most recent workshops was co-hosted by the Alaska Sea Grant Marine Advisory Program, the North Pacific Fisheries Trust, and the Gulf of Alaska Coastal Communities Coalition in February 2009. There was broad participation by CQE communities, as well as regional and village Native corporations, NMFS, Council staff and members, Native regional nonprofits, and loan program representatives. The themes of the workshop included non-profit governance and management; accounting and finance; regulatory issues in quota management; lease management; and direct marketing of harvests.

The remainder of this section focuses on some of the loan opportunities available to either CQEs or individual fishermen, some of the issues that contribute to whether an entity may have a financial advantage in the purchase of QS, and possible impacts on individual fishermen in CQE communities.

Loan programs for CQEs or individuals

Funding the purchase of QS has been the primary obstacle cited to participating in the CQE Program. Communities were not included until ten years after the IFQ Program was established, and quota share prices have trended upward as the market for fresh fish has expanded, from an average 1995 price of less than a dollar per pound for some types of halibut quota to upwards of \$25 per pound in recent years for some types of halibut quota. As an example, a moderate halibut trip could be estimated at 10,000 pounds, which equates to approximately 92,500 QS units in Area 3A in 2010.⁴⁷ At a relatively low price (e.g., \$2.50/QS unit), it would cost over \$230,000 for an amount of quota that could reasonably be harvested in a single trip. This example is not limited to CQE purchases of quota, as individuals face a similar barrier. For an individual who already owns quota, the purchase of the additional quota can be leveraged against the equity in the existing quota. For CQEs and individuals who do not own quota, financing such an investment can be a significant barrier to participating in the fishery.

In theory, CQEs may be eligible for a variety of bond, loan, and grant programs that could be used to purchase QS, equipment, vessels, etc., depending on the administration, tax structure, and qualifications of the entity. Due to the increased price of QS and other market realities, it has proven difficult to obtain financing in the absence of grant money, and thus far, there has not been any special appropriation approved to purchase QS for CQEs. This section does not attempt to outline all of the potential funding sources for CQE purchases of QS; however, a few programs and issues are highlighted below.

The State of Alaska passed legislation to allow the DCCED, Division of Investments to provide a loan program for CQEs to purchase QS under the Commercial Fishing Revolving Loan Fund. While the loan

⁴⁷This calculation uses the 2010 QS:IFQ ratio for Area 3A halibut of 9.2502.

program has been in place for several years, the terms of the loan have not been viewed as feasible by many CQEs. The general terms are as follows:

- The interest rate is 2% above the prime rate (not to exceed 10.5%)⁴⁸
- The maximum loan term is 15 years
- The maximum loan is \$2 million per community
- The down payment is 35% of the loan amount

Under the terms above, for example, the maximum amount of Area 3A halibut QS that a CQE could finance through the State, at a relatively low price (e.g., \$2.50/QS unit), equates to about 86,500 lbs in 2010.⁴⁹ Per the CQE Program rules, a maximum of 50,000 pounds can be fished on an individual vessel (inclusive of any individually-owned QS being fished on the vessel) and leased by an individual resident. The amount available to be financed could be fished by two vessels and two residents under program restrictions. In addition, the maximum loan amount is 65% of the purchase price, meaning a CQE must make a 35% down payment. In the example above, the down payment would be \$700,000. The QS being financed is held as collateral for the loan, and other types of collateral may be offered in order to reduce the down payment requirement. However, CQEs, as new non-profit entities, do not typically have collateral assets.⁵⁰

One relatively new possible funding mechanism for CQEs to purchase quota share is through the North Pacific Fisheries Trust (Trust), a 509(a)(3) non-profit subsidiary of Ecotrust formed in 2006, which supports the efforts of coastal communities and local fishing families. The Trust “provides financing and makes investments in qualified buyers, community organizations, quota entities, and businesses that share and meet strong community equity, ecosystem conservation, and economic development goals.”⁵¹ One of the primary components of the Trust’s strategy is pursuing long-term funding relationships with qualified CQEs. The Trust recognizes that due to the start-up nature of the CQE program and its participants, access to capital for the purchase of IFQ is fairly limited at this time. The intent is to offer more flexible terms in the early years of the CQE Program, with an eye toward developing the capacity of CQEs to pursue more conventional capital sources (e.g., State loan program, Alaska Commercial Fishing and Agriculture Bank, standard banks). The Trust has several million in assets, to invest for the benefit of local fishermen in Oregon, Washington, and Alaska. In order to finance a purchase of quota, the Trust can take down payments as low as 5% of the purchase price, depending on the risk of the deal. One of the limitations of the Trust is that the maximum duration of the loan is 5 years; however, the Trust is working on finding longer-term funding sources.⁵² The Trust has designed a program for CQEs which offers:

- Below-market interest rates
- The maximum loan term is 5 years
- Ability to secure financing with a wide range of collateral types
- Down payments as low as 5% of the purchase price

By comparison, the North Pacific Loan Program (NPLP), managed by the NMFS Financial Services Branch and authorized under the Magnuson-Stevens Act, assists individual fishermen in financing the purchase of QS. To be eligible, an applicant must be a crew member on board the vessel that fishes the IFQ. Thus, while individual residents of CQE communities could apply for a loan under this program, a

⁴⁸Effective 1/1/11, the interest rate was 5.5%. These rates stay in effect until changed, which will be no sooner than April 1, 2011.

⁴⁹This calculation uses the 2010 QS:IFQ ratio for Area 3A halibut of 9.2502. Note that the 2011 IPHC staff recommended limit for Area 3A is 28% lower than 2010. Final catch limits will be approved in late January.

⁵⁰Anecdotal evidence suggests that some city governments considered utilizing municipal land as collateral, but when the other loan terms did not support the debt service requirements, utilizing city-held collateral was determined infeasible.

⁵¹<http://www.ecotrust.org/npft/>

⁵²Personal communication with Jeff Batton, February 16, 2010.

CQE is not eligible to receive assistance under the current program. Generally, the terms of these loans are more similar to a traditional loan, and more favorable than the State loan program for CQEs described above. The general terms are as follows:

- The interest rate is 2% above the U.S. Treasury's cost of borrowing public funds of an equivalent maturity prime rate⁵³
- The maximum loan term is 25 years
- There is no maximum (or minimum) loan amount
- The down payment is 20% of the loan amount.⁵⁴

Note that at the time the CQE Program was implemented, many thought that the village and regional corporations formed under the Alaska Native Claims Settlement Act (ANCSA)⁵⁵ would be a potential funding source for CQE purchases of QS. The regional and village for-profit corporations are owned by Alaska Native people through privately owned shares of corporation stock. However, ANCSA corporations are limited in their investments, in that they face a legal vulnerability in providing 'disproportional dividends.' In effect, this means corporations must provide dividends (e.g., cash distributions) in equal proportion to shareholders, and cannot benefit a shareholder or group of shareholders disproportionately. Thus, ANCSA corporations may find it difficult to provide direct funding, or a loan, to benefit a specific group of its shareholders (resident fishermen in one of its member villages). In addition, all residents of a community or village must be considered eligible to apply for IFQ derived from CQE-held quota share, if they meet the residency and IFQ crewmember requirements in Federal regulations. Thus, even if a community was an ANCSA village, not all lessees of CQE-held quota share would necessarily be shareholders of that corporation.

One of the biggest challenges facing CQEs appears to be the financing terms associated with currently available funding. This situation is not limited to CQEs, but would also apply to individuals who do not own quota, including individual residents of CQE communities. However, the loan terms currently available to CQEs are typically less favorable than those provided in the Federal loan program for individuals that want to purchase QS. The lack of low interest, long-term loans, and high down payment requirements, are cited as primary obstacles. The lack of credit history and the fact that they are non-profit organizations likely also increases the perceived risk to lenders. Langdon (2008) and several workshops on the CQE Program have cited the need for more favorable loan terms for CQEs, both in a private lending environment, through the State of Alaska's Commercial Fishing Revolving Loan Fund, and by revising the eligibility criteria for the North Pacific Loan Program to allow CQE applicants. The latter suggestion would require an amendment to the Magnuson-Stevens Act, as this program is currently limited by statute to financing the purchase of IFQ by individuals, either those who fish from small vessels or first-time purchases by new entrants. One possible alternative to conventional financing is through the North Pacific Fisheries Trust, which has more flexible terms for CQEs and other entities that have community economic development goals. Currently, however, the maximum loan term is five years, which may make it infeasible for communities. This may be a viable funding mechanism for CQEs in the future, but there has not been sufficient time for the program to have achieved its intended effect.

⁵³For example, the annual loan interest rate on January 15, 2010, would have been approximately 6.09 percent for a 15-year maturity. Interest is simple interest and the rate is fixed.

⁵⁴Applicants that are refinancing IFQ may need less, or no, down payment, depending upon the market value of the QS and whether it is higher than its original purchase price.

⁵⁵Under ANCSA (1971), Alaska was originally divided into twelve regions, each represented by a "Native association" responsible for the enrollment of past and present residents of the region. Individual Alaska Natives enrolled in these associations, and their village level equivalents, were made shareholders in the Regional and Village Corporations created by the Act. The twelve for-profit regional corporations, and a thirteenth region representing those Alaska Natives who were no longer residents of Alaska in 1971, were awarded the monetary and property compensation created by ANCSA. Village corporations and their shareholders received compensation through the regional corporations.

Other factors contributing to the financial advantage or disadvantage of CQEs

Another financial factor limiting access to QS is the administrative cost necessary to both establish and maintain the CQE, which can be significant in a small village. This additional layer of administrative costs is likely greater for a CQE compared to an individual. Because the CQE Program represents community-held quota for annual lease to local residents, there is a layer of both administrative cost and fiduciary responsibility that has complicated share purchases. The administrative overhead for a CQE, which must arrange and maintain financing for the QS, negotiate purchases of QS, develop and administer the criteria for distributing IFQ among potential lessees, and submit annual reports to NMFS detailing its activities, is potentially one barrier to participation. The price of QS is such that CQEs cannot afford the administrative costs and at the same time fund debt repayment.

CQEs partnering with local organizations, when possible, may help fulfill some of the administrative and accounting duties, in order to lower the cost of operating a CQE. In addition, establishing regional CQEs, or having a CQE represent more than one community,⁵⁶ would consolidate the administrative functions of the CQE and potentially increase efficiencies and lower costs. However, using an ‘umbrella’ CQE may make it less appealing to a community that wants to play an integral part in a comprehensive economic development strategy that includes participation in the halibut and sablefish fisheries.

In the future, program development associated with other fisheries (i.e., fixed gear permits for Pacific cod in the Western and Central Gulf, halibut charter permits in Areas 2C and 3A) may facilitate CQE share purchases by providing CQEs with an asset base (refer to Section 2.4.3.3). The short-term effects will likely be very limited. However, the additional assets for CQEs created by these programs may allow CQEs to leverage those assets to purchase halibut and sablefish QS in the long-term.

In sum, at least in the short-term, it is not likely that CQEs have a financial advantage to purchasing QS compared to individual fishermen, including those residing in CQE communities. While each community’s situation will vary, the loan terms for CQEs, as well as the lack of credit history, increases the perceived risk to traditional lenders. It is uncertain whether this situation will change in the near-term. In the long-term, CQEs may be able to use other assets (charter permits and Pacific cod fixed gear permits) to be in a better position to secure financing, whether through a conventional loan or a less traditional source (e.g., the North Pacific Fisheries Trust).

Effects on CQEs and CQE community residents

Part of the impetus of the proposed action is to provide an opportunity for CQEs in Area 3A to purchase D category QS from residents of CQE communities that are either retiring out of the fishery or transitioning to a different type of QS. While residents of these communities hold less than 3% of the total catcher vessel halibut QS in Area 3A, about 30% of that is D category, which is not currently eligible for CQE purchase. In addition, the proposed action recognizes that CQEs want to purchase the least costly type of QS (D category), and the category that corresponds to the vessels typically operating in these smaller communities.

Based on the data in Table 25, under Alternative 2, Area 3A CQEs would cumulatively be eligible to purchase up to 1,223,740 QS units of D category Area 3A halibut QS, which represents 9.6% of the current Area 3A D category quota share pool. Using the 2010 TAC, this equates to 132,293 lbs in 2010. Recall also that under a provision added in December 2010, Area 3A CQEs would not be restricted in the type of blocked D category QS they are allowed to purchase. Current regulations prohibit CQEs from

⁵⁶Only two communities have employed this approach; King Cove and Sand Point are represented by one CQE (Aleutia, Inc.)

purchasing a block of B and C category QS if it is less than or equal to 46,520 QS units; the current prohibition would continue, but it would not be extended to Area 3A D category QS under Alternative 2.

Table 23 in the previous section shows that 38% of the existing Area 3A D category QS is either: unblocked (10%) or in blocks greater than 46,520 QS units (28%). In effect, 62% of the existing D category Area 3A QS is in blocks that are less than or equal to 46,520 QS units. If CQEs were to purchase D shares, they could purchase up to 9.6% of the total D category QS pool, in unblocked QS or any size QS block. Currently, there are 603 blocks of Area 3A category D halibut QS in total, and the vast majority (553 blocks) are less than or equal to the sweep-up limit.

Like quota held in the current program, the category D halibut QS would be held in perpetuity by the CQE, and leased annually to community residents. Currently, 8 of the 14 eligible communities in Area 3A have formed CQEs and are eligible to purchase QS. Given the limits on the amount of QS that each individual CQE can purchase (0.5% of the combined Area 2C, 3A, and 3B quota share pool = 1.5 million QS units), this means that two CQEs could theoretically purchase the total amount of Area 3A D category halibut QS allowed to be purchased under Alternative 2 (1.2 million QS units).

Given the provisions under Alternative 2, Area 3A D category quota share purchased by Area 3A CQEs must also be fished on D category vessels ($\leq 35'$ LOA). This is consistent with the rules of the IFQ Program in general.⁵⁷ The intent of this provision is to require CQEs to be subject to the same rules as other persons participating in the IFQ Program with regard to the use of D shares. Since the intent of Alternative 2 is to allow CQEs to purchase QS in a vessel size category that corresponds to an entry level participant, and/or the type of vessel that most residents use in these communities, this provision was included to ensure that type of use occurs.

The proposed action implies that the rules addressing CQE purchases in the original CQE Program have, to-date, failed to achieve some of the Council's objectives with respect to preserving fishing opportunity in small communities. The purpose of the action is therefore to have distributional effects, to allow some redistribution of the smallest vessel category QS from individuals to CQEs. The maximum effect could be a redistribution of 1,223,740 QS units of D category Area 3A halibut QS, which represents 9.6% of the current total Area 3A D category quota share pool. It is therefore recognized that individual fishermen, including resident fishermen of CQE communities, may realize competition in the market for D shares, due to the proposed action. While this potential exists, it is largely dependent on the seller's specific motivation (e.g., is there a motivation to sell the QS to a CQE which ensures it must stay in the community), the level of risk associated with the CQE versus the individual as a buyer, and the relationships between parties. Regardless, it is the overall limit on the amount of D shares that can be purchased by CQEs that will limit the effect on individual potential buyers.

Note that the action is intended not only to benefit the CQE, but resident fishermen in the CQE communities. CQE community resident fishermen that are not in a position to finance the purchase of QS may find an IFQ lease arrangement with a CQE to be a viable alternative to purchasing QS and allow for continued participation in the fishery by community residents. The ability to lease IFQ in the short-term and gain revenue from the sale of fish may allow individual residents to purchase QS from the CQE (or another holder) over time. In this sense, the program does not serve to discourage, but rather could facilitate, individual ownership of QS. This is part of the purpose of the CQE Program, to be in a position to enhance individual resident holdings in conjunction with community holdings.

⁵⁷The exception to this rule is that category D QS can be 'fished up' on vessels $\leq 60'$ LOA (C category) in Areas 3B and 4C. See 72 FR 44795, August 9, 2007. This rule was implemented to address economic hardship and safety concerns resulting from fishing in small vessels in these areas.

In addition, if CQEs want to participate in the commercial halibut and sablefish fishery, they would likely enter the market for D shares before the cap is reached. As D category QS appears to be the most desirable for residents of small communities (the amount and percentage of D share holdings by residents of Area 3A CQE communities has increased over time, as opposed to B and C shares), CQEs may look to transition D share purchases to individual community residents in the long-run. This strategy may also serve to negate the cap on CQE D share holdings in the long-run, should CQEs employ this approach.

Regardless of the intent, the effect of Alternative 2 depends upon the extent to which CQEs desire to and are capable of purchasing D category halibut QS in Area 3A. Given the financially prohibitive factors discussed previously, and the current trends in transfer rates, analysts cannot speculate as to whether the proposed action would have the intended effect. The discussion under Alternative 1 (Section 2.6.1) includes an overview of two new programs in which CQEs are provided new non-transferable licenses at no cost (i.e., fixed gear permits for Pacific cod in the Western and Central Gulf; and charter halibut permits in Areas 2C and 3A). These new actions could potentially provide seed money for CQEs to purchase halibut and sablefish QS, as CQEs lease licenses to individual residents. Thus, one would expect Alternative 2 would provide a better opportunity for CQEs to leverage those assets to purchase QS, and potentially use those QS purchases to build on both CQE-held and individually-held QS.

In sum, while CQEs will likely continue to have difficulty in funding the purchase of QS and participating in the CQE Program under current conditions, this action would potentially provide a better opportunity for communities to participate in the market.

Effects on non-CQE participants

Non-CQE participants refer to all other participants (persons) in the IFQ Program, including residents of eligible CQE communities in which the CQE is inactive. Currently, 6 of the 14 eligible communities in Area 3A have not formed a CQE and thus cannot yet participate in the program. The maximum potential effect of Alternative 2 would be an acquisition of 1,223,740 QS units of D category Area 3A halibut QS by CQEs, which represents 9.6% of the current total Area 3A D category quota share pool.

No significant effect on individual participants in the IFQ fisheries, or residents of non-CQE communities, is anticipated under Alternative 2 compared to the status quo. The primary effect on existing participants would be the potential for greater competition in the market for purchasing D category QS, which could result in a higher price. Also in December 2010, the Council requested amplified discussion on whether or not CQE communities have financial advantages over individual fishermen when purchasing D category quota shares, premised on the potential for greater competition in the market for D shares. This discussion is provided in the sections above (also see net benefits section 2.6.3). At least in the short-term, it is not likely that CQEs have a financial advantage to purchasing QS compared to individual fishermen (including those residing in CQE communities). While each community's situation will vary, the loan terms for CQEs, as well as the lack of credit history, increases the perceived risk to traditional lenders. Another cost that is likely greater for CQEs is the administrative cost necessary to establish a non-profit corporation, manage the assets, and provide the required annual reports to NMFS. Because the CQE Program represents community-held quota for annual lease to local residents, but not owned by residents, there is a necessary layer of both administrative cost and fiduciary responsibility.

In the long-term, CQEs may be able to use other assets (charter permits and Pacific cod fixed gear permits) to be in a better position to secure financing, whether through a conventional loan or a less traditional source. While this potential exists, it is largely dependent on the conditions of the individual transaction. It is not possible to speculate at this time the extent to which CQEs desire to and are capable of purchasing D category halibut QS in Area 3A.

However, while several factors limit the impact of the proposed action, the most important are the cumulative limit on the amount of D category QS Area 3A CQEs would be allowed to purchase, and the limit on number of blocks each CQE can hold. CQEs are limited to purchasing a maximum of 10 blocks of halibut QS in Area 3A in total, under current program rules. If all 14 communities formed CQEs and were able to purchase 10 blocks each of D category halibut QS *and* stay under the limit of 1,223,740 QS units, that would represent a total of 140 blocks. Currently, there are 603 blocks of Area 3A category D halibut QS in total.

In sum, due primarily to the cumulative program use cap and block limit, it is likely that non-CQE participants would be marginally negatively affected by the proposed action. Only non-CQE participants would continue to have access to over 90% of the D category QS in Area 3A, without potential competition from CQEs. This action also would not affect IFQ participants' access to other categories (B and C) of catcher vessel quota share, nor would it affect their access to D category QS in areas other than Area 3A.

2.6.3 Net benefit impacts

Two possible general outcomes of the proposed action are possible, each of which could have different net benefit impacts. The first possible outcome is that no Area 3A CQEs would purchase Area 3A category D halibut QS. Net benefits would not change under this outcome as the market for QS would remain unchanged. The second scenario is that CQEs purchase a moderate amount of category D halibut QS in Area 3A, up to the maximum of 1,223,740 QS units (9.6% of the total category D QS in Area 3A). This represents a distributional effect, and would not be expected to significantly affect net benefits.

This analysis considers two possible approaches to assessing the net benefits of the proposed action. The first considers the action's net benefits from a private perspective considering only the change in production efficiency. This type of analysis would suggest that the action could result in a reduction in producer surplus, as the current distribution of QS likely provides greater net benefits than one through a program that allows a community purchase of QS. In a competitive market with a functioning capital market and low transaction costs, the least cost fishing operations would purchase QS and harvest the halibut. Thus, under the current market, if small community fishermen are able to harvest fish at a lower cost than the current QS holders, it is reasonable to assume they would purchase QS in the market and enter the fishery. Any action that shifts QS to these fishermen would therefore increase (harvest) costs in the fishery and decrease net benefits. (However, this may not hold true if access to capital is the primary problem for residents of small, remote communities.) In addition, CQE operations have the added inefficiency associated with administrative costs. Relative to production, administrative costs associated with a CQE are likely to be high, at least in the short run. Over time, CQE operations may become more efficient as they purchase more shares and gain more experience.

The above analysis also ignores the social value that is not captured in the private market created under the IFQ Program. Allowing communities to participate in the market more fully, by allowing them to purchase the smallest vessel category QS, may introduce social value into the market and change the net benefits of the IFQ fisheries. Under this broader consideration, which includes social value, the net benefits of the action are indeterminate. Overall, the CQE Program in general represents a policy decision by the Council that the interests of small, remote communities and having quota share held by non-profits for use by residents have a high value, to some extent over individual interests and harvesters.

One consideration is that private interests could be outcompeted in a market that includes communities. A potential cost of the program is that individual fishermen wishing to purchase D category QS in Area 3A may face higher market prices because of community purchase of D shares, because a CQE may be more

willing to bear higher costs for their purchase of QS if the purchase is believed to benefit the community (i.e., the community's assessment of total value of the QS may include the value of the QS to the individual resident that leases the QS from the CQE, as well as the social value of the added economic activity to the community). If those individuals eliminated from the market include low cost harvesters that could afford QS in a market that does not include CQEs, economic efficiency may be reduced. The practical effect of the proposed action depends on the willingness and ability of CQEs in Area 3A to purchase D category QS, and the availability of the correct type of D category QS on the market.

In sum, when considering only private estimates of net benefits, the proposed action may result in either no change in net benefits or a loss of net benefits, because the intent of the action is to redistribute some QS from individuals to CQEs. If CQEs represent a higher cost harvester than individuals, particularly when considering the administrative costs associated with operating a CQE, net benefits could decrease. However, if the action allows CQEs to enter the market and afford to purchase QS, it may introduce a mechanism into the market for capturing some social value of QS, which may be greater than the benefit realized by an individual fisherman. Because larger, non-CQE communities could realize a loss of social benefits (if their residents sell QS to CQEs), it is not possible to determine whether the potential losses could outweigh the potential benefits. Thus, whether an overall increase in net benefits would result from the purchases cannot be determined.

Based on the analysis and criteria under E.O. 12866, none of the alternatives constitute a significant action, recognizing that there may be distributional impacts among the various participants affected.

2.7 Proposed regulatory changes

The proposed action would change regulations in Subpart D of 50 CFR 679, which establishes the halibut and sablefish individual fishing quota management measures. The following *type* of revisions would be necessary to 50 CFR 679.41(g)(5), which provides the transfer restrictions for QS and IFQ. Proposed additions are underlined, and deletions are stricken below.

(g)(5) A CQE may not hold QS in halibut IFQ regulatory areas 2C ~~or 3A~~ that is assigned to vessel category D.

Additional revisions would be necessary to 50 CFR 679.42(a)(2)(iii):

(2) The QS or IFQ assigned to one vessel category must not be used to harvest IFQ species on a vessel of a different vessel category, except:

(iii) IFQ derived from QS held by a CQE may be used to harvest IFQ species from a vessel of any length, with the exception of QS in halibut IFQ regulatory area 3A that is assigned to vessel category D.

In addition, new transfer restrictions would need to be approved to implement Alternative 2. The following is an example of how those regulations may be structured:

A CQE representing eligible communities in halibut IFQ regulatory areas 2C or 3B may not hold QS in halibut IFQ regulatory area 3A that is assigned to vessel category D.

Transfer of QS in halibut IFQ regulatory area 3A that is assigned to vessel category D to CQEs is limited in total to the amount of QS equal to the amount that were initially issued to individuals that resided in eligible communities in halibut IFQ regulatory area 3A [1,223,740 QS units].

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4.0 LIST OF PREPARERS AND CONTRIBUTORS

Nicole Kimball, NPFMC
Jessica Gharrett, NMFS AKR RAM
Alexander Kotlarov, NMFS AKR RAM

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Appendix 1

Council Motion on Community Quota Share Purchase – Gulf FMP Amendment 66

April 10, 2002

The Council recommends to allow eligible Gulf of Alaska coastal communities to hold commercial halibut and sablefish QS for lease to and use by community residents, as defined by the following elements and options.

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

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

Communities meeting the above criteria at final action will be listed as a defined set of qualifying communities in regulation (*see attached list*). Communities not listed must apply to the North Pacific Fishery Management Council to be approved for participation in the program and will be evaluated using the above criteria.

Element 2. Ownership Entity

- New non-profit community entity
- New non-profit entity formed by an aggregation of several qualifying communities
- New regional or Gulf-wide umbrella entity acting as trustee for individual communities

Element 3. Use Caps for Individual Communities

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

Communities in Areas 3A and 3B cannot buy halibut quota share in Area 2C and communities in Area 2C cannot buy halibut quota shares in Area 3B.

Element 4. Cumulative Use Caps for All Communities

Communities are limited to 3% of the Area 2C, 3A, or 3B halibut QS and 3% of the SE, WY, CG, or WG sablefish QS in each of the first seven years of the program, with a 21% total by area, unless modified by the Council through the five-year review.

Element 5. Purchase, use and sale restrictions

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

- Allow communities to buy blocked and unblocked shares.
- Individual communities will be limited to 10 blocks of halibut QS and 5 blocks of sablefish QS in each management area.
- Restrict community purchase of blocked halibut quota share to blocks of shares which, at the time of the implementation of sweep provisions (1996), exceeded the following minimum poundage of IFQ:
 - (a) For Areas 2C and 3A, minimum halibut IFQ poundage of 3,000 lbs.

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- (b) For areas SE, WY, CG, and WG, minimum sablefish IFQ poundage of 5,000 lbs.

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

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

Transferability of halibut QS in Areas 2C and 3A from commercial to community entities is restricted to B and C category quota share.

Sale Restrictions

Communities may only sell their QS for one of the following purposes:

- (a) generating revenues to sustain, improve, or expand the program
- (b) liquidating the entity's QS assets for reasons outside the program. In that event, NMFS would not qualify that entity or another entity to hold QS for that community for a period of 3 years.

Use Restrictions

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

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

Element 6. Performance Standards

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

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

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

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

Appendix 1

Element 7. Administrative Oversight

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

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

Require submission of an annual report detailing accomplishments. The annual report would include:

- (e) A summary of business, employment, and fishing activities under the program
- (f) A discussion of any corporate changes that alter the representational structure of the entity
- (g) Specific steps taken to meet the performance standards
- (h) Discussion of known impacts to resources in the area.

Element 8. Program Review

Council review of the program after 5 years of implementation.

The Council also recommends forming a community QS implementation committee, in order to ensure that the program is implemented as intended.

Appendix 1

(42) Eligible Communities for Purchase of Halibut and Sablefish Quota Share (Element 1)

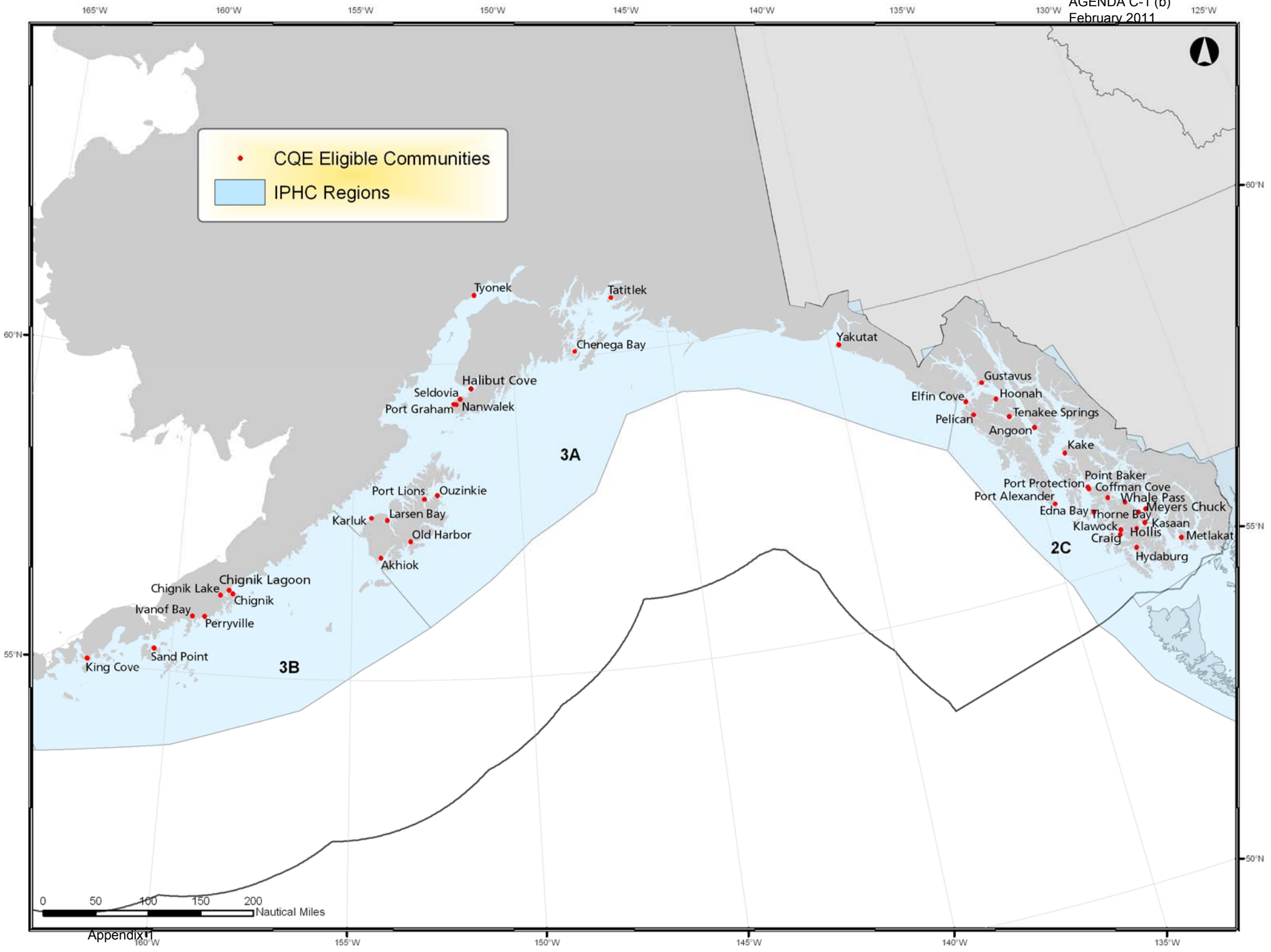
General Qualifying Criteria: Rural communities in the Gulf of Alaska with less than 1,500 people, no road access to larger communities, direct access to saltwater, and a documented historic participation¹ in the halibut or sablefish fisheries.

Area 2C		Area 3A	
<u>Community</u>	<u>Population</u> ²	<u>Community</u>	<u>Population</u>
Angoon	572	Akhiok	80
Coffman Cove	199	Chenega Bay	86
Craig	1,397	Halibut Cove	35
Edna Bay	49	Karluk	27
Elfin Cove	32	Larsen Bay	115
Gustavus	429	Nanwalek	177
Hollis	139	Old Harbor	237
Hoonah	860	Ouzinkie	225
Hydaburg	382	Port Graham	171
Kake	710	Port Lions	256
Kassan	39	Seldovia	286
Klawock	854	Tatitlek	107
Metlakatla	1,375	Tyonek	193
Meyers Chuck	21	Yakutat	<u>680</u>
Pelican	163		
Point Baker	35	14 communities	2,711
Port Alexander	81		
Port Protection	63		
Tenakee Springs	104		
Thorne Bay	557		
Whale Pass	58		
21 communities	8,119		
		Area 3B	
		<u>Community</u>	<u>Population</u>
		Chignik	79
		Chignik Lagoon	103
		Chignik Lake	145
		Ivanof Bay	22
		King Cove	792
		Perryville	107
		Sand Point	<u>952</u>
		7 communities	2,200

¹As documented by CFEC, DCED, or reported by ADF&G in *Alaska Rural Places in Areas with Subsistence Halibut Uses*.

²2000 census data, Alaska Department of Community and Economic Development.

Note: The above 42 communities appear to meet the qualifying criteria at Council final action on April 10, 2002, and will be listed as a defined set of qualifying communities in Federal regulation. Communities not listed must apply to the North Pacific Fishery Management Council to be approved for participation in the program and will be evaluated using the above criteria.



Name and Contact Information of Community Quota Entities
(As of August 2008)

CQE Non-Profit	Community	Contact Information	Address	E-mail	Phone
Prince of Wales Island Community Holding Corp	Craig	Brian Templin	PO Box 725 Craig, Alaska 99921	planner@craigak.com	(907) 826-3278
Aleutia, Inc	Sand Point	Shelly Kirkbride	PO Box 408 Sand Point, AK 99661	shelly@arctic.net	(907) 383-5945
Aleutia, Inc	King Cove	Shelly Kirkbride			
Larsen Bay Development, Co	Larsen Bay	Jack Wick, VP-agent	Box 68 Larsen Bay, Alaska 99624	jwick2@starband.net	(907) 847-2207
Ouzinkie Community Holding, Corp	Ouzinkie	Robert W. Katelnikoff	PO Box 54 Ouzinkie, Alaska 99644	rwilliankatel@yahoo.com	(907) 680-2259
Hydaburg Community Holding Corp	Hydaburg	Doreen Witwer	PO Box 349 Hydaburg, Alaska 99922	d_witwer@hotmail.com	(907) 285-3541
Pelican Fishing Corporation	Pelican	Tom Andrews	PO Box 737 Pelican, Alaska 99832	cityhall@pelicancity.net	(907) 735-2202
Perryville CQE. Inc	Perryville	Aaron Phillips	PO Box 101 Perryville, Alaska 99648	none	(907) 853-2203
Hoonah Community Fisheries, Corp	Hoonah	Dennis H. Grey	PO Box 360 Hoonah, Alaska 99829	dgrayjr@cityofhoonah.org	(907) 945-3663
Cape Baranabas, Inc	Old Harbor	Duncan Fields	PO Box 71 Old Harbor, Alaska 99643	dfields@ptialaska.net	(907) 486-8836
Admiralty Island Community Quota Entity	Angoon	Reggie Nelson	PO Box 189 Angoon, AK 99820	none	(907) 788-3653
Chenega Heritage, Incorporated	Chenega Bay	Midge Clouse	3000 C Street Suite 301, Anchorage, AK 99503	mclouse@chenegacorp.cc	(907) 677-4928
Port Graham, CQE, Inc	Port Graham	Patrick Norman	PO Box 5510 Port Graham, Alaska 99603	pnormanvc@hotmail.com	(907) 284-2227

Name and Contact Information of Community Quota Entities
(As of August 2008)

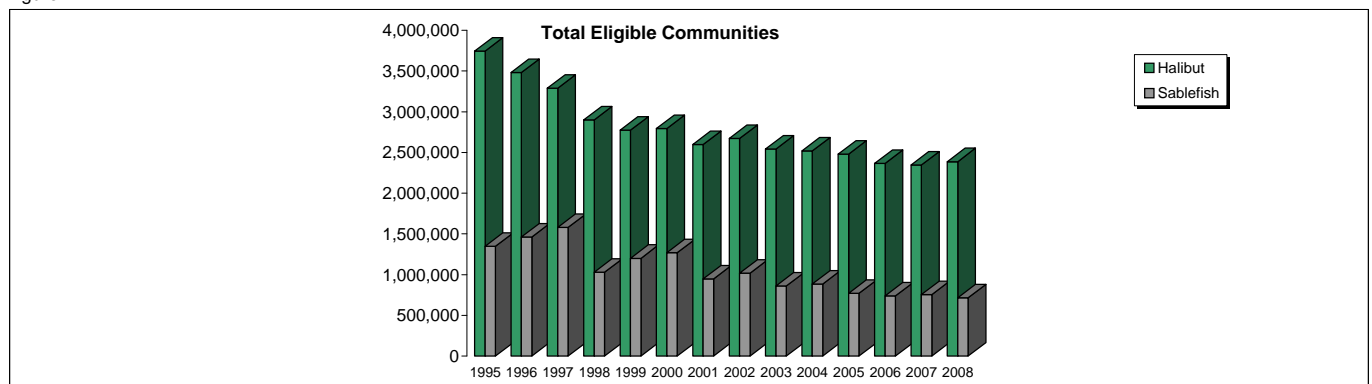
CQE Non-Profit	Community	Contact Information	Address	E-mail	Phone
Organized Village of Kasaan Community Quota Entity	Kasaan	Lisa Lang	PO Box 26 Kasaan, Alaska 99950	lisa@kasaan.org	(907) 542-2230
Nanwalek Natural Resources/Fisheries Board, Inc	Nanwalek	James Kvasnikoff	PO Box 8078 Nanwalek, Alaska 99603	Jameskvas@yahoo.com	(907) 281-2208
Thorne Bay Fisheries Association	Thorne Bay	Charles D. McGee	PO Box 19111 Thorne Bay, Alaska 99919	CityofTB@Gmail.com	(907) 282-3380
Yakutat Community Holding Corporation	Yakutat	Bill Lucey	PO Box 160 Yakutat, Alaska 99689	Yakutat.Salmon_board@y	(907) 784-3329
Klawock Community Quota Entity	Klawock	Donald Marvin	PO Box 469 Klawock, Alaska 99925	dmarvin@cityofklawack.co	(907) 755-2261
Coffman Cove Community Quota Entity	Coffman Cove	Megan Buckley	PO Box 18066 Coffman Cove, Alaska 99918	meganiner@yahoo.com	(907) 329-2277
Elfin Cove Community Quota Entity	Elfin Cove	Gordon Wrobel	PO Box 17 lot 6 Elfin Cove, Alaska 99825	gordonwrobel@covelodge	(907) 239-2226
Akhiok Halibut & Sablefish Commission	Akhiok	Phyllis Amodo	PO Box 5050 Akhiok, Alaska 99615	pamodo_98@yahoo.com	(907) 836-2322

IFQ Community Report for Total Eligible Communities

AGENDA C-1 (b)
February 2011

Table 1. Total IFQ Holdings by Year				Table 2. Gross IFQ Earnings						
Halibut				Halibut						
Year	2008 Equivalent Pounds	Persons		Year	Pounds Issued	Pounds Landed	Percent Fished	Estimated Earnings	Individuals	
1995	3,743,256	741		1995	2,884,701	2,640,498	92%	\$5,136,243	470	
1996	3,480,474	660		1996	3,032,175	2,781,479	92%	6,137,540	461	
1997	3,290,674	571		1997	4,018,701	3,655,488	91%	7,816,790	442	
1998	2,901,469	536		1998	3,725,020	3,334,142	90%	4,410,169	346	
1999	2,773,631	494		1999	3,852,689	3,507,466	91%	7,050,377	344	
2000	2,793,596	469		2000	3,148,729	2,919,119	93%	7,391,319	313	
2001	2,598,351	450		2001	3,358,301	3,020,864	90%	6,124,328	289	
2002	2,672,180	437		2002	3,477,788	3,273,821	94%	7,250,086	309	
2003	2,543,800	422		2003	3,314,604	3,114,318	94%	9,020,919	296	
2004	2,518,318	402		2004	3,409,057	3,174,048	93%	9,563,546	296	
2005	2,478,385	399		2005	3,232,474	2,984,174	92%	8,806,132	272	
2006	2,366,306	377		2006	2,977,349	2,805,699	94%	10,577,327	278	
2007	2,344,399	332		2007	2,591,069	2,402,373	93%	10,546,089	254	
2008	2,387,055	348		2008	2,412,473	2,263,709	94%	NA	NA	
Sablefish				Sablefish						
Year	Pounds	Persons		Year	Pounds Issued	Pounds Landed	Percent Fished	Estimated Earnings	Individuals	
1995	1,346,587	121		1995	2,146,680	1,950,560	91%	\$6,232,197	81	
1996	1,463,519	108		1996	1,854,086	1,719,054	93%	5,727,534	77	
1997	1,580,380	88		1997	1,698,558	1,679,868	99%	6,283,836	69	
1998	1,028,392	80		1998	1,104,332	1,029,544	93%	2,600,349	53	
1999	1,200,351	77		1999	1,104,931	990,114	90%	2,962,888	48	
2000	1,268,290	73		2000	1,145,727	1,024,632	89%	3,790,433	43	
2001	945,717	66		2001	838,153	713,053	85%	2,267,082	43	
2002	1,018,020	65		2002	823,419	714,195	87%	2,314,269	41	
2003	858,944	61		2003	831,666	696,229	84%	2,545,230	36	
2004	885,792	61		2004	949,652	783,852	83%	2,506,088	36	
2005	768,910	58		2005	932,038	770,316	83%	2,620,281	36	
2006	739,753	54		2006	852,929	714,616	84%	2,363,165	33	
2007	755,904	51		2007	783,929	576,205	74%	1,654,550	26	
2008	716,147	50		2008	728,901	577,841	79%	NA	NA	
Total IFQ Holding by Year				Total IFQ Holdings by Year						
Comparison	1995	2008	% change	Comparison	1995	2007	% change			
Halibut lbs.	3,743,256	2,387,055	-36%	Halibut \$	5,136,243	\$10,546,089	105%			
No. Persons	741	348	-53%	No. Persons	470	254	-46%			
Sablefish lbs.	1,346,587	716,147	-47%	Sablefish \$	6,232,197	1,654,550	-73%			
No. Persons	121	50	-59%	No. Persons	81	26	-68%			
Table 3. Estimated Earnings Both Species										
Year	Fishable Lbs	Pounds landed		Earnings	Individuals					
1995	5,031,381	4,591,058	91%	\$11,368,440	487					
1996	4,886,261	4,500,533	92%	11,865,074	478					
1997	5,717,259	5,335,356	93%	14,100,626	462					
1998	4,829,352	4,363,686	90%	7,010,518	360					
1999	4,957,620	4,497,580	91%	10,013,265	358					
2000	4,294,456	3,943,751	92%	11,181,752	325					
2001	4,196,454	3,733,917	89%	8,391,410	299					
2002	4,301,207	3,988,016	93%	9,564,355	313					
2003	4,146,270	3,810,547	92%	11,566,149	303					
2004	4,358,709	3,957,900	91%	12,069,634	298					
2005	4,164,512	3,754,490	90%	11,426,413	284					
2006	3,830,278	3,520,315	92%	12,940,492	278					
2007	3,374,998	2,978,578	88%	12,200,638	280					
2008	3,141,374	2,841,550	90%	NA	NA					
Comparison				1995	2007	% change				
Earnings \$				\$11,865,074	\$11,426,413	-4%				
No. Persons				478	284	-41%				

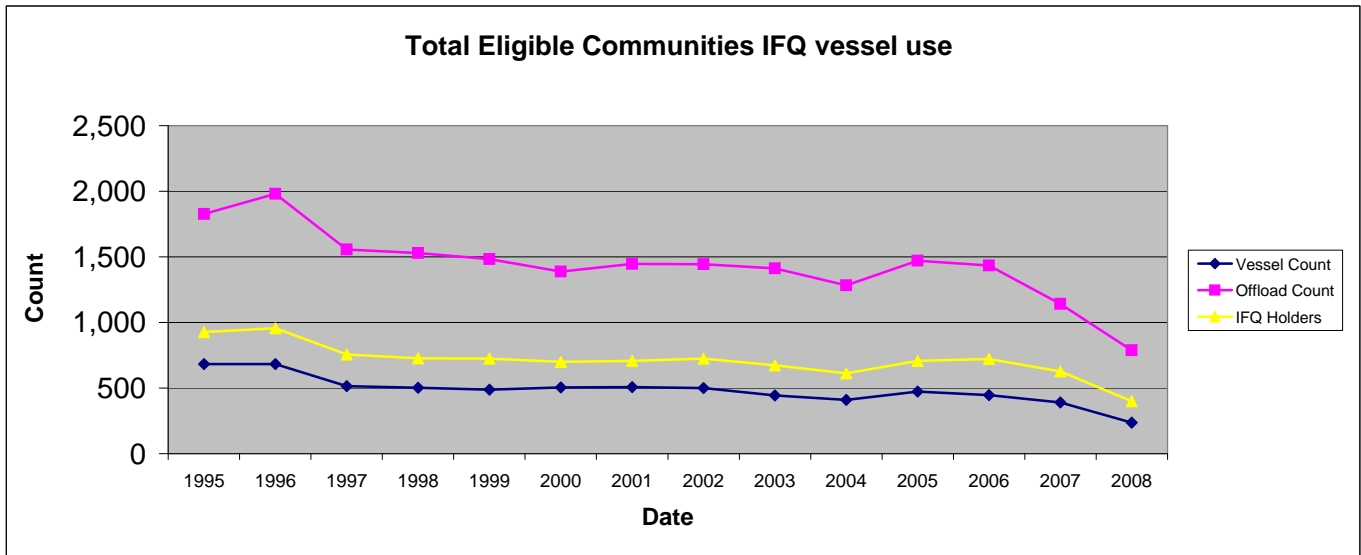
Figure 1.



IFQ Community Report for Total Eligible Communities

AGENDA C-1 (b)
February 2011

Table 4. Use of the port combined Halibut and Sablefish				
	Vessel	Count	IFQ Holders	Weight
1995	684	1,828	928	10,313,985
1996	684	1,980	955	9,529,005
1997	514	1,557	757	8,136,050
1998	502	1,530	728	8,185,351
1999	489	1,483	724	8,801,255
2000	505	1,387	699	9,033,505
2001	508	1,446	708	8,867,045
2002	501	1,444	725	11,435,450
2003	444	1,413	674	12,624,454
2004	409	1,282	612	11,133,082
2005	472	1,470	708	11,130,804
2006	447	1,435	722	11,641,979
2007	390	1,142	627	9,834,399
2008	236	787	401	9,663,141



Notes:

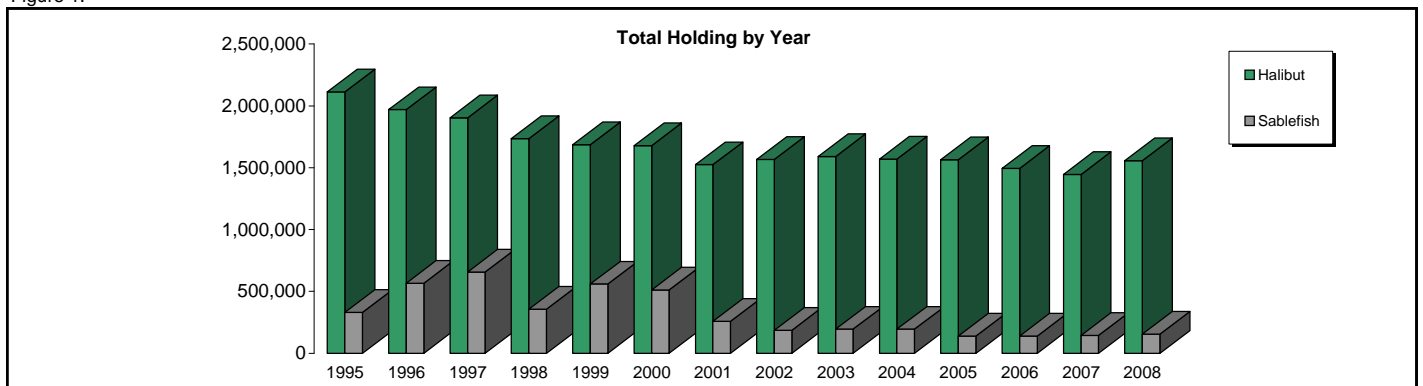
- * Indicates that the data may not be displayed because simple subtraction would allow confidential data to be computed.
- ** Indicates that the data are confidential because they are derived from the landings of fewer than three IFQ permit holders.
- *** Indicates that the offloading vessels delivered to fewer than three Register Buyers (RB) permit holders.
- NA "2008 data" not available at this time.
- 1. Halibut weights are reported in net (headed and gutted) pounds; sablefish weights are reported in round pounds.
- 2. Residence determinations are based on unverified self-reported addresses provided by QS holders.
- 3. Estimated earnings (dollar amounts) are nominal; they are not adjusted for inflation nor by year.
- 4. Table 1:
 - a. "2008 Equivalent Pounds" are IFQ pounds derived from all QS held by residents of the subject community. They are computed using 2008 Quota Share Pool and TACs; therefore, they are comparable across all reported years. These reported pounds include pounds derived from QS held in all IFQ management areas.
 - b. "QS holders" includes all entities (including individuals, corporations, etc.) holding and reported the subject community, as a permanent business mailing address, as of the end of the indicated year.
- 5. Tables 2 and 3:
 - a. "Fishable Pounds" are calculated from amounts of QS held by all residents of the subject community as of the end of the indicated year. These amounts are adjusted for "overages and underages" resulting from prior years fishing activities.
 - b. "Pounds Landed" display the actual pounds landed during the indicated year.
 - c. "Estimated Earnings" are calculated by multiplying the actual pounds landed by the estimated ex-vessel values as reported by the CFEC, State of Alaska for each area. (<http://www.fakr.noaa.gov/ram/ifqreports.htm#special>) Annual Ex-Vessel Prices)
 - d. "Individuals making landings" includes all individuals with recorded landings of IFQ derived from QS held by persons reporting business address in subject community (as displayed on Table 1). The total includes hired skippers; accordingly, in some instances, the total number of individuals with landings may exceed the total number of "persons" who hold QS.
- 6. Table 4:
 - a. "Use of port" shows the number of distinct vessels that landed IFQ in this location, regardless of the vessels homeport and regardless of the IFQ permit holder.
 - b. Only years landings are shown.

IFQ Community Report for Total Southcentral

AGENDA C-1 (b)
February 2011

Table 1. Total IFQ Holdings by Year				Table 2. Gross IFQ Earnings					
Halibut	Year	2008 Equivalent		Halibut	Pounds Issued	Pounds Landed	Percent Fished	Estimated Earnings	Individuals
		Pounds	Persons						
	1995	2,112,971	286	1995	1,062,514	819,660	79%	\$1,600,356	149
	1996	1,969,257	248	1996	1,091,215	999,061	94%	2,186,307	166
	1997	1,904,433	215	1997	2,012,331	1,713,298	84%	3,609,072	167
	1998	1,734,318	206	1998	1,885,202	1,677,900	89%	2,178,361	134
	1999	1,686,660	195	1999	2,145,268	1,965,697	91%	4,049,834	144
	2000	1,677,809	184	2000	1,931,221	1,813,884	96%	4,564,870	129
	2001	1,524,302	176	2001	2,091,704	1,937,485	93%	3,888,574	120
	2002	1,567,845	169	2002	2,233,497	2,150,355	96%	4,746,191	132
	2003	1,590,703	167	2003	2,137,965	2,027,090	96%	5,824,495	124
	2004	1,568,985	160	2004	2,031,401	1,933,540	96%	5,767,067	125
	2005	1,565,024	160	2005	1,846,851	1,743,361	95%	5,002,830	120
	2006	1,494,998	156	2006	1,636,845	1,547,982	95%	5,832,615	124
	2007	1,445,344	143	2007	1,470,115	1,410,754	96%	6,126,653	124
	2008	1,557,023	144	2008	1,583,200	1,502,578	NA	NA	NA
Sablefish				Sablefish					
Year	Pounds	Persons	Year	Pounds Issued	Pounds Landed	Percent Fished	Estimated Earnings	Individuals	
	1995	329,202	36	1995	384,464	308,729	80%	\$1,018,179	13
	1996	565,038	33	1996	611,068	536,428	83%	1,723,074	18
	1997	655,139	26	1997	667,450	651,618	95%	2,426,960	14
	1998	356,441	25	1998	393,292	343,023	90%	900,729	12
	1999	559,169	26	1999	488,354	431,604	82%	1,282,606	9
	2000	510,443	22	2000	548,100	487,057	88%	1,770,965	11
	2001	256,547	20	2001	285,785	224,975	94%	710,580	7
	2002	185,515	18	2002	247,792	193,819	95%	616,837	8
	2003	194,175	19	2003	220,215	156,881	79%	569,793	6
	2004	194,175	19	2004	313,010	247,936	87%	757,534	7
	2005	138,798	18	2005	272,745	192,192	77%	617,718	6
	2006	138,600	17	2006	263,554	195,748	84%	717,522	6
	2007	144,128	14	2007	215,900	122,810	68%	414,615	5
	2008	153,241	14	2008	196,060	123,744	NA	NA	NA
Total IFQ Holdings by Year				Total IFQ Landing by Year					
Comparison	1995	2008	% change	Comparison	1995	2007	% change		
Halibut lbs.	2,112,971	1,557,023	-26%	Halibut \$	\$1,600,356	\$6,126,653	283%		
No. Persons	286	144	-50%	No. Persons	149	124	-17%		
Sablefish lbs.	329,202	153,241	-53%	Sablefish \$	\$1,018,179	\$414,615	-59%		
No. Persons	36	14	-61%	No. Persons	13	5	-62%		
Table 3. Estimated Earnings Both Species				Earnings					
Year	Fishable Lbs	Pounds landed	Percent Fished	Earnings	Individuals				
1995	1,446,978	1,128,389	78%	\$2,618,535	152				
1996	1,702,283	1,535,489	90%	3,909,381	170				
1997	2,679,781	2,364,916	88%	6,036,031	174				
1998	2,278,494	2,020,923	89%	3,079,089	137				
1999	2,633,622	2,397,301	91%	5,332,440	146				
2000	2,479,321	2,300,941	93%	6,335,835	131				
2001	2,377,489	2,162,460	91%	4,599,154	119				
2002	2,481,289	2,344,174	94%	5,363,028	127				
2003	2,358,180	2,183,971	93%	6,394,288	123				
2004	2,344,411	2,181,476	93%	6,524,600	120				
2005	2,119,596	1,935,553	91%	5,620,549	120				
2006	1,900,399	1,743,730	92%	6,550,137	113				
2007	1,686,015	1,533,564	91%	6,541,268	120				
2008	1,779,260	1,626,322	91%	NA	NA				
Comparison	1995	2007	% change						
Earnings \$	\$2,618,535	\$6,541,268	150%						
No. Persons	152	120	-21%						

Figure 1.

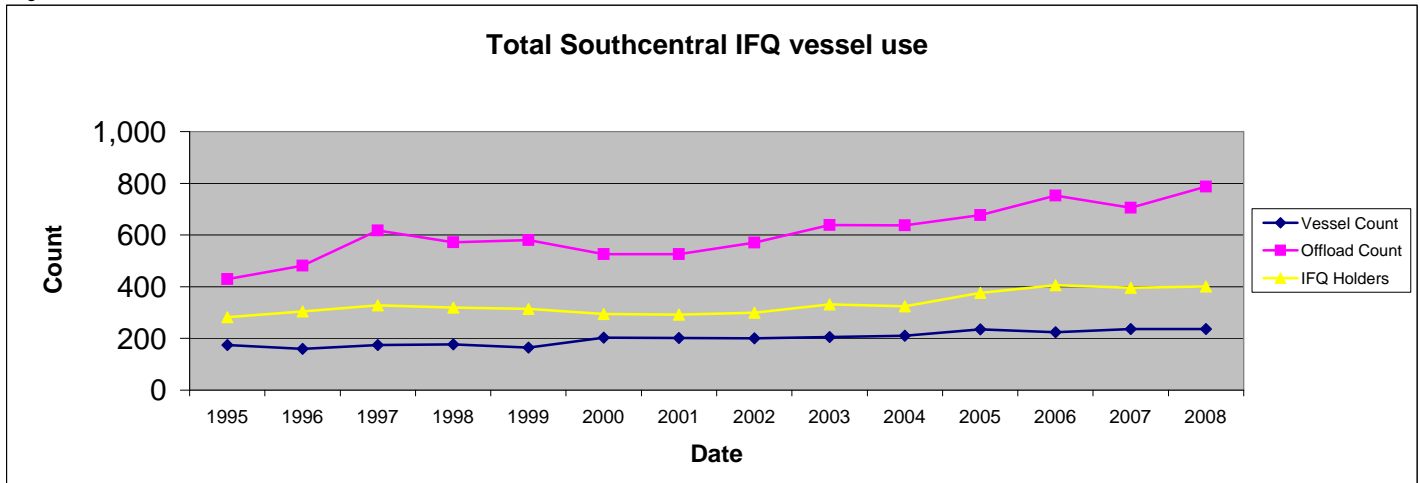


IFQ Community Report for Total Southcentral

AGENDA C-1 (b)
February 2011

Table 4.				
	Vessel	Count	IFQ Holders	Weight
1995	175	430	282	5,375,414
1996	160	482	305	4,537,510
1997	175	617	328	5,316,081
1998	177	572	319	5,518,764
1999	165	580	314	5,919,813
2000	203	526	295	5,813,882
2001	202	526	292	5,792,056
2002	200	570	300	7,764,266
2003	206	639	332	9,401,118
2004	210	637	324	8,978,681
2005	235	677	376	9,187,864
2006	224	752	406	9,528,229
2007	236	705	396	8,550,310
2008	236	787	401	9,663,141

Figure 2.



Notes:

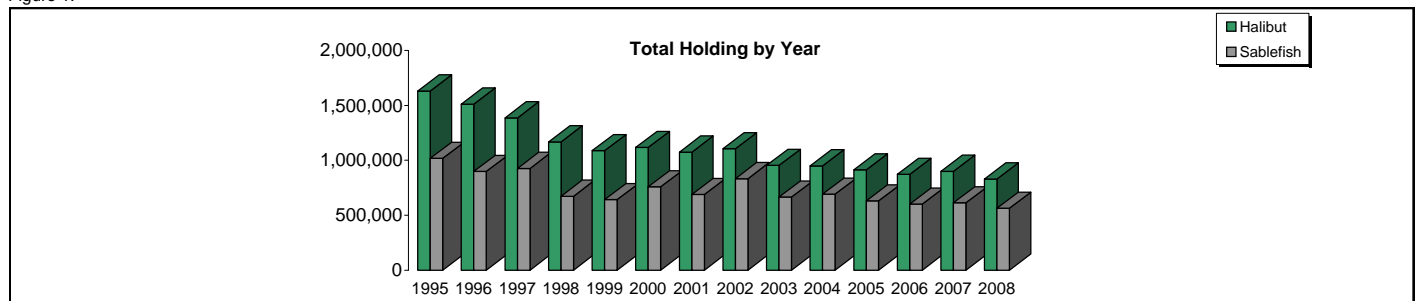
- * Indicates that the data may not be displayed because simple subtraction would allow confidential data to be computed.
- ** Indicates that the data are confidential because they are derived from the landings of fewer than three IFQ permit holders.
- *** Indicates that the offloading vessels delivered to fewer than three Register Buyers (RB) permit holders.
- NA "2008 data" not available at this time.
- 1. Halibut weights are reported in net (headed and gutted) pounds; sablefish weights are reported in round pounds.
- 2. Residence determinations are based on unverified self-reported addresses provided by QS holders.
- 3. Estimated earnings (dollar amounts) are nominal; they are not adjusted for inflation nor by year.
- 4. Table 1:
 - a. "2008 Equivalent Pounds" are IFQ pounds derived from all QS held by residents of the subject community. They are computed using 2008 Quota Share Pool and TACs; therefore, they are comparable across all reported years. These reported pounds include pounds derived from QS held in all IFQ management areas.
 - b. "QS holders" includes all entities (including individuals, corporations, etc.) holding and reported the subject community, as a permanent business mailing address, as of the end of the indicated year.
- 5. Tables 2 and 3:
 - a. "Fishable Pounds" are calculated from amounts of QS held by all residents of the subject community as of the end of the indicated year. These amounts are adjusted for "overages and underages" resulting from prior years fishing activities.
 - b. "Pounds Landed" display the actual pounds landed during the indicated year.
 - c. "Estimated Earnings" are calculated by multiplying the actual pounds landed by the estimated ex-vessel values as reported by the CFEC, State of Alaska for each area. ((<http://www.fakr.noaa.gov/ram/ifqreports.htm#special>) Annual Ex-Vessel Prices)
 - d. "Individuals making landings" includes all individuals with recorded landings of IFQ derived from QS held by persons reporting business address in subject community (as displayed on Table 1). The total includes hired skippers; accordingly, in some instances, the total number of individuals with landings may exceed the total number of "persons" who hold QS.
- 6. Table 4:
 - a. "Use of port" shows the number of distinct vessels that landed IFQ in this location, regardless of the vessels homeport and of the IFQ permit holder.
 - b. Only years landings are shown.

IFQ Community Report for Total Southeast

AGENDA C-1 (b)
February 2011

Table 1. Total IFQ Holdings by Year				Table 2. Gross IFQ Earnings					
Halibut	Year	2008 Equivalent Pounds	QS holder	Halibut	Fishable Pounds	Pounds Landed	Percent Fished	Estimated Earnings	Individuals
	1995	1,630,285	455	1995	1,822,187	1,820,838	100%	\$3,535,887	321
	1996	1,511,217	412	1996	1,940,960	1,782,418	92%	3,951,232	295
	1997	1,386,241	356	1997	2,006,370	1,942,190	97%	4,207,719	275
	1998	1,167,151	330	1998	1,839,818	1,656,242	90%	2,231,808	212
	1999	1,086,971	299	1999	1,707,421	1,541,769	90%	3,000,543	200
	2000	1,115,787	285	2000	1,217,508	1,105,235	91%	2,826,449	184
	2001	1,074,049	274	2001	1,266,597	1,083,379	86%	2,235,754	169
	2002	1,104,335	268	2002	1,244,291	1,123,466	90%	2,503,895	177
	2003	953,097	255	2003	1,176,639	1,087,228	92%	3,196,424	172
	2004	949,333	242	2004	1,377,656	1,240,508	90%	3,796,479	171
	2005	913,361	239	2005	1,385,624	1,240,813	90%	3,803,302	152
	2006	871,308	221	2006	1,340,504	1,257,717	94%	4,744,713	154
	2007	899,055	189	2007	1,120,954	991,619	88%	4,419,436	130
	2008	830,032	204	2008	829,273	761,131	92%	NA	NA
Sablefish	Year	2008 Equivalent Pounds	QS holder	Sablefish	Pounds	Pounds Landed	Percent Fished	Estimated Earnings	Individuals
	1995	1,017,385	85	1995	1,762,216	1,641,831	93%	\$5,214,018	68
	1996	898,481	75	1996	1,243,018	1,182,626	95%	4,004,461	59
	1997	925,241	62	1997	1,031,108	1,028,250	100%	3,856,876	55
	1998	671,951	55	1998	711,040	686,521	97%	1,699,620	41
	1999	641,182	51	1999	616,577	558,510	91%	1,680,282	39
	2000	757,847	51	2000	597,627	537,575	90%	2,019,469	32
	2001	689,170	46	2001	552,368	488,078	88%	1,556,502	36
	2002	832,505	47	2002	575,627	520,376	90%	1,697,432	33
	2003	664,769	42	2003	611,451	539,348	88%	1,975,437	30
	2004	691,617	42	2004	636,642	535,916	84%	1,748,555	29
	2005	630,112	40	2005	659,293	578,124	88%	2,002,562	30
	2006	601,153	37	2006	589,375	518,868	88%	1,645,642	27
	2007	611,776	37	2007	568,029	453,395	80%	1,239,935	21
	2008	562,906	36	2008	532,841	454,097	85%	NA	NA
Total IFQ Holding by Year				Total IFQ Holdings by Year					
Comparison	1995	2008	% change	Comparison	1995	2007	% change		
Halibut lbs.	1,630,285	830,032	-49%	Halibut \$	\$3,535,887	\$4,419,436	25%		
No. Persons	455	204	-55%	No. Persons	321	130	-60%		
Sablefish lbs.	1,017,385	562,906	-45%	Sablefish \$	5,214,018	1,239,935	-76%		
No. Persons	85	36	-58%	No. Persons	68	21	-69%		
Table 3. Estimated Landings and Earnings of both Species				Fishable Pounds	Pounds Landed	Percent Fished	Earnings	Individuals	
Year									
	1995			3,584,403	3,462,669	97%	\$8,749,905	335	
	1996			3,183,978	2,965,044	93%	7,955,693	308	
	1997			3,037,478	2,970,440	98%	8,064,595	288	
	1998			2,550,858	2,342,763	92%	3,931,429	223	
	1999			2,323,998	2,100,279	90%	4,680,825	212	
	2000			1,815,135	1,642,810	91%	4,845,917	194	
	2001			1,818,965	1,571,457	86%	3,792,256	180	
	2002			1,819,918	1,643,842	90%	4,201,327	186	
	2003			1,788,090	1,626,576	91%	5,171,861	180	
	2004			2,014,298	1,776,424	88%	5,545,034	178	
	2005			2,044,917	1,818,937	89%	5,805,864	164	
	2006			1,929,879	1,776,585	92%	6,390,355	165	
	2007			1,688,983	1,445,014	86%	5,659,370	160	
	2008			1,362,114	1,215,228	89%	NA	NA	
Comparison						1995	2007	% change	
Earnings \$						\$8,749,905	\$5,659,370	-35%	
No. Persons						335	160	-52%	

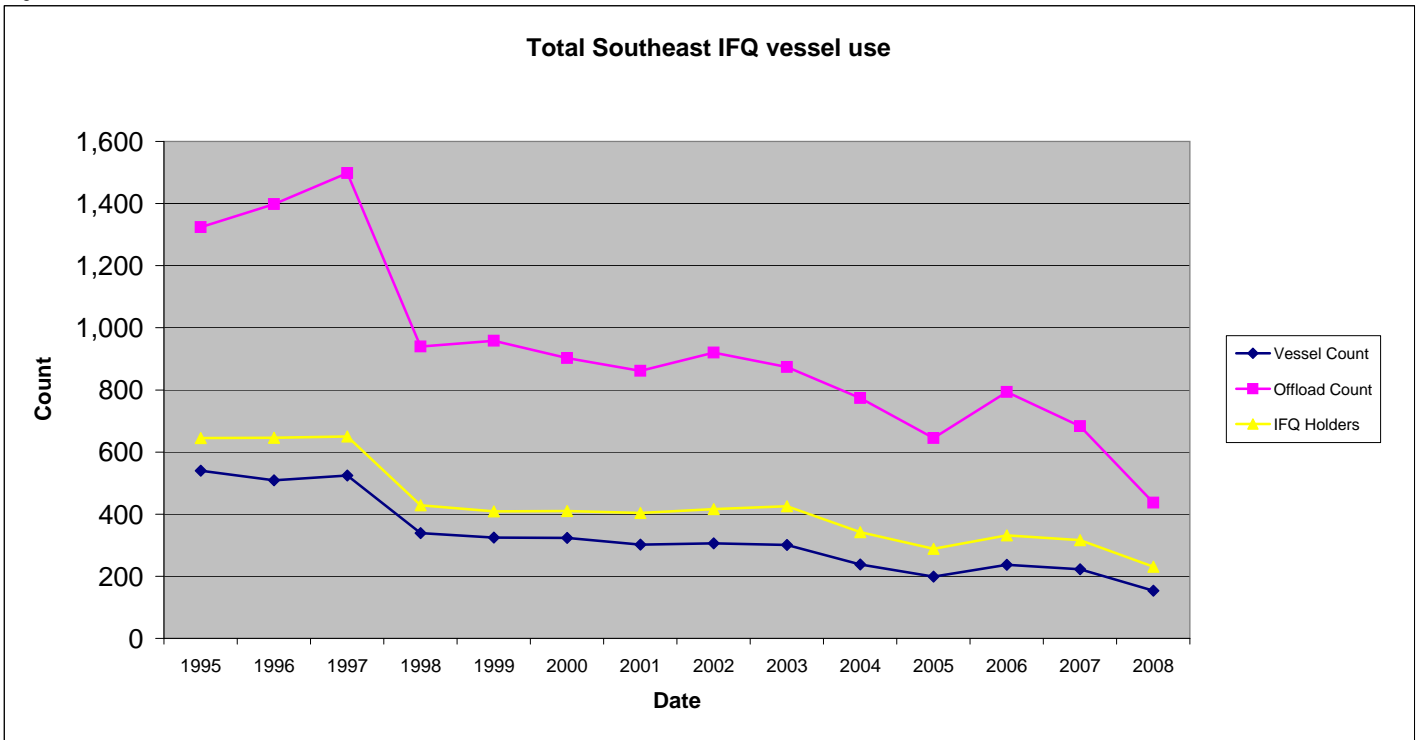
Figure 1.



IFQ Community Report for Total Southeast

Table 4. Use of the port combined Halibut and Sablefish				
	Vessel Count	Offload Count	IFQ Holders	Sum quota Weight
1995	540	1,324	645	5,635,342
1996	509	1,398	646	4,938,571
1997	524	1,498	650	4,991,495
1998	339	940	429	2,819,969
1999	325	958	409	2,666,587
2000	324	903	410	2,881,442
2001	302	861	404	3,219,623
2002	306	920	416	3,074,989
2003	301	874	425	3,671,184
2004	238	774	342	3,223,336
2005	199	645	288	2,154,401
2006	237	793	332	1,942,940
2007	223	683	316	2,113,750
2008	154	437	231	1,284,089

Figure 2.



Notes:

- * Indicates that the data may not be displayed because simple subtraction would allow confidential data to be computed.
- ** Indicates that the data are confidential because they are derived from the landings of fewer than three IFQ permit holders.
- *** Indicates that the offloading vessels delivered to fewer than three Register Buyers (RB) permit holders.
- NA "2008 data" not available at this time.
- 1. Halibut weights are reported in net (headed and gutted) pounds; sablefish weights are reported in round pounds.
- 2. Residence determinations are based on unverified self-reported addresses provided by QS holders.
- 3. Estimated earnings (dollar amounts) are nominal; they are not adjusted for inflation nor by year.
- 4. Table 1:
 - a. "2008 Equivalent Pounds" are IFQ pounds derived from all QS held by residents of the subject community. They are computed using 2008 Quota Share Pool and TACs; therefore, they are comparable across all reported years. These reported pounds include pounds derived from QS held in all IFQ management areas.
 - b. "QS holders" includes all entities (including individuals, corporations, etc.) holding and reported the subject community, as a permanent business mailing address, as of the end of the indicated year.
- 5. Tables 2 and 3:
 - a. "Fishable Pounds" are calculated from amounts of QS held by all residents of the subject community as of the end of the indicated year. These amounts are adjusted for "overages and underages" resulting from prior years fishing activities.
 - b. "Pounds Landed" display the actual pounds landed during the indicated year.
 - c. "Estimated Earnings" are calculated by multiplying the actual pounds landed by the estimated ex-vessel values as reported by the CFEC, State of Alaska for each area. (<http://www.fakr.noaa.gov/ram/ifqreports.htm#special>) Annual Ex-Vessel Prices)
 - d. "Individuals making landings" includes all individuals with recorded landings of IFQ derived from QS held by persons reporting business address in subject community (as displayed on Table 1). The total includes hired skippers; accordingly, in some instances, the total number of individuals with landings may exceed the total number of "persons" who hold QS.
- 6. Table 4:
 - a. "Use of port" shows the number of distinct vessels that landed IFQ in this location, regardless of the vessels homeport and regardless of the IFQ permit holder.
 - b. Only years landings are shown.

Appendix 5 Table 50 to Part 679: excerpted from proposed rule for GOA Am. 86 (75 FR 43118; July 23, 2010)

TABLE 50 TO PART 679—MAXIMUM NUMBER OF GROUNDFISH LICENSES AND THE REGULATORY AREA SPECIFICATION OF GROUNDFISH LICENSES THAT MAY BE GRANTED TO CQES REPRESENTING SPECIFIC GOA COMMUNITIES

Central GOA Pacific cod endorsed non-trawl groundfish license		Western GOA Pacific cod endorsed non-trawl groundfish license	
Community	Maximum number of groundfish licenses that may be granted	Community	Maximum number of groundfish licenses that may be granted
Akhiok	2	Ivanof Bay	2
Chenega Bay	2	King Cove	9
Chignik	3	Perryville	2
Chignik Lagoon	4	Sand Point	14
Chignik Lake	2		
Halibut Cove	2		
Karluk	2		
Larsen Bay	2		
Nanwalek	2		
Old Harbor	5		
Ouzinkie	9		
Port Graham	2		
Port Lions	6		
Seldovia	8		
Tyonek	2		
Tatitlek	2		
Yakutat	3		

[FR Doc. 2010-18143 Filed 7-22-10; 8:45 am]

Appendix 6 Number of Area 3A Category D quota share units by self-reported community of holder, 2010

Block status	State	City	QS units
B	AZ	BULLHEAD CITY	19
B	CA	CERES	46
B	WA	CHENEY	66
B	AK	SALCHA	72
B	AK	FRITZ CREEK	88
B	AK	NORTH POLE	99
B	WA	TONASKET	100
B	MI	GRAYLING	145
B	MS	RICHLAND	355
B	AK	MOOSE PASS	374
B	NJ	LINWOOD	397
B	AK	WHITTIER	404
B	ME	VINALHAVEN	498
B	AK	ELMENDORF AFB	561
B	CO	LARKSPUR	573
B	AK	CHENEGA BAY*	628
B	WA	TOUCHET	670
B	WA	LONGVIEW	703
B	WI	MILWAUKEE	703
B	AK	ANDERSON	986
B	FL	FORT WALTON BEACH	1103
B	AK	HOONAH	1111
B	AK	CHUGIAK	1122
B	AZ	QUEEN VALLEY	1196
B	VI	ST THOMAS	1414
B	AK	COPPER CENTER	1459
B	AK	CHINIAK	1647
B	AK	PETERSBURG	1776
B	TX	PORTLAND	1991
B	AK	HAINES	2046
B	MA	DRACUT	2527
B	AK	EAGLE RIVER	2850
B	CA	MOUNT AUKUM	2888
B	KY	MC DANIELS	3700
B	AK	PORT LIONS*	3769
B	AK	OLD HARBOR*	3849
B	WA	RENTON	4279
B	AK	INDIAN	4703
B	AK	PELICAN*	4887
B	CA	SAN FRANCISCO	5633
B	AK	NIKISKI	6229
B	TX	UVALDE	6408
B	AK	DUTCH HARBOR	7393
B	AK	DENALI PARK	7780
B	AK	DOUGLAS	7999
B	AK	SITKA	8612
B	ID	CALDWELL	8841
B	AZ	MESA	8991
B	WA	EDMONDS	9502
B	AK	CLAM GULCH	9713
B	AK	KETCHIKAN	10283
B	AK	GIRDWOOD	11256
B	OK	KEYES	12739
B	OR	MILL CITY	17221
B	AK	PORT GRAHAM*	18285
B	ID	PECK	18824
B	WY	JAY EM	20075
B	OR	MOLALLA	20174
B	AK	CENTRAL	21366
B	CA	SAN DIEGO	23427
B	AK	STERLING	26127
B	AK	GUSTAVUS	26165

2010 Continued.

Block status	State	City	QS units
B	MN	HILLMAN	26752
B	CA	OXNARD	31198
B	NM	TIER RA AMARILLA	33645
B	OR	GEARHART	37875
B	HI	PAHOA	44775
B	WA	BOTHELL	46010
B	ID	LEWISTON	46328
B	OR	WOODBURN	49198
B	WA	DEMING	50898
B	WI	FOND DU LAC	53205
B	AK	OUZINKIE*	53710
B	IA	STUART	54054
B	AK	JUNEAU	54390
B	WA	STANWOOD	57004
B	AK	FAIRBANKS	59222
B	WA	BELLINGHAM	62389
B	OR	MCMINNVILLE	62581
B	AK	WASILLA	67964
B	IA	EARLHAM	70107
B	OR	SALEM	73565
B	AK	ANCHOR POINT	75023
B	CA	SAN MARCOS	86435
B	CA	SANTA ROSA	92087
B	WA	OAK HARBOR	94544
B	AK	ELFIN COVE*	97799
B	AK	VALDEZ	107649
B	OR	ASTORIA	114905
B	AK	SEWARD	121388
B	WA	METALINE	127544
B	AK	PALMER	136650
B	AK	NIKOLAEVSK	150364
B	AK	NINILCHIK	162676
B	AK	KASILOF	183160
B	AK	SELDOVIA*	270397
B	AK	KENAI	425668
B	AK	ANCHORAGE	628308
B	AK	CORDOVA	983495
B	AK	YAKUTAT*	1034027
B	AK	SOLDOTNA	1034833
B	AK	KODIAK	1530286
B	AK	HOMER	2615886
U	AK	SOUTH NAKNEK	78
U	AK	TOGIAK	86
U	AK	DILLINGHAM	92
U	AZ	TUCSON	118
U	AK	ANCHORAGE	129
U	AK	TWIN HILLS	132
U	AK	SAINT GEORGE ISLAND	183
U	AK	MANOKOTAK	784
U	AK	UNALASKA	1207
U	AK	NAKNEK	1318
U	AK	SELDOVIA	69695
U	OR	HAPPY VALLEY	101589
U	AK	WASILLA	170715
U	AK	KODIAK	368864
U	AK	HOMER	499234

Source: NMFS RAM Program, data as of July 19, 2010.

B=blocked QS; U = unblocked QS.

* = CQE community. **Bolded*** = Area 3A CQE community

Number of Area 3A Category D quota share units by self-reported community of holder, 1995

Block status	State	City	QS units
B	WA	PORT TOWNSEND	39
B	MI	GRAYLING	145
B	AK	AMBLER	149
B	AK	SAND POINT*	342
B	AK	MOOSE PASS	374
B	UT	S. WEBER	374
B	WA	BAINBRIDGE ISLAND	394
B	NJ	SICKLERVILLE	417
B	WA	PACIFIC BEACH	420
B	MD	CHESTERTOWN	423
B	AK	WILLOW	471
B	AK	DELTA JUNCTION	475
B	CA	OCEANO	488
B	AK	RAMPART	498
B	WA	KENT	677
B	BC	MADEIRA PARK	678
B	AK	PAXSON	686
B	WI	MILWAUKEE	703
B	OH	TOLEDO	715
B	WA	INCHELIUM	920
B	AK	SALCHA	968
B	AK	KAKE*	1,050
B	AK	COOPER LANDING	1,052
B	FL	PANAMA CITY	1,084
B	ID	MERIDIAN	1,138
B	AK	DUTCH HARBOR	1,170
B	WA	LAKEBAY	1,175
B	MT	ST. MARIE	1,183
B	MT	GALLATIN GATEWAY	1,199
B	AK	METLAKATLA*	1,288
B	AK	ANDERSON	1,416
B	AK	PORT PROTECTION*	1,459
B	AK	GLENNALLEN	1,497
B	AK	KING SALMON	1,840
B	KY	LONDON	1,857
B	TX	PORTLAND	1,991
B	HI	KAILUA KONA	2,024
B	WA	GOLDENDALE	2,039
B	CA	RIO LINDA	2,084
B	AK	ENGLISH BAY*	2,218
B	OK	BUFFALO	2,359
B	ID	COCOLALLA	2,456
B	AK	CHINIAK	2,472
B	MA	DRACUT	2,527
B	MT	ROUNDUP	2,731
B	WA	TOLEDO	2,761
B	HI	KAPAA	3,141
B	WA	PORT ORCHARD	3,237
B	AK	GUSTAVUS*	3,289
B	WA	TACOMA	3,319
B	WA	EDMONDS	3,433
B	MI	GARDEN	3,566
B	WA	PORT ANGELES	3,572
B	OR	CASCADE LOCKS	3,980
B	WA	FORKS	4,647
B	WA	WHITE SWAN	4,778
B	AK	HALIBUT COVE*	4,875
B	AK	CHENEGA*	5,582
B	OR	FLORENCE	5,633
B	AK	COPPER CENTER	5,781
B	AK	AUKE BAY	5,969
B	HI	HALEIWA	6,188
B	TX	UVALDE	6,408

1995 continued.

Block status	State	City	QS units
B	AK	PELICAN*	7,309
B	WA	SEATTLE	7,398
B	OR	WARRENTON	8,108
B	FL	MERRITT ISLAND	8,156
B	AK	LARSEN BAY*	8,569
B	MT	LIBBY	8,580
B	MT	FRENCHTOWN	8,721
B	OH	CONCORD	8,746
B	ID	CHALLIS	8,873
B	AK	PORT ALEXANDER*	9,157
B	ID	NEW PLYMOUTH	9,420
B	IN	PERU	9,978
B	AK	PETERSBURG	10,828
B	WA	REDMOND	11,026
B	WA	FRIDAY HARBOR	11,200
B	OR	HUBBARD	11,267
B	AK	DOUGLAS	11,424
B	WA	STANWOOD	11,999
B	MO	HARWOOD	12,121
B	AK	ELFIN COVE*	12,662
B	OK	KEYES	12,739
B	OR	ASHLAND	12,831
B	WA	LONG BEACH	12,991
B	WA	WALLA WALLA	13,874
B	TN	PARIS	14,262
B	AK	KETCHIKAN	14,504
B	AK	NORTH POLE	15,790
B	WA	KELSO	15,836
B	OR	TUALATIN	16,435
B	AK	HAINES	16,605
B	OR	MCMINNVILLE	16,848
B	WA	ACME	17,194
B	WA	LONGVIEW	17,342
B	AK	UNALASKA	17,565
B	HI	HANAIEI	17,675
B	AK	TATITLEK*	18,660
B	AK	STERLING	20,004
B	AK	CRAIG*	20,788
B	IN	LACONIA	22,052
B	CO	PALISADE	23,112
B	AK	BIG LAKE	25,309
B	WI	FOUD DU LAC	26,214
B	WA	BOTHELL	26,646
B	OR	SALEM	27,796
B	AL	STEELE	28,917
B	WA	RIDGEFIELD	29,046
B	CA	LOOMIS	30,258
B	AK	GIRDWOOD	31,149
B	WA	BLAINE	31,992
B	AK	WHITTIER	32,516
B	IA	STUART	36,182
B	WA	CASTLE ROCK	36,804
B	OR	GERVAIS	38,725
B	WA	MARYSVILLE	43,137
B	WA	FERNDALE	44,317
B	AK	NIKOLAEVSK	44,640
B	WA	EVERETT	44,694
B	WA	CAMAS	47,692
B	AK	SITKA	51,858
B	AK	PORT GRAHAM*	51,861
B	WA	BELLINGHAM	53,094

1995 continued.

Block status	State	City	QS units
B	ID	BOISE	53,218
B	AK	CLAM GULCH	54,204
B	WA	GIG HARBOR	56,391
B	AK	FAIRBANKS	58,306
B	WA	OAK HARBOR	73,887
B	AK	CHUGIAK	75,494
B	AK	PALMER	78,630
B	WA	TONASKET	80,142
B	AK	JUNEAU	81,312
B	AK	FRITZ CREEK	82,861
B	AK	OUZINKIE*	83,171
B	WA	CATHLAMET	86,401
B	AK	OLD HARBOR*	87,387
B	AK	NIKISKI	93,983
B	AK	PORT LIONS*	104,621
B	AK	EAGLE RIVER	106,859
B	WA	ANACORTES	113,269
B	AK	VALDEZ	132,386
B	AK	SELDOVIA*	176,691
B	AK	CORDOVA	176,881
B	OR	ASTORIA	189,225
B	AK	NINILCHIK	216,731
B	OR	WOODBURN	232,932
B	AK	SEWARD	237,595
B	AK	KASILOF	262,877
B	AK	WASILLA	295,483
B	AK	ANCHOR POINT	588,972
B	AK	KENAI	673,950
B	AK	YAKUTAT*	680,105
B	AK	ANCHORAGE	732,969
B	AK	SOLDOTNA	744,852
B	AK	KODIAK	1,393,980
B	AK	HOMER	2,370,334
<hr/>			
U	AP	FPO AP	56
U	WA	SO CLE-ELUM	95
U	AK	WASILLA	158
U	AK	TWIN HILLS	230
U	AK	KODIAK	241
U	MN	GRAND MARAIS	287
U	AK	NAPASKIAK	296
U	AK	FRITZ CREEK	562
U	AK	BETHEL	629
U	AK	MANOKOTAK	784
U	AK	KENAI	815
U	AK	PORT HEIDEN	844
U	WA	INCHELIUM	916
U	AK	PILOT POINT	942
U	WA	LYNDEN	1,013
U	OR	WOODBURN	1,067
U	AK	AKIACHAK	1,102
U	AK	PAXSON	1,404
U	WA	ROCHE HARBOR	1,461
U	WA	ANACORTES	1,464
U	AK	KING SALMON	1,470
U	AK	EGEGIK	2,154
U	AK	TOGIAK	2,942
U	AK	SOUTH NAKNEK	4,144
U	AK	UNALASKA	6,122
U	AK	DILLINGHAM	6,336
U	AK	HOMER	7,048
U	AK	NAKNEK	8,552
U	AK	TUNUNAK	12,787
U	AK	ANCHORAGE	15,248
U	AK	ATKA	26,496
U	AK	MEKORYUK	40,956
U	AK	SAINT GEORGE ISL	130,950
U	AK	TOKSOOK BAY	156,129
U	AK	SAINT PAUL ISLAND	245,435
U	AK	HOMER	1,057,320

Source: NMFS RAM Program, November 4, 2010.

B=blocked QS; U = unblocked QS.

* = CQE community. **Bolded*** = Area 3A CQE community