MEMORANDUM

TO: Council, SSC, and AP Members

FROM: Chris Oliver
Acting Executive Director

ESTIMATED TIME
8 HOURS

DATE: February 1, 2001

SUBJECT: Halibut Charterboat Management

ACTION REQUIRED

Initial review of analysis for a proposed individual fishing quota program for the halibut charter fleet.

BACKGROUND

At this meeting, the Council will review a draft analysis that analyzes the impacts of including the charter sector in the existing halibut individual fishing quota (IFQ) program. It is the most recent in numerous steps the Council has examined for managing the halibut charter fishery since 1993 when the Council first identified that an open-ended reallocation from the commercial to charter sectors was a problem in managing the halibut fisheries. Other measures include additional recordkeeping and reporting requirements (logbook requirements implemented by the Alaska Board of Fisheries beginning in 1998), local area management plans (implemented for Sitka Sound in 1999), control dates to notify the public of possible limited entry in the charter sector, vessel or charter operator moratorium (rejected by the Council in 1997 and 2000, partly due to lack of individual records), and a guideline harvest level and accompanying management measures to constrain angler harvest on charter vessels in Areas 2C and 3A (approved by the Council in February 2000 and currently under NMFS review).

The Council adopted the following **problem statement** for this analysis.

> The Pacific halibut resource is fully utilized. The NPFMC recently adopted a GHL to resolve allocation issues between the guided sport sector and other users of the halibut resource. Upon adoption by the Secretary of Commerce, the GHL will stop the open-ended reallocation between commercial and guided sport fishermen, address a number of conservation concerns, and provide a measure of stability to the halibut fishery. Guided sport IFQs will address problems related to overcapitalization in the guided sport sector. Extending the existing halibut quota share program to include the guided sport sector, with provisions to recognize the unique nature of the guided sport sector, will resolve future allocation conflicts between the commercial and guided sport sectors, and provide access opportunities for halibut fishermen, processors and consumers.

The Council included an option within the halibut charter IFQ analysis to set aside ½ - 2½ percent of the combined halibut charter and commercial quota in Areas 2C and 3A for Gulf of Alaska coastal communities. Several additional goals of the community set-aside (CSA) program are incorporated in the Council's **problem statement** as listed below. This analysis addresses only:

(1) *whether* to set-aside quota for Gulf communities,
(2) the *magnitude* of the set-aside, and
(3) the *source* of the set-aside quota (charter and/or commercial).

National Standard 8 of the Magnuson-Stevens Act directs that "conservation and management measures shall, consistent with the conservation requirements of this Act (including the prevention of overfishing and rebuilding of overfished stocks), take into account the importance of fishery resources to fishing communities in order to: (a) provide for the sustained participation of such communities, and (b) to the extent practicable, minimize adverse economic impacts in such communities." Although the halibut IFQ program was developed under the Halibut Act, which does not require consistency with all of the Magnuson-Stevens' national standards, the Council believes Congress clearly intended that the Council consider the impacts of all its management measures, including halibut management regulations, on fisheries-dependent communities. The current halibut and sablefish IFQ management structure, despite its many benefits, was not designed to provide transferable quota shares to halibut charter fishermen to provide community development opportunities. As the Council considers modifying the current IFQ management structure to include quota share allocations to halibut charter fisheries, adverse economic impacts on fisheries-dependent coastal communities in the Gulf of Alaska may occur in communities which receive insufficient initial quota share and may further limit economic development opportunities in halibut charter businesses for residents of these communities. In pursuing a CSA program, the Council seeks to:

a) remove an economic barrier for residents of underdeveloped communities to participate in the halibut charter industry;
b) provide for sustained participation in the charter industry;
c) increase geographical diversity of charter operations;
d) reduce the potential for localized depletion; and
e) foster economic development and stability in these communities.

At final action for the GHL analysis in February 2000, the Council did not adopt a proposed moratorium for the halibut charter fleet. Insufficient data on the number of and harvest by individual operators limited the Council's ability to determine an appropriate preferred alternative at the time. The decision of whether to base a moratorium on vessels or operators is among the most critical, in terms of granting permits to the appropriate recipients and minimizing disruption to the charter fleet in the initial allocation of permits. In many cases the current owner of a particular qualifying vessel may not be the individual owner associated with the vessel's qualifying catch history. The analysis also concluded that the 1998 licensed charter fleet had a

Moratorium alternative in the GHL analysis

Years of participation

Option 1:	1995, 1996, + 1997 IPHC licenses and 1998 logbook
Option 2:	2 of 3 years (1995-97), + 1998 logbook
Option 3:	1 of 3 (1995-97), + 1998 logbook
Option 4:	license or logbook in any one year (1995-98)

Owner vs Vessel

Option 1:	owner/operator or lessee of the charter vessel/business that fished during the eligibility period
Option 2:	vessel

harvest capacity well above the current harvest level, and even the currently active fleet is probably not operating at its maximum capacity.

Instead, it approved the halibut charter GHL described above and the following motion:

> "... *the Halibut Charter IFQ Committee* (will) *develop elements and options for Council review in October 2000 and final action scheduled for February 2001, and that staff also provide an analysis at that time for a possible moratorium for Areas 2C and 3A.*"

Staff is requesting guidance from the Council on how it wishes to proceed with consideration of a moratorium for the charter fleet in April 2001. The moratorium alternatives identified in the GHL analysis may no longer be appropriate given the Council's new problem statement and improved data. The data contained in this analysis may be sufficient to choose a preferred (vessel or operator) moratorium alternative if the Council adds this issue to this analysis prior to final action. Alternatively, it could initiate a separate analysis.

The executive summary is attached as Item C-1(a). It includes a more detailed history and discussion of the problem and analytical conclusions of the impacts on commercial, charter, and private fishermen, commercial and sport processors, and communities under the suite of more than 60 issues and options for both the overall proposed charter IFQ program and the option for including communities as initial issuees,. Both the IFQ Implementation Committee and Halibut Charter IFQ Committees are scheduled to meet this week to provide recommendations on the analysis. Those minutes will be distributed at the meeting. The alternatives included in this analysis are listed on the next page.

Alternative 1. Status quo.

Alternative 2. Include the halibut charter sector in the existing halibut IFQ program.

Issue 1. Initial QS may be based on:

Option 1. 14.11% in Area 3A and 13.05% in Area 2C of a combined charter and commercial quota

Option 2. 12.26% in Area 3A and 13.32% in Area 2C of a combined charter and commercial quota
Suboption: 50% of an individual's QS initial issuance would be fixed and the remaining 50% would float with abundance.

Issue 2. Initial allocation of QS would be issued to U.S. citizens or to U.S. companies on the following basis:
U.S. ownership based on: a) 51% ownership; b) 75% ownership

Option 1. Charter vessel owner - person who owns the charterboat and charterboat business
Option 2. Bare vessel lessee - person that leases a vessel and controls its use as a charterboat for this fishery. May operate the vessel or may hire a captain/skipper. Lessee determines when the vessel sails and by whom captained

Issue 3. Qualification Criteria

Option 1. Initial issues who carried clients in 1998 and 1999 and who submitted ADFG logbooks for an active vessel (as received by ADFG by February 12, 2000)
Option 2. Initial issuees who carried clients in 1998 or 1999 and who submitted ADFG logbooks for an active vessel (as received by ADFG by February 12, 2000)
Option 3. Initial issuees who carried clients prior to June 24, 1998 and who submitted at least one ADFG logbook for an active vessel (as received by ADFG by February 12, 2000)
Option 4. Initial issuees who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC , and ADFG business and guide documentation for 1995-99 and submitted logbooks for an active vessel in 1998 and 1999
Option 5. Initial issuees who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC and ADFG business and guide documentation for 1995-99 and submitted logbooks for an active vessel for either 1998 or 1999

Issue 4. Distribution of QS may be based on:

Option 1. 70% of 1998 and 1999 logbook average with an additional 10% added for each year of operation 1995-97 (longevity reward). The balance could then be re-issued to the whole group of participants
Option 2. Modified Kodiak proposal: 5-30% for A, 33% for B, 37-62% for C
Part A: each individual gets an equal percentage of the qualified pool as identified by the Council's final action.
Part B: each individual's average 98/99 logbook harvest as percentage of overall harvest is multiplied by 33% of the qualified pool.
Part C: one point for each year of participation during 1995-99.
Suboption: Base distribution for the preferred option on both total catch retained and caught and released

Issue 5. Transferability of QS (permanent) and IFQs (on annual basis [leasing])

Option 1. Nature of Charter Quota Share:
- a) Leasable
- b) Non-leasable

Suboption: Allow grandfather provisions to initial recipients to use hired skippers similar to the halibut sablefish IFQ program

Option 2. Transfer of QS (permanent) and/or IFQs (leasing):
- a) prohibit transfers between charter and commercial sectors
- b) allow transfers between charter and commercial sectors

    1. 1-yr one way transfer from commercial to charter
    2. 3-yr one way transfer from commercial to charter
    3. two-way (between commercial and charter sectors).

    Suboptions under Options b (1-3):

    i. Designate QS pool into two classes for transfer from charter to commercial sector: transferable (25%) and non-transferable (75%) pools on an individual's basis
    ii. Cap the percentage of annual IFQ transfers (de facto leasing) between sectors not to exceed 25% of total IFQs and a range of 0-10% of IFQs per year from charter to commercial.
    iii. on percentage of annual QS transfers between sectors not to exceed 25% of total QS and a range of between 0-10% of QS per year from charter to commercial.
    iv. A range of 0-10% leasing of Charter IFQ to charter from charter for the first 3 years

Option 3. Block restrictions
- a) any initially issued (i.e., unblocked) charter QS once transferred to commercial sector shall be:
    1. blocked
    2. blocked up to the limits of the commercial sweep-up and block limits
- b) allow splitting of commercial blocks to transfer a smaller piece to the charter sector
- c) allow splitting of commercial blocks once transferred to the charter sector

Option 4. Vessel class restrictions
- a) from A, B, C, and/or D commercial vessel category sizes to charter sector
    1. Leasable
    2. Non-leasable
- b) from charter to commercial:
    1. D category only
    2. C and D category only
    3. B, C, and D category
- c) initial transfer from undesignated charter to a particular commercial vessel category locks in at that commercial category

Option 5. One transfer of QS/IFQ each year between sectors for each QS holder

Option 6. Minimum size of transfer is range of 20-72 fish

Issue 6. To receive halibut QS and IFQ by transfer:

Option 1. For the charter sector, must be either
- a) a initial charter issuee or
- b) qualified as defined by State of Alaska requirements for registered guides or businesses*

Suboption: and hold a USCG license.

*this would require a change in the commercial regulations to allow transfer of commercial QS/IFQ to charter operator

Option 2. For the commercial sector, must have a commercial transfer eligibility certificate.

Issue 7. Caps

Option 1. No caps - free transferability

Option 2. Ownership cap of ¼, ½, and 1% of combined QS units in Area 2C and ¼, ½, and 1% of combined QS units in Area 3A and grandfather initial issues at their initial allocation

Issue 8. Miscellaneous provisions

Option 1. Maximum line limit of 12 in Area 3A (remains at 6 lines for Area 2C), grandfather initial issuees

Option 2. 10% rollover provision of total IFQs

Option 3. 10% overage provision of total IFQs to be deducted from next year's IFQs

Issue 9. IFQs associated with the charter quota shares may be issued in:

Option 1. Pounds

Option 2. Numbers of fish (based on average weight determined by ADFG)

Issue 10. Reporting:

Option 1. Require operator to report landings at conclusion of trip

Option 2. ADFG logbook

Option 3. Require a reporting station in every city and charter boat location to accurately weigh every halibut caught.

Issue 11. Community set-aside

Option 1. No community set-aside.

Option 2. Set-aside ½-2 ½ percent of combined commercial charter TAC for Gulf coastal communities

Suboption 1. Source of the set-aside
- a) equal pounds from the commercial and charter sectors.
- b) proportional amount based on the split between the commercial and charter sectors.
- c) 100 percent of the pounds taken out of the charter sector.

Suboption 2. Sunset provision
- a) no sunset
- b) sunset in 5 years
- c) sunset in 10 years

EXECUTIVE SUMMARY

SUMMARY OF SECTION 1

The enclosed analysis is for a regulatory amendment to revise the regulations that govern the management of the Pacific halibut Individual Fishing Quota (IFQ) program. It assesses the potential economic and social impacts of implementing management measures to include the halibut charter fisheries in International Pacific Halibut Commission (IPHC) Areas 2C (Southeast Alaska) and 3A (Southcentral Alaska) in the current halibut IFQ program. A direct allocation to the halibut charter sector would replace the guideline harvest level (GHL) program approved by the Council in 2000, but not yet implemented. Gulf of Alaska coastal communities are also being considered as initial issues of halibut charter quota shares.

The North Pacific Fishery Management Council began considering a management plan for the halibut charter fishery in 1993. The Council recognized an expanding charter fleet resulting in an unlimited expansion of charter halibut harvests at the expense of other users as a management problem. In September 1997, the Council took final action on two management actions affecting the halibut charter fishery, culminating more than four years of discussion, debate, public testimony, and analysis:

Recordkeeping and reporting requirements. The Council approved recording and reporting requirements for the halibut charter fishery. To comply with this requirement, the Alaska Department of Fish and Game (ADFG) Sport Fish Division, under the authority of the Alaska Board of Fisheries (BOF), implemented a Saltwater Sportfishing Charter Vessel Logbook (SCVL) in 1998. It complements additional sportfish data collected through the Statewide Harvest Survey (SWHS), on-site (creel and catch sampling) surveys conducted separately by ADFG in both Southeast and Southcentral Alaska, and port sampling in Southeast.

Guideline Harvest Levels in IPHC Areas 2C and 3A. The Council adopted GHLs for the halibut charter fishery, but only for Areas 2C and 3A. They were based on the charter sector receiving 125% of its 1995 harvest (12.76% of the combined commercial/charter halibut quota in Area 2C, and 15.61% in Area 3A). The Council stated its intent that the GHLs would not close the fishery, but instead would trigger other management measures in years following attainment of the GHL. The overall intent was to maintain a stable charter season of historic length, using area- specific measures. If end-of-season harvest data indicated that the charter sector likely would reach or exceed its area-specific GHL in the following season, NMFS would implement the pre-approved measures to slow down charter halibut harvest. Given the one-year lag between the end of the fishing season and availability of that year's harvest data, it was anticipated that it would take up to two years for management measures to be implemented.

In December 1997, the NMFS Alaska Regional Administrator informed the Council that the GHL would not be published as a regulation since the Council had not recommended specific management measures to be implemented by NMFS if the GHL were reached. Therefore, no formal decision by the Secretary was required for the GHL and the analysis never was forwarded for Secretarial review. After being notified that the 1997 GHL analysis would not be submitted for Secretarial review, the Council initiated a public process to identify GHL management measures. The Council formed a GHL Committee to recommend management measures for analysis that would constrain charter harvests under the GHL.

In April 1999, the Council identified for analysis: (1) a suite of GHL management measure alternatives; (2) alternatives that would change the GHL as approved in 1997; and (3) area-wide and LAMP moratorium options under all alternatives. The Council designed the implementing management measures to be triggered in subsequent fishing years recognizing that: (1) reliable inseason catch monitoring is not available for the

halibut charter fishery; (2) inseason adjustments cannot be made to the commercial longline individual fishing quotas (IFQs); and (3) the Council's stated intent to not shorten the current charter fishing season.

During initial review in December 1999, the Council added: (1) a change in possession limits to the management measures that it would consider to limit charter halibut harvests under the GHL; (2) an option to apply the GHL as a percentage of the CEY by area after non-guided sport and personal use deductions are made, but prior to deductions for commercial bycatch and wastage; (3) an option to manage the GHL as a 3-year rolling average. Lastly, the Council deleted an option that would close the charter fishery inseason if the GHL was reached or exceeded. The Council further adopted the restructured alternatives as proposed by staff.

During final action in February 2000, the Council adopted the GHL program based on charter harvest estimates for 1995-99. The 1999 charter harvest estimates were interim projected values. The Council adopted the following as its preferred alternative. The GHL analysis is currently under NMFS review.

1. Area 2C and 3A GHLs are based on the average of 1995-99 in pounds (1.4 M lb in Area 2C and 3.91 M lb in Area 3A).

2. Implement management measures using the following implementation regime for each IPHC regulatory area. These measures would be removed if harvests fall below the GHL and they are no longer necessary. If the GHL is exceeded, 0-20% reduction measures (e.g., trip limits, prohibiting harvest by skipper and crew) would be implemented in the season following the overage. In years of >20% overage, measures that are projected to achieve 0-20% reduction in charter harvest would be implemented in the following season and measures that are projected to achieve >20% reduction in charter harvest (e.g., annual limits, one fish bag limit in August) would be implemented one year later to allow for verification of charter harvest. The regulations will establish a framework process to review and adjust the management measures in the event of an overage and to evaluate their efficacy to determine if a subsequent regulatory package is necessary.

Area 2C Management Tools

Required Reduction	Management Tool
<10%	Trip Limit
10% - 15%	Trip Limit
	No Harvest by Skipper + Crew
15% - 20%	Trip Limit
	No Harvest by Skipper + Crew
	Annual Limit of 7 Fish
20% - 30%	Trip Limit
	No Harvest by Skipper + Crew
	Annual Limit of 6 Fish
30% - 40%	Trip Limit
	No Harvest by Skipper + Crew
	Annual Limit of 5 Fish
40% - 50%	Trip Limit
	No Harvest by Skipper + Crew
	Annual Limit of 4 Fish
>50%	Trip Limit
	No Harvest by Skipper + Crew
	Annual Limit of 4 Fish
	One Fish Bag Limit in August

Area 3A Management Tools

Required Reduction	Management Tool
<10%	Trip Limit
10% - 20%	Trip Limit
	No Harvest by Skipper + Crew
20% - 30%	Trip Limit
	No Harvest by Skipper + Crew
	Annual Limit of 7 Fish
30% - 40%	Trip Limit
	No Harvest by Skipper + Crew
	Annual Limit of 6 Fish
40% - 50%	Trip Limit
	No Harvest by Skipper + Crew
	Annual Limit of 5 Fish
>50%	Trip Limit
	No Harvest by Skipper + Crew
	Annual Limit of 4 Fish
	One Fish Bag Limit in August

The Council did not adopt the proposed vessel moratorium for the halibut charter fleet. Insufficient data on the number of and harvest by individual operators limited the Council's ability to determine an appropriate preferred alternative at the time.

In December 2000, the Council reviewed a report by ADFG staff on corrected Sport Fish Division's Statewide Harvest Survey (SWHS) halibut charter estimates for 1996-98. In Area 2C, the corrected charter harvest estimates (in pounds) increased by 27% and 21% above the original estimates for 1996 and 1997, and decreased 10% below the original estimates for 1998. Non-guided harvest estimates followed a similar pattern. In Area 3A, corrected charter harvest estimates decreased below the original estimates for all three years: 2% in 1996, 3% in 1997, and 8% in 1998. Non-guided harvest estimates also decreased in all three years.

These harvest changes do not imply large changes in the resulting GHL percentages for Areas 2C and 3A. The corrected GHL calculation for Area 2C rose less than ½ percentage point from 12.68% to 13.05%. In Area 3A, it dropped less than 1 percent, from 14.94% to 14.11%. The Council will submit a supplemental analysis of the corrected halibut charter estimates and recommend that the Secretary of Commerce implement the halibut charter GHL using the corrected percentages. The charter IFQ analysis will also use the corrected GHL percentages.

Along with its action in February 2000 to adopt the corrected GHL and management measure schedule to cap the harvest of halibut by anglers fishing on the charter vessels, the Council also initiated development of an analysis for instituting an IFQ program for this fishery and appointed an industry committee. The Halibut Charter IFQ committee comprised ten charter operators and one guided angler, with five commercial fishermen and one community representative acting as non-voting technical advisors. It convened twice prior to the April 2000 Council meeting. The Council adopted the committee recommendations with modifications as proposed by the Advisory Panel and the public.

The Council adopted the following **problem statement** in April 2000 for this analysis.

> The Pacific halibut resource is fully utilized. The NPFMC recently adopted a GHL to resolve allocation issues between the guided sport sector and other users of the halibut resource. Upon adoption by the Secretary of Commerce, the GHL will stop the open-ended reallocation between commercial and guided sport fishermen, address a number of conservation concerns, and provide a measure of stability to the halibut fishery. Guided sport IFQs will address problems related to overcapitalization in the guided sport sector. Extending the existing halibut quota share program to include the guided sport sector, with provisions to recognize the unique nature of the guided sport sector, will resolve future allocation conflicts between the commercial and guided sport sectors, and provide access opportunities for halibut fishermen, processors and consumers.

In October 2000, the Council included an option within the halibut charter IFQ analysis to set aside 1 - 2½ percent of the combined halibut charter and commercial quota in Areas 2C and 3A for Gulf of Alaska coastal communities (hereafter referred to as the community set-aside (CSA) program. In December 2000, the Council expanded the lower end of the range to ½ percent. While the economic and social consequences of a community QS program will be discussed, this analysis addresses only:

(1) *whether* to set-aside quota for Gulf communities,
(2) the *magnitude* of the set-aside, and
(3) the *source* of the set-aside quota (charter and/or commercial).

Several additional goals of the CSA program are incorporated in the **problem statement** as adopted by the Council in December 2000:

National Standard 8 of the Magnuson-Stevens Act directs that "conservation and management measures shall, consistent with the conservation requirements of this Act (including the prevention of overfishing and rebuilding of overfished stocks), take into account the importance of fishery resources to fishing communities in order to: (a) provide for the sustained participation of such communities, and (b) to the extent practicable, minimize adverse economic impacts in such communities." Although the halibut IFQ program was developed under the Halibut Act, which does not require consistency with all of the Magnuson-Stevens' national standards, the Council believes Congress clearly intended that the Council consider the impacts of all its management measures, including halibut management regulations, on fisheries-dependent communities. The current halibut and sablefish IFQ management structure, despite its many benefits, was not designed to provide transferable quota shares to halibut charter fishermen to provide community development opportunities. As the Council considers modifying the current IFQ management structure to include quota share allocations to halibut charter fisheries, adverse economic impacts on fisheries-dependent coastal communities in the Gulf of Alaska may occur in communities which receive insufficient initial quota share and may further limit economic development opportunities in halibut charter businesses for residents of these communities. In pursuing a CSA program, the Council seeks to:

a) remove an economic barrier for residents of underdeveloped communities to participate in the halibut charter industry;
b) provide for sustained participation in the charter industry;
c) increase geographical diversity of charter operations;
d) reduce the potential for localized depletion; and
e) foster economic development and stability in these communities.

The Council also made some **general statements** about its intentions for the design of the proposed charter IFQ program.

- The previously approved GHL program should be submitted for Secretarial review and implemented as soon as possible. The halibut charter IFQ program, when and if adopted by the Council and approved by the Secretary, would replace the GHL.

- The charter IFQ program would be limited to Areas 2C and 3A only and are not transferable across areas.

- The duration of charter IFQ would have no specific ending date.

- An appeal process would be based on
  a) fact; and
  b) hardship, similar to the groundfish and crab license limitation program.
- The charter IFQ program would be subject to cost recovery.

- Staff should analyze impacts of the proposed charter IFQ program on all commercial sectors, including processors.

- ADFG staff will provide a discussion of the potential migration of QS between ports within an IFQ regulatory area and the best tool for managing such migrations (i.e., LAMPs) for the analysis.

The alternatives included in this analysis are:

Alternative 1. Status quo.

Alternative 2. Include the halibut charter sector in the existing halibut IFQ program.

Issue 1. Initial QS may be based on:

Option 1. 14.11% in Area 3A and 13.05% in Area 2C of a combined charter and commercial quota

Option 2. 12.26% in Area 3A and 13.32% in Area 2C of a combined charter and commercial quota

Suboption: 50% of an individual's QS initial issuance would be fixed and the remaining 50% would float with abundance.

Issue 2. Initial allocation of QS would be issued to U.S. citizens or to U.S. companies on the following basis:
U.S. ownership based on: a) 51% ownership; b) 75% ownership

Option 1. Charter vessel owner - person who owns the charterboat and charterboat business

Option 2. Bare vessel lessee - person that leases a vessel and controls its use as a charterboat for this fishery. May operate the vessel or may hire a captain/skipper. Lessee determines when the vessel sails and by whom captained

Issue 3. Qualification Criteria

Option 1. Initial issues who carried clients in 1998 and 1999 and who submitted ADFG logbooks for an active vessel (as received by ADFG by February 12, 2000)

Option 2. Initial issuees who carried clients in 1998 or 1999 and who submitted ADFG logbooks for an active vessel (as received by ADFG by February 12, 2000)

Option 3. Initial issuees who carried clients prior to June 24, 1998 and who submitted at least one ADFG logbook for an active vessel (as received by ADFG by February 12, 2000)

Option 4. Initial issuees who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC, and ADFG business and guide documentation for 1995-99 and submitted logbooks for an active vessel in 1998 and 1999

Option 5. Initial issuees who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC and ADFG business and guide documentation for 1995-99 and submitted logbooks for an active vessel for either 1998 or 1999

Issue 4. Distribution of QS may be based on:

Option 1. 70% of 1998 and 1999 logbook average with an additional 10% added for each year of operation 1995-97 (longevity reward). The balance could then be re-issued to the whole group of participants

Option 2. Modified Kodiak proposal: 5-30% for A, 33% for B, 37-62% for C

Part A: each individual gets an equal percentage of the qualified pool as identified by the Council's final action.

Part B: each individual's average 98/99 logbook harvest as percentage of overall harvest is multiplied by 33% of the qualified pool.

Part C: one point for each year of participation during 1995-99.

Suboption: Base distribution for the preferred option on both total catch retained and caught and released

Issue 5. Transferability of QS (permanent) and IFQs (on annual basis [leasing])

Option 1. Nature of Charter Quota Share:
- a) Leasable
- b) Non-leasable

Suboption: Allow grandfather provisions to initial recipients to use hired skippers similar to the halibut sablefish IFQ program

Option 2. Transfer of QS (permanent) and/or IFQs (leasing):
- a) prohibit transfers between charter and commercial sectors
- b) allow transfers between charter and commercial sectors
  1. 1-yr one way transfer from commercial to charter
  2. 3-yr one way transfer from commercial to charter
  3. two-way (between commercial and charter sectors).

  Suboptions under Options b (1-3):
  - i. Designate QS pool into two classes for transfer from charter to commercial sector: transferable (25%) and non-transferable (75%) pools on an individual's basis
  - ii. Cap the percentage of annual IFQ transfers (de facto leasing) between sectors not to exceed 25% of total IFQs and a range of 0-10% of IFQs per year from charter to commercial.
  - iii. on percentage of annual QS transfers between sectors not to exceed 25% of total QS and a range of between 0-10% of QS per year from charter to commercial.

iv. A range of 0-10% leasing of Charter IFQ to charter from charter for the first 3 years

Option 3. Block restrictions
- a) any initially issued (i.e., unblocked) charter QS once transferred to commercial sector shall be:
  1. blocked
  2. blocked up to the limits of the commercial sweep-up and block limits
- b) allow splitting of commercial blocks to transfer a smaller piece to the charter sector
- c) allow splitting of commercial blocks once transferred to the charter sector

Option 4. Vessel class restrictions
- a) from A, B, C, and/or D commercial vessel category sizes to charter sector
  1. Leasable
  2. Non-leasable
- b) from charter to commercial:
  1. D category only
  2. C and D category only
  3. B, C, and D category
- c) initial transfer from undesignated charter to a particular commercial vessel category locks in at that commercial category

Option 5. One transfer of QS/IFQ each year between sectors for each QS holder

Option 6. Minimum size of transfer is range of 20-72 fish

Issue 6. To receive halibut QS and IFQ by transfer:

Option 1. For the charter sector, must be either
- a) a initial charter issuee or
- b) qualified as defined by State of Alaska requirements for registered guides or businesses*

Suboption: and hold a USCG license.

*this would require a change in the commercial regulations to allow transfer of commercial QS/IFQ to charter operator

Option 2. For the commercial sector, must have a commercial transfer eligibility certificate.

Issue 7. Caps

Option 1. No caps - free transferability

Option 2. Ownership cap of ¼, ½, and 1% of combined QS units in Area 2C and ¼, ½, and 1% of combined QS units in Area 3A and grandfather initial issues at their initial allocation

Issue 8. Miscellaneous provisions

Option 1. Maximum line limit of 12 in Area 3A (remains at 6 lines for Area 2C), grandfather initial issuees

Option 2. 10% rollover provision of total IFQs

Option 3. 10% overage provision of total IFQs to be deducted from next year's IFQs

Issue 9. IFQs associated with the charter quota shares may be issued in:

Option 1. Pounds

Option 2. Numbers of fish (based on average weight determined by ADFG)

Issue 10. Reporting:

Option 1. Require operator to report landings at conclusion of trip

Option 2. ADFG logbook

Option 3. Require a reporting station in every city and charter boat location to accurately weigh every halibut caught.

Issue 11. Community set-aside

Option 1. No community set-aside.

Option 2. Set-aside ½-2 ½ percent of combined commercial charter TAC for Gulf coastal communities

Suboption 1. Source of the set-aside
- a) equal pounds from the commercial and charter sectors.
- b) proportional amount based on the split between the commercial and charter sectors.
- c) 100 percent of the pounds taken out of the charter sector.

Suboption 2. Sunset provision
- a) no sunset
- b) sunset in 5 years
- c) sunset in 10 years

SUMMARY OF SECTION 2

None of the alternatives under consideration would affect the prosecution of the halibut fisheries in a way not previously considered in consultations. None of the alternatives would affect takes of listed species. Therefore, none of the alternatives are expected to have a significant impact on endangered or threatened species. None of the alternatives is expected to have an effect on endangered or threatened species.

SUMMARY OF SECTION 3

Section 3 provides the baseline data from the 2000 IPHC halibut stock assessment and summaries of halibut harvest and participation data by fishery sector and area from ADFG statewide harvest surveys, guide and business registration, port sampling, creel surveys, and saltwater charter vessel logbook program. These data are used in Sections 4 and 5 to prepare the regulatory impact review and draft initial regulatory flexibility analysis. Lastly, halibut biomass and charter fishery projections are discussed.

Biology and total removals of Pacific halibut in Areas 2C and 3A.

The halibut resource is healthy and total removals are at record levels. The 2000 IPHC stock assessment model continues to show a strong 1987 year-class. No strong year-classes are following, indicating that recruitment and ultimately, biomass, have peaked. Overall, the estimated total setline CEY is approximately 84 M lb in 2000, compared with 63 M lb in 1999, 99 M lb in 1998, and 136 M lb in 1997.

Assessment results for Area 2C.

Survey catch rates have been low for the past three years after two high values in the mid-1990s. Overall the survey results indicate little or no difference in abundance between 1985 and now, but any such conclusion is questionable. Meanwhile the commercial catch rates are very consistent in showing a decline of about one-third between 1985 and now, and this is what the model fit reflects, estimating a variable exploitable biomass of 48 M lb (56 M lb fixed) in 2001. Estimates of recent recruitment in 2C are substantially higher than in 2AB, but this difference will diminish in the future if year-class strengths turn out to be similar in 2AB and 2C, as they have in the past.

Assessment results for Area 3A.

Survey and commercial catch rates agree quite well in 3A, survey values declining 20-25% from the 1985 level of 150 M lb and commercial values by 10-15%. The model estimate of 111 M lb is 25% below the 1985 level. This may be a little low; on the other hand the high survey value in 2000 appears anomalously high, and it is propping up the estimate to some extent. In terms of fixed exploitable biomass, the 2001 estimate is 139 M lb. Adding this year's commercial and survey data increased the estimate of fixed exploitable biomass at the beginning of 2000 from 116 to 144 M lb. This resulted from a general increase in the estimated abundance of younger fish—up to age 13 or so. These are the 1987 and later year-classes. Estimates of recent recruitment in Area 3A are still low but not dismal (near the 1974 level) as in the 1999 assessment.

Harvest levels and projected growth for Area 2C.

Estimated number of fish caught and kept are provided by the SWHS. It provides estimates of both the number of halibut hooked or "caught" and those retained or "harvested." The percentage of fish retained varied with area and year. The 1995-99 average for all areas is 60% retention. For purposes of this analysis, no additional mortality is attributed to the released fish, and consequently, the amount retained or harvested is used throughout this analysis for comparison with commercial harvest and evaluation of impacts.

Charter catch and harvest followed a similar pattern, with the 1998 levels exceeding those in 1995 by 23%. Overall, 1996-98 had similar retention rates (56-58%) compared with years of lower harvests, 61% in 1995, and 69% in 1999. In years of lower catch, fishermen were more likely to retain what fish they did catch.

For specific ports within Area 2C, Sitka and Prince of Wales had the highest charter harvest levels. Sitka ranged from 23% in 1996 to 39% of the Area 2C harvest in 1998. Prince of Wales ranged between 22% in 1997 and 32% in 1996. Ketchikan and Juneau were next in harvest levels at approximately 12% and 10%, followed by Petersburg/Wrangell (8%), Glacier Bay (6%), and Haines/Skagway (5%).

In pounds, harvest peaked in 1998 (1.58 M lb) and declined to 0.94 M lb in 1999, below the 1995 level (0.99 M lb). Sitka, with 41% of average biomass removed for 1995-99, and Prince of Wales, with 22%, led Area 2C ports in harvest biomass. Petersburg/Wrangell, with 14%, was third in poundage removed. Ketchikan and Juneau were next with harvests of approximately 10 and 9% each, followed by Glacier Bay (6%), and Haines/Skagway (<½%).

Area 2C clients fished over 53,000 lines during 57,000 hours of bottomfish fishing in 1998. They retained 64,000 and released 29,000 halibut, retained 26,000 and released 27,000 rockfish, and retained over 11,000 lingcod in over 62,000 fishing days. Additionally, 367 lines were fished by crew, with 451 halibut retained and 14 released. Clients fished over 51,000 lines during 53,000 hours of bottomfish fishing in 1999. They retained 63,000 and released 30,000 halibut, retained nearly 28,000 and released 26,000 rockfish, and retained nearly 10,000 lingcod in nearly 56,000 fishing days.

Harvest levels and projected growth for Area 3A

Much higher levels of catch and lower levels of retention occur in Area 3A compared with Area 2C. Peak Area 3A charter halibut catches occurred in 1997 (316,000 fish), 8% higher than the next highest catch in 1998 (275,000 fish) and 1996 (292,000 fish). As in Area 2C, 1999 with the lowest level of catch (233,000) had the highest retention level (57%). The next four years had roughly a 50% retention rate.

Lower Cook Inlet (43%) and Central Cook Inlet (25%) fisheries accounted for 67% of Area 3A charter halibut harvests for the period 1995-99. North Gulf and Prince William Sound followed with roughly 12% each. Kodiak and Yakutat landed an average 5% and 3%, respectively. Yakutat nearly doubled its percentage of harvest between 1994 and 1998, while biomass increased 250%. Kodiak's percentage dropped by 67%, while its biomass declined by14%. Lower and Central Cook Inlet biomass increased by 12% and 46%, respectively. Less change occurred in the Area 3A halibut charter fishery between 1998 and 1999 than occurred in Area 2C: 1) the number of halibut harvested was approximately the same despite a decrease of 20% in client angler-days; and 2) the average weight of halibut decreased by only 6%.

In pounds, harvest peaked in 1997 (3.4 M lb) and declined to 2.5 M lb in 1999, below the 1995 level (2.8 M lb). Lower Cook Inlet, with 41% of average biomass removed for 1995-99, and Central Cook Inlet, with 25%, led Area 3A ports in harvest biomass. Prince William Sound and North Gulf were next with harvests of approximately 13% each, followed by Kodiak (6%), and Yakutat (4%).

Area 3A clients fished over 90,000 lines during 86,000 hours of bottomfish fishing in 1998. They retained 159,000 and released 147,000 halibut in over 98,000 fishing days. Additionally, 950 lines were fished by crew, with 1,738 halibut retained and 700 released. Clients fished nearly 94,000 lines during 111,000 hours of bottomfish fishing in 1999. They retained 157,000 and released 123,000 halibut in nearly 80,000 fishing days. Crew fished 11,000 lines over 9,000 angler days. They kept 13,000 and released 7,000 halibut. Crew reporting for 1998 are believed to be underestimates due to the introduction of the new logbook form.

Baseline economic data for charter fishery

A literature review and available baseline economic data for the 2C and 3A halibut charter fisheries indicates that relatively little economic data exists for the charter fishery in 2C. The data that exists comes primarily from the Statewide Resident Sportfish Survey, Statewide Non-Resident Sportfish Survey, and the Guide Survey conducted by ISER during 1993 and 1994. ISER also completed a report in 1999 that used data from the three surveys to describe the 2C and 3A fisheries. Those surveys and the associated studies provide valuable information, but they are not recent or complete, making it difficult to calculate total guided angler expenses and the contributions of fishing-related expenditures to communities with charter activity. Another study conducted for the Southeast Trollers Association by the McDowell Group does not report data that could be used to estimate expenses associated with the guided halibut fishery in area 2C. However, it does provide useful information describing the relative importance of fishing for those visitors to Southeast who fished.

Studies by Coughenower, Jones and Stokes, Lee et al, and Herrmann et al, have been conducted that are relevant to the halibut charter fishery in 3A, in addition to the three ISER surveys. The Coughenower study was completed in 1985, and provided a useful description of the Homer halibut charter fleet. This report was completed prior to the development of the Deep Creek fishery. The most useful specific information in the study was on client expenditures, length of trip, residence, and type of lodging.

The report by Jones and Stokes collected information on expenditures, fishing activity, and attitudes by location. There was no specific information in the survey to allow estimation of the expenditures specifically associated with the halibut charter industry or with the characteristics of the halibut charter industry, either for the clients or for the service providers.

The only relatively recent data collection project known to the authors which allows for separability of halibut charter information comes from a survey compiled by Lee et al. (1999a). The survey, along with an ongoing study by Herrmann et al. (1999) focus on the marine sport fisheries originating from the Kenai Peninsula. The Herrmann study further reduces the geographic scope to include only the economic impacts to the western Kenai from the marine sport fisheries of lower Cook Inlet. Estimates derived from these studies represent the best available data for approximating expenditures associated with the guided sport halibut fishery. Differences in clientele and trip characteristics such as angler avidity and travel mode render extrapolation of Cook Inlet results inappropriate for area 2C.

Lee et al. determined that the average daily fishing expenditures for an Alaskan ($141 - the charter itself cost $128 and processing their catch cost $8.15) and non-Alaskan ($208 - the charter itself cost $142 and processing their catch cost $42.84) residents were closer to being equal than overall expenditures. This is because the non-fishing expenditures were much larger for non-Alaskans. Effort information from the 1998 and 1999 ADFG logbooks were then combined with the daily fish expense information. Combining these two sources of information assumes that effort data from one year can appropriately be applied to expenditures from another year. The resulting values indicate that about $19.3 million were spent as a result of charterboat fishing for halibut in the Cook Inlet off the Kenai Peninsula, during 1998. Of the $19.3 million, $4.6 million (24 percent) were spent by Alaskan residents and $14.7 million (76 percent) by non-Alaskan residents. About 81 percent of the money spent in Alaska was spent within the Kenai Peninsula. Expenditure estimates for 1999 were similar to those for 1998, because effort estimates from the 1999 log books were similar to those in 1998.

Average angler expenditures from the Cook Inlet study were applied to area 3A as a whole, but required some broad assumptions regarding characteristics of the area 3A ports. However, overall Lee et al felt it was reasonable to apply Cook Inlet expenses to charter ports in 3A as a whole, since the Cook Inlet ports (and ports similar to the Cook Inlet ports) make up the majority of charter effort in area 3A. Fishing expenditures in Cook Inlet attributable to halibut charter fishing were reported to be $15.0 million in 1998 (total expenditures were $19.3 million). In area 3A as a whole, $18.0 million was spent on fishing expenditures attributable to the halibut charter fishery.

Because the information from the Lee et al. and Herrmann et al. studies cannot be applied to 2C, some basic information on the cost of a charter trip is presented. Those data indicate that the price paid for a charter trip are higher in area 2C than in 3A. Trips in 2C ranged in price from $150-$220, depending on the duration of the out trip and port from which the trip originated.

Commercial fisheries

The description of the halibut commercial fisheries includes material adapted from Shirley et al. (1999) and NMFS (2000). Since 1977, the total commercial fishery catch in Alaska has ranged from 16 to 61 M lb. Beginning in 1981, catches began to increase annually and peaked in 1988. Catches have since declined, reaching a low of 44 M lb in 1995. The 70 M lb harvest in 1998 represented an 8% increase over 1997. Bycatch mortality, i.e., the catch of halibut in other groundfish fisheries, is the second largest source of removals from the stock, totaling approximately 13 M lb in 1998.

Current commercial harvest levels and projected growth

Area 2C has the second largest commercial halibut quota in Alaska. Peak area catches occurred in 1988 at 11 M lb. Since the beginning of the IFQ fishery, area 2C halibut harvests have ranged between 7.5 and 10.0 M lb. During 1999, the 10 M lb quota was landed in 24 ports. Eighteen were located in Alaska and accounted for 96 percent of Area 2C landings. Four were located in Washington state, one in Oregon, and one in Canada. In total, 3,451 separate halibut landings were made by vessels harvesting Area 2C halibut in 1999.

Area 3A has the largest commercial halibut quota in Alaska. Since the beginning the IFQ fishery, area 3A halibut harvests have ranged between 18 and 26 M lb. The Area 3A quota peaked in 1988 at 38 M lb. During 1999, the 25 M lb quota was landed in 31 ports. Twenty-three ports were located in Alaska and accounted for over 96 percent of the landings. Five were located in Washington state, two in Oregon, and one in Canada. In total, 3,074 separate halibut landings were made by vessels harvesting area 3A halibut in 1999.

Current commercial participation

A total of 1,734 persons held quota share (QS) in Area 2C at the end of 1998, down 27% from initial issuance in 1995 (2,386 persons). More than half of Area 2C QS holders hold QS in amounts ≤3,000 (1998) lb. The number of shareholders decline with increasing size of QS: 28%, 15%, and 4% hold QS between 3-10 thousand lb, 10-25 thousand lb, and > 25 thousand lb, respectively.

The majority of consolidation has occurred in persons holding less than 3,000 lb of quota. A reduction of about 500 QS holders (about one-third of the initial recipients) has taken place in that class from the time of initial issuance through 1998. The number of persons holding more than 3,000 lb of halibut quota has tended to remain more stable. However, the overall trend is for the number of persons in the smaller classes to shrink with the larger classes remaining stable or increasing. Some consolidation of QS was expected when the IFQ

program was approved. However, the Council did implement measures to ensure that small participants remained in the fishery. Those measures appear to have been successful.

A total of 2,348 persons held QS in Area 3A at the end of 1998, down 23% from initial issuance in 1996. Approximately half of Area 3A QS holders hold QS in amounts ≤3,000 (1998) lb. The number of shareholders decline with increasing size of QS: 22%, 16%, and 13% hold QS between 3-10 thousand lb, 10-25 thousand lb, and > 25 thousand lb, respectively.

About 82 percent of Area 2C QS holders are Alaska residents who hold about 84 percent of the halibut quota in 2C. The remaining QS is held by residents of 18 other States or Canadian residents. Seventy-six percent of QS holders that were not initially issued QS for halibut are Alaskan residents, as of year-end 1998, with the remaining 24 percent being non-residents. Nearly 15% of Area 2C QS were held by crew members. This indicates a fairly high rate of "buy-in" to the fishery by Alaskan residents. A small amount of acquired QS has been purchased by crewmen.

About 79 percent of Area 3A QS holders are Alaska residents; they held 64 percent of the Area 3A QS. Washington residents held over 24 percent of the QS, while only accounting for 12 percent of the people holding QS. Oregon residents held over 7 percent of the QS. Seventy-two percent of Area 3A QS held by non-initial recipients of quota are Alaskan residents, with the remaining 28 percent held by non-residents.

A total of 836 vessels landed IFQs in Area 2C at the end of 1998. Consolidation has been occurring, with 1998 vessels down 24 percent from initial issuance and 53 percent from 1992. More than half of all vessels participating in the halibut IFQ program landed IFQs in Area 2C. A total of 3,118 landings were made by the vessels operating in Area 2C during 1998. On average, each vessel made about 3.7 landings. The 3,118 landings in Area 2C accounted for approximately 44 percent of all landings in the 1998 halibut fishery.

A total of 899 vessels landed IFQs in Area 3A during 1998, down 47 percent from initial issuance and 53 percent from 1992. Approximately 56 percent of all vessels participating in the halibut IFQ program landed IFQs in Area 3A. A total of 2,919 landings were made from fish harvested in Area 3A during 1998. Area 3A accounted for approximately 41 percent of the number of statewide halibut landings.

Catcher/sellers were the most common type of buyer permit issued in Area 2C. However, only 54 of the 587 catcher/seller permits were used to purchase halibut in 2C. The next largest category was shoreside processors. A total of 128 shoreside processor permits were issued for all of Alaska and 30 permits were used to purchase halibut in Area 2C.

Only 208 of the 859 registered buyer permits were used to purchase halibut in Area 3A during 1998. Most of the buyers that did purchase Area 3A halibut were in the catcher/seller (129 buyers) and shoreside processor (61 buyers) categories. No other category had more than seven active buyers in 1998.

Background Economic Information on the Commercial Halibut Fishery

Ex-vessel prices for halibut in the commercial fishery increased statewide from 1992-96. The statewide average price per pound of halibut in 1992 was $0.98 and increased to $2.24 in 1996. In 1997, the price dropped slightly to $2.15, then fell sharply to $1.26 in 1998. The large decrease in price for the 1998 fishing year reflected an overall decrease in fish prices that year were at least partially a result of weak Asian economies.

Ex-vessel halibut revenue in Areas 2C and 3A were $12.2 and $52.3 million, respectively, in 1997. Revenues dropped to $12.1 million (2C) and $31.1 million (3A), in 1998. The decrease in revenue was primarily a result of the drop in ex-vessel price, as harvest amounts were fairly stable.

First wholesale prices also decreased from 1997 to 1998. Head and gut products dropped from $2.67 per pound in 1997 to $1.91 in 1998. Overall the average wholesale price per pound across all product forms was $2.77 in 1997 and $2.05 in 1998.

First wholesale revenues were derived from the Commercial Operator Annual Reports. Those data indicate that revenues at the first wholesale level increased from $76 million in 1995 (the first year of the IFQ program), to $130 million in 1997. In 1998, revenues declined to $93 million.

The value of a unit of QS and its standardized value in terms of lb of fish are reported for 1995-98. These data were derived from the RAM transfer files. QS prices increased from 1995-97 and then fell in 1998. This is the same trend that was observed for ex-vessel and first wholesale prices. The mean price of a pound of IFQ in area 2C was $7.58 in 1995 and $10.14 in 1998. This is a price increase of about 34 percent. In area 3A the price increased from $7.37 in 1995 to $8.55 in 1998, or a 16 percent increase. Therefore the relative IFQ transfer price has increased faster in Area 2C than in 3A.

Commercial fishery costs were estimated for the halibut 1996 halibut fleet using an engineering and key informant approach. The results of that study indicated that a total of 132,160 skates were set in 1996, across IPHC Areas 2C-4E. The cost of fishing that gear was estimated to be $2.2 million in setting/retrieving costs, $0.9 million in fuel, $0.9 million in bait, and $0.4 million in gear replacement costs. Processing and shipping costs were also estimated in that study. The costs varied depending on whether the product was sold fresh or frozen and the port the processing occurred. In general, processing costs were assumed to be $0.30 per pound for fresh halibut and $0.50 for frozen. Shipping costs varied by port, but the cost of shipping halibut fresh was 4 to 5 times a much as shipping frozen product.

Baseline Data for Community Set-Aside

Baseline data for analysis of the community set-aside issue includes information specific to the 37 Gulf of Alaska communities identified for purposes of analysis. The following descriptive information is provided: (a) measures of community participation in commercial, recreational and subsistence fisheries; (b) attributes of communities (among the 37 target communities) with more developed charter businesses; (c) requirements for starting and developing charter businesses, and (d) economic status of communities and available loan programs.

Community Participation in Fisheries

Residents of the 37 communities under consideration for the set-aside participate in various commercial fisheries, including State limited entry, halibut and sablefish fisheries. Based on 1998 ADFG fish ticket data, target-community residents in Area 2C had gross earnings of $18.5 million, 46% of which was from salmon, 19% from halibut and the remaining 35% from other fisheries. Residents of target communities in Area 3A had 1998 gross earnings of $8.9 million, 62% from salmon, 10% from halibut and 28% from other fisheries. Since initial issuance, holdings by the 37 community residents of State limited entry permits have declined 21% as of year-end 1998; a similar decline has occurred for all communities categorized as *Alaska Rural Local* by the FEC. Holdings and the number of holders of commercial halibut and sablefish quota shares for residents of the 37 communities have also declined, in part due to consolidation resulting from some quota

share recipients receiving very small amounts. Since initial issuance, holdings of halibut quota shares for Area 2C and Area 3A have declined 12.3% and 13.0%, respectively, as of year-end 1998. For sablefish, holdings have declined by 25.8% for Southeast quota shares, declined by 42.1% for West Yakutat quota shares but have risen by 40.2% for Central Gulf quota shares.

For the guided charter fishery, two measures of participation are provided for the 37 communities. First, the number businesses licensed as 'Fishing Guides' are identified for each community based on data from the Alaska DCED. For Area 2C, target communities held 118 'Fishing Guide' licenses (expiring at year-end 2000 or 2001) and for Area 3A, target communities held 41 'Fishing Guide' licenses. Four of the communities in Area 2C (Craig, Wrangell, Gustavus and Pelican) and one in Area 3A (Yakutat) had 10 or more businesses licensed as 'Fishing Guides.' Eleven communities (of the 37) had no licensed charter businesses. The second measure of participation in the charter fishery is provided by ADFG logbook data for 1998 and 1999. Based on port of landing (i.e., port where clients disembarked), charter trips landing in Area 2C communities numbered 4,685 and 5,348 in 1998 and 1999, respectively, with halibut harvests of 13,459 and 15,136 fish. For Area 3A communities, there were 1,360 and 1,008 charter-trip landings in 1998 and 1999, with halibut harvests of 7,336 and 5,448 fish. Communities with the most halibut charter vessel landings include Craig, Elfin Cove, Gustavus and Klawock in Area 2C and Yakutat, Larsen Bay and Seldovia in Area 3A. Average halibut harvest levels on a per boat or per trip basis are higher for Area 3A than for Area 2C; charterboats in Area 3A harvested on average 5.3-5.7 fish per trip (or 89-93 fish per year), while charterboats in Area 2C harvested on average 2.1-2.2 fish per trip (or 51-53 fish per year).

Almost 60% of the 37 communities have residents that rely on subsistence fishing to some degree. Subsistence fishing species include salmon, halibut, shrimp, crab, clams and other shellfish. For some communities, including Kasaan, Akhiok, Larsen Bay, Old Harbor, Port Graham and Yakutat, the majority of residents participate in subsistence fishing (and hunting) activities. Subsistence fishing does not appear to be of high importance for a few communities that have other sources of employment, including Hollis, Pelican, Wrangell, Port Graham and Seldovia.

Attributes of Communities with Existing Charter Businesses

Several communities among the 37 communities have a number of existing charter businesses (based on license data) while a number lack any appreciable charter operations. Other attributes of the communities, including availability of related services and businesses, geographical location and transportation services may have contributed to the relative development of charter businesses in these communities. For example, examination of license data for other recreational, food and lodging businesses indicates that communities with more developed charter businesses also have a number of other services to support tourism. Geographically, about half of the Area 2C target communities are located on or near Prince of Wales Island and about half of the Area 3A target communities are located on or near Kodiak Island. There is no single common geographical feature, however, that can explain the relative success of certain communities (e.g., Craig, Wrangell, Gustavus and Yakutat) in terms of charter business development. Finally, the availability of transportation services and infrastructure to support charter operations is considered. Among the 37 communities, Wrangell and Yakutat have the largest variety of transportation services and infrastructure; both have tourism, scheduled jet and/or seaplane services, ferry service, boat launch, small-boat harbor and a deep draft dock. Other communities with existing charter businesses typically have scheduled flights or access to the State ferry system, and a small-boat harbor or docking facilities. Communities that lack charter businesses appear to lack scheduled transportation services (air or water) and/or lack boating facilities.

Client Demand and Start-Up Costs for Charter Businesses

Development of charter businesses in the 37 communities may be limited by other factors, even if the cost of halibut quota shares is reduced by the community set-aside. The ability of a charter business to utilize its halibut quota allocation is governed largely by the ability to attract clients. Additionally, the costs to start and operate a charter business may be prohibitive relative to the financial resources of most residents of the target communities. Thus, descriptive information on the characteristics of charter client demand and estimates of charter business start-up and operating costs are provided.

Characteristics of Charter Client Demand

Some of the general factors affecting a charter company's potential ability to attract clients include the following: source and type of clients; amount clients are willing to pay; and motivation and basis for selecting trip location and charter company. Information on these characteristics of client demand is taken from several sources including the 1998 ADFG creel census, postal surveys (SWHS), and surveys of anglers conducted by Lee et al. (1999a), ISER (1999) and Coughenower (1986). In addition, anecdotal information has been provided by industry representatives at past Council meetings.

For the factors of interest here, important differences exist between clients of charter services in Area 2C versus Area 3A that may impact the ability of target-community members to start and develop viable charter businesses. In Area 2C, the vast majority of clients are non-residents, arriving on cruise ships, who tend to take more half-day trips that target salmon over halibut. Growth in client demand in Area 2C is likely more closely tied to growth in Alaska's cruise ship sector, which in recent years appears to be consisting of older passengers who may be less inclined to take charter trips. By contrast, a larger percentage of charter clients in Area 3A are residents from Anchorage (and surrounding areas) or non-residents arriving by domestic air travel, who tend to take more full-day trips that specifically target halibut.

Average expenditures also differ between residents and non-residents and between Area 2C and 3A. The average fishing-related expenditures for non-residents (based on survey of clients taking charter trips from Kenai Peninsula) is $190, while average fishing expenditures for residents ranged from $130-$137. Expenditures for non-fishing services (transportation and lodging) averaged $104 per day for non-residents and $76 per day for residents (non-local) for anglers taking trips from the Kenai Peninsula. While the transportation costs are not applicable to Area 3A more generally, it is reasonable to assume that fishing expenditures (including a charter trip) range from $130-$190 for clients taking charter trips in Area 3A. Also, it should be noted that transportation costs are higher the further the client needs to travel to get to the port as evidenced by the higher expenditures for non-residents versus residents. For Area 2C, typical prices for charter trips are based on anecdotal evidence only; prices for full-day trips range from $150-$220 and prices for half-day trips range from $150-$190 (although half-day trips tend to target salmon over halibut).

Surveys conducted to characterize client preferences indicate that the potential to catch fish is an important reason governing the choice of fishing location for both residents and non-residents. Residents also place importance on the location (port of charterboat) being quick and inexpensive to get to and being road accessible. Compared to resident anglers, non-resident anglers placed more importance on the area having exceptional beauty and, although still relevant, road access, travel cost and travel time were relatively less important. Finally, most clients select a charter company based on 'word of mouth' and the charter company's reputation, with advertising and tourist brochures more important for non-residents than for residents.

Start-Up and Operating Costs for Charter Businesses

Information on start-up and operating costs is taken primarily from two surveys, the ISER (1999) guide and charter business survey conducted in 1994 based on 1993 activity, and a survey conducted by Hermann et al. (2000). The data set from the ISER guide survey was refined with assistance from ISER to develop a more representative profile of charterboat operators in Area 2C and 3A.

Based on a sample of 236 guide businesses, 80% (or 192) reported expenditures on boats purchased during the five-year period 1988-1993. The mean boat expenditure was $84,000 and the median boat expenditure was $45,000. Since some businesses owned more than one boat, average boat coats were calculated; the mean expenditure per boat was $56,000 and the median expenditure per boat was $34,000. When other transportation and fishing equipment are included, the mean total equipment expenditure was $105,000 and the median was $55,000.

The ISER (2000) survey also collected information on operating expenses (in 1993 dollars) and the break-down by expense category. Payroll and non-payroll employee expenses accounted for 38% of operating expenses, followed by transportation (30%), administration (9.7%), and advertising and accounting services (9%). The mean total operating expense was just over $100,000 per year; half reported annual operating expenses of $27,400 or lower, and three-fourths reported expenses $76,700 or lower (all statistics in 1993 dollars). Importantly, the majority of these expenses would be incurred even if no client demand materialized. The Herrmann et al. (2000) study provides a similar break-down of operating expenses: payroll and other value-added expenses represented 37% of operating expenses, followed by transportation (28%), administration (12%), taxes (8%), and services including advertising (7%).

Economic Status of Target Communities

Population and economic statistics for the proposed eligible 23 communities, based on data provided by the Alaska DCED from the April 1990 census, indicate that the levels of poverty and unemployment are significant in many of these communities. However, the rural and 'lifestyle' nature of these communities, combined with high Native populations, may result in overestimates of the levels of poverty and unemployment, as many residents depend on subsistence hunting and fishing to provide their food supplies. The average unemployment rate across all proposed eligible Area 2C communities is about 21%, with about 48% of all adults in the workforce. Target communities in Area 3A also report an average unemployment rate of 21%, with an average of 56% of all resident adults not in the labor force. By comparison, the state-wide unemployment rate in April 1990 was 7.3%, with slightly higher rates reported in the Kenai Peninsula Borough (12.5%) and the Skagway-Hoonah-Angoon census area (10.5%).

Measures of employment can also be difficult to determine because of the limited economic opportunities that exist in these communities. The estimated number of jobs in these communities is relatively low, as would be expected in communities with such small, and often seasonal, populations. The median household income in Area 2C ranges from $10,000 in Port Protection to $49,583 in Whale Pass (in 1990 dollars). The average median household income is $31,450, with an average of 2.7 persons per household. As expected, those communities reporting lower median incomes also report higher poverty levels, up to 63.7%. The average poverty level across all 2C communities is 14.6%. Median household incomes increase in Area 3A, ranging from $11,591 in Tyonek to $68,760 in Halibut Cove. Average median household income in Area 3A is $35,287, with an average of 3.1 persons per household. Poverty levels also vary widely among Area 3A target communities (0 - 37.1%), with an area average of 12.8%.

Loan Programs

The Council requested an evaluation of the ability of alternative mechanisms, such as existing loan programs, to meet the stated goals of the set aside. Three loan sources provided specifically for the acquisition of limited entry permits or quota shares are: 1) the IFQ North Pacific Loan Program managed by the NMFS Financial Services Branch; 2) the Alaska Division of Investment Commercial Fishing Revolving Loan Fund; and 3) the Alaska Commercial Fishing & Agriculture Bank (CFAB).

The North Pacific Loan Program (NPLP), under the authority of the Magnuson-Stevens Act (Section 304(d)(4)), allows up to 25 percent of any fees collected from an IFQ fishery to assist in financing the purchase of IFQ for use by small vessel owners and entry-level fishermen. It is not clear whether Congress considered and/or intended that the guided sport sector be included in either the collection of fees (cost recovery) or in the application of the North Pacific Loan Program to this sector.

In FY2000, the NPLP had $5 million in loan authority for IFQ loans for entry-level fishermen who fish from small boats. The program will be financed after 2000, in part, by the cost recovery fee on the ex-vessel value of IFQ harvests. NMFS recently announced that the fee for 2000 would be 1.8% for collection of $3.4 million in FY2000 fees. In 2000, the program committed all the funds for a total of 39 loans, 23 of which were granted to Alaska residents (K. Ott, NMFS, pers. comm.).

The Commercial Fishing Revolving Loan Fund has granted ten loans totaling $911,375 for the purchase of halibut and sablefish QS out of nearly $8.7 million in loans awarded in FY2000. Two loans, one of which was for halibut QS, were awarded to residents of two of the 37 Gulf coastal communities under consideration for the community set-aside. The Commercial Fishing & Agriculture Bank granted 51 loans totaling $8,371,544 for the purchase of 3,795,128 halibut QS since December 31, 1998 (D. Rogers, CFAB, pers. comm.). Three CFAB loans have been issued to residents of the proposed eligible coastal communities (total of $300,000), representing less than 4% of total loan amounts.

SUMMARY OF SECTION 4

A summary of the status quo and each of the 11 issues pertaining to charter IFQs in Section 4 are described here. Each of the alternatives are listed and, for the most part, qualitative results are presented.

Alternative 1, Status Quo. The status quo is defined as the fishery operating under all of the regulations adopted by the Council, whether they have been implemented or not. Using this definition the status quo includes the GHL measures that were recently passed by the Council but are not yet approved by the SOC or implemented in regulations.

Status quo regulations are designed to limit the halibut removals by sport fishermen using charter vessels. To constrain their harvests, traditional management measures such as the 2-fish daily bag limit and charter client limits on a trip basis have been imposed. Passage of the GHL, by the Council, defined how various management measures would be used to constrain harvest of halibut in the charter fishery, and the harvest levels those management measures would go into effect. Under the GHL, bag limit reductions, were determined to be the most effective means of limiting sport halibut harvests by clients of the charter fleet. **However, if the status quo management measures are ineffective in constraining harvest in the charter fleet, halibut will be reallocated from the commercial to the charter sector.** Based on 1999 harvest levels and projections of the 2001 combined commercial and charter catch limits, charter vessel clients

in areas 2C and 3A can increase their harvests by 110,000 pounds and 950,000 pounds, respectively, before any additional management measures are imposed as a result of the GHL.

Status quo regulations do not limit entry into the charter fleet. The charter fisheries harvests will be constrained by implementing more restrictive management measures as their percentage of the combined commercial and charter harvests increase, but there is no way currently to prevent additional charter operator from entering the fishery. New entry may be beneficial to consumers of halibut charter trips, but may well be detrimental to the current charter operators. This is especially true if the new entrants erode the amount of halibut current charter operators clients can take before more restrictive management measures are imposed.

Estimates of the economic impacts of the halibut charter fishery were made in the GHL analysis (NPFMC, 2000), and some of the more relevant findings are brought forward in this amendment package. A total of 40,400 trips were taken by charter clients fishing from 581 vessels in area 2C during 1998. Ninety-four percent of the trips were taken by non-Alaska residents. In area 3A, a total of 83,774 charter client trips were taken from 504 vessels during 1998. About 64 percent of the trips were taken by non-Alaska residents. Overall anglers are expected to respond inelastically to changes in per day fishing costs. Alaska residents appear to be more responsive to price changes than non-Alaska residents when determining whether to take a charter trip.

Fishing expenditures to take a halibut charter trip were estimated to be $15 million in Cook Inlet to western Kenai Peninsula region ($18 million in all of area 3A) during 1998. Based on expenditure data collected in the Lee et al. (1999a) survey, input-output (I/O) modeling was performed to gauge the impacts of angler expenditures attributable to the halibut charter fishery on the western Kenai Peninsula. After accounting for the direct, indirect, and induced effects of angler expenditures, the fishery contributes a total of $22,560,637 worth of sales (output), $9,259,417 worth of income, and 738 jobs to the regional economy (western Kenai). Note that these jobs are not full-time equivalents, but include seasonal and part-time positions.

Similar data are not available for area 2C. However, the cost of charter trips in 2C were between $150 and $220, depending on the location. Many of those trips were for salmon or a combination of salmon and halibut, and it is not possible to derive good estimates of the expenditures on halibut charter trips in 2C.

IFQ Program for the Halibut Charter Fishery Several decisions must be made to develop a complete IFQ program for the halibut charter fishery. The first decision (**Issue 1**) is how much halibut the charter sector will be allocated. The Council is currently considering two options. The first option would allocate 13.05 percent of the combined commercial and charter quota for IPHC area 2C to the charter fleet. The second option would allocate 13.32 percent of the quota. Based on estimates of the combined quota for 2001, those percentages would result in a shift of 26,541 pounds between the sectors. In area 3A, option 1 would allocate 14.11 percent of the combined quota to charter operators. Option 2 would allocate 12.26 percent of the combined quota. At the 2001 harvest levels, the different allocations would a change the amount of halibut going to the commercial and charter sectors by 455,951 pounds.

A sub-option would fix 50 percent of the charter allocation at the poundage level at the time of initial issuance. The remaining 50 percent of the initial allocation would float with halibut abundance. Implementing this sub-option would increase the allocation to charter operators, relative to the commercial sector, in years of low halibut abundance. In years of higher abundance the commercial sector would be issued a relatively larger allocation. For example in area 3A, if the initial year's combined quota was 20 million pounds and Option 1 was selected, then the allocation would be 14.11 percent to the charter sector. That equates to 2.82 million

pounds to the charter sector and 17.18 million pounds to the commercial sector. If the combined allocation fell to 10 million pounds in a future year, the charter sector would be allocated 2.12 million pounds (21.17 percent) and the commercial sector would be allocated 7.88 million pounds (78.84 percent). Both sectors allocation is reduced, but the charter sector is allocated a much larger percentage of the combined quota. If the combined allocation increased to 30 million pounds, the charter sector would only be issued 11.76 percent of the pounds. However, the resulting pounds of allocation would increase from 2.82 million to 3.53 million. Since their demand for halibut is client driven, they may not be able to utilize that increase, if they are not allowed to harvest it commercially or transfer (lease) it to a member of the commercial sector.

Issue 2 defines the U.S. ownership requirements and the recipients of initial quota. Real persons are required to be U.S. citizens before they can be allocated or purchase quota. Corporations and the other such entities are also required to be U.S. owned. The U.S. ownership options set out in the analysis are 51 and 75 percent. Regulations for commercial quota ownership require that they were able to legally document a fishing vessel in the U.S. based on the 1988-90 ownership standards. If quota is transferable across the commercial and charter sectors, they Council may wish to have the same ownership requirements in both sectors. That would require that the charter sector standards be based on old U.S. ownership definitions, or the commercial requirements are updated to reflect the 75% U.S. ownership standards implemented under the 1998 American Fisheries Act.

Two options are being considered to determine who will be initially issued halibut charter quota. The first option would allocate quota only to owners of charterboats and charterboat businesses. The second option assumes that the allocation would go to owners unless the vessel was operated by another person through a bare vessel lease. Data limitations preclude the analysts from estimating the number of persons holding bare vessel leases. Therefore the Council must make the decision of whether to include bare vessel lessees in the initial allocation, based on the their feelings regarding the appropriateness of granting that class of persons initial allocation rights, as opposed to the vessel owner. During the application period people would be required to prove they held a bare vessel lease. RAM has indicated that determining whether or not a person held a bare vessel lease was not a substantial problem in the commercial IFQ program.

Issue 3 defines the level of participation a person must meet to qualify for an initial quota allocation. Five options were selected by the Council for consideration, with each of the options requiring the operator to submit logbook entries in from the 1998 and/or 1999 fisheries. In addition to this requirement some options require participation in at least four of the five years from the 1995-99 time period. These are the options with the strictest qualification criteria. Each of the options under consideration is listed below and the best estimates of the number of vessel owners and the total number of vessels are listed in Table E.1.

The number of persons meeting the criteria listed in the five options, and therefore the number of persons eligible to receive an allocation at the time of initial issuance, is difficult to determine.

Option 1. Initial issuees who carried clients in 1998 and 1999 and who submitted ADFG logbooks for an active vessel[1] (as received by ADFG by February 12, 2000)

Option 2. Initial issuees who carried clients in 1998 or 1999 and who submitted ADFG logbooks for an active vessel (as received by ADFG by February 12, 2000)

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[1]Active vessel is defined as having turned in one ADFG logbook page with positive catch or effort. ADFG Guide and Business registration is required of bare vessel lessees only. Neither CFEC vessel registration nor IPHC licensing would be required of bare vessel lessees.

Option 3. Initial issuees who carried clients prior to June 24, 1998 and who submitted at least one ADFG logbook for an active vessel (as received by ADFG by February 12, 2000)

Option 4. Initial issuees who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC, and ADFG business and guide documentation for 1995-99 and submitted logbooks for an active vessel in 1998 and 1999

Option 5. Initial issuees who carried clients four out of five years between 1995-1999 as evidenced by IPHC, CFEC and ADFG business and guide documentation for 1995-99 and submitted logbooks for an active vessel for either 1998 or 1999

Table E.1.: Projected number of Owners and Vessels under each qualification option.

Participation Criteria	Projected Number of Qualifiers			
	2C - Owners	2C - Vessels	3A - Owners	3A - Vessels
Option 1: 1998 and 1999	≅322	≅544	≅333	≅444
Option 2: 1998 or 1999	≅539	≅765	≅568	≅674
Option 3:	539 > x >367	765> x >533	568 > x >366	674> x > 427
Option 4:	< 322	< 544	< 333	< 444
Option 5:	< 539	< 765	< 568	< 674

Several factors that make determining the actual number of persons that are eligible to receive quota at the initial allocation very difficult, including tracking people across various data sets. That being said, our best estimates of the number of qualifiers (vessel owners in this case - since no data are available on bare vessel lease holders the numbers reported here do not reflect those persons) will be provided in this section for only the first two options. The other options include qualification requirements in addition to those included in Options 1 and 2. Therefore, the number of potential qualifiers in Options 3 - 5 are less than the related criteria in Options 1 and 2. If the Council adopts one of those options and the SOC approves the amendment package, applicants would need to provide the appropriate documentation to prove their qualification. However, data limitations should not preclude the Council from selecting one of those options should they so desire. Appendix II provides a detailed description of the relevant data sources and the problems associated with using those data.

Should the Council wish to consider a moratorium on new vessel entry into the halibut charter fishery instead of the IFQ program, the options listed in the above table could also be for that program. The numbers in the table would then serve as a proxy for the number of persons or vessels that might qualify.

Issue 4 defines the formula that will be used to allocate quota shares among the initial recipients. Because of the problems associated with linking the various data sets together based on the owner or bare vessel lease holder, it is not possible to provide estimates of the amount of quota that would be allocated to each QS holder. Instead, the analysis focuses on the options in a general sense and provides examples of how QS would be distributed given hypothetical participants and catch histories. This method of treating the options also expands the range of allocation percentages that the Council may feel they have adequate information to consider at the time of final action.

Under Option 1, the average of each initial issuee's 1998 and 1999 harvest in numbers of fish will be estimated according to logbook records. Of this amount, each individual will be awarded 70% of his average 1998 and 1999 harvest level; (a) an additional 10% of the individual's 1998 and 1999 logbook average will be awarded for each year of proven participation in the fishery for 1995, 1996, and 1997; (b) the resulting harvest award for each issuee will be summed by IPHC area and each individual's harvest award will then be converted to a percentage relative to the sum of all individuals' 1998 and 1999 logbook averages; (c) each issuee's share will then be multiplied by the poundage associated with the Council's preferred option under Issue 1; (d) the resulting poundage (IFQs) will then reflect the amount of allocated quota, and will be issued as pounds or converted to numbers of fish depending on the Council's preferred option under Issue 9.

QS awarded under Option 1 will be very heavily dependent on an individuals 1998 and 1999 landings reported under the logbook program. Small recorded landings under the logbook program cannot be made up through the 10% participation bonus awarded for each year fished during the 1995-97 time period. For example a person fished and completed logbooks only in 1998 (reporting 500 fish), and also fished every year 1995-97. That person would be credited with a catch history of 325 halibut for the four years they fished. Another person fished in both 1998 and 1999 filling out logbooks for 1,000 fish (500 each year). That person would be credited with a catch history of 500 halibut for fishing two years. So even though both charter operators caught 500 fish a year and first operator fished more years, he gets a smaller allocation because 1998 and 1999 are weighted higher than 1995-97.

Option 2 is the modified Kodiak proposal. The steps for calculating allocation amounts under this option are as follows: (a) For Part A, an equal share of 5% - 30% of the initial pool is awarded to each issuee. **This percentage could be increased or decreased at the time of final decision. The larger the percentage under Part A, the more evenly the quota will be distributed among persons qualified to receive an allocation of charter quota. If the percentage were increased to 100%, everyone would receive the same allocation. Changing the allocation percentages in Part A would likely also necessitate changing the percentages in Parts B and C.** (b) For Part B, the individual's 1998 and 1999 average harvest is divided by the total 1998 and 1999 average harvest to calculate each individual's relative percentage of total harvest. This percentage is then multiplied by a percentage of the initial pool (33% was being considered by the Council); (c) Part C is calculated by awarding a point a year to each individual for participation between 1995 and 1999. The ratio of each issuee's points divided by the total number of points is then multiplied by a percentage of the initial pool (62% to 37% were specified by the Council).

Under Option 2, there is a distribution of equal shares at the outset of the allocation under Part A and the award scheme for longevity is not ultimately tied back to the logbook averages as under Option 1. Therefore, only Part B of Option 2's allocation scheme is based on a person's catch history as reported in the logbooks. Because less emphasis is placed on a person's logbook landings, the range of values among issuees under Option 2 will be more tightly clustered around the mean than the range of values under Option 1. That is, there is less variation in the individual allocations because the combination of longevity in the fishery (Part C) and an equal distribution from the initial pool (Part A) play a substantial role at initial issuance for Option 2, whereas Option 1 very heavily weights individuals' logbook averages.

A suboption in this section would base the logbook portion of the allocation on both retained and released halibut. This option was included before the Council developed options for allocating quota among the commercial and charter sectors. So this option may have been included to impact allocation between sectors as opposed to distributing the charter allocation with that sector.

Data from the ADFG logbooks indicate that some operators reported releasing over 100 halibut on a trip. Over 1,400 trips reported releasing at least 20 halibut. These large numbers of released fish could greatly alter the allocation among charter operators. For example, the person that reported releasing 120 halibut on a trip would be credited with the equivalent of legal catch limits (assuming that 12 halibut were also retained on the trip). If another operator did not release any halibut, they would be put at a substantial disadvantage at the time of allocation, especially under Option 1. Also recall that the practice of releasing fish does not count against a person's allocation. Therefore, a person would be given credit for releasing halibut during the qualifying years, but releasing halibut under an IFQ program would not count against their allocations.

Issue 5 defines the types of transfers that would be allowed under the IFQ program. A paper prepared by Drs. James Wilen and Gardener Brown was used as the basis for this section.

In all of the discussion over quota design for the charter industry, there is considerable tension between economic efficiency-generating design options and restrictions and provisos designed to prevent change that is anticipated to be either too rapid or too radical. For the charter halibut industry, one motive for even considering quotas is to reduce the uncertainty over future allocations to the sector as a whole. If that is the main purpose of introducing quotas, a program design with restrictions that freeze the industry close to the status quo may satisfy most participants. Nevertheless, the main economic benefit of adopting a quota system in the charter sector could be the incentives it will give charter quota owners to maximize the value of quota held. If there is one single constant across all programs implemented to date around the world, it is that quotas generate new and generally profound changes in methods of doing business. These changes are the result of abandonment of the wasteful activities associated with the open access race for fish, and the substitution of activities reflecting value-added and stewardship. A quota system adopted by the Alaskan charter industry can be expected to generate substantial and largely unpredictable changes as quota owners search for new ways to maximize the profits associated with quota rights.

The simple way to look at the suite of transfer restrictions proposed under Issue 5 is to consider each a potentially binding (effective) barrier to completely free and unfettered trade. It is a fundamental characteristic of any quota system that the less constrained a system is, the more quota will gravitate to high valued uses and the more overall value will be created by the resource devoted to the sector. Conversely, any restrictions on trade that effectively inhibit some quota from seeking highest and most valued uses will impose a cost. This cost will be borne directly by those who are granted quota in that their quota will not attain a market value that is as high as it might be without restrictions in place. Importantly, the cost is borne mainly be those in "protected" sectors and groups. For example, the cost of blocked transfers in the commercial sector is probably close to 55 million dollars. This is the amount by which quota held by individuals in the small holder, blocked transfer categories is discounted vis a vis what it would sell for in an unblocked market. It also represents the potential value attributable to the halibut resource that is foregone by Alaska and the nation in order to keep a diverse fleet of small holder, part-time fishermen.

In considering potential restrictions on transfers that might be imposed on the charter sector, careful attention needs to be paid to whether the industry and attendant secondary industries wish to forego similar efficiency benefits in order to attain similar objectives that have influenced design of the commercial sector system. For example, is it desirable to inhibit leasing or other short-term transfers of use rights by adding transfer restrictions that make trade costly? It is our sense that the benefits of being able to transfer quota within the charter sector on a short term basis are particularly significant economically. As we discussed, it is likely that the initial halibut charter quota allocation will be diffused across a large number of grantees, many of whom will choose to exit the industry within a few years of the quota program beginnings. Prohibiting leasing clouds the information that might be accumulated by prospective buyers and sellers about a fair price for permanent

transfers during the early phases of the program. This is in addition to the important benefits of being able to temporarily adjust quota holdings to meet short-term needs. Over the longer run, participants need the security to invest in value-producing new markets and service provision that permanent transfers promise. The British Columbia model was an interesting compromise that allowed temporary transfers during the first couple of years and then opened up the system to permanent transfers.

With respect to restrictions on transfers between sectors, there is understandably more concern about the implications of completely free transfers. The biggest unknown in all of the policy analysis is what configuration the charter sector will assume in response to quota allocations. The kinds of changes in services, in capacity utilization, and in variable input use in response to secure property are likely to be significant, particularly as the TAC constraints actually become binding. The magnitude of the new values generated will determine the pressure to either sell quota to the commercial sector or buy it from the sector. In an important sense, the implications of restrictions on between-sector trade are tied to restrictions in within-sector trade. If the charter sector adopts regulations and restrictions that inhibit the generation of the potential values that are likely to emerge with unfettered quota markets, those restrictions will at the same time enhance the likelihood that quota will be under pressure to flow from the charter to the commercial sector. At the same time, the layers of existing restrictions in the charter sector insulate the charter sector currently by ensuring that the willingness to pay in that sector is less strong than it might be under free trade.

In this system of layers of restrictions on trade in the commercial sector, the design of rules for between sector trade will effectively determine the groups within which trade occurs. The general rule of thumb, however, is that quota will flow to the sectors that have the highest effective willingness to pay. Under current restrictions in the commercial sector, this implies vessel classes C and D generally, and quota flowing into unblocked markets if permitted. It is also another rule of thumb that restrictions will reduce willingness to pay and hence determine the strength of the relative flow of quota. We would suggest caution, however, in giving these qualitative predictions too much focus. We do not expect pressures for large amounts of quota to flow (in either direction) between the sectors because of the nature of the charter industry and because of the countervailing forces that operate to equilibrate quota prices as transfers are made. As stressed above, the industry is essentially trip-demand limited, and having the use rights to harvest more fish probably has limited value at present. At the same time, it is unclear what a reorganization associated with secure property rights might generate, and it is conceivable that the industry might go through modest expansion or contraction. To the extent that it is desirable to capture the values from between-sector trade, consideration might be given to leaving mechanisms for modest amounts of trade open. Similar principles regarding the desirability of leasing hold with respect to between sector trade; it might be important to allow leasing at some scale in order to monitor the nature of the market pressures for long term transfers.

Finally, it should be emphasized that another important benefit of an IFQ system is that it eliminates some of the tension, conflict, and transactions cost associated with allocation decisions. By allowing quota to flow between and among participants in a manner determined by mutually agreeable market trades, fishery managers can remove themselves from some of the contentious allocation disputes that consume so much of their time and energy. The cost of this, of course, is that an initial time, energy, and political investment must be made up front in getting the initial allocations and rule of the game established. But in the long term, a well-designed quota system more or less automatically resolves much of the dispute and eliminates the rancor that consumes modern managers faced with using limited micro-management allocation instruments to address conservation, economic efficiency, and distributional concerns simultaneously.

The only decision point under **Issue 6** is whether to require persons wishing to purchase charter QS or IFQ to hold a USCG license in addition to being an initial charter issuee or qualified as defined by State of Alaska requirements for registered guides or businesses. There is not an option included that allows everyone to purchase QS or IFQ. Limiting the number of people that are allowed to purchase quota may decrease the QS value, if those persons excluded from purchasing QS place the highest value on it. However, limiting the people that are allowed to purchase QS also helps to insure that the fishery remains in the hands of a particular class of people. In making this decision, the Council concluded that the benefits gained from limiting quota ownership outweighed any losses in quota value that may result from allowing anyone to purchase QS.

The Council is also considering a suboption requiring individuals to hold a USCG license in addition to the other requirements before they are allowed to purchase QS or IFQ for the halibut charter fishery. If the regulations are written such that quota can only be fished in the commercial fishery by individuals eligible[2] to purchase commercial quota, this requirement would likely be unnecessary.

Issue 7 determines if ownership/use caps will be applied to the halibut charter IFQ program. It is difficult to know whether there are economic forces promoting agglomeration at this stage. It is suspected that the part of the industry that serves markets such as the tour boat industry may exhibit economies of scope and perhaps economies of scale. Other areas such as Kenai and Homer that serve more skilled angler markets may be optimal at smaller scales. It is thus difficult to predict the direction of the dominant forces. Capping ownership at levels below the economic scale necessary to maximize benefits will forego efficiency gains. On the other hand, the agglomeration issue is so politically charged that those benefits may not be worth pursuing in the larger arena. In the end, the cap issue is probably more an income distribution issue than an efficiency question and hence there is little that economic analysis can add to the question.

Should the Council move forward with a cap, it is important to ensure that the caps in the commercial and charter sector are compatible if trades are allowed between the sectors. This may mean either adopting the commercial cap or adjusting the commercial cap to reflect the additional quota added to the combined commercial and charter pool. Compatibility will ease the enforcement burden and allow members of industry to more easily operate within the provision.

Issue 8 addresses three miscellaneous issues: whether a maximum line limit of 12 is appropriate in Area 3A, and whether to mirror underage and overage provisions in the proposed charter IFQ program.

Option 1. Line limits were carried over from the GHL analysis *as a potential means to control harvest.* Harvest controls are not explicitly needed under an IFQ program. The intent of such a measure under an IFQ program is not clear, since it appears to address allocation issues *within* the charter sector. The analysis concludes that a 12-line limit or any line limit does not address the problem statement. **If line limits do not address the Council's problem statement (i.e., allocations between charter and commercial sectors), then the Council may wish to withdraw it from the analysis or revise its problem statement.**

If the purpose of line limitations is socio-economic and/or allocative within the charter sector, then the Council should provide such direction to staff so the analysis could address the distributive result of establishing line

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[2]Those who wish to receive QS/IFQ by transfer but did not have QS initially awarded to them must submit a Transfer Eligibility Certificate application for approval. Only those who have 150 or more days of experience working as part of a harvesting crew in any U.S. commercial fishery are eligible to receive a Transfer Eligibility Certificate (TEC). Work in support of harvesting but not directly related to it is not considered harvesting crew work. For example, experience as an engineer, cook, or preparing a vessel for a fishing trip does not satisfy the requirement.

limits. Other management mechanism to insure against all the QS/IFQ ending up on a very few vessels include ownership/use caps (Issue 7), or including charter vessel length categories (i.e., "D" and "C" as in the commercial program) or designating some QS as usable only on a "6-pack" vessel (i.e., one on which the skipper may not carry more than 6 people for hire) and to designate some for use only on vessels that may carry more than six clients (i.e.,"head boats").

It is conceivable that there may be some advantage to adopting **Option 2. 10% rollover provision,** but that advantage may not be worth the associated administrative and enforcement burden. Also, "unused" IFQ (fish) remaining at the end of the charter season could be transferred to a commercial operator or to himself as a commercial operator, so no real underage would need to exist and the charter QS holder could receive some compensation for unused IFQs. Also, how underages would be applied depends on whether the charter IFQ harvest is managed in pounds or numbers of fish. There is no data to analyze whether 10% is an appropriate underage adjustment for this fishery.

Staff notes a correction to **Option 3. 10% overage provision** in the listed option; **the option should read "10% rollover provision of IFQs remaining on last trip" to match the commercial program.** It proposes to incorporate a ten-percent adjustment policy (overage) for the charter sector similar to that in the commercial halibut IFQ program.

Allowing overages and underages in the halibut charter fishery could provide charter operators more flexibility in managing their business, and should result in few negative impacts on the commercial fleet. Overages will allow an operator to meet the needs of end of the year "walk in" clients without procuring quota through transfers. The overage and underage provisions in this case would serve as a mechanism to reduce the need for charter operators to lease quota, since they would be allowed to "borrow" a small amount from their allocation the next year. However, there may be limited need for an overage policy (especially if the permit is enumerated in numbers of fish), as the exact amount of fish can be easily determined and the permit holder will know exactly where s/he stands with respect to the allowable catch. Further, administration and enforcement of an overage policy is complicated and expensive. USCG and NMFS Enforcement concurs that it seems logical that the angler should be allowed to retain any fish taken or possessed within the daily bag and possession limit, and that any IFQ overage penalties should be incurred by the charter operator.

Allowing charter operators to exceed their quota by ten percent in a year would result in the charter fleet increasing their harvesting by, a maximum of, about 1% of the overall quota in 3A and 2C. These overages will have little impact on the quota levels that would be set the following year, and the charter sectors allocation would be reduced that year to account for any overage taken the previous year. The reductions in charter allocation would result in equal increases to the commercial allocation

If an IFQ program for the charter sector is implemented, all QS would be issued in **UNITS**, not pounds or numbers of fish. Under **Issue 9. Pounds vs. fish,** the Council is considering issuing halibut IFQs as either pounds of halibut or the number of halibut that can be landed through the operations of charter in a calendar year. The number of QS units initially issued would be converted either to pounds using the standard formula (Option 1) or to pounds and then to numbers of fish using average halibut weights from the charter sector (Option 2). Using pounds reflects the current administration of the commercial halibut IFQ program.

Nearly all recreational fisheries are managed based on numbers, rather than weight, of fish landed. Size limits may be employed in combination with bag and possession limits to limit the harvest of large or small fish, however they are rarely used singularly. Limits on pounds of fish landed are rarely used as a regulatory mechanism in recreational fisheries, because of the higher number of vessel landings and dispersed nature

of the fishery. Because sport-caught fish are not bought or sold, it is impractical and expensive to have enforceable weigh stations at all sites of sport landings.

Managing in numbers rather than pounds would have the advantage of linking the limit to the most common management strategy for recreational fisheries, that is bag and possession limits. Changing the unit of measure in the charter fishery from pounds to fish may impact the way the fishery is prosecuted. However, changing the underlying cost structure of the halibut charter fishery may change the attributes of the charter trips that are offered. For example, charter operators could specify the type of trip they offer in the materials they develop to advertise a trip. Some charter operators might state that no halibut over 100 lb could be retained. They may market this approach to conservation minded clients that are interested in protecting the larger female halibut that are the brood stock. Other operators may impose size limits on small fish. They may market trips to the trophy fishermen. Other charter operators may offer trips where there is no additional charge for the first 50 lb (or some other level) of halibut retained. For each pound of halibut over the specified level, the client would be required to pay an additional dollar amount that was specified in the contract. It is not known if these types of trips will be offered. They are presented as examples. It will be up to the individual charter operators to determine the type of trip that works best for them and their business. However from an economic perspective, since the halibut would be a costly input under the IFQ program (and the GHL program as well) it makes financial sense for the charter operators to minimize their costs. Reducing the amount of halibut harvested on their boat, if their halibut allocation is a constraint, is a logical way to reduce costs.

Allocating halibut in numbers of fish, rather than lb, benefits charter operators that harvest larger halibut, on average. Charter operators that harvest smaller halibut, on average in the future, would be disadvantaged under this system. This is because the number of fish are based on a standard conversion rate of lb to fish. Therefore if the average fish over the entire fleet is 20 lb, and he catches 40 lb fish on average, he has essentially doubled his allocation. His hope is that other charter operators continue to catch smaller fish and will keep the industry average at close to 20 lb.

If fish size depends on the charter operators ability to run to better fishing grounds further from shore, allocating quota in terms of number of fish would tend to benefit operators with larger faster boats. Charter operators that catch smaller fish that the average (perhaps those with smaller - slower boats fishing closer to the harbor) will receive a smaller allocation if it is based on fish rather than pounds. This may lead to charter operators upgrading their boats to essentially increase their allocation in the short run. If everyone follows this strategy, they average halibut size will increase. Reducing the number of fish a charter operator will be allocated based on their QS units held.

One cost of specifying charter IFQs in numbers of fish rather than pounds is that dockside monitoring would have to be done at major charter ports on a consistent basis to obtain an average weight of halibut harvested by charter clients. This would be an expensive program to cover all major charter ports in Areas 2C and 3A.

Making the conversions from pounds to fish on a charter IFQ permit would not be administratively difficult. Conversions between pounds and numbers of fish and IFQ account maintenance is simply a mechanical process for RAM. The issues are not insurmountable, but they should be evaluated in the context of adding additional complexity to a proposed program that is already complex.

RAM staff have proposed three ways to administer charter IFQ accounts:

(A) Numbers. Charter accounts are maintained and managed in numbers of (whole) fish. At the beginning of each year, TAC distributions in pounds are converted to fish. RAM rounds up or down to whole fish, theoretical excess pounds disappear and additional pounds are added as needed to "make up" whole fish. Reporting is in numbers of fish. Conversion between pounds and numbers of fish is necessary for each transfer between charter and commercial sectors, for calculating the following year's permits, and (depending on how they are calculated) to determine when to confiscate as opposed to making an administrative adjustment for overages. If the rounding method is unbiased, on average the TAC is not exceeded, although a person might be advantaged or disadvantaged in any one conversion event. Conversion factors, once calculated and published, would not be subject to debate.

(B) Weight. Charter accounts are maintained in weights, just like commercial accounts. This requires that charter operators report weights. Everyone gets to use the amount of (whole) pounds allocated to him/her. No conversions, no unallocated fractions of fish, no disputes. However, there were 2,807 commercial IFQ landings in Area 3A, while there were 16,643 bottomfish charter trips. The cost to monitor charter landings and weigh fish may be enormous. Many charter ports having no infrastructure for monitoring.

(C) A hybrid. Allocations are made and accounts are maintained in pounds, and as a convenience, charter permits display numbers of whole fish. Reporting is in numbers of fish. RAM may also need to display allocated pounds on charter IFQ permits and on landing receipts. Reporting is in numbers of fish. Allocations, transfers, overage/underage, permit calculations are all straightforward, as are conversions to whole fish.

Accounts entirely in numbers of fish (#1) are much simpler to understand and report, but rounding issues are introduced. Accounts maintained in pounds (#2 & #3) are much simpler to maintain, less prone to error, and easier to edit. Method #3 provides the advantages of predictability for charter operators, a simple reporting method and insures account accuracy; but, it requires charter IFQ permit holders to consider their IFQ accounts in both fish and pounds to track transfers, inseason overages/underages/confiscations and next year's IFQ adjustments. Tracking transfers may not be an issue. If IFQs are transferred from charter to commercial sectors, the commercial buyer would disregard the numbers of fish. If transferred from commercial to charter sectors, the poundage would be converted to numbers of fish using a recent average weight.

Managing the charter IFQ fishery in numbers of fish may be preferable for several reasons.

- One of the main advantages of implementing an IFQ program for charter operators is to enable operators to "customize" the amount of IFQ they hold to match the harvest needs of their individual business. Charter businesses can probably predict fairly closely how many halibut they need to run their operations through the normal fishing season. They will not be able to predict the weight of the fish their clients may harvest. Basing their annual IFQ permits on pounds of fish will introduce a factor of uncertainty into every charter business that will make it more difficult for them to operate within the IFQ program.

- The average weight of halibut changes from year to year based upon year class strength and other biological characteristics of the stock. An IFQ amount based on weight may work just fine for a charter business one year. However, the same IFQ share may only carry the business through a portion of the fishing season in future years if the average size of halibut increases substantially (but the commercial sector is also affected by changes in halibut abundance and average weight).Likewise, a charter operator

may forego income with a significant underage if the average weight of halibut were to decrease in a given year.

- One of the main advantages of implementing an IFQ program for charter operators is to enable operators to "customize" the amount of IFQ they hold to match the harvest needs of their individual business. Charter businesses can probably predict fairly closely how many halibut they need to run their operations through the normal fishing season. They will not be able to predict the weight of the fish their clients may harvest. Basing their annual IFQ permits on pounds of fish will introduce a factor of uncertainty into every charter business that will make it more difficult for them to operate within the IFQ program. Dockside enforcement may be more complex if IFQs are based on pounds of halibut. Charter businesses operate out of a large number of ports and numerous docks, boat launches, etc., within each port. It would be necessary to have certified scales at each landing location, or to require all charter vessels to offload halibut at one central weigh-in location in each port, to record accurate weights of the halibut harvested. Both of these options are expensive and problematic. USCG and NMFS concur that the easiest way to manage the quota at the operator level is by the number of fish

- Many charter operators fillet halibut while the vessel is returning from the fishing grounds to shore to offload their clients and fish. Federal regulations prohibit filleting or mutilating halibut in such manner that would prevent determination of the number of fish on board. An enforcement officer could still determine the number of halibut harvested even if the fish were filleted, but determining the number of pounds harvested would not be possible. Onsite survey data collected in Area 2C during 2000 indicates that nearly 60% (range 11% to 88%) of the halibut landed by charter vessels had already been cleaned at sea. This issue (and that of accurate collection of harvest statistics) would go away if the IPHC simply required landing of fish with meat on and in a condition that allowed measurement of length.

Issue 10. Reporting of landings addresses whether to require trip-based or logbook reporting for monitoring of IFQ accounts. Staff recommends trip-based reporting, but offers an additional option. Because some charter operators take two "trips" in any given day, **staff suggests Council consideration of another option**: Once every day in which a "trip" occurs. NMFS Enforcement has indicated that daily reporting may be acceptable. Staff also recommends continuation of the ADFG logbook program, as it addresses state management needs beyond federal halibut management.

A third option was added to the analysis during preliminary review. Agency staff suggests it may be unwieldy, intrusive, and probably unnecessary (especially if the charter IFQ permit is issued in numbers of fish). It could require certified scales at every conceivable landing location (including remote lodges and other locations in which the costs could be excessive). It would undoubtedly increase the cost of doing business for a number of charter operators.

If the permits are issued in numbers of fish, simply reporting (electronically, with waivers from that requirement available under certain circumstances) on a daily basis should be adequate to meet the goals of harvest monitoring on a real-time basis and maintaining IFQ account balances.

Possible new option: Fish tag system

USCG staff have suggested consideration of a fish tagging program that is used on the east in recreational fisheries. Each operator is issued a stack of tags based upon their quota/unique ID. The operator tags each fish when caught and the tag (with the QS holder's number) would remain on until the fish is landed. This may be a good option when quota is based on the number of fish and not on weight. Every landed halibut from a

charter boat would be tagged. Un-tagged fish would have been landed by an unauthorized participant and they would be in violation. The tags run out when quota runs out. State personnel would note whether or not a tag was on the fish as well. Enforcement would issue a violation later if a charter operator did was found to be in violation.

This option would require landing whole fish and not filets. This may require a change in fishing practices, particularly in Southeast where charter boat operators are on a tight schedule to get cruise ship passengers in and out quickly, as they filet on the way in to port to save time.

Issue 11 considers the option to **set aside** halibut quota for use by qualifying individuals in targeted communities in the Gulf of Alaska for purposes of starting and/or developing charter businesses. The analysis is intended to support a Council decision in April on four decision points: (1) *whether* to set aside quota for Gulf communities; (2) the *magnitude* of the set-aside; (3) the *source* of the set-aside (commercial and/or charter sectors); and (4) whether to include a *sunset* provision. Two options are considered under this issue: under Option 1, the charter IFQ program would be implemented but no quota would be set aside from target communities; under Option 2, a range of 0.5-2.5% of the combined commercial/charter TAC would be set aside for Gulf communities.

Estimated Value of Economic Barrier to Entry: Since one of the main purposes of the proposed community set-aside is to reduce an economic barrier to entry into the charter industry for target communities, the value of the potential economic barrier created by the charter IFQ program is estimated. This economic barrier under consideration is that created by implementation of the charter IFQ program since, if the program is implemented, new charter businesses would need to purchase halibut QS to support their operations (assuming no halibut QS units are received via the initial allocation). Based on ADF&G logbook data for 1998 and 1999, halibut resource requirements are estimated for start-up and full-time charter operators for the target communities in Areas 2C and 3A. In Area 2C, an estimated 900 lbs and 3,000 lbs of halibut are required to support start-up and full-time charter operators, respectively. In Area 3A, an estimated 1,000 lbs and 6,000 lbs of halibut are required to support start-up and full-time operators, respectively. These values are somewhat lower than the halibut resource needs estimated in the Gulf Coastal Community Coalition (Coalition) proposal of 2,000 lbs and 10,000 lbs for start-up and full-time operators, respectively.

Using mean 1998 commercial halibut QS transfer prices of $10.14 and $8.55 for Areas 2C and 3A, respectively, as an indicator of halibut charter QS prices, the estimated halibut resource requirements may be converted to potential cost of QS for start-up and full-time charter operators. Thus, start-up charter operators may need to purchase $9,000-$19,000 and full-time operators may need to purchase $30,000-$94,000 worth of halibut QS (assuming no halibut QS units are received in the initial allocation). These estimates provide an indication of the potential value of the economic barrier created by the charter IFQ program and potentially removed if the community set-aside is adopted. While the start-up requirements are relatively modest (but not insignificant), the value of halibut quota shares required to support full-time charter operations is significant and comparable to the cost of other major equipment items (e.g., boat).

Other Economic and Non-economic Barriers to Entry: The lack of charter businesses in some of the target communities despite growth in the industry during the 1990's suggests that other significant barriers to entry may exist for these communities. Other potential barriers include economic and non-economic factors. Other potential economic barriers include the cost of a boat and other fishing equipment, cost of property (lodge, dock, land, etc.) and the initial funds to finance operating expenses during the start-up phase. Based on data from the ISER (1999) guide and charter survey and adjusting for inflation, the estimated cost per boat ranges from $45,000-$75,000 and the estimated overall equipment costs range from $74,000 to $140,000.

From the same survey data, annual operating expenses are estimated to range from $34,000 to $124,000 (adjusted for inflation). A break-down of these operating expenses is as follows: 34% for payroll and other employee expenses; 30% for transportation-related expenses including fuel; 10% for administration; and 9% for other services including advertising. Importantly, most of these expenses would be incurred even if no client demand materializes. Financing to support operations during the start-up phase represents another potential barrier to entry.

Other factors that may have limited past development of charter businesses in some of the 37 target communities and may represent significant barriers to entry include the following: (1) remote location of community; (2) lack of road access; (3) lack of scheduled flights or ferry service; (4) lack of boating facilities; (5) lack of other recreational opportunities; (6) lack of food and lodging amenities; (7) lack of tourism; (8) community prefers to limit tourism; (9) not scenic; (10) proximity to other port; (11) lack of financial resources; (12) reluctance to take financial risk; (13) lack of business experience and skill; (14) and lack of a USCG license. Of all factors listed, the remoteness of the community is likely the factor most limiting to the development of charter businesses in the 37 target communities. Even if packaged with transportation and lodging, halibut charter fishing from a more remote community would likely appeal to only a small percentage of clients. Thus, development of charter operations in the target communities may be as much limited by lack of demand as by the challenges to start and operate a charter business in a remote community.

Issue 11, Option 1 considers the implications of the charter IFQ program for target Gulf communities if no halibut quota is set aside. Concerns have been expressed that if no quota is set aside, some Gulf communities that are in the early stages of developing halibut charter businesses may have difficulty achieving long-term viability once the halibut charter IFQ program is implemented. The concern revolves around two issues: (1) that certain smaller Gulf communities are likely to receive fewer halibut QS in the initial allocation; and (2) that implementation of a halibut IFQ system for the charter sector creates a new barrier to entry into the industry. Thus, the impacts of the issues and options governing the initial allocation of halibut QS on the 37 target communities are considered.

Implications of Issues 2, 3 and 4 for Target Communities: Issues 2, 3 and 4 define options for determining *who* is eligible to receive QS, the *qualification criteria* and the formula for calculating the *amount* of QS distributed to initial recipients. The general impacts of these issues were discussed earlier. Of interest here are the incremental impacts or implications for the 37 communities targeted by the set-aside. Direct allocations of QS to communities (as opposed to individuals residing in the communities) is not under consideration at this time. For communities (among the 37) that have existing charter businesses, including charter vessel owners and bare vessel lessees as initial recipients of halibut QS does not necessarily disadvantage members of such communities. Potential issuees residing in the target communities are likely more sensitive to the choice of qualification criteria (Issue 3) and formula for determining the size of the distribution (Issue 4). If potential issuees in target communities have below average ADF&G logbook harvests (in 1998 and 1999) and relatively few years of operation, criteria and distributions that place less emphasis on the logbook harvests and longevity may ensure that such issuees receive amounts of QS reflective of their market share.

For example, the initial allocations of halibut (in pounds) are estimated for target communities in Areas 2C and 3A based on the qualification criteria under Issue 3, Option 1 (logbook data for 1998 and 1999) and Option 2 (logbook data for 1998 or 1999). For both Areas 2C and 3A, the target communities are likely to receive more halibut QS under Option 2; Area 2C target communities may receive an estimated 221,900 pounds under Option 2 (versus 211,800 pounds under Option 1) and Area 3A communities may receive an estimated 86,100 pounds under Option 2 (versus 85,000 pounds under Option 1). These amounts represent

estimated minimum amounts since issuees in target communities may receive more if they meet the longevity requirement and due since any balance would be redistributed among all participants. There would also be more initial issuees in target communities under Option 2 (1998 or 1999 logbook data) versus Option 1 (1998 and 1999 logbook data); an estimated 66% and 71% more potential issuees may qualify under Option 2 versus Option 1 for Areas 2C and 3A, respectively.

Implications of Issues 5-7 for Target Communities: Issues 5-7 describe options for various restrictions on transferability. In general, retention and acquisition of halibut charter QS would be facilitated by (1) restrictions that prevent individuals from transferring QS permanently out of the communities, and (2) provisions that would make it easier for community members to acquire QS. Restrictions on transfers from individuals in the target communities to recipients outside of these communities are not under consideration at this time. Issue 6 includes a suboption to require the recipient of any QS transfer to hold a USCG license; this requirement may be overly restrictive from the perspective of the 37 communities targeted for the set-aside. Since application for a USCG license requires a written exam (in addition to boating experience), this requirement may delay but not preclude the acquisition of QS by residents in target communities. Finally, caps, considered under Issue 7, may make it easier for smaller charter operators based in the target communities to acquire halibut QS.

Issue 11, Option 2 considers the net benefit implications and distributional effects of the community set-aside on the charter and commercial sectors (depending on source of the set-aside) and implications for communities. The analysis is based on several assumptions and core features for the community set-aside program: (1) set-aside quota are granted to qualifying individuals in eligible communities on a limited right-of-use basis and cannot be sold or leased; (2) set-aside quota are allocated to qualifying individuals on an annual basis subject to individual and community caps; (3) communities, on behalf of qualifying community members, must request an allocation of set-aside quota each year and any quota uncommitted by a certain date is rolled back to the general commercial/charter quota pool for the upcoming season; and (4) set-aside quota are intended to be used for purposes of starting or developing charter businesses by the individual receiving the allocation. In addition to these core features, the Council also requested that a phase-in approach be considered in addition to the preseason roll-back proposed by the Coalition and that sunset provisions of 5 or 10 years be included in the analysis.

Net Benefit Implications of Set-Aside: The community set-aside has the potential to reduce net benefits to society for two reasons: (1) the set-aside may result in quota remaining unharvested, reducing supply in the charter and/or commercial sectors (depending on source of set-aside); and (2) even if set-aside quota are fully utilized, the set-aside may reduce net benefits due to changes in industry costs. The Coalition proposal includes a combination of features designed to limit the potential for unharvested quota, including a mechanism to "roll back" uncommitted quota prior to the upcoming season and various caps, penalties and limits on individuals to encourage participants to only request allocations that they plan to use. The Coalition proposal, in theory, provides a conceptual mechanism for minimizing the potential for unharvested quota but its efficacy depends on the extent it works in practices. In addition to the pre-season "roll back" feature proposed by the Coalition, the Council requested (December, 2000 meeting) that a phase-in approach be considered. By itself, a phase-in may be less effective than the pre-season roll-back in minimizing the potential for unused set-aside quota since the magnitude of the allocation may not be directly tied to the number of requests from eligible communities. The phase-in, however, may help to reduce uncertainty for the charter and/or commercial sectors (depending on the source of the set-aside) associated with the amount that each sector's TAC is reduced each year and serve to stabilize quota share values.

The community set-aside may change costs for the charter sector and give new entrants in eligible communities a competitive advantage over certain other new entrants. Costs for come charter operators in major ports (Homer, Juneau, etc.) may rise if the reduction in the charter sector TAC due to the set-aside requires such operators to lease or purchase additional QS. Cost increases may cause some marginal charter operators to leave the industry, reducing supply and increasing charter trip prices for clients in major ports. If the TAC is taken partially from the commercial sector, a decrease in commercially supplied halibut would result. The supply decreases in the charter and commercial sectors would reduce net benefits to society. These net benefit reductions may be partially offset by an increase in the availability of charter trips from remote communities. Since charter trips from remote communities are highly differentiated products (i.e., offer clients a more unique charter trip experience), and since such trips may not represent good substitutes for charter trips from major ports, increases in the supply of remote-community charter trips may not truly offset reductions in the supply from major ports. Thus, an overall reduction in net benefits may result.

Impact of Removing an Economic Barrier to Entry: The community set-aside would likely remove an economic barrier to entry into the charter industry for participants. By doing so, the set-aside essentially preserves the existing cost structure but does not necessarily create any new opportunities for target community members. As a result, it is unlikely that the number of new charter businesses developed in the target communities would be any higher than would develop naturally if the charter IFQ program is not implemented. By removing an economic barrier for some new entrants, the community set-aside may give participants a competitive advantage over other new entrants in certain situations. This is most likely to occur between two new entrants - one eligible for set-aside quota, the other not eligible - and if both are competing for the same clientele. Thus, if both new entrants are trying to attract clients that prefer charter trips based in remote communities, the new entrant that is not eligible for set-aside quota may be at a competitive disadvantage. This is less of a concern if the new entrant is based in a major port since the relevant sources of competition in this situation is the established charter operators based in the same port. It is possible, however, without clear requirements for residency, the community set-aside may create a loop-hole that allows entrance into the industry by individuals that otherwise would not choose to live in the remote target communities.

Administrative Costs: Administrative costs represent another potential reduction in net benefits since costs would increase even if the utilization of the resource remains the same. Two types of annual transfers of halibut charter quota would occur under the proposed community set-aside program structure, both of which would incur administrative costs: 1) transfer from the RAM Division of NMFS to the designated community management entity, and 2) transfer from the management entity to qualified individuals within those communities. Firstly, the marginal administrative cost of adding communities as potential recipients of halibut charter quota under the existing IFQ program administered by NMFS is expected to be minimal. Secondly, while the cost of maintaining a community management entity could be recovered from individual community quota recipients through a fee-based program, there may be more substantial start-up costs associated with establishing the proposed management structure which would likely be incurred by the community as a whole.

Impact of the Source and Magnitude of the Set-Aside on Charter and Commercial Sectors: Depending on the magnitude and source of the set-aside, the initial allocations under Issue 1 for the charter and commercial sectors may change. The three suboptions regarding the source of the set-aside are: A) equal pounds from the commercial and charter sectors; B) a proportional amount based on the percentage quota split between the commercial and charter sectors; or C) the entire set-aside taken from the charter sector.

A 0.5 -2.5% set-aside would result in an allocation of 49,150 - 245,750 pounds to target communities in Area 2C and 123,230 - 616,150 pounds in Area 3A. These numbers represent the *maximum* annual allocations to

communities under the proposed set-aside range, since the amount set aside for each area would ultimately be dependent on the amount requested by each community on an annual basis, subject to a community cap.

The initial allocations to the charter and commercial sectors are defined under Issue 1, Options 1 and 2. Issue 1, Option 1 would allocate 13.05% and 14.11% of the combined commercial and charter halibut quota to the charter sector in Areas 2C and 3A, respectively. Option 2 would allocate 13.32% in Area 2C and 12.26% in Area 3A. These percentages were applied to the estimated 2001 combined commercial and charter halibut quota of 9.830 million pounds in Area 2C and 24.646 million pounds in Area 3A to determine the initial allocation to the charter sector under each option.

Area 2C: Under the charter allocation proposed under Issue 1, Option 1 (13.05%), the proposed range for the set-aside, and all of the suboptions for the source of the set-aside, the commercial sector's initial allocation could be reduced by a range of 0.3 - 2.5%, and the charter sector's initial allocation could be reduced by a range of 0.5 - 19.2%. Suboption B results in the greatest impact on the commercial sector, potentially reducing that sector's initial allocation by up to 2.5% or 213,673 pounds. Suboption C results in the greatest impact on the charter sector, reducing the initial allocation to that sector by up to 19.2% or 245,750 pounds. Under Issue 1, Option 2, the charter sector's initial allocation increases slightly to 13.32% of the combined quota. Thus, the impact of the set-aside range on the initial allocations to each sector changes very modestly on a percentage basis: the commercial sector's initial allocation is reduced by about the same magnitude as under Option 1, and the charter sector's initial allocation could be reduced by a maximum of 18.8%.

Area 3A: Under the charter allocation proposed under Issue 1, Option 1 (14.11%), the proposed range for the set-aside and all of the suboptions for the source of the set-aside, the commercial sector's initial allocation could be reduced by a range of 0.3 - 2.5%, and the charter sector's initial allocation could be reduced by a range of 0.5 - 17.7%. Suboption B results in the greatest impact on the commercial sector, potentially reducing that sector's allocation by up to 2.5% or 529,211 pounds. Suboption C results in the greatest loss to the charter sector (17.7% or 616,150 pounds). In contrast to Area 2C, the existing charter sector's allocation in Area 3A would *decrease* under Issue 1, Option 2–from 14.11% to 12.26%. This reduction is reflected in the impact of the set-aside range on the initial allocations to each sector; the commercial sector is reduced by about the same percentages, and the maximum reduction to the charter sector increases to about 20.4%.

Implications of Magnitude of Set-Aside on Communities: The magnitude of the set-aside also has implications for the 37 target communities in terms of the amount of halibut quota available to individuals in communities and the extent that the allocations are enough to support start-up or mature charter operations. Using the assumptions developed in this analysis to estimate the halibut quota needs of a start-up or mature charter operation in these 37 communities, the proposed set-aside range could support 2 - 12 start-up or 1 - 4 mature charter operations in each Area 2C target community. Using the same assumptions, the set-aside range could support 9 - 44 start-up or 1 - 7 mature charter businesses in each Area 3A target community. The Coalition proposal estimates greater quota needs for both start-up and mature charter operations based on anecdotal evidence; using these assumptions would necessarily decrease the number of businesses the set-aside range could support in each area.

Sunset Provisions: The long-run implications of the community set-aside depend on whether an explicit sunset provision is included. The Council requested that 5-year and 10-year sunsets be considered. As proposed by the Coalition, participants of the set-aside are expected to eventually purchase halibut QS rather than rely on set-aside allocations indefinitely. Several provisions in the Coalition proposal are designed to encourage this outcome. It is more likely that a stable number of new entrants residing in target communities continue to apply each year based on natural turnover in the industry. If so, the set-aside effectively represents a

permanent allocation to the communities. Alternatively, if the program sunsets in 5 or 10 years, the effects of the set-aside would partially reverse, although sector allocations would likely differ from their starting points due to transfers. If the intent of the program is to provide short-run relief to certain communities so that adjustments to the charter IFQ program can be made more gradually, it is possible that an explicit sunset clause would encourage participants to purchase QS rather than rely on set-aside quota long term. The choice between 5 and 10 year sunsets is more of a policy call but a 10-year program may provide more time for the goals of the program to be realized.

Impact of Community Set-Aside on QS Values: Finally, the community set-aside may impact halibut QS values and introduce an additional source of instability. If the underlying TAC is reduced each year by the amount of the set-aside, QS prices may decline since each unit represents fewer pounds. This price decline may be partially offset in an increase in IFQ prices (per pound), depending on the elasticity of demand. The preseason roll-back may cause IFQ/QS prices to fluctuate due to uncertainty in the upcoming year's TAC. QS prices are likely to be more stable in the short-run if a phase-in approach is adopted and in the long-run if a sunset provision is included.

SUMMARY OF SECTION 5

Some of the alternatives under consideration could result in a significant impact on a substantial number of small entities. A more definitive assessment will depend on the alternatives (and specific options such as downstream management measures) selected by the Council. A formal IRFA focusing on the preferred alternative(s) will be included in the final analysis for Secretarial review.

SUMMARY OF SECTION 6

Section 6 lists the references cited in the analysis.

SUMMARY OF SECTION 7

Section 7 lists those individuals consulted in the preparations of the analysis.

SUMMARY OF SECTION 8

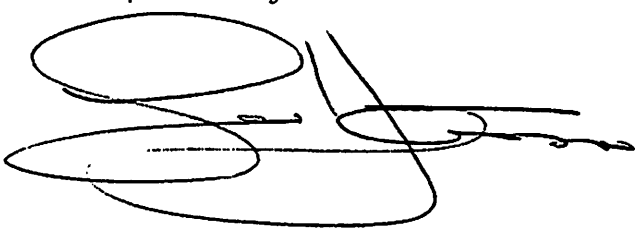
Section 8 lists the preparers of the analysis.

AGENDA C-1
FEBRUARY 2001
Supplemental

Mr Chairman,

I have been chartering since 1979... The last few years I have just worked the cruise ships which is a 4 hr salmon fishing trip.... My reason for this was that all the s.o.b.'s that flooded into Sitka from down south have deminished the quality of the fishing experience on the outside water..... Please don't reward them for their sins..... The people who insisted on killing a limit of halibut for every person every day should not be rewarded by getting the lion's share of the IFQ's..... The member's of the Sitka Charter Boat Association that cared, voluntarily stopped fishing the Sound 4 years ago ... and never did kill small halibut..... However, Im sorry to say that there are more than 100 operations here that would kill the last fish in the ocean if it meant a buck in their pockets...

Respectfully,



Chairman David Benton
North Pacific Fishery Management Council
605 West 4th Avenue, Ste 306
Anchorage, AK 99501

Dear Chairman Benton,

I understand the North Pacific Fishery Management Council is considering an Individual Fishing Quota system for the 2C and 3A halibut charter fleet. As an owner and operator of a Southeast charter boat, I will be affected by the Council's action. I support the Council moving ahead with the charter IFQ program.

As the Council is aware, the number of boats charter fishing has increased rapidly over the past 5 to 10 years, leading to crowding on the popular fishing grounds. The crowding decreases the quality of the fishing experience for most clients, who come to Alaska expecting solitude--or at least an escape from the mobs. IFQs will stop the flood of new entrants, providing some stability to my industry.

IFQs will also provide flexibility by allowing charter operators to plan their season, making sure late season clients still have the opportunity to catch halibut. This opportunity is critical to my ability to successfully market my business.

I believe the initial allocation of charter IFQ should be based on both years in the halibut charter fishery, as well as actual halibut landings. Many charter operators reduced their effort on halibut when localized depletion caused controversy among coastal community residents. Those who ignored these concerns should not be rewarded. If halibut stocks rebuild in these depleted areas, operators who voluntarily reduced their effort should have equal opportunity to take advantage of the abundance.

In closing, I support the Council moving ahead with an IFQ program for the 2C and 3A halibut charter fleet.

Sincerely,

George Huntington
Sea Quest Charters
3403 Hlt. Sitka AK

Capt. GEORGE HUNTINGTON
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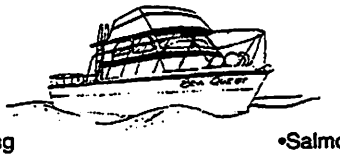
Sitka, Alaska, 99835

Sea Quest Charters



•Halibut Fishing
•Whale Watching
•Trail & Cabin Drop-offs

•Salmon Fishing
•Bird-Wildlife Tours
•Evening Cruises

Chairman David Benton
North Pacific Fishery Management Council
605 West 4th Avenue, Ste 306
Anchorage, AK 99501

Dear Chairman Benton,

I understand the North Pacific Fishery Management Council is considering an Individual Fishing Quota system for the 2C and 3A halibut charter fleet. As an owner and operator of a Southeast charter boat, I will be affected by the Council's action. I support the Council moving ahead with the charter IFQ program.

As the Council is aware, the number of boats charter fishing has increased rapidly over the past 5 to 10 years, leading to crowding on the popular fishing grounds. The crowding decreases the quality of the fishing experience for most clients, who come to Alaska expecting solitude--or at least an escape from the mobs. IFQs will stop the flood of new entrants, providing some stability to my industry.

IFQs will also provide flexibility by allowing charter operators to plan their season, making sure late season clients still have the opportunity to catch halibut. This opportunity is critical to my ability to successfully market my business.

I believe the initial allocation of charter IFQ should be based on both years in the halibut charter fishery, as well as actual halibut landings. Many charter operators reduced their effort on halibut when localized depletion caused controversy among coastal community residents. Those who ignored these concerns should not be rewarded. If halibut stocks rebuild in these depleted areas, operators who voluntarily reduced their effort should have equal opportunity to take advantage of the abundance.

In closing, I support the Council moving ahead with an IFQ program for the 2C and 3A halibut charter fleet.

Sincerely,

Wayne B Brown

2038 Halibut Point Highway
Sitka, Alaska 99835
November 27, 2000

Mr. Chairman,

On a personal note I just want to add that I have been chartering in Sitka since 1979. I have truly seen the changes yearly. In 1979, I specifically targeted halibut until 1990. At that time I began chartering with the cruise ships. Since the charters were only 4 hours in length I started targeting salmon. Halibut in 1990 were starting to get further out towards the cape. The time element was a factor. The halibut catch for the last 10 years on my boat alone has been 10% of what I used to catch.

I do have my log books from 1979 to 1990 showing a catch of 500 to 700 halibut a season. I certainly do not feel that it would be fair to penitalize me for only catching 30 halibut in 1998, 50 halibut in 1999, 100 halibut in 2000.

I truly believe years in the industry should be a consideration. Thank you for your time

Sincerely,
Wayne Brown

Bruce & Theresa Gabrys
10229 Baffin Street
Eagle River, AK 99577
(907) 694-3874

January 30, 2001

Honorable David Benton
Chairman, North Pacific Fishery Management Council
605 West 4th Ave. Suite 306
Anchorage, Ak 99501-2252

Re: Please Don't Ask Us to Pay Twice for IFQ

Dear Chairman Benton,

I support a halibut IFQ program for charter boats and the stability that it will bring to the charter industry. **But, please do not make me and other commercial fishermen pay twice for our halibut IFQ!** The charter IFQ should not exceed what is already included in the GHL program and any further community set-asides for charter boats should come from the charter GHL.

I have purchased the majority of my halibut IFQ. If the coastal community set-aside comes from the commercial TAC, I will have to go out into the market and purchase more IFQ to replace what I have lost through this reallocation. Why should I have to pay twice for my IFQ? The beneficiaries of such a reallocation currently have no investment nor catch history in the fishery.

The GHL is already set at 125 % of the historical charter catch to allow for growth in coastal communities and the charter industry. In addition, during the formation of the commercial IFQ program, the "CDQ" program was carved out of the historical commercial catch. The commercial fleet did not have the luxury of receiving IFQ based upon 125% of their historical harvest.

My family and I depend on the commercial halibut fishery for a significant part of our annual income. We have borrowed over $200,000 to purchase halibut IFQ in addition to $250,000 we have invested in the fishery. I, like many other fishermen, need to work multiple fisheries to remain economically viable. With the commercial salmon industry in financial disrepair, we cannot survive degradation of the commercial halibut fishery.

Sincerely,

Bruce Gabrys

RECEIVED
JAN 31 2001
N.P.F.M.C

Dear Ms. Benton,

I support a halibut IFQ program for charter boats. However, the amount of halibut should not exceed what is already included in the GHL program.

IFQs are needed so that the charter industry can have a ~~stable~~ stable business environment.

The GHL was already set 25% above the historic charter catch to allow for growth in coastal communities and the charter industry. The commercial fleet has already paid for the "CDQ" program and any further community set-asides for charter boats should come from the charter GHL.

Your help in fostering a stable business environment for the commercial fleet is appreciated.

Sincerely,

Michael Tiedeman

1-31-01

P.O. BOX 124
Cordova, AK. 99574

January 30-01

Dear Mr. Benton:

I recognize the need for an IFQ program for charter boats, but only limited to those charter boats whom have established themselves in the industry. The GHL has already been set at 25% above the historic catch, which I feel is more than fair. As a crewmember fishing for Halibut and blackcod for more than 10 years, I was excluded from any IFQ's and now to give more allocations to a charter group is totally unfair. I have to purchase IFQ's in order to enter this fishery and they (the charter boats) do not, I have earned the right to IFQ's these new charter boats that will enter into this industry have not any allocations set aside for the coastal community for charter boats entering into this industry should by all fairness come from the existing charter boats GHL. If this seems unfair than the Laws and Rules should be re-written to allow the new charter boats entering into this industry to purchase IFQ's from commercial fishermen who hold IFQ's.

I have been involved in the commercial fishing industry for more than 20 years. It is my livelihood and 100% of my annual income. I'm not against growth in the Charter boat industry, but in all fairness we have to work together in order to obtain a steady growth and profit

margin for each industry.

Yours Sincerely!

Michael T. Simpson

Michael T. Simpson
17209 Foothill Avenue
Eagle River, AK. 99577
PH. 907-696-3244

1-30-01

Mr. Benton

N.P.F.M.C

I support a halibut IFQ program for Charter boats. However, the amount of halibut should not exceed what is already included in the GHL program.

IFQs are needed so that the charter industry can have a stable business environment

The GHL was already set 25% above the historic charter catch to allow for growth in coastal communities and the charter industry. The commercial fleet has already paid for the "CDQ" program and any further community set-asides for charter boats should come from the charter GHL

Your help in fostering a stable business environment for the commercial fleet is appreciated.

Sincerely Rock M. Harris

30 yrs of Commercial fishing is 100% of my livelyhood.

Rock M. Harris
P.O. Box 534
Cordova AK, 99574

RECEIVED
JAN 31 2001
N.P.F.M.C

1/30/01

DEAR MR. Benton

I support A Halibut I.F.Q program for The Charter fleet AND Coastal Communitys

How ever I FEEL iN All fairness They should be able to buy IFQ from The commercial fleet

I feel At This point it is not A consideration. AS 25% is to be set Aside from The ~~Charter~~ commerical GHL.
Their should be A cap put on the 25% set Aside for The Charter fleet. if Coastal community need shares, They should be taken from the Charter fleet IN All fairness,

Thanks, for we need your support to keep our bussines stable, AS we have Already Spent years, Jumping Throug the hoops.

Sincerely Kenneth M.J Simpson

F/v Lady Simpson
Kenneth M.J. Simpson
Box 240449
Anchorage, AK.

48 years fishing
60 years Alaska Resident
fishing is 100% of my income.

THE BOAT COMPANY

1730 M Street, NW, Suite 204
Washington, DC 20036
Phone (202) 338-8055 Fax (202) 234-0745

January 31, 2001

Transmitted via FAX

North Pacific Fishery Management Council
605 West Fourth Avenue
Suite 306
Anchorage, Alaska 99501

Dear Sirs:

The Boat Company (an Alaskan corporation) operates three small vessels (97, 142 and 155 feet carrying a maximum of 12, 20 and 24 passengers respectively) in Southeast Alaska during the summer season. It's trips last 6-to-9 days and it offers its customers, primarily families (ages 5 to 85) and groups of friends travelling together, a variety of activities including; walking/hiking, wildlife viewing, canoeing/kayaking and fishing (stream and trolling).

Although fishing is not our prime focus (our best estimate is that it represents something between 15%-to-20% of our "activity time") it is an important part.

The Boat Company began operations in 1980 with one vessel, added the second in 1990 and the third last year.

It does not advertise but rather relies on references and repeat business from past customers plus an occasional article in national magazines, i.e., National Geographic, Town & Country, et al.

It is, for all practical purposes, fully booked this coming summer and about 50% booked for 2002

The Company has signed a lease to occupy space at the old pulp mill site in Sitka and will be moving its vessels and its operation's department to that city this coming summer.

The founder of The Boat Company was originally introduced to Southeast Alaska in 1951 when he worked for NAKAT (a family-owned company) on a power scow which serviced the Traps attached to one of the company's canneries.

The Boat Company had about 430 customers this past summer on trips that averaged 7½ days and they caught approximately 90 Halibut.

Although the foregoing number is small (during another season we could just as well have caught 180 fish) the ability to have access to that fishery is important.

The following represents some of our thoughts on issues The Council is considering regarding the Halibut Charter IFQ issue:

1. We think the Commission may be underestimating the economic benefits to the community of the charter business. Our average price is $650 per-customer, per-day and most of that money remains in Alaska. Further, aside from Alaska Airline fares, almost 100% of our customers arrive a day-or-two early (hotels and food) and many stay an extra day at the end of the trip in the port of disembarkation.

   Further, most end up spending a fair amount of money in local stores (clothing, et. al.). One local banker informed us, this past summer, that one of our customers purchased $75,000 worth of art (by local artists) from one of his client's galleries.

   The net of the foregoing is that each of the Halibut we caught was probably worth between $15,000 to $20,000 to the local economy.

2. We think the quotas should be in pounds, not fish.

   Although the allocation process may be an exercise of trying to, as best one can, please all parties, the underlying theme is the long-term protection of the resource. The International Pacific Halibut Commission works in pounds, so should we.

   As for reporting in pounds, it's not that much more difficult than by fish, i.e., use the formula, prepared by the Halibut Commission, that we all have access to that estimates poundage using a scale that increases in 2-inch increments. For more accuracy, the Tide Books provide the same information in 1-inch increments.

3. As for keeping our reporting honest, we don't know whether they still do, but in the "old days" the IRS, each year, used to "nail" one-or-two tax evaders in highly publicized cases and sent them off to jail. The purpose was obviously to put the fear of the Lord in the rest of us – it seems to have been effective and cost-efficient.

4. We understand there is not going to be any attempt to keep track of the "unguided" fishery.

   To the extent that lodges and others cannot get sufficient quotas to meet their needs. one can expect to see an increasing use of this loophole (we are already seeing increased advertising for this form of fishing).

   A case in point, one lodge advertised that its clients had caught, over the past several years, 3,000 Halibut annually. Even using the Council staff's estimate of 20 pounds-per-fish, this would amount to 60,000 pounds or approximately 5% of the total poundage that is being contemplated for Area 2C.

   Since unguided fishermen have to return their boats to their point-of-origin, keeping track of their catch shouldn't be that difficult.

   Finally on this point, many are forecasting a substantial increase in the number of lodges operating in Southeast thus putting further demand on the resource. Indeed, in a recently released report by a Government agency, they stated that "When determining shoreline carrying capacity, it is essential to consider the effects of existing private inholdings and those of potential inholdings that will be created by conveyance of Native Allotments, most of which could become sites for lodges (three pending allotments in Mitchell Bay, one pending in Whitewater Bay, one pending in Windfall Harbor and one pending in Little Pybus Bay").

5. Any final rules should provide some flexibility for operators such as ourselves who must, because we are on multiple-day voyages, be allowed to process what we catch.

6. Staff's point on high-powered boats is well taken. Years ago, when we dropped anchor in isolated coves far from anywhere, we seldom saw anyone else other than an occasional commercial fisherman. Now it is not unusual to see craft, attached to a lodge, 50-or-60 miles from "home base".

7. Although we are sympathetic to the concept of Community Set-asides we question whether, in the end, such set-asides will actually be given to new entries in the market or rather allocated to current local users (charter operators, lodges, etc.).

   If there is a set-aside, at a minimum, the cost of it should be shared between commercial and charter operators.

8. Returning to the issue of the welfare of the resource, where does the issue of Subsistence come into the equation (if at all)?

Finally, a comment on the past-as-well as the future might be in order.

The world's population has tripled in the last 60 years (2-to-6 billion) and is due to increase by as-much-as 50% in the next 25.

Over 50% of the Salmon consumed in the world today is farm raised (shrimp even higher) and that percentage is expected to keep increasing (rapidly). The forecasts are that the source of fish protein in the coming years (fin and shell) will be primarily from farms. Heretofore a potential limiting factor for fish farms has been the fact that the primary source of fish feed has been fish meal, but vegetable modified products are beginning to replace that product.

As a long-term subscriber to Fish Farming International, we have noted that industry's on-going efforts to develop, amongst other species, Halibut.

Based on the industry's past successes and tremendous growth, we can only assume they will be successful. Thus the Halibut fishery, as we know it today, is likely to be substantially changed 10 years from now, e.g., one small operation in Ireland, alone, expects to increase its production by 2004 to 200 tons (400,000 pounds) annually.

Ultimately, one of the greater benefits to Southeast Alaska's economy may be the growing sports fishing industry's (charters, lodges, et. al.) ability to bring value-added dollars to the Halibut it catches.

Changes are inevitable and the further ahead we can prepare for them, the less disruptions there will be to life-styles and the economy.

Sincerely,

Michael A. McIntosh

MAM:osk

Brent M. Western
813 West 80TH Ave.
Anchorage, AK 99518
907-344-2710
e-mail: bmwfish@alaska.net

January 30, 2001

Mr. David Benton, Chair
North Pacific Fishery Management Council
605 West 4th Ave, Suite 306
Anchorage, AK 99501

Dear Mr. Benton,

I support a halibut IFQ program for charter boats. However, the amount of halibut should not exceed what is already included in the GHL program.

IFQs are needed to provide the charter industry a stable business environment and allow other users the opportunity to use this great resource. The silent majority of users, the consumer, most significant advocate are the commercial fisherman. Do not let a consumer in Mid-America or elsewhere suffer the inability of having a nice halibut dinner because they can not afford to come to Alaska and catch their own fish.

The GHL was already set 25% above the historic charter catch to allow for growth in coastal communities and the charter industry. The commercial fleet (silent majority or consumer) has already paid for the CDQ program and any further community set-asides for charter boats should come from the charter GHL.

Your help in fostering a stable protein choice for the general public and for a sustainable business environment for the commercial and charter fleets is appreciated.

Sincerely,

Brent M. Western
F/V Predator

1-30-01

MR. DAVID BENTON
CHAIR, N.P.F.M.C.
605 W. 4th AVE #306
ANCHORAGE, AK 99501

DEAR MR. BENTON,

I AM A COMMERCIAL HALIBUT FISHERMAN AND HAVE PAID FOR THE CDQ PROGRAM FROM THE INITIAL IFQ ALLOCATION. ANY ALLOCATION FOR COASTAL COMMUNITY SET-ASIDE FOR CHARTER OPERATORS SHOULD COME FROM THE EXISTING CHARTER GHL.

THE CHARTER IFQ SHOULD NOT EXCEED THE GHL BECAUSE THE GHL IS ALREADY SET @ 25% ABOVE THEIR HISTORIC CATCH TO ALLOW FOR GROWTH IN THE COASTAL COMMUNITIES AND CHARTER INDUSTRY.

I RELY ON HALIBUT FOR 95% OF MY LIVELYHOOD ALONG WITH AT LEAST 5 CREW MEMBERS.

WE APPRECIATE YOUR HELP IN FOSTERING A STABLE BUSINESS ENVIRONMENT FOR THE COMMERCIAL FLEET AS WELL AS THE CHARTERS.

SINCERELY,

Roy D Wilson 1/30/01

ROY WILSON
PO BOX 1648, HOMER, AK 99603

Jim Franzel
339 Wortman Loop
Sitka, AK 99835

To: North Pacific Fisheries Management Council

Subject: Comments about NPFMC Guided Sport IFQ proposal:

I remain firmly opposed to the guided sport Individual Fishing Quota (IFQ) halibut proposal that is being "fast tracked" by the North Pacific Fisheries Management Council. I have philosophical, process and legal reasons for opposing your proposal as outlined below:

Philosophical:

I believe that IFQ's are inappropriate for recreational fishing. IFQ's basically privatize a public resource and charter operators are neither commercial nor recreational fisherman. Charter operators are service providers – not fisherman. They provide the transportation and local know-how for citizens to access and harvest their own public halibut resource. It is unfair to the public to separate guided from unguided sport fishing and that is the effect of this program. Citizens that either don't own their own boats, can't afford to, or don't have fishing skills will be penalize by this IFQ program. It will result in a situation where guided sport fisherman **effectively** (if not legally as well) won't own the halibut they catch on a charter vessel. Since IFQ's are basically treated as property rights, the sport fisherman will have to either have to buy their catch from the charter owner or initially pay more to fish because a charter operator that has to buy IFQ's will have to amortize this cost as a business expense and pass it on to the sport fisherman.

Why don't we give out IFQ's to non-guided sport halibut fisherman as well? The NPFMC could divide the 1998 and 1999 unguided Alaskan harvest component equally and award IFQ's to sport fisherman based on fishing license records. Sport fisherman could subsequently sell these IFQ's to future generations (including their offspring). This is effectively what you are proposing to do by awarding IFQ's to the guided charter operators. The only difference is that you are giving it to the charter operator instead of the sport fisherman that caught it. Every U.S. citizen has ownership of our public halibut resource with the right to access and harvest by simply buying a sport fishing license. IFQ's for guided sport halibut are flat wrong!

Process:

Since the NPFMC is trying to "fast track" this proposal, they have omitted many key procedural steps as outlined below:

1) There has been insufficient time for public comment and review because of the fast track schedule. What is the rush? I see no reason to "fast track" the proposal. I believe public review is needed throughout Alaska and especially in Washington

State and Oregon. As you know, these southern States are part of the NPFMC zone of influence. Many sport fisherman from these states visit Alaska to fish and will be very affected. Washington and Oregon State sport fishing groups are totally unaware of this IFQ program. It is very unfortunate that the NPFMC meeting schedule employed during the development, debate, and approval of the final rule (scheduled for April NPFMC meeting in Anchorage) will result in this issue having never been discussed in a Council setting in Washington State and Oregon and this is where most of the affected people reside. The Advisory Panel and charter-working group also did not include adequate sport fishing representation from these States.

2) There has been no economic analysis and public disclosure of the increased costs to guided sport halibut fisherman that would result from the implementation of this program. I believe this should occur immediately, before you approve anything.

3) An IFQ program will certainly result in higher guided sport fishing costs as outlined above. Sport fisherman that can't afford these higher costs will utilize bare boat charters to a greater extent in an effort to avoid the higher costs. Sport fisherman that don't have the skill, equipment, and sufficient size boat to handle the rough North Pacific waters will attempt to harvest fish on their own. This is an enormous public safety concern and could result in the loss of human life. The NPFMC needs to comprehensively analyze this issue and disclose the results. There has been no analysis conducted.

4) The NPFMC proposes to use the 1998 and 1999 Alaska Department of Fish and Game logbook program as a basis for the initial allocation of IFQ's to the qualifying charter operators. I don't believe this charted logbook program can be used as a fair allocation process. Unlike the documented halibut landings used in the 1995commercial longline program, these logbooks were essentially unverified. ADF&G did not have the capability nor personnel in place to check logbook landings at remote lodges and sleep aboard charter vessels that operated in remote areas, much less in populated areas. Charter operators that saw this IFQ program coming (and many did) could easily log fish that were never caught after the fact. Operators had an additional week to mail in the form after the fishing trip and there was no way to tell if additional fish were added to the form. Two years is not a sufficient span of time to use as a fair allocation basis. Many operators would be left out. Because of public comments and concern, the NPFMC expanded the 1995 commercial IFQ program to a six-year period (1985-90) during the rule making process. Of course, the 1995 program also utilized documented, actual weight, verified landing as a basis for awarding IFQ's to commercial longliners.

Legal:

The Recreational Fishing Alliance (RFA) will be submitting a comprehensive analysis of legal concerns associated with this program. I fully support their comments. I ask you to immediately drop this IFQ proposal from any further consideration, as it is clearly not in the public interest. Remember your oath of office "to protect and safeguard the public interest". The procedural deficiencies and legal issues are very serious. I recommend you consider other ways to manage recreational halibut fishing such as charter operator moratoriums (where needed), season and bag limit restrictions, and local area management plans.

Thank you for the opportunity to comment.

Sincerely,

Jim Franzel
Sitka, Alaska

Executive Director
James A. Donofrio

Legislative Director:
Sharon I. McKenna
Membership Director:
Susan J. Heinrichs

January 25, 2001

Richard B. Lauber, Chairman
North Pacific Fisheries Management Council
605 West Fourth, Suite 306
Anchorage, AK 99501

Dear Mr. Chairman:

The Recreational Fishing Alliance is a national 501(c)(4) political action and fishing advocacy non-profit organization representing the nation's salt water anglers, marine manufacturers, bait and tackle concerns and others who depend on strong healthy fisheries for their livelihood. As such, RFA members are extremely concerned about the current plan to allocate sport halibut IFQs without a fair hearing for all of the users of this important fishery. Many of the salt water anglers who partake of this fishery do so from out of state. RFA members are suspicious of the timing of this attempt to offer a very tempting windfall to guides and charter owners without consulting the interest group that will be most affected by the IFQs – the salt water anglers.

Further, we are very concerned that the privatization of this public resource will set a very damaging precedent altering forever the concept upon which our rights are based – the public's rights to access the public's resources. Sport allocation should be allowed to expand as the demand expands without an artificial cap placed by the activity of commercial interests. Longliners should be kept away from port areas and fishing should be regulated for an abundance to support good sportfishing.

RFA members urge you to strongly oppose the concept of sport IFQs in the interest of the fish and the fishery. Work instead towards proven methods to increase the abundance of halibut – through bag limits and seasons.

Thank you for consideration of our views.

Sincerely,

James A. Donofrio
Executive Director

CC: Donald L. Evans/Secretary of Commerce
Senator Ted Stevens
Congressman Wayne Gilchrest
Congressman Frank Pallone, Jr.
Congressman Jim Saxton
Congressman Don Young

Legislative Offices: PO Box 98263 • Washington, DC 20090 • Phone: 1-888-SAVE-FISH • Fax: 703-464-7377
Headquarters: PO Box 3080 • New Gretna, NJ 08224 • Phone: 1-888-JOIN-RFA • Fax: 609-294-3816

Mr. David Benton
Chair
North Pacific Fishery Management Council
605 West 4th Ave, Ste 306
Anchorage, AK 99501

Dear Mr. Benton,

I support a halibut IFQ program for charter boats. However, the amount of halibut should not exceed what is already included in the GHL program.

IFQs are needed so that the charter industry can have a stabile business environment

The GHL was already set 25% above the historic charter catch to allow for growth in coastal communities and the charter industry. The commercial fleet has already paid for the "CDQ" program and any further community set-asides for charter boats should come from the charter GHL.

Your help in fostering a stabile business environment for the commercial fleet is appreciated.

Sincerely, Alan N Reeves

Name: Allen N Reeves

Date: 1-29-01

Address: Box 741
Wrangell AK 99929

SITKA CHARTER BOAT OPERATORS ASSOCIATION
PO BOX 2422
SITKA ALASKA 99835
January 28, 2001

North Pacific Fisheries Management Council
605 West 4th Avenue Suite 306
Anchorage AK 99501-2252

Dear Council Member:

The Sitka Charter Boat Operators Association remains firmly for Alternative 1, Status Quo, in the halibut charter IFQ proposal before the Council.

We continue to believe IFQs are inappropriate for recreational fishing. Charter IFQs will result in the privatization of a public resource and by creating an artificial cap on the charter fleet, provide less opportunity for the public to fish for halibut.

It is ironic that a main impetus for the establishment of commercial halibut IFQs was to increase the safety of fishermen on the water. With halibut charter IFQs, bare boat charters (without a captain onboard) will become much more attractive and put sport anglers, who are unskilled in Alaskan waters, in a much more precarious situation.

In addition, we have a serious problem with using the charter logbook program as a basis for initial allocation. The logbook program started in 1998. It has been modified every year since 1998. There is no way to document the validity of the logbook data. And, where halibut are recorded in numbers of fish in a logbook, and then converted to poundage for the Council's use, the conversion process is susceptible to a high degree of error.

Lastly, we feel the Council has yet to examine a bonafide economic analysis on the charter industry in Alaska and recreational fishing demands in Washington and Oregon.

We continue to believe there are other means to manage recreational halibut fishing. We have always been regulated by bag, possession, and seasonal limits. We have a Local Area Management Plan (LAMP) for Sitka Sound, and we are open to local charter moratoriums. Thank you in advance for your time.

Sincerely,

Kent F Hall
Secretary/Treasurer

January 23, 2001

Mr. David Benton, Chair
North Pacific Fishery Management Council
605 West 4th Ave., Ste. 306
Anchorage, AK.
99501

Dear Mr. Benton:

I am writing to voice support for a halibut IFQ program for charter boats. The allotment for this program should not exceed that which is already included in the GHL. It should also be based on the numbers of the year in which it is implemented, and not on 1998 figures.
I have purchased every pound of halibut quota I own. Any major changes to the program greatly affect my equity that I have built, and my ability to pay off the loans I took out to purchaase it. The current IFQ program has been in place for six years now, and there are many people such as myself who have taken the risk of buying quota shares. To make major changes now, will disenfranchise those of us who have made substantial commitments to the program.
I am adamantly oppposed to any allocation for coastal communities, and am amazed at the gall of those communities to suggest that a set-aside comes from the commercial TAC. No, no, and no. I purchased my rights to those fish, and they are welcome to do the same. If there is to be a set-aside, it must come from the charter TAC. The charter boats have vehemently denied being commercial operations; therefore, since they are not commercial enterprises, the set-aside must come from the charter TAC. That is what they are. The community set-aside must also come from the existing GHL. Those figures were based on high numbers in order to allow growth. There doesn't need to be changes to that.
The halibut IFQ program has been a roaring success as far as bringing a superior product to market, and in opening up new markets. Public demand for eating halibut is quite large, and growing all the time. This public deserves access to the fish as well, and a minority of people should not be allowed to restrict their access. The gamut of people who touch this fish in relation to their job is large. It goes from fisherman to processors, truck drivers, air cargo workers, freezing operations, chefs, waiters, waitresses, grocery stores, butchers, consumers, to name a few. The ripple effect is large, and beyond the scope of a charter boat by an order of magnitude. It's not just some " greedy" commercial fishermen being affected by these decisions.
Please maintain the stability of the program.
Thank you.

Sincerely,

Tammie Shrader

T Shrader
BOX 2601
Homer Ak.
99603

OREGONIANS FOR FISH AND FISHING
P.O. Box 71, Umpqua, Oregon 97486
(541) 459-9343 January 15, 2001

North Pacific Fisheries Management Council
605 West Fourth, Suite 306
Anchorage, Alaska 99501-2252

No sport halibut IFQs should be allocated without hearings held so that the affected people could testify. In this case, many affected people are the sportfishermen of Oregon, and the rest of the west coast, who travel to Alaska to fish. This is not management by consultation with the affected parties; instead it seeks to quickly sew up a system that favors commercial fishing interests without ever consulting the citizens who will be adversely affected by the decision. It could be fairly said that commercial fishermen are trying to assure their continued control of 80% of the Alaska halibut and protect their IFQs by dangling a system before charters and guides that will make them rich--a bribe, to put it plainly--thus buying the charters' and guides' connivance in a decision which will be very bad for sportfishermen, who are not represented at all.

A nationally chartered decision-making system which disenfranchises a major participant class is a shame upon NPFMC, NMFS, NOAA, the Commerce Department which allows this system to endure, and the Congress which could force changes in the basic legislation. A small class of people, commercial fishermen, are being enriched at the expense of a class of thousands, nay millions, of sportfishermen who are left unprotected in the process. The people's right to fish as they have since the beginning of this nation for their own use, for the fish that belong to everyone, isn't even being sold to a few commercial exploiters. It is being given away. The people's access to the people's fish should not be affected by commercial fishing activities. "Privatizing" a public resource in such a way that the public can no longer access it is outrageously wrong.

Not only should the sport allocation be able to grow as sportfishing grows, longliners should be kept away from port areas, and fishing in those areas should be regulated for an abundance that would support good sportfishing. Any other situation is a special-interest giveaway. Just compare the situation to commercial deer hunting, and you can easily understand what is wrong with allowing overfishing, and particularly overfishing by market fishers, where the people want to fish. Please vote down the whole idea of sports IFQs, and then work to make areas of public access into abundant halibut fisheries through bag limits and seasons.

Sincerely yours,

Janice L. Green
cc: Sen. Wyden, Sen. Smith, Rep. Walden, Rep. DeFazio

1/19/01

Dear Mr. Benton, My name is Jeff Hendricks, and I am a commercial fisherman from Juneau Alaska. When I.F.Q's were first started in 1995 I invested alot of money in them because I was told that this would stabilize the fishery for the future of commercial fishermen in Alaska.

Then here come the greedy corporate Paralyz screaming me. me. me. me. and now I've seen my so called stabilized halibut fishery turn into a free for all to whom ever wants to lay claim to them. How many more times will you raise the G-H. for charter boats. You're set to know their on to whats going on now & falsifying their log books. I've invested hundreds of thousands of dollars in the I.F.Q. halibut fishery, I've got huge payments and can ill afford to be giving any Quota shares away. The coastal community option is fine by me if and only if that Quota is taken out of the three charter Boxes G.H.L. Thanks for reading this letter. sincerely, Jeff Hendricks

January 21, 2001

Dear Chairman Benton:

We are a commercial fishing family who, in addition to being awarded original halibut individual fishing quota shares in areas 2C and 3A, has purchased more shares. We are very concerned with the unlimited growth of the commercial charter industry in these areas. It is creating instability for the commercial fleet by reallocating the halibut resource to the growing charter industry.

We ask the North Pacific Fisheries Management Council to please adopt a halibut IFQ program for the commercial charter fleet in areas 2C and 3A.

Sincerely yours,

Walter C Pasternak

Walter C. and Megan R. Pasternak
Box 830
Sitka, AK 99835
(907) 747-5943

Mr. David Benton
Chair
North Pacific Fishery Management Council
605 West 4th Ave, Ste 306
Anchorage, AK 99501

Dear Mr. Benton,

I support a halibut IFQ program for commercial charter boats. However, the amount of halibut should not exceed what is already included in the GHL program.

IFQs are needed so that the commercial charter industry can have a stabile business environment.

The GHL was already set 25% above the historic charter catch to allow for growth in coastal communities and the commercial charter industry. The commercial fishing fleet has already paid for the "CDQ" program and any further community set-asides for charter boats should come from the charter GHL.

Your help in fostering a stabile business environment for the commercial Fishing/charter fleet is appreciated.

Sincerely, Klondys M Bailey

Klondys M Bailey
PO Box 670722
Chugiak, Alaska 99567-0722

Dear Mr. Benton,

I urge the Council to adopt a halibut IFQ program for charter vessels in areas 2C and 3A.

IFQs are necessary to provide stability in the charter fleet. Without the accountability provided by an IFQ system there is the possibility of a race to harvest the allowable quota. If the charter quota is exceeded this would result in restrictions in following years.

As a charter operator, I have made a significant investment in developing my business and client base over the years. The stability afforded by IFQs will not only help by business but the community as a whole.

Sincerely, Charles E Wilbur
Sitka Sea Charters

Date: 1/19/00
Address: 705 Etolin
Sitka, AK
99835
cwilber@gci.net

Dear Mr. Benton,

I urge the Council to adopt a halibut IFQ program for charter vessels in areas 2C and 3A.

IFQs are necessary to provide stability in the charter fleet. Without the accountability provided by an IFQ system there is the possibility of a race to harvest the allowable quota. If the charter quota is exceeded this would result in restrictions in following years.

As a charter operator, I have made a significant investment in developing my business and client base over the years. The stability afforded by IFQs will not only help by business but the community as a whole.

Sincerely,

ERIC SWANSON

Date: 01-13-01
Address:

COASTAL WILDERNESS CHARTERS
P. O. Box 6330
Sitka, Alaska 99835

Jan. 2, 2001

Ms. Jane DiCosimo
North Pacific Fishery Management Council
605 West 4th Ave Ste 306
Anchorage, Alaska, 99501-2252

Subject: Halibut Charter IFQ's

Dear Ms. Jane DiCosimo,

I am extremely concerned about the halibut charter IFQ program for charter boat operators. I have always been in favor of limited entry as a management tool on a fish resource, not the IFQ method. I under stand that the Council will use the Alaska Dept of Fish log books for 1998 and 1999 to tally on what your IFQ will be in the future. I will be punished if this method is used for these two years. I had the bad luck of under going cancer treatment during this time and most of the time I was to weak to take anyone fishing. What is the plan for exceptional cases like mine? Don't say you can buy IFQ's from some one else, because we are so extended that is an imposibility. I have been chartering eight years and these two years are my worst two years. Do you think it would be of any help to address the panel in the future, or has that subject been beat to death?

Thank You.

Emmet Heidemann

Emmet Heidemann
P. O. Box 770061
Eagle River, Alaska, 99577-0061
Tel 907-694-4497

To: North Pacific Fisheries Management Council

Subject: Testimony by Jack Franzel concerning Individual Fishing Quotes (IFQ's) For Guided Sport Halibut Fishing in Alaska

I am a resident of the State of Washington and I have fished for halibut for sport in Alaska for many years. Halibut is a publicly owned resource and I strongly object to giving away rights to harvest this resource to private individuals for no change. This misguided IFQ plan would force the public to pay private individuals for a publicly owned resource. We don't give timber in our national forests away for free. Why should we give away our halibut? I suggest that, if it is in the public interest, to offer this resource for bid, just like timber is sold in the national forest, then it should be done on an periodic basis and sold to the highest bidder. The money raised should be used to manage and enhance the resource not to benefit a small number of private individuals. For sport fishermen, a license fee could be assessed to cover the cost of managing the resource. To require sport fishermen to buy the halibut they catch from the holder of an IFQ that a private individual received for free is a complete outrage! Halibut is a publicly owned resource, therefore, to benefit the largest number of people, I would favor a transition away from commercial to sport fishing only for halibut. Furthermore, how can you adopt a plan that treats people who fish in their own boat differently that people who go fishing with a charter boat? This is patently unfair! The members of the North Pacific Fisheries Management Council (NPFMC) take an oath of office to "protect and safeguard the public interest". Please follow that oath by not approving this misguided IFQ plan.

Sincerely,

Jack Franzel
5805 106 N. E. Kirkland
Washington, 98033

January 30, 2001

Mr. David Benton
Chair
North Pacific Fishery Management Council
605 West 4th Ave, Ste 306
Anchorage, AK 99501

Dear Mr. Benton,

I support a halibut IFQ program for charter boats. However, the amount of halibut should not exceed what is already included in the GHL program.

IFQs are needed so that the charter industry can have a stabile business environment

The GHL was already set 25% above the historic charter catch to allow for growth in coastal communities and the charter industry. The commercial fleet has already paid for the "CDQ" program and any further community set-asides for charter boats should come from the charter GHL.

Your help in fostering a stabile business environment for the commercial fleet is appreciated.

Sincerely,

Deanna Reeves

Name: Deanna Reeves

Date: 1-30-01

Address: P.O. Box 741
Wrangell, AK
99929

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N.P.F.M.C

Jan 29, 2001

NPFMC and Committee Members,

I am submitting the following written comments dealing with the proposed Halibut Charter IFQ program, for inclusion in the February meetings. My name is Hans Bilben and I am the owner/operator of Catch Alaska Saltwater Charters- fishing out of Anchor Point. I began operation of the Charter business in May of 1999 after several years of planning and preparation. Anyone associated with the business knows that it just doesn't happen overnight. At no time during this period was I informed at any level of bureaucracy that there would be an attempt to squeeze me out business shortly after I had invested thousands of dollars and countless hours. I have fished several years in the Cook Inlet drift fishery and area 3A longlining. I am a 21 year resident of Soldotna.

1: By the admission of the Council there is an extremely high turnover in the charter business which seems to limit the numbers quite well. Likely a moratorium for a couple years would be sufficient to decide if the IFQ program is really a necessity.

2: If the intent of all of this is to save the resource, rather than to just line the pockets of some of the big operators, then there are several steps you have outlined that would do the job. Eliminating crew caught fish is simple, painless, and saves probably 15% of the annual catch. Why not????? You came up with several good ideas–Is that not the intent????

3: Since the Logbook is the only definitive documentation available and it didn't come into effect until 1998, any numbers you have prior to 1998 are just speculation and guesstimate. The only accurate measure available is the Logbook data from 1998-2000. That is the data that should be used in determining the actual numbers and no allocation should be based on anything but the factual data they provide.

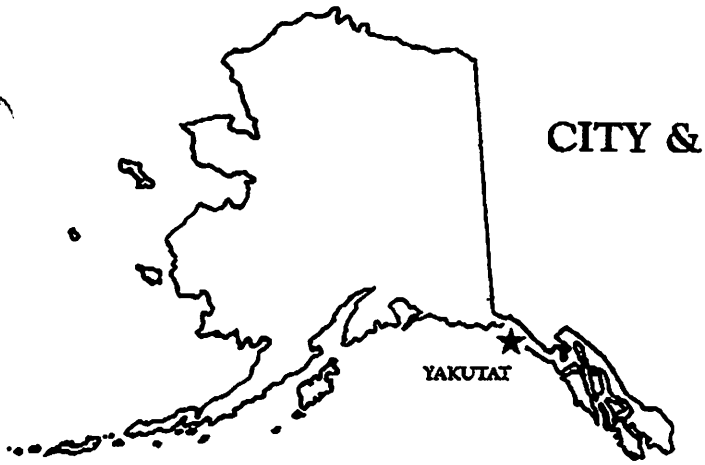
4: In the event that the IFQ becomes a reality, it would be asinine to issue a quota to anyone who did not participate in the fishery during the most recent season (2000). Is it the intent that you would put someone currently active in the fishery (like myself) out of business while rewarding someone who for whatever reason previously left the business?

5: As a small operator It would not be feasible for me to buy IFQ and still turn a profit in this business. I normally fish three or four clients per day and in order to maintain profitability my rates would have to at least double which would make my business non-competitive compared to the large Quota holders.

6: In the charter business the real resource is people, with the halibut being secondary. There is no shortage of people, and when there is that will be the limiting factor on the charter business. I thought that the intent of the NPFMC is to manage fish! The way this program is being handled it looks like its main purpose is to make several people extremely wealthy at the expense of anybody that didn't happen to join the club on the right day....

Thank you for your consideration and have a fruitful meeting

Hans M. Bilben
Box 2285
Soldotna AK 99669
(907) 260-9234



CITY & BOROUGH of YAKUTAT

P.O. Box 160
Yakutat, Alaska 99689
Phone (907) 784-3323
Fax (907) 784-3281

January 31, 2001

North Pacific Fishery Management Council
David Benton, Chairman
605 West 4th Avenue, Suite
Anchorage, AK 99501-2252

Re: Charter Boat IFQ

Dear Mr. Benton:

Every area (Village) in Alaska has a different situation with regards to the Charter Industry IFQ's. We feel that the City and Borough of Yakutat (CBY) area is underutilized. There are many areas in our Borough that have not been developed. We support a larger Guideline Harvest Level (GHL) for this area if this becomes a reality. We urge the Council to have all Charter Boat IFQ's in this area to be awarded to the CBY. This would give future local generations an opportunity to enter the Charter Fishery.

We are opposed to any buying of Commercial IFQ's for use by the Charter Industry. The reason for this stance is the fact that a big operation could buy a large block at Commercial IFQ's and over utilize our local stocks.

We feel that we should have some local control over this large area that falls within our Borough so we can protect the resource for future generation. With no Industries other than fishing, we feel that this is an important part of economic development in this area.

Sincerely,

Thomas Maloney
City Mayor

Bertrand Adams, Sr.
Yakutat Tlingit Tribe

cc: Chris Oliver, Acting Executive Director
NPFM Council Members
NOAA General Council
Advisory Panel
Scientific and Statistical Committee