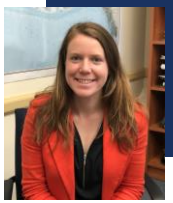
C2 Draft for Final Action: CHARTER HALIBUT RECREATIONAL QUOTA ENTITY (RQE) FUNDING MECHANISM

APRIL 2022

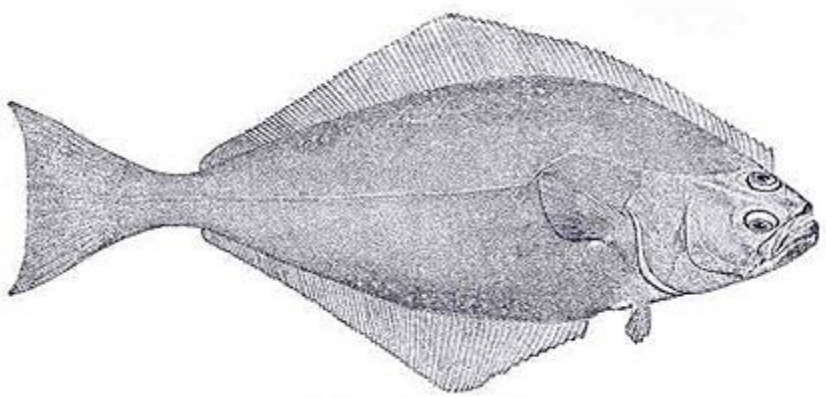
PRESENTATION TO THE AP

Sarah Marrinan, NPMFC

Kurt Iverson, NMFS



ACTION UNDER CONSIDERATION



Federal fee collection program for charter vessel operators to fund the Recreational Quota Entity

FINAL ACTION DECISION-MAKING

- Nature of the action doesn't require the AP/Council to determine all of the technical details
- AP should state specific policy elements which it deems are of particular importance
- Three levels of decision-making:
  - Council recommended at final action
  - Determined in rule-making
  - Determined during implementation (by NMFS or the RQE)
- Council could request to see the draft proposed regulations prior to their submission to the Secretary of Commerce

Section 2.3, page 20-21

ALTERNATIVES AND OPTIONS

Alternative 1: No action (Status quo)

Alternative 2: Establish a fee collection program for charter vessel operators to fund the recreational Quota Entity

Describe the potential methods to collect a fee from charter vessel operators (e.g., halibut stamps) and mechanisms to subsequently distribute those funds to the RQE. Analysts should explore the range of potential fee collection methods currently used for North Pacific fisheries, including State of Alaska fisheries, and similar programs and provide information on likely administrative costs for collection and disbursement to the RQE.

Option 1: Charter Halibut Stamp (PPA)

Option 2: Annual Operator Fee

P&N Section 1.1, page 15-16

Alternatives Section 2, page 18

- **Status of the U.S. Bill:**
  Both the US House of Representatives and Senate have passed legislation. Next step: a Conference Committee

- **Federal authority under the proposed language**
  NMFS may not have to assume all the duties of a fee collection

- **Implications for different interpretations**
  Cost, flexibility, and response to change may be affected by the specific roles and responsibilities of partners in the fee collection

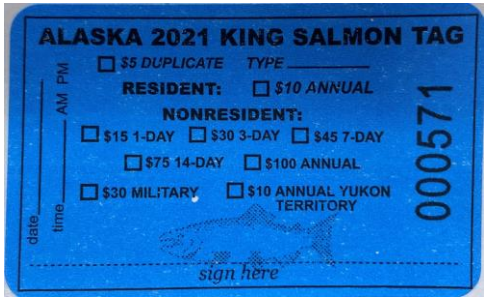
Section 3.2, page 22- 25

OPTION 1: CHARTER HALIBUT STAMP

- Federal regulations would require charter operators to purchase a halibut stamp for each guided angler, for each day that the charter angler is on a charter vessel that intends to harvest halibut
  - *Or when halibut was retained*
  - *Determine who the "operator" is*
  - *Doesn't have to be called a "stamp"*
  - *Applicability to CQE and MWR permits?*
  - *Youth anglers?*

Section 3.6.1, page 57-66

This is an example of a king salmon stamp purchased online.



Charter Halibut Management Committee recommendations on stamp applicability:

- Recommended the term “Charter Halibut Stamp”
- “Operator” responsibility
  - The liability to ensure the fee is paid should fall to the **Sportfishing Guide Business Owner** (as defined by ADF&G definition) or designee
  - Similar to liability for ensuring safety equipment is onboard and anglers have their fishing licenses, the **Charter Vessel Guides** (as defined by NMFS definition) should be liable to ensure that there are validated stamps on the vessel for each angler fishing for halibut
- Requirement should be based on effort, not retention
- Include CQE and MWR permits

Appendix 1

CHARTER HALIBUT STAMP MECHANICS

- Online sale and stamp distribution platform
- Operators could purchase (or cache) stamps once a season, multiple times and season or even every day
- Includes a system to validate stamps when used
- Pay either when stamps are obtained or when they are validated
- A web app development firm could design nearly any feature – but the time and expense required to create a functioning and user-friendly application depends largely on the level of customization

Section 3.5.1.1, page 60-63

SUMMARY OF ADMINISTRATIVE COSTS FOR CHARTER HALIBUT STAMP

Cost category	Upfront cost or longterm cost	Description
Stamp design, implementation, and facilitation	UC	Development of database, application and website Design of paper backup system
	LC	Website and program maintenance and program user support Host fee / domain fee and cost for server space for website and database Printing and mailing costs for paper backup stamp program
	LC	Finance officer to manage accounts and provide user financial support (e.g., reimbursements) Transmission of funds through Federal government (regardless of the implementing entity)
Resources for communication and public outreach	UC/ LC	Costs for communicating new requirements to operators and anglers across multiple entities (RQE/ NMFS/ ADF&G)
Enforcement	UC	Increased on-the-water presence with the roll out of the new program to increase awareness of the requirement
	LC	The incremental costs with enforcing a new on-the-water requirement Potential auditing of stamp payments against logbook data
	LC	Primary enforcement expense is in prosecuting violations

Table 25, page 73

Charter Halibut Management Committee recommendations on stamp mechanics:

- Include options for 1-, 3-, and 7-day stamps similar to the State of Alaska King salmon stamp
  - Consideration of only 1-day stamps in Area 3A
- Stamps would be accessed from an online platform and have a unique identifier like a bar code, numerical identifier or QR code.
- Guide business owners could download a pool of stamps anytime but would be billed only after the stamps are validated for use. This allows issuance in times of no internet connectivity.

Appendix 1

POTENTIAL REVENUE BASED ON DIFFERENT STAMP PRICES

2C	Angler Days*	$10	$15	$20
Average (2009-2019)	89,434	$894,344	$1,341,515	$1,788,687
3A	**Angler Days***	**$10**	**$15**	**$20**
Average (2009-2019)	110,282	$1,102,823	$1,654,234	$2,205,645

* Any day where halibut was harvested or days that were open to halibut retention where bottomfish hours or statistical areas were recorded were considered to be a halibut fishing trip

Adapted from Table 19, page 67

Charter Halibut Management Committee recommendations on stamp fee structure and payment:

- Initially be issued with the following prices which reflect multi-day discounts: 1-day stamp $20, 3-day stamp $40, 7-day stamp $60.
- To change the fee structure, the RQE could submit price changes to the Charter Halibut Management Committee for review, which could then provide recommendations to the Council.
- Stamp fees will be due monthly, submitted electronically with a reconciliation form by the Sportfishing Guide Business Owner or designee. An operator should have an option for validated stamps to automatically deduct from a positive balance on account or charge to a card on file when validations upload.

Appendix 1

CHARTER HALIBUT STAMP ENFORCEMENT

- Requires on-the-water enforcement and Alaska Wildlife Trooper cooperation
- Concerns expressed (OLE, AWT, Enforcement Committee) about the additional resources necessary to enforce a Charter Halibut Stamp
  - Costs associated with ramping up on-the-water presence in the initial years to bring awareness to the new regulations, and marginal costs for checking one more thing during boardings
  - Primary costs are associated with prosecuting violations
  - In part, depends on the severity of the penalty which may incentivize the violating party to seek Counsel and result in a court case
  - This could substantially increase costs with time dedicated to the investigation, documentation of evidence and time in court with collaborative effort with GC to prosecute the violation and determine fines and penalties.
  - Even if overall compliance is high, a few drawn-out cases may substantially increase costs

Section 3.5.1.1.5, page 63-65

Charter Halibut Management Committee recommendations on stamp enforcement:

- Enforcement would be primarily on the water, concurrent with checking for king salmon stamps, licenses, CHPs etc., which is routine during boardings.

- “Charter Vessel Guides” (by NMFS definition) would be liable to ensure that there are validated stamps on the vessel for each angler fishing for halibut.

Appendix 1

COST RECOVERY FOR A CHARTER HALIBUT STAMP

- MSA requires that Cost Recovery fees be collected for the direct costs directly related to the management, data collection, and enforcement of any limited access privilege programs
- By purchasing halibut QS, the RQE will be participating in a LAPP (the IFQ Program)
- Recreational Fishing Quota is considered “used” if it augments the available charter allocation
- Additional costs part of the IFQ Cost Recovery Program

Section 3.3.5.5, page 45

Charter Halibut Management Committee recommendations on cost recovery:

- IFQ cost recovery is defined in Magnuson- Stevens Act and no changes should be made particular to the RQE program.

Appendix 1

OPTION 2: ANNUAL OPERATOR FEE

A fee tied to the renewal of a Charter Halibut Permit (CHP), either uniform across CHPs or linked to associated angler effort.

Benefits:

- Administrative action, no on-the-water enforcement
- Uses NMFS existing infrastructure (e.g., billed through eFish similar to Cost Recovery

Challenges:

- Concept of a uniform fee unpopular due to the distribution of effort across businesses
- Best source of angler effort is from ADF&G saltwater logbook data and several challenges with using these data to identify halibut effort associated with CHPs
- Less connection as a user-fee (and important concept cited by charter stakeholders)
- Would need a robust appeals process for operators to dispute bill

Section 3.5.2, page 74-81;Table 18, page 59

USE OF REVENUE

Figure 6, page 42

Area 2C RQE transfer restrictions

Total limits	• Total (cumulative) limit of 10% of the Area 2C QS pool, which includes QS held by an RQE and GAF transferred (5,947,740 units)
Annual limits	• Annual limit of 1% of the Area 2C QS pool (594,774 units)
Block/ class restrictions	• Limit of 10% of the D class QS pool (889,548 units) • Limit of 10% of the B class QS pool (265,524 units) • No blocked QS 1,500 lb or less (24,250 units or less)

Area 3A RQE transfer restrictions

Total limits	• Total (cumulative) limit of 12% of the Area 3A QS pool, which includes QS held by an RQE and GAF transferred (22,187,161 units)
Annual limits	• Annual limit of 1.2% of the Area 3A QS pool (2,218,716 units)
Block/ class restrictions	• No D class • No blocked QS 1,500 lb or less in 2015 lbs (35,620 units or less)

IMPACTS TO THE CHARTER SECTOR

Costs

- Clear cost to the sector
- Likely absorbed differently across businesses (i.e., amount absorbed as an operating cost vs passed on to the angler)
- Wide distribution in angler effort across businesses (some could owe tens of thousands of dollars, while most businesses much less)

Benefits

- Allows for the relaxation of management measures relative to status quo (e.g., day of the week closures, size limits, bag limits, annual limits, etc.)
- How that translates to benefits for the sector much more difficult to explain and predict
- Different angler preferences/ price sensitivity
- Lag effect of benefits
- Variability in what the additional QS means for the sector based on external factors (i.e., predicted angler removals and where the IPHC sets the area catch limits)

Section 3.5.5, page 82-92

ADDITIONAL SECTIONS FOR FINAL ACTION CONSIDERATION

Net National Benefits

- Focus is on the net National benefits associated with a Charter Halibut Stamp (rather than the cost/benefits of an RQE more broadly which is discussed in NMFS 2017)
- Overall expected to be minimal at the National level, but positive if functioning as intended
- Some aspects of the PPA that may complicate whether and at what point benefits are received. Thus, net benefits at the National level are undetermined at this time.

The Halibut Act

- The action alternative does not discriminate between residents of different states.
- Its does not create a new limited access program.
- Cumulative transfer restriction in place for the RQE Program are included to ensure this non-profit entity does not acquire an excessive share of the halibut harvesting privileges.

Net benefits Section 3.7, page 95

Halibut Act Section 4, page 95-96

Thank you to reviewers and persons consulted

Questions?

Sarah Marrinan

sarah.marrinan@noaa.gov

Kurt Iverson

kurt.iverson@noaa.gov

Photo credit: R. Yamada