

## Annual Fishing Allotment System

### Decision Points for Sablefish Fixed Gear Management

This outline presents the proposed annual fishing allotment (AFA) system for longline and pot sablefish fishing. The **grayed** areas represent options under consideration.

#### I. SCOPE OF PROGRAM: **Sablefish longline and pot vessels**

#### II. THE WHO, WHAT, WHEN, WHERE, AND HOW OF ANNUAL FISHING ALLOTMENTS

- A. **What** - Each **qualified person** would have the option of fishing in the derby open access fishery or with individual allotments. The **amount of weight assigned to each allotment would vary yearly** as the TAC varied from year to year.
- B. **Where** - **All six management areas in the Gulf of Alaska, Bering Sea, and Aleutian Islands:** Southeast Outside/East Yakutat, West Yakutat, Central Gulf, Western Gulf, Bering Sea, and Aleutian Islands.
- C. **When** - Allotments would be available **yearly to those who qualified for them. Initial allotments would be made for the 1991 fishing year.**
- D. **Who** - The person who owned or was a lease holder of a vessel that made sablefish longline or pot landings.
  1. **"Person"** - As defined by the Magnuson Act with the exclusion of non U.S. citizens. Any individual who is a U.S. citizen, any corporation, partnership, association, or other entity (whether or not organized or existing under the laws of any State but being controlled by U.S. citizens), and any Federal, State, or local government or any entity of any such government.
  2. **Person leasing a vessel (lease holder)** - Qualified by a written bareboat contract. Evidence of a qualified lease would include paying the crew shares and supplying the fishing gear.
- E. **How** allotments would be made.
  1. The vessel must have made longline or pot landings of sablefish in the **years 1986 or 1988 through 1990.**
  2. Allotments would be based on the recorded landings of the vessels (fish tickets). These landings could be in the derby or allotment fisheries. The recorded landings would be either:
    - i. **Average of the 3 preceding years, 1988 through 1990 for initial allotments.** Landings could have been made in any of the three years. Each vessel's average catch, by area, would be divided by the overall average catch for that area. This ratio would be multiplied by the projected average catch per vessel for the upcoming year.
    - ii. **Average of 3 of the 5 preceding years, 1986 through 1990 for initial allotments.** Landings must have been made in one area for 3 of the 5 years. Each individual vessel would have their average divided by the total of all averages for each area. The total of averages would be divided by the best 3 TACs, by area, resulting in a percentage of the TAC for the IFQ fishery. Individual allotments would be determined by multiplying these percentages by the new area TAC.

3. The allotments would be based on the most recent landings. For example, the 1992 fishing year allotments would be based on either 1989 through 1991 landings or the average of 3 of the years 1987 through 1991 (depending on which option is chosen in II(E)(2)).

**F. Annual choice**

1. An open access derby fishery would exist in each area.
  - i. An initial and minimum amount of ~~10-20%~~ of the TAC, by area, would be allocated to the derby fishery each year.
  - ii. The allotment weight of those wishing to use allotments would be subtracted from each adjusted TAC, by area.
2. Each year each eligible vessel owner or lease holder would have the option of fishing in the derby fishery or with allotments.
  - i. Qualified people would have to notify NMFS by a specified date if they wished to fish allotments.
  - ii. Qualified vessels could fish either the derby fishery or allotments but must do the same in all areas.
  - iii. Owners of multiple vessels could share allotments among qualified vessels but not among non-qualified vessels.
3. **Any vessel which was not eligible for allotments could fish in the derby fishery.**
4. Allotments are **management area specific** and may not be transferred between areas.

**III. ADMINISTRATION**

**A. NMFS Alaska regional office would administer the system** although the duty could be contracted to the State of Alaska.

**B. Settlement of appeals disputes during the yearly allotment process.**

1. The basis of **judgement for use in appeals will be fact**. That is, errors on fish ticket records will be considered. Lease holders would have to come to the Appeals Board with certified records and agreement of the owner of record of the vessel. If such agreement can not be reached, judicial proceedings outside of the Appeals Board would be required.
2. The **Appeals Board would hear initial appeals**. Subsequent appeals would go to NMFS Alaska Director followed by appeals to the Secretary of Commerce and then the court system.

**C. Other considerations**

1. The system could be designed with a built in review period in three years. The system would not automatically sunset but major structural changes could occur if required.
2. New regulations would be required.
3. New penalties for violations would be required.

## Alternative 2: Annual Fishing Allotments (AFA)

The annual fishing allotment would allow qualifying sablefish fixed gear vessel owners or lease holders to choose between the current or future derby fishery (Alternative 1) and a yearly landing limit. This alternative, as with Alternative 1, would continue unlimited access to the fishery. A yearly landing limit (referred to as an annual fishing allotment) would be calculated for each qualified person each year based on their past performance. Each qualified person would then have the choice, on a yearly basis, of using his yearly allotment or fishing in the derby fishery. This choice would have to be the same for all management areas. All those wishing to fish allotments would have their allotments deducted from the derby TAC for all areas for that year. A minimum percentage of the TAC for each area would be set aside for the derby fishery in addition to all the TAC amounts not taken as yearly allotments. Depending on the option chosen, a qualified person would be the owner or lease holder of a vessel which either: 1) made sablefish longline or pot landings in one year; or 2) made such landings in any one area for three years. The six management areas would be the same as those currently used: Southeast Outside/East Yakutat, West Yakutat, Aleutian Islands, Bering Sea, and Central and Western Gulf of Alaska. A person would be defined as an entity who is a U.S. citizen, corporation, partnership, association, or other entity (whether or not organized or existing under the laws of any State but controlled by U.S. citizens), and any Federal, State, or local government or any entity of any such government. Each person's sablefish allotment would change yearly as the TAC for that area changed. The calculations would be repeated each year with the years of consideration advancing accordingly.

Determining an Annual Fishing Allotment. Flow diagrams showing who would be eligible for the Annual Fishing Allotment (AFA) system are shown in Figures 4.1 and 4.2. Eligible entities would be unique vessel owners or qualified lease holders. Both the vessel and the owner or lease holder would be identified on reporting forms and allotments. This would be an important distinction in the case of owners with more than one vessel. Landings data from fish tickets for the years 1986 or 1988 (depending on the option) through 1990 would be collected from the State of Alaska Commercial Fishery Entry Commission and NMFS data files. These data would include all longline and pot landings from the Alaska EEZ (regardless of the state in which landed). There are two options concerning eligibility for allotments.

In the first option, each vessel owner would have his three year landings total determined, by area. This would be the case even if he had landed fish in only 1 year. An average vessel total for each area would be determined by summing the yearly area catch divided by the number of vessels making landings. A multiplier would then be developed for each vessel by dividing the individual vessel performance by the average vessel total for that area. The projected TAC for each area would be set by the Council and a fixed amount (perhaps 10-20%) would be subtracted as a minimum amount for an open access derby fishery. This adjusted area TAC would be divided by the number of vessels expected to participate in that area, as determined by NMFS. The projected average catch per vessel would be multiplied by each ratio to determine annual fishing allotments for the following year. All allotments would be adjusted proportionally by area (if need be) so that their total equaled the adjusted TAC. Alternately, the adjusted TAC could be divided among only those qualified for allotments. This procedure would be repeated for each area. A worksheet example of the procedure is given in Appendix I.

The initial allocation procedure for option 1 can be conceived as follows:

1. Determine initial eligible group (based on available data): Vessel owners.
2. Determine each person's landings by area and year (1988 through 1990).
3. Sum each person's landings by area.

4. Divide the yearly landings from each area by the number of participants in that area and sum the three averages.
5. Divide each person's total by the summed area averages to arrive at a multiplier.
6. By area, after subtracting the fixed derby amount, divide the TAC for the forthcoming year by the projected number of vessels for that area.
7. Multiply this projected area vessel average catch by each person's multiplier.
8. Adjust these totals proportionally so that they equal the area TAC. This is a person's annual fishing allotment.
9. Notify each person of their preliminary area allotments.
10. Repeat steps 1 through 9 after the appeals process where lease holders and others would be recognized.
11. Those qualified for allotments would have until some specified date, before the derby fishery began, to notify NMFS if they wanted to use the allotments.
12. Upon receiving a notice, NMFS would mail allotment packets and the vessel could not fish in the sablefish derby fishery but only with allotments for that year.

The second option would use landings in the past 3 of 5 years. Allotments would only be determined for those with landings in 3 years in any one area. Each qualified vessel/owner combination would have their 3 best years summed for all areas in which they participated. An individual's area percentage would be calculated by dividing his sum by the total of all individual sums. The total of all individual sums, by area, would be divided by the top 3 TACs for that area during the 5 year period. This would determine the percentage of the area TAC to be allocated to those eligible for AFAs. This procedure would be repeated for each area. A worksheet example of the procedure is given in Appendix I.

The initial allocation procedure for option 2 can be conceived as follows:

1. Determine initial eligible group (based on available data): Vessel owners.
2. Determine each vessel/owner's landings by area and year (1986 through 1990).
3. Sum each vessel/owner's landings from their three best years by area. If they qualify in any one area, they would have calculations for all areas in which they participated.
4. For each area, divide each individual vessel/owner's three year sum by the total three year sum of all individuals. This determines each vessel/owner's relative percentage of an area.
5. Divide the total of all individual sums by the total of the three highest TACs in that area over the 5 year period. This determines the percentage of the area TAC which will be available for allotments.
6. Determine the TAC, by area, for the next year.
7. Subtract the fixed open access percentage from the TAC.
8. Multiply the adjusted area TAC by the percentage available for allotments.
9. Multiply each vessel/owner's percentage and the appropriate area modified TAC. This determines individual allotments.
10. Notify each person of their preliminary area allotments.
11. Repeat steps 1 through 9 following an appeals process where lease holders and others would be recognized.
12. Those qualified for allotments would have until some specified date, before the derby fishery began, to notify NMFS if they wanted to choose use the allotments.
13. Upon receiving a notice, NMFS would mail allotment packets and the vessel could not fish in the sablefish derby fishery but only with allotments for that year.

Verification of Allotments. Those receiving annual allotments would have the right to challenge the level of the allotment during a specified appeals period. Challenges to allotment amounts could only be brought forth based on errors in the data and would have to be substantiated by landings documentation (fish tickets). Appeals would be in writing, setting forth the reasons that the determination was in error, and filed with NMFS. Appeals would be heard by an appeals board composed of the Regional Director and the fisheries heads of the States of Alaska, Washington and Oregon or their designees. Board decisions would be approved by the Regional Director. Appeals to the decision of the Board would go first to the Regional Director, then to the Secretary of Commerce and finally to the federal court system.

For multiple owners of single vessels (including companies, corporations, partnerships, etc.), owners would qualify for annual allotments based on the social security number and name registered with the United States Coast Guard. Owners would rectify any differences between this method and actual vessel ownership outside of the appeals process. The owners would be required to notify NMFS of any changes to ownership status.

No data would be available for lease holders until the program was implemented. Their eligibility would not be determined until appeals were heard. Lease holders would have to demonstrate to the appeals board their qualified lease. If there was contention from the vessel owner, the lease holder and vessel owner would have to settle the disagreement outside of the appeals process. Those lease holders declared eligible would have the landings for the time period of their eligibility added to any other qualifying poundage they were entitled to as a vessel owner. Owners of vessels found to be leased would have those landings subtracted from their own total. Therefore, each landing would count only one time. Following implementation of the program, all qualified leases would have to be reported to NMFS before fishing for sablefish.

The allotment process would occur each year. The number of appeals should decrease substantially after the first year when fish ticket and qualification errors for 3 years are decided. This is especially true for lease holders since they would be reported each year so that landings could be properly tracked.

Annual Allotments. All owners or lease holders intending to participate in the sablefish longline or pot fisheries would have to register with NMFS each year by a specified date. After the appeals period, announcements describing individual annual allotments would be mailed to all registered vessel owners or lease holders. Each recipient would be charged a nominal fee to cover administrative costs. These fees would be charged to all, regardless of whether or not they were to choose the derby or allotment fishery. This is more fully covered in Appendix II.

Annual Inclusion in the AFA System. All qualified vessel owners and registered lease holders would be notified of their allotments each year. Landings in either the derby fishery or using allotments would qualify a person. Each person would then have the choice of fishing in the derby fishery or using his allotments. If a person requested allotments then the qualifying vessel could not participate in the sablefish derby fishery in any area during that year. The vessel/owner would still receive allotment notification for the following year provided they qualified as stated above.

No vessel could use annual allotments unless it qualified. An owner with multiple vessels could share annual allotments among vessels, provided each vessel used had independently qualified for an allotment. The person named on the allotment would not need to be present when sablefish were fished or landed. That is, an absentee owner's vessel could fish with a hired skipper. No vessel which used allotments could fish in one of the sablefish derby or bycatch (non-allotment) fisheries and no vessel which did not qualify for allotments could use them. Should the

administrative fees between annual allotments and the derby users be different, those changing would have their administrative fees changed accordingly. Once a vessel changed to the annual allotment fishery, it could not change back to the derby fishery that year. All allotments which could not be used due to accident, vessel sinking, etc., could be returned to NMFS. These allotments would be added to the derby TAC. Those returning allotments under this provision would receive a refund of the administrative fee for the amount returned, depending on the circumstances (if any had been used, etc.).

Derby Fishery. An open access derby fishery would exist for all who wished to fish in it, regardless of prior qualification. Any vessel could participate in this fishery provided it did not use allotments that year. Any person and vessel eligible for allotments would fish in the derby fishery that year unless they notified NMFS and received their allotments. All vessels participating in the derby fishery would be required to register with NMFS by a specified date prior to the beginning of the derby fishery. They would also be required to pay a fee based on administrative costs, as determined by NMFS. The derby fishery would include both landing sablefish in a directed fishery and landing sablefish as bycatch in other longline or pot fisheries.

When registering for the derby fishery, the owner or lease holder would be established as a matter of record. This person would then be identified on all landings during the year or until their status changed and NMFS was notified. All owners or lease holders landing sablefish in the open access fishery would be eligible to choose allotments the following three years (depending on the option chosen).

Monitoring and Enforcement. Any person landing sablefish by longline or pots or who processes or buys longline or pot caught sablefish would be required to have a federal permit before fishing for or purchasing sablefish. These permits would be issued annually for a nominal fee to cover administrative costs. This permitting process would aid in tracking landings and in enforcement.

In order to be able to track control and use of allotments, it might be necessary to use several types of confidential reporting forms. These might include fishermen reporting their estimated landings, buyers reporting the actual poundage landed, and processors reporting their purchases and sales. An example of such a reporting system, along with its projected administrative costs, is more fully described in Appendix II.

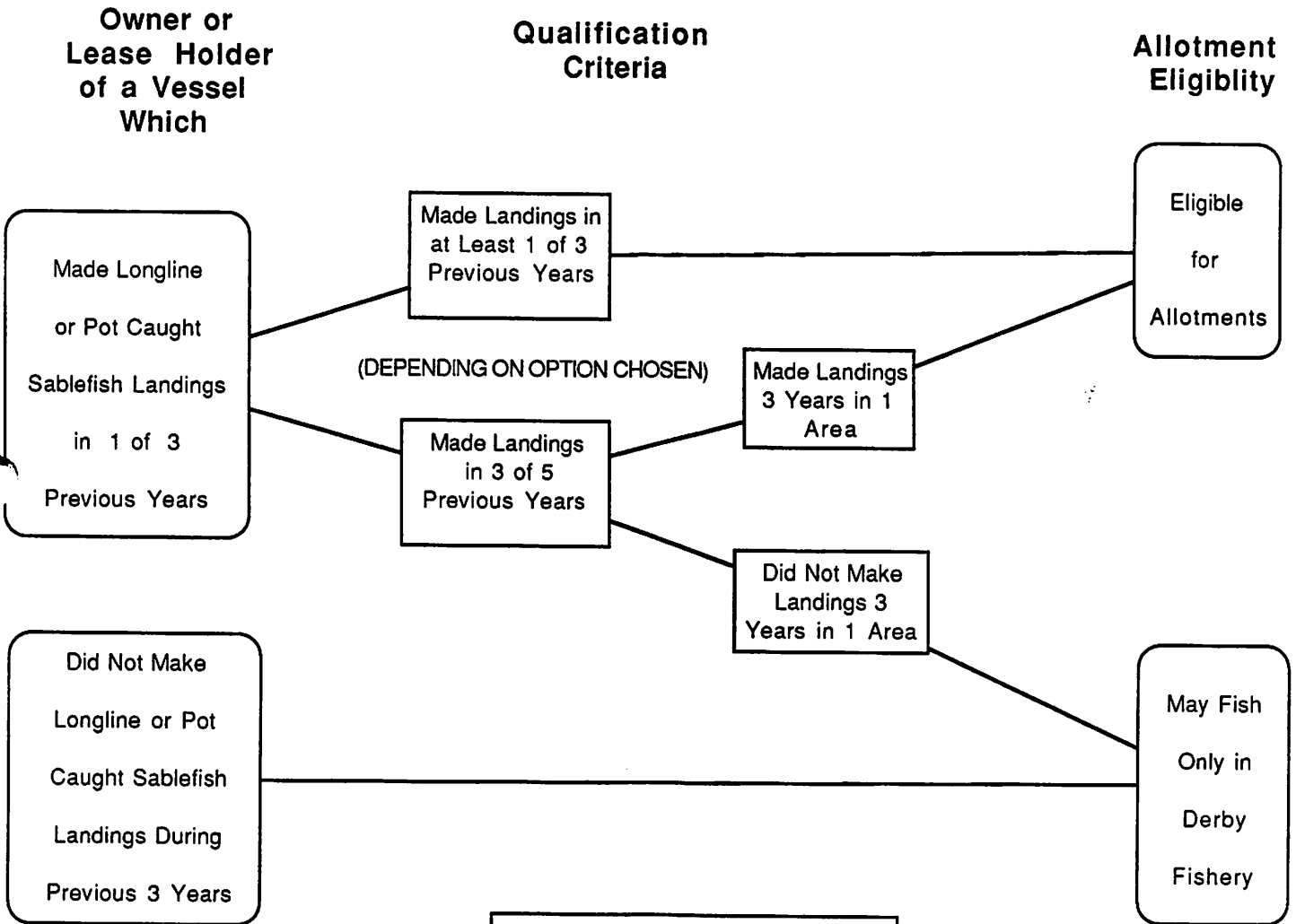
The entire operation and structure of the system could, under one option, be reexamined at the end of 3 years. This would allow for the revamping of the system to correct identified problems and weaknesses. The system would not automatically sunset by the use of any of the options.

Other Management Measures. The use of annual fishing allotments would not eliminate the need for other management measures. All the measures now used to manage the longline and pot sablefish fisheries would still be in use for those choosing allotments except for seasons. Seasons would only be necessary if there was a biological reason to restrict fishing or if time was necessary to process allotment requests. Some of the management measures which the Council expects to use in the future under the derby fishery (Table 4.1) would not be required for those using allotments. It is not known which would be. Regulations would be required primarily for biological, enforcement, and data gathering purposes. Effort controls would only be necessary in the allotment portion of the fishery if the fleet still congregated on localized concentrations of sablefish during certain time periods. The measures to be used in the derby portion of the fishery would resemble those in continued open access, Alternative 1. The specific ones used would depend, to some extent, on how many vessels fished in the derby.

# Figure 4.1

## Determination of Eligibility for Sablefish Fixed Gear Annual Fishing Allotments

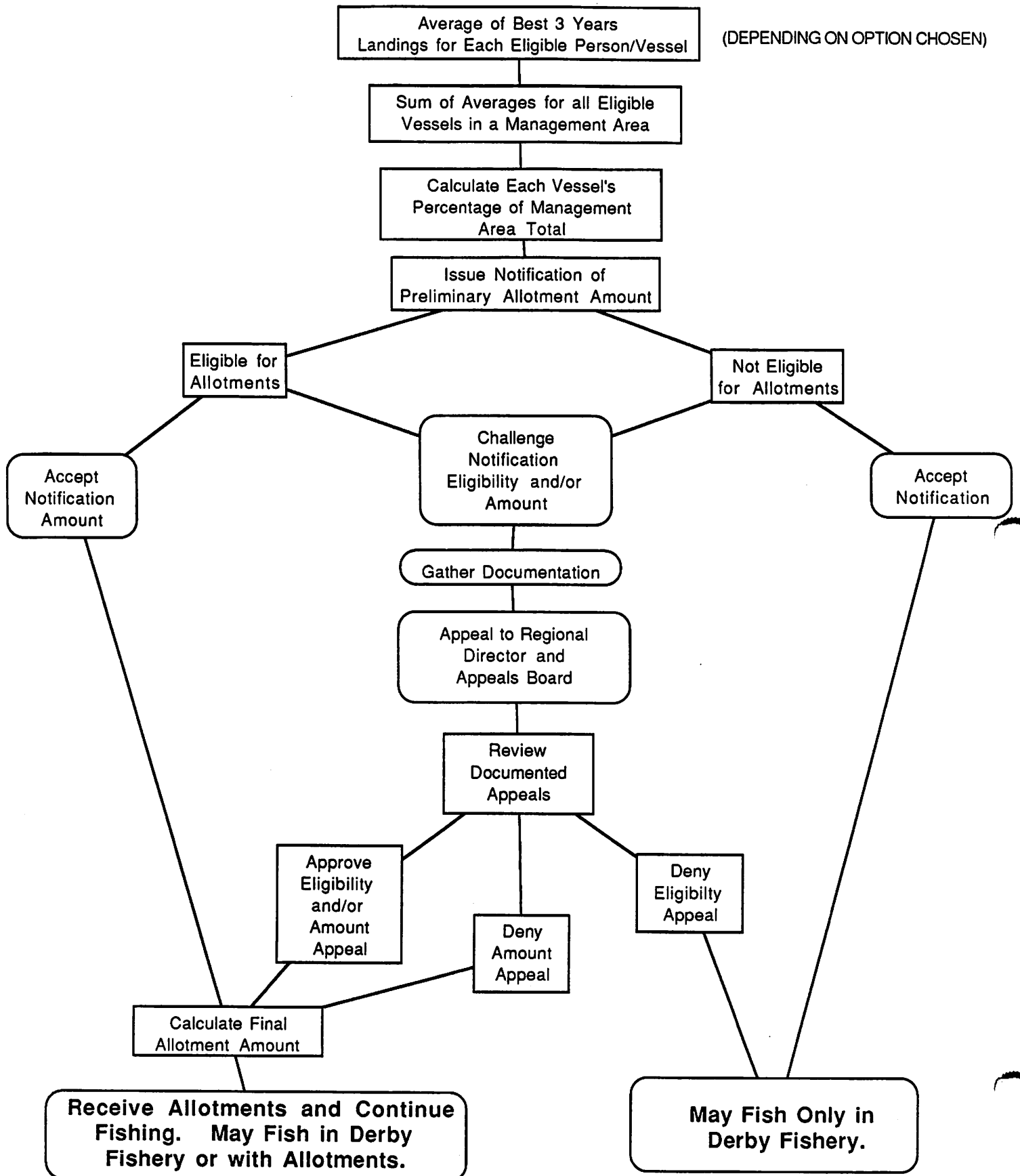
**Allotments Would be Issued Yearly as a Certain Poundage for Each Management Area**



- MANAGEMENT AREAS**

  - Southeast Outside/East Yakutat
  - West Yakutat
  - Central Gulf
  - Western Gulf
  - Bering Sea
  - Aleutian Islands

**Figure 4.2**  
**Sablefish Annual Fishing Allotment Issuance Procedures**  
**Allotments Would be Specific to Management Areas**





## **New Annual Fishing Allotment Procedure for Allocations**

It was pointed out in the SEIS/RIR/IRFA that the allotment system, as configured, would result in increasingly less allotments to all individuals. A solution to that problem was suggested during the workshops and is analyzed here.

Each area would have a certain percentage, say 10% or 20%, of the TAC reserved for a minimum open access derby fishery. The remaining portion of the TAC (say 80% or 90%) would be divided, each year, among those eligible for annual allotments. All vessel owners or lease holders whose vessel landed sablefish any time during the past three years would be eligible for allotments in the areas in which the sablefish were caught.

Annual allotments would be calculated in the following manner:

1. All individuals not using allotments in the previous year would have their percentage of the area catch for the previous three years determined, on a yearly basis.
2. Each individual's percentages would then be averaged to determine his eligible percentage of the allotments. For instance, if a fisherman landed 0.8%, 0.85% and 0.9% of the area catch in the previous three years, his average would be 0.85%.
3. The individual would then be eligible for that percentage of the allotment fishery in that area. If allotments were 80% of the area TAC then this individual would be eligible to use allotments for 0.68% of the total area TAC (0.85% of the allotment TAC).

Any person using allotments would be eligible for the same percentage of the TAC the next year. Therefore, persons choosing to use allotments on a yearly basis would receive allotments for the same percentage of the TAC each year. This means that if the area TAC did not change, a person using allotments would receive allotments for the same amount of sablefish each year. If a person used allotments and then chose to fish in the derby, his percentage would be recalculated the following year.

The first year of the system, the overall eligibility for the allotment fishery would be 100%. However, in succeeding years, with new entrants, overall eligibility would be over 100%. This over subscription is because those persons using allotments would retain their same percentage while those persons fishing in the derby would be qualifying for new percentages. This poses a risk that, at some point, there would be more allotments requested than were available. This critical point is not expected to be reached for several years. It would only be reached if the program is considered successful by fishermen as measured by their use of allotments.

If more people requested allotments than there was available allotment TAC, the Council could adjust each allotment proportionally. The process of declaring for allotments and setting TACs would occur during the end of the calendar year and would probably be concluded by early January. Therefore, should this adjusted be required, the Council would be in a position to discuss the matter at its January meeting and consider methods of dealing with future management in the same year's amendment cycle.

By using the average of three years to determine each person's eligibility, only those who have had three consecutive, successful years are expected to consider allotments. However, some people fishing in the derby would qualify for enough allotments to use as bycatch in other fisheries in future years and might choose them for that rather than directed sablefish fishing.

The annual allotment system described above is flawed and, as with the other options under this alternative, it is not possible to correct the flaw. If the system is very popular and many people choose allotments then these participants would probably request an IFQ system. If the system is not successful, if not many people choose allotments, then there is little or no gain from status quo open access (Alternative 1).

Three different measures of allotment requests were considered in the analysis: current rates of dropout, no dropouts after owners participated for three years in one area with current rates until that time, and no dropouts after the system is implemented. For demonstration purposes, 1990 was considered as the year of implementation and actual participation rates from 1984-89 were considered. All owners with three years or more consecutive participation are expected to choose allotments. The basis of this dropout rate is the attrition rates observed of those fishing in 1984-1988. Only a portion of fishermen fishing for the first time in any one year continue fishing in future years. This portion varies by year and by area. These dropout rates for the East Yakutat/Southeast Outside and Western Gulf areas are shown in Figure A.

As Table A shows, at current dropout rates the amount of allotments owners are expected to request would decrease. This is due to the turnover rate the fleet currently experiences as vessels enter and exit on a year-to-year basis. If this rate did not change, then even if all eligible owners choose allotments the total allotment percentage would decrease. This projection is considered to be the low estimate of allotment use.

The other extreme would be that no vessels drop out of the fishery following implementation for the allotment system. As can be seen in Table A, the amount of allotments rapidly rises to over 90% for areas. This number would be even higher if some owners choose, after participation in only one or two years, to use allotments for bycatch, rather than waiting three years to have enough for directed fishing.

The most probable scenario is projected as no dropouts after three years of participation. New entrants to the fishery would drop out at their current rate until they had participated for three years. At that time no further attrition would occur and all would choose allotments. As can be seen in Table A, this results in a middle path of allotments which varies by area.

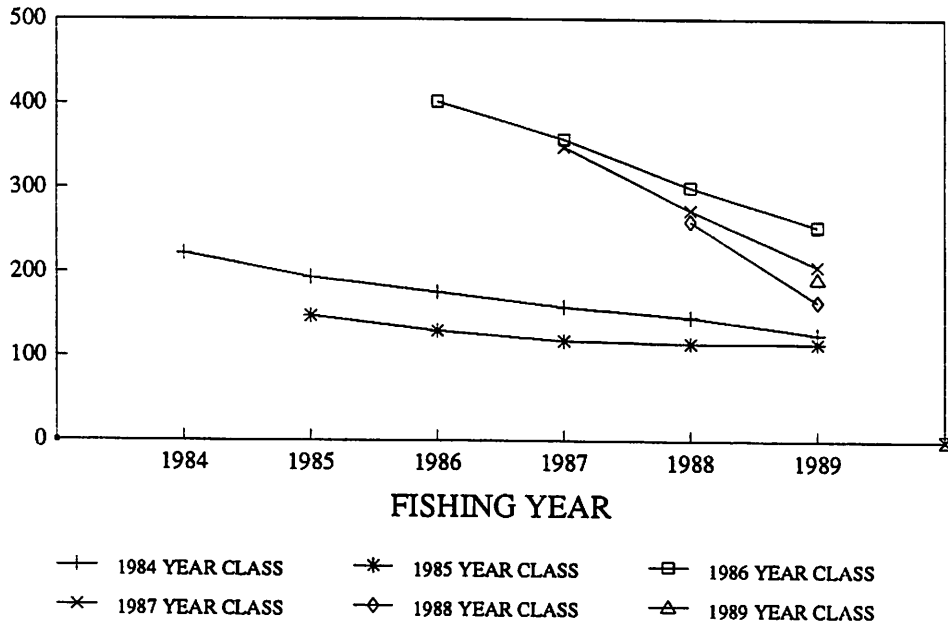
A graphic example of the different allotment uses is shown for the East Yakutat/Southeast Outside Area. The actual allotment use would depend on how efficient allotments were. If fishermen determined that allotments made more sense than the derby then more would choose them and stay in the fishery to receive them. This would be the case even though they could not sell or lease the allotments.

The results of continued open access with no change in management is described in Alternative 1. Effort levels would continue to rise, the problems would continue, and the imposition of new regulations to deal with increasing effort levels would be required. If the system went to IFQs, the major initial cost would be to those who had been using allotments. It is probable that by the time the system moved to IFQs people would be eligible for much more than 125% of the TAC (the

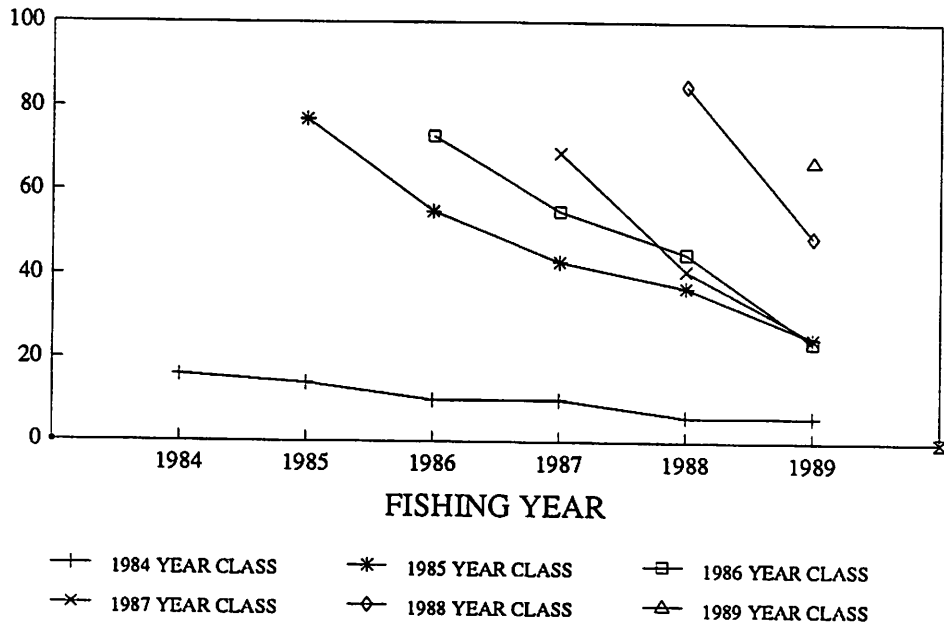
80% allotment fishery and the 20% derby set aside). A 125% subscription to IFQs would result in level IFQ allocations for those using allotments if the open access set aside had been 20%. The result of a greater than 125% subscription would be even further decreases in the allocations to those using allotments and great initial reductions in eligible landings to those who had not used allotments. If IFQs were transferable, as described in Alternative 3, persons would be able to increase their holdings. It is not possible to predict when such a change would be requested under this alternative nor when it would occur (all provided that the system was successful).

**FIGURE A**  
**Tracking of Vessel Owners in the Sablefish Longline Fishery**  
**Based on Year of Entry: Examples of Two Management Areas**

**Southeast Outside, East Yakutat**



**Western Gulf**



**Table A**

**Percentage of Allotments Which Would be Used  
If All Those With 3 Consecutive Years of Participation  
Choose Allotments: 3 Different Dropout Rates**

	1990	1991	1992
<b>Current Dropout Rate</b>			
EYSO	43.2%	38.2%	33.7%
WYakutat	22.6%	15.4%	11.4%
C Gulf	35.3%	31.4%	25.0%
W Gulf	26.5%	14.0%	9.4%
AL	16.6%	18.5%	10.9%
<b>No Dropouts After 3 Years Participation</b>			
EYSO	61.2%	70.4%	75.2%
WYakutat	40.2%	45.6%	48.2%
C Gulf	53.4%	63.9%	67.0%
W Gulf	36.8%	47.7%	50.8%
AL	30.4%	40.6%	43.3%
<b>No Dropouts</b>			
EYSO	61.2%	75.6%	93.7%
WYakutat	40.2%	53.9%	91.4%
C Gulf	53.4%	73.2%	92.7%
W Gulf	36.8%	59.7%	90.4%
AL	30.4%	56.0%	94.4%

**EYSO Area: Expected Allotment Use Based on 3 Dropout Rates**

