

MEMORANDUM

TO: Council, SSC and AP Members

FROM: Chris Oliver 
Acting Executive Director

DATE: November 30, 2000

SUBJECT: Halibut Charter IFQ Program

ESTIMATED TIME
3 HOURS

ACTION REQUIRED

- (a) Review ADF&G Sport Fish Division corrected halibut data.
- (b) Review staff discussion paper on the community set-aside of initial charter IFQ allocation.

BACKGROUND

ADF&G Sport Fish Division corrected halibut data

At final action in February 2000, the Council adopted guideline harvest levels (GHLs) for halibut harvested from charter vessels in IPHC Areas 2C and 3A. The GHLs were based on charter harvest estimates for 1995-99. Preliminary harvest estimates for 1995-98 were from the ADF&G Sport Fish Division's Statewide Harvest Survey (SWHS). The estimates used during the GHL analysis for 1999 charter harvests summarized in these tables were not SWHS estimates, but were interim projected values.

In October 2000, ADF&G Sport Fish Division staff reported to the Council that errors had been discovered in the SWHS estimates for the years 1995-98. The errors for the years 1996-98 have now been identified and corrected. The 1995 estimates could not be corrected because the original data files were damaged and could not be reconstructed. The corrected estimates for 1996-98 were released on November 6 (Item C-4(a)(1)).

Table 1 depicts the GHL calculation using the corrected data. The bolded selections in the highlighted rows mark the new GHL percentages for each area, using the average of the 1995-99 combined commercial quota and charter harvests as specified by the Council's final action in February 2000. The two rejected options from the GHL analysis are included, as the average of the 1998-99 combined commercial quota and charter harvests is a current option in the suite of charter IFQ alternatives.

Table 2 contains the data as it was presented during final action and the revised GHLs using the corrected data. 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-charter 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-charter harvest estimates also decreased in all three years.

In Area 2C, the old harvest estimates used to calculate the GHL for each year fall outside of the 95% confidence interval for the corrected estimates, while this is only true in Area 3A for 1998 and 1999. However, these harvest changes do not imply large changes in the resulting GHL calculation and the revised GHL percentages for each area still remain within the range of percentages under the options before the

Council in February 2000. The 1995-99 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 percentage point, from 14.94% to 14.11%. Therefore the Council may choose to evaluate whether the revised GHL percentages warrant revision of the Council's GHL preferred alternative.

ADF&G Sport Fish Division staff will present a detailed account of the errors discovered in the SWHS harvest estimate procedures and how they corrected these errors to the Scientific and Statistical Committee at this meeting (Item C-4(a)(2)). They will also present the methodologies used in the creel survey and port sampling programs Area 2C and 3A to determine average weights of halibut harvested at various ports.

Community set-aside

The halibut charter IFQ analysis is scheduled for initial review and final action at the February and April 2001 Council meetings, respectively. At its October 2000 meeting, 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. Staff will separate the analysis of the set-aside option into a distinct Issue 11, allowing the set-aside to be treated as a stand alone issue for Council consideration. The Regulatory impact review will address the interaction between the community set-aside and the overall charter IFQ program.

As adopted for analysis by the Council, the final action decision in April is whether to:

Set-aside 1-2½ percent of the combined commercial/charter TAC for Gulf of Alaska communities:

- Option A. Equal pounds from the commercial and charter sectors.
- Option B. Proportional amount based on the split between the commercial and charter sectors.
- Option C. 100 percent of the pounds taken out of the charter sector.

The analysis will also address the social and economic consequences of creating community-based quota shares for the proposed eligible communities. A separate, more detailed analysis of which communities to include and how the quota shares will be allocated and administered will be initiated separately as a trailing amendment should the Council choose to create a set-aside.

Council staff will present a discussion paper briefly addressing some of the issues in the community set-aside proposal and the proposed economic analysis (Item C-4(b)). The discussion paper is divided into two parts. Part I outlines some of the fundamental concepts of the community set-aside program, as described in the proposal developed by the Gulf of Alaska Coastal Communities Coalition. Because of the considerable impact some of the specific features of the Coalition's proposal have on the three major decision points for the Council, staff is requesting Council clarification on or concurrence with several of these key features in order to proceed with the analysis. Part II of this paper provides an overview of the framework for considering the economic and social implications, including net benefit and distributional effects, of the community set-aside. Staff is requesting SSC review of the proposed analytical framework outlined in Part II.

Table 1 GHL formulation updated to reflect corrected ADF&G SWHS data for 1996 through 1999

IPHC Area 2C								
Year	Commercial Catch Limit (x 1,000 lb)	Commercial Catch (x 1,000 lb)	Charter Harvest (x 1,000 lb)	lbs/fish	Charter (Numbers of fish)	Charter GHL @ 125% of Sport Charter (x 1,000 lb)	GHG as % of Catch Limit + Sport Charter	GHG in Numbers of fish
1995(a)	9,000	7,760	986	19.88	49,615	1,233	12.35%	62,000
1996	9,000	8,800	1,187	22.15	53,590	1,483	14.56%	67,000
1997	10,000	9,890	1,034	20.19	51,181	1,292	11.71%	64,000
1998	10,500	10,230	1,584	29.14	54,364	1,980	16.39%	67,900
1999	10,490	10,202	939	17.80	52,735	1,173	10.26%	65,900
Average (95-99)	9,798	9,376	1,146	21.83	52,297	1,432	13.05%	65,360
Average (98-99)	10,495	10,216	1,261	23.47	53,550	1,577	13.32%	66,900
Average (97-99)	10,330	10,107	1,185	22.38	52,760	1,482	12.79%	65,933
IPHC Area 3A								
Year	Commercial Catch Limit (x 1,000 lb)	Commercial Catch (x 1,000 lb)	Charter Harvest (x 1,000 lb)	lbs/fish	Charter (Numbers of fish)	Charter GHL @ 125% of Sport Charter (x 1,000 lb)	GHG as % of Catch Limit + Sport Charter	GHG in Numbers of fish
1995(a)	20,000	18,340	2,845	20.64	137,843	3,557	15.57%	172,300
1996	20,000	19,690	2,822	19.74	142,957	3,527	15.45%	178,700
1997	25,000	24,680	3,413	22.33	152,856	4,266	15.01%	191,100
1998	26,000	25,870	2,985	20.82	143,368	3,731	12.87%	179,200
1999	24,670	25,287	2,533	19.23	131,726	3,167	11.64%	164,700
Average (95-99)	23,134	22,773	2,920	20.55	141,750	3,650	14.11%	177,200
Average (98-99)	25,335	25,579	2,759	20.03	137,547	3,449	12.26%	171,950
Average (97-99)	25,223	25,279	2,977	20.79	142,650	3,721	13.18%	178,333

(a) SWHS Estimates for 1995 are not revised using methods implemented for revising 1996-1998 as the source data can not be retrieved from backup tapes.

Table 2 Comparison of updated GH L with values from Feb 2000 Council action

IPHC Area 2C												
Year	Old ADF&G data						Corrected ADF&G data using SWHS estimates for 1996, 1997, 1998 & 1999					
	Charter Harvest (x 1,000 lb)	Charter Harvest lbs/fish	Charter Harvest (Numbers of fish)	Charter GH L @ 125% of Sport Charter (x 1,000 lb)	GH L as % of Catch Limit + Sport Charter	GH L in Numbers	Charter Harvest (x 1,000 lb)	Charter Harvest lbs/fish	Charter Harvest (Numbers of fish)	Charter GH L @ 125% of Sport Charter (x 1,000 lb)	GH L as % of Catch Limit + Sport Charter	GH L in Numbers
1995(a)	986	19.87	49,615	1,233	12.35%	62,000	986	19.88	49,615	1,233	12.35%	62,000
1996	936	22.36	41,864	1,170	11.78%	52,300	1,187	22.15	53,590	1,483	14.56%	67,000
1997	852	20.29	42,001	1,065	9.81%	52,500	1,034	20.19	51,181	1,292	11.71%	64,000
1998	1,767	29.06	60,810	2,209	18.01%	76,000	1,584	29.14	54,364	1,980	16.39%	67,900
1999	1,060	18.00	58,889	1,325	11.47%	73,600	939	17.80	52,735	1,173	10.26%	65,900
Average (95-99)	1,120	21.91	50,636	1,400	12.68%	63,900	1,146	21.83	52,297	1,432	13.05%	65,360
Average (98-99)	1,414	23.53	59,850	1,767	14.74%	75,100	1,261	23.47	53,550	1,577	13.32%	66,900
Average (97-99)	1,226	22.45	53,900	1,533	13.10%	68,300	1,185	22.38	52,760	1,482	12.79%	65,933

IPHC Area 3A												
Year	Old ADF&G data						Corrected ADF&G data using SWHS estimates for 1996, 1997, 1998 & 1999					
	Charter Harvest (x 1,000 lb)	Charter Harvest lbs/fish	Charter Harvest (Numbers of fish)	Charter GH L @ 125% of Sport Charter (x 1,000 lb)	GH L as % of Catch Limit + Sport Charter	GH L in Numbers	Charter Harvest (x 1,000 lb)	Charter Harvest lbs/fish	Charter Harvest (Numbers of fish)	Charter GH L @ 125% of Sport Charter (x 1,000 lb)	GH L as % of Catch Limit + Sport Charter	GH L in Numbers
1995(a)	2,839	20.60	137,843	3,549	15.54%	172,300	2,845	20.64	137,843	3,557	15.57%	172,300
1996	2,885	19.61	147,133	3,606	15.76%	183,900	2,822	19.74	142,957	3,527	15.45%	178,700
1997	3,512	22.25	157,828	4,390	15.40%	197,300	3,413	22.33	152,856	4,266	15.01%	191,100
1998	3,238	20.86	155,244	4,048	13.84%	194,100	2,985	20.82	143,368	3,731	12.87%	179,200
1999	3,152	18.00	175,111	3,940	14.16%	218,900	2,533	19.23	131,726	3,167	11.64%	164,700
Average (95-99)	3,125	20.26	154,632	3,907	14.94%	193,300	2,920	20.55	141,750	3,650	14.11%	177,200
Average (98-99)	3,195	19.43	165,178	3,994	14.00%	206,500	2,759	20.03	137,547	3,449	12.26%	171,950
Average (97-99)	3,301	20.37	162,728	4,126	14.47%	203,433	2,977	20.79	142,650	3,721	13.18%	178,333

(a) SWHS Estimates for 1995 are not revised using methods implemented for revising 1996-1998 as the source data can not be retrieved from backup tapes.

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

P.O. BOX 25526
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November 14, 2000

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

Dear David:

In February, 2000 the Council adopted guideline harvest levels (GHLs) for halibut harvested from charter vessels in IPHC areas 2C and 3A. The GHLs were based on charter harvest estimates for 1995 – 1999. Preliminary harvest estimates for 1995 – 1998 were from the Alaska Department of Fish and Game (ADF&G) Sport Fish Division's Statewide Harvest Study (SWHS). Preliminary harvest projections calculated from the ADF&G creel survey/port sampling programs in 2C and 3A were used for the 1999 harvest estimates.

During the October, 2000 Council meeting in Sitka, ADF&G management staff explained that errors had been discovered in the SWHS estimates for the years 1995 - 1998. The errors for the years 1996 – 1998 have now been identified and corrected. The 1995 estimates could not be corrected because the original data files were damaged and could not be reconstructed. The corrected estimates for 1996 – 1998 were sent to Jane DiCosimo of the Council staff on November 6, Jane is planning to mail this information to all Council members in mid-November.

ADF&G Sport Fish Division compared the original charter and noncharter harvest estimates for 1996 – 1998 with the corrected estimates for these years. In area 2C the corrected charter harvest estimates (in pounds of halibut) increased 27% above the original estimates for 1996 and 21% in 1997. The corrected harvest estimates decreased 10% below the original estimates for 1998. Noncharter harvest estimates followed a similar pattern.

In area 3A corrected charter harvest estimates (in pounds of halibut) decreased below the original estimates for all three years: 2% in 1996, 3% in 1997, and 8% in 1998. Noncharter harvest estimates also decreased in all three years.

ADF&G Sport Fish Division is planning to present a detailed account of the errors discovered in the SWHS harvest estimate procedures and how they corrected these errors to the Scientific and Statistical Committee during the Council's December, 2000 meeting in Anchorage. They will

also present the methodologies used in the creel survey/port sampling programs to determine average weights of halibut harvested at various ports.

Please give me a call if you have any questions regarding this issue.

Sincerely,

A handwritten signature in black ink that reads "Kevin C. Duffy". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Kevin C. Duffy
Deputy Commissioner

cc: Jane DiCosimo
Kelly Hepler
David Bernard

Table A-1 Estimated number of halibut caught, kept, and released by charter and non-charter anglers in IPHC Area 2C, 1995-1999.

CHARTER					NON-CHARTER					TOTAL				
Year/SWHS Area	Caught	Kept	Released	% Retained	Year/SWHS Area	Caught	Kept	Released	% Retained	Year/SWHS Area	Caught	Kept	Released	% Retained
1995 (a)					1995 (a)					1995 (a)				
Ketchikan	10,589	7,025	3,564	66%	Ketchikan	11,642	7,458	4,184	64%	Ketchikan	22,231	14,483	7,748	65%
Prince of Wales	23,639	15,078	8,561	64%	Prince of Wales	7,674	5,730	1,944	75%	Prince of Wales	31,313	20,808	10,505	66%
Petersburg/Wrangell	8,444	4,606	3,838	55%	Petersburg/Wrangell	6,847	4,882	1,965	71%	Petersburg/Wrangell	15,291	9,488	5,803	62%
Sitka	21,682	13,462	8,220	62%	Sitka	14,160	7,990	6,170	56%	Sitka	35,842	21,452	14,390	60%
Juneau	9,776	5,508	4,268	56%	Juneau	16,062	9,637	6,425	60%	Juneau	25,838	15,145	10,693	59%
Haines/Skagway	178	173	5	97%	Haines/Skagway	727	683	44	94%	Haines/Skagway	905	856	49	95%
Glacier Bay	7,551	3,763	3,788	50%	Glacier Bay	5,960	3,327	2,633	56%	Glacier Bay	13,511	7,090	6,421	52%
	81,859	49,615	32,244	61%		63,072	39,707	23,365	63%		144,931	89,322	55,609	62%
1996					1996					1996				
Ketchikan	10,135	6,207	3,928	61%	Ketchikan	11,407	9,109	2,298	80%	Ketchikan	21,542	15,316	6,226	71%
Prince of Wales	29,936	17,385	12,551	58%	Prince of Wales	8,088	5,881	2,207	73%	Prince of Wales	38,024	23,266	14,758	61%
Petersburg/Wrangell	10,195	4,544	5,651	45%	Petersburg/Wrangell	9,267	5,690	3,577	61%	Petersburg/Wrangell	19,462	10,234	9,228	53%
Sitka	21,867	12,913	8,954	59%	Sitka	13,644	7,927	5,717	58%	Sitka	35,511	20,840	14,671	59%
Juneau	12,032	7,340	4,692	61%	Juneau	12,938	9,074	3,864	70%	Juneau	24,970	16,414	8,556	66%
Haines/Skagway	407	353	54	87%	Haines/Skagway	1,547	856	691	55%	Haines/Skagway	1,954	1,209	745	62%
Glacier Bay	10,221	4,848	5,373	47%	Glacier Bay	4,147	2,770	1,377	67%	Glacier Bay	14,368	7,618	6,750	53%
	94,793	53,590	41,203	57%		61,038	41,307	19,731	68%		155,831	94,897	60,934	61%
1997					1997					1997				
Ketchikan	8,132	5,626	2,506	69%	Ketchikan	11,226	8,059	3,167	72%	Ketchikan	19,358	13,685	5,673	71%
Prince of Wales	20,484	12,589	7,895	61%	Prince of Wales	12,625	8,612	4,013	68%	Prince of Wales	33,109	21,201	11,908	64%
Petersburg/Wrangell	6,674	3,566	3,108	53%	Petersburg/Wrangell	10,839	6,851	3,988	63%	Petersburg/Wrangell	17,513	10,417	7,096	59%
Sitka	32,478	18,502	13,976	57%	Sitka	16,572	9,050	7,522	55%	Sitka	49,050	27,552	21,498	56%
Juneau	12,141	7,190	4,951	59%	Juneau	23,294	14,092	9,202	60%	Juneau	35,435	21,282	14,153	60%
Haines/Skagway	335	264	71	79%	Haines/Skagway	969	743	226	77%	Haines/Skagway	1,304	1,007	297	77%
Glacier Bay	11,173	3,444	7,729	31%	Glacier Bay	11,464	5,798	5,666	51%	Glacier Bay	22,637	9,242	13,395	41%
	91,417	51,181	40,236	56%		86,989	53,205	33,784	61%		178,406	104,386	74,020	59%
1998					1998					1998				
Ketchikan	7,802	4,222	3,580	54%	Ketchikan	9,009	7,089	1,920	79%	Ketchikan	16,811	11,311	5,500	67%
Prince of Wales	24,040	15,748	8,292	66%	Prince of Wales	11,605	8,280	3,325	71%	Prince of Wales	35,645	24,028	11,617	67%
Petersburg/Wrangell	7,173	4,723	2,450	66%	Petersburg/Wrangell	5,747	4,272	1,475	74%	Petersburg/Wrangell	12,920	8,995	3,925	70%
Sitka	36,479	21,305	15,174	58%	Sitka	14,665	8,998	5,667	61%	Sitka	51,144	30,303	20,841	59%
Juneau	8,641	4,807	3,834	56%	Juneau	15,586	9,746	5,840	63%	Juneau	24,227	14,553	9,674	60%
Haines/Skagway	0	0	0	0%	Haines/Skagway	832	564	268	68%	Haines/Skagway	832	564	268	68%
Glacier Bay	9,030	3,559	5,471	39%	Glacier Bay	6,214	3,631	2,583	58%	Glacier Bay	15,244	7,190	8,054	47%
	93,165	54,364	38,801	58%		63,658	42,580	21,078	67%		156,823	96,944	59,879	62%
1999					1999					1999				
Ketchikan	5,382	3,900	1,482	72%	Ketchikan	9,399	7,089	2,310	75%	Ketchikan	14,781	10,989	3,792	74%
Prince of Wales	21,566	16,692	4,874	77%	Prince of Wales	11,304	9,047	2,257	80%	Prince of Wales	32,870	25,739	7,131	78%
Petersburg/Wrangell	6,611	3,487	3,124	53%	Petersburg/Wrangell	7,100	4,646	2,454	65%	Petersburg/Wrangell	13,711	8,133	5,578	59%
Sitka	27,530	18,376	9,154	67%	Sitka	14,191	9,846	4,345	69%	Sitka	41,721	28,222	13,499	68%
Juneau	8,706	6,186	2,520	71%	Juneau	15,584	9,336	6,248	60%	Juneau	24,290	15,522	8,768	64%
Haines/Skagway	154	132	22	86%	Haines/Skagway	1,094	747	347	68%	Haines/Skagway	1,248	879	369	70%
Glacier Bay	6,433	3,962	2,471	62%	Glacier Bay	8,182	3,590	4,592	44%	Glacier Bay	14,615	7,552	7,063	52%
	76,382	52,735	23,647	69%		66,854	44,301	22,553	66%		143,236	97,036	46,200	68%

MEAN LENGTH and WEIGHT

Table A-2 Average Net Weight (lbs.) of Pacific Halibut Harvested in IPHC Area 2C by fishery, 1995-1999.

Port/Year	Private			Charter			Overall		
	n	Wt. (lbs)	SE	n	Wt. (lbs)	SE	n	Wt. (lbs)	SE
Ketchikan									
1995	--	--	--	--	--	--	549	14.2	0.6
1996	--	--	--	--	--	--	188	20.5	1.6
1997	--	--	--	--	--	--	264	22.1	1.4
1998	178	17.4	1.7	105	13.8	0.6	--	--	--
1999	242	21.5	1.3	83	23.2	2.1	--	--	--
W. Prince of Wales									
1995	--	--	--	--	--	--	677	17.0	0.7
1996	--	--	--	--	--	--	312	17.1	1.0
1997	--	--	--	--	--	--	158	14.7	1.2
1998	82	20.5	2.2	15	29.1	12.7	--	--	--
1999	133	21.2	3.0	451	12.1	0.6	--	--	--
Petersburg/Wrangell									
1995	--	--	--	--	--	--	304	22.7	1.4
1996	--	--	--	--	--	--	158	29.6	1.8
1997	--	--	--	--	--	--	113	32.8	2.6
1998	66	33.0	3.5	48	49.9	5.7	--	--	--
1999	68	23.8	2.4	82	37.4	3.7	--	--	--
Sitka									
1995	--	--	--	--	--	--	253	26.9	1.8
1996	--	--	--	--	--	--	118	28.9	2.9
1997	--	--	--	--	--	--	153	20.8	1.6
1998	48	20.0	3.2	345	31.0	1.9	--	--	--
1999	101	17.6	2.7	982	20.8	0.8	--	--	--
Juneau									
1995	--	--	--	--	--	--	299	17.3	1.2
1996	--	--	--	--	--	--	300	20.3	1.4
1997	--	--	--	--	--	--	221	20.4	1.4
1998	411	21.7	1.1	329	20.5	0.6	--	--	--
1999	292	20.2	1.4	406	13.0	0.4	--	--	--

Table A-3 Estimated sport harvest biomass (pounds net wt.) for IPHC Area 2C, by fishery, 1995-1999.

Class	Area	1995 (a)	% of Total	1996	% of Total	1997	% of Total	1998	% of Total	1999	% of Total
Charter											
	Ketchikan	99,755	10.1%	127,244	10.7%	124,335	12.0%	58,264	3.7%	90,480	9.6%
	Prince of Wales	256,326	26.0%	297,284	25.0%	185,058	17.9%	458,267	28.9%	201,973	21.5%
	Petersburg/Wrangell	104,556	10.6%	134,502	11.3%	116,965	11.3%	235,678	14.9%	130,414	13.9%
	Sitka	362,128	36.7%	373,186	31.4%	384,842	37.2%	660,455	41.7%	382,221	40.7%
	Juneau	95,288	9.7%	149,002	12.6%	146,676	14.2%	98,544	6.2%	80,418	8.6%
	Haines/Skagway	2,993	0.3%	7,166	0.6%	5,386	0.5%	0	0.0%	1,716	0.2%
	Glacier Bay	65,100	6.6%	98,414	8.3%	70,258	6.8%	72,960	4.6%	51,506	5.5%
	Charter Subtotal	986,146	100.0%	1,186,797	100.0%	1,033,519	100.0%	1,584,166	100.0%	938,728	100.0%
Non-charter											
	Ketchikan	105,904	13.8%	186,735	19.8%	178,104	15.6%	123,349	13.5%	152,414	16.9%
	Prince of Wales	97,410	12.7%	100,565	10.7%	126,596	11.1%	169,740	18.5%	191,796	21.2%
	Petersburg/Wrangell	110,821	14.5%	168,424	17.9%	224,713	19.7%	140,976	15.4%	110,575	12.2%
	Sitka	214,931	28.1%	229,090	24.3%	188,240	16.5%	179,960	19.6%	173,290	19.2%
	Juneau	166,720	21.8%	184,202	19.5%	287,477	25.2%	211,488	23.1%	188,587	20.9%
	Haines/Skagway	11,816	1.5%	17,377	1.8%	15,157	1.3%	12,239	1.3%	15,089	1.7%
	Glacier Bay	57,557	7.5%	56,231	6.0%	118,279	10.4%	78,793	8.6%	72,518	8.0%
	Noncharter Subtotal	765,159	100.0%	942,624	100.0%	1,138,566	100.0%	916,544	100.0%	904,269	100.0%
Total											
	Ketchikan	205,659	11.7%	313,978	14.7%	302,439	13.9%	181,612	7.3%	242,894	13.2%
	Prince of Wales	353,736	20.2%	397,849	18.7%	311,655	14.3%	628,007	25.1%	393,770	21.4%
	Petersburg/Wrangell	215,378	12.3%	302,926	14.2%	341,678	15.7%	376,654	15.1%	240,989	13.1%
	Sitka	577,059	33.0%	602,276	28.3%	573,082	26.4%	840,415	33.6%	555,510	30.1%
	Juneau	262,009	15.0%	333,204	15.6%	434,153	20.0%	310,032	12.4%	269,005	14.6%
	Haines/Skagway	14,809	0.8%	24,543	1.2%	20,543	0.9%	12,239	0.5%	16,805	0.9%
	Glacier Bay	122,657	7.0%	154,645	7.3%	188,537	8.7%	151,752	6.1%	124,024	6.7%
	Total Area 2C	1,751,305	100.0%	2,129,421	100.0%	2,172,085	100.0%	2,500,710	100.0%	1,842,997	100.0%

(a) SWHS Estimates for 1995 are not revised using methods implemented for revising 1996-1998 as the source data can not be retrieved from backup tapes.

HARVEST, RELEASE

Table A-4 Estimated number of halibut caught, kept, and released by charter and non-charter anglers in IPHC Area 3A, 1995-1999.

CHARTER					NON-CHARTER					TOTAL				
Year/Fishery	Caught	Kept	Released	% Retained	Year/Fishery	Caught	Kept	Released	% Retained	Year/Fishery	Caught	Kept	Released	% Retained
1995 (a)					1995 (a)					1995 (a)				
Yakutat	2,412	1,828	584	76%	Yakutat	999	628	371	63%	Yakutat	3,411	2,456	955	72%
Prince William Sound	21,119	12,474	8,645	59%	Prince William Sound	22,127	12,297	9,830	56%	Prince William Sound	43,246	24,771	18,475	57%
North Gulf	27,985	16,331	11,654	58%	North Gulf	12,843	7,348	5,495	57%	North Gulf	40,828	23,679	17,149	58%
Lower Cook Inlet	117,671	56,114	61,557	48%	Lower Cook Inlet	60,153	30,719	29,434	51%	Lower Cook Inlet	177,824	86,833	90,991	49%
Central Cook Inlet	80,118	44,584	35,534	56%	Central Cook Inlet	66,651	36,737	29,914	55%	Central Cook Inlet	146,769	81,321	65,448	55%
Kodiak	14,171	6,512	7,659	46%	Kodiak	13,427	7,477	5,950	56%	Kodiak	27,598	13,989	13,609	51%
	263,476	137,843	125,633	52%		176,200	95,206	80,994	54%		439,676	233,049	206,627	53%
1996					1996					1996				
Yakutat	4,242	2,914	1,328	69%	Yakutat	366	322	44	88%	Yakutat	4,608	3,236	1,372	70%
Prince William Sound	19,390	9,897	9,493	51%	Prince William Sound	21,059	12,433	8,626	59%	Prince William Sound	40,449	22,330	18,119	55%
North Gulf	26,075	15,421	10,654	59%	North Gulf	13,959	8,802	5,157	63%	North Gulf	40,034	24,223	15,811	61%
Lower Cook Inlet	149,288	67,997	81,291	46%	Lower Cook Inlet	79,761	37,971	41,790	48%	Lower Cook Inlet	229,049	105,968	123,081	46%
Central Cook Inlet	81,678	41,573	40,105	51%	Central Cook Inlet	71,841	40,234	31,607	56%	Central Cook Inlet	153,519	81,807	71,712	53%
Kodiak	10,862	5,155	5,707	47%	Kodiak	16,060	9,050	7,010	56%	Kodiak	26,922	14,205	12,717	53%
	291,535	142,957	148,578	49%		203,046	108,812	94,234	54%		494,581	251,769	242,812	51%
1997					1997					1997				
Yakutat	6,758	4,161	2,597	62%	Yakutat	1,216	765	451	63%	Yakutat	7,974	4,926	3,048	62%
Prince William Sound	26,769	13,883	12,886	52%	Prince William Sound	24,450	14,573	9,877	60%	Prince William Sound	51,219	28,456	22,763	56%
North Gulf	31,572	17,633	13,939	56%	North Gulf	17,127	10,203	6,924	60%	North Gulf	48,699	27,836	20,863	57%
Lower Cook Inlet	156,115	67,923	88,192	44%	Lower Cook Inlet	80,840	37,723	43,117	47%	Lower Cook Inlet	236,955	105,646	131,309	45%
Central Cook Inlet	81,072	43,442	37,630	54%	Central Cook Inlet	84,917	44,828	40,089	53%	Central Cook Inlet	165,989	88,270	77,719	53%
Kodiak	14,094	5,814	8,280	41%	Kodiak	20,804	11,418	9,386	55%	Kodiak	34,898	17,232	17,666	49%
	316,380	152,856	163,524	48%		229,354	119,510	109,844	52%		545,734	272,366	273,368	50%
1998					1998					1998				
Yakutat	6,459	4,274	2,185	66%	Yakutat	1,356	892	464	66%	Yakutat	7,815	5,166	2,649	66%
Prince William Sound	22,880	13,086	9,794	57%	Prince William Sound	18,817	11,215	7,602	60%	Prince William Sound	41,697	24,301	17,396	58%
North Gulf	26,573	16,486	10,087	62%	North Gulf	13,397	8,254	5,143	62%	North Gulf	39,970	24,740	15,230	62%
Lower Cook Inlet	133,178	60,823	72,355	46%	Lower Cook Inlet	65,572	33,395	32,177	51%	Lower Cook Inlet	198,750	94,218	104,532	47%
Central Cook Inlet	78,318	43,780	34,538	56%	Central Cook Inlet	83,950	41,371	42,579	49%	Central Cook Inlet	162,268	85,151	77,117	52%
Kodiak	8,345	4,919	3,426	59%	Kodiak	17,000	10,749	6,251	63%	Kodiak	25,345	15,668	9,677	62%
	275,753	143,368	132,385	52%		200,092	105,876	94,216	53%		475,845	249,244	226,601	52%
1999 (Preliminary)					1999 (Preliminary)					1999 (Preliminary)				
Yakutat	2,437	2,437	0	100%	Yakutat	3,645	1,208	2,437	33%	Yakutat	6,082	3,645	2,437	60%
Prince William Sound	22,699	14,204	8,495	63%	Prince William Sound	25,390	13,396	11,994	53%	Prince William Sound	48,089	27,600	20,489	57%
North Gulf	20,664	15,088	5,576	73%	North Gulf	18,381	10,789	7,592	59%	North Gulf	39,045	25,877	13,168	66%
Lower Cook Inlet	107,495	53,321	54,174	50%	Lower Cook Inlet	61,490	32,931	28,559	54%	Lower Cook Inlet	168,985	86,252	82,733	51%
Central Cook Inlet	61,182	38,654	22,528	63%	Central Cook Inlet	52,475	30,601	21,874	58%	Central Cook Inlet	113,657	69,255	44,402	61%
Kodiak	18,317	8,022	10,295	44%	Kodiak	14,939	10,573	4,366	71%	Kodiak	33,256	18,595	14,661	56%
	232,794	131,726	101,068	57%		176,320	99,498	76,822	56%		409,114	231,224	177,890	57%

(a) SWHS estimates for 1995 were not revised using methods implemented for revising 1996-1998 because source data can not be retrieved from backup tapes.

Table A-5 Average net weight (lb) of Pacific halibut harvested in IPHC Area 3A by fishery, 1995-1999.

Fishery/Year	Private			Charter			Overall		
	n	Avg. Net Wt. (lbs)	SE	n	Avg. Net Wt. (lbs)	SE	n	Avg. Net Wt. (lbs)	SE
Yakutat									
1995	--	--	--	--	--	--	--	--	--
1996	--	--	--	--	--	--	--	--	--
1997	--	--	--	--	--	--	--	--	--
1998	--	--	--	--	--	--	2,087	35.5	0.6
1999	101	22.6	2.3	762	43.3	1.5	--	--	--
Prince William Sound^a									
1995	119	23.4	2.2	552	29.3	1.2	--	--	--
1996	109	36.3	2.9	498	26.8	1.1	--	--	--
1997	164	26.5	1.8	746	35.1	0.9	--	--	--
1998	144	25.6	2.4	409	28.4	1.4	--	--	--
1999	472	22.0	--	1498	23.9	--	--	--	--
North Gulf^b									
1995	412	16.8	--	723	20.4	--	--	--	--
1996	247	16.1	--	509	15.8	--	--	--	--
1997	214	14.9	--	374	26.4	--	--	--	--
1998	233	16.9	--	433	22.3	--	--	--	--
1999	250	16.8	--	538	20.9	--	--	--	--
Lower Cook Inlet^c									
1995	152	17.7	1.6	1161	20.4	0.5	--	--	--
1996	696	13.0	0.4	1208	20.2	0.5	--	--	--
1997	392	15.0	0.8	850	21.3	0.6	--	--	--
1998	431	13.0	0.6	711	18.7	0.7	--	--	--
1999	392	13.8	0.6	569	16.5	0.5	--	--	--
Central Cook Inlet^d									
1995	289	13.3	0.9	930	17.3	0.5	--	--	--
1996	267	14.6	1.2	768	16.9	0.6	--	--	--
1997	444	15.0	0.6	610	15.9	0.7	--	--	--
1998	364	13.2	0.6	514	18.8	0.8	--	--	--
1999	372	16.0	0.8	487	17.4	0.7	--	--	--
Kodiak									
1995	378	27.8	1.4	292	27.2	1.9	--	--	--
1996	427	25.7	1.5	363	30.8	1.8	--	--	--
1997	260	26.6	1.4	241	30.4	1.6	--	--	--
1998	646	25.9	1.0	667	27.1	1.0	--	--	--
1999	693	23.4	0.9	386	27.5	1.6	--	--	--

^aEstimates based on sampling at Valdez only in 1995-1998, and Valdez, Whittier, and Cordova in 1999.

^bNorth Gulf estimates based on sampling at Seward. SE not available yet.

^cLower Cook Inlet estimates based on sampling at Homer only.

^dCentral Cook Inlet estimate based on sampling at the Deep Creek and Anchor Point beaches.

HARVEST BIOMASS

Table A-6 Estimated sport harvest biomass (pounds net wt.) for IPHC Area 3A, by fishery, 1995-1999.

Class	Fishery	1995	1996	1997	1998	1999
Charter						
	Yakutat	53,560	78,095	146,051	151,727	105,522
	Prince William Sound	365,488	265,240	487,293	371,642	339,476
	North Gulf	333,152	243,652	465,511	367,638	315,339
	Lower Cook Inlet	1,144,726	1,373,539	1,446,760	1,137,390	879,797
	Central Cook Inlet	771,303	702,584	690,728	823,064	672,580
	Kodiak	177,126	158,774	176,746	133,305	220,605
	Charter Subtotal	2,845,355	2,821,884	3,413,089	2,984,766	2,533,319
Non-charter						
	Yakutat	14,695	11,689	20,273	31,666	27,301
	Prince William Sound	287,750	451,318	386,185	287,104	294,712
	North Gulf	123,446	141,712	152,025	139,493	181,255
	Lower Cook Inlet	543,726	493,623	565,845	434,135	454,448
	Central Cook Inlet	488,602	587,416	672,420	546,097	489,616
	Kodiak	207,861	232,585	303,719	278,399	247,408
	Noncharter Subtotal	1,666,080	1,918,343	2,100,467	1,716,894	1,694,740
Total						
	Yakutat	68,255	89,784	166,324	183,393	132,823
	Prince William Sound	653,238	716,558	873,478	658,746	634,188
	North Gulf	456,598	385,364	617,536	507,131	496,594
	Lower Cook Inlet	1,688,452	1,867,162	2,012,605	1,571,525	1,334,245
	Central Cook Inlet	1,259,905	1,290,000	1,363,148	1,369,161	1,162,196
	Kodiak	384,987	391,359	480,465	411,704	468,013
	Total Area 3A	4,511,435	4,740,227	5,513,556	4,701,660	4,228,059

Briefing Document for the December 5, 2000 Meeting of the Scientific and Statistical Committee (SSC) of the North Pacific Fishery Management Council (NPFMC) on Revised Alaska Department of Fish and Game Estimates of Pacific Halibut Harvest by the Recreational Fisheries in IPHC Areas 2C and 3A

This briefing document has two major sections: (1) a summary of the effects of recently revised Division of Sport Fish annual mail-survey (SWHS) estimates related to the recreational Pacific halibut fisheries in IPHC areas 2C and 3A provided by the Alaska Department of Fish and Game (ADF&G), and (2) a summary of the reasons for the revisions to the estimates. The major sections are followed by a brief summary of this document.

Summary of Revised Estimates

The tables in this section summarize the revised SWHS estimates of harvest (in numbers and weight) of Pacific halibut by chartered and private recreational anglers in IPHC areas 2C and 3A compared with the previous estimates. Note that confidence intervals (CI) are only available for estimates in numbers at this time. The old estimates for 1999 charter harvests summarized in these tables were not SWHS estimates, but were interim projected values used during the GHL analysis.

Revised SWHS estimates of harvest by recreational anglers who fished using charters in IPHC Area 2C were appreciably larger than the previously published estimates in 1996 and 1997 both in numbers and weight (Tables 1 and 2). Conversely, revised estimates of harvest for 1998 decreased in comparison to the previously published values. The published estimate of harvest taken by chartered anglers in 2C for 1999 was less than the interim projected value used in the GHL analysis. The revised estimates of charter harvest indicate a fishery with fairly consistent harvests from year to year (ranging from about 51,000 to a little over 54,000 fish from 1996 through 1999).

Table 1.-IPHC Area 2C – Chartered Anglers – Harvest in Numbers of Fish.

Year	Old Estimate (previously published by ADF&G except where noted) ^a	Revised Estimate	% Difference ^b	Lower 95% Confidence Interval Limit (revised estimate)	Upper 95% Confidence Interval Limit (revised estimate)
1996	41,864	53,590	+28.0%	49,333	58,351
1997	42,001	51,181	+21.9%	46,831	55,731
1998	60,810	54,364	-10.6%	49,381	59,407
1999	58,889 ^c	52,735	-10.5%	47,791	57,510

^a Shaded values are outside the 95% confidence limits for the revised estimates, since the old estimates are biased this does not denote a “statistically significant difference”, but is provided here as a general guide as to the degree of change in the estimates.

^b (Revised Estimate – Old Estimate) / Old Estimate x 100%.

^c Old estimate was an interim projected value used during the GHL analysis (i.e., not a SWHS estimate).

Table 2.-IPHC Area 2C – Chartered Anglers - Harvest in Weight (x 1000 lbs).

Year	Old Estimate (previously calculated value except where noted)	Revised Estimate	% Difference ^a
1996	936	1,187	26.8%
1997	852	1,034	21.4%
1998	1,767	1,584	-10.4%
1999	1,060 ^b	939	-11.4%

^a (Revised Estimate – Old Estimate) / Old Estimate x 100%.

^b Old estimate was an interim projected value used during the GHL analysis (i.e., not a SWHS estimate).

The revised estimates of harvest by non-chartered (or private) anglers fishing in IPHC area 2C changed in similar directions as the chartered angler estimates, that is appreciable increases in 1996 and 1997 and a modest decrease in 1998 (Tables 3 and 4).

Table 3.-IPHC Area 2C – Non-Chartered (Private) Anglers - Harvest in Numbers of Fish.

Year	Old Estimate (previously published by ADF&G) ^a	Revised Estimate	% Difference ^b	Lower 95% Confidence Interval Limit (revised estimate)	Upper 95% Confidence Interval Limit (revised estimate)
1996	31,703	41,307	+30.3%	37,186	45,641
1997	40,349	53,205	+31.9%	48,027	57,904
1998	43,934	42,580	-3.1%	36,765	49,679
1999	^c	44,301	^c	40,204	49,170

^a Shaded values are outside the 95% confidence limits for the revised estimates, since the old estimates are biased this does not denote a “statistically significant difference”, but is provided here as a general guide as to the degree of change in the estimates.

^b (Revised Estimate – Old Estimate) / Old Estimate x 100%.

^c Interim projected values were not used during the GHL analysis for private anglers, and as such “old” estimates did not exist for comparison.

Table 4.-IPHC Area 2C – Non-Chartered (Private) Anglers- Harvest in Weight (x 1000 lbs).

Year	Old Estimate (previously calculated value except where noted)	Revised Estimate	% Difference ^a
1996	715	943	+31.9%
1997	860	1,139	+32.4%
1998	941	917	-2.6%
1999	^b	904	^b

^a (Revised Estimate – Old Estimate) / Old Estimate x 100%.

^b Interim projected values were not used during the GHL analysis for private anglers, and as such “old” estimates did not exist for comparison.

Revised SWHS estimates of harvest by recreational anglers who fished using charters in IPHC Area 3A were moderately smaller than the previously published SWHS estimates in 1996 through 1998 both in numbers and weight (Tables 5 and 6). The published estimate of harvest

taken by these types of anglers in IPHC Area 3A for 1999 was substantially less than the interim projected value used during the GHF analysis. The revised estimates of harvest by this segment of the fishery indicate a fishery with somewhat consistent harvests with a suggestion of a decreasing trend since 1997 (decreasing from about 153,000 fish in 1997 to nearly 132,000 in 1999).

Table 5.-IPHC Area 3A – Chartered Anglers - Harvest in Numbers of Fish.

Year	Old Estimate (previously published by ADF&G except where noted) ^a	Revised Estimate	% Difference ^b	Lower 95% Confidence Interval Limit (revised estimate)	Upper 95% Confidence Interval Limit (revised estimate)
1996	147,133	142,957	-2.8%	136,209	149,486
1997	157,828	152,856	-3.2%	146,047	159,801
1998	155,244	143,368	-7.6%	135,591	150,993
1999	175,111 ^c	131,726	-24.8%	125,271	137,766

^a Shaded values are outside the 95% confidence limits for the revised estimates, since the old estimates are biased this does not denote a “statistically significant difference”, but is provided here as a general guide as to the degree of change in the estimates.

^b (Revised Estimate – Old Estimate) / Old Estimate x 100%.

^c Old estimate was an interim projected value used during the GHF analysis (i.e., not a SWHS estimate).

Table 6.-IPHC Area 3A – Chartered Anglers - Harvest in Weight (x 1000 lbs).

Year	Old Estimate (previously calculated value except where noted)	Revised Estimate	% Difference ^a
1996	2,885	2,822	-2.2%
1997	3,512	3,413	-2.8%
1998	3,238	2,985	-7.8%
1999	3,152 ^a	2,533	-19.6%

^a (Revised Estimate – Old Estimate) / Old Estimate x 100%.

^b Old estimate was an interim projected value used during the GHF analysis (i.e., not a SWHS estimate).

The revised estimates of harvest by non-chartered (or private) anglers fishing in IPHC area 3A changed in similar directions as the chartered angler estimates, that is modest decreases in 1996, 1997, and 1998 (Tables 7 and 8).

Table 7.-IPHC Area 3A – Non-Chartered (Private) Anglers - Harvest in Numbers of Fish.

Year	Old Estimate (previously published by ADF&G) ^a	Revised Estimate	% Difference ^b	Lower 95% Confidence Interval Limit (revised estimate)	Upper 95% Confidence Interval Limit (revised estimate)
1996	109,883	108,812	-1.0%	102,129	116,260
1997	121,323	119,510	-1.5%	112,194	127,618
1998	118,573	105,876	-10.7%	99,219	112,645
1999	^c	99,498	^c	92,433	106,011

^a Shaded values are outside the 95% confidence limits for the revised estimates, since the old estimates are biased this does not denote a “statistically significant difference”, but is provided here as a general guide as to the degree of change in the estimates.

^b (Revised Estimate – Old Estimate) / Old Estimate x 100%.

^c Interim projected values were not used during the GHF analysis for private anglers, and as such “old” estimates did not exist for comparison.

Table 8.-IPHC Area 3A – Non-Chartered (Private) Anglers- Harvest in Weight (x 1000 lbs).

Year	Old Estimate (previously calculated value except where noted)	Revised Estimate	% Difference ^a
1996	1,940	1,918	-1.1%
1997	2,129	2,100	-1.4%
1998	1,938	1,717	-11.4%
1999	^b	1,695	^b

^a (Revised Estimate – Old Estimate) / Old Estimate x 100%.

^b Interim projected values were not used during the GHF analysis for private anglers, and as such “old” estimates did not exist for comparison.

Summary of the Reasons for Revision of Estimates

The previously published SWHS estimates were revised for a number of reasons. The events and decisions that lead to the revision of estimates for 1996-1998, associated with the ADF&G-Division of Sport Fish’s annual mail-survey (SWHS) are summarized below:

- During 1999 while processing the 1998 SWHS data, the project staff initiated a review and updating of all existing programming code. The review itself was necessary due to the hiring of new staff and conversion of programs from one computing environment to another.
- One error of implementation that was discovered during this review was that the Non-response Bias Adjustment was not applied to estimates of angler-days for the SWHS reports for 1995-1997 and for household-trips for 1993-1997, even though they should have been. The end result being that Angler-day and Household-trip estimates were biased high for those years.
- Early in 2000, ADF&G staff initiated planning efforts to address the re-computing of participation estimates for 1995-1997, during this process the approach to adjusting for non-response Bias (NRB) was re-evaluated. Prior to 1995 NRB adjustments were made to estimates only if the regression model for the associated parameters had a statistically

significant fit. During the early years of the survey nearly all of the participation variables and most of the major fish species had NRB regression models that fit well from one year to the next.

Starting in 1995, more and more of the regression models did not fit. Staff determined that the ability to fit the scientific model of non-response bias correction, with a regression model with only three data points associated with the three waves of mailing used in the SWHS was limited at best. What was being traded off by using the criteria that the regression fit had to be significant with an alpha or Type I error level of 0.05, was a poor degree of power to fit our scientific model of non-respondents' tendency to harvest fewer fish than respondents (i.e., increased Type II error).

Degradation in total response rates coupled with a continuing use of the significance criterion for application of the non-response bias adjustment resulted in not correcting for non-response bias on a hit-or-miss basis. Accordingly, the NRB Correction factor method was adapted to address this issue. The current approach assumes that the scientific model for NRB adjustment is valid, and just uses the regression method to fit the model. Without making this change in how to apply the non-response bias adjustment model the end result would be dramatic swings in estimates from one year to the next that would not be reflective of any real changes.

- In addition to the change in implementation and procedure for the NRB correction model, a number of previously undiscovered programming code errors were discovered and corrected. As noted above, these errors were discovered during the review and updating of all existing programming code.

The one correction in programming code of most import to the Pacific halibut harvest estimate related to code that resulted in ignoring the catch and harvest of households that reported catching more than 12 Pacific halibut in a season for all Southeast area fisheries (primarily impacting IPHC area 2C estimates). This one programming error was one of the more substantial errors discovered during the program review. The error existed in programming code for the years of 1996-1997 only (did not exist in code for 1995 and 1998-1999).

- Revisions to code and changes in procedures have been implemented for previously published estimates for 1996-1998. Due to data loss (unreadable computer tapes) the estimates for 1995 could not be revised. Note however, that the impact of corrections to 1995 (if they could have been made) are assumed to be relatively minor in comparison to the impact of corrections to the code related to the estimates of Pacific halibut harvest in IPHC Area 2C for 1996-1997, since the coding error described above did not exist in the 1995 program code.

Briefing Document Summary

Corrections to programming code and revision of procedures related to correction for non-response bias resulted in revised estimates associated with the Alaska Department of Fish and Game-Division of Sport Fish's annual mail survey of recreational anglers. Additionally, earlier estimates for 1999 harvests were only interim projected values used during the GHL analysis, and are replaced herein with the estimated values from the SWHS.

The revised estimates of Pacific halibut harvest by anglers fishing in IPHC area 2C were substantially larger for 1996 and 1997, for both chartered and private anglers (Tables 1-4). Comparatively, the revised estimates were moderately smaller for 1998 and 1999 for anglers fishing in area 2C. Revised estimates indicate a relatively stable level of harvest by chartered anglers for area 2C in terms of numbers of fish during the years of 1996-1999.

Revised estimates for Pacific halibut harvest by recreational anglers fishing in IPHC 3A were moderately smaller than previous estimates, for both chartered and private anglers (Tables 5-8). Revised estimates indicate a declining level of harvest by chartered anglers in this area, at least for the years of 1997-1999.

Discussion Paper on a Community Set-Aside of Halibut Charter IFQ

Executive Summary

The halibut charter IFQ analysis is scheduled for initial review and final action at the February and April 2001 Council meetings, respectively. At its October meeting, 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. Using the 2000 commercial quota and the 1999 corrected ADF&G charter harvest data (based on SWHS estimates), this would amount to an estimated range of 93,390 - 233,475 pounds in Area 2C and 208,430 - 521,075 pounds in Area 3A. Note that the IPHC recommendation for the 2001 commercial halibut quota will be announced at this meeting and would change the estimates for the amount of the set-aside.

Staff analysis is intended to assist the Council in deciding whether to set-aside quota for Gulf communities and to provide a context for evaluating the adequacy of the proposed 1-2½ percent range. The analysis is intended to provide sufficient information to assist the Council in its decision regarding three issues:

- (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).

The analysis will also address the social and economic consequences of creating community-based quota shares for the proposed eligible communities. A separate, more detailed analysis of which communities to include and how the quota shares will be allocated and administered will be initiated separately as a trailing amendment should the Council choose to create a set-aside.

The way the option is currently stated, the Council is scheduled to take final action in April on whether to:

Set-aside 1-2½ percent of the combined commercial/charter TAC for Gulf of Alaska communities

- Option A. Equal pounds from the commercial and charter sectors
- Option B. Proportional amount based on the split between the commercial and charter sectors
- Option C. 100 percent of the pounds taken out of the charter sector

Staff analysis to support this decision may be difficult without a more comprehensive analysis of the details of a specific community program proposal and clarification of the Council's intent and motivation for such a program. In its draft October 2000 minutes, the SSC recognized this potential problem and made the following recommendation to the Council:

If the Council chooses to consider community quotas as a component of the charter IFQ analysis, the characteristics of the community quota share program need to be fleshed-out and the discussion of potential economic and social consequences needs to be expanded.

Many of the conceptual and structural details of a community program are critical to providing an analysis that would support a Council decision regarding the adequacy of the proposed 1-2½ percent range. While one proposal developed by the Gulf Coastal Communities Coalition (Coalition) has been adopted as the general basis for the set-aside under consideration, there are several design features inherent to the proposal that have a substantial effect on the goals of the program, the number of eligible communities, and thus, the rationale for selecting 1 percent, 2½ percent or some other amount within the range. Because of the considerable impact these features have on the three major decision points for the Council, **staff needs clarification of the extent to which the Council agrees with the Coalition's concept of the set-aside** in order to provide an analysis that would support decisions on all three points. Absent Council clarification on specific features of the Coalition proposal, staff would proceed using the Coalition concept and the proposed problem statement as the basis for the analysis.

Specifically, staff needs the following information at this meeting:

- 1) Does the Council agree with the Coalition concept of the set-aside?
 - a) Communities would have limited, annual rights to use set-aside quota, as opposed to being given long-term ownership privileges, as in the existing CDQ program.
 - b) Community quota share could not be leased or transferred among communities or individuals, as the ownership of the quota shares is retained by the government in trust for eligible communities.
 - c) Any set-aside quota not obligated by a certain date would "roll back" into the general commercial/charter quota pool for the upcoming season.
- 2) Does the Council want to consider a phase-in of the set-aside instead of or in addition to considering a pre-season roll-over as described in the Coalition proposal?
- 3) Does the Council agree with the Coalition's stated purpose and need for a set-aside?
 - a) The main purpose of the set-aside is to "remove an economic barrier for residents of underdeveloped communities to participate in the halibut charter industry." Other goals include: provide for sustained participation in the charter industry; increase geographical diversity of charter operations; and reduce the potential for localized depletion.
 - b) Economic development is not a stated goal of the Coalition proposal, but is implicit in the eligibility criteria used to select the communities. Excluding economic development as a goal leads to the argument that other communities or potential stakeholders that could benefit from reduced economic barriers to entry should be eligible for the set-aside and not just the communities identified by the Coalition. Should economic development be included as a goal?
- 4) Does the Council agree with the Coalition's basis for the 1-2½ percent range? Staff seeks concurrence that the 35 communities¹ identified in the attachment should be used as the basis for evaluating the magnitude of the set-aside for initial review.
- 5) Adoption of a formal problem statement specific to the need for a community set-aside of halibut charter quota.

Because analysis of the details of a specific community program (eligibility criteria, number of communities, program administration, etc.) may be necessary for the Council to decide to adopt a set-aside and not available until the trailing amendment is developed, staff considered the possibility of treating the 1-2½ percent set-aside as an amount held in *reserve* for future consideration of a community program. Under this approach, the Council would choose to reserve the set-aside *range* but not actually decide to go forward with a community program until the detailed analysis is prepared. In this case, a decision on the exact magnitude of the set-aside and the source would also be deferred. If, after consideration of the program details, the Council decided not to adopt a community program, the quota held in reserve would be released to the general charter/commercial IFQ quota pool.

This approach would alleviate some of the circular aspects of having to decide on the magnitude of the set-aside without knowing which communities are targeted. It would also obviate the need for the Council to decide on the core features of the community program at this time since these features would be considered in the detailed

¹The original Coalition proposal included Halibut Cove and Tyonek in Area 3A, but did not include Akhiok, in Area 3A or Hyder and Saxman in Area 2C. To be inclusive of all the communities proposed in both lists would result in a total of 37 eligible communities.

analysis. Staff analysis would focus on the general merits and economic rationale of having a set-aside and provide a discussion of the net benefit implications of a set-aside, but quantitative analysis supporting the magnitude and the source of the set-aside would be deferred.

However, after much consideration, staff has recognized two fundamental drawbacks in deferring the decision to adopt a set-aside, and the magnitude and source of that set-aside. One of the drawbacks is related to the timing of the adoption of a set-aside and the implications for the probability of success. The National Research Council's (NRC) publication entitled The Community Development Program in Alaska² on Alaska's existing CDQ program suggests that once the TAC is completely assigned via an IFQ program, there is little opportunity for subsequent adoption of a community program since it would require a reallocation of quota away from existing quota share holders. The NRC partially credits the success of the CDQ program on the fact that CDQ programs were introduced either prior to or contemporaneous with the introduction of the IFQ program. This point is crucial because of the strong expectations associated with an IFQ program and the political difficulty in a subsequent reallocation of the TAC to another new entity of IFQ holders. The NRC notes there is a remaining question of whether or not an IFQ program based on a *partial* assignment of the TAC is feasible, leaving flexibility for future adoption of a community program. However, unless the magnitude and source of the set-aside is determined, this reserve introduces a major element of uncertainty into the existing charter IFQ program.

This leads to the second main drawback of this approach, that is, the implications of the set-aside allocation on the Council's final decision of whether to approve the overall halibut charter IFQ program. It would be very difficult for the Council to decide on the appropriate allocation to the charter sector without deciding whether to adopt a community set-aside, its magnitude and source. For example, using the corrected ADF&G data, the charter IFQ analysis would be based on a charter sector allocation of 14.11% in Area 3A and 13.05% in Area 2C. Since a decision to take the set-aside quota wholly from the charter sector could significantly reduce the initial charter allocation established under the GHF, the decision on the set-aside is inextricably tied to the decision on the charter IFQ program. For example, using the combined 2000 charter and commercial quota for Area 3A, if Council decided to adopt a 1 percent set-aside and take it entirely from the charter sector, it would result in a 7.1 percent decrease to the charter allocation. If the Council selected the upper bound and adopted a 2½ percent set-aside taken entirely from the charter sector, it would result in a 17.7 percent decrease to the charter sector in Area 3A. Likewise, this scenario would result in a 7.7 - 19.2 percent decrease to the charter allocation in Area 2C. Thus, all three decision points (adoption of a set-aside, magnitude, and source of the set-aside) have the potential to significantly affect the initial charter allocation and thus bear greatly on the Council's decision on the charter IFQ program.

Because of the significant drawbacks of deferring the decision to adopt a set-aside, staff recommends taking final action in April on all three decision points, and thus requests clarification of the core features of the proposed community program as listed to proceed with the analysis.

²The Community Development Program in Alaska, NRC. 1999. p. 12.

Discussion Paper

Part I of this discussion paper outlines some of the fundamental concepts of the community set-aside program, as described in a proposal^F developed by the Gulf of Alaska Coastal Communities Coalition (Coalition), in order to seek both clarification and concurrence from the Council on these concepts and the motivation for such a program.

Specifically, staff seeks clarification of the Council's:

- 1) interpretation of a community set-aside,
- 2) purpose and need for considering a community set-aside, and
- 3) basis for the 1-2½ percent range.

Part I also shows how the commercial and charter halibut allocations are affected by the proposed set-aside, depending on the source and magnitude of that set-aside. In light of this information, the Council may choose to revise the current options relevant to the source of the set-aside at this meeting. In addition, a problem statement specific to the need for a community set-aside of halibut charter quota has not yet been formally adopted by the Council. **Thus, in order to prepare an analysis that would support both a Council decision on a community set-aside of halibut quota and development of a program consistent with the intent of the Council, staff requests clarification of the above issues and adoption of a formal problem statement.**

Part II of this paper provides an overview of the framework for considering the economic and social implications, including net benefit and distributional effects, of the community set-aside option. Staff requests SSC review of the proposed analytical framework.

Part I. Information Needed to Support Analysis of the Community Set-Aside

Concept of a Community Set-Aside

The Magnuson-Stevens Act defines "fishing community" as a community that is substantially dependent on or substantially engaged in the harvest and processing of fishery resources to meet its social and economic needs; vessel owners, operators, crew members, and processors based in such a community are included (Sec.3 [16]). One definition is that of specific, contiguous geographic locations where fishermen or those associated with the fishing industry live and work. The National Academy of Science's National Research Council (NRC) report entitled Sharing the Fish: Toward a National Policy on Individual Fishing Quotas (1998) relates that the existence of such a community of interest is important in the discussion of co-management and involvement of stakeholders in the management process, and that the fishing community is relevant to the potential achievement of objectives or assessment of impacts for specific fishery management programs. In addition, the NRC report points out that the policy goals of the Magnuson-Stevens Act have evolved over time, as the fishery has moved from a foreign-dominated to a fully Americanized fishery. One of the salient features of the 1996 amendments to the Act is the mandate to consider fishing communities (Sec. 301[a][8], 303 [a][9]). The community set-aside at issue in this paper is based on this definition of fishing community and the principle that management programs must take account of the social context of fisheries, especially the role of communities and the importance of fishing as both a tradition and profession.

The concept of a community set-aside of halibut charter IFQ was introduced by the Coalition prior to the April Council meeting. The Council discussed the concept and requested the Coalition to further flesh out the options and issues surrounding a set-aside for inclusion in the alternatives for the overall charter IFQ analysis. The Coalition

developed and presented a discussion paper at the June 2000 Council meeting, and in October, the set-aside was included under Issue 1, Option 3 in the revised alternatives for the charter IFQ analysis. Because selection of a set-aside influences several other issues under consideration in the analysis, staff suggests separating the set-aside option into a distinct Issue 11. Thus, all of the relevant components of the set-aside will be incorporated in Issue 11, instead of being embedded piecemeal under each of the other issues. Consequently, the set-aside can be treated as a stand alone issue for Council consideration. However, Issue 11 as it affects the overall charter IFQ program will be provided in a conclusion in the analysis.

The decision point for Issue 11 will revolve principally around whether the Council will choose to include the community set-aside as part of the charter IFQ program, and if so, the magnitude and source of the set-aside. The analysis will also address the social and economic consequences of creating community-based quota shares for the proposed eligible communities. A separate, more detailed analysis of which communities to include and how the quota shares will be allocated and administered will be initiated separately as a trailing amendment should the Council choose to create a set-aside.

The way the option is currently stated, the Council is scheduled to take final action in April on whether to:

- Set-aside 1-2½ percent of the combined commercial/charter TAC for Gulf of Alaska communities
- Option A. Equal pounds from the commercial and charter sectors
- Option B. Proportional amount based on the split between the commercial and charter sectors
- Option C. 100 percent of the pounds taken out of the charter sector

The remainder of this section discusses the key concepts in the Coalition proposal that staff would like the Council to confirm or modify in order for staff to proceed with further analysis.

Interpretation of a Community Set-Aside of Halibut Charter IFQs

What is meant by a community set-aside depends greatly on the features of a specific community program, and would have significantly different implications in the context of the Coalition proposal, versus, for example, a program modeled after the Community Development Quota (CDQ) program currently in place for western Alaska. The main tenets of the Coalition proposal are very distinct from the CDQ program, and it is these principles that are central to the viability of the program and the direction in which the program is developed. Therefore, it is important to understand whether the Council's intent is consistent with the provisions outlined in the Coalition proposal or whether the Council would like to clarify a different interpretation.

While the Magnuson-Stevens Act prohibits the development of a CDQ program in the Gulf of Alaska, the Council may develop the proposed program based on additional rationale for community development because the proposal is distinctly different from a CDQ program on at least two fronts. One fundamental difference between the proposed community set-aside and the CDQ program is that the profits generated from the CDQ program are currently limited to fisheries-related projects in those communities. As proposed, profits generated from the community set-aside are not similarly restricted.

A second distinct feature of the program described in the Coalition proposal is the theoretical concept of "use" versus "ownership" of community quota shares. The Coalition proposal includes a provision that would require eligible communities to create or identify an entity to manage the community fishing quota for use by qualified individual community members. The proposal identifies non-profit, economic development, or fishermen's organizations as probable management options. Qualified individuals would apply to the entity for a portion of the community set-aside quota on an annual basis, and the management entity may subsequently submit a transfer request to NMFS for the appropriate amount of quota (subject to a community cap). The proposal specifies that

community quota shares are set-aside specifically for community use but do not provide ownership privileges to the individual community member or the community management entity.

The ownership of the quota shares is retained by the government in trust for eligible communities, thus a set-aside under the proposed program does not represent a long-term allocation of quota share that can be leased or used to secure a loan. This is in direct contrast to the current CDQ program. The comparison is made to show that a CDQ group holding CDQ quota shares has ownership privileges; the group can decide to harvest the quota or lease/transfer the quota to another group who could harvest the quota, thus minimizing a net loss to the fishery represented by "unharvested" quota. Under the community set-aside program in the Coalition proposal, it is explicit that communities are not granted ownership privileges, and thus implicit that they could not lease or transfer quota share. Without the ability to lease or transfer quota shares, it would be difficult to ensure that there is no reduction in net benefits to society should the community members be unable to harvest their quota that particular year. This would likely be a more significant issue in the first few years of the set-aside program, as individuals within eligible communities start up new charter businesses. In addition, the economic viability of such a program may be closely tied to the issue of use versus ownership, as a community's ability to sell, lease, or collateralize its quota share may be key to overcoming other significant economic barriers to entering (i.e. purchase or lease of a vessel) the halibut charter business.

The use versus ownership issue is the basis of an important structural element of the Coalition proposal. The long-term goal of the set-aside is "to enable a portion of interested individuals in underdeveloped communities to establish successful halibut charter operations and then go on to purchase individual quota." The Coalition argues that the set-aside would lower the economic barrier to entry, allowing individual charter operators to establish themselves, and eventually purchase available quota share for charter use from the existing IFQ program. The Coalition further states that this goal makes a sunset provision unnecessary, as the set-aside will essentially extinguish itself over time. The fact that communities and individuals do not own the quota share or receive a permanent allocation of halibut quota is key to this aspect of the program. Individuals would be required to apply and re-qualify for quota each year; thus, an effective program would mean that as new charter operators become capable of buying into the existing IFQ program, the number of "qualifying" individuals would eventually decrease. The realization of this trend, however, depends greatly on the individual qualification criteria. Such criteria have not been specified in the Coalition proposal and would likely be determined by the administrative entity on a community by community basis.

Development of meaningful individual qualification criteria (for example, ownership of a boat, need for additional charter IFQ to start a business, etc.) is critical to the idea that only "qualified" individuals would receive community quota, and that at some point, as charter operators become well established, fewer individuals would qualify for the community set-aside. By contrast, if the set-aside is viewed as a permanent allocation, it is unlikely that community quota would ever be relinquished by those communities or individuals that did create a viable halibut charter base. This is akin to "why buy the cow when you can get the milk for free?" Therefore, the proposal emphasizes that ownership privileges of community quota are retained by the government, as opposed to the eligible community or individual. This is distinct from the CDQ program, which created a continual, long-term, and effectively permanent allocation to western Alaska communities. **Staff seeks Council clarification of the extent to which the staff interpretation of the Coalition concept of the set-aside (community use of quota versus communities being given ownership privileges) should be the focus of the analysis.**

A related issue is the roll-over provision included in the Coalition proposal. The Coalition notes the importance of using the community set-aside, so that it does "not become a deduction from possible commercial or charter IFQs without benefit." Inclusion of a mechanism by which uncommitted and/or unused quota share can be put back into the general commercial/charter IFQ pool is key to the economic and political viability of a community set-aside program. As a solution, the proposal recommends a deadline for individual application of community quota shares, so that any portion of the set-aside that is not committed to communities *before* the halibut season starts can be

rolled into the general allocation pool for distribution to the commercial and charter halibut sectors. Discussions with the RAM Division indicate that this type of roll-over is administratively feasible as long as individuals and communities apply for the set-aside quota sufficiently in advance of the annual calculations for the commercial/charter halibut IFQs. This would allow the uncommitted quota to be put back into the commercial/charter halibut IFQs at the beginning of the season, incorporating only a slight element of uncertainty into charter businesses which are dependent on client bookings in advance. The proposal asserts that since uncommitted quota rolls into the larger IFQ pool, there would be no net loss to the fishery. However, the Coalition proposal does not provide a mechanism for reallocating *committed, but unused* quota share back to the commercial and charter sectors later in the season if the community quota shares are left unharvested.

The Coalition's proposal has evolved significantly over time, and different variations of a roll-over provision have been discussed at previous Council meetings. The roll-over provision outlined above is the only one currently included in the formal proposal. However, at the October Council meeting there was considerable discussion of a roll-over to the larger IFQ pool that would be implemented in late summer, to account for the potential of *committed, but unharvested* community quota. While the details and feasibility of administering an in-season roll-over have not been fleshed out, discussions with the RAM Division indicate that an in-season roll-over would not only be administratively infeasible, but would negate one of the original goals of the IFQ program, that is to instill certainty in the amount of quota allocated to individual halibut fishermen (Phil Smith, pers comm, 11/17/00).

Another possible variation is to model the implementation of the set-aside after the State Pacific cod fishery Guideline Harvest Level, which employs a phase-in mechanism. Beginning in 1997, the Council reduced the GOA Pacific cod TAC to account for removals in the State Pacific cod fisheries. Each State subarea within the Gulf is assigned a guideline harvest level, and upon reaching that level, a subarea may ramp up to a larger percentage of the Federal TAC, up to a maximum of 25%. This phase-in approach, by which communities would start with a smaller allocation of the set-aside, and upon harvesting the full amount, become eligible for a larger percentage in the following year, could potentially replace or supplement a roll-over provision with a similar effect. The magnitude and timing of phasing in the set-aside could be made dependent on community progress toward establishing new charter businesses, reducing the potential for unharvested community quota. It is important to note that a phase-in would not be necessary if the individual qualification criteria was developed effectively, since all "qualified" individuals would be capable of harvesting their quota, negating the concern for unharvested fish. At the same time, a roll-over provision would not be necessary if a set-aside was phased in of the appropriate amount, since the set-aside would not increase beyond the capabilities of the community charter fleet until they harvested the full amount.

While the details and feasibility of phasing in a community set-aside have not yet been examined, it appears that this approach would lessen the administrative burden since the community quota would be set once each year without in-season modification. The total amount of halibut charter IFQ set aside for communities would be capped at a specific percentage of the combined commercial/charter IFQ pool, regardless of whether the phase-in approach, roll-over, or other approach is used. For example, under a phase-in and a Council decision to set aside 1.5% of the combined charter and commercial halibut quota, the Council may choose to start the program allocating only half of the set-aside (0.75%), and increase each area's set-aside by 0.25% as the fishery meets the set-aside limit.

In light of the potential issues with an in-season roll-over, staff recommends that this type of roll-over not be considered for analysis. Further, staff requests Council clarification of whether a phase-in of the set-aside be considered in the analysis, in addition to the pre-season roll-over feature in the Coalition proposal.

Purpose and Need for Considering a Community Set-Aside

Goals of a Community Set-Aside

The Coalition proposal states that the main purpose of a community set-aside is to “remove an economic barrier for residents of underdeveloped communities to participate in the halibut charter industry.” In this context, “underdeveloped” refers to the extent that such communities have developed halibut charter operations and not necessarily to the overall level of economic development of such communities. The NRC report states that communities may also be entitled to initial quota allocations, even if they do not have “catch history” in the specific fishery. The report further states that community quotas could contribute to community sustainability in areas that are heavily dependent on fishing for social, cultural, and economic values and/or are lacking in alternative economic opportunities. The Coalition asserts that smaller Gulf communities that are considered fisheries dependent but do not have a history in halibut charter fishing should not be excluded from the criteria considered for halibut charter IFQs.

The Coalition proposal identifies several additional goals of a community set-aside including to: 1) provide for the sustained participation of communities in the halibut fishery, 2) increase the geographical diversity of the halibut charter experience, and 3) reduce localized depletion of the resource due to the concentration of halibut charter IFQs in a few larger communities. As discussed in the previous section, the Coalition states that the long-term goal of the set-aside is “to enable a portion of interested individuals in underdeveloped communities to establish successful halibut charter operations and then go on to purchase individual quota.” In this way, underdeveloped communities will build a halibut charter economic base, and provide a source of initial capital for regular charter IFQ purchases. Thus, while the Coalition recognizes that the proposed eligible communities need expanded economic opportunities through additional halibut charter businesses, “economic development” does not appear to be a major reason for the community set-aside, and is only implicit through the stated goals and criteria developed for individual eligible communities. Without the goal of economic development, a program designed to achieve these non-economic goals arguably should include other communities, individuals, or potential stakeholders that could benefit from reduced economic barriers to entry into the halibut IFQ program, and not just the thirty-five Gulf communities identified by the Coalition.

For example, communities which receive fewer charter IFQs in the initial allocation process than desired and which would not be eligible under the Coalition proposal may feel entitled to a share of the community set-aside. On the other hand, including economic development as a program goal may be inconsistent with several specific features of the proposed program. That is, under the Coalition proposal, the lack of a permanent allocation to communities may preclude achievement of real community development.

Need for a Problem Statement

A problem statement specific to the need for a community set-aside of halibut charter quota has not been formally adopted by the Council and is necessary for staff analysis of this issue, as identified by the SSC in its June and October 2000 minutes. A problem statement would likely address the Council’s motivation for such an action, and may clarify several of the program design issues mentioned previously. The Coalition has proposed a draft problem statement to address the need for setting aside an initial charter allocation to Gulf coastal communities. This problem statement, as stated below, was considered but not adopted by the Council.

Coalition Proposal Problem Statement

National Standard 8 of the Magnuson-Stevens Fishery Conservation and Management 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." Many smaller Gulf of Alaska communities have yet to develop mature halibut charter businesses. The current Elements and Options for Analysis by Council Staff on the halibut charter IFQ issue do not include options allocating, or setting aside quota share for developing halibut charter fisheries in these fisheries-dependent coastal communities, nor do they address the sustained participation of many Gulf of Alaska communities in the halibut charter fishery. Moreover, the current Elements and Options for Analysis do not address the future importance of halibut charter fishing resources to these communities.

Depending on the direction of the Council with regard to the need and purpose of the program, the Council may adopt the Coalition's proposed problem statement in its entirety. If so, because the Council has since added an option to consider a community set-aside in the current elements and options for the halibut charter IFQ analysis, staff suggests deleting reference to the "current elements and options" since the language is no longer relevant.

The Council may also opt to modify or craft a new problem statement in accordance with differing goals and objectives. For example, the Coalition's statement references the need to provide for the sustained participation of Gulf communities, and to minimize adverse economic impacts in those communities. The Council may or may not agree that a set-aside of halibut charter quota is an adequate solution to those needs, and would rather develop a problem statement consistent with the benefits of a community program. In addition, while "economic development" is not explicitly identified in the Coalition proposal, it is implicit in the criteria used to select the 35 communities identified. The Council may consider modifying the problem statement to address the lack of economic development in coastal Gulf communities that will not receive a significant initial charter IFQ allocation.

Because of the implications for both the design of the program and the criteria for eligible communities, staff requests Council clarification of whether economic development: 1) should be explicitly included as a major goal of the program, and 2) is included in its identification of a problem that the set-aside is intended to address.

Basis for the 1-2½ Percent Range

Staff are currently tasked with analyzing the allocation range of the community set-aside and the source of the reallocation. For the Council to determine the appropriate level for the set-aside allocation in its April action, a more comprehensive review of the aspects of the program is required than is currently tasked. Principal among these is the number of communities that will compete for each area's set-aside allocation. Already there is confusion regarding the potential number of these communities. Thirty-five total communities are listed in a hand-out submitted during public testimony in June 2000 (see attachment) compared with 34 in the Coalition proposal itself. Of the 23 Area 2C communities listed in the attachment, 2 are different from the 21 listed in the proposal. Three communities differ between the two lists for Area 3A. While it is not part of the Council's final action decision in April 2001, it is germane to the Council's decision on the set-aside allocation percentage. As described below, the Council may consider revising the allocation percentages to reflect requested minimum poundage for the most inclusive number of potential Gulf communities (23 in Area 2C and 14 in Area 3A), or acknowledge that not all potentially participating communities will be guaranteed a minimum amount.

The Coalition proposal outlines the following eligibility criteria for communities that would likely receive a very limited number of initial charter quota shares: 1) coastal, 2) fisheries dependent, 3) remote (no road access), and 4) less than 2,500 people as recorded by the 2000 census. The proposal states that these criteria qualify twelve communities in Area 3A and twenty-two communities in Area 2C. The 1-2½ percent range adopted for analysis appears to be based on the Coalition's stated requirements for those qualifying communities to establish a sustainable halibut charter industry, including 1) minimum pounds per season per charter operator (10,000 lbs), 2) minimum number of charter operators per community (two), and 3) number of eligible communities using the proposed criteria above (thirty-four).

Under the Coalition proposal, each eligible community applying would be guaranteed a minimum of 20,000 lbs of quota. With 34 eligible communities, this would amount to 680,000 lbs⁴. The Coalition has proposed this as a cumulative program cap, assuming that some of the communities would request less than their guaranteed minimum of 20,000 lbs. However, the options for a set-aside range forwarded by the Council would not allocate quota share in a manner compatible with the number of proposed communities in each area. A 1-2½ percent range corresponds to 93,390 - 233,475 pounds in Area 2C and 208,430 - 521,075 pounds in Area 3A using the combined commercial and charter quota for 2000⁵. Of the 34 proposed communities, 22 occur in Area 2C, resulting in 440,000 lbs allocated to Area 2C if each 2C community applies for and receives its 20,000 lbs minimum. This amount far exceeds even the upper bound of the set-aside (233,475 lbs) for Area 2C, should the Council select a 2½ percent set-aside. If the basis for the set-aside range is to be driven by the Coalition's stated requirements, then the range will have to reflect the number of eligible communities in each IPHC area, the minimum number of qualified charter operators per community, and the minimum poundage per charter operator.

Note that while "economic need" is not included explicitly among the eligibility criteria, it is implied by the choice of criteria and resulting list of potential communities. The criteria, while defining a set of communities that need expanded economic opportunities through additional halibut charter businesses, may not necessarily be aligned with the Council's intended beneficiaries of the program. Likewise, the stated purpose of reducing economic barriers to entry may not be consistent with the Council's motivation for the program. To the extent the Council's motivation and intended beneficiaries of a community set-aside program differ from those outlined in the Coalition proposal, the 1-2½ percent range could be either too large or too small.

The number of qualified communities is critical in determining the magnitude of the set-aside and whether the 1-2½ percent range is appropriate. **Staff requests the Council's concurrence that the 35 communities identified in the attached list should be used as the basis for evaluating the magnitude of the set-aside for purposes of initial review. Staff also requests clarification on whether the Council agrees with the community eligibility criteria and its intended beneficiaries as outlined in the Coalition proposal. This will be used as the basis for economic analysis.**

⁴There would be a total of 37 eligible communities if we were inclusive of all the communities proposed in both the Coalition proposal and the handout (attached). Using 37 communities would result in an overall program limit of 740,000 lbs.

⁵The 2000 commercial quota and 1999 charter harvests were summed to create a 2000 combined commercial and charter quota for expository purposes. While estimates of the 2000 charter removals would have been desirable, these projections have not yet been released, although informal discussions with ADF&G indicate that the projections will closely mirror 1999 charter harvest estimates.

Source of the Set-Aside

The proposed set-aside to Gulf communities is 1-2½ percent of the annual combined halibut charter and commercial quota in Areas 2C and 3A. A separate decision point is from which sector(s) would that actual poundage be reallocated. The Council has approved three options regarding the source of the 1-2½ percent set-aside for inclusion in the halibut charter IFQ analysis. The options include taking : 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 from the charter sector's allocation. Using corrected 1999 ADF&G charter harvest data and the 2000 commercial halibut quota, the following tables show how the commercial and charter halibut quotas would be affected by the proposed community set-aside, depending on the source and magnitude of that set-aside. Note that Option C, in which the entire set-aside is taken from the charter sector, results in a sizeable reallocation from that sector, greatly reducing the effective charter allocation established under the GHL. **In light of this information, the Council may choose to revise the current options relevant to the source of the set-aside at this meeting.**

Halibut charter GHLs⁶ of 13.05% and 14.11% for Areas 2C and 3A, respectively, were applied to a 2000 combined commercial and charter quota to determine the impact of the community set-aside to those sectors depending on the amount and source of the set-aside. In Area 3A, using a combined charter and commercial harvest estimate of 20,843,000 lbs, a 1-2½ percent community set-aside would result in 208,430 - 521,075 lbs allocated to Southcentral Gulf communities. In Area 2C, using a combined charter and commercial harvest estimate of 9,339,000 lbs, a 1-2½ percent community set-aside would result in 93,390 - 233,475 lbs allocated to Southeast Gulf communities.

Table 1 shows the effect of allocating the community set-aside in Area 2C according to each of the proposed options. Recall that the set-aside quota is determined by calculating 1-2½ percent of the combined halibut charter and commercial quota for each regulatory area—that component does not change under these options. These options determine how much of that 1-2½ percent will come from the commercial and charter sectors, respectively. Note also that the Council may choose a set-aside anywhere within the 1-2½ percent range; the tables only present the effects of the upper and lower bounds of that range.

Option A, in which equal pounds of the set-aside are taken from the commercial and charter sectors, results in a 0.6 - 1.4 percent decrease to the commercial sector's halibut quota. This same option results in a 3.8 - 9.6 percent decrease to the charter sector's allocation. Option B distributes the set-aside proportionally between the commercial and charter sectors, resulting in a 1-2½ percent decrease to both sectors. Option C, in which the entire community set-aside is taken only from the charter sector, results in no change to the commercial allocation and a 7.7 - 19.2 percent decrease to the charter allocation in Area 2C. It is clear that because the commercial sector is allocated such a large percentage of the combined quota (86.95%), the impact of the set-aside to the commercial sector is relatively modest on a percentage basis. The charter sector, however, held to a GHL of 13.05% of the combined quota in Area 2C, would assume greater deductions under Options A and C.

⁶ADF&G Statewide Harvest Survey estimates were corrected for the 1996, 1997, 1998, and 1999 halibut charter seasons. These corrections alter the resulting GHL percentages (based on the average 1995-1999 estimated charter harvests) for both Areas 2C and 3A from 12.68% and 14.94%, respectively.

Table 1: Impact of Community Set-Aside Options on Commercial and Charter Halibut Quota¹ in Area 2C

Options for Source of Set Aside ²		Commercial			Charter			Community
		Pounds	% change ³	% of combined IFQ	Pounds	% change	% of combined IFQ	Pounds
No Set-Aside		8,120,006	0.0%	86.95%	1,218,994	0.0%	13.05%	0
Option A: Equal pounds	Set aside 1%	8,073,311	-0.6%	86.45%	1,172,299	-3.8%	12.55%	93,390
	2.5%	8,003,269	-1.4%	85.70%	1,102,256	-9.6%	11.80%	233,475
Option B: Proportional shares	1%	8,038,806	-1.0%	86.08%	1,206,804	-1.0%	12.92%	93,390
	2.5%	7,917,006	-2.5%	84.77%	1,188,519	-2.5%	12.73%	233,475
Option C: 100% from charter sector	1%	8,120,006	0.0%	86.95%	1,125,604	-7.7%	12.05%	93,390
	2.5%	8,120,006	0.0%	86.95%	985,519	-19.2%	10.55%	233,475

¹ A halibut charter GHL of 13.05% in Area 2C was applied to the 2000 combined charter and commercial quota to determine the initial allocation to the charter sector. This GHL is based on corrected 1996-1999 SWHS data.

² The Council may select a set aside anywhere within the range of 1-2.5% of the combined commercial and charter quota.

³ These values represent the percent change in the actual poundage allocated to each sector under each option.

Table 2 shows the same information for Area 3A. Option A, in which equal pounds of the set-aside are taken from the commercial and charter sectors, results in a 0.6-1.5 percent decrease to the commercial sector's halibut quota. This same option results in a 3.5-8.9 percent decrease to the charter sector's allocation. Option B distributes the set-aside proportionally between the commercial and charter sectors, resulting in a 1-2½ percent decrease to each sector. Option C, in which the entire community set-aside is taken only from the charter sector, results in no change to the commercial allocation and a 7.1-17.7 percent decrease to the charter allocation in Area 3A. Again, because the commercial sector is allocated such a large percentage of the combined quota (85.89%), none of the options substantially change the commercial halibut allocation. The charter sector, however, under a GHL of 14.11% of the combined quota, would assume greater deductions under Options A and C.

Table 2: Impact of Community Set-Aside Options on Commercial and Charter Halibut Quota¹ in Area 3A

Options for Source of Set Aside ²		Commercial			Charter			Community
		Pounds	% change ³	% of combined IFQ	Pounds	% change	% of combined IFQ	Pounds
No Set-Aside		17,902,053	0.0%	85.89%	2,940,947	0.0%	14.11%	0
Option A: Equal pounds	Set aside 1%	17,797,838	-0.6%	85.39%	2,836,732	-3.5%	12.55%	208,430
	2.5%	17,641,515	-1.5%	84.64%	2,680,410	-8.9%	11.80%	521,075
Option B: Proportional shares	1%	17,723,032	-1.0%	85.03%	2,911,538	-1.0%	12.92%	208,430
	2.5%	17,454,501	-2.5%	83.74%	2,867,424	-2.5%	12.73%	521,075
Option C: 100% from charter sector	1%	17,902,053	0.0%	85.89%	2,732,517	-7.1%	12.05%	208,430
	2.5%	17,902,053	0.0%	85.89%	2,419,872	-17.7%	10.55%	521,075

¹ A halibut charter GHL of 14.11% in Area 2C was applied to the 2000 combined charter and commercial quota to determine the initial allocation to the charter sector. This GHL is based on corrected 1996-1999 SWHS data.

² The Council may select a set aside anywhere within the range of 1-2.5% of the combined commercial and charter quota.

³ These values represent the percent change in the actual poundage allocated to each sector under each option.

In sum, in order to proceed with formal analysis of setting aside halibut charter quota for specific Gulf coastal communities, Council staff request the following at the December Council meeting:

- **Clarification of the Council's:**
 - 1) **interpretation of a community set-aside,**
 - 2) **purpose and need for considering a community set-aside, and**
 - 3) **basis for the 1-2½ percent range.**
- **Confirmation of the current options relevant to the source of the set-aside.**
- **Adoption of a formal problem statement specific to the need for a community set-aside of halibut charter quota.**

Part II. Proposed Framework for Economic Analysis of Community Set-Aside (for SSC review)

The following discussion provides an overview of the framework for considering the economic and social implications, including net benefit and distributional effects, of the community set-aside option. The analysis is intended to provide sufficient information to assist the Council in its decision regarding three issues: (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). The framework will serve as the basis for the Regulatory Impact Review (RIR) of this option (outline attached). Staff proposes to organize the RIR analysis into three sections: (1) Net benefit considerations; (2) Basis for community set-aside; and (3) Impact to halibut charter and commercial sectors (based on source of set-aside). The main issues to be addressed in each section are discussed next.

1. Net Benefit Considerations of Community Set-Aside

Extension of the commercial halibut IFQ system to the halibut charter sector has the potential to allow for a more optimal allocation of the resource, depending on the degree of transferability between and within sectors. Yet, a more optimal economic allocation may have undesirable distributional implications for particular stakeholders or communities. While such distributional inequities are dismissed as 'transfers' within the net benefit context, regional socio-economic ramifications can be substantial and may warrant mitigation at the expense of economic efficiency. The proposed community set-aside, one option for addressing distributional inequities, may result in reduced economic efficiency (i.e., a reduction in net benefits to society). This section will provide an analysis of the potential changes in net benefits due to a community set-aside. Since industry cost data is unavailable and since the details of the community program have yet to be defined, the analysis will address some of the key issues raised by the community set-aside option in a qualitative manner.

From an economic efficiency standpoint, a community set-aside could result in a reduction in net benefits for at least two reasons. First, if any of the set-aside quota remain unharvested, the quantity of product (trips for the charter sector or fish for the commercial sector) produced and consumed would be reduced, resulting in decreases in both the consumer and producer surpluses. Secondly, a community set-aside could increase costs in aggregate by potentially (a) shifting some production to charter operators with higher marginal costs (e.g., lack of infrastructure), (b) increasing costs for existing charter operators that need to purchase or lease more quota shares to support their normal level of activity, and/or (c) increasing costs to consumers of charter services because of the remote location of certain communities. Higher charter operator costs would decrease the producer surplus, while higher transportation costs could decrease the amount customers would be willing to pay for charter services, thereby decreasing both consumer and producer surpluses. In addition, changes in the quality of the charter trip experience could change net benefits although the direction and magnitude of the change would be difficult to predict since it would require an understanding of consumer preferences. For example, some consumers may view the availability of charter trips from a more remote community as an enhancement since it offers a more geographically diverse experience (less crowded, higher potential catch rates, etc.), while others may view it as a inconvenience (financial and/or time).

While staff analysis of the details of the community program has been deferred and is contingent on the Council's decision in April, certain features of the community program have a direct bearing on the net benefit analysis of the set-aside option, and therefore bear on the first order decision of whether to adopt a set-aside. Namely, certain design features of the community program could minimize the potential for unharvested community quota, thereby minimizing any expected reduction in net benefits from this source. For example, an effective "roll-back" mechanism or an allowance for leasing community quota shares could minimize the extent that community quota remain unharvested. Or, a mechanism to "phase in" the community set-aside gradually, depending on community progress in developing charter operations, could serve to minimize the potential for set-aside quota remaining unharvested. If the community program fails to provide an effective mechanism for harvesting unused community

quota, a reduction in net benefits would likely occur. Therefore, certain net benefit implications of this issue depend on whether the community program is effectively designed to minimize the occurrence of unharvested community quota.

As discussed in Part I, staff seeks Council clarification of the extent to which the analysis should focus on the set-aside concept developed in the Coalition discussion paper. In the Coalition proposal, uncommitted community quota are "rolled back" into the remaining charter and commercial allocation pool for the upcoming halibut fishing season. This "pre-season" roll-back should be distinguished from an "in-season" roll-back that would allow unharvested quota assigned to communities to be harvested by other sectors. Both types of roll backs are important to the net-benefit discussion. In conjunction with the roll-back feature, staff will also address issues raised by the Coalition proposal that quota are set-aside for community "use" and that "ownership" is retained by the government. This concept is distinct from a CDQ program that provides communities with a permanent allocation of quota with certain ownership privileges (e.g., the right to transfer, lease or use as collateral) and lacks a roll-back mechanism since the ability to lease community quota shares to the commercial sector provides a mechanism for reducing the potential for unharvested community quota. As another point for Council clarification, a phase-in approach may be included in the analysis as an alternative or in addition to the roll-back feature discussed in the Coalition proposal.

With respect to the potential reduction in net benefits due to an increase in aggregate costs, staff considers it impractical to attempt to quantify the magnitude of the reduction due to lack of cost data for the charter industry and the fact that changes in cost would be very difficult to predict. While the potential increase in transportation costs may be estimated based on the location of eligible communities, staff recommends deferring any efforts to estimate transportation cost changes to the detailed analysis of the community program. Instead, staff will discuss qualitatively the economic implications and potential market distortions resulting from a community set-aside. For example, the set-aside effectively provides a subsidy to certain community members which would impact the market for charter services. Even if it can be concluded, however, that costs will likely increase and net benefits reduced for any community program, the Council may still consider such reduction in net economic benefits justified because of the opportunity being offered to underdeveloped communities.

In addition to net benefit considerations, the community set-aside would result in distributional effects within the halibut charter and commercial sectors. Namely, rents from harvesting halibut are redistributed from the charter and/or commercial sectors (depending on the source and magnitude of the set-aside) to the communities. This redistribution, in turn, may have secondary effects on the regional economies. While the impact of the community set-aside to the commercial and charter sectors will be quantified in section 3 of the RIR, staff recommends that analysis of any secondary effects be deferred to the detailed analysis of the community program, if adopted by the Council. Section 3 will also qualitatively address some of the direct impacts of the set-aside to communities, for example, the training of new charter operators in Gulf communities.

2. Basis for the Community Set-Aside

Staff analysis of the basis for the community set-aside is intended to assist the Council in deciding whether to set-aside quota for Gulf communities and to provide a context for evaluating the adequacy of the proposed 1-2½ percent range. The 1-2½ percent range adopted for analysis, which corresponds to a range of 93,390 - 233,475 pounds in Area 2C and 208,430 - 521,075 pounds in Area 3A (based on 2000 combined halibut quotas), is based on the potential resource needs of 35 Gulf communities identified in the Coalition proposal for development of viable halibut charter operations. Since details of the community program, including eligibility criteria, have not yet been defined, staff seeks Council concurrence that analysis and statistics be based on the 35 Gulf communities identified by the Coalition. The point here is that without knowing how many communities within this range will be included, the Council may not have a rationale for selecting 1 or 2½ percent or other appropriate amount for the set-aside.

Also as discussed in Part I, staff seeks Council definition of a problem statement for the community set-aside option and clarification of the Council's goals and basis for the community program. The basis for the set-aside ultimately governs the design of the community program, including eligibility criteria, and its potential efficacy with respect to the program's objectives. For example, if economic development needs are *not* included as a basis for developing eligibility criteria, the set-aside quota arguably should be made available to *any* community which believes it received less than its fair share of Quota Shares (QS) in the initial allocation. Or, if reducing economic barriers to entry into the halibut charter industry is the *only* basis for the set-aside, *any* potential stakeholder excluded from the initial allocation may feel qualified to receive a share of the set-aside quota.

Drawing from the Coalition discussion paper, staff will provide analysis of the following five potential community program objectives:

- provide for *sustained participation* in the halibut charter fishery
- *reduce economic barriers* to entry into the industry created by the halibut charter IFQ program
- provide *expanded economic opportunities* for underdeveloped Gulf communities
- increase the *geographical diversity* of the charter trip experience
- reduce the potential for *localized depletion* due to concentration of charter operators in a small number of larger communities.

It should be noted that while "economic development" is not explicitly identified in the Coalition proposal as the main purpose of the community set-aside, it is implicit in the eligibility criteria used to select the 35 communities identified in the proposal. Also, "expanding economic opportunities for underdeveloped communities" may not mean the same thing as "economic development." Nevertheless, staff will include economic development needs in the analysis of the "expanded economic opportunities" objective. The main issues to be addressed for each proposed program objective are outlined next.

Provide for sustained participation in the halibut charter fishery

Providing for sustained participation of communities in fishery resources is based on National Standard 8 of the Magnuson-Stevens Act. Staff will discuss the applicability and potential interpretation of this standard in the context of the proposed community set-aside. For purposes of this analysis, staff will review current and historical levels of participation by the 35 potential communities in various charter and/or commercial fisheries, including halibut and other GOA groundfish and fisheries managed under the State Limited Entry Program, as well as reliance on subsistence fishing. This section will also summarize the potential impact of the initial allocation of halibut charter IFQ on the 35 potential communities (as addressed in Issues 2-3 of the halibut charter IFQ analysis).

Reduce economic barriers to entry into the industry created by the halibut charter IFQ program

The halibut charter IFQ program creates an economic barrier to entry by virtue of the initial allocation of QS necessarily excluding certain stakeholders and the fact that, post allocation, QS have economic value and any new entrant into the industry would have to purchase QS (or lease IFQ) from an existing holder. The Coalition discussion paper states that "[the] purpose of a community set-aside of halibut charter quota shares is to remove an economic barrier for residents of underdeveloped communities to participate in the halibut charter industry." Staff will review the theoretical basis for how the charter IFQ program creates barriers to entry, including non-economic barriers created by transfer restrictions. Staff will also discuss other barriers to entry into the charter industry, both economic and non-economic, that the 35 communities may face. For example, even with the opportunities provided by a community set-aside, many communities may face other significant barriers that may preclude development of sustainable charter operations in the foreseeable future. To the extent possible, staff will identify other non-IFQ related requirements and associated costs for communities to develop viable charter business.

Provide expanded economic opportunities for underdeveloped Gulf communities

One argument for a community set-aside discussed in the Coalition proposal is that the set-aside would provide 'expanded economic opportunities' for 'underdeveloped' Gulf communities. By 'underdeveloped,' it appears that the Coalition proposal is referring to smaller Gulf communities that "have yet to develop mature halibut charter business." While it does *not* appear that the Coalition proposal intends for the community set-aside to provide communities with "opportunities for economic development," economic need appears to be a basis for the eligibility criteria used to select the 35 communities identified in the proposal. Therefore, staff considers it relevant to consider the overall economic status of the potential participating communities. For this purpose, staff has obtained the following information from the Alaska Department of Commerce and Economic Development for the potential 35 communities:

- Population and housing characteristics
- Economy, income, poverty and employment
- Municipal finances
- Business licenses
- Capital Projects and Grants
- ANCSA status

Using this data, staff will produce summary statistics for the 35 communities taken together to provide the Council with some indication of the general level of economic status of these communities.

Increase the geographical diversity of the charter trip experience

The geographical diversity of available charter trips may be reduced and institutionalized by the introduction of the halibut charter IFQ program. The geographical diversity of charter trips affects the quality of the product and it would be difficult to predict the reaction of consumers without having a detailed understanding of consumer preferences. Instead, staff will provide a map showing the location of the 35 communities in relation to the location of communities with more established charter operations.

Reduce the potential for localized depletion due to concentration of IFQ holders

The Coalition proposal suggests that the community set-aside would reduce the potential for localized depletion of the resource due to a concentration of halibut charter IFQs in limited geographical areas. The potential for localized depletion from a biological point of view will be addressed in the EA for the halibut charter IFQ program. In this section, staff will summarize the extent to which the distribution of initial QS recipients will be concentrated in a few larger communities, relative to the status quo. Most of this analysis will likely be taken from analyses provided for issues 2-4 in the overall halibut charter IFQ analysis.

3. Impact to Halibut Charter and Commercial Sectors

The community set-aside option included three sub-options for the source of set-aside quota:

- 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

The analysis will focus on quantifying the impact of the community set-aside on user groups in the primary markets, i.e., charter operators and guided anglers for the charter sector and commercial harvesters and consumers for the commercial sector. Since the proposed range for the set-aside is 1-2½ % of the combined charter and commercial TAC, staff will quantify the impact for the low and high of this range (1% and 2½ %). The community set-aside may also affect members of secondary markets (processors, wholesalers, unguided anglers, etc.), as well as redistribute income between communities and regional economies in the Gulf of Alaska. Staff will defer analysis of these secondary market and regional economic effects to the more detailed analysis of the community program. This section will also qualitatively discuss some of the direct impacts of the set-aside to participating communities.

Staff will use the same data for this analysis as will be used in the impact analysis of the other issues for the charter IFQ program. The potential short-run reduction in quantity produced (assuming no roll-back provision) in the charter and commercial sectors will be estimated on a percentage basis, in terms of pounds of halibut, and on a dollar-value basis (ex-vessel revenue for the commercial sector, value of charter trips in the charter sector). While the assumption of no roll-back of unharvested community quota may not be realistic, analysis based on this assumption provides a 'worst case' scenario of the potential losses associated with the community set-aside.

The community set-aside would likely lead to market adjustments for user groups in the charter and/or commercial sector. Staff will provide a qualitative discussion of these potential market adjustments for producers and consumers in the primary markets for each sector (charter and/or commercial, as applicable, depending on the source of the set-aside) as well as the impact on quota value, for the following scenarios:

- pre-season roll-back of uncommitted quota, no leasing of community quota allowed
- pre-season roll-back of uncommitted quota, leasing of community quota allowed
- phase-in of set-aside amount (no roll-back or leasing provision)

For these scenarios, leasing or a phase-in serve as additional and/or alternative mechanisms for minimizing the amount of community quota that remain unharvested. For each scenario, the analysis will discuss both short-run and long-run market adjustments. In the long run, the impact of the set-aside will depend on the extent that participating communities develop sustainable charter businesses. Note that the Coalition proposal envisions successful community charter operators being able to purchase QS for their own use and no longer relying on set-aside quota. To the extent that there is no further reliance on set-aside quota and provided that an effective roll-back mechanism is in place, the Coalition proposal considers a sunset provision unnecessary. Nevertheless, the long-run implications of a community set-aside are sensitive to whether the program will end at some point in the future, regardless of whether the end is realized by design or due to an explicit sunset provision. Thus, staff discussion of the long-run implications will consider three scenarios: (1) communities continue to rely on set-aside quota in perpetuity; (2) program ends because communities with successful charter operators purchase QS and no remaining communities qualify for set-aside quota; and (3) program ends because of a sunset provision.

Outline of Regulatory Impact Review of Community Set-Aside

1. Net Benefit Considerations
 - a. Arguments from economic theory
 - b. Implications of unharvested community quota
 - (i) effectiveness of roll-back provision
 - (ii) "use" versus "ownership"
 - (iii) alternative approaches, including leasing or a phase-in
 - c. Implications of higher costs for charter operators and/or consumers

2. Basis for Community Set-Aside
 - a. Relevance to Council decision and focus of staff analysis
 - b. Community participation in the halibut and other fisheries (groundfish and State)
 - c. Economic barriers to entry due to charter IFQ program
 - d. Economic status of 35 potential communities
 - e. Geographic location of communities
 - f. Concentration of initial charter IFQ recipients

3. Impact to Halibut Charter and Commercial Sectors
 - a. Source of set-aside
 - A. Equal pounds from commercial and charter
 - B. Proportional amount based on split
 - C. 100% out of charter
 - b. Short-run impact assuming no roll-back provision (worst case scenario)
 - c. Short-run market adjustments and impact on quota value for the following scenarios:
 - (i) pre-season roll-back, no leasing allowed
 - (ii) pre-season roll-back, leasing allowed
 - (iii) phase-in of set-aside amount
 - d. Long-run market adjustments assuming
 - (i) communities continue to rely on set-aside quota
 - (ii) communities with successful charter business purchase QS
 - (iii) program ends because of a sunset provision

Draft List of Communities Qualifying for Analysis for Halibut Charter IFQs
(as submitted by Duncan Fields in public testimony, June 2000)

Qualifying Criteria: Area 2C and 3A fishery-dependent coastal communities with populations less than 2,500 (based on the 2000 census) and not connected to the road system.

Area 2C		Area 3A	
<u>Community</u>	<u>Population¹</u>	<u>Community</u>	<u>Population</u>
Angoon	601	Akhiok	80
Cuffman Cove	254	Chenega Bay	96
Craig	1,946	Karluk	58
Edna Bay	79	Larsen Bay	130
Elfin Cove	48	Nanwalek	162
Gustavus	328	Old Harbor	310
Hollis	106	Ouzinkie	259
Hoonah	903	Port Graham	170
Hydaburg	406	Port Lions	233
Hyder	138	Seldovia	289
Kake	696	Tatitlek	124
Kassan	41	Yakutat	801
Klawock	759		
Metlakatla	1,540	12 communities	2,712
Meyers Chuck	35		
Pelican	209		
Point Baker	62		
Port Alexander	98		
Port Protection	64		
Saxman	394		
Tenakee Springs	107		
Thorne Bay	650		
Whale Pass	92		
23 communities	9,556		

¹ 1995 data—Alaska Department of Labor

Note: The original Coalition proposal included Halibut Cove and Tyonek in Area 3A, but did not include Akhiok, in Area 3A or Hyder and Saxman in Area 2C. To be inclusive of all the communities proposed in both lists would result in a total of 37 eligible communities.

North Pacific Fishery Management Council

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November 21, 2000

The Honorable Norman Mineta
Secretary of Commerce
Herbert C. Hoover Building
14th & Constitution Avenue NW
Washington, DC 20230

Dear Secretary Mineta:

The North Pacific Fishery Management Council has an important working relationship with the State of Alaska Board of Fisheries (Board). Because the fisheries and marine resources under our respective jurisdictions are closely related, we need to insure that this inter-jurisdictional cooperation and coordination continues. Of most recent importance are management programs we are developing with regard to the Pacific halibut fisheries off Alaska. By international treaty, the International Pacific Halibut Commission (IPHC) and the Secretary share management responsibility for this fishery, with the Council responsible for any allocative management recommendations. Unlike other fisheries, this jurisdiction extends all the way to the beach, with no state waters fishery recognized. We have recently approved several management actions with regard to the halibut fisheries, affecting commercial, sport charter, and subsistence users.

Because of the nature of the Board process, that body is better suited to address many of the specific details of management of the halibut fisheries, particularly as those details relate to harvest of halibut at the Alaska coastal community level. As such we have deferred development of some management measures, requesting the Board to develop recommendations which will in turn come back to the Council for final approval. Examples include development of local area management plans (LAMPs) to address local area conflicts among all user groups, which would be developed by the Board and submitted to the Council process for approval and promulgation of regulations. Most recently the Council approved standards for subsistence use of halibut. As part of that action, the Council requested the Board to further develop specific recommendations on a regional basis for such things as legal gear, retention allowances, etc. The Board has agreed to work on both of these issues, in addition to their already full agenda of State fisheries issues.

We wanted you to be aware of the high degree of cooperation being exhibited by the Board, and the extra burden this puts on their process at a time when they are experiencing funding shortfalls. Because of the significant additional burden this places on their process, we wanted to convey our concerns over their recent funding situation, and request that you consider providing funding to the Board to assist in this cooperative effort. On behalf of the Council I want to also express our appreciation for your support of strong conservation and management of our Nation's fisheries.

Sincerely,



David Benton
Chairman

cc: AK, WA, OR Congressional Delegations
Tony Knowles, Governor, State of Alaska
Dan Coffey, Chairman Alaska Board of Fisheries

Nov 7, 2000

To: North Pacific Council

It has come to my attention that the future of recreational fishing for halibut in Alaska is being threatened. The idea of turning a recreational angler on a charter boat into a deckhand on a commercial fishing vessel boggles my mind. They often catch a halibut the boat owner must then sell it commercially or back to the anglers. I have been in the sportfishing business for 30 years in California, this plan spells disaster for recreational anglers and the sportfishing industry in Alaska. I have been enjoying recreational angling in Alaska for the last 3 years and have made plans for 2001. This policy change would definitely change my fishing plans for the future.

I urge you to leave recreational halibut fishing in Alaska Status Quo.

Sincerely,

Captain Ken How

45 Unsworth Dr

San Rafael, CA, 94003

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N.P.F.M.C

Tenacious Charters LLC

Mike & Karen Lockabey

P.O. Box 1542 Wrangell, Alaska 99929

Ph. 907-874-3723 Fax 907-874-3724 E-mail: lockabey@seapac.net

Fax Transmit Form

Date : 9/26/00

To : NPFMC From : Mike Lockabey
1-907-271-2817

Number of pages including this page 1

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 SEP 26 2000
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Written Comment for 146th session Oct 4-9

This comment is addressing the Halibut Charter IFQ program

Greetings Council Folks,

My name is Mike Lockabey, I have been a commercial fisherman and Charter operator for the last 16 years here in SE Alaska. My Wife and myself have been Alaskan residents for all our Adult life, 26 years, and our children are born and raised here. Our family is totally dependent on my income as a commercial fisherman and charter operator. We charter from May to Sept, fish our Halibut IFQ in the spring and fall and dungeness crab, shrimp and longline rockfish in the winter. We power trolled on the outside coast for 10 years. We have been in all these endeavors before limited entry and the IFQ program occurred in each of these fisheries. We have progressed in our business up to our current 42' modern boat and have done it by hard work and diligent business management.

In this meeting you will consider progress on the formulation of the Halibut Charter IFQ program. While doing so I would like you to consider the following points.

Point 1) I agree that there must be restrictions on the harvest of Charter caught Halibut and an IFQ program could work if administered fair to all the Charter fleet

Point 2) I would propose that there be a Nonresident Annual possession limit of no more than four and preferably 3 halibut. This I believe would have an immediate impact on the amount of halibut harvested by the charter fleet and be fair to all the different types of charter operations. It is important to restrict the harvest of Halibut first by the harvester, that being the fisherman. A Limit of 3 or 4 Halibut annually would still allow the opportunity for our Alaskan guest to experience our great fishing and enjoy the bounty of the catch.

Point 3) Currently the proposal as I understand it would work off of halibut harvested in the years 1998 & 1999 (the log book data base years) and does not take into account the different types of Charter operations. For example: A day boat out of a competitive port would typically charge \$150.00 to \$175.00 a day for a charter and less for a half day, as many that cater to the cruise ship do. Currently,

day fishing charters will and do harvest a limit (2) each day and guest will harvest as many as 6 to 10 halibut in a 3 to 5 day stay. In contrast, long range and stayaboard charters like mine and at least 50% of our communities operations that are similar to mine harvest not more than a possession limit (4 halibut) for a 4, 5 or 6 day trip. A typical charge for a stayaboard trip is \$350.00 to \$450.00 per day per person. In the qualifying years my operation has a excellent production record, about as good as it can be, it produces up to twice the prime income that the day charters do with much less halibut harvest. If a day boat with the same amount of days on the water as a stayaboard boat receives twice the IFQ what would stop him from expanding his operation with his awarded allotment, While operations like mine would be stopped from future growth. It is not my intention here to slam the day boat charters, it is simply to put operations like mine on a level playing field with them in the IFQ program process. If one were to consider the Socioeconomic aspect, a straight poundage or fish count IFQ would reward the group that has had the highest impact with the lowest return and allow it to grow while at the same time kill the growth and restrict the operation ability of operations like mine that have sought and practiced good resource management and conservation. By placing a Non resident annual limit on Halibut it would be fair to all the different types of charter operations

Point 4) At present I can't see a way to put poundage on the IFQ that would be like the current Comm fish Halibut IFQ. Considering that the log book program only counted numbers of fish and not poundage. In the long range, stayaboard style of fishing guest are limited to a possession limit of fish and become selective in the fish they keep. I can document with photographs and affidavits that our guest have been selective for many years. With this point it should be apparent that it is fair to deferenciate between Charter operation styles. A possible way to deal with the day boat Vs long range stayaboard boat is to class the boat size similar to the commercial fishing fleet A, B, C. This would be a way to level the playing field for all different types of Charter operations. Please feel free to call me if you have any questions about my comments. (907-874-3723)

You are entrusted with making new and ground breaking regulations for the Charter fishing / guiding industry. Please do your best to understand the many different aspects of our industry and to be fair to all of us that have pioneered it.

Thank you.

Sincerely,


Michael T. Lockabey

Tenacious Charters takes pride in being associated with:

Pure Fishing

Fenwick, Berkley, Abu Garcia

Mercury Team Alaska

G-Loomis, Guide program

Izor Line International

World Class outdoor gear for World Class Sportsman

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

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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.

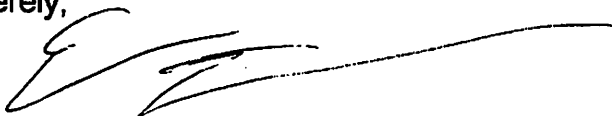
As the Council is aware, the number of boats charter fishing has increased rapidly over the past 5 to 10 years, leading to crowding on the popular fishing grounds. The crowding decreases the quality of the fishing experience for most clients, who come to Alaska expecting solitude--or at least an escape 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,



ERIC SWANSON
BOX 6330
SITKA AK

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

11-15-00

To The North Pacific Fisheries Management Council:

You are proposing a plan to radically change halibut sportfishing in Alaska. You want sport fishermen, who already pay good money to come to Alaska & then pay good money to charter a boat for halibut fishing, to also pay the boat owner for the halibut we catch. This is a ludicrous. In other words you want to turn a recreational angler on a charter boat into a deckhand on a commercial fishing vessel. I have been to your beautiful state many times halibut fishing. I know how hard it is for a commercial fisherman to make a living, I use to be one. Please don't let greed get the better of you. Presently , 80 percent of the halibut in the North Pacific are caught commercially. Let the recreational fisherman keep coming to your state. Let them keep paying to charter a boat for halibut fishing, but please don't charge them for the fish the catch. That's not Alaska.

Sincerely,

Nick Sulli



Nick and Carolyn Sulli
5020 Planet Pkwy. - Sacramento, CA 95823

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Agenda Item C-A

Gulf of Alaska Coastal Communities Coalition
P.O. Box 201236, Anchorage AK 99520
Phone 907-561-7633 Fax: 907-561-7634

December 7, 2000

David Benton, Chairman
North Pacific Fisheries Management Council
605 West 4th Ave, Suite 306
Anchorage, AK 99501

RE: Community "set-aside" of halibut charter IFQs

Dear Chairman Benton and Council members:

Attached is the Gulf Coalition's response to Staff's questions in their 20 page Discussion Paper regarding the community set-aside aspects of the proposed halibut charter IFQ program. We are generally pleased with the preliminary discussion staff has developed on the issue and, at the Advisory Panel (AP), found staff receptive to many of the attached comments.

The Coalition supports the AP motion and draft problem statement with two exceptions.

1. As discussed in the attached document, the coalition believes a "phase-in" of the program is unnecessary. The rollover provision will take care of any unallocated quota.
2. Also in the document is discussion regarding the proposed sunset provision. The set-aside program is designed to gradually vest small community residents with halibut charter IFQs and, if successful, eventually disqualify all communities from participation. Consequently, it will sunset with the current provisions. The sunset analysis are an unnecessary use of staff time

I apologize for not being present for public testimony or to ask questions. Personal concerns have required my return to Kodiak. Thank you in advance for your consideration of this issue and the Gulf Coalition's comments.

Sincerely yours,

Duncan Fields

Gulf of Alaska Coastal Communities Coalition (GOAC³)
P.O. Box 201236, Anchorage AK 99520
Phone: 907-561-7633 Fax: 907-561-7634
goaccc@alaska.net

Halibut Charter IFQ's
Community Set Aside
Response to Council Staff Discussion Paper
December 5, 2000

The Gulf of Alaska Coastal Communities Coalition (GOAC³) would like to thank Council staff for their discussion paper regarding the Coalition's proposal to have a portion of the halibut charter IFQ quota "set-aside" for developing halibut charter businesses in underdeveloped communities. It is apparent that Council staff spent significant time reviewing our proposal and working to understand the details.

We have generally deferred to Council staff regarding how and when they would like to address our proposal and, in general, we now support most of their recommendations to the Council. Nevertheless, some points in the discussion document need further clarification and, where the discussion paper asks for Council direction, we wish to confirm the position of the Coalition.

1. **Where to put the "set aside" discussion. (Page 5 of Discussion Paper)**

The Coalition concurs with Council staff's recommendation to develop the set-aside proposal as a separate issue "11" of the revised alternatives for the charter IFQ analysis.

2. **Use vs. Ownership. (Pages 5 & 6 of Discussion Paper)**

The Coalition continues to believe that a set-aside pool of quota shares available for use during a defined period --- but not for ownership, transfer or lease--- is the best concept for providing economic development opportunities in coastal communities through the proposed halibut charter IFQ program.

The coalition is uncomfortable with Council staff's request on page 6 that the Council clarify "the extent to which the staff interpretation of the Coalition concept of the set-aside (community use of quota versus communities being given ownership privileges) should be the focus of the analysis." The coalition would prefer Council to direct its staff to contact the Coalition regarding their ideas of use vs ownership and that the understanding derived from their communication focus the staff's analysis. Why have Council direct a

staff analysis of an interpretation that may not be the intent of the proposal?

The Coalition further recommends that the leasing concept in section 1(b)(iii) of the Outline of Regulatory Impact Review of Community Set Aside be deleted from the analysis.

3. Rollover and phase-in. (Pages 6 & 7 of Discussion Paper)

Issues raised by staff regarding unused quota and loss of net benefits to society are important to address. The Coalition has always maintained and agrees with staff that an in-season rollover should not be considered in the analysis. However, fundamental to the Coalition's concept for the set-aside program is the preseason rollover of any uncommitted quota. This is the provision that most closely limits "net loss of societal benefits" and should keep any such losses within the parameters established in the commercial fishery (+ or - 10%).

The Coalition's proposal limits the amount of quota that can be allocated to any one community (50,000#) and the amount of quota that any individual can initially obtain (2,500#). Net loss of societal benefits would occur when an individual did not capture all of the quota he or she is awarded. It is believed that many individuals, based on preseason bookings, will start out asking for less than the 2,500# maximum and thereby reduce this differential. After one season the individual will have a fairly good sense of his or her quota needs. Using the commercial fishery as an example, the coalition proposed that if more than 10% of the individual's allocation is not fished, the individual will be penalized by a proportional reduction in any subsequent quota request. This is similar to lost fish if a commercial IFQ holder fishes less than 90% of his allocated commercial IFQs. If the council wishes to further address the issue of "loss of net benefit" then the appropriate approach would be to analyze the range of individual quota allocations that could initially be given to an individual planning to start a charter business. Perhaps a range of 2,000#, 2,500# or 3,000# should be reviewed.

The "phase-in" provision proposed by Staff does not actually address the "net loss" issue. It does not focus on the difference between what an individual may be awarded and what he or she may actually catch. All the "phase-in" accomplishes is a program limitation the amount available to award individuals. It would simply limit the number of individuals that could, in any one year, participate in the program. While it is true that with fewer individuals participating, it is likely that the gross amount of halibut lost (difference between individual allocation and catch) will be reduced, this is not a function of the "phase-in" but rather a result of the limiting cumulative individual losses. Further, not all of the halibut quota "phased out" of the set-aside

pool is guaranteed to be fished.¹

Staff indicates the “phase in” amount would be increased as the total amount of halibut available in the pool are actually allocated to individual charter fishermen up to the total allocation for the program. Staff references the “phase in” of the State Waters Codfish Fishery as an illustration of their “phase in” concept. However, charter fishing is significantly different from a commercial fishery in that catching the quota is not so dependant on the charter fisherman as on client availability as well as fishing ability. “Phasing in” the set-aside quota does nothing to insure that a charter operator will obtain clients or that they will catch the quota. Consequently, the “phase in” for the halibut charter fishery is not analogous to the State Waters Codfish Fishery. It does nothing to address the “net loss” as determined by the difference between individual allocations and actual catch but only limits the amount of participants that would cumulatively contribute to the “net loss”

We suggest that the “Phase In” discussion outlined in sections 1 (b.) (iii) and 3 (b.) (iii) be deleted from the Outline of Regulatory Impact Review of Community Set-Aside on page 19.

4. Purpose and Need for Considering a Community Set-Aside. (Pages 8 & 9 of the Discussion Paper)

The Coalition appreciates Staff’s use of the NRC report regarding community entitlement and encourages Council to track the goals contained in our “set aside” proposal. As indicated by staff, these goals implicitly state that economic development is a goal of the “set aside” program. We agree that this goal should also be explicit — see draft problem statement.

Problem Statement

The Coalition problem statement included by Staff on page 9 of the discussion paper regarding a community halibut charter IFQ “set aside” is somewhat dated and does not reflect the understanding reached by Council during their June meeting regarding National Standard 8 of the Magnuson-Stevens Fishery Conservation and Management Act. A better template for the council to consider would be the draft problem statement adopted by the Council in June for the community IFQ “buy in” proposal.

¹Not all halibut charter IFQs given to charter operators will be fished. Some may be held back as part of a charter operators’s reserve.(+ or - 10%) some may be part of allocations that the owners believe are too small to fish, some may be part of shares that are in transition (waiting to sell) and some may not be fished for a variety of other reasons.

The Coalition would suggest that the Council consider the following draft problem statement for the halibut charter IFQ set-aside.

National Standard 8 of the Magnuson-Stevens Fishery Conservation and Management Act directs that “[c]onservation and management measures shall, consistent with the conservation requirements of this Act (including the prevention of over fishing and rebuilding of over fished 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 Council consider the impacts of all of 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 provided transferable quota shares to halibut charter fishermen or 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 will occur and may further limit economic development opportunities in halibut charter businesses for residents of these communities. Consequently, the sustained participation of many of Alaska’s smaller Gulf communities in the halibut charter fisheries may be jeopardized.

5. **Basis for the 1-2.5% of combined commercial/charter TAC.** (Pages 9 & 10 of the Discussion Paper)

a. Eligible Communities

The Gulf Coalition agrees with Staff that it is important to define the class or group of communities that are eligible to participate in the "set aside" program. Coalition documents and the staff discussion paper agree on all but 5 communities: Tyonek, Halibut Cove, Hyder, Saxman and Akhiok.

- a. Council staff apparently did not realize that Akhiok is located in halibut management area 3B and should not be included in the list.
- b. Hollis should be included and was overlooked by the Coalition.
- c. Saxman was not included in the Coalition's list because the community is connected by road with Ketchikan and, for economic development purposes, its residents were considered part of the halibut charter fleet working out of Ketchikan. Council may choose to include Saxman. However, if Saxman were considered as a separate community, then Auke Bay (connected by road to Juneau), Chiniak and Bells Flats (connected by road to Kodiak) would also need to be considered.
- d. It is unclear to the Coalition why Council staff excluded Tyonek and Halibut Cove. Both communities would seem to qualify and the Coalition believes Council should include them.

The Coalition agrees that the final list should be 35 communities but that Saxman and Akhiok should be deleted and that Tyonek and Halibut Cove should be added.

The final list, once determined, represents the maximum amount of eligible communities. It is unknown if all communities on the "eligible" list will actually qualify. The Staff discussion paper appears to have overlooked an additional qualifying criteria proposed by the Coalition. Eligible communities will be limited to those communities whose residents, cumulatively, own less than 50,000# of halibut charter IFQs. Once the residents of a community cumulatively obtain the 50,000# level, the community could no longer participate in the program.

B. Range of 1-2.5%. (Page 10 of the Discussion Paper)

The range of 1 to 2.5 % of the combined commercial/charter TAC for Gulf of Alaska Communities adopted by the Council at their October meeting supercedes, in many respects, Coalition's discussion regarding amounts needed for individual charter operators and cumulatively for each community. It is the Council's TAC numbers that form the basis for the set-aside range rather than the coalition's stated requirements in the proposal.

Council Staff seems to confuse the 20,000# minimum guarantee for each community with the amount needed by each community. Each community, to have a mature charter business nucleus, is considered to need up to 50,000# of halibut charter IFQs. However, it is not anticipated that the entire amount would be available at the outset to any one community. Instead, once all of the "set aside" is used, each community would continue to request more than was available. As individuals purchase shares, the commutative ownership in the community will increase and free up previously obligated shares for redistribution to other communities. Eventually, if the program is successful, each qualifying community will have residents that acquire 50,000# or more of halibut charter IFQs and the community no longer qualifies to participate in the program.

For economic analysis, the Council's quota ranges should be divided by the total qualifying communities in each halibut management area at each quota level to determine the "minimum" amount for each community if all communities participate in the program.² The economic analysis, however, should look at the need for 50,000# of halibut charter IFQ's per community with no less than 5 halibut charter operators in the community as the goal of the program and as an indices of a "mature" charter industry within the community.

Staff's Discussion Paper seems to imply that communities can request a "chunk" of quota rather than the simple accumulation of individual requests. This is not the intent of the proposal. It is the Coalition's understanding that individuals in the community request the quota and that the community is simply the "clearing house" for the cumulative individual requests. At the outset, if few communities participate, each community may request up to 50,000# on behalf of individual community residents. As the program grows, the total community requests may exceed the available quota. The quota would then be allocated proportionally between requesting communities recognizing the minimum guarantees and the proportionality of community requests

²For example, in area 2C, if the set aside is 2.5% of the combined TAC, during the 2000season 233,475# of halibut would have been set aside. With 21 qualifying communities the minimum any one community would have received would be 11,118# — unless their residents' cumulative request was less.

that exceed the quota.³

The Coalition recommends that council staff meet with the Coalition to clarify distribution intent and the concept of a “minimum guarantee” for further staff analysis.

C. Source of the Set-Aside. (Pages 11 & 12 of the Discussion Paper)

The GOAC³ does not take a position regarding the source of the set-aside quota but maintains that the Council is uniquely qualified to make this difficult allocative decision. **Nevertheless, the Coalition is not persuaded that the Council should, at this time, revise any of the current options relevant to the source of the set-aside.**

D. Proposed Framework for Economic Analysis. (Pages 14 - 18 of the Discussion Paper)

The Proposed framework for economic analysis as proposed by staff on pages 14-18 of their discussion paper is acceptable to the Gulf Coalition. The Coalition appreciates the clarity of the proposed economic framework.

The Coalition recommends that part 1(b)(iii) regarding “leasing and phase in” and part 3(c)(iii) regarding “phase in of set aside amount” be deleted from the Regulatory Impact Review outline.

³For example, there are 100 shares available and 5 communities request shares in the following order; community A requests 50 shares, community B requests 40 Shares, community C requests 30 shares, community D requests 20 shares and community E requests 10 shares. The total request is for 150 shares. 100 shares divided by 5 communities guarantees each community 20 shares. Thus Communities D and E are award all of the shares they request and A, B & C are awarded 20 shares each. The remaining 10 shares that E did not request are divided between A, B & C in the following ratio, A is given 3/6 of the 10 shares, B is given 2/6 of the 10 shares and C is given 1/6 of the 10 shares.