Discussion Paper: Vessel IFQ Caps

North Pacific Fishery Management Council[1]

December 2014

1. Introduction

The North Pacific Fishery Management Council (Council) called for proposals to amend the commercial halibut/sablefish Individual Fishing Quota (IFQ) Program during summer 2009. The majority of the proposals that were recommended by the IFQ Implementation committee have progressed to final action. The Council continues to consider outstanding actions including: 1) allowing halibut IFQ to be retained in sablefish IFQ pots in Area 4A, 2) allowing the use of pot longline gear in the Gulf of Alaska (GOA) sablefish IFQ fishery, and 3) modifying vessel IFQ caps for sablefish and/ or halibut.

The third proposal and subject of this discussion paper, originally proposed relieving restrictions on consolidation of sablefish 'A' share quota,[2] the quota used on catcher/ processors (CPs), or more specifically, Freezer longliners. The original proposal, submitted by Clipper Seafoods, Ltd. (Attachment 1), suggested two changes to the A share sablefish program: 1) removing the block system for A shares,[3] and 2) Increasing the A share ownership cap. After a discussion paper produced by Council staff in June of 2013 highlighting ownership cap (i.e., QS use cap), the proposal was amended to request a change in the A share *vessel IFQ caps* as opposed to QS use caps (see Attachment 2 for the modified language to this proposal). This is a subtle yet important distinction. While these terms are not explicitly defined by regulation, they are characterized by their use in regulation and their implementation by the National Marine Fisheries Service (NMFS). These terms are distinctively different in their regulatory function:

QS use caps: A QS use cap (also referred to as "ownership caps" in some programs) is applied to holders (individual or collective) of a long-term QS privilege. It limits the holder from exceeding a certain

[1] Sarah Marrinan, NPFMC; Michael Fey, PSMFC; Tracy Buck, NOAA RAM

[2] Category A shares give the authority to harvest and process IFQ species on a vessel of any length, category B shares give the authority to harvest IFQ species on a vessel of any length, category C shares give the authority to harvest IFQ species on a vessel ≤ 60 ft LOA, and category D shares give the authority to harvest halibut IFQ on vessels ≤ 35 ft LOA. Since implementation there have been amendments that allow the ability to "fish up" some halibut quota in some areas (see Table 8).

[3] The IFQ Implementation did not recommend moving this piece of the proposal forward for analysis.

number of QS units. QS use caps in the IFQ fisheries have been constant, based on the 1996 quota share pool (QSP).[4] They are determined "individually and collectively;" that is, by QS held in an individual's name, plus the part of QS held by any entity in which the individual is an owner (collectively). Regulations at §679.42 (e) explain what the QS use caps are for sablefish QS and §679.42 (f) explains what the QS use caps are for halibut QS.

Vessel IFQ caps: This is a cap which applies to the vessels participating in the harvest of an IFQ species. The vessel IFQ cap (also referred to as "vessel cap" or "vessel use cap")[5] restricts the amount of IFQ that can be consolidated and accounts for the IFQ species harvest on one vessel during a season. The vessel IFQ cap is specified as a percent of the annual TAC. Regulations outline the specific vessel IFQ caps at §679.42 (h)(1) for halibut and §679.42 (h)(2) for sablefish.

Figures 1a and 1b demonstrate how NOAA Restricted Access Management (RAM) provides the QS use caps and the vessel IFQ caps for halibut and sablefish, using 2014 as an example. Currently there are no separate cap distinctions between shares categories (i.e., A, B, C, and for halibut, D) for either QS use caps or vessel IFQ caps. Regional distinctions occur for Southeast Alaska (Area 2C for halibut) for both species and both management caps. QS use caps create the added distinction of a separate percentage for halibut QS holders in regulatory Area 4; all of the Bering Sea (BS) and Aleutian Islands (AI). No other regional distinctions currently separate cap percentages.

Figure 1a. QS use caps for 2014

Quota Share Use Caps			
	Applicable %	Size of Relevant QSPs	QS Use Cap
Halibut	1% OF HALIBUT 2C QSP	59,979,977 QS Units	599,799 QS Units
	.5% OF HALIBUT 2C, 3A, 3B QSP	300,564,647 QS Units	1,502,823 QS Units
	1.5% OF ALL HALIBUT AREA 4 QSP	33,002,937 QS Units	495,044 QS Units
Sablefish	1% OF SABLEFISH SE QSP	68,848,467 QS Units	688,485 QS Units
	1% OF ALL SABLEFISH QSP	322,972,132 QS Units	3,229,721 QS Units

Figure 1b. Vessel IFQ caps for 2014

Vessel IFQ Caps			
	Vessel Use Cap %	Annual IFQ TAC	Vessel Use Cap
Halibut	1% OF 2C HALIBUT IFQ TAC	3,318,720 net pounds	33,187 net pounds
	.5% OF ALL HALIBUT IFQ TAC	15,954,370 net pounds	79,772 net pounds
Sablefish	1% OF SE SABLEFISH IFQ TAC	5,941,397 round pounds	59,414 round pounds
	1% OF ALL SABLEFISH IFQ TAC	23,679,609 round pounds	236,796 round pounds

Source: NOAA NMFS/ RAM, Quota share caps & vessel IFQ caps 2014
Notes: Quota Share Pool or Pools (QSP); Individual Fishing Quota (IFQ); Total Allowable Catch (TAC)
Vessel IFQ Caps are calculated on the IFQ TAC only; CDQ TACs are not included in the calculations.
Additional restrictions apply if a vessel is used to harvest any IFQ derived from QS held by a Community Quota Entity.

[4] It is possible that the pool would change if NMFS revokes quota or creates additional quota. However, this is a rare occurrence in any of the catch share programs.

[5] Although the term "vessel use caps" is used in the regulations of many catch share programs (e.g. the BSAI crab rationalization program, the rockfish program), given the inevitability of this term being shortened to "use caps" and confused with QS use caps (which has occurred in the recent past), this term is avoided in this paper.

Halibut weights are expressed in net (headed and gutted) pounds, and sablefish weights are expressed in round pounds.

While the original sablefish proposal was updated to reflect the desire to focus on vessel IFQ caps, an additional proposal was also put forward by Kodiak Vessel Owners' Association (KVOA) in December 2013 to address the halibut side of vessel IFQ caps.[6] Throughout the course of several Council meetings, IFQ implementation meetings and informal workgroups, KVOA updated its own proposal to the document submitted in February of 2014 (Attachment 3). In effect, this proposal would create a minimum vessel IFQ cap, a floor, which would apply to vessels harvesting halibut IFQ in regulatory Areas 3 and 4.

After hearing the two updated proposals described at a Council meeting in December 2013, and further discussing them at a Council meeting in February of 2014, the Council directed staff to prepare this scoping document in order to more clearly define the underlying issues and understand potential challenges and questions raised by these proposals.

The Council motion from February 2014

Develop a spreadsheet of issues and questions raised by these proposals for halibut and sablefish, by area, and potentially also by vessel and QS category. This would be qualitative and quantitative in nature to try and understand the nature and extent of the problem identified by the sablefish IFQ fleet. The paper should include data to the extent possible that can address the issues. In addition include information as to what would be needed to establish an Area 4 only vessel cap change for sablefish and halibut.

This discussion paper[7] is split into three sections. The first section is dedicated to defining the fisheries issues that these two proposals (Clipper proposal and KVOA proposal) seek to mitigate. The second section establishes decision points that have the potential to greatly affect the scope of the impacts, and the final section highlights the primary questions for consideration should the Council chose to take action on this issue.

2. Defining the Issue

The purpose of the IFQ program is to provide for improved long-term productivity of the halibut fisheries by further promoting the conservation and management objectives of the Magnuson-Stevens Fishery and Conservation Act (MSA) and the Halibut Act, and to retain the character and distribution of the fishing fleets as much as possible. The Council sought to protect small producers, part-time participants, and entry-level participants who may otherwise be eliminated from the fisheries because of potential excessive consolidation under the IFQ program. For this reason, the system includes restrictions designed to prevent too many quota shares from being held by only a few people (QS use caps) or from being fished on only a few vessels (vessel IFQ caps).

However, some stakeholders believe that vessel IFQ caps are a responsible factor for the harvest levels of halibut and sablefish IFQ far below the TAC (i.e., producing stranded quota). Particularly for areas like the BSAI where the costs and risks associated with reaching the fishing grounds and prosecuting the

[6] APICDA/CBSFA submitted a similar proposal in 2010 requesting the Council to consider if vessel IFQ caps were a factor contributing to unharvested halibut IFQ quota in Area 4. This proposal was later withdrawn.
[7] Although the Council requested a spreadsheet of issues, given the range of background information the Council was interested in, staff deemed a more thorough discussion paper format was warranted.

fishery are often very high, the vessel IFQ cap may be a limiting factor in reaching the economies of scale necessary to justify these cost.

National Standard 1, which applies to the MSA regulated species of sablefish requires that,[8] "Conservation and management measures shall prevent overfishing while achieving, on a continuing basis, the optimum yield from each fishery for the United States fishing industry." Therefore, not only is it a goal for fisheries management to prevent overfishing and promote a sustainable healthy stock, this National Standard also points out the goal of allowing fisheries to develop and achieve the optimum yield (OY). In other words, among other priorities, management also seeks to prevent regulatory structure from preventing the harvest up to the TAC of a marketable species managed under an FMP.

NMFS catch reports demonstrate that the sablefish IFQ in BSAI have indeed historically been below OY in some areas. Table 1 and Figure 2 demonstrate a harvest rate of sablefish IFQ that is less than 60 percent of the TAC in 2013 and consistently less than 70 percent over the past seven years in the BSAI. Sablefish IFQ participants in the GOA, however, have historically been able to harvest the majority of the sablefish TAC allocated to these sub-areas. [9]

Table 1. Sablefish IFQ landings in 2013 by management area

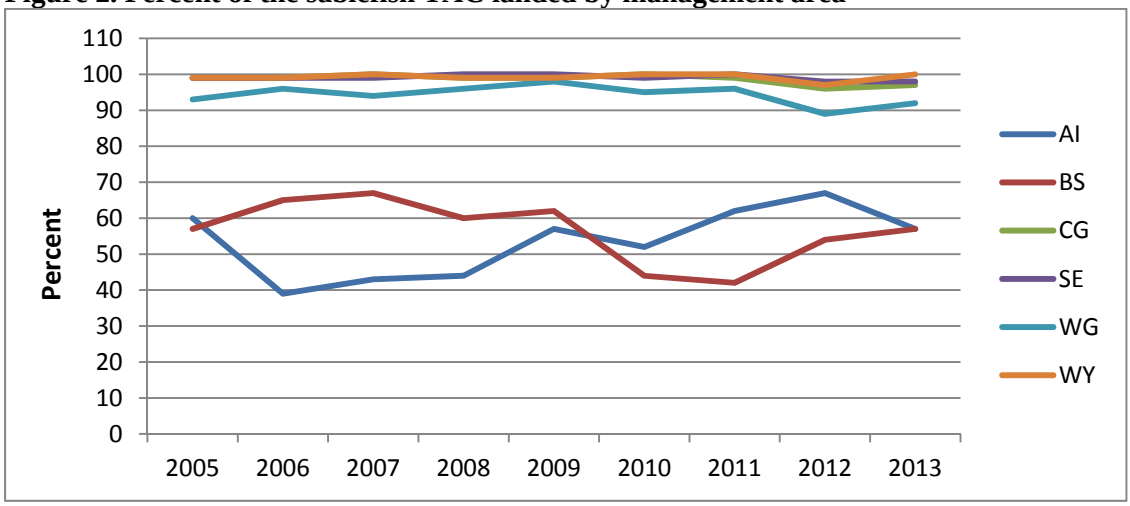
			TAC		
Area	Vessel Landings	Total Catch (Pounds)	Allocation (Pounds)	Remaining (Pounds)	Percent Landed
AI	86	1,611,584	2,830,706	1,219,122	57
BS	125	798,298	1,393,307	595,009	57
CG	687	9,443,940	9,770,787	326,847	97
SE	576	6,873,697	7,032,674	158,977	98
WG	204	2,847,171	3,086,440	239,269	92
WY	221	3,905,307	3,899,937	-5,370	100
Total	1,899	25,479,997	28,013,851	2,533,854	91

Source: NOAA NMFS/RAM allocation and landing report, 2013

[8] Pacific halibut is managed through authority granted in the Northern Pacific Halibut Act of 1982. It is not a species directly managed through MSA and under an FMP and therefore is not bound to the National Standards.

[9] In addition to this figure and table, a Council discussion paper on QS use caps included tables of the percentage of sablefish IFQ harvested from 2004 to 2012 by area and quota category. One take-away point from these tables is that while A, B, and C shares are harvested in relatively consistent rates with each other in CG, WY, and SE, the other subareas have a trend of dissimilar harvest rates across the share category. In BS, AI, and WG, IFQ associated with C shares are more often left on the table, followed by B shares, with A shares harvest to the relativity highest capacity (NPFMC, 2013).

Figure 2. Percent of the sablefish TAC landed by management area



Source: NOAA NMFS/RAM allocation and landing report, 2005 through 2013

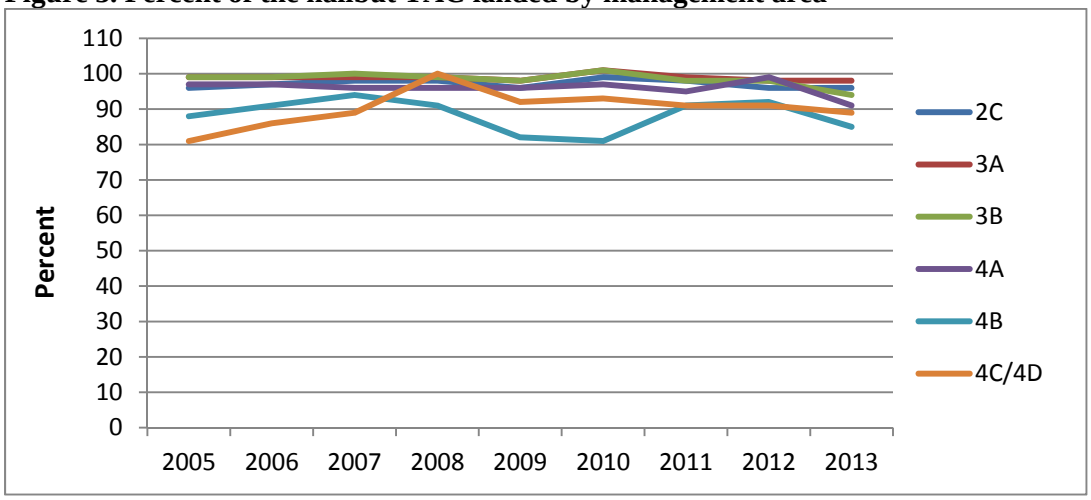
Participants of the halibut IFQ program have had more consistent success in harvesting high rates of the halibut TAC. In 2013, an average of 96 percent of the total allocated pounds of halibut IFQ were landed (Table 2). Table 2 and Figure 3 illustrate that regulatory areas 4B, in the AI, and the combined Areas 4C and 4D, in the BS, have generally held the lowest harvest rates for halibut IFQ.

Table 2. Halibut landings in 2013 by management area

			TAC		
Area	Vessel Landings	Total Catch (Pounds)	Allocation (Pounds)	Remaining (Pounds)	Percent Landed
2C	1,235	2,861,611	2,970,000	108,389	96
3A	1,770	10,824,476	11,030,000	205,524	98
3B	530	4,034,396	4,290,000	255,604	94
4A	177	1,206,747	1,330,000	123,253	91
4B	117	986,945	1,160,000	173,055	85
4C/4D	107	917,155	1,030,800	113,645	89
Total	3,936	20,831,330	21,810,800	979,470	96

Source: NOAA NMFS/RAM allocation and landing report, 2013

Figure 3. Percent of the halibut TAC landed by management area



Source: NOAA NMFS/RAM allocation and landing report, 2005 through 2013

Even where halibut IFQ appears to be fully harvested and the supply of vessels available to fish quota appears to still exist, vessel IFQ caps may still be producing an effect on the supply chain in the fishery.

In the case of halibut IFQ, stakeholders have only begun testifying on the effects of the vessel IFQ caps to their operations in recent years, as a result of the decreasing harvestable halibut biomass. As the overall halibut IFQ TAC has fallen since 2003, the vessel IFQ cap of 0.5 percent of the TAC has dropped the harvestable pound per vessel to a correspondingly smaller number (Table 3). The amount able to be harvested on one vessel that had reached approximately 295,000 net lbs in 2004, has fallen to approximately 80,000 lbs a decade later.

In light of these declines, participants may be reacting to negative impacts they anticipate in the near future. Stakeholders might be concerned that should this marked downward trend continue, it will be even more difficult for vessel operators to individually justify the costs (e.g. fuel, vessel maintenance, labor, etcetera) produced by operating a vessel. If halibut IFQ participants are diversified in many subareas and they are receiving small allocations of annual IFQ for these subareas based on diminished TAC, it may be inefficient to spread this IFQ out over multiple vessels, as the vessel IFQ cap may require. Recent changes to the hired master provisions, some of which become effective December 1st of this year, mean that some QS holders that have historically relied on hired masters to harvest their IFQ may now be required to be onboard. Vessel operators feeling the constraint of a vessel IFQ cap might be less likely be to harvest a marginal amount of halibut IFQ, particularly if it requires that they have another individual onboard.

The benefit of consolidation in this case, means that some vessels are more likely able to achieve the economies of scale needed to make the trip economically worthwhile. If consolidation is not available, and the TAC for halibut IFQ continues on a downward trend, it is possible quota may be left unharvested in the future.

On the other hand, some halibut IFQ participants may already be experiencing impacts from the vessel IFQ cap given the current level of halibut TAC. For instance, with more vessel owners approaching the

(approximately) 80,000 lb vessel IFQ cap of 2014, some halibut IFQ participants have testified that the supply of available vessels has been reduced. While the vessel pool may still be large enough to spread out quota and generally avoid stranding halibut IFQ, testifiers have noted that some historical partnerships between vessel operators and QS holders are no longer able to be honored as the vessel operator first prosecute their own IFQ and is consequently left with minimal space to accommodate additional IFQ.

In the halibut IFQ fishery, similar to sablefish IFQ operations, the concerns with vessel IFQ caps are particularly acute in BSAI. These subareas generally have higher costs associated with their prosecution, which generally requires vessels to be larger, more vertically integrated, and the nature of these fisheries already limits the number of vessels participating.

Table 3. Halibut and Sablefish vessel IFQ caps relative to the TAC, 1997 through 2014

Year	Halibut IFQ TAC (net pounds)	Halibut Vessel Cap (net pounds)	Sablefish IFQ TAC (round pounds)	Sablefish IFQ Cap (round pounds)
1997	51,116,000	255,580	30,233,885	302,339
1998	55,708,000	278,540	29,845,875	298,459
1999	58,390,000	291,950	27,154,059	271,541
2000	53,074,000	265,370	29,926,122	299,261
2001	58,534,000	292,670	29,120,561	291,206
2002	59,010,000	295,050	29,388,199	293,882
2003	59,010,000	295,050	34,863,545	348,635
2004	58,942,000	294,710	37,936,756	379,368
2005	56,976,000	284,880	35,765,226	357,652
2006	53,308,000	266,540	34,546,083	345,461
2007	50,211,800	251,059	33,450,396	334,504
2008	48,040,800	240,204	29,967,127	299,671
2009	43,548,800	217,744	26,488,269	264,883
2010	40,298,000	201,490	24,876,707	248,767
2011	30,382,000	151,910	26,794,708	267,947
2012	24,003,027	120,015	29,326,912	293,269
2013	21,810,800	109,054	28,013,851	280,139
2014	15,954,370	79,772	23,679,609	236,796

Source: NOAA NMFS/RAM, Quota share caps & vessel IFQ caps 1997 through 2014

It can be challenging to isolate the evidence of the impacts of halibut and sablefish vessel IFQ caps from the impacts of other management, environmental, and market factors in the fisheries. There are many influences that may prevent a historical IFQ participant from taking advantage of fishing opportunity to the full extent of their QS. For instance, the ability to fully harvest the TAC of halibut and sablefish IFQ in the BSAI is greatly dependent on weather and ocean conditions during the season. Harvest may also be stymied by other practical considerations such as availability of processing capacity and infrastructure, and the physical ability of the IFQ holder, particularly if they are required to be onboard.

A suite of economic factors play a large role in if and how a QS holder may harvest their BSAI IFQ species, including the quantity of IFQ available for harvest. While this might depend on the vessel IFQ

cap for that year, it also depends more broadly on the TAC, the QS that entity holds and the QS use cap. Marginal amounts of remaining quota may not justify the economic costs it would require to harvest, particularly in these areas. This may even be the case for QS holders seeking to pay rents on board a vessel for a marginal amount of quota.

An individual's assessment of the value of fishing IFQ would weigh this potential harvest, taking into account the market price of halibut and sablefish, against the costs they are likely to incur. These costs include market price of variable costs (e.g. fuel, vessel maintenance, labor) as well as the opportunity cost of their time in the prosecution of the fishery. In other words, are there other fisheries, including IFQ fisheries in other subareas, that would be more worthwhile to prosecute first?

Based on all of these factors and possibly more, the QS holder will make the determination of whether the potential revenue from the quota available is worth the likely accounting cost, opportunity cost of giving up time and other fishing opportunities, and associated risk.

The large suite of factors that contribute to an vessel operator's decision to prosecute an IFQ fishery make it difficult to tease out precisely how constraining vessel IFQ caps may be over a whole fishery. However, data can provide an indication of which vessel *may* feel constrained by examining how many vessels are at or near the vessel IFQ cap. Table 4 and Table 5 demonstrate the number of vessels that have been within 10 percent of the vessel IFQ cap for that year for sablefish and halibut, respectively. These tables also show how many vessels have reached this threshold exclusively in one area and by QS category.

In the halibut IFQ fishery, some consolidation is already occurring within the vessel IFQ cap limits as the QS holders seek economies of scale that will cover the costs of prosecuting a relatively smaller amount of halibut IFQ. The total number of vessels prosecuting the halibut IFQ fishery has fallen from 1,157 in 2008 to 936 in 2013.

Table 4. Count of vessels participating in the IFQ sablefish fishery by area or by vessel category landing within 10 percent of the vessel IFQ cap

			Is the vessel within 10% of the vessel IFQ cap?			
Year	IFQ region	Vessel Category	No	Yes	Total	Percent
2008	BSAI	All categories	56	2	58	3.4%
	GOA	All categories	322	11	333	3.3%
	All areas	A	74	3	77	3.9%
	All areas	B	145	5	150	3.3%
	All areas	C	254	2	256	0.8%
	All areas	All categories	341	18	359	5.0%
2009	BSAI	All categories	60	2	62	3.2%
	GOA	All categories	326	11	337	3.3%
	All areas	A	74	3	77	3.9%
	All areas	B	145	5	150	3.3%
	All areas	C	254	2	256	0.8%
	All areas	All categories	343	20	363	5.5%
2010	BSAI	All categories	64	2	66	3.0%
	GOA	All categories	323	15	338	4.4%
	All areas	A	79	6	85	7.1%
	All areas	B	157	5	162	3.1%
	All areas	C	265	2	267	0.7%
	All areas	All categories	346	22	368	6.0%
2011	BSAI	All categories	64	2	66	3.0%
	GOA	All categories	316	15	331	4.5%
	All areas	A	78	4	82	4.9%
	All areas	B	162	7	169	4.1%
	All areas	C	258	1	259	0.4%
	All areas	All categories	341	21	362	5.8%
2012	BSAI	All categories	50	4	54	7.4%
	GOA	All categories	311	19	330	5.8%
	All areas	A	79	6	85	7.1%
	All areas	B	152	8	160	5.0%
	All areas	C	260	1	261	0.4%
	All areas	All categories	330	24	354	6.8%
2013	BSAI	All categories	44	4	48	8.3%
	GOA	All categories	294	18	312	5.8%
	All areas	A	79	5	84	6.0%
	All areas	B	156	9	165	5.5%
	All areas	C	246	1	247	0.4%
	All areas	All categories	307	24	331	7.3%

Source: NMFS AKR IFQ account table sourced by AKFIN, 2008 through 2013

Table 5. Count of vessels participating in the IFQ halibut fishery by area and landing within 10 percent of the vessel IFQ cap

			Is the vessel within 10% of the vessel IFQ cap?			
Year	IFQ Region	Vessel Category	No	Yes	Total	Percent
2008	Area 3	All categories	645	24	669	3.6%
	Area 4	All categories	106	4	110	3.6%
	All Areas	A	71	0	71	0.0%
	All Areas	B	256	25	281	8.9%
	All Areas	C	825	5	830	0.6%
	All Areas	D	345	0	345	0.0%
	All Areas	All categories	1099	58	1157	5.0%
2009	Area 3	All categories	609	26	635	4.1%
	Area 4	All categories	103	2	105	1.9%
	All Areas	A	71	0	71	0.0%
	All Areas	B	246	26	272	9.6%
	All Areas	C	784	2	786	0.3%
	All Areas	D	305	0	305	0.0%
	All Areas	All categories	1037	53	1090	4.9%
2010	Area 3	All categories	582	26	608	4.3%
	Area 4	All categories	103	2	105	1.9%
	All Areas	A	75	0	75	0.0%
	All Areas	B	253	23	276	8.3%
	All Areas	C	779	1	780	0.1%
	All Areas	D	308	0	308	0.0%
	All Areas	All categories	1022	52	1074	4.8%
2011	Area 3	All categories	588	25	613	4.1%
	Area 4	All categories	99	9	108	8.3%
	All Areas	A	75	0	75	0.0%
	All Areas	B	258	25	283	8.8%
	All Areas	C	774	1	775	0.1%
	All Areas	D	305	0	305	0.0%
	All Areas	All categories	993	59	1052	5.6%
2012	Area 3	All categories	554	21	575	3.7%
	Area 4	All categories	100	5	105	4.8%
	All Areas	A	74	0	74	0.0%
	All Areas	B	265	17	282	6.0%
	All Areas	C	743	1	744	0.1%
	All Areas	D	293	0	293	0.0%
	All Areas	All categories	964	49	1013	4.8%
2013	Area 3	All categories	498	19	517	3.7%
	Area 4	All categories	96	3	99	3.0%
	All Areas	A	74	0	74	0.0%
	All Areas	B	256	14	270	5.2%
	All Areas	C	692	1	693	0.1%
	All Areas	D	281	0	281	0.0%
	All Areas	All categories	886	50	936	5.3%

Source: NMFS AKR IFQ account table sourced by AKFIN, 2008 through 2013

In past discussions of this issue, stakeholders have not unanimously agreed on the magnitude of the problem or need for action. In both halibut and sablefish IFQ fisheries there are likely to be a significant number of vessel operators for which vessel IFQ caps will never be a constraining factor on their harvest rates. In an exceptionally competitive IFQ fishery, consolidation will likely benefit a few vessels at the expense of the rest of the large fleet. It could lead to fewer crew jobs, a negative impact to secondary industries, and possible increased rental fees for walk-on IFQ holders.

Tables 4 and 5 illustrate that there are certain areas and QS categories that may consider vessel IFQ caps more of a constraint than others. However this does not mean it is appropriate to take action based strictly on categories that contain the highest percentage of participants (potentially) constrained by the vessel IFQ cap as shown in Table 4 and 5. It is important to consider the cost and how they would be spread across stakeholders. It is possible that an action may only benefit three vessel operators at current TAC levels, but if that action has the appropriate scope it may disadvantage none. The net benefits as well as the distributional impacts on the fleet are important in the Council's consideration of this issue. The distributional impacts will depend on the scope of action.

3. Scope of Proposed Action and Decision Points

As mentioned in Section 1, the Council has received several proposals related to vessel IFQ caps (Attachment 2 and Attachment 3). If the Council initiates an analysis, it may choose to progress action for either sablefish IFQ or halibut IFQ or both. The purpose of Table 6 is to demonstrate characteristics that would be necessary to qualify in order to initiate an analysis. To narrow the scope of analysis to an appropriate range of options, the Council may adopt elements from the two proposals, as well as considering public testimony and data presented here. An analysis could evaluate multiple regional options, QS category distinctions, or cap levels. However, these options under consideration should be clearly specified so that the impacts may be considered in the appropriate context.

Table 6. Characteristics to define the scope of potential action

Definition of scope	Options suggested in proposals
Which IFQ fishery is directly impacted?	Sablefish IFQ Halibut IFQ Both
Which QS category is directed impacted?	All QS categories Just sablefish A shares
Which area/ subarea is directly impacted?	All areas All areas except 2C/SE Only Area 4/BSAI
How would the vessel IFQ cap be modified?	Increase in the percentage of vessel IFQ cap Set a floor that a vessel IFQ cap could not fall below

Changing the scope of action by restricting cap modifications to an area or subarea could significantly change the scope of the impacts. For instance, IFQ participants in Southeast operate in a particularly competitive market for IFQ walk-ons interested in fishing their quota. In an attempt to restrict the amount of consolidation and provide opportunity for smaller vessel participation, this area has an even more stringent vessel IFQ cap limit than the rest of the IFQ fleet (33,187 net pounds for halibut and 59,414 round pounds for sablefish versus 79,772 net pounds for halibut and 236,796 round pounds for sablefish for every other management area in 2014). While raising the vessel IFQ cap for this subarea may benefit a few vessel operators, it would likely occur at a high cost to the rest of fleet. Additionally, since the vessel

IFQ cap regulations already specify a distinct category for this subarea, if the Council choses to modify the vessel IFQ caps, they could easily exclude SE from this action.

Unlike excluding Area 2C/ SE from vessel IFQ caps, restricting vessel IFQ cap modification by QS category would likely create implementation challenges. The IFQ database used by NOAA RAM does not traditionally break out annual TAC in pounds of IFQ by QS category. This distinction can be created, but would require significant changes to the IFQ database. QS is measured in "QS units", and annual IFQ TAC as well as the vessel IFQ caps are established in pounds. As mentioned, the units in the QSP are essentially constant; however, based on the IFQ TAC and the regulatory subarea allocation of that IFQ TAC, QS units represent different amounts of harvest every season. Table 7 demonstrates the consistent sablefish QSP from 2008 through 2013 from first the total allocation of sablefish QS and then the amount of QS that is assigned as A shares. Approximately 21 percent of the QSP are prescribed as A shares. The ratio of QS to IFQ in Table 7 acts like an exchange rate that annually changes based on the established IFQ TAC. As can be seen in Table 7, it is possible to calculate what the IFQ TAC would amount to based on the available QS prescribed as A shares. This type of conversion would also need to be calculated if this option was considered for the halibut IFQ fishery.

Table 7. Conversion of Sablefish QS units to sablefish IFQ pounds for 2008 through 2013

			A	B	C	D	E
		Area	QSP (units)	Ratio QS:IFQ	IFQ TAC (pounds)	Vessel IFQ cap (pounds)	Percent of the IFQ TAC subset that the cap represents (Column D/C)
2008	ALL SHARES	Total	317,801,022	10.60	29,967,127	299,671	1.0%
	A SHARES	SE	6,133,979	9.31	658,555	70,988	10.8%
		Total	67,158,732	10.17	6,600,862	299,671	4.5%
2009	ALL SHARES	Total	317,801,022	12.00	26,488,269	264,883	1.0%
	A SHARES	SE	6,133,979	10.92	561,612	60,538	10.8%
		Total	67,158,732	11.36	5,914,069	264,883	4.5%
2010	ALL SHARES	Total	317,801,022	12.78	24,876,707	248,767	1.0%
	A SHARES	SE	6,133,979	11.62	527,659	56,879	10.8%
		Total	67,158,732	11.78	5,702,588	248,767	4.4%
2011	ALL SHARES	Total	317,801,022	11.86	26,794,708	267,947	1.0%
	A SHARES	SE	6,133,979	10.20	601,288	64,815	10.8%
		Total	67,158,732	11.46	5,860,730	267,947	4.6%
2012	ALL SHARES	Total	317,801,022	10.84	29,326,912	293,269	1.0%
	A SHARES	SE	6,133,979	9.45	648,940	69,952	10.8%
		Total	67,158,732	11.01	6,101,641	293,269	4.8%
2013	ALL SHARES	Total	317,801,022	11.34	28,013,851	280,139	1.0%
	A SHARES	SE	6,133,979	9.40	652,551	70,327	10.8%
		Total	67,158,732	11.53	5,826,388	280,139	4.8%

Source: NOAA NMFS/RAM QPS and TACs for IFQ reports, 2008 through 2013; NOAA NMFS/RAM Category "A" (freezer) QS datasets, 2008 through 2013

Also unlike the vessel IFQ cap distinction for SE, creating a higher cap for A shares would mean removing A shares from the "All sablefish IFQ TAC" vessel IFQ cap pool. This is unlike the distinction made for the SE subarea in which the "All sablefish IFQ TAC" category still includes the IFQ TAC assigned to SE as a subset of this amount. This regional distinction for SE is a way to apply a more

stringent vessel IFQ cap. It requires a lower cap in SE, and allows the vessel the ability to harvest only the remainder of the "All sablefish IFQ TAC" elsewhere. If the objective of this proposal is to relieve pressure from the vessel IFQ cap for vessels using A shares, this IFQ TAC cannot be a subset of the "All sablefish IFQ TAC" category, but must instead be separated. As can be seen in Table 7, the vessel IFQ cap would need to be set greater than 4.8 percent, or a floor greater than greater than the previous IFQ caps in order to have the loosening effect that the proposal is seeking.

If there are separate pools for "Sablefish B and C shares in all areas" and "Sablefish A shares in all areas" and the vessel IFQ caps stay consistent in the former group (1 percent), this will lower the poundage specified by the vessel IFQ cap for the remaining pool of B and C shareholders. Therefore, if this separation is made, the Council may consider also adjusting the vessel IFQ cap for "Sablefish B and C Shares in All Areas" and "SE Sablefish B and C Shares" to compensate for the excluding A shares in the total.[10]

Additionally, amendments to the IFQ Program that allow an IFQ permit holder to "Fish up" or "Fish down" may complicate the determination of whether or not a vessel had exceeded the vessel IFQ cap for a specific regulatory area/QS vessel category combination. "Fish up" and "Fish down" provisions allow an IFQ permit holder to harvest IFQ halibut or sablefish outside of the originally assigned QS vessel category. Table 8 demonstrates the use restrictions by share category and how "Fish up" and "Fish down" adds flexibility for QS/ IFQ holders.

Table 8. QS/ IFQ use restrictions by share category

Category A	Authority to harvest and process **IFQ species** on a vessel of any length (freezer/longliners)
Category B	Authority to harvest **IFQ species** on a vessel of any length
Category C	Authority to harvest **IFQ species** on a vessel ≤ 60-ft LOA
Category D*	Authority to harvest **IFQ halibut** on a vessel ≤ 35-ft LOA

*Under the "fish up" provision, halibut IFQ Category D shares are able to be used on vessel ≤ 60 ft LOA in Areas 3B, 4C, and 4B.

If vessel IFQ caps are established by QS vessel category a vessel may be subjected to a vessel IFQ cap that is not consistent with its length overall. Additionally, a single IFQ permit holder may have IFQ permits reflecting multiple QS vessel categories in an IFQ regulatory area. For instance, an operator of freezer longliner 60 ft LOA, might hold both A shares, which can be fished on a vessel of any size, as well as category C shares that limit the size vessel to 60 ft LOA. An exemption to a vessel IFQ cap by QS vessel category may be required so as not to disadvantage a person's ability to maximize vessel efficiently in the fishery.[11]

[10] Another option would be to just not subtract the Area 4 or BSAI poundage from the "All halibut (sablefish) IFQ TAC", despite the distinction of a separate vessel IFQ cap for that subareas. This would remove the impact on Area 3 from the separate vessel IFQ cap distinction for Area 4.

[11] In the original proposal, the IFQ Implementation Committee contributed two points of clarification for the original QS use cap proposal that sought to make the modification exclusive to A shares. These additional specifications may prove more appropriate if the Council considers modifying vessel IFQ caps exclusively for A

Creating a distinction in vessel IFQ caps by regions, such as a distinction for Area 4 (or BSAI for sablefish IFQ), would be a modification to the current system and would require some level of agency administrative burden. Similar to making a QS category distinction, a looser vessel IFQ cap than what is currently established would require the Area 4 TAC to be separated from the "All halibut (sablefish) IFQ TAC" and the cap to be based on a percentage of this subset TAC. This would generate the same need to compensate the vessel IFQ cap for the remaining TAC as explained for the QS category distinction. The result would be a regional distinction similar to the "All halibut QSP in Area 4A" for the QS use caps.

Unlike QS categories, TAC for IFQ halibut and sablefish is annually allocated by subarea. Therefore this option would just require developing a database program that adds up the combined Area 4 TACs at the beginning of each IFQ fishing year, and applies the appropriate vessel IFQ cap percentage established to the combined Area 4 IFQ TAC. This would ensure that the IFQ program landings process was programmed to notify NMFS Office of Law Enforcement when a vessel's combined landings had exceeded these caps.

As can be seen in Table 9, depending on how the halibut IFQ is allocated by subarea in a given year, the vessel IFQ cap has represented between 2.5 to 3.7 percent of Area 4's allocation of halibut TAC in the past six years. During that same time period, the vessel IFQ cap has represented between 4.8 and 6.6 percent of the sablefish IFQ TAC allocated to the BSAI.

shares: 1) the proposed increased [vessel IFQ cap] was for vessels that only fish A shares (no catcher vessel QS onboard) and 2) regardless of whether the sablefish harvest was processed.

Table 9. Halibut and sablefish vessel IFQ caps by area for 2008 through 2013

	Halibut IFQ				Sablefish IFQ			
	Area	Allocated Pounds	Vessel IFQ cap (pounds)	Vessel cap percent	Area	Allocated pounds	Vessel IFQ cap (pounds)	Vessel cap percent
2008	All Areas	48,040,800	240,204	0.5%	All Areas	29,967,127	299,671	1%
	2	6,210,000	62100	1%	SE	7,098,812	70988	1%
	3	35,120,000	240,204	0.7%	GOA	17,118,719	299,671	1.8%
	4	6,710,800	240,204	3.6%	BSAI	5,749,596	299,671	5.2%
2009	All Areas	43,548,800	217,744	0.5%	All Areas	26,488,269	264,883	1%
	2	5,020,000	50,200	1%	SE	6,053,832	60,538	1%
	3	32,600,000	217,744	0.7%	GOA	15,125,760	264,883	1.8%
	4	5,928,800	217,744	3.7%	BSAI	5,308,677	264,883	5.0%
2010	All Areas	40,298,000	201,490	0.5%	All Areas	24,876,707	248,767	1%
	2	4,400,000	44,000	1%	SE	5,687,868	56,490	1%
	3	29,890,000	201,490	0.7%	GOA	13,990,392	248,767	1.8%
	4	6,008,000	201,490	3.4%	BSAI	5,198,447	248,767	4.8%
2011	All Areas	30,382,000	151,910	0.5%	All Areas	26,794,708	267,947	1%
	2	2,330,000	23,300	1%	SE	6,481,524	64,815	1%
	3	21,870,000	151,910	0.7%	GOA	15,061,827	267,947	1.8%
	4	6,182,000	151,910	2.5%	BSAI	5,251,357	267,947	5.1%
2012	All Areas	24,003,027	120,015	0.5%	All Areas	29,326,912	293,269	1%
	2	2,624,000	26,240	1%	SE	6,995,196	69,952	1%
	3	16,988,000	120,015	0.7%	GOA	17654437	293,269	1.7%
	4	4,391,027	120,015	2.7%	BSAI	4,677,279	293,269	6.3%
2013	All Areas	21,810,800	109,054	0.5%	All Areas	28,013,851	280,139	1%
	2	2,970,000	29,700	1%	SE	7,032,674	70,327	1%
	3	15,320,000	109,054	0.7%	GOA	16,757,164	280,139	1.7%
	4	3,520,800	109,054	3.1%	BSAI	4,224,013	280,139	6.6%

Source: NOAA NMFS/RAM, Allocations and Landing Reports, 2008 through 2013; Quota share caps & vessel IFQ caps, 2008 through 2013

Although establishing regional distinctions for vessel IFQ caps involves IT development resources (staff and time) to implement, at this time, NMFS does not foresee this as a particularly large or complex development task. However, implementation issues cannot always be identified until specific program options have been identified by the Council.

4. Further Considerations

Previous discussion throughout the development of the proposals have brought several issues to the surface that would need to be considered in future analysis in order to understand the feasibility and impact of any action. As described, responses to these questions are greatly impacted by the scope action. Specifically, some of the questions raised include:

- Is the proposed action consistent with the intent of the IFQ program's original purpose?
- If consolidation occurred, what kind of impacts would be felt and where?
- Would the proposed action address the issue of stranded quota?
- Would action impact crewmembers positively or negatively?

- Would there be an impact on processing communities?
- What would be the distributional impacts for IFQ participants? Can we get a sense of the net benefits for the whole fishery?
- What are the implementation challenges?
- What are the enforcement challenges?
- Are there likely to be cumulative effects from other recent IFQ regulation modifications?

The two proposals examined in this discussion paper address changes to the same policy tool (vessel IFQ caps), yet are applied to different program, have different levels of support, and could generate different results for the fishery they directly impact (sablefish IFQ or halibut IFQ). In deliberating action, the Council should consider its policy objectives for the IFQ program, consider the National Standards, and identify next steps.

5. References

National Oceanic Atmospheric Administration (NOAA) Restricted Access Management (RAM). 1997-2014. Quota share caps & vessel IFQ caps. Juneau, AK. Accessed at http://alaskafisheries.noaa.gov/ram/ifqreports.htm#qspools.

National Oceanic Atmospheric Administration (NOAA) Restricted Access Management (RAM). 2005-2013. Individual fishing quota (IFQ) allocations and landings. Juneau, AK. Accessed at http://alaskafisheries.noaa.gov/ram/ifqreports.htm#harvest.

National Oceanic Atmospheric Administration (NOAA) Restricted Access Management (RAM). 2008 - 2013. Category "A" (freezer) QS datasets. Juneau, AK. Accessed at http://alaskafisheries.noaa.gov/ram/ifqreports.htm#participants.

National Oceanic Atmospheric Administration (NOAA) Restricted Access Management (RAM). 2008 - 2013. Quota Share Pools (QPSs) and Total Allowable Catches (TACs) for IFQ. Juneau, AK. Accessed at http://alaskafisheries.noaa.gov/ram/ifqreports.htm#qspools.

North Pacific Fishery Management Council (NPFMC). 2013. Discussion Paper: Amend the Sablefish Category A (Freezer Longliner) Use Cap. (May 31, 2013.) Anchorage, AK. Accessed at http://www.npfmc.org/wp-content/PDFdocuments/halibut/FLLuseCaps1013.pdf.

6. Attachments

Clipper Seafoods, Ltd.

641 W. Ewing Street
Seattle, WA 98119
(206) 284-1162 p / (206) 283-5089 f

September 1, 2009

Chris Oliver
North Pacific Fisheries Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501

Dear Chris:

I am writing to you today to ask that the NPFMC consider changes to the Sablefish IFQ program. It is my understanding that the IFQ committee has been reformed and will meet before the October council meeting. I am proposing two changes to the "A" share Sablefish program:

- Remove the block system for "A" shares
- Increase the "A" share ownership cap

Making these changes to the program would allow "A" share participants to use their vessels more effectively. Under the current system it is marginally practical to catch small amounts of Sablefish on a freezer vessel.

I will gladly provide you with more information and will be available to participate at the committee meeting, if you could put this on the agenda.

Thank you for consideration,

DAVE

David Little
Clipper Seafoods, Ltd.

cc. Bob Alverson, Don Iverson

DRAFT
IFQ Implementation Committee
March 26, 2012

The IFQ Implementation Team convened at 6 pm on Monday, March 26, 2012 at the Anchorage Hilton and by teleconference (for committee members and agency staffs). Dan Hull (Chair), Bob Alverson, Julianne Curry, Dave Little, Jeff Kaufmann, Paul Peyton, Jeff Stephan, Kris Norosz, and Phil Wyman attended in person. Tim Henkel, Don Lane, and Rick Berns attended via teleconference.

Staff included Jane DiCosimo (NPFMC), Jon McCracken (NPFMC), Rachel Baker (NMFS –SF), Ken Hansen and Guy Holt (NOAA OLE), LT Tony Kenne (USCG), and Brad Robbins (ADF&G). Heather Gilroy (IPHC) and Jessie Gharrett (NMFS-RAM) attended via teleconference. Eight members of the public attended.

Agenda The team approved the agenda.

2009 Proposals

Chair Dan Hull reviewed the action for the committee: to recommend whether to proceed with further analysis of four discussion papers tasked to staff in 2010, given the amount of time that has passed since the committee made its original recommendations in 2009. The chair took the committee through each proposal for questions and clarifications. And then the committee went back through the proposals for discussion and recommendations.

Public testimony: Linda Behnken noted that other halibut management issues, specifically, the halibut Catch Sharing Plan and Gulf of Alaska halibut bycatch reduction should be prioritized over any IFQ actions.

1. Develop a discussion paper to allow the retention of 4A halibut incidentally caught while targeting sablefish in the Bering Sea and Aleutian Island regulatory areas. Included in the discussion paper is the premise that this action has the objective of not increasing halibut bycatch levels.

The committee discussed the area for which the proposed action should be considered. While the proposal was specific to Area 4A because that is where the halibut predation occurred then, the committee noted that the same whale depredation problem also occurs in Area 4B. Heather Gilroy noted that the IPHC supported considering the proposed action in Area 4A, but not expanding the geographic range further. IPHC would need to collect new selectivity data if the area for the action was expanded. Heather reminded the committee that the proposed action is under IPHC authority to define legal gear for the retention of Pacific halibut, but that the IPHC wished to consult with the Council, as the proposed action would affect management of the sablefish IFQ fishery. Jane DiCosimo noted that the staff analysis would not be in the form of an RIR/IRFA because no regulatory action would be needed, so that minimized the distinction between a discussion paper and an analysis. Depending on other Council tasking priorities, she could bring back an analysis for the Council to consider recommending the proposed action in either October or December, so that the IPHC could take action at its next annual meeting in January 2013.

The committee recommended moving forward with an analysis of the proposed action, but requested that staff identify the latitude and longitude for the geographic boundaries for which: 1) Area 4A only, and 2) Area 4A and 4B overlap the Bering Sea management area and the Aleutian Island management area for sablefish. Bob Alverson noted similar concerns about pot configurations, pot storage, deadloss, etc. that are also identified under Proposal 2.

2. Develop a discussion paper to explore the implications of using pots for the Gulf of Alaska sablefish fishery, and address [the following] issues . . . .

Don Lane spoke in favor of analyzing this proposal due to whale depredation, as recommended by his organization. He recommended adding a line of longitude (perhaps 147° or 148°) in addition to the 200 fathom curve or by management area. His organization did not provide a rationale for the significance of the longitude or which gear type would be allowed on which side of the line. It was observed that 1/3 of

sablefish IFQ permits are for pot gear. Don responded that pot storage was the greatest concern. Rick Berns recommended drawing on ongoing Pacific cod experiences with gear separation in state water fisheries. Jessie Gharrett noted that grounds preemption was the biggest issue back when the Council prohibited the use of pots in the Gulf of Alaska. Tim Henkel noted that whale depredation is not the only issue; gear issues related to pots may grow in future. There was general consensus that this proposal could be controversial and stir up some of those issues from the past.

Julianne Curry recommended adding a 5th bullet for consideration in the planned discussion paper.

#5. Information on Bering Sea and west coast pot fisheries (i.e., pot designs, general characteristics).

The committee recommended that the Council proceed with a discussion paper for Proposal #2, but with a lower priority than Proposal 1. The committee recommended that the Council convene a Gear Committee first to assist in the development of the discussion of the long list of issues to be addressed in the discussion paper before tasking staff with a timeline for completion.

3. Develop a discussion paper to assess whether the problem of unharvested halibut IFQ in Area 4 is attributable to the current vessel IFQ cap or are there other factors that could be identified as contributing to unharvested halibut in Area 4.

Bob Alverson and Dave Little questioned whether the proposed action related to vessel or individual/ collective use caps. Jeff Kaufman clarified that the proposal language is correct: the intent is to amend the vessel cap in Area 4. He observed that so few boats are fishing in the area, that each vessel needs a higher cap to accommodate all Area 4 IFQ fishermen who do not own their own vessels.

Phil Wyman asked about how fish up or fish down figured into this proposed action and Jessie Gharrett and Jane DiCosimo responded by identifying that fish down applies to all areas, while fish up is allowed in Area 3B and Area 4C, and the Council is scheduled for final action to allow fish up in Area 4B, and possibly Area 4A.

Jeff Kaufman asked Jessie what the percent of unharvested Area 4 IFQs. Jessie responded that the 2011Area 4-D halibut IFQ harvest was 5.7 Mlb of the 6.2 Mlb catch limit, or 92%. Jeff felt the problem was real for individual IFQ holders to find a platform to fish their IFQs, which has contributed to lower QS prices. He felt the proposal language should read "increasing the vessel cap in Area 4," which more closely aligns with the original proposal.

Bob spoke against the proposal because many fishermen feel that there is a reduced halibut stock in Area 4. The boats that Jeff represents have both IFQ and CDQ, which put them at an economic advantage. Bob added that another vessel in Area 4 would add jobs, but that the proposal has the potential to consolidate QS contrary to the Council's original goals. Don Lane concurred with Bob, that his group did not feel there was a great need for the proposed action to catch that last 8%. Area 4A caught 97% of TAC in 2010, while it was 81%, in Area 4B (the area with the largest underharvest). He suggested that the dynamics of the proposal could affect the GOA, because poundage is down.

The committee agreed to move the proposal forward with a discussion paper, as outlined by the Council language. The committee identified that it had a lower priority after resource issues addressed in the first two proposals.

4. Initiate a discussion paper for removal of the block system for sablefish A shares and increase in the sablefish A share only cap. The A share exemption, would be from the overall sablefish use cap (no catcher vessel QS onboard) and regardless of whether the sablefish harvest was processed. The discussion paper should explore adding a use cap increase to the BSAI.

Dave Little clarified that his intent is to amend the vessel cap, not the individual use (or "ownership") cap. He identified economic efficiency as the management issue. He felt that the proposal language that addressed increasing A share block caps could be dropped, as it seemed to confuse the issue. Tim Henkel asked if the proposal addressed the block cap, but noted that individuals are capped on blocks and not the vessels. Dave clarified that this was for IFQs only; the proposed action does not address CDQ A shares (which have no cap). Bob suggested that prices could be driven up.

Jane clarified that the vessel cap is not by vessel category. Jane offered the committee some clarifying language for the proposal, which it accepted to recommend to the Council as a low priority. The committee identified that it had a lower priority after resource issues addressed in the first two proposals.

Discussion paper to exempt A shares from the current vessel cap and set a separate sablefish A share vessel cap (for all areas).

Prioritization

1) Proposal #1, for analysis (to recommend to the IPHC for action).
2) Proposal #2 for discussion paper, following gear committee formation, but after Proposal #1.
3) Proposal #3 and #4, for discussion papers, after Proposals #1 and #2 are prepared.

Finally, committee members asked if a new call for IFQ proposals was imminent. Dan responded that the committee could make recommendations to the Council to initiate another round of IFQ/CDQ proposals, but noted that the current discussion papers already were identified as low priorities relative to other higher halibut management priorities. Jane added that at least one IFQ action from the 2006 IFQ cycle and three (possibly four after this meeting) IFQ/CDQ actions from the 2009 cycle have yet to be implemented by NMFS. And then these four discussion papers are tasked. Any new IFQ proposals would have to be prioritized relative to the current list, and the committee has already commented that some of the proposals were "stale," but was unwilling to block any of them from further discussion.

Vessel Monitoring Systems

The intent of the committee review is to provide depth to the discussion paper, specifically on implementation issues associated with the potential for VMS requirements in the halibut and sablefish IFQ fisheries. Jon McCracken summarized the VMS discussion paper and described the general nature of the paper relative to VMS programs in other parts of the country, in order for the Council to determine how to apply VMS requirements in the North Pacific.

The committee directed questions to staff (Jon McCracken, Ken Hansen, Guy Holt, and LT Tony Kenne). Bob Alverson noted that some of the fleet may be fishing only in PWS or SEO, and asked if there could be an exemption for state waters or state fisheries. Ken Hansen responded that OLE staff could draft criteria to meet Council policies. He noted that the VMS application for Steller sea lion measures in the Atka mackerel, pollock, and Pacific cod fisheries allow a federal fisheries permit holder to "unendorse" the permit in order to be exempt from VMS requirements. Dave Little asked for clarification about unendorsing a federal fisheries permit for fisheries affected by Steller sea lion requirements versus surrendering a FFP.

Paul Peyton identified an Area 4E CDQ halibut fishery that only targets halibut, and wondered if that fleet could be exempt. LT Kenne stated the discussion paper identified what the VMS capabilities are, such that other areas of the country require VMS on very small boats, should the Council wish to make that policy (i.e., require VMS on small boats).

Dan Hull asked about VMS reimbursement program funding in other areas of the country. LT Kenne responded that all areas of the country are funded from a single source through Pacific States Marine Fisheries Commission (through 2013, at least, but likely in perpetuity).

Don Lane noted that the paper addressed the benefits of VMS but did not address the burdens on the fleet. He asked about the penalty phase, and the time enforcement personnel spends on verifying VMS equipment and pursuing violations. Ken Hanson responded that OLE does a fair amount of compliance monitoring for vessels that are required to use VMS. Guy Holt added that VMS data only triggers an investigation and is not the sole source used to determine a violation.

Public testimony: Linda Behnken and Dan Falvey identified that it was unclear what action should be taken from the discussion paper. She noted that the paper identified a solution in search of a problem. She said that a lot of cameras could be put on vessels for the same money. Dan Falvey noted that the next draft of the paper should identify a problem in the fishery. He noted that electronic logbooks combined

GPS and harvests data to address additional monitoring requirements and what is needed above and beyond the Research Plan.

The committee started to discuss recommendations to the Council. Bob Alverson reported to the committee that on behalf of FVOA, he wrote a letter in support of VMS to ensure that fishermen are fishing in the area where their QS are designated. He supported exempting Area 4E, and other specific waters from VMS requirements.

Julianne Curry encouraged the federal agencies to identify the best electronic monitoring approaches, and does not believe the current VMS model is sufficient or appropriate for North Pacific fisheries. Given all higher priority management issues (e.g., Restructured Observer Program, Halibut CSP, Halibut Bycatch Reduction, etc.) she did not feel that VMS is a high management priority.

Jeff Stephen asked what the action and context for the paper was. He agreed with Linda Behnken that a problem has yet to be identified, and that economic burdens are piling up on the fleet and have not been sufficiently identified in the paper.

Bob added that the absence of VMS or electronic logbook enables a large portion of the under 60 ft sablefish fleet, which is not required to have a logbook, to misreport. Bob believed the need for VMS is to enforce requirements to fish in regulatory areas where fishermen hold quota.

Don Lane described the cost/benefit relationship and the need to better describe that relationship for the small boat, inshore fleet for whether it really needs to have VMS. He identified two different levels of enforcement requirements that would be a significant burden to the small boat fleet.

Dave Little does not support moving forward with VMS in the North Pacific. He noted that misreporting is a felony, and a recent, high profile case is having the desired effect on the fleet.

Rick Berns wondered if VMS can be cheaper than observers. Others suggested cameras also could replace observers. Julianne noted that the two tools collect different data, and VMS could not replace observers.

Jeff Stephan clarified that this is often perceived to be a small boat problem, but it could also be a large boat problem, depending on the fishery. Unanswered questions remain about how the restructured observer program and electronic monitoring requirement interface with interest in expanding VMS requirements. The Council should detail the costs and all the tools to address whatever problem in the fishery it identifies, including current monitoring and enforcement fess that are required of every IFQ holder.

Dan summarized the discussion and identified that there was no consensus to move forward with VMS requirements or further consideration of VMS. Paul Peyton noted that in order to move forward, the Council should identify a problem, which could be that some fishermen are motivated to misreport the area in which they fish. Some committee members believed that if it desired to move this issue forward, the Council should:

1) Identify the problem;
2) Identify the best management tool, and
3) Exempt certain areas where the problem does not exist (e.g., Cook Inlet, PWS, SE inside, Area 4E).
4) Consider costs to affected fishermen, in addition to the costs of other program requirements, such as Observer fees, and IFQ fees, and new USCG safety regulations

Adjourn The meeting adjourned at 9:35 pm.

Kodiak Vessel Owners Association
Kodiak, Alaska

NPFMC February 2014 - Staff Tasking

HALIBUT IFQ VESSEL CAP RESTRICTIONS

Objective: To provide relief for halibut quota share holders and vessel owners in low harvest limit seasons.

Proposal: Create a minimum vessel cap which would apply to the statewide cap for vessels harvesting IFQ in Areas 3 and 4. This would not change the statewide existing harvest limit cap of 0.5%, but simply create a minimum. This would not apply to Area 2C and the proposal would not change the use cap (ownership).

Specifics: Analyze the following options for consideration:

a) Status quo (2013 cap) – 109,000
b) 150,000 pounds – similar to the 2011 cap
c) 175,000 pounds

Need for Action:
As the harvest limits have decreased dramatically, the opportunities for quota share holders and vessel owners to have financial stability have been severely restricted and many are in danger of losing their investment in the fishery. Those impacted the most are:

- Vessel owners who hold quota share in multiple areas and need enough pounds to justify the cost of traveling to the fishing grounds.

- Quota share holders who bought in at the high harvest limits and need flexibility in order to meet their financial obligations.

- Halibut fishermen who are not diversified in other fisheries and have limited fishing opportunities other than this fishery.

- Crew members who have purchased quota share and depend on long-term relationships with vessel owners or wish to have flexibility for which vessel they choose to harvest their IFQ.

Addressing Consolidation Concerns:
By not changing the cap percentage, but simply creating a minimum vessel harvesting cap, the concerns regarding long-term consolidation are alleviated. When the harvest limits return to reasonable levels, the cap would activate.

The average cap for the years 1997-2013 was 241,871. The average for the last five years was 160,042. A minimum vessel cap of 150,000 is reasonable and would provide some relief and flexibility.