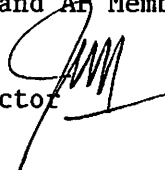


M E M O R A N D U M

TO: Council, SSC, and AB Members
FROM: Jim H. Branson 
Executive Director
DATE: March 16, 1982
SUBJECT: Halibut fishery off Alaska

ACTION REQUIRED

Council decision on release of the enclosed RFP for a Hook and Line Limited Entry Program for Alaska.

BACKGROUND

The Council Limited Entry Workgroup met in Juneau on February 18th. One of the recommendations of this group was that the Council develop an individual fishermen's quota limited entry program for the halibut fishery off Alaska as quickly as possible. The enclosed RFP was developed to help design a program and evaluate the long-term impacts of such a program, compared with the status quo. A draft of this RFP was reviewed by the Limited Entry Workgroup at their meeting, their comments and suggestions have been incorporated.

The Council needs to decide whether or not to approve the RFP to go to bid. The time schedule is shown in the RFP, the final report will be available at the January 1983 Council meeting. Programmatic research funds have been requested (\$85,000) but are not available as of the date of this memo, we should know by the March Council meeting.

DRAFT RFP

Hook and Line Limited Entry Program for Alaska

1.0 INTRODUCTION

The North Pacific Fishery Management Council (NPFMC) has identified management problems which exist in the Alaskan halibut fishery. These problems are both biological and economic, and are caused by the large amount of fishing effort expended in the fishery.

The biological problems include overfishing of certain halibut substocks due to the extremely short fishing season and possible overharvesting of the quota before the season can be closed. It has also been a problem for the management agencies to collect the data required for resource management during such a short period of time.

The economic problems caused by the current levels of effort have been imposed on the harvesting and processing sectors of the industry and also on the marketing sector. Since the halibut quota is not being harvested with an optimum amount of fishing effort from the viewpoint of economic efficiency, fishermen's incomes are below the level which they could achieve with a more efficient utilization of fishing effort. The short fishing seasons have also required processing companies to overcapitalize investment in facilities to handle the entire annual quota at the rate the halibut have been harvested. In recent years, the change in this rate (the length of the halibut fishing season) has been drastic. For example in INPFC Area 3, the fishing season has decreased from 128 days in 1975 to 20 days in 1980. The change required in their operation by halibut processing and distributing companies has been abrupt and has probably increased the per unit cost of processing halibut.

Harvesting and processing the halibut quota over a longer season would allow delivery of a fresher product to the final consumer, perhaps increasing the demand for halibut products. The present pattern of utilization of the halibut resource has made necessary long-term cold storage holding of halibut product to supply the demand from one season to the next.

2.0 THE PROPOSED STUDY: STATEMENT OF WORK

2.1 NPFMC Fishery Objectives

The NPFMC has identified a set of objectives for the hook and line fishery off Alaska. They have also identified a halibut limited entry program which may assist the hook and line fisheries to achieve these objectives. The specific objectives identified by the NPFMC are to:

1. Distribute the hook and line fishery, both in time and space to ensure conservation of the resource.
2. Avoid further overcapitalization, thus encouraging development of an economically viable and efficient year-round multispecies domestic hook and line fishery that:
 - a. is made up of owner/operator rights holders; and
 - b. makes it possible for fishermen to earn a major share of their income from hook and line fishing.
3. Make certain cost of administration and enforcement are not excessive relative to the benefits of the program.
4. The program would not preclude the extraction of rents or royalties from the fishery at some point in the future.

5. Minimize adverse biological impacts of the program on related fisheries.
6. Insures that no particular entity acquires excessive control of rights to participate in a fishery.
7. Attempt to be compatible with IPHC objectives.
8. Minimize disruption of the present fleet by using past performance to distribute initial rights.
9. Use the market to transfer fishing rights after initial distribution.

2.2 Proposals to be Evaluated

The halibut limited entry proposals which are to be evaluated are:

1. an individual fishermen's quota for the halibut fishery
verses ^{us}
2. the status quo - take no management action thereby continuing free entry into the fishery

There are numerous other approaches to effort limitation in the fisheries. The above approach has been identified by NPFMC workgroups as the one which will allow achievement of the desired objectives while providing the fewest drawbacks.

In its evaluation of long-term benefits and costs of adopting the above proposal, the NPFMC wishes to contract with an individual, group or agency to complete research in the following task areas.

The contractor will determine how adoption of the proposal or remaining with the status quo will impact:

- Task Area 1. program implementation and administration costs.
- Task Area 2. enforcement feasibility and costs; and
- Task Area 3. the harvesting sector;
- Task Area 4. processing and marketing of products;

The study will be divided into two phases, I and II.

3.0 PHASE I OF THE STUDY

3.1 Participation Criteria Evaluation

To begin Phase I, the contractor will receive the set of participation criteria which have been identified by an NPFMC workgroup. The contractor will then use these criteria to identify those fishermen who will be included in the initial rights allocation under each set of criteria. Those included will be grouped into fleet components by vessel size and also grouped by geographic area. The geographic areas chosen by the Council workgroup are IPHC areas 2c, 3 (all sub areas) and 4 (all sub areas). The changes to the participants in the fishery as they differ from the status quo should be discussed.

The participation criteria for the initial rights allocation which are to be investigated are:

1. halibut landings in 1981
2. the season average of halibut landings during 1980 and 1981
3. the season average of halibut landings during 1979, 1980 and 1981
4. the highest average halibut landings of three of the four years; 1978, 1979, 1980 and 1981.

3.2 Areal Distribution of Shares Study

An additional part of Phase I is to determine the incidence of fishermen who would receive fishery rights allocations in more than one of the areas defined above. If this incidence is significant, the Council workgroup may propose a different area system or request the contractor to evaluate how these multi-area fishing rights would affect implementation and operation of the system as part of the analysis in Phase II.

3.3 Phase I Meetings

At the end of Phase I, the contractor will hold a meeting with an NPFMC workgroup to present and discuss their results. They will then receive instructions from the workgroup on the participation criteria and geographic areas selected to be used for the analyses in Phase II.

4.0 PHASE II OF THE STUDY

4.1.0 Design Specific Components of the Fishermen's Quota System

Phase II of the study requires both the design of specific components of the proposed individual fishermen's quota system, and the benefit/cost study described in part 4.2.

The objectives of this part (4.1) is to outline a program, ready for implementation, having the costs of implementation and operation estimated. The program outline needs to be sufficiently comprehensive to allow implementation of the program without additional analysis or design being required.

4.1.1 Task 1

The program design necessary by the Contractor is in Task Area 1, program implementation and administrative costs. Analysis of these costs will not be possible until some of the design details are worked out. The contractor will make recommendations on the following items:

- the appropriate maximum number of ownership shares to prevent a single individual from gaining undue control of the fishery. A secondary objective is to maintain the future fleet composition somewhat similar to the present composition.
- investigate possible adverse effects from pyramiding of permits on one vessel by different holders. Should the share holders be required to be on board the vessel?

- ° investigate ways to transfer shares and keep record of ownership current.
- ° discuss the various scenarios for lease/sale of shares. When and how can shares be transferred?
- ° make a recommendation on the minimum unit size for halibut shares.
- ° investigate possible scenarios for program cost recovery using some sort of royalty.
- ° it was suggested that unutilized shares be allowed to rollover into the next year. Investigate the biological and economic consequences.

4.1.2 Task 2

The contractor will determine the feasibility of enforcement under each of the options (Task 2). Enforcement schemes will be developed which would allow the individual fishermen's quota concept to operate with the minimum regulatory violations. A system design to keep track of compliance with individual quotas should be part of this analysis. If any additional regulations would be required for enforcement under any of the options, they will be identified.

Part of Task 2 will also include a legal analysis of the individual fishermen's quota concept including a review of such items as:

- a. What rights are conveyed?
- b. What body will be responsible for the assignment of rights?
- c. What body will be responsible for the enforcement of regulations?
- d. What body has the authority to revoke rights in the event violations to regulations make that action necessary?
- e. How would revoked rights be re-assigned?

This analysis will be completed by the NMFS Office of the General Counsel - Juneau, but will be included in the contractor's final report to the Council. Coordination with NMFS will be the responsibility of the contractor through a contact individual named by the NPFMC.

4.2.0 Benefit/Cost Comparison: The Fishermen's Quota vs. the Status Quo

This part requires the evaluation of the long-term benefits and costs of the alternative actions of adopting and implementing the proposed system or maintaining the status quo. This part should be as qualitative as the data will permit. Where data are not available the effects, impacts, benefits and costs will be discussed in a comprehensive qualitative manner.

4.2.1 Task 3

For the harvesting sector (Task 3), the contractor will evaluate the impacts of each of the options on the projected incomes accruing to fishermen. Income from the halibut fishery and other hook and line fisheries will be included in the analysis.

The analysis of the harvesting sector will include evaluation of whether or not the cost structure of fishermen will be adversely impacted by the proposed approach compared with the status quo. For a species such as halibut with a low exploitation rate, the fishing activities of one fisherman may not have an impact on the cost structure of another fisherman, since the CPUE may remain relatively constant during the year. If this were not the case, then fishermen would be encouraged to fish at the beginning of the year, negating some of the potential benefits of the proposed program.

The analysis of fishermen's incomes will be reported by effect on groupings by vessel size category and by geographic area as well as by total effect. The vessel length groupings to be used will be identified by the NPFMC prior to the study.

The overall impact on communities will be evaluated for the different options where significant. The contractor will also identify and attempt to briefly evaluate impacts on fisheries not included in the program.

4.2.2 Task 4

The analysis of the effects of the options on the processing sector (Task 4) will evaluate the impacts to both processing and marketing of halibut. The following effects should be evaluated:

1. changes to price resulting from cost of processing changes, cold storage cost reductions, etc.;
2. possible change in consumer demand from increased seasonal availability of halibut products; and
3. any changes to product quality resulting from a lengthened fishing (and processing) season.

Possible scenarios for structural changes to the processing sector resulting from implementation of the options will be discussed by the contractor, i.e. fewer processing plants in the future? more? emergence of new fishermen's co-operatives etc.

Possible effects to the final consumers of halibut products under each of the options should also be discussed under this section.

4.3 Phase II Meetings

During Phase II, the contractor will meet with a Council designated contract review group at various times to be agreed upon when the contract is awarded.

Upon the completion of the study the contractor will present the results and recommendations to the Council. The contractor will also organize public hearings in Kodiak, Petersburg and Seattle, with cooperation of NPFMC staff, to hold public hearings presenting their results. This will give the public a change to discuss with the NPFMC and the contractor the impacts to themselves and their communities the adoption of one of the options would have.

5.0 DATA REQUIREMENTS

The data required for this study will come from NPFMC documents and previously contracted studies, from the Alaska Department of Fish and Game, the Commercial Fisheries Entry Commission, International Pacific Halibut Commission, and the International North Pacific Fisheries Commission. The contract will require files from the Commercial Fisheries Entry Commission, in particular, be generated utilizing their facilities due to Alaska statutes on confidentiality of data. The contractors will include in their proposals an identification of the specific computer programming which their study approach will require from the Commercial Fisheries Entry Commission. These costs will not be included in the study cost proposal.

6.0 THE FINAL REPORT

The contractor will provide the NPFMC with a final report, single spaced, single sided and unbound ready for printing.

7.0 CONTRACT SCHEDULE

The proposed study schedule is outlined below. The contractor will provide written progress reports and a final report as provided in the schedule. The dates of the public hearings will be decided by the Council in their January 1983 meeting.

Projected Dates:

RFP approved by Council	March 25, 1982
RFP mailed to prospective bidders	April 1, 1982
Bids received in Council offices - 5pm	May 7, 1982
Award Contract	May 27, 1982
Report/meeting on Phase I	June, 1982*
Progress Report (written)	August, 1982*
Progress Report (written)	October, 1982*
Final Report	December 1, 1982
Public Hearings - Kodiak, Petersburg, Seattle	January, 1983*

*specific dates to be determined by NPFMC in cooperation with the contractor.

M E M O R A N D U M

TO: Council, SSC, and AP Members

FROM: Jim H. Branson
Executive Director

DATE: March 5, 1982

SUBJECT: Proposed Regulation to Implement a Moratorium on Entry to the Pacific Halibut Fishery.

ACTION REQUIRED

Council action on a moratorium on entry into the Pacific halibut fishery.

BACKGROUND

At the February 3, 1982 meeting of the IPHC conference board, a request was made to the Council to implement a limited entry program for the halibut fishery. A copy of the request is included in your notebooks as Agenda Item C-4(a)-1.

On February 18, 1982, the Council Halibut Limited Entry Work Group met in Juneau to discuss the RFP for the hook and line limited entry study. At that meeting industry representatives requested that the Council act on a moratorium on entry into the halibut fishery.

There is a very small possibility that a moratorium could be effective before the start of the 1982 halibut fishing season, which opens in Alaskan waters on May 11.

H.R.5074, the implementing legislation to the Protocol amending the Halibut Convention, is presently before Congress. The legislation would allow the Secretary of Commerce, with the concurrence of the Council, to promulgate limited entry regulations, including a moratorium, for the U.S. halibut fishery.

Pat Travers has suggested that a regulation, as a "Notice of Proposed Rulemaking" might be published before the implementing legislation becomes law. This could help get the moratorium in place before May 11. The implementing legislation will probably have to be effective before a final regulation could be promulgated.

A motion by the Council should include: (1) a request that the Secretary promulgate a moratorium on entry by limiting participation in the 1982 halibut fishery only to fishermen who had participated in 1981 or earlier, and (2) that a proposed regulation for the moratorium be published as soon as possible.

Pat Travers has drafted the proposed regulation, which will be distributed at the meeting.