

CHARTER IFQ STAKEHOLDER COMMITTEE
Draft Minutes
Anchorage Alaska
February 27-28, 2007

Dr. Dave Hanson, Chair
Seth Bone
Bob Candopoulos
Ricky Gease
John Goodhand
Kathy Hansen
Kelly Hepler (1 day)

Dan Hull (absent)
Joe Kyle (absent)
Larry McQuarrie
Rex Murphy
Chaco Pearman
Greg Sutter

Staff Jane DiCosimo, Nicole Kimball, Darrell Brannan, Doug Vincent-Lang, Sue Aspelund, Scott Meyer, Mike Jaenicke, Jay Ginter, John Lepore, Jonathan King

Public Bob Ward, Donna Bondioli, Bob Howard, Ed Hansen, Dan Falvey, Rhonda Hubbard, Ken Dole

Agenda The committee adopted the draft agenda after rescheduling its discussion of the permanent solution alternatives to the first day of the meeting.

Moratorium/Limited Entry Analysis The committee supports final action by the Council to implement a moratorium on entry into the charter halibut fisheries in Area 2C and Area 3A. The draft of the committee's recommendations is attached (Appendix I). Inclusion of part time operators in the program is critical to its approval, but could markedly increase latent capacity if those permits are transferred to full time operators. The committee recommended that the limited entry program should be viewed as the first step in rationalizing the fleets, with the permanent solution including a mechanism to limit the use of the permits. Alternatives are being examined which would award a share of a future allocation to the charter sectors to be based on either pounds harvested or client days. The committee urges the Council to begin such an analysis, once the committee completes its recommendations at its next meeting. Specific recommendations to the Council on features of the moratorium program follow.

The committee recommended that the Council exclude military vessels (which occur in Area 3A only) from the limited entry program and from the GHL (harvests would be accounted with non-guided sport harvests). The motion passed with some abstentions.

The footnote to the proposed program under Alternative 2 notes that "Military (Morale, Welfare, and Recreational) boats would not be required to meet the qualification requirements of the program, and harvests will not count against the halibut charter GHL." The committee recommended that the following language to the committee recommendations be added: "However, if the Council chooses to continue to allow harvest from these military boats to count against the GHL, then the moratorium permits issued to the military should be limited similarly to the CQE program. For example, the permits issued to the military should be non-transferable and capped at 4 permits total."

The committee noted that a number of fishing clubs that provide corporate entertainment (i.e., fishing trips) may continue to harvest halibut, as draft Senate Bill 12 may exempt them from state licensing requirements.

The committee had no comment on Issues 1, 3, 4, and 8.

Issue 2 (area designations for permits) The Committee recommended that **permit holders, who have history in both areas, may be issued two permits, but only one can be used on any given trip.** Upon initial issuance, the recipient will select which permit is transferable, and which permit is non-transferable.

Issues 5 (permit transfers) and **10** (eligibility) Staff clarified that a permit would be issued to the business owner. While history is earned based on evidence of participation on a particular vessel, the issued permit would not be linked to any vessel. The committee recommended a **two tier approach, with a lower threshold for permit eligibility (5 trips) and a higher threshold for permit transfers (20 trips).** Issue 5, Suboption 1 would prohibit transfers of issued permits for individual vessels that qualified at trip levels less than 20 trips, as reported in the ADF&G logbook. This recommendation is linked to Issue 10, Option 1: Each licensed guide business owner(s) who reported a minimum of 5 trips during 2004 or 2005 and year prior to implementation would be issued a permit(s) based on the number of trips summed for all vessels in his best year of the qualification period. A business would be limited to the number of permits equal to the highest number of vessels used in any one year during the qualifying period. A motion was made that if the Council did not take the committee's recommendation of a low threshold combined with the higher threshold for permit transfers, then the committee recommends a higher threshold for permit eligibility. [A motion failed, which would have set the minimum threshold under Issue 5 at 1 trip. Another motion failed, which would have required participation in all years prior to implementation (not just one year prior).]

The committee noted that the Council could specify that the minimum threshold for the "year prior to implementation" could be tied to logbooks that reported halibut effort instead of bottomfish effort because ADF&G began collecting halibut data in the logbook program in 2006. This could be part of the implementation plan by NMFS, and should be adopted by the Council.

The committee also noted that a potential permit applicant could meet the activity requirement for the year prior to implementation by leasing seats on other charter boats and filing logbooks during that critical year to qualify to receive an additional permit. This could result in increased latent capacity that might otherwise have dropped out of the fishery. The committee did not identify a solution.

The committee did not recommend any action for the Council to take to prohibit leasing; therefore **Issue 6 could be deleted by the Council.** It noted that leasing in the charter fisheries is probably impossible to define, with many ways to circumvent any definition.

The committee discussed footnote 7 to **Issue 6**, which states: "*Halibut charter permit holders may only use their permit onboard a vessel that is identified on an ADF&G saltwater logbook assigned to the person holding the permit. If the permit holder wishes to use the permit on a different vessel, they must obtain an ADF&G logbook for the new vessel before the permit may be used on that vessel. The permit number must be recorded on the logbook for each trip.*" After learning that the language was proposed by the State of Alaska and adopted by the Council, it suggested that linking a permit to a vessel through the logbook would be an unnecessary constraint. The committee recommended **allowing the use of a permit on more than one boat, but no more than one boat per day.**

Issue 7 (client endorsement) The committee recommended that **permits be issued with an endorsement equal to the highest number of clients on board** that was recorded on the logbook in 2004 or 2005. This is consistent with the committee's previous recommendation. [A previous motion in support of Suboption 2 (Council's preliminary preferred alternative that added an upper limit to the endorsement of 8 clients in Area 2C and 20 clients in Area 3A) failed.]

Issue 9 (evidence of participation). The committee recommended that **evidence of participation in “the year prior to implementation” be required to be for halibut, instead of bottomfish**, since ADF&G began collecting such data again in 2006. This is consistent with the committee recommendation under Issue 5. However, the committee noted that ADF&G can not accurately identify what species was the target of a trip, as many trips target multiple species.

Issue 11 (use caps) The committee recommended **no more than 5 permits per business owner**. The committee recommended a clarification of the footnote for this issue, *“A business whose permit is endorsed in excess of the use cap maintains that exemption for those permits that remain in its control after other permits are sold, but those sold permits lose that grandfather status in perpetuity. Grandfathered permits that are sold in total when a business owner sells his entire business/fleet maintain that grandfathered status. Grandfathered status refers to permits, not to vessels,”* such that a permit holder can split off a permit(s) and the remainder would stay grandfathered with the sale of the entire business.

Issue 12 (communities) The committee discussed the Council’s preferred Option (#2) which would set a use cap of twice the cap selected under Issue 11, but recommended that no more than 4 permits to a Community Quota Entity (CQE), representing a community in which **5 or fewer** active charter businesses terminated trips in the community in each of the years 2004 and 2005. This was intended to reinforce that the CQE program is for the community and should not impact other charter halibut businesses already in those communities.

State of Alaska reports Kelly Hepler reported that a State limited entry program for the Alaskan sport fishing guide industry would not occur in 2007. A State limited entry stakeholder group, which supported introducing such legislation, continues to meet. Proposed legislation to allow sharing of State data with Federal enforcement agencies (necessary for the moratorium program) may be passed in 2007. **The committee recommended that the Council send a letter supporting the proposed legislation to the State.**

The committee next reviewed a draft paper on State management of the charter halibut sector under delegated authority to the State of Alaska. It discussed the timeline for implementation of Council action and noted that the Council may resolve management issues before the State has regulatory authority. The committee did not support proposed State management, but did not vote on the issue.

Permanent solution alternatives As adopted by the Council in December 2006, there are two actions in the Council’s suite of alternatives for a permanent solution. The first action is to set an allocation, with seven options for the formula to determine the allocation and several options to determine a mechanism to increase the charter sector above that new allocation by allowing the transfer of commercial quota for use in the charter sector. This assumes that the limited entry program would continue, and that restrictive measures would be implemented (perhaps separately under an annual process through either the Council or the State, if the Halibut Act is amended and the Council recommends changes to the Federal regulations to delegate limited authority to the State of Alaska) to keep harvests from exceeding the allocation. The second action would issue shares of the charter sector’s allocations to individual operators, either as “transferable seats” (also called “angler days”) or as IFQs (numbers of fish) or further refine the limited entry program.

A discussion paper on the long term solutions was prepared by Kathy Hansen and is posted on the Council’s halibut website¹. Elements of each proposed alternative are listed. The last section includes a discussion of mechanisms to finance a compensated reallocation of commercial quota to the charter

¹ http://www.fakr.noaa.gov/npfmc/current_issues/halibut_issues/halibut.htm

sector. These mechanisms would be included in an appendix to the analysis of permanent solution alternatives, but would not be subject to Council action or federal regulations. Some committee members planned to meet in March with State and Federal staff to identify viable financing options to purchase commercial QS for reallocation to the charter sector.

The committee worked from an edited version of the Council's Allocation/Share-based Alternatives and Options provided by Kathy Hansen. The draft that was adopted by the committee is attached (Appendix II). Specific issues that were discussed in more detail are provided below.

The committee began its review of proposed alternatives and options with the charter quota share alternative. A new issue was raised by Rex Murphy. He asserted that some charter operators intentionally target smaller halibut or catch and release fish, and any allocation that uses weight instead of numbers as part of the allocation formula would not be fair to that business model. This ended up being addressed under issue 7.

Under Issue 2, John Goodhand suggested that the initial issuance could be ground truthed by using the success rate from the 2006 logbooks. The success rate for each individual operator would be figured by taking the number of halibut harvested by the number of clients. The intent of using the success rate is to more closely match the bottomfish effort in the earlier logbooks with the poundage harvested. The success rate (lb fish/angler) be factored in to the Quota Share Alternative for initial issuance. The committee recommended that a correction factor be considered for initial issuance, and would be further developed by ADF&G staff if the Council concurred with this approach.

The committee recommended changing Issue 2 option 2 to be the best 3 out of the most current 6 years.

On **Issue 7** (numbers of fish), the committee recommended a **new option to issue Charter IFQs in pounds**. Because some operators target smaller fish, it would cost more to purchase an equivalent amount in pounds for those operators. For those that target bigger fish, they can purchase their needed amount of QS cheaper.

Issue 9 (community set aside) The committee discussed the two options to fund the community allocation: 1) split equally between the commercial and charter sectors; and 2) proportional to allocation between sectors. The committee recommended that **proportional contributions to the set aside be preferred alternative**. The motion was not unanimous.

Under the Alternative for an allocation to the charter sector, the committee deferred discussion on Issue 1 (allocation formula) to a later agenda item to review a staff discussion paper.

Issue 2 (overage/underage) The committee recommended a new option for separate accountability for each sector (see True Accountability proposal on the Council website). The committee recommended that **Issue 1 be annotated to explain that allowing overage and underages to be transferred across commercial and charter sectors (as proposed under Issue 2, Option 1) is needed for compensated reallocation funding mechanisms**.

The committee discussed an eligibility suboption and recommended that it be rewritten. Staff recalled that it was written specifically to allow only those charter operators who also met commercial eligibility requirements to transfer the use of charter QS for commercial use. No ownership change would occur; the same charter operator could use the QS in either fishery. No change was made to the suboption, but the committee felt that the suboption was too limited in its application.

The committee noted that previous staff objections to using the 10 percent overage/underage provisions to fund the compensated reallocation was not part of a current proposal to allow 10 % of a commercial QS holder's IFQs to be leased to the charter sector annually. The 10 % limit is intended to limit leasing and not significantly change the commercial QS program by allowing investors to purchase and hold QS for the purpose of leasing.

The committee recommended that a **revised suite of alternatives should include a limited entry alternative that allows for state delegation**, although some identified it the least desirable approach. It was also identified by some as another interim approach to the long term solution. Staff recommended that the committee not recommend a suite of management tools in the permanent solution analysis, based on previous legal guidance.

The committee recommended to **not require renewal of the limited entry permit**. It recommended **adding options to require the vessel name on the permit**. It recommended **adding suboptions for a minimum threshold of 20, 40, 60, 80 client days be required for the permit to be eligible to be transferred**. It recommended **developing a sub-option that the limited entry permits be split into sub-classes of permits with an A class permits for those boat that qualify with over 80 trips; B class 60-79 trips; C class 40-59 trips and D class permits 20 -39**. It recommended **adding a suboption to allow a permit to be leased for 2 out of 5 years**. The committee discussed including a decision point on which agency would actively manage the charter sector (Option 1 - NPFMC; Option 2 - ADF&G under delegated authority; and Option 3 - NPFMC under a catch sharing plan). Staff recommended that these options not be included in the permanent solution analysis, but be decided by the Council before the analysis begins. The issue of who would manage could be addressed by staff in the cumulative effects section of the environmental assessment as potential future actions, but would complicate the analysis immensely if they were included as action items.

Rex Murphy introduced a motion in support of his **Harvest Tickets/Murphy Plan**, which would issue harvest tickets to the charter client on a first come, first serve basis. The motion failed after committee discussion.

Under a revised Transferable Seat Alternative, the committee recommended **adding permit renewal options** (these were not adopted into the limited entry with allocation alternative). It recommended that the analysis describe how the number of angler days would be determined each year. It recommended a **new suboption under Option 3** for a correction factor to initial allocation. To ground truth past logbook data, an operator's success rate for 2006 (total number of halibut divided by the total number of clients) would be multiplied by his/her total client days and the average weight of the fish. This would reward operators who targeted halibut rather than operators who target other (rockfish and lingcod) species. As with all logbook data issues, staff noted that they can not estimate effort based on what species were being targeted, but only on halibut harvests due to the multi-species nature of most charter operations.

The committee recommended adding a **new option for determining of angler days**. The committee recommended that "seats" float with abundance (and catch rates). An operator's share would be issued as a percentage of the total pool of angler days. That share would be divided into the charter sector's allocation (assuming that the allocation is a percentage) to determine an individual's number of seats for that season. Under a fixed poundage allocation, those angler days would be fixed. The committee was interested in applying different catch rates by subarea, but the subareas have yet to be recommended by the State. The committee discussed that a smoothing of the total pool could be used, instead of the previous year's success rate. *ADF&G staff was asked to develop an approach for consideration at the next committee meeting, if the Council concurred with this approach.*

The committee briefly discussed how to set endorsements for limited entry permits issued to communities, since there is no harvest history associated with those permits. The committee suggested 25, 50, or 75 client days to begin the analysis.

One committee member noted that if charter QS cannot transfer to the commercial, then there needs to be cap on the amount of commercial QS that can be transferred to the charter sector to provide entry opportunities in the commercial sector.

Allocation discussion paper The committee briefly reviewed the Council's allocation paper. The committee identified potential benefits of separating the allocation and management measure decisions, but recommended that both actions be linked for simultaneous implementation to avoid the pitfalls identified in the paper.

Council policy The committee recommended that **the Council consider setting a policy to maintain the traditional (2-fish) bag limit, preserve historical length of the charter season, and as much as possible, prevent any in-season management measures.** This motion passed, with 1 objection.

Allocation option corrections The committee recommended that the Council correct the options listed under the Allocation alternative, based on revised data by ADF&G staff. These corrections are noted below:

formula	Area 2C	Area 3A
a. 125% of average harvest of 2000-2004, translated to percentage	16%	15%
b. equal to the 1995-99 GHY, translated to percentage	13%	14%
c. percentage of combined 2004 commercial/charter catch	14%	13%
d. convert current GHY into percentage based on 2004	12%	13%
e. equal to 2005 charter harvest, translated to a percentage	15%	13%

Sport bycatch mortality Scott Meyer (ADF&G) presented information on Area 2C sport halibut bycatch mortality. These results will be used in the Area 2C GHY analysis and in a forthcoming discussion paper that was requested by the Council for the March 2007 meeting. He reported that fish caught on circle hooks tend to be lip hooked, while fish caught on baited J hooks are hooked deeper more often.

Using ADF&G logbook data, he separated data into bottomfish or salmon-targeted trips, or both. He made assumptions about the proportions of halibut released on circle hooks versus other hook types when bottomfish or salmon are targeted. A release mortality rate of 3.5 % was assumed for halibut released from circle hooks. This is the same rate assumed by the IPHC for halibut caught on longline gear in the commercial fishery and released in excellent condition. A lower rate could have been assumed, based on a 1969 IPHC study, but not all sport-caught fish are released in excellent condition. All other hook types were assumed to have a 10% rate based on other studies of release mortality in marine recreational fisheries. Weighting the numbers of fish released in each target category by the hook types used and their assumed mortality rates resulted in an overall release mortality rate of about 5%.

A motion to request that the Council recommend that J hooks be required when targeting halibut with bait in the charter fisheries failed, after staff reviewed the recent discussion by the IPHC for a similar proposal. The IPHC rejected it because a requirement to use J hooks when a vessel intends to harvest halibut is not enforceable. Also, charter fisheries target multiple species and anglers catch halibut when salmon fishing using J-hooks. For the same reason, the committee was generally opposed to mandatory requirements to use circle hooks.

New business Council member Ed Rasmuson presented a draft proposal for resolving the long term issues. Under the **Rasmuson proposal**, the GHYs would be reset as a (hard) allocation that reflects

current harvests. It would allow the GHL to grow to meet future market conditions by compensating the commercial sector for the reallocation. It would amend the commercial halibut IFQ program to allow the State of Alaska to purchase quota shares and increase the charter sector's allocation and lease unused IFQs back to the commercial sector. A number of details are yet to be identified, such as the funding mechanism. The committee asked a few questions on the details of the proposal but declined to comment further because members had not had sufficient opportunity to study the proposal and it lacked key detail. The committee noted that it contained elements from many of the options currently in the suite of permanent solution alternatives. A working group on funding mechanisms will add a review of the proposal to its agenda.

New business A motion failed, which recommended that the Council initiate a new analysis for a **Crossover Proposal**. The intent of the proposal was to allow transfers between individuals of the commercial and charter sectors to allow exemptions from the 1-fish bag limit or similar management measures. Instead, the proposal will be reviewed by the working group on funding mechanisms.

New business The committee recommended a "**grandfather clause acquisition exemption**" under the IFQ alternative in the permanent solution analysis. If the CEY decreases from the CEY at initial issuance in the charter QS holder's area, the QS holder could acquire additional shares to compensate for such decline. The charter QS holder could only use such additional shares in any year to the extent those shares are required to bring the QS holder's number of fish back up to the number of fish at initial issuance.

Next Meeting The committee will convene on April 12-13, 2007 to complete its recommendations on the suite of alternatives and options for a permanent solution for the charter halibut fisheries in Areas 2C and 3A and other business.