



IFQ Committee

REPORT

April 1, 2019

Anchorage Hilton, Dillingham/Katmai Room

Committee Members in attendance:

Buck Laukitis (Chair)
Matt Robinson
Peggy Parker
Natasha Hayden

Nicole Kimball
Jeff Kauffman
Erik Velsko
Bob Linville

Linda Kozak
Jeff Farvour

Members absent: Shawn McManus, Michael Offerman, Jared Bright, Dave Fraser

The Chairman called the meeting to order and the agenda was approved with no amendments. The Chairman advised that public testimony would be taken at the conclusion of each agenda item as time permitted. Public testimony was received after each agenda item.

Introduction and new information since the last Committee meeting

The IFQ Committee received an update from staff on related meetings and tasking items that have occurred since the last Committee meeting in February 2018. Specifically, staff summarized the discussion that occurred at the June 2018 outreach session in Kodiak, AK focused on entry-level opportunities and rural participation in the IFQ fishery. Staff noted that two discussion papers were added to the Council's IFQ task list at that meeting.

- A review of programs in other fisheries that promote access to quota-based fisheries (scheduled June 2019).
- Scoping of regulatory and non-regulatory approaches to promote voluntary transfer of QS from initial recipients to actives skippers and crew.

The committee discussed how those papers align with, and potentially contribute to, the broader discussion of the Council's direction regarding intergenerational issues in the IFQ fishery.

Committee members revisited previous discussions about factors that make entering the fishery or attracting labor to the fishery challenging. The Committee discussion reflected the fact that stakeholders have varying points of view about whether the program is meeting the objective of being a largely owner-operated fishery. This topic was discussed in more detail under the review of the IFQ Eligibility discussion paper (see below). As the Committee and the Council continue to consider measures that might modify quota-holding privileges based on types of participation, it was noted that information gaps about crew participation and business arrangements should be addressed to the extent possible.

With the understanding that some intergenerational change will occur naturally over time – though perhaps over several more decades – the Committee identified that the Council's first decision is whether it wants to act as a guide for that process as it occurs, or take affirmative steps to affect changes in the

near-term. **The Committee did not express a consensus on that matter. The Committee did, however, generally agree that it is important to have a clear definition of what it means to be an “owner-operator.”** The Committee noted that the definition of owner-operator, in regards to program objectives, might be different in 2019 than what it was when the program was implemented in 1995.

Committee members recalled that in October 2017 it had received a report on cost recovery fees and the activities that were contributing to costs. **The Committee noted that it would like to receive cost recovery reports routinely in the future.** Some members were also interested in a future presentation or interaction with a representative of NMFS Financial Services Division regarding the opportunities available under the Federal loan program.

NMFS staff provided an update on the status of implementing the action to allow halibut retention in pot gear for the BSAI. Staff noted that the public comment period would be open during summer 2019 and implementation was likely in time for the 2020 fishing year.

Public testimony was received from Simeon Swetsoff.

CQE Fish-Up in Area 3A (Initial Review)

Sara Cleaver (NPFMC) and Stephanie Warpinski (NMFS) provided a report on the discussion paper that will be presented to the Council under the C-6 agenda item. Staff described the limited scope of the potential action and highlighted several recommendations from NMFS that were included in the analysis regarding ease of administration and the associated administrative cost to the fishery. In answering the Committee’s questions, staff confirmed that administrative costs related to the CQE program do accrue to cost recovery. Staff also confirmed its interpretation of the Council’s intent that this action would only affect quota shares for Area 3A, not quota shares for Area 3B that a “3A CQE” might own. Finally, staff clarified that the action does not determine *which* C-class vessels would be able to fish the “fish-up” D-class quota; the vessels that could be used would be defined in the eligibility requirements that the CQE creates and submits to NMFS for approval.

The Committee had varied reactions to the NMFS suggestion that the action would be simpler to enforce and create fewer additional administrative costs if the fish-up provision was allowed to be in place throughout the entire year rather than only after a certain date.

- Some viewed this option as a way to help CQEs achieve their objectives, and noted that minimizing administrative costs would benefit all QS holders who pay cost recovery fees.
- Others questioned whether the option would increase the value of the quota (and thus the price), and expressed some concern about sending a signal that the Council might consider allowing fish-up for non-CQE quota holders or CQEs in other areas where fish-up is not currently allowed.
- To the extent that the effect on QS prices was discussed, members noted other IFQ program elements that are, or could be, putting positive pressure on prices (e.g., regional quota entities and guided angler fish [GAF]).

The Committee did not have a consensus recommendation on how this action should proceed.

Support was generally framed around the fact that this would, in fact, help CQEs achieve their goals and the fact that the amount of D-class quota that could be fished up in that area is relatively small. For some who questioned whether this action conflicts with the original intent of creating D-class quota, support was contingent on following the full-season recommendation because it reduces costs paid by all participants. One additional benefit that was noted by the Committee but was not in the analysis is that in some cases it could help a C-class vessel put together enough QS to make an economically viable trip.

Public testimony was received from Linda Behnken.

IFQ Eligibility Criteria (Discussion Paper)

Anna Henry (NPFMC) provided a report on the discussion paper that will be presented to the Council under the D-6 agenda item. The Committee’s discussion highlighted definitional and implementation items that the Council should consider if it chooses to initiate an analysis. These include:

- The scope of the action;
- The meaning of an “owner-operator” fishery;
- Questions related to enforcement and administration;
- Unintended consequences that could emerge depending on how alternatives are formulated.

Scope of action

The Committee asks that the Council first identify the categories of participants whose future eligibility might be in question as the result of a new requirement. Another way to frame that question – particularly in terms of identifying unintended consequences – is, “whose behavior would potentially be modified?”

- The Committee seeks clarification on the objective of the action and whether initial quota recipients who can use a hired master would be required to go to sea in order to retain their ability to own quota share. Whether or not these quota holders are exempted greatly affects the nature of the action and the analysis it would require. If indeed the Council is focused on initial quota recipients who use hired masters, the Committee was not clear how the intent behind this requested paper differs from the hired master paper that is not yet scheduled for review.
- If the problem that the Council is seeking to address has to do with non-initial issuees who go onboard but do not actively harvest the fish (“ride-alongs”), the questions to be answered and the data required will be different.

The Committee reached consensus that this action should not affect non-individual entities who own quota. These entities include quota shares held by corporations and CQEs. The Committee does not think the action would impact A-shares.

The Committee reached consensus that any eligibility requirement should be applied in an ongoing manner, and that a one-time qualification (“prove-up”) that covers an individual indefinitely would not meet the Committee’s interpretation of the action’s objective. The Committee recognized that an ongoing – or “rolling” – eligibility requirement would be more complex and potentially more expensive to administer and enforce.

Owner-operator objective

If the objective of the action ties back to the original IFQ Program objective of maintaining an “owner-operator” model for the fleet, **the Committee seeks a definition of what owner-operator means in the context of the fishery as it currently operates.** In 2019, the fishery contains a mix of vessel/quota owners who hire a master, vessel/quota owners who operate the boat, quota owners who fish on someone else’s boat, and second-generation “ride-alongs.” **The Committee generally agreed that an owner-operator owns quota that they fish but does not necessarily need to own a vessel.** The members noted that the perception of this definition might have evolved since the program objectives were framed in 1993. **The Committee did not have a consensus on whether the definition of owner-operator should exclude owners of a vessel and quota who hire a crew but do not go to sea.** Members had varying opinions as to whether the program is currently meeting the owner-operator objective.

Administration/ enforcement questions & unintended consequences

The metric by which this action determines eligibility will dictate the data needed to administer and enforce a new regulation. The Committee noted that the metric is important in part because **once a standard is defined people will perform to that standard**. For instance, if eligibility is contingent on achieving a number of sea-days over a given period of time, people might fish differently, enter fisheries in which they would not have otherwise participated, or pack in extra fishing effort (in whatever metric meets the standard) as the qualification period nears its end. The need to alter behavior could be especially relevant to participants who hold a small amount of quota and/or fish part-time. Many such behaviors can result in negative externalities (unintended consequences). For example, entering other fisheries to accrue sea-days congests those other fisheries. Extra fishing effort for the sole purpose of meeting a sea-day requirement is economically inefficient by nature. Fishing more days than are necessary would not only be economically efficient, but it could devalue crew labor and add costs to the observer program.

The Committee did not address what should happen when someone fails to meet the eligibility criterion. Whether a person would be obligated to sell their quota share or whether NMFS would simply not issue the annual IFQ pounds remains an open question. The former outcome could have effects on the quota market; the latter would simply inflate the number of pounds issued to those who retained their eligibility. Whether a person could re-qualify was also not addressed. The Committee did discuss potential unintended effects in rural communities if failure to qualify required quota shares to be divested. Individuals who wish for their quota to remain in the community but cannot find a buyer at what he or she considers to be a fair value might have to accept a transfer offer outside of their community.

Presuming that sea-days is the Council's desired metric for this considered action, **the Committee noted that there are gaps in existing sources of information to track sea-days.** The Committee noted that the Coast Guard uses sea-days as a measure to maintain vessel qualifications, but also recognized that those requirements make sense for the Coast Guard context because the qualification is meant to reflect technical proficiency gained through experience. The question was raised as to whether sea-days is the right metric, thinking that perhaps a different metric would not modify behavior in the ways mentioned above (RE: unintended consequences). However, metrics such as number of landings would also present challenges for those who own small amounts of quota. If the Council is using this action to reduce the "ride-along" form of participation where a quota owner is present onboard but does not actually fish, it was not obvious to the Committee what data could be collected to delineate that sort of behavior.

Public testimony was received from Dan Falvey, Linda Behnken, Bob Alverson, Jim Johnson, Craig Evans, and Bernie Burkholder.

Sablefish Discards (Discussion Paper)

Jim Armstrong (NPFMC) and Joe Krieger (NMFS) provided a report on the discussion paper that will be presented to the Council under the D-8 agenda item. The Committee's discussion was focused on two topics:

- Whether any ability to discard small sablefish should be framed as a regulatory requirement (minimum size limit) or as a voluntary option
- How to proceed with this action since discard mortality rates (DMR) for this fishery are not established.

Mandatory versus voluntary discards

The committee agreed on a preference that any discard action should be voluntary.

- Members were concerned about how a mandatory size-based discard requirement would be enforced, and how difficult it could be for fishermen to comply if a fish is near the size threshold.

Members felt that fishermen could risk an accidental violation, and that they might have to substantially alter their fish-handling procedures at the rail.

- Mandatory discards could have a different economic impact on the value and profitability of a trip in areas where the proportion of small fish in the fishery is greater (e.g., BSAI). Requiring the discard of small fish that could still be sold for a profit, albeit a smaller one, would adversely impact crew pay and thus the ability to attract and retain a crew.
- Members noted that requiring fish to be discarded when in the presence of depredating whales could be counterproductive to the goal of returning to the sea fish that could survive, grow, and reproduce.

The staff presentation highlighted the past suggestion to consider a discard allowance (or requirement) only when a large incoming year-class is detected and small fish are recruiting into the fishery. While the Committee did not formulate a recommendation on whether or not a “togging” discard allowance should be analyzed, it did acknowledge staff’s description of how much uncertainty might be involved in identifying the presence of a new year class with some precision relative to a threshold.

Discard mortality rates

The Committee devoted most of its discussion to the question of how to proceed with this action when there is no established DMR for the fishery. **The Committee favored proceeding with action using a proxy DMR that could be derived from longline survey information or from other sablefish fisheries, and perhaps developing more particular DMRs for this fishery over time through viability studies.** The Committee expressed some concern that developing a DMR by adding to observer coverage needs and observer duties could drive up costs for the program. It was mentioned that IPHC already has a method to estimate “wastage” in the halibut fishery, and those methods could inform the way that a proxy DMR could be quickly developed for this fishery. The members noted that sablefish are targeted across a vast area in terms of geography, and that spatially differentiated DMRs might be preferable in the future.

The Committee recognized that discard mortality needs to be accounted for in total catch estimation, and failure to do so could have a negative impact on the resource. The Committee was comfortable with the notion that some amount of the ABC might need to be set aside as a discard mortality buffer so that total catch does not exceed that limit. This would likely mean that quota share units equate to fewer IFQ pounds than they otherwise would. Other methods of total catch accounting are possible, but it was understood that assumed discard mortality rates could not be applied at the individual level. In other words, the effect of allowing discards would be experienced equally by individual participants. **The Committee noted that eventually it would be beneficial to have DMRs that are specific to an area and/or to a harvest sector (CV vs. CP, and pot vs. hook-and-line).**

Finally, the Committee noted that expanding the use of logbooks in the sablefish fishery could provide additional information that could contribute to the tracking of discards. Currently vessels less than 60’ LOA are not required to fill out a logbook when fishing for sablefish.

Public testimony was received from Linda Behnken, Bob Alverson, Craig Evans, and Bernie Burkholder.

Three-year Review of GOA Sablefish Pot Gear Fishery

The Committee noted the upcoming three-year review of the GOA sablefish pot longline fishery. When the Council recommended the establishment of that fishery, it requested that a review be conducted after three years but it did not specify the contents of that review. To date, NMFS’s annual in-season management reports have documented vessel participation, sablefish catch, incidental halibut catch, number of trips covered by observers, and gear loss (information available through the NMFS pot-tagging program).

The GOA sablefish longline pot fishery first occurred in 2017, meaning that a three-year review should include data from the 2017, 2018, and 2019 fishing years. The fishery typically concludes by regulation in November. The Council has discretion over tasking as to when the review should be conducted and presented to the public. The Council could reasonably expect to have catch data for 2019 as early as the last months of that calendar year, but ex-vessel data and information derived from observers or EM would only be available later (2020).

The Committee noted its interest in conducting this review as soon as is practicable. In part, the Committee would like to see this report on the Council's agenda so that the Council can hear stakeholder testimony on the efficacy of the fishery and areas to consider change. The Committee did not create a list of reporting items that should be added to what is in NMFS's annual in-season reports, but it did note interest in the occurrence of "gear conflicts." Metrics by which gear conflicts could be assessed were not established.

Other Issues

The Committee concluded with a short discussion of how to proceed with the set of forthcoming discussion papers that all generally address the issue of different experiences under the program for initial quota share recipients and "second generation" participants. The Committee prefers to see these work products packaged to the extent practicable given staff availability. If any additional analytical tasks emerge from this meeting or the Council's June 2019 meeting, the timing of those tasks could be aligned with whatever next steps are taken on the IFQ eligibility discussion paper or the first review of the hired master discussion paper.

Finally, the Committee expressed a preference, when possible, to schedule IFQ Committee meetings outside of the IFQ fishing season. The Committee recognizes that this restricts the number of opportunities to meet, and also recognizes that scheduling is ultimately at the discretion of the Council's executives.

Others in Attendance

Staff: Sam Cunningham (NPFMC), Stephanie Warpinski (NMFS), Sara Cleaver (NPFMC), Anna Henry (NPFMC), Kurt Iverson (NMFS), Alicia Miller (NMFS), Bridget Mansfield (NMFS), David Witherell (NPFMC), Joceyln Runnebaum (ADFG), Chris Lunsford (NMFS), Sabrina Devereaux (NMFS), Rachel Baker (ADFG), Nathan Lagerway (NMFS OLE), Brent Priestas (NMFS OLE), Jim Armstrong (NPFMC), Joe Krieger (NMFS), Tom Meyer (NOAA GC – phone)

Signed-in: Jim Johnson, Bob Alverson, Patrick Lane, Bernie Burkholder, Craig Evans, Alan Gross, Rob Wurm, Dan Falvey, Andy Mezirow, Linda Behnken, Simeon Swetzoff, Keith Criddle.