

PUBLIC TESTIMONY SIGN-UP SHEET

Agenda Item: D1 IFQ COE Fishup 3A

Check the boxes below if you will have a PowerPoint or Handout

#	NAME <i>(Please Print)</i>	TESTIFYING ON BEHALF OF:	Handout	PPT
1	Duncan Fields	Ouzinkie Community Holding, Inc.	X	
2	DARREN MULLER	Ouzinkie Native Corporation		
3	TOM PANAMAROFF	Kanig, Inc.		
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NOTE to persons providing oral or written testimony to the Council: Section 307(1)(l) of the Magnuson-Stevens Fishery Conservation and Management Act prohibits any person "to knowingly and willfully submit to a Council, the Secretary, or the Governor of a State false information (including, but not limited to, false information regarding the capacity and extent to which a United State fish processor, on an annual basis, will process a portion of the optimum yield of a fishery that will be harvested by fishing vessels of the United States) regarding any matter that the Council, Secretary, or Governor is considering in the course of carrying out this Act.

Testimony of
Ouzinkie Community Holding, Inc.
Council Item D-1
October 8, 2018

“The ability of fishermen in a remote coastal community to purchase QS or maintain existing QS may be limited by a variety of factors both shared among and unique to each community. Although the specific causes for decreasing QS holdings in a specific community may vary, the net effect is overall lower participation by residents of these communities in the halibut and sablefish IFQ fisheries. The substantial decline in the number of resident QS holders and the total amount of QS held by residents of remote coastal communities may have aggravated unemployment and related social and economic conditions in those communities. The Council recognized that a number of remote coastal communities were struggling to remain economically viable. The Council developed the CQE Program to provide these communities with long-term opportunities to access the halibut and sablefish resources.” This was the preamble to the proposed rule establishing the CQE program. The Council recommended the CQE Program as an amendment to the IFQ Program in 2002 (GOA Amendment 66), and NMFS implemented the program on April 30, 2004. That was almost 15 years ago. Has anything improved. No, it’s only gotten worse.

The rule goes on to state: “This program structure creates a permanent asset for the community to use. The structure promotes community access to QS to generate participation in, and fishery revenues from, the commercial halibut and sablefish fisheries.” The CQE’s IFQs need to be viewed and treated differently than individually owned IFQs. The purpose of the CQE program was to help communities that have been left out or have lost participation in the IFQ program. Why should this Council care what community vessels fish the Community’s IFQs just so long as the fishing of the IFQs generates “revenues and participation” in the IFQ program by the Community – which was the Council’s purpose?

CQE's are limited in the amount of quota blocks they can own (10) AND the amount of "D" class quota that can be purchased (10% of 3A "D" class). They are intended to be an asset for the community forever and the community CQE is required to make a public report every year providing information to the public accounting for their use of CQE IFQs. The difference between individually owned IFQs and CQE IFQs is like the difference between private property and a public park. We don't expect an individual property owner to shut lights off at a specific time or allow access to the property whenever it is requested and we don't expect a public park to exclude people or to be used for private gain. Why do we expect the CQE and individual "D" class quota owners to have the same use rules? The whole intent of the program is to help the community. There shouldn't be "D" class and "C" class vessel restriction for CQE IFQ's at all – the Council's objective was to help the community. Again, why shouldn't the CQEs be allowed to fish their quota on any community vessel. (CQE communities in area 3A only have "D" and "C" class vessels.)

Let me now address some objections I've heard to this motion.

1. The CQE's will compete with individuals to buy quota and drive up the price. Well, in the 15 years of the program, this hasn't happened. In the 5 years since the CQE can buy "D" class quota, this hasn't happened. Experience should show the Council that this is a red herring argument without merit. The CQE is not and will not impact the "D" class market in area 3A. (Look at a broker's web site, there is lots of "D" class quota available for sale.)
2. Why don't the CQE's just buy "C" class quota? CQE's don't have startup capital and they have limited means to acquire capital. Most, in fact practically all of the quota purchased by Ouzinkie and Old Harbor were acquired opportunistically. That is, the buyer was willing to work with the CQE to sell the quota with non-conventional terms. "D" quota come to the CQE rather than the CQE looking for "D" quota. The CQE's are not able to call up a broker and say we have cash in hand for the down payment and we're looking for a seller. In all but one transaction, the seller has come to the CQE and was willing to finance the purchase or wait a year or two for a down payment and, in

two instances, an individual was willing to finance the sale so the quota didn't leave the community.

The second aspect of this issue is the revenue available to the CQE. The only means the CQE has to pay for the quota purchased is lease revenue for use of the quota. Currently, with IFQ prices and ex-vessel prices, the CQE can only pay debt service through lease revenue on between 75%-80% of the quota's purchase price. This is the nub of the issue! The CQE works very hard and creatively to obtain about 20% of the purchase price (down payment) so that the annual lease revenue will pay the remaining debt service. Once purchased, if the quota isn't fished the debt service isn't paid, there are very limited CQE reserves (see public documents). That's why it's critical for the CQE to be able to fish "D" quota "UP", the CQE is just trying to pay the annual debt service to keep the quota in the community. In 2017 when Ouzinkie wasn't able to fish the "D" class quota, the CQE would have been forced to sell the quota if another CQE seller hadn't been willing to forgo a payment for a year. In short, without this provision you will force Ouzinkie and other CQE's to avoid "D" class quota. The risks of encountering circumstances that limit catching all of the "D" class quota are just too great.

3. If one CQE fisherman can't catch his "D" class fish, why doesn't the community just fish the "D" class quota on another "D" class vessel? First, in many communities the number of vessels available are limited. Second the number of people interested in fishing small amounts of quota is limited. Third, by the time the CQE realizes that the "D" class quota won't be caught, it's late in the season and finding a "D" class substitute person and vessel at that time of year, especially given the weather and the movement of halibut off shore, is difficult or impossible.

I'm happy to address other arguments you may have through questions. In conclusion, please think again about the Council's intent for the CQE program 15 years ago. The clear intent of the CQE programs was to help 42 coastal communities participate in the IFQ program. Ask yourself, is there anything about this request that doesn't further the Council's goal of helping a CQE community participate in the IFQ program. (I have attached the following motion for your consideration.)

Draft Motion:

I move that Council approval of the following amendment to the CQE program for initial review:

Purpose and Needs:

The ability of fishermen in a remote coastal community to purchase QS or maintain existing QS may be limited by a variety of factors both shared among and unique to each community. Although the specific causes for decreasing QS holdings in a specific community may vary, the net effect is overall lower participation by residents of these communities in the halibut and sablefish IFQ fisheries. The substantial decline in the number of resident QS holders and the total amount of QS held by residents of remote coastal communities may have aggravated unemployment and related social and economic conditions in those communities. The Council recognized that a number of remote coastal communities were struggling to remain economically viable. The Council developed the CQE Program to provide these communities with long-term opportunities to access the halibut and sablefish resources. The CQE's inability to fish "D" class quota on "C" class vessels has, in some circumstances, limited the CQE community's access to fish CQE halibut. Allowing CQE's to fish "D" class quota on "C" class vessels will further the Council's intent of encouraging CQE communities to secure long-term opportunities to access halibut.

Alternative 1: No Action

Alternative 2: Allow CQE communities to fish "D" class quota on "C" class vessels after:

- a. August 15
- b. September 1

Alternative 3: Allow CQE communities to fish "D" class quota on "C" class vessels in a limited number of years.

- a. 2 out of 3 years
- b. 3 out of 5 years
- c. 4 out of 7 years