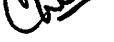


MEMORANDUM

TO: Council, SSC and AP Members

FROM: Chris Oliver   
Acting Executive Director

ESTIMATED TIME 2 HOURS
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DATE: May 30, 2001

SUBJECT: Community IFQ Purchase

**ACTION REQUIRED**

Review discussion paper and GOACC proposal and provide direction.

**BACKGROUND**

In June 2000, the Council reviewed a discussion paper provided by the Gulf Coastal Communities Coalition (Coalition) to allow small, remote Gulf of Alaska communities to hold IPHC Area 2C, 3A, and 3B commercial halibut and Gulf of Alaska sablefish quota shares (QS) to be leased to community members. The Council made limited revisions to the problem statement and proposed options for analysis and approved the discussion paper for release to the public. Subsequently, no comments were received by Council staff. **Note that the Council has not yet approved the draft problem statement or the proposed (revised) elements and options for analysis.**

In February 2001, the Council requested that staff develop a discussion paper for review at the June meeting, using the original Coalition proposal for guidance. The discussion paper is intended to provide a basis from which to begin structuring a more focused set of options for analysis. Each of the major elements is outlined, with brief comments and/or suggestions where staff thought the options should be clarified or modified to ensure consistency with the current IFQ program and previous Council actions.

The Coalition proposal is based on providing small, rural, fishing-dependent communities in the Gulf of Alaska the opportunity to purchase halibut and sablefish QS, for the purpose of retaining QS in communities for lease to and use by resident commercial fishermen. The goal is to provide for the sustained participation of these communities in the commercial halibut and sablefish fisheries and to minimize adverse economic impacts on these communities associated with the current IFQ program.

There is a range of approaches the Council could take in developing this action and tasking the proposal for analysis. This action would allow a defined set of Gulf communities in Areas 2C, 3A, and 3B to purchase commercial halibut and sablefish QS for use by community residents. Having recently approved a set-aside of 1% of the halibut charter QS for essentially the same set of Gulf communities in Area 2C and 3A, there is the possibility of combining the analyses of the two actions into one package. However, although the criteria proposed for community eligibility is similar for the two actions, they do address distinctly different fisheries (charter halibut vs. commercial halibut and sablefish), and the community purchase proposal extends to Area 3B. Because of the differences in both the economic analyses necessary and the policy considerations associated with a set-aside versus a buy-in, the Council may prefer to address the actions in

two distinct and separate analyses. Note that the Council has not yet approved alternatives and options for a trailing amendment to implement the community set-aside program.

The discussion paper was mailed to you on May 29 and is scheduled for review at this Council meeting. Attachment 1 to the discussion paper is the revised list of elements and options as restructured by staff. Attachment 2 is a draft list of the proposed eligible communities using the Coalition's preferred eligibility criteria. The Executive Summary from the discussion paper, along with Attachments 1 and 2 are attached to this memo. The original Coalition discussion paper was also provided in the mailing for reference purposes. Upon review, the Council may decide whether to task staff with a formal analysis.

**DRAFT**  
**Discussion Paper for Community Purchase of Commercial Halibut and Sablefish QS**  
**May 25, 2001**

**Executive Summary**

At its June 2000 meeting, the Council reviewed a discussion paper provided by the Gulf Coastal Communities Coalition (Coalition) to allow small, remote Gulf of Alaska communities to hold IPHC Area 2C, 3A, and 3B commercial halibut and Gulf of Alaska sablefish quota shares (QS) to be leased to community members. During its review, the Council revised the proposed draft problem statement and added a few options to the list of elements and options originally proposed by the Coalition. The draft discussion paper was approved for release to the public at that time, and no comments were received by Council staff.

In February 2001, the Council requested that staff develop a discussion paper for review at the June meeting, using the original Coalition proposal for guidance in this effort. **This discussion paper is intended to better flesh out the details of the Coalition proposal and its revised elements and options, in order to assist the Council in deciding whether those are indeed the appropriate options for consideration in a formal analysis. Note that the Council has not yet formally approved the Coalition discussion paper, the draft problem statement, or the proposed (revised) elements and options for analysis.**

Purpose and Need for the Action

The Coalition proposal is based on providing small, rural, fishing-dependent communities in the Gulf of Alaska the opportunity to purchase halibut and sablefish quota shares, for the purpose of retaining QS in communities for lease to and use by resident commercial fishermen. The goal is to provide for the sustained participation of these communities in the commercial halibut and sablefish fisheries and to minimize adverse economic impacts on these communities associated with the current IFQ program. The Coalition cites a disproportionate amount of QS transfers out of these communities since the inception of the IFQ program. The Coalition asserts that because the remote Gulf coastal communities targeted in this proposal are dependent on fisheries for a large portion of their employment and income, and because there are few alternative economic opportunities, a decline in QS holders in these communities has a severe effect on unemployment and related social and economic impacts.

Analytical Approach

There is a range of approaches the Council could take in developing this action and tasking the proposal for analysis. At a minimum, this action would require a change in the definition of "qualified persons" in the current halibut/sablefish IFQ regulations, to allow communities to purchase commercial quota share. The Council would still need to determine the eligibility criteria for qualifying communities, but any administrative details of the program could be left to the communities and RAM Division. In this sense, eligible communities would be subject to the same restrictions as qualified individuals in the IFQ fisheries. Another approach, as described and advocated in the Coalition proposal, would be to modify the existing IFQ regulations and include guidance and/or limitations specific to communities, in order to meet the needs of these remote communities while mitigating concerns voiced by the industry that this action will disrupt the current balance between available QS and market price.

This discussion paper outlines the eight primary elements developed by the Coalition and the multiple options proposed under each element. While the Coalition proposes a broad range of options, the Coalition's preferred structure is identified throughout the paper. Staff used the Coalition list of elements and options (as revised by the Council) as a guide from which to provide a policy discussion surrounding each of the issues and what problems they are intended to address, in order to assist the Council in deciding what parameters or limitations should be analyzed should the Council initiate an analysis to allow communities to purchase halibut and sablefish quota share. This paper is intended to provide a basis from which to begin structuring a more focused set of options for analysis. Each of the major elements is outlined, with brief comments and/or suggestions where staff thought the options should be clarified or modified to ensure consistency with the current IFQ program and previous Council actions.

**Proposed elements and options for allowing community purchase and holding of halibut and sablefish commercial quota shares<sup>1</sup>**

**Element 1. Eligible Communities (Gulf of Alaska communities only)**

1. Rural communities with less than 2,500 people with direct access to saltwater.
- (b) Rural communities with less than 2,500 people, no road access to larger communities, and with direct access to saltwater.
- (c) Rural communities with less than 2,500 people, no road access to larger communities, direct access to saltwater, and a documented historic participation in the halibut/sablefish fisheries.

Suboption 1: Include a provision that the communities must also be fishery dependent, as determined by:

- Fishing as a principal source of revenue to the community, or
- Fishing as a principal source of employment in the community (e.g., fishermen, processors, suppliers)

\*Suboption 2: Decrease community size to communities of less than 1,500 people.

\*Suboption 3: Increase community size to communities of less than 5,000 people.

**Element 2. Appropriate Ownership Entity**

- (a) Existing recognized governmental entities within the communities (e.g., municipalities, tribal councils or ANCSA corporations)
- (b) New non-profit community entity
- (c) Aggregation of communities
- (d) Combination of the entities (allow different ownership entities in different communities depending on the adequacy and appropriateness of existing management structures).

**Element 3. Ownership Caps for Individual Communities**

- (a) 1% of 2C or 0.5% of the combined 2C, 3A and 3B quota share and 1% of Southeast or 1% of all combined sablefish QS.
- (b) 0.5% of 2C or .5% of the combined 2C, 3A and 3B quota share and 0.5% of Southeast or 1% of all combined sablefish QS.

Suboption: Place caps on individual communities that limits them from owning more than:

- 1) 1% of the combined quota share in the area they reside and an adjacent quota share area.
- 2) 0.5% of the combined quota share in the area they reside and an adjacent quota share area.

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<sup>1</sup>Options as proposed by the Gulf Coastal Communities Coalition and revised by the Council in June 2000, with limited restructuring by staff. Any revisions by the Council are indicated with an asterisk "\*\*".

Communities in 3A could not buy quota shares in 2C. Thus:

- 2C communities capped at 1% (or 0.5%) of the combined 2C and 3A halibut QS, and 1% (or 0.5%) of the combined Southeast and West Yakutat combined sablefish QS.
- 3A communities capped at 1% (or 0.5%) of the combined 3A and 3B halibut QS, and 1% (or 0.5%) of the combined West Yakutat and Central Gulf combined sablefish QS.
- 3B communities capped at 1% or (0.5%) of the combined 3A and 3B halibut QS, and 1% (or 0.5%) of the combined Central Gulf and Western Gulf combined sablefish QS.

Element 4. Cumulative Ownership Caps for all Communities

- (a) 20% of the combined 2C, 3A, and 3B halibut QS, and 40% of the total combined Gulf of Alaska sablefish QS.
- (b) 20% of the combined 2C, 3A, and 3B halibut QS, and 20% of the total combined Gulf of Alaska sablefish QS.
- (c) 10% of the combined 2C, 3A, and 3B halibut QS, and 20% of the total combined Gulf of Alaska sablefish QS.
- (d) 10% of the combined 2C, 3A, and 3B halibut QS, and 10% of the total combined Gulf of Alaska sablefish QS.

Element 5. Purchase, sale, and use restrictions

Blocked and Unblocked

- (a) Communities would have the same blocked share restrictions as individuals
- (b) Allow communities to buy only blocked shares or only unblocked shares
- (c) Allow communities to buy blocked and unblocked shares

Suboption 1: Communities can purchase blocked and unblocked shares in the ratio of blocked to unblocked shares in that area (i.e., communities are not limited to the number of blocks that they can own).

Suboption 2: Communities can purchase blocked quota shares in excess of the current limit on block ownership.

Vessel Size Restrictions

- (a) Apply vessel size (share class) restrictions to the purchase of QS by communities.
- (b) Do not apply vessel size (share class) restrictions to the purchase of QS by communities.

Suboption 1: While communities would not have share class restrictions, the QS would retain the share class designation. When sold to an individual for commercial use, the share class designation apply.

\*(c) Transferability of QS (permanent) and IFQs (on annual basis [leasing]) from charter to commercial:

- (i) D category only
- (ii) C and D category only
- (iii) B, C, and D category
- IV A category only*

Residency Requirements

- (a) Only permanent residents of the community with a commercial fishing license should be considered eligible to lease community IFQs.  
Suboption 1: Also require commercial fishing experience  
Suboption 2: Also require that they do not already own QS.
- (b) Allow individuals owning quota shares to receive community IFQs but individually-owned shares would be an "offset" from community caps.
- (c) Allow transfer of community IFQs to non-residents with fishing experience in the community.
- (d) Allow transfer of community IFQs to non-residents from other qualifying communities.
- (e) Residency is defined as requiring a physical presence in the community of:
  - 1. 180 days/year
  - 2. 270 days/year

Allocation Criteria

Rank potential recipients based on the employment opportunities that they provide to the communities:

- (a) Community residents employing exclusively crewmembers that are also community residents
- (b) Community residents employing a crew that is 50% or more community residents
- (c) Non-resident employing a crew that is 50% or more community residents
- (d) Community resident employing a crew of at least one community resident
- (e) Non-residents employing a crew of at least one community resident

Suboption 1: Non-residents that are residents of other qualifying communities are prioritized over non-residents from non-qualifying communities.

Suboption 2: The community could not transfer quota to a non-resident fisherman who did not employ at least one community resident.

Suboption 3: Where potential recipients are equal in employment opportunities provided, allow the community to select other criteria or use a lottery to determine allocation to equally qualified recipients.

Transferees:

- (a) Transfer 100% of community IFQs to vessel owners/operators
- (b) Transfer 75% of community IFQs to vessel owners/operators, 25% to crew members
- (c) Transfer 50% of community IFQs to vessel owners/operators, 50% to crew members
- (d) Allow individual communities to determine the appropriate distribution between vessel owners/operators and crew members

Sale Criteria

All restrictions on quota shares (e.g., share class, blocked or unblocked status) would be retained once the quota is sold outside of the community.

- (a) Allow quota share blocks in excess of 20,000# to be divided in half upon sale.  
Suboption 1: Allow blocks of 3B quota share in excess of 20,000# to be divided in half upon sale.
- (b) Allow communities to "sweep up" blocks of less than 10,000# and sell as 20,000# blocks.

Element 6. Code of Conduct

- (a) To cover administrative expenses and debt service, limit community ownership entity to no more than:
  - 1. 25% of ex-vessel value
  - 2. 10% of ex-vessel value
- (b) Require equitable compensation for crewpersons and quota share transferee.
- (c) Require a regular review of bycatch avoidance measures and fishing methods employed in the community to ensure the use of the best available fishing methods.

Element 7. Administrative Oversight

- (a) Require submission of detailed information to NMFS prior to being considered for eligibility as a community QS recipient.
- (b) Require submission of an annual report detailing accomplishments.

Element 8. Sunset Provisions

- (a) No sunset provision
- (b) Review program after five years and consider sunseting program if review reveals a failure to accomplish the stated goals.
- \* (c) "Drop-through" system with use privileges subject to voluntary change in year 5 and mandated change in year 10 (code of conduct). This concept is described in an excerpt from the National Research Council publication *Sharing the Fish* (1999).

- \*Suboption: Mandated change in year 10 would result in:
- 1. 10% loss of QS.
  - 2. 15% loss of QS.
  - 3. 20% loss of QS.

**List of Proposed Eligible Communities for Community Purchase of Halibut and Sablefish Quota Share  
(for discussion purposes only)**

Qualifying Criteria: Area 2C, 3A, and 3B fishery-dependent coastal communities with populations<sup>1</sup> less than 2,500 (based on the 2000 census) and not connected to the road system.

<b>Area 2C</b>		<b>Area 3A</b>	
<u>Community</u>	<u>Population</u>	<u>Community</u>	<u>Population</u>
Angoon	572	Akhiok	80
Coffman Cove	199	Chenega Bay	86
Craig	1,397	Cordova	2,454
Edna Bay	49	Halibut Cove	71
Elfin Cove	32	Karluk	27
Gustavus	429	Larsen Bay	115
Hollis	139	Nanwalek	177
Hoonah	860	Old Harbor	237
Hydaburg	382	Ouzinkie	225
Hyder	97	Port Graham	171
Kake	710	Port Lions	256
Kassan	39	Seldovia	286
Klawock	854	Tatitlek	107
Metlakatla	1,375	Tyonek	193
Meyers Chuck	21	Yakutat	<u>680</u>
Pelican	163		
Point Baker	35	15 communities	5,165
Port Alexander	81		
Port Protection	63	<b>Area 3B</b>	
Tenakee Springs	104	<u>Community</u>	<u>Population</u>
Thorne Bay	557	Chignik Lagoon	103
Whale Pass	58	Chignik Lake	145
Wrangell	<u>2,308</u>	Ivanof Bay	22
		King Cove	792
23 communities	10,524	Perryville	107
		Sand Point	<u>952</u>
		6 communities	2,121

<sup>1</sup>2000 (preliminary) census data—Alaska Department of Community and Economic Development.

Note: This list includes a total of 44 Gulf communities. Hyder, Wrangell, and Cordova are included in the draft list of qualifying communities for discussion purposes although they were not included in the original Coalition proposal. Subsequent data analysis has shown that they do meet the above criteria. Hyder may have been left out inadvertently. At the time of the original proposal the estimated populations of Wrangell and Cordova were above 2,500. While Wrangell and Cordova are still considered "larger communities" in the CFEC report, the 2000 census reports populations less than 2,500.



# **Gulf of Alaska Coastal Communities Coalition(GOAC<sup>3</sup>) Testimony Regarding Purchase of Commercial Halibut and Sablefish QS**

**June 11, 2001**

Mr. Chairman, members of the Council, my name is Duncan Fields and I'm testifying today on behalf of the Gulf of Alaska Coastal Communities Coalition. The coalition strongly requests that you direct staff to prepare an analysis of the proposed community based IFQ "buy in" proposal.

The current staff overview of the Coalition's proposal is excellent. Staff clearly understands our proposal and has captured the elements that need further clarification. (As I read through the staff report, virtually all of my marginal notes are "yes" and "good" and "excellent"). For brevity, the remainder of my testimony track through, in the form of a proposed motion, changes to the coalition proposal that staff recommended or to clarify questions that staff raised. ( As I do this, you will also need a copy of the Staff's discussion paper, starting on page 1 of Attachment 1.

I should note that our approach, throughout your process, has been inclusive of suggestions or concerns. If Council members have suggestions for inclusion, in addition to those revisions we're recommending for in the Elements and Options sent forward for staff analysis, we would support their inclusion. Moreover, It is not the intent of our proposal to make it increasingly difficult for fishermen in non-qualifying communities to purchase IFQ's. Instead, we wish to transition into the existing IFQ market in a way that will, to the extent practicable, continue entry level opportunities for other fishermen.

Draft motion for Council consideration:

The Staff's proposed elements and options for allowing community purchase and holding of halibut and sablefish commercial quota shares as outlined in Attachment 1 of the May 25, 2001 council staff discussion paper be forwarded for formal staff analysis with the following changes:

1. Element 1: Eligible Communities

This option should be limited to item (c) "Rural communities with less than 2,500 people, no road access to larger communities, direct access to saltwater, and a documented historic participation in the halibut/sablefish fisheries."

The suboptions would remain the same.

2. Element 2: Appropriate Ownership Entity

Add an Option (e): "Regional or Gulf wide umbrella entity acting as trustee for individual communities."

3. Element 3: Ownership Caps for Individual Communities

Add an Option (a) "2% of 2C or 1% of the combined 2C,3A and 3B halibut quota share and 2% of Southeast or 2% of all combined sablefish QS.

Add the word "halibut" after the "3B" designation in the current options (a) and (b).

4. Element 4: Cumulative Ownership Caps for all Communities

Add an Option (e) No cumulative ownership caps

5. Element 5: Purchase, sale and use restrictions:

Under the "Blocked and Unblocked" designation, amend (in bold and italics) Suboption 1 to read:

"Communities can purchase blocked and unblocked share *up to* the ratio of blocked to unblocked shares in that area. (i.e. communities are not limited to a number of blocks that they can own, *but rather limited in the number of pounds of blocked shares.*) *The community would first need to purchase unblocked shares and then could purchase blocked shares up to the ratio in the area.*

6. Amend Suboption 2 to read:

"Communities can purchase blocked quota shares in excess of the current limit on block ownership.

- a. *Up to 5 blocks per community*
- b. *Up to 20 blocks per community*
- c. *Without limitation*

7. Under "Vessel Size Restrictions" clarify (c) to read, "Transferability of QS (permanent) and IFQ's (on annual basis [leasing]) from *commercial to community is restricted to the following class of shares.*"

(Delete (i) D Category only)

(i) C and D category only

- (ii) B, C, and D category
- (iii) B and C category only
- (iv) A, B and C category only
- (v) No transferability restrictions

8. Delete "Residency Requirements", "Allocation Criteria" and "Transferees" sections — subsumed in the "Code of Conduct" section.
9. Rewrite "Code of Conduct" section as follows"

*Communities wishing to purchase and use halibut and sablefish quota shares shall establish a Code of Conduct that provides for, to the extent practicable, the following provisions:*

1. *Maximize fishing of Community IFQ's by community residents*
  2. *Maximize benefit from use of Community IFQ for crew members that are community residents.*
  3. *Minimize administrative costs*
  4. *Minimize by catch and/or habitat impacts*
10. Revise option (c) of the Sunset Provisions:  
*Review program after <sup>five (5)</sup> years and, if needed changes are identified, provide a "drop through" of purchase and use privileges, as described in an excerpt for the NRC 1999 publication Sharing the Fish, whereby the initial privileges granted to participating communities would continue for an additional 10 years. However, additional community purchases would be subject to a new set of purchase and use standards. Incentives for communities to convert from the initial set of purchase and use privileges to the new set will be provided.*

*Suboption: Program to be reviewed, with similar "drop through" provisions considered, every 10 years.*

Mr. Chairman, Members of the Council, Thank you for your consideration of our proposal and suggested modifications for staff analysis. Again, we strongly encourage you to move this issue forward for your staff to analyze