

MEMORANDUM

TO: Council, SSC and AP Members
FROM: Clarence Pautzke
Executive Director
DATE: November 30, 2001
SUBJECT: IFQ Program

ESTIMATED TIME
4 HOURS

ACTION REQUIRED

- (a) Review IFQ Committee report.
- (b) Initial review of community QS purchase amendment (Amendment 66).

BACKGROUND

- (a) Review IFQ Committee report

The newly appointed IFQ Implementation and Cost Recovery Committee (Item C-6(a)(1)) will convene on December 2 to review and comment on the IFQ fee percentage of the commercial IFQ program for 2001 and to review four enforcement issues brought to the committee by NMFS Enforcement Division staff. The public notice for the IFQ Cost Recovery Program for 2001 is attached as Item C-6(a)(2). The NMFS letter on the enforcement issues is attached as Item C-6(a)(3). The committee minutes will be distributed during the meeting.

- (b) Initial review of community QS purchase amendment

The proposed action would allow eligible Gulf of Alaska communities to purchase commercial halibut and sablefish catcher vessel quota share (QS) in Areas 2C, 3A, and 3B for lease to community residents. The change would create a new category of eligible "person" that may hold halibut and sablefish quota share, with restrictions as developed by the Council and approved by the Secretary of Commerce. Currently, only persons who were originally issued catcher vessel QS or who qualify as IFQ crew members by working 150 days on the harvesting crew in any U.S. commercial fishery are eligible to purchase catcher vessel (B, C, and D category) quota share.

The proposed action targets small, rural, fishing-dependent coastal communities in the Gulf of Alaska that have documented participation in the halibut and sablefish fisheries. The concept is based on allowing an eligible community to identify or form an administrative entity to purchase and manage commercial QS, and lease the resulting IFQs to community residents. The criteria proposed to determine eligible communities are intended to distinguish a distinct set of rural Gulf communities that have experienced a decline in QS since the implementation of the IFQ program and have few alternative economic opportunities. While not necessarily a direct result of the implementation of the commercial IFQ program, declines in community fishermen and access to nearby marine resources are on-going problems in rural communities that may be exacerbated by the IFQ program. There has been a substantial decline in the amount of QS and the number of QS holders in the majority of the target Gulf communities since initial issuance, and this trend may have a severe effect on unemployment and related social and economic impacts.

The goal of the action is to help ensure eligible communities access to and sustained participation in the IFQ fisheries. Community entities may have more access than individual residents to the capital required to buy

QS, as well as the financial stability to risk that investment. In addition, a community may better be able to purchase and use the QS as a long-term investment or "resource endowment" for the benefit of the community.

The Council began considering allowing communities to purchase commercial halibut/sablefish QS in June 2000 in response to a proposal from the Gulf of Alaska Coastal Communities Coalition (Coalition). The proposal cited the disproportionate amount of QS transfers out of smaller, rural communities as a symptom of the continuing erosion of their participation in the commercial IFQ fisheries. Consideration of including communities in the commercial IFQ program is motivated by other sources as well. Several provisions of the Magnuson-Stevens Act, specifically National Standard 8, require that management programs take into account the social context of the fisheries, especially the role of communities. In addition, the National Research Council report, *Sharing the Fish* (1999), recommends that NMFS and the Council consider including fishing communities as stakeholders in fishery management programs, emphasizing the potential for communities to use QS to further overall community development.

The proposed action would be an amendment to the Gulf FMP (Amendment 66). The initial review draft of this analysis considers two alternatives: Alternative 1 (no action) and Alternative 2, which would allow eligible communities to hold commercial halibut and sablefish QS. The analysis considers eight elements under Alternative 2 that would shape the essential components of the IFQ program as it would relate to community purchases:

- Element 1. Eligible communities
- Element 2. Appropriate ownership entity
- Element 3. Individual community use caps
- Element 4. Cumulative community use caps
- Element 5. Purchase, use, and sale restrictions (vessel size and block restrictions)
- Element 6. Code of conduct
- Element 7. Administrative oversight
- Element 8. Sunset provision

The Council approved a suite of options for analysis under each of the above elements in June 2001. The complete list of alternatives is attached to this memo as Item C-6(b)(1). The draft analysis was sent to the Council on November 9. Initial review of the draft analysis is scheduled for this meeting, and final action is currently scheduled for February 2002.

IFQ Implementation & Cost Recovery Workgroup
Appointed 10/24/01

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December 3, 2001

David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

IFQ Cost Recovery Program 2001 IFQ Fishing Season

Dear Mr. Benton:

In a Notice soon to be published in the Federal Register the Secretary will announce that the 2001 IFQ fee percentage has been set at **2.0 percent**. Under the IFQ Cost Recovery regulations, IFQ permit holders who used their permits to record landings of halibut or sablefish during this year's IFQ fishery are obligated to pay that percentage of their total ex-vessel receipts from the sale of their halibut or sablefish.

The 2.0 percent figure was derived from two other numbers: 1) the total "ex-vessel" value of the halibut and sablefish fisheries; and, 2) the total costs of managing and enforcing the IFQ program (as measured by actual expenditures). These are discussed below:

Ex-Vessel Value of the IFQ Fisheries

Because the fee obligation is premised on a percentage of the ex-vessel value of the IFQ fisheries, it has been necessary to calculate those values. We are aware that ex-vessel prices vary from port to port, and with the time of year. Therefore, the regulations require that IFQ Registered Buyers report on the prices they paid to IFQ permit holders.

Accordingly, during October and early November, IFQ Registered Buyers that received IFQ halibut or sablefish as shore-side processors submitted information on how much IFQ halibut and sablefish they received and how much they paid to IFQ holders; the information was reported by species, by port, and by month. Once collected, the data were used to derive the mean (average) ex-vessel value for both species, each port, and each month. Following this calculation, the amount of IFQ product delivered to each port, by month, was multiplied by the value. Overall, the calculations show that the total "standard" ex-vessel value of the two fisheries was as follows:

Halibut	\$113,423,904.47
<u>Sablefish</u>	<u>53,944,271.18</u>
Total	\$167,368,175.65

Management and Enforcement Costs

The other part of the process of determining the fee is calculation of the costs associated with managing and enforcing the IFQ program. Note that these costs are the incremental costs (i.e., those costs that would not have been incurred but for the IFQ program). To ascertain those costs, in early September, RAM solicited cost information from the following non-RAM entities:

NMFS/AKR Sustainable Fisheries Division
 NMFS/AKR Office of Law Enforcement
 North Pacific Fishery Management Council
 International Pacific Halibut Commission

The table below sets out the responses that we received and which have been included in this year's Cost Recovery fee calculation.

Cost Category	RAM	Enforcement	Sustainable Fisheries	Halibut Commission	Total
Personnel Costs	955,915	1,150,600	68,463	117,912	2,292,890
Travel	25,230	83,400	0	19,919	128,549
Transportation	301	11,500	0	0	11,801
Printing	9,843	0	0	0	9,843
Contracts/Training	134,869	222,400	0	0	357,269
Supplies	25,351	37,500	3,560	860	67,271
Equipment	3,570	40,300	0	0	43,870
Rent/Utils/O'head	297,491	203,700	8,010	8,886	518,087
Other	0	0	0	777	777
TOTAL	1,452,570	1,749,400	80,033	148,354	3,430,357

Notes to table:

1. "Personnel Costs" include COLA and all benefits
2. "Travel" includes per diem payments
3. "Transportation" includes shipment of items (i.e., transaction terminals)
4. "Rent/Utils/O'head" includes actual cost of space and utilities and appropriate share of common space and services

Fee Percent Calculation

Calculating the fee percentage is accomplished using the following formula:

$$[100 \times (DPC-AB)]/V/1-NPR$$

This is not as formidable as it may seem! It simply means that the Direct Program Costs (DPC) of management and enforcement, less the amount that was over-collected from last year, or the Account Balance (AB), multiplied times 100, is then divided by the fisheries Value (V) and is further divided by the anticipated Non-Payment Rate (1-NPR). The result (rounded to the nearest 0.1%) is the fee percentage. Here are the numbers:

<u>Factor</u>	<u>Value</u>	<u>Activity</u>
Cost (DPC):	3,430,357	minus
Overpayment (AB):	7,349	times 100, and divided by
Fisheries Value (V):	167,368,176	divided by
Non-payment Rate (1- NPR):	0.9995	equals
	2.046219562	round to nearest 0.1% yields

Rate for 2001 IFQ Season: 2.0%

Payment of the Fee

Shortly after the fee percent is published in the Federal Register, RAM will prepare statements (bills) for every IFQ permit holder whose permit was used to record IFQ landings during 2001. The bills will display the species, date, and IFQ pounds landed and the standard ex-vessel price that applies to each landing. These are then summed and the result is the total is the permit holder's fee liability (i.e., the amount of the "bill" that should be paid). Payments are due by no later than January 31, 2002.

Permit Holder's Options

An IFQ permit holder may simply pay the amount that is billed. Alternatively, if s/he believes that the "standard" ex-vessel value, as calculated by RAM from information provided by the Registered Buyers does not accurately reflect her/his actual receipts, s/he may opt to apply the 2.0% to those actual receipts; if s/he opts to do so, however, s/he must be prepared to show the actual receipts from sales of fish.

Use of Funds

Twenty-five percent of all fee payments will be deposited in the U.S. Treasury and made available for the Congress to appropriate in support of the North Pacific (IFQ) Loan Program. The other 75 percent is deposited in the "Limited Access System Administrative Fund" (LASAF) and is available to the Secretary to offset the costs of managing and enforcing the program.

It is instructive to note that the fee is not expected to result in any real increase in budgets or expenditures; it will simply offset funds that would otherwise have been appropriated (with the exception of IPHC expenditures, for which there is no direct appropriation). Therefore, there is no particular budgetary "advantage" to be gained by inflating the management and enforcement costs.

Conclusion

We have been pleased with the level of cooperation we have received from the IFQ fleet and from Registered Buyers. As last year's participation rate indicates, the vast majority of IFQ fishermen have accepted the program requirements and have willingly paid. We have no reason to expect a lesser level of cooperation during 2002 and beyond.

Please let us know if you have any questions.

Sincerely,

Philip J. Smith
Program Administrator
Restricted Access Management



UNITED STATES DEPARTMENT OF COMMERCE
NOAA / National Marine Fisheries Service
Alaska Enforcement Division
P.O. Box 21767
Juneau, Alaska 99802-1767

July 3, 2001

David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501-2252

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Dave
Chairman Benton,

Now that we have 6 full years of IFQ fishing completed, I feel it is time to evaluate certain enforcement aspects of the program. There are four main regulatory requirements which seem to be aggravating to the industry; (1) Prior Notice of Landings, (2) Offload window of 6am to 6pm, (3) Shipment Reports, and (4) Vessel Clearances. From the enforcement prospective, I feel there may be justification to amend these requirements. Following a brief summary of each requirement.

Prior Notice of Landing (PNOL)

*A vessel operator must contact NMFS Enforcement at least 6 hours prior to the offload of any IFQ species.

Enforcement benefits:

- allows officers time to travel to the offload site to monitor the offload.
- allows officers to prioritize which vessels to monitor.
- provides a deterrent effect when the operator knows that enforcement may show up to monitor the offload.

Industry complaints:

- vessels have to commit to a certain Registered Buyers at least 6 hours before offloading and may not get the benefit of competition for price.
- communications at sea are limited, so the vessel relies on Registered Buyers, or spouses, to call in the PNOL.
- Registered Buyers are restricted in their ability to bid on a load of IFQ fish if they have to wait 6 hours to offload. This is especially aggravating to the auction system in Homer.



Offload Window

*Vessels have to begin their offload of IFQ species between 6 am and 6 pm.

Enforcement benefits:

- with limited enforcement personnel in eight ports, having to cover a 12 hour offload window 7 days a week is already a challenge, but this allows officers to concentrate their efforts.
- restricting the offload times to the day time reduces the risk of unreported or under reported landings at night.

Industry complaints:

- although 6 am seems to be ok for the start time for Registered Buyers, 6 pm is too limiting when they get behind on offloads in the afternoons.
- vessels would like more flexibility in offload hours to work their crews more efficiently.

Shipment Report

*Registered Buyers are required to complete the shipment report before the IFQ fish leave the landing site. They must submit the Report to Enforcement within 7 days of the actual shipment. The Report is required to accompany the fish to the first destination.

Enforcement benefits:

- gives enforcement an audit tool to compare "fish in" with "fish out" of a plant.
- allows enforcement to identify whether a load of halibut or sablefish being transported was lawfully landed.

Industry concerns:

- one more report to fill out and submit

Vessel Clearance

*The vessel operator leaving Alaska with IFQ fish is required to either give a verbal "departure report" to enforcement and then get the Vessel Clearance (submit to a physical boarding) in Bellingham, or get the Vessel Clearance in certain Alaskan ports before heading south.

Enforcement benefits:

- allows enforcement the opportunity to inspect before the fish leave Alaska to be off loaded in Canada or the lower 48.
- provides a level of deterrence to a variety of reporting violations

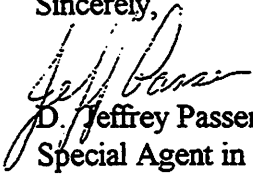
Industry concerns:

- the requirement is onerous and costly when they have to divert off course to come dockside for a clearance.
- there are not enough port options for obtaining a clearance.

SUMMARY

I would like to meet with the IFQ Implementation Team to review these four topics. Some of these requirements have turned out to be of limited value to enforcement and amending any or all of these requirements may provide relief to NMFS enforcement as well as the fishing industry. I will make myself available to meet with the Team whenever possible. Please feel free to call me to discuss this in more detail, or if I need to clarify any of the issues. You can reach me at (907) 586-7225.

Sincerely,



D. Jeffrey Passer
Special Agent in Charge
Alaska Enforcement Division
NOAA/NMFS Office for Law Enforcement

Alternatives and options for Gulf FMP Amendment 66

Alternative 1: (No Action) Only qualified persons as defined in the current Federal regulations could hold and use commercial halibut and sablefish QS in the Gulf of Alaska.

Alternative 1 would maintain the language and intent of the current regulations (50 CFR 679.41(g)), effectively limiting the transfer of QS to IFQ crew members and initial recipients. Individual Gulf community residents would continue to be allowed to purchase commercial halibut and sablefish QS and fish the resulting IFQs, but community entities could not receive or hold catcher vessel QS for community benefit.

Alternative 2: Allow eligible Gulf of Alaska coastal communities to hold commercial halibut and sablefish QS for lease to and use by community residents.

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

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 size to communities with less than 1,500 people.

Suboption 3. Increase size to communities with 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)
- (e) Regional or Gulf-wide umbrella entity acting as trustee for individual communities

Element 3. Use Caps for Individual Communities

Options (a) - (c) would establish **the same use caps** for all eligible communities:

- (a) 2% of 2C and 1% of the combined 2C, 3A and 3B halibut QS, and 2% of Southeast and 2% of all combined sablefish QS.
- (b) 1% of 2C and 0.5% of the combined 2C, 3A and 3B halibut QS, and 1% of Southeast and 1% of all combined sablefish QS.
- (c) 0.5% of 2C and 0.5% of the combined 2C, 3A and 3B halibut QS, and 0.5% of Southeast and 1% of all combined sablefish QS.

Options (d) or (e) would establish **use caps on an area basis** (i.e., eligible communities in Area 2C, 3A, and 3B would have different use caps):

- (d) Place caps on individual communities that limits them from using more than 1% of the combined quota share in the area they reside in and an adjacent quota share area. Communities in 3A could not buy quota shares in 2C.
- (e) Place caps on individual communities that limits them from using more than 0.5% of the combined quota share in the area they reside in and an adjacent quota share area. 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 Use 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.
- (e) No cumulative use caps.

Element 5. Purchase, use, and sale restrictions

Block Restrictions

- (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 up to 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, but are 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.

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

- (a) 5 blocks per community
- (b) 20 blocks per community
- (c) Without limitation

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.
- (c) Transferability of QS (permanent) and IFQs (on annual basis [leasing]) from commercial to community is restricted to the following class of shares:

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

Sale Restrictions

(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) Communities may only sell their QS:
 - 1. after 3 years of ownership
 - 2. to other communities
 - 3. no sale restrictions
- (b) Communities may:
 - 1. divide QS blocks that result in IFQs in excess of 20,000 lbs in a given year in half upon sale
 - Suboption 1: Allow only Area 3B QS blocks that result in IFQs in excess of 20,000 lbs in a given year to be divided in half upon sale
 - 2. "sweep up" blocks of less than 10,000 lbs and sell as blocks of up to 20,000 lbs

Element 6. Code of Conduct

Communities wishing to purchase and use halibut and sablefish QS shall establish a code of conduct that provides for, to the extent practicable, the following provisions:

- (a) Maximize fishing of community IFQs by community residents
- (b) Maximize benefit from use of community IFQ for crew members that are community residents
- (c) Minimize administrative costs
- (d) Minimize bycatch and/or habitat impacts

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 5 years and consider sunseting program if review reveals a failure to accomplish the stated goals.
- (c) Review program after 5 years and, if changes are necessary, provide a "drop-through"¹ of purchase and use privileges, whereby the initial privileges granted to participating communities would continue for an additional 10 years. 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 would be provided.
 - Suboption 1: Review program after 10 years
 - Suboption 2: Review program after 3 years

¹As described in the National Research Council's 1999 publication Sharing the Fish, p. 150.

November 7, 2001

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North Pacific Fishery Management Council
605 West 4th Avenue, Ste 306
Anchorage Ak 99501-2252

N.P.F.M.C

Chairman David Benton,

I'm writing to support the Gulf of Alaska communities' proposal to purchase halibut and sablefish commercial quota shares. After reviewing the June 12, 2001 Council draft, I want to add my comments concerning Element 5 (Purchase, sale, and use restrictions). One option under Element 5 pertains to vessel size restrictions and warrants addressing.

Vessel size restrictions reads as follow:

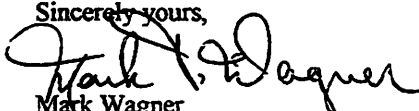
- (a) Apply vessel size (share class) restrictions to the purchase of QS by communities.
- (b) Do not apply vessel size (share class) restrictions to the purchase of QS by communities.
- (c) Transferability of QS (permanent) and IFQs (on annual basis [leasing]) from commercial to community is restricted to the following class of shares:
 - (i) A category
 - (ii) C and D category
 - (iii) B and C category
 - (iv) B,C, and D category
 - (v) A,B, and C category
 - (vi) No transferability restrictions

I support option B that doesn't apply vessel size restrictions. My comments relate directly to 3B-D class quota shares. Area 3B is quite different from 2C or 3A in that there is very little "D" vessel shares. approximately 3.2 % of the quota shares in 3B are "D" class and of the "D" class less than 10 % are owned by residents of the communities of 3B. In fact, very few local fishermen even own "D" class vessels aside from the skiffs used in salmon fishing. In 2C & 3A the need for entry level quota share is more important for the small boat fleet. In the 3B communities, the small boat fleet is mostly made up of vessels in the 36-48 foot range, not 35 ft. and under. By not applying vessel size restriction to the Coalition, it would allow them to purchase shares from outside the communities, to be fished by local fishermen.

I also support no vessel class restrictions because it would enable owners like myself an opportunity to sell their 3B-D shares. Since the 1996 fish down amendment, which permitted smaller class vessels to fish down quota shares, there has been little or no interest in purchasing 3B-D shares. I purchased a large block of 3B-D halibut shares prior to the 1996 fish-down amendment. I had intended to fish the quota shares on my 32 footer until I could buy a bigger boat. At which time, I would sell the "D" shares to buy "C" shares in order to continue fishing halibut. After 4 years of trying to sell the "D" class shares. I'm now convinced no fisherman will buy them. Why buy "D" shares when a fisherman can buy "C or B" class shares and fish down. This avoids the real problem of trying to sell "D" class when you increase your vessel size. I have been told by the IFQ broker's that it's impossible to sell 3B-D blocks over the sweep up limit (44,193 units or 13,551 lbs. in 2001). By having no class restrictions, 3B-D shareholders would now have a buyer for their shares.

The communities in 3B and 3B-D shareholders need help. Having no class restrictions in 3-B won't hurt anyone. Thank you for the opportunity to address this issue.

Sincerely yours,



Mark Wagner

P.O. Box 10835

Bainbridge Is. WA. 98110

Petersburg Vessel Owners Association

November 28, 2001

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Phone (907) 772-9323 Fax (907) 772-4495

Mr. David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501-2252

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NOV 23 2001
N.P.F.M.C.

Subject: December 2001 Agenda Item C-6: Halibut/Sablefish IFQ Program

Dear Chairman Benton:

Petersburg Vessel Owners Association is a diverse group of commercial fishermen, many of whom participate in the halibut and sablefish fisheries that will be affected by the proposed amendment that would allow communities to purchase quota shares. We would like to take this opportunity to strongly urge the council not develop a program such as this that undermines the design of the original IFQ program. PVOA opposes the proposed program that would allow communities to purchase quota shares and asks the council to carefully consider the impacts this program will have on fishermen, communities, and markets.

When the IFQ program was initially created and developed, a great deal of care was taken to ensure that the demographic of the fleet would remain unchanged and that the valuable quota shares would not come to be controlled by corporate interests. The proposed program would allow quota shares to be purchased by communities and leased to fishermen. This essentially is the same corporate control that was a major concern addressed by those who designed the original program. The proposed program would make communities subject to different rules than individuals when it comes to vessel size restrictions, the purchase of blocked and unblocked shares, and sweep-up restrictions. This would have serious effects on the makeup of the fleet and would place individual operators in the position of competing with a large entity with significant capital, which places commercial fishermen at a significant disadvantage.

When IFQs were initially issued, residents of some small coastal communities either were not issued any quota share or were issued quota share and since have sold that quota or moved out of the communities. Further examination needs to be given to why there is a lack of quota share in these communities. The Council and the existing IFQ holders are under no obligation to upset the quota share market balance and disadvantage commercial fishermen in order to develop a new industry in communities that have no history of participation in the fishery. As for communities whose residents were initially issued some quota share, but that share has since left the community, it must be recognized that the quota that is no longer in these communities is gone for a reason. Whether residents made the decision to sell out or whether they moved to a different community for personal or business reasons, something prompted quota share holders to take action that resulted in quota leaving the community. Further examination of these factors is warranted. Developing a complicated new program is entirely premature without some understanding of the problem. The problem is not that these communities do not hold quota. The problem is that something within the community, be it infrastructure or other factors, is not conducive to residents

retaining quota. Without a full understanding of the underlying reasons for this decline in holdings, it is rather difficult to develop an appropriate remedy. With a great deal of respect for the economic problems faced by coastal communities, we nevertheless feel that this program is a misguided if well meaning attempt to solve a problem with deep roots and many causes by jeopardizing the current IFQ fishery that many communities and fishermen depend on as a main source of revenue. Many of the challenges faced by coastal communities are the result of the decline in revenues from non-IFQ fisheries or circumstances outside the realm of IFQ management such as court decisions or changes in timber management. It is not appropriate to expect the IFQ program to compensate for unrelated economic losses.

We feel that existing loan and grant programs provide ample opportunities for those living in coastal communities to buy quota. The IFQ fleet was assessed 3% to finance a program to provide low interest rate federal loans for those who were issued no quota share or a small amount. These and many other programs (state, private, and CFAB) allow residents to buy quota but don't change the demographic of the fleet or force fishermen to compete unfairly for the opportunity to buy quota. We feel that programs such as these are far more appropriate solutions than the program amendment currently being considered. It may be possible to modify existing programs slightly to benefit residents of the identified communities; alternatives such as this should be considered if the analysis is to address the true problem.

Our greatest concern with the proposed program, aside from that fact that it goes against that careful design of the IFQ program, probably will not address the problems of these small coastal communities, and is unnecessary, is that it destroys the market balance achieved by quota share holders. Since the beginning of the program, the supply and demand of quota shares is variable and price is responsive and fluctuates accordingly. Therefore it is not only foreseeable, but a near certainty that the addition of a new group of stakeholders with a significant amount of capital to invest will disrupt this balance and have the effect of putting fishermen looking to buy quota shares in competition with a community with unlimited funding and buying power. It is obvious that in this scenario the individual operator will be at a significant disadvantage. This program might make it easier for communities to own quota, but it will make things much more difficult for individual fishermen who are attempting to purchase quota.

Much careful work was done when the IFQ program was developed to ensure that corporate ownership would not occur and that control of the industry would remain in the hands of individual operators. The proposed program would in effect do exactly what the original program was designed not to do – put control of a substantial amount of quota in the hands of those with unlimited capital and disadvantage the smaller operations who will not longer be able to afford to buy their own shares and will have no choice but to lease shares from a community. In addition, there is no guarantee that communities will lease the quota share to residents of that community. One option would allow anyone to fish the quota as long as they had one crewmember who was a community resident. Therefore there is no real assurance that the revenue from these shares will benefit the communities.

Much of the justification offered by the proponents of this proposal comes from the report Sharing the Fish. The Council may also wish to consider this recommendation from the same publication:

“Recommendation: Councils should proceed cautiously in changing existing programs, even to conform to the recommendations of this report. In spite of initial windfall gains (or even in the absence of them), many individuals have made subsequent investments in quota shares.

Changes should be designed to maintain the positive benefits of IFQs that result from their stability and predictability."

A program such as the proposed amendment will change the supply and demand equation and change the program substantially. Therefore it undermines the stability and predictability that fishermen were counting on when they decided to invest in IFQs, vessels, and gear.

In summary, PVOA opposes the halibut/sablefish IFQ program amendment that would allow community purchase of quota share because we feel it is a misguided attempt to use the IFQ program to solve the problems of coastal communities, is unnecessary given the large number of programs already in existence to allow for easy access to quota shares, it goes against the original design and intent of the IFQ program, and it will disrupt the market for quota shares and disadvantage individual operators by forcing them to compete with large entities with unlimited capital. Further analysis of this issue should focus on reasons for the perceived lack of quota share in the proposing communities and what type of programs might appropriately address the reason that quota left communities, including how existing programs might be sufficient with slight modifications. As far as the community purchase amendment, further analysis should occur that focuses on the economic impacts to existing IFQ holders, fishermen who wish to purchase quota, and fishermen who live in ineligible communities.

If the Council does decide to pursue this course of action, we strongly suggest that only communities with a historic dependence on the resource of the smallest proposed population size be considered eligible. The current list of eligible communities includes several with little or no fishing history. Coffman Cove, Whale Pass, Thorne Bay, and Hollis are all included, yet all are largely logging communities. The Alaska Community Database Summary lists zero commercial fishing permits of any type in Hollis and two in Whale Pass, yet these communities are both eligible under the proposal. It is unclear how these communities came to be considered fishery dependent; a more stringent criteria should be applied to the entire list and the actual dependence of the proposed communities on fishing of any type should be analyzed. In addition, we would propose that the council strongly consider an aggregate cap that would prevent communities or an umbrella corporation created to oversee the program from controlling such a large percentage of the quota and might reduce the negative effects of the program on individual fishermen. Thank you for your consideration of these comments.

Sincerely,



Cora Crome
Director

COMMISSIONERS:

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JUNEAU, AK
RICHARD J. BEAMISH
NANAIMO, B.C.
RALPH G. HOARD
SEATTLE, WA
KATHLEEN PEARSON
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C-6 Supplemental
INTERNATIONAL PACIFIC HALIBUT COMMISSION

ESTABLISHED BY A CONVENTION BETWEEN CANADA

AND THE UNITED STATES OF AMERICA

DIRECTOR
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November 29, 2001

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DEC - 4 2001

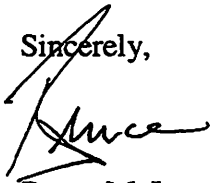
N.P.F.M.C

Dr. Clarence Pautzke, Director
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501-2252

Dear Clarence,

Prior to the International Pacific Halibut Commission's Annual Meeting the industry submits its recommendations for changes to the Commission regulations. The proposed regulation changes are then discussed by the Commission in the meeting. This year, we received two requests that are allocative in nature and more appropriately addressed by the Council. I am enclosing these proposals for the Council to consider during its next IFQ amendment cycle.

Sincerely,



Bruce M. Leaman
Executive Director

Encl.

cc: David Brindle, Ward's Cove Packing Co., Seward AK
James Whitehorn, Petersburg, AK

10/12/01

IPHC Regulations Proposal Submission Form Petersburg Lab

Proposal Title: 2CED CLEANUP

Year Proposed For: 2002

Submission Information (Please print or type)


Name: JAMES H. Whitethorn

Affiliation: 2CC HALIBUT FISHERMAN

Address: 710 RAMBERG ST, Box 94

City: PETERSBURG State/Prov: AK Postal/ZIP Code: 99833

Telephone: 907-772-3934 Fax: 907-772-9205 Email: _____

Signature: 

1. What is the definition and objective of the proposal?

I would like to see 30% of 2CED IFQs allowed to be fished without the permit holder aboard the boat.

2. Impacts: Describe who you think this proposed change might affect (include fishers, processors, agencies, and the public).

2a. Who might benefit from the proposed change? ALL FISHERMAN & FISHERWOMEN would benefit because AT THE END OF THE SEASON THE AVAILABILITY OF FISH CLOSE TO OUR TOWN IS A PROBLEM. SO SOME FISHERMEN ARE LEAVING POUNDAGE ON THE TABLE.

2b. Who might suffer hardships or be worse off?
NO ONE

3. Are there other solutions to the problem described above? If so, why were they rejected?

I do not see a problem, it seems to be working on the outside areas.

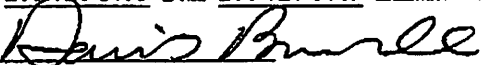
Please attach any other supporting materials. All items submitted prior to October 31, 2001 will be considered at the IPHC Annual Meeting. Remember to include contact information and signature.

IPHC Regulation Proposal Submission Form

Proposal Title: Vessel Clearance

Year Proposed for: 2002

Submission Information

<p>Name: <u>ScaFresh</u></p> <p>Affiliation: <u>Wards Cove Packing Co.</u></p> <p>Address: <u>P.O.Box 5030</u></p> <p>City: <u>Seattle</u> State: <u>WA</u> Zip Code: <u>98105</u></p> <p>Telephone: <u>206-726-3793</u> Fax: <u>206-726-3789</u> Email: <u>martyb@wardscope.com</u></p> <p>Signature: </p>
--

1. What is the definition and object of the proposal?

To allow fishing vessels to clear in either Seattle or Bellingham.

2. Impacts: Describe who you think this proposed change might affect (include fishers, processors, agencies and the public).

2a. Who might benefit from the proposed change?

- Seattle based processors/buyers who do not have processing facilities in Bellingham.
- Seattle based custom processors/cold storage that are currently loosing out on business to Bellingham processors.
- Seattle based longline fleet.

2b. Who might suffer hardship or be worse off?

- Bellingham processors who currently have an economic advantage over Seattle based processors.
- NMFS may have a problem covering a wider area.

3. Are there other solutions to the problem described above? If so, why were they rejected?

None.

*Provided
by Duncan
Jells - Crowley
had to leave
Cald(b)
12/01*

The members of FVOA are concerned about the Gulf Coalition proposal. We request that the following be expanded on in any proposed regulatory action to accommodate the Gulf Coalitions requests.

1. It has been suggested that tax-exempt village organizations be eligible to purchase halibut and or sablefish IFQs. Currently fishing crews are viewed as self employed by IRS. Crews and boat owners pay both sides of social security and Medicare taxes. This is about 15% of earnings plus withholding taxes. If crew and vessel owners are put in competition with tax-exempt groups they will be 15% to 40% less competitive for IFQs in the open market. This is not discussed in the current staff report.
2. The tax-exempt villages would be able to lease under the options provided. There are several issues that need study on this issue. We ask for an expanded discussion on the following:
 - a. Purchase power of being able to lease and not having ownership in a vessel. Currently "A" shares, which are leasable sell for 40% more than D,C, or B shares. If quota sells for ten dollars per pound to crew or initial quota holders they can borrow 70 % of the value or 7 dollars per pound. A none taxable group that can lease will get 70% of 14 dollars per pound and hence can out bid crew and vessel owners. This economic power needs discussion and a discussion that this is desirable needs to be added, if in fact that is the intent.
 - b. If 45 communities can purchase up to 2 percent of the quota, that potentially puts 80 to 90 percent of the quota into leased, none-owner operated situation. The current program was designed to have an owner-operated fleet to promote safety at sea and seamanship and to recognize the cultural history of this fleet. These goals will be undermined if the villages lease and do not have owners of quota on vessels or do not require ownership in a vessel.
3. Quota taken out of places like Kodiak, Seward or Petersburg by purchasing villages is assumed to be a positive if it goes to a rural area. Is this a fair assumption? Will it be viewed as a positive from the perspective of processors and municipalities that loose income and employment due to this program.

4. It is unclear why the limits of ownership to villages exceed what the rural areas originally qualified for? Is it the intent to totally restructure ownership from one Alaskan to another. (70 percent of the halibut is held by Alaskans) or to change the character of the fleet to leased fished with little vessel ownership? The staffs paper does not speak to these issues.

5. The restriction of none freezing at sea, B,C, and D shares, and owner on board were designed to help keep prices of entry low for qualified crew. If tax-exempt communities do not have to abide by these restrictions the concept of a willing buyer and seller become distorted. Current holders of quota will see that crew and boat owners will be able to offer prices lower than villages in part because the use restrictions will be removed for villages (i.e. c, d and b class sizes and no requirement of ownership in a vessel) and additionally, because of the tax exempt status of villages and the resulting purchase power that that provides. The staffs report does not speak to this.

Submitted
by
GOACCC?

Draft Motion

Community Purchase of IFQs
Additional Elements and Options for Analysis
EARIR for proposed Amendment 66

The Council recommends that the draft EARIR analysis of the community IFQ purchase proposal be forwarded for public comment with the following elements and options considered and reviewed.

Element 4. Cumulative Use Caps for all Communities

Substitute for (e) as follows:

(e) 20% of the combined 2C, 3A and 3B halibut QS, and 20% of the total combined Gulf of Alaska sablefish QS. However, communities would be limited to 10% of the combined 2C, 3A and 3 B halibut QS and 10% of the total combined Gulf of Alaska sablefish QS prior to the Council's review of the program in 3-10 years.

Suboption: Communities would be limited to 5% of the combined 2C, 3A and 3B halibut QS and 5% of the total combined Gulf of Alaska sablefish QS in the first 2-5 years of the program.

(f) No cumulative use caps.

Element 5. Purchase, use, and sale restrictions

Block Restrictions

(c) Allow communities to buy blocked and unblocked shares

Add Suboption 3: Restrict community purchase of blocked quota share to blocks of shares which, when issued, exceeded a minimum poundage of IFQ.

(a) For halibut management areas 2C, 3A and 3B, minimum halibut IFQ poundage in a range of 2,500 - 7,500 pounds. (Current sweep up provision is to 3,000#)

(b) For sablefish management areas SE, WY, CG and WG, minimum sablefish IFQ poundage in the range of 3,000 - 7,000 pounds. (Current sweep up provision to 5,000#)

Sale Restrictions

(a) Communities may only sell their QS:

Add new suboption **1. Earnings from the sale of quota shares shall be restricted to fisheries related investments.**

Element 6. Code of Conduct

Communities wishing to purchase and use halibut and sablefish QS **shall, prior to submitting an application for eligibility, consult with the State of Alaska to** establish a code of conduct that provides for, the following provisions:

New Option **(a) Transfer of community quota shares shall be limited to residents of the ownership community and residents of other qualifying communities.**

Suboption 1. In halibut management area 2C and the Southeast sablefish management area, transfer of community quota shares shall be limited to residents of the ownership community and residents of other qualifying communities in the 2C halibut management areas and Southeast sablefish management area.

Option (b) Transfer of community quota shares shall be limited to an amount equal to 25,000# -75,000# of halibut and sablefish IFQs per transferee.

Option (c) Transferees of community quota shares shall have the option to continue use of the quota share for up to three seasons after the transfer of the shares.

Option (d) To the extent practical, maximize fishing of community IFQs by community residents

Option (e) To the extent practical, maximize benefit from use of community IFQ for crew members that are community residents

Option (f) To the extent practical, minimize administrative costs

Option (g) To the extent practical, minimize bycatch and/or habit impacts

Element 7. Administrative Oversight

(a) Require submission of detailed information to NMFS **and the State of Alaska** prior to being considered for eligibility as a community QS recipient.

- (b) Require submission of an annual report detailing accomplishments.

The annual report would include:

A. Annual highlights – list of IFQ permit transferees, the amount of quota transferred , and use of quota share within community.

B. Community Development

- 1. Progress Toward Goals or Performance Standards contained in the Code of Conduct**
- 2. Outreach – summary of activities directed toward bringing local residents into program**
- 3. Economic Activity - describe any employment and/or training opportunities that may have been generated or**
- 4. supported by the program.**

C. Administration

- 1. Board Activities - summarize key decisions, not any changes in Board members**
- 2. Attach minutes from any meetings**
- 3. Note any changes in the administrative organizational structure**

D. Financial Statement

- 1. Previous Year's Budget and Expenditures**
- 2. Administrative Expenses**