

PUBLIC TESTIMONY SIGN-UP SHEET

Agenda Item: C-1 (a) IFQ Hired Skipper

	NAME (PLEASE PRINT)	TESTIFYING ON BEHALF OF:
1	Paul Clampitt	F/V Augustine / FVOA
2	Ben Clampitt	F/V Augustine / FVOA
3	Brian Harbor	F/V Seymore / DSFU
4	Jan Standaert	DSFU
5	Daryl Knutsen	F/V Cormorant Is6
6	NORMAN NESS & CREW MEMBERS	F/V SUNWARD
7	Frank Miles	F/v Lady Lu
8	JOHN McHENRY	F/V SELMOUR - F.V.O.A
9	Shawn Dochtermann	F/v Isanotski
10	Alexus Karschka	F/v No Point
11	Paul Clampitt	F/V Augustine FVOA
12	Bob Aharon	FVOA-Seattle
13	David Polushkin	K-Bay Fisheries Assoc.
14	Jack Knutsen	F/V GRANT - F.V.O.A.
15	Adam Westfall	DSFU
16	John Crowley	FVOA / Kristiana
17	Era Olsen	Farm Credit
18	Theresa Peterson	Amec
19	JEFF FARVAR	F/v Saltlick
20	Julianne Curry	PVOA
21	Linda Krak	Kodiak Vessel Owners
22	Clem Tillign	Alcut Corp.
23	Linda Behnken	ALFA
24	Mark Worley / Lisa Newland	F/v Golden Phalix / FVOA
25		

NOTE to persons providing oral or written testimony to the Council: Section 307(1)(I) 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.

Proposed alternative 3

(Current alternative 2 and the following:

If a initial QS holders provide evidence that they are 50% of more owners of a boat , evidenced with appropriate IRS returns, and have a second generation QS holder as a hired skipper then the proposed restrictions would not apply.

**FISHING VESSEL OWNERS' ASSOCIATION
INCORPORATED**

ROOM 232, WEST WALL BUILDING • 4005 20TH AVE. W.
SEATTLE, WASHINGTON 98199-1290
PHONE (206) 284-4720 • FAX (206) 283-3341

SINCE 1914

January 21, 2011

Mr. Eric Olson, Chairman
North Pacific Fishery Management Council
605 West 4th Ave., Suite 306
Anchorage, AK 99501-2252

RE: Agenda Item C-1(a) Initial Review on Halibut/Sablefish Hired Skipper

Dear Chairman Olson:

The members of the Fishing Vessel Owners' Association (FVOA) have the following comments regarding the Council's initial review of agenda item C-1(a), Initial Review on Halibut/Sablefish Hired Skipper. The FVOA is a trade association of 95 family-owned longline vessels, as well as second generation IFQ holders, all of them participate in the harvest of halibut and sablefish IFQs off Alaska.

FVOA and its members, upon reading the analysis for a hired skipper used by initial recipients of halibut/sablefish IFQs, request the Council to support the current status quo. The initial review fails to verify a problem with the current program. The program is working. Quota Share is moving to the second generation operations. The NMFS Annual Report to the Fleet shows fewer and fewer initial recipients left in the fishery. The program is working as envisioned and previously reviewed.

The original Council members that debated this issue in 1992 were faced with two fleets, each concerned about how the owner-on-board requirement was designed. There was a smaller boat fleet from S.E. Alaska that was significantly owner-on-board with smaller crews and smaller vessels. There was also a central Gulf of Alaska fleet that fished from Kodiak to the Bering Sea. This fleet was comprised of larger vessels, multiple owners including different forms of corporations and partnership structures and they used hired skippers. The 1992 Council compromised and chose to have S.E. Alaska begin the program as owner on board and to permit hired skippers for the first generation IFQ recipients for areas west of Area 2C, until they left the industry. This issue has been debated before the Council at least twice since 1992 and now a third time. With each of the previous Council's reviews, previous Councils acknowledged that there had been

differences in the fleet and the hired skipper provision should not be changed, though several additional requirements for hired skippers were made.

The proposed action found in Agenda Item C-1(a) is not a balanced proposal between initial IFQ recipients nor is it consistent with provisions the council has provided recently for CQE communities. Under the proposed action, partnerships and family corporations that were initially awarded IFQs would be treated differently from sole proprietorships. Partnerships and corporations, by regulation, must hire a skipper and would be treated differently than a sole proprietor when purchasing quota. A corporation or partnership would be frozen out of any future trades or purchases.

When the National Marine Fisheries Service issued original IFQs, they required confirmation of the name the quota would be issued in. Originally, the Council had voted for the quota to go to the ownership of the vessel the quota was earned on, except for some lease arrangements. Once these entities had been identified, NMFS allowed sole proprietorships, partnerships, and corporations to make a one-time declaration as to whether they wanted the IFQ issued as corporation, partnership, or sole proprietor. Many chose to change this identification. That is, some sole proprietors were allowed to be listed as different forms of corporations or partnerships. The Council's current proposed action represents an unfair change of action for those who NMFS offered this one-time offer to. This proposal will make it difficult for initially issued family-operated vessels that received initially issued quota to operate or compete. It restricts the ability to sell quota and relocate your fishing interests. In time, all of these entities will eventually leave the fishery and their quota will become owner on board quota. This is verified in the analysis several times.

At the current time, the Council is making it easier for CQE communities to enter the fishery. These CQE communities are not IFQ owners on board and, in fact, they will be hiring someone to harvest the fish. Also, they do not have to own 20% of the vessel, while initial family recipients are asked to do so in order to increase their liability exposure. The Council's original intent was for quota share to be fished owner-on-board after the initial recipient leaves the fishery. The CQE program insures that this will never come to fruition. The Council's action supports a preference for some to lease and hire skippers, such as CQEs, but not for initial family recipients, and there isn't any comment about this in the report. FVOA members believe the halibut/sablefish program is big enough to have a CQE component, but sees it as inconsistent and unfair to place additional burdens on the initial recipients of IFQs.

The current program has been working and evolving to second generation quota share owners on board. The quota share units from all areas except 2C as of 2011 have moved to 35% second generation. It appears to be moving at a little faster than 2% percent a year. Based on a 2008 report (attached), 30% had moved to second generation at about 2% per year. The 2011 season should see 36% of the fishery west of Area 2C, as owner on board. If you include the quota shares for 2C (about 15% of QS) and the CDQ allocated fish, which is about 5%, over 55% of the halibut has evolved to either second generation quota or to a standard of harvest approved by the Council. The program is

evolving as it was perceived by the Council of 1992 and by subsequent reviews by the Council.

The following charts reflect the exodus of initial halibut and sablefish quota share holders. Initial halibut recipients have dropped from 4500 to 1600 and sablefish Initial recipients from 850 to 416.

Figures 3.2a and 3.2b show the number of persons by type (individual or nonindividual) initially issued halibut or sablefish QS who still hold QS at each year-end of the IFQ Program.

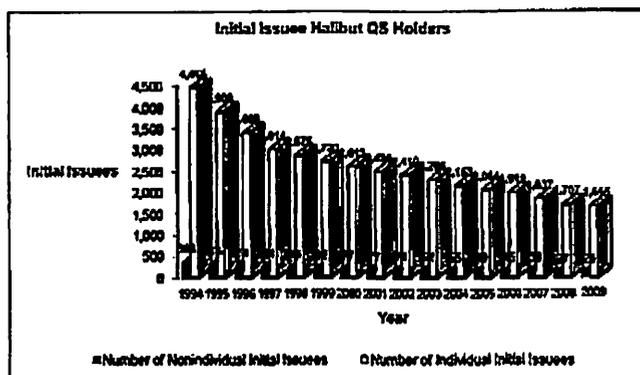


Figure 3.2a Initial Issues Holding Halibut QS at Year-end, 1994-2009

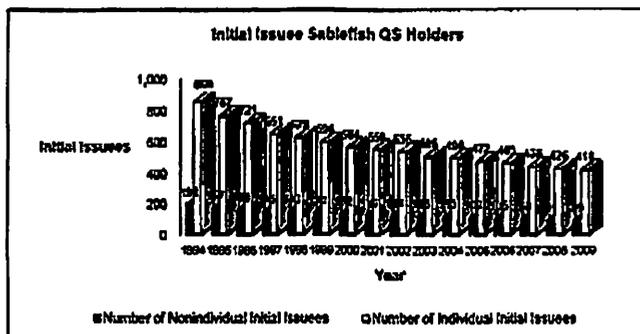


Figure 3.2b Initial Issues Holding Sablefish QS at Year-end, 1994-2009

The following are specific comments to the Initial Review Draft.

- (1) “The Council is concerned about the apparent consolidation and reduced opportunities for new entrants/second generation fishermen to enter the fishery. This action is necessary to promote an owner-operated catcher vessel fleet in the halibut and sablefish fixed gear fishery off Alaska and to further its objective of the IFQ program.”

This statement is conveniently focusing on one point of the IFQ program but fails to look at the broader perspective of the IFQ program. There is a CDQ component that is significantly harvested by hired skippers. The CDQ component is exempt from vessel caps. The vessel cap for halibut in 2010 was 204,000 lbs. per vessel. Some of the vessels fishing

CDQ had 1 million to 1.5 million pounds of IFQ fish, reducing employment and second generation opportunities, as CDQs are exempt from vessel caps. Similarly, the author fails to point out that the CQE program promotes tax-exempt corporations as IFQ holding companies that are not required to own a vessel and will definitely be hiring someone to fish the quota and they will no doubt charge a fee. Twenty percent (20%) of the IFQ program is encouraged by the Council to evolve to a more non-owner participant format using tax-exempt CQE corporations. Of the QS that is left and operated by initial recipients, which is 50% of the halibut, 40% of this is encouraged to go to tax-exempt corporations, not to second generation quota share holders.

The authors fail to point out the inconsistency of policy between often competing groups of CQEs, CDQs, initial recipients, and second generation quota holders. This initial review fails to point out that what is proposed as a change for initial recipients is actually encouraged and allowed by CDQs and CQEs. The IFQ halibut program initially was intended to evolve to owner on board but with CQEs, that can never happen, if they purchase quota.

- (2) “NMFS staff has identified a high administrative burden for revising regulations for a date in the past. The Council may wish to review the council's date to one with the effective date of the final rule.”

FVOA members concur with this recommendation. There were sales of QS that took place before the February 12, 2010 Council action. Money was transferred but paper work was not transferred at RAM due to processes of escrow. The Council should change the date to the time the Council takes a final action.

- (3) “...maintain the owner/operated notion of the fishing fleet. Hence, this requirement is intended to ensure that catcher vessel IFQ continues to be held by professional fishermen instead of absentee owners.”

The author fails to mention that CDQ and CQE corporations would equate to absentee owners. CDQ and CQE participants would probably not agree that they are absentee owners. Initial recipients represented by FVOA are not absentee owners; indeed they own 95 vessels.

- (4) “The owners on board exception will expire with the eventual transfer of all QS from initial recipients to new entrants.”

This statement clearly indicates the program is designed and working towards owner on board operations. It is evident that there is not a problem.

The authors discuss at great length about the use of hired skippers and the increase in hired skippers. We believe the discussion of hired skippers fails to measure whether QS is being transferred to second generation. It is a confusing element as even initial recipients who fish their quota must list themselves as hired skippers. The increase in hired skippers is exactly what the Council should be seeing at this time of the program.

FVOA members and crews expressed in testimony on February 12, 2010, that many of our vessels now have multiple hired skippers. All of FVOA hired skippers also own second generation QS or are initial recipients. This is how the fleet is transferring itself to second generation control. A crew buys quota and learns to run a vessel as a hired skipper and continues to buy more quota. The increase in hired skippers is exactly what the Council should expect to see as the second generation QS holders buy in and take over the process. The last purchase a second generation quota share holder is likely to make is the boat. Eventually, the initial recipients will leave. The Council should also be aware that there is a large liability associated with owning a vessel. This is one reason today's crew would rather own quota and operate someone else's vessel as a hired skipper.

The best way to know if the halibut/sablefish program is progressing toward owner on board is to look at how the QS is actually controlled and owned. We asked NMFS to look at this back in 2008 and their analysis for FVOA is included. It shows the steady progression of QS moving to owner on board at a little better than 2% a year. Assuming a 2% progression, the report suggests that the 2011 season began with 36% of the halibut QS west of 2C as second generation harvests. If you included 2C that represent 15% of the QS, which was initially owner on board and the QS that is in CDQ, over 55% of all halibut is in a mode approved by the Council. The program has reached over half way to being totally owner on board or owned by CDQs or CQEs. Using hired skippers statistics only at best obfuscates the true movement of QS to owner-on-board quota. Remember, that 20% of the QS are encouraged to be CQE not-owner-on-board was omitted by the authors.

"Alternative 2 - Prohibits use of hired skipper of halibut and sablefish B, C, and D class QS after February 12, 2010."

This is not an accurate writing of Alternative 2 as voted on by the Council. This might be corrected by inserting, "for future transfer" after QS.

We find that there are several inaccurate, inflammatory, and somewhat condescending comments made by the author that any future draft should omit.

Page 6. "The Council has been frustrated by continued attempts by initial recipients to circumvent the intent of the IFQ program..."

Page 6. "The Council never intended that this feature of the IFQ program be a retirement program for the initial recipients or their heirs..."

These statements are inaccurate in that once there are heirs, they have three years to either fish the QS themselves or sell.

The staff needs to document actual NOAA violations if they are going to keep the comments and not reiterate comments from people who have not presented actual documentation of such abuses. The hired skipper provisions are operating as intended but some people may be disgruntled about hired skippers or did not get their opinions adopted by previous councils. This doesn't warrant inflammatory comments in a RIR if the staff cannot cite violations.

In summary, the members of the Fishing Vessel Owners' Association request the Council to find that the initial review of changes for the hired skipper provisions reflect that there is not a problem and the program is proceeding as designed. The current program is big enough to have a CQE component and a CDQ component. The Council needs to explain why initial recipients need additional restrictions and why CQEs and CDQs do not. We ask the Council to conclude that based on the evidence there is no need to proceed with additional actions on this item. The program is achieving its' goals.

Sincerely,



**Robert D. Alverson
Manager**

RDA:cmb

8/3/2009
 NOAA Fisheries/AKR/RAM/Gharrett
 Alverson.xls

Percent of Halibut QS that was held by Initial Issuees as of Each Year end.

YEAR	Initial Issuee?	QS Units	Sum of all Halibut QS Units	Percent of Sum of QS Units
1995	N	17,853,163	327,277,198	5.5
1995	Y	309,424,035	327,277,198	94.5
1996	N	32,132,569	329,796,659	9.7
1996	Y	297,664,090	329,796,659	90.3
1997	N	40,425,336	330,378,726	12.2
1997	Y	289,953,390	330,378,726	87.8
1998	N	44,622,846	330,889,444	13.5
1998	Y	286,266,598	330,889,444	86.5
1999	N	53,039,253	330,943,931	16.0
1999	Y	277,904,678	330,943,931	84.0
2000	N	59,815,927	331,211,169	18.1
2000	Y	271,214,591	331,211,169	81.9
2001	N	68,744,499	331,182,058	20.8
2001	Y	262,256,908	331,182,058	79.2
2002	N	73,657,736	331,173,777	22.2
2002	Y	257,335,990	331,173,777	77.7
2003	N	80,576,715	331,677,207	24.3
2003	Y	250,919,841	331,677,207	75.7
2004	N	83,901,588	331,715,501	25.3
2004	Y	247,633,262	331,715,501	74.7
2005	N	87,913,920	331,712,161	26.5
2005	Y	243,575,384	331,712,161	73.4
2006	N	92,757,916	331,653,004	28.0
2006	Y	238,646,216	331,653,004	72.0
2007	N	94,879,376	331,653,004	28.6
2007	Y	236,773,628	331,653,004	71.4
2008	N	97,792,200	331,653,004	29.5
2008	Y	233,860,804	331,653,004	70.5

Area 2C has 59,552,039 QS = 15% of all QS and 11% of U.S. Quota which is fished as second generation.

Total quota shares currently fished as second generation is 41%; additionally, 4% of the quota is CDQ.

45% of the halibut QS are being fished in a form the Council has approved as a long-term goal.

Of the non-CDQ QS, 20% can be purchased by CQE communities and leased out to hired skippers.

North Pacific Fishery Management Council
605 West 4th Avenue, Ste. 306
Anchorage, AK 99501

January 24, 2011

Dear Chairman Olson,

I am a longliner based in Sitka, Alaska. I am writing to support final action to sunset hired skipper privileges on future QS purchases. The growth of hired skippers and the consolidation of access to the resource is a trend that I find destructive.

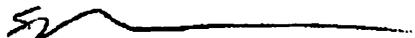
The individual fishing quota system was installed on good faith that individuals holding quota would actually be fishing that quota. Sixteen years later, nearly half of all quota is being fished by hired skippers—a trend that is rapidly transferring economic benefit from working fishermen to absentee financiers. The result is a move toward an individual quota ownership system, IQO, that is akin to a resource extraction scheme.

I strongly believe the hired skipper provision provides for unequal opportunity in the IFQ fishery. Because I was not an initial issuee, I am required to purchase shares that are in reasonable proximity to my base of operation. Conversely, initial issuees using hired skippers are able to buy quota in areas where quota prices are low and where they have no intention of ever fishing themselves. As a result, the majority of the economic value of longline fisheries is delivered to individuals who are disconnected from the resource.

The consolidation of the halibut/sablefish fishing quota needs to be halted. It was not the intent of the original IFQ program to allow half of Alaska's longline resource to be harvested by absentee owners. Yet, we are inching toward the unenviable situation that could have as few as 100 individuals—all absentee financiers—harvesting resources with the help of hired skippers. While original safeguards seemed adequate at the time, it has become clear that further restrictions are necessary.

Thank you for the opportunity to comment.

Sincerely



Stephen Rhoads

Shawn McManus
17421 NE 166th Place
Woodinville, WA 98072

January 25, 2011

Chairman Eric Olson
North Pacific Fishery Management Council
605 W. 4th Ave., Suite 306
Anchorage, AK. 99501-2252

Dear Chairman Olson:

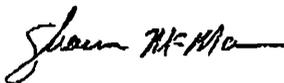
I am writing you to speak against the proposal regarding sun setting first generation future bought, traded or gifted halibut and sablefish quota shares (QS) which I also testified against in Portland last year. I am a second generation QS holder, hired skipper and vice president of the Deep Sea Fishermen's Union of the Pacific. I have been fishing for 15 years aboard the F/V Vansee. Five years ago, I began running the Vansee part time as a hired skipper. As a result of becoming a hired skipper, we had one less person onboard which further allowed myself as well as two of my fellow crewmembers and union members to begin buying quota. When I first began buying quota, the sale of my harvested fish covered my mortgage payments. Over the past few years the TAC has continued to go down. As a result, I now rely on my crewshare wages to help cover my mortgage payments. Thankfully I make good wages on a boat that has predominately first generation quota which does not carry a usage fee. Additionally, the boat I work on doesn't have an exorbitant boat share nor is the boat capped out. If the boat that I work on was forced to scale down because of this proposal, or worse, to sell out completely, I would be forced to look for a job on a capped out boat comprised of multiple owners with second generation quota. Working on a boat with multiple owners and second generation quota would demand a higher boat share. I would then be unable to make my mortgage payments.

There has been argument that this proposal could flood the market with cheaper quota. A market flooded with cheaper quota would seem beneficial to a second generation fisherman. However, second generation fishermen would also be competing against Community Quota Entities (CQE's) who enjoy certain tax exemptions which your average second generation fisherman cannot attain. So, in the end, with so many different competitors, would the quota being forced out into the open market actually be cheaper?

Mr. Chairman and members of the council, if you support this proposal, you are forcing individuals and family run businesses to move toward becoming more owner operator onboard while excusing CQE's from the owner operator onboard requirements being asked of you in this very proposal.

In closing, I realize this proposal is to sunset future bought, traded or gifted QS. However, I fear this proposal is but a mere stepping stone toward the total removal of the hired skipper provision. I feel this proposal would take us ever closer to a monopoly in the fleet. As a result, expect further quota consolidation with the remaining boats demanding higher boat shares and usage fees. Also, expect fewer jobs with labor taking on more risk for less compensation. I ask that you not penalize individuals and small businesses and remain status quo.

Sincerely,



Shawn McManus

The logo features a stylized fishing hook and line, with the hook curving upwards and the line looping back down.

Alaska Longline

FISHERMEN'S ASSOCIATION

Post Office Box 1229 / Sitka, Alaska 99835 907.747.3400 / FAX 907.747.3462

North Pacific Fishery Management Council
605 West 4th Avenue, Ste. 306
Anchorage, AK 99501

January 20, 2011

Dear Chairman Olson,

On behalf of the Alaska Longline Fishermen's Association (ALFA), I am submitting comments on the two IFQ Amendments before the Council: **1) CQE purchase of D halibut shares in Area 3A; and, 2) sunset of hired skipper privileges on FUTURE QS purchases.** ALFA members primarily target halibut in Areas 2C and 3A, but many members fish in all areas of the Gulf and Bering Sea.

CQE Purchase of D halibut shares in 3A

ALFA staunchly supports sustained participation in adjacent fisheries by community-based fishermen. We view the CQE program as a stepping stone to individual ownership of quota share (QS) by new entrants to the halibut and sablefish fisheries. We supported development of the CQE program with the important caveat that the entry level for individual fishermen, both residents of CQE and non-CQE communities, must be protected. ALFA supported the Council's decision to provide the CQEs the opportunity to purchase A, B, and C class QS, but to leave the D QS and small blocks for deckhands. With that decision, the Council struck an important balance between the CQEs and independent fishermen. We DO NOT support upsetting that balance at this time.

The analysis for this amendment identifies that, at year-end 2009, the number of QS holders in 3A CQE communities had declined by 52%, and identifies this loss of quota as a reason for Council action to facilitate QS purchase by CQEs. The Council should be aware that the RAM 2009 Report to the fleet establishes that across all areas the number of QS holders has declined by 59% over the same time period. In other words, since the initial allocation, QS has been consolidated in both CQE and non-CQE

communities. While ALFA members share the Council's concern relative to QS consolidation, we are concerned about the fleet and coastal fishing communities as a whole.

Individuals who are now trying to purchase QS and become owner-operators face financial challenges no less daunting than those faced by the CQE. As the analysis identifies, prices are at all time high levels and the amount of QS on the market is steadily declining. With project partners at the North Pacific Fishery Trust, ALFA is working to assist community-based fishermen with the purchase of QS and to facilitate the transfer of QS from the retiring fishermen within our membership to new entrants and deckhands. We understand the challenges new entrants face, and we understand the challenges the CQEs face in trying to pay the overhead of running a CQE and financing QS. However, ALFA cannot support a "solution" that assists the CQEs while increasing the difficulties independent fishermen face in finding and financing QS. Instead, the Council should adopt a solution that discourages further consolidation and supports entry-level opportunities for ALL community-based fishermen—such as sunsetting the hired skipper privileges for future QS purchases (discussed below). Reversing the Council's previous decision relative to CQE purchase of D shares will only assist the CQEs to the degree it disadvantages independent deckhands seeking entry to the halibut fishery.

The analysis identifies that to date only one CQE has purchased QS. No doubt it is difficult for these relatively new non-profit entities to borrow money to purchase QS. The analysis also reminds the Council that CQEs are poised to receive charter limited entry permits and fixed gear Pacific cod licenses. ALFA agrees that: *"The expansion of the base of community holdings (acquired at no cost) beyond that of halibut and sablefish QS may help further the CQE Program, and may allow CQEs to leverage their assets such that purchases of halibut and sablefish QS become more financially feasible."* (p. 33). Independent fishermen struggling to purchase QS are being granted no such assets. What little D QS enters the market should be reserved for these individuals. In sum, ALFA supports status quo, alternative 1, and does not support allowing 3A CQEs to purchase D category QS.

Hired Skipper Provision

One of the Council's stated goals in creating halibut/sablefish QS system was to promote stewardship by providing active fishermen a vested interest in the long-term productivity of the resource. Other goals included providing an accessible entry level for

deckhands and other community-based fishermen. A report on the development of the program from Pautzke and Oliver (1997) states, "The primary intent of the Council in adopting these provisions was to maintain a diverse, owner-operated fleet and prevent a 'corporate', absentee ownership of fisheries." (p.14). Prior to implementation of the QS program the halibut/sablefish fisheries were 90% owner-operated; now they are 50% at best.

To accommodate diverse harvesting models, the Council allowed initial recipients to use a hired skipper, with the intent that this privilege apply only to initially allocated QS. NMFS interpreted this provision to allow initial recipients to use a hired skipper for ALL QS—initially allocated or subsequently purchased. This has provided substantial leverage to initial recipients at the expense of deckhands and new entrants. Lease fees paid to absentee QS holders range from 50-75%. The deduction of these rents from the gross proportionally reduces skipper and crew shares, making it that much more difficult for crewmen to save the necessary down payment to purchase their own shares.

The proposed amendment, which allows initial recipients to **continue to hire a skipper to harvest ALL the QS they currently own, but would require the QS holder to be on board the vessel to harvest catcher vessel shares purchased after a date specified by the Council**, strikes a reasonable compromise between the original intent of the QS program and the status quo. ALFA urges the Council to move ahead with this amendment, and believe it will do more to assist CDQ and non-CDQ entry to the fishery than the 3A amendment addressed above. The amendment is consistent with the original intent of the program, and ALFA urges the Council to safeguard that intent. We will have representatives at the Council meetings to address this issue and to speak to specifics of the analysis once the analysis is available for public review.

Thank you for the opportunity to comment.

Sincerely,



Linda Behnken
(Director, ALFA)