

ADVISORY PANEL MINUTES
North Pacific Fishery Management Council
October 1-6, 2007 Hilton Hotel, Anchorage, Alaska

(C-1 (c) excerpt)

Action 2 - Compensated Reallocation between Commercial and Charter Sectors in Areas 2C and 3A (bold and underlined = new language)

Problem Statement

The absence of a hard allocation between the longline and the charter halibut sectors has resulted in conflicts between sectors and tensions in coastal communities dependent on the halibut resource. Unless a mechanism for transfer between sectors is established, the existing environment of instability and conflict will continue. The Council seeks to address this instability while balancing the needs of all who depend on the halibut resource for food, sport, or livelihood.

Alternative 1. **Common Pool Management**

Alternative 1 implements measures to allow compensated reallocation between the commercial sector and the charter sector using a common pool management regime.

Element 1: Holder of Quota Share, Method of Funding and Revenue Stream

~~Element 1.1: METHOD OF FUNDING~~

~~A. FEDERAL COMMON POOL~~

~~option 1. LOAN~~

~~option 2. BUYOUT PROGRAM~~

B. State of Alaska Common Pool

~~option 1. LOAN~~

~~option 2 bonding (**funding source**) **Charter sportfishing license surcharge**~~

~~(**revenue source**)~~

Option 3. business license fee/surcharge or limited entry permit holder

suboption 1. fee is based on number of clients

suboption 2. fee is based on number of fish

C. Regional Non-Profit Association Common Pool

~~option 1. loan (**funding source**)~~

~~**Self assessment fee (revenue source)**~~

~~Element 1.2: Revenue Stream~~

~~A. Federal Common Pool~~

~~option 1. halibut charter stamp~~

~~option 2. moratorium permit fee~~

~~option 3. self-assessment fee~~

~~suboption 1. fee is based on number of clients~~

~~suboption 2. fee is based on number of fish~~

~~B. State of Alaska Common Pool~~

~~option 1. charter stamp~~

~~option 2. sportfishing license surcharge~~

~~option 3. business license fee/surcharge or limited entry permit holder~~

~~suboption 1. fee is based on number of clients~~

~~suboption 2. fee is based on number of fish~~

~~C. Regional Non-Profit Association Common Pool~~

~~option 1. self-assessment~~

~~Suboption 1. fee is based on number of clients~~

~~Suboption 2. fee is based on number of fish~~

Revenue streams will be for a defined period and end after the loan or bond is paid off, i.e. continuous open-ended revenue streams are to be avoided.

Element 2: Restrictions on transferability of commercial quota share by charter sector, with grandfather clause to exempt current participants in excess of proposed limits

Element 2.1: Limits on transferability

The percentages are based on the combined commercial and charter catch limit. A percentage of the combined commercial and charter catch limit will be available for transfer between sectors.

Option 1: 10 percent

Option 2: 15 percent

Option 3: 20 percent

Option 4: 25 percent

Element 2.2: Limits on **QS** purchase

A. entities purchasing for a common pool:

Option 1. limited annually to a percentage (30-50%) of the average amount of QS transferred during the previous five years.

Option 2. Restrictions on vessel class sizes/blocked and unblocked/ blocks above and below sweep-up levels to leave entry size blocks available for the commercial market and to leave some larger blocks available for an individual trying to increase their poundage.

Option 3. No limits

(These options are not intended to be mutually exclusive.)

Element 2.3: Limits on **IFQ** leasing

A. The common pool may only lease 0-15% of holdings back to the commercial sector.

Alternative 2. **Individual Ownership Management**

Alternative 2 implements measures to allow compensated reallocation between the commercial sector and the charter sector using an individual ownership management regime. A moratorium permit would be required unless the moratorium is not in place, in which case a Guided Sportfish Business License would be required instead.

Element 1: Holder of Quota Share, Method of Funding and Revenue Stream

Element 1.1: Method of Funding

option 1. loan programs

option 2. private funding

Element 1.2: Revenue Stream

Revenue streams will come from private sources.

Element 2: Restrictions on transferability of commercial quota share by charter sector, with grandfather clause to exempt current participants in excess of proposed limits

Element 2.1: Limits on transferability

The percentages are based on the combined commercial and charter catch limit. A percentage of the combined commercial and charter catch limit will be available for transfer between sectors.

- Option 1: 10 percent
- Option 2: 15 percent
- Option 3: 20 percent
- Option 4: 25 percent

Element 2.2: Limits on **QS** purchase

A. Individuals are subject to the current ownership cap and block restrictions associated with commercial quota share

Element 2.3: Limits on **IFQ** leasing

A. Individual charter operators:

Option 1. an individual may not hold or control more than the amount equal to the current setline ownership cap converted to the number of fish in each area (currently 1% of the setline catch limit in 2C or ½% in 3A)

Option 2. an individual may not hold or control more than 2,000, 5,000, or 7,500 10,000 fish. (Note: examine this as a percentage of the catch limit once allocations are established.)

Option 3. charter operators may lease up to 10% of their QS back to commercial sector

B. Individual commercial fishermen:

i. Commercial fishermen ~~who do not hold a sport fishing guide business license and/or moratorium permit~~ may lease up to 10% of their annual IFQs for use as GAF¹ on an individual basis, or to a common pool.

ii. Commercial fishermen who hold QS and a sport fishing guide business license and a halibut moratorium license may convert all or a portion of their commercial QS to GAF on a yearly basis if they own and fish it themselves on their own vessel. Commercial and charter fishing may not be conducted from the same vessel during the same day.

Implementation Issues

AP agrees that the implementation issues should be in the analytical portion of the analysis. It is also helpful to have this list of implementation issues as part of the motion elements to let the public who just looks at the motion to understand some of the basis and assumptions that form the backbone of the programs.

1. These qualifying entities may purchase commercial QS and request NMFS to issue annual IFQs generated by these shares as Guided Angler Fish (GAF*). *Affects the Private Pool ~~Only~~ and common pool.*
2. Qualified entities harvesting GAF while participating in the guided sport halibut fishery are exempt from landing and use restrictions associated with commercial IFQ fishery, but subject to the landing and use provisions detailed below. *Affects both the Private Pool and Common Pool.*

¹ * GAF = Guided Angler Fish (This is used only as a charter unit of measurement for commercial quota share converted to charter use and is not indicative) of a particular long term solution.)

** indicates changes made by the AP to the Halibut Stakeholder recommendations

3. GAF would be issued in numbers of fish. The conversion between annual IFQ and GAF would be based on average weight of halibut landed in each region's charter halibut fishery (2C or 3A) during the previous year as determined by ADF&G. The long-term plan may require further conversion to some other form (e.g., angler days). *Affects both the Private Pool and Common Pool.*
4. Subleasing of GAF would be prohibited. *Affects the Private Pool Only.*
5. GAF holders may request NMFS convert unused GAF into IFQ pounds for harvest in compliance with commercial fishing regulations provided the GAF holder qualifies under the commercial IFQ regulations. *Affects the Private Pool Only*
6. Unused GAF may revert back to pounds of IFQ at the end of the year and be subject to the underage provisions applicable to their underlying commercial QS. *Affects both the Private Pool and Common Pool.*
7. All compensated reallocation would be voluntary based using willing seller and willing buyer.
~~[Option: A pro-rata reduction with compensation. A pro-rata reduction would not decrease the number of QS held by an individual; rather, it would decrease the size of the total commercial pool from which IFQs are annually calculated. The effect would be similar to how a decrease in abundance affects annual calculation of IFQs, except that quota share holders would be compensated for the resultant poundage reduction of their IFQs.~~
Option: exempt category D QS from voluntary and involuntary pro-rata reduction with compensation
Affects both the Private Pool and Common Pool.]
8. Guided angler fish derived from commercial QS may not be sold into commerce, i.e., all sport regulations remain in effect. *Affects both the Private Pool and Common Pool.*
9. Guided angler fish derived from commercial QS may not be used to harvest fish in excess of the non-guided sport bag limit on any given day. *Affects both the Private Pool and Common Pool.*
10. There needs to be a link between the charter business operators and the cost of increasing the charter pool. If the charter business operators do not experience the cost of increasing the charter pool, there will not be a feedback loop to balance the market system. *Affects both Common Pool Only.*

Motion passed 15/2

The AP recommends keeping actions 1 and 2 of agenda item C1 linked. Without a mechanism for charter operators to obtain additional QS or IFQ through a compensated reallocation mechanism, significant adverse impacts would occur in the charter segment of the industry. These actions should be taken concurrently. *Motion passed 17/0.*

Additionally, the AP makes the following recommendations/clarifications in response to staff questions on Compensated Reallocation Analysis:

Overarching Issues

1. Recommend restructuring alternatives as follows (see Kathy Hansen's document)
2. Recommend using existing date ranges and note that 2006 data fall within the percentages derived from the existing date ranges.
3. Recommend continuing to use GHF as baseline for analysis of Action 2 alternatives. Additional options will complicate the analysis.
4. Recommend eliminating options as listed above in restructured alternatives.
5. Recommend assembling a task force of agency personnel to identify details of key record keeping, implementation and enforcement issues.
6. Recommend making management approach to allocation an explicit decision point as included in restructured alternatives above.

Allocation Issues:

1. Recommend initial allocations be presented as a range of percentages with the formulas used to provide reference and context for specific points within that range.
2. Recommend using percentages with 2 decimal places
3. see above
4. See 1 above. Formulas should not be hind-cast based on different IPHC models. The decisions that have lead to this point were based on the numbers in effect in each year. Different decisions could have been made if different numbers were in effect. It is inequitable to use hind-cast numbers to govern present allocation decisions. The stairstep up and down provisions would use CEY at time of action.
5. Clarify that step function on a fix poundage option do make it more like a floating percentage.
6. Recommend using 2007 CEY's for analysis. Staff recommendation were not accepted.
7. Recommend that NO uncompensated roll over provision between sectors be developed. This is consistent with how the King Salmon, DSR, and ling cod allocation are managed.
8. Recommend the agency task force should make recommendations on the responsible agency for each of the method of managing the allocation identified above.

Reallocation Issues:

1. Clarify that the under all options in Action 2, the initial allocation for the common pool would NOT be further subdivided to individual limited entry permit holders. The issue of the race for fish and the disposition of the common pool are addressed under the alternatives considered in the long-term solution package.
2. Recommend agency task force determine necessary record keeping and reporting requirements
3. Recommend clarifying that in all options under Action QS remains the same whether it is held in a common pool or by individual charter businesses. The IFQ resulting from that QS can be converted into GAF or commercial Lbs, and would be governed by the use rules appropriate for each form.
4. Recommend Issue 7, pro-rata reallocation be deleted or the State of Alaska needs to provide the necessary details in a time frame that does not delay further action on this program.

Motion passed 17/0.

Given comments received in public comment, the AP strongly supports the Stakeholder Committee's development of individual quotas as an option for a permanent solution. *Motion passed 13/4.*

The minority preferred to remain silent on recommending an individual quota as an option for permanent solution. We believe this is already being addressed in the stakeholder committee and is unnecessary to make a statement at this time.

Signed: Tina McNamee, John Henderschedt, Michelle Ridgway, and Lisa Butzner.