

Long Term Solutions and what scenarios are Available

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This paper is written from the standpoint of one charter stakeholder panel member and what I believe has been discussed and is possible in the alternatives currently in front of the Council or suggestions I will be recommending be added at the next stakeholder committee meeting.

I am not going to talk about the individual allocation levels themselves other than to say that as a commercial representative I believe any allocation set in the future needs to be a hard allocation that floats with abundance and that each sector is responsible in the following years for any overages and underages. (True Accountability or separate accountability however you want to term it.)

In the Long-term solutions there are three basic possibilities (all require the ability for commercial QS/IFQ's to be purchased and or leased in some fashion to augment the charter sector for further growth and all assume that the moratorium/limited entry program is implemented first and stays in place). They included a 1.) Limited Entry program; 2.) Angler Day program; 3.) Charter IFQ's. I have listed below each of the three programs and what I believe the options consist of and the strengths and weaknesses of each program. One issue that is common to all of them is enforcement, the cost of enforcement, and accurate weight or length reporting and sampling.

Limited Entry

- Limited Entry with a hard allocation that floats with abundance and with management measures put in place pre-season, based on best guess of what will be necessary to stay within the allocation for the season.
 - Limited entry without further refinements does not deal with the large amount of latent capacity that exists.
 - Management measures would have to be part of any type of limited entry program. These management measures would likely change from year to year.
 - Could further refine limited entry to classify some permits as transferable and non-transferable.
 - Another option would be to divide the fleet in thirds or fourths with tiered classes for different season lengths. This deals with some of the latent capacity by acknowledging individuals historical amount of effort in the fishery.
 - Under this plan the question is who can manage the fishery in a timely manner for implementing management measures - State or Federal? State delegation would take federal legislation changing the halibut act and then a council process to delegate and a Board of Fish process to develop a framework such as the king salmon management plan in Southeast. On the federal side, the Magnuson-Stevens reauthorization might allow for a simpler system in the future (?). The current Council process takes 18 months to 3 years to implement management measures so the Council would always be behind the current stock status, allocation status etc.
 - This option does not allow a charter business as much control over their individual business plans. Charter operators sell a marketable client expectation. Charter operators book clients as much as a year in advance and under this type of management where the charter allocation share would not be known until late Jan/ early Feb and then adjustments of management measures determined to adjust for the appropriate harvest level using tools such – bag limits, season length limits, annual limits etc pre-season.
 - A simple limited entry program will always maintain a static number of permits and therefore operators.

Transferable Seat Option

- Angler day scenario with hard allocation that floats with abundance, management measures may be necessary as above in years of declining biomass.
 - An angler day is the opportunity for one client to fish one day for the daily bag limit. (The assumption is a two fish per day bag limit but is not a guarantee of this.)
 - An angler day would be burned up for every client on board who fishes for halibut (or bottomfish?). (Would an angler day be burned up for every client on board or could some clients not be fishing for halibut on a multi-species trip?)
 - For an angler day scenario the stakeholder panel has developed 3-4 ways of dividing the angler days among charter operators using historical levels of participation.
 - Most of the allocation scenarios would provide each charter business owner a % of the total allocation pool based on the individuals participation in bottomfishing effort.
 - So with an allocation that fluctuates with the biomass, a charter business would receive a different amount of angler days every year based on the biomass, the charter allocation amount and a person's individual share of the allocation.
 - It's possible under an angler day scenario that an individual that held a permit could purchase or lease commercial IFQ's, provide them to the charter allocation pool and in the process increase his personal participation effort of the allocation pool if the Council choose options to allow this. (Example: 1 angler day would equal 2 fish bag limit @ 20 lb average would require 40 lbs of commercial quota share)
 - If under an angler day scenario the important issue to the charter operators is a two fish bag limit it is possible to have less angler days (shorter season) issued to the charter operator in a declining halibut biomass scenario rather than restrictions such as bag limits.
 - An angler day further refines the limited entry/moratorium program and addresses additional latent capacity that was not dealt with in the moratorium stage of the process.
 - Under an angler day program could the moratorium permits go away once the angler days were issued letting a new individual start a business by purchasing Commercial IFQ's and adding them to the allocation pot or by purchasing from an established charter business extra client days or could a charter operator use some of his angler days on a new second boat?
 - Under an angler day program could the agency issuing angler days factor in the previous years success rate for the area (Total area, sub-areas or boat?). (This would allow for less commercial quota needing to be purchased while allowing a client expectation of a 2 fish daily bag limit?)
 - How would angler days be administered or controlled? Harvest tickets issued? Some type of recording in the log-book including the length of the fish retained? Daily call-in as once envisioned in the 2001 IFQ plan? (Need to allow enforcement boarding officers to determine if enough angler days existed when conducting a boarding)
 - How do you make sure angler days are reported accurately when the fishing for halibut was unsuccessful or no fish were retained.

Charter IFQ'S

- Charter IFQ's – Moratorium qualified individuals would be issued charter IFQ's as part of the commercial IFQ program
 - Program is basically the same as the 2001 program but deals with recency issues brought up in '05. Every individual that will qualify for a moratorium permit would qualify for IFQ's based on their individual history. Some options reward the long term operators more than other options
 - Does the reauthorization of Magnuson Stevens Act change anything for adding charter IFQ's to the existing commercial IFQ program?

- Strength of the IFQ plan is that it allows an individual charter operator to make their own business plan dependent upon no one else similar to the commercial fleet.
- This option requires only council action followed by regular NMFS regulatory action to be a viable option. The only state legislative action might be authorization of a loan program for charter operators to buy QS through the division of investments.
- This allows a new entrant to start out with a small purchase of IFQ's for halibut while the other species continue to be open access and develop a charter business.
- Charter and commercial QS can be used as collateral with liens recorded against them allowing an individual to also approach private lending institutions (banks).
- If the IFQ program was chosen and you used an equal split scenario it would work out to approximately an average of 1.4 fish per guided angler clients requiring a charter operator at most to have to purchase the equivalent of .6 of a fish worth of QS. Charter success and volume are not equal.

Compensated Reallocation

The program picked and the method for compensated reallocation varies with each option above.

With IFQ's issued to the charter operator this is the simplest method of re-allocation as the QS purchases are just between two individuals – a seller and a buyer at current market price. The industry sector that can best justify the cost of QS will be the sector that will buy available quota shares. Division of Investments and the NMFS loan program along with private lending institutions (i.e. CFAB, Wells Fargo, other banks) would be possible for financing of QS.

The hard allocation scenario and an angler day scenario both allows either the State of Alaska, a regional association or an individual or a combination of to purchase the QS and convert it to charter allocation that is held as an allocation that would be used as a whole for the charter sector in the individual regions of 2C and 3A.

- It would be possible to set it up under an angler day scenario that an individual could purchase commercial IFQ's convert it to charter allocation and increase their own individual history to grow their own individual business while also growing the overall charter allocation.
- Or the State could buy or lease QS/IFQ to grow the charter allocation. Or a regional association could be set up to self-assess themselves (this could be done by a \$5 or \$10 per client self tax or a % of the charter fee) and purchase or lease QS/IFQ (Works the same way as the PNP hatchery assessment or a regional marketing assessment for the commercial fleet)

Regional Charter Association

- Part of K.A.C.O. plan
- A regional association set up using the model of the commercial hatchery associations or regional marketing association sets up a mechanism that allows the fleet involved to vote to self-assess themselves. For the commercial regional marketing associations the requirement for a vote was that at least 30% of the eligible participants had to vote and then of those that voted it needed to be a simple majority. The legislation was written to allow the choice of 2%, 1-1/2%, 1% and 1/2% of the ex-vessel value of the seafood. For the charter industry a fee per client might be the appropriate choice or a % of the fee charged for the charter.
- Would need State of Alaska legislation in order to implement and regulations developed.
- In the hatchery regulations there were guidelines for the make up of the board of directors that were not spelled out in regulations for the regional marketing associations.
- Allow charter association to either buy or lease quota share and to also lease back unused quota share to the commercial sector at the end of the season.

Mechanisms to finance compensated reallocation

State Charter Stamp

- Would take state legislation to implement. If set up to collect stamp funds from freshwater and saltwater operations how would the funding be split between freshwater and saltwater fisheries? If saltwater charter stamp, would the stamp be for purchase of halibut quota share only? If bottomfish charters only how do you deal with the situation of a client catching a halibut when out salmon fishing? Release the halibut when salmon fishing?
- Under a charter stamp you could collect the funds and then purchase quota share from a willing seller or you could possibly go out and sell bonds to have the funding up front and have the funds from the charter stamps be used to pay back the bonds. This purchase would be from willing quota share holders.
- It's possible to set it up if the State is holding the quota share to purchase quota share for the area being purchased in 2C or 3A by paying the fair market price for quota share and purchasing a % of everyone's quota share. This would be a forced purchase or lease on every quota share holder but would impact commercial quota share holders equally. Or the state could buy QS from a willing seller at fair market price.
- Another possible option for a halibut stamp would be to require a client to purchase a halibut stamp for every halibut retained. (They would still need the moratorium/limited entry permit to fish halibut from that vessel)
- This will have the busy successful charter operators end up funding the allocation purchase for the non-busy charter operators.
- State would maintain control of the funds.

Bonding

- State bonding could be done under a limited entry or angler day alternative.
- State bonding would be dependent upon a financing mechanism such as a state charter stamp.
- Bonding could also be done by a regional charter association using the self-assessed tax as reimbursement of the bonds.

NMFS Loan Program

- Could be used under any of the alternatives and could be used by individuals or regional associations
- NMFS loan program has been set up to allow individuals to borrow for the purchase of QS to be converted to charter IFQ's
- NMFS loan program could probably be changed to allow the purchase or lease of QS to convert to charter allocation and assess an annual fee on all halibut moratorium license holders to pay off the obligation.
- Program could be changed to allow regional association to borrow and pay back the obligation with the self assessed tax.

Leasing

Leasing of Quota Share Under all options:

This segment is to try to explain how leasing might work.

- While some purchase of quota share will be necessary to have sufficient quota for the charter industry, some leasing of quota share could work to address the yearly fine tuning of quota share necessary.
 - Leasing can work in several ways depending upon choices made.

- Leasing can work both ways, from commercial to charter and charter allocation not used at the end of the season leased back to the commercial sector. This would help raise the funds to purchase or lease QS in future years.
 - Questions that need to be addressed is how much should individual commercial fishermen be allowed to lease to the charter industry where you don't undermine one of the fundamental basis of the IFQ program for owner/operator provisions. Should a ceiling be developed on the amount of commercial QS pool by areas that can be leased/transferred to charter sector to protect the commercial sector. Should there be limits to the amount that the charter sector can lease back into the commercial fishery.
 - The limits discussed above are to prevent the business of buying and holding QS strictly for the purposes of leasing.
 - The cost of leasing commercial QS/IFQ will probably run between 60% to 75% of the current ex-vessel price for halibut. A commercial fisherman who steps on another boat to fish his QS will generally pay the vessel owner 25-40%.
- **Voluntary Leasing – Pre-season Pledges:** Under this scenario the commercial fisherman willing to lease would pre-season pledge to lease X amount (probably would have ceiling on amount that could be leased from each individual) of his quota share for X price. This bidding might be done by so much poundage for XX amount of dollars, a % of the average ex-vessel price etc. The State or the regional association would choose between the offers received the amount of quota share they need to lease for the season. Another alternative to setting a limit on how much an individual could lease per year is maybe allowing leasing up to 100% of the QS 1 out of 5 years.
- **Involuntary** leasing from the commercial sector to the charter sector would take 0 % to 10% from every commercial QS holder and then pay each individual their share of the quota lease at the end of the year. This could possibly be done as a credit against their cost recovery fee. The price paid would have to be equivalent of the NMFS estimated average price paid by area for any used quota and/or a 20% holding surcharge would probably need to be paid for unused quota as the commercial operator was also unable to fish it. The commercial fisherman would still be allowed the same 10% amount of carryover underages from amount issued on certificate along with any unused quota held for the charter industry would be returned to the commercial fisherman the following year. Involuntary leasing would work if the State was the entity holding the allocation and could possibly work with a regional association.
- **Leasing Between Individuals:** Voluntary leasing between a charter individual and a commercial QS holder would also be possible under an angler day, limited entry or IFQ program. This would be an agreement between individuals.

Leasing of Quota Share back to commercial sector

- This would be a viable option under state controlled financing mechanisms, individuals and regional associations.
- This would probably have to done on some type of bid.
- Keep in mind that it is not always easy to catch fish at the very end of the season. Probably need to be ready to fish by the commercial fishing sector by Sept 1-15th.