

IFQ Committee Minutes
October 2, 2017 | Anchorage, AK

Members Present: Buck Laukitis (chair), Jeff Farvour, Natasha Hayden, Jeff Kauffman, Linda Kozak, Bob Linville, Shawn McManus, Michael Offerman, Peggy Parker, Matt Robinson, Erik Velsko. (Not present: Jared Bright, Nicole Kimball)

Staff: Sam Cunningham (NPFMC), Rachel Baker (NMFS), Kurt Iverson (NMFS), Stephanie Warpinski (NMFS), Will Ellis (NOAA OLE)

Other attendees (signed-in): Malcolm Milne, Lacey Velsko, Tom Panamaroff, Bob Alverson, Linda Behnken, Julianne Curry, Ernie Weiss, Theresa Peterson

The Chairman called the meeting to order and asked for approval of the agenda. The agenda was approved with the addition of a discussion on use of Automatic Identification System (AIS) buoys to mark gear under the 2017 GOA sablefish pot fishery update. The Chairman advised that public testimony would be taken at two times during the day, and that testimony could address any topic on the approved agenda.

Cost Recovery Fees

Kurt Iverson and Rachel Baker (NMFS) provided an informational report on the collection and itemization of cost recovery fees collected under MSA authority for limited access privilege programs (LAP) and the CDQ Program. The report responded to the Committee's request to compare four new cost recovery programs that were implemented in February 2016 (AFA, Amendment 80, CDQ, and AI pollock) to the three that previously existed (Halibut/Sablefish IFQ, BSAI crab, and Central GOA Rockfish Program). NMFS staff reminded the Committee that cost recovery is only collected for costs that are "incremental" or, in other words, for activities that would not occur in the absence of LAP or CDQ Programs. Staff noted that the IFQ Program has grown more complex over many years of amendments – e.g., GAF, CQE, medical transfers, and hired master use – even while the number of active vessels has decreased. Staff also clarified that cost recovery fees will be collected under the RQE program because the RQE would be holding commercial quota share (similar to GAF). NMFS divisions and external partners (e.g., IPHC, ADFG) submit costs under pre-defined categories. Costs submitted by external partners are annually reviewed by a panel of subject matter experts at NMFS. NMFS uses timesheet tracking to apportion personnel and overhead costs across programs that are subject to cost recovery. For the four new cost recovery programs, NMFS anticipates that it will be able to supply greater line-item detail for costs such as travel and supplies beginning in 2018. Staff identified several reasons that CR costs for the IFQ program are high relative to other programs:

- Large number of permit holders
- High relative volume of transfers
- Greater reliance on external partners (e.g., IPHC port samplers, ADFG administration of eLandings)
- The program involves real-time reporting of IFQ landings (e.g., filing reports such as Prior Notice of Landing, Product Transfer, Vessel Activity). Among other things, the landing requirements necessitate OLE staffing virtually 7 days/week and 18 hrs/day during the season, as well as

tasking up to 20 officers and 10 agents who spend a disproportionate amount of time on IFQ enforcement.

- 2016 costs for new cost recovery programs only covered part of the fiscal year due to the mid-year implementation

Will Ellis (NOAA OLE) informed the Committee of efforts to fine tune the apportionment of enforcement costs across cost recovery programs. This initiative was, in part, spurred because of the new collections have been recently implemented. Mr. Ellis noted that the workload of enforcement agents in ports with high IFQ participation had evolved over time to include additional duties, but that cost apportionment had not changed. The attribution of overhead and personnel costs to new cost recovery programs could reduce the “demand signal” in the IFQ fishery. Mr. Ellis noted that a recent surge in enforcement-related cost recovery fees reflected a wave of hiring staff to fill vacancies and to set up new posts in locations with mainly IFQ activity (e.g., Seward and Homer); those costs were apportioned across the smaller number of programs that were subject to cost recovery at the time. OLE expects those hirings to be cost-saving, as OLE is recalibrating its staff mix from special agents toward officers. The Committee expressed its encouragement that OLE is seeking to refine how cost recovery fees are charged to different programs. NMFS staff noted that the public can track this progress through reports that the agency produces annually for each program subject to cost recovery.

Because this report was primarily informational, the Committee did not discuss consensus recommendations or resolutions. In summary, the Committee’s concern about cost recovery fees stemmed from higher recent costs spread across a decreasing number of active vessels that have lower quotas to catch, combined with the “blanks” (zero costs) in some of the cost categories for the four newly implemented cost recovery programs. The Committee appreciated the explanation of cost increases for enforcement staffing in 2014 and 2015, and for the process of reviewing how incremental costs are coded to different programs.

Halibut Retention in BSAI Pot Gear

Sam Cunningham (NPFMC) presented a discussion paper that describes existing regulations that govern the retention of halibut in pot gear throughout the various NMFS and IPHC management areas off Alaska. The paper identifies regulations that would need to be revised if the Council were to pursue an action that allows retention in the BSAI groundfish management area, and further identifies regulations that relate to the intentional catch of halibut rather than catch that is incidental to sablefish fishing.

The IFQ Committee supports the Council’s continued consideration of this action, but did not reach a consensus at this time on whether the desired end should be intentional catch of halibut with pot gear, which would be accomplished through changes to pot gear specifications and communication with IPHC. The Committee discussed pros and cons of intentionally fishing for halibut with pots, and thought it appropriate for a full analysis. The Committee noted that the whale depredation issue is a serious concern and noted that depredation tends to occur near the continental shelf-break, which is farther out than most small vessels that are less able to deploy pots tend to operate. The Committee noted that allowing halibut retention (or even “targeting”) in pot gear could introduce pots to new areas – particularly areas that are shallower in depth where halibut tend to occur but sablefish do not. The Committee also recommended

that future analyses consider the size of halibut that are taken in pots, and how that selectivity might be affected by the removal of the halibut excluder rings/bars that are currently required.

Recognizing that an action to make pot gear more attractive for IFQ fishing in the BSAI might increase the use of pots, the Committee expressed some concern that such an action would be a “slippery slope” towards use of other gear types (i.e., trawl) for halibut fishing. Others noted that the IPHC’s gear regulations are able to restrict the legal gear types for halibut fishing. In any case, the Committee noted that not all vessels will be able to utilize pot gear, and that regulations should not allow unlimited soaking or storage of pot gear in fishing areas.

The Committee recognized that regulations allow vessels to fish both pot and hook-and-line gear on the same trip. This circumstance could be a benefit in that vessels have an option to switch gears in the presence of depredating whale. However, the Committee notes that the practice of gear-switching at sea should be flagged for analysis of potential impacts on observer coverage selection and catch accounting.

2017 GOA Sablefish Longline Pot Gear Fishery Update

Rachel Baker (NMFS) provided the Committee with an update on participation, catch, and bycatch information from the first year of the GOA longline pot sablefish fishery in the GOA. The report itself was produced by NMFS AKRO In-season Management staff. Staff also informed the Committee that the GOA sablefish pot fishery will be reported on during annual management reports at this, and subsequent, December Council meetings.

NMFS noted that more vessels have used pot longline gear in Areas 620 and 620 compared to the areas in Southeast Alaska. Twenty vessels registered for pot tags, though not all of those vessels have deployed sablefish pots thus far. At-sea fishery observers have been deployed on sablefish pot vessels at the expected rate in all GOA areas except for Area 620, and a total of 110 sablefish pot hauls have been sampled. NMFS staff clarified that vessels are authorized to deploy both pot and hook-and-line gear during the same trip. For future updates, the Committee and staff agreed that reports on the ratio of sablefish to halibut catch should be specific to the gear-type being deployed.

NMFS staff provided a snapshot of sablefish length by gear-type in the GOA as of August 2017. Sablefish taken with hook-and-line gear had an average length of ~4 cm greater than sablefish taken with pot gear. NPFMC/AKFIN staff also noted that ex-vessel prices for sablefish appear to vary according to size and quality grade rather than by gear type. The data behind that anecdotal report was confidential as it was supplied by only one processor, but Committee members with experience in the fishery concurred with the informal finding. Committee members reported that some pot fishermen were pulling up small sablefish that they were required to retain, and that fishermen could experiment with different escape rings that could select for larger fish.

Committee members who are familiar with the GOA sablefish pot fishery stated that the primary challenge in this first year has been effectively marking gear at each end of the pot longline string. Flagpole/buoy-cluster set-ups have not always withstood the pressure of being submerged by strong tides, and poorly marked gear makes it difficult to see and avoid other fishermen’s gear. Several Committee

members noted a desire for an approved gear-marking beacon that can be submerged. To that point, the Chairman reiterated that AIS buoy markers that are available for purchase online are not authorized by the Federal Communications Commission for use in the United States. The Chairman reminded the Committee that the Council encouraged stakeholders to work together to communicate on the location of set and lost gear, and on the availability of relevant new technologies.

Data Report: Unfished Sweepable Quota Blocks

Sam Cunningham (NPFMC) presented a data report that was assigned with the intent to show whether and to what extent sweepable QS blocks were going unfished. Staff explained to the Committee that blocked and unblocked designations are assigned to quota lots, but once quota is issued annually as IFQ the resulting pounds do not have a blocked/unblocked status. As a result, staff was only able to offer an accounting of how many permit holders who possess blocked QS left various amounts of their total annual IFQ unfished.

The Committee was directed to annually published NMFS reports that show the total number blocked quota lots, and the number of QS transfers. The Committee noted that the number of blocks in the NMFS report had decreased year-on-year, indicating that the sweep up provision is being utilized. Committee members added anecdotal reports that quota brokers continue to identify and sweep up small blocks to make them available to their clients. The Committee concluded that further investigation of this topic is not necessary at this time.

Data Report: Quota Migration

Sam Cunningham (NPMFC) presented a data report on the movement of halibut and sablefish quota share between Alaska communities (rural and urban) and communities outside of Alaska. Quota movements were illustrated both in terms of QS transfers (purchase/sale) and the relocation of individual permit holders from one community to another. The Committee noted that denominating quota movements in pounds rather than in quota shares while simultaneously aggregating across years (2002 through 2016) might over-weight the effect of movement that occurred in earlier years when the QS:IFQ ratio was higher. The Committee did acknowledge that year effects could be tracked in the appendix of the data report, and that year-on-year trends in one direction or another were not apparent. Mike Fey (AKFIN) was present to answer questions on the design of the query. AKFIN clarified that the query was limited to years since 2002 due to issues of data quality on permit holders' residence.

The Committee made two observations about information that is not available in the report. First, the number of quota pounds that move into or out of a community (community-type) are not reflective of consolidation in the number of permit holders or the number of vessels and crew opportunities. Similar reports in the future could include permit holder and vessel counts, as well as the number of transfers that occur. Second, the Committee noted that the residence of a quota share holder does not necessarily reflect that those IFQ pounds were fished by members of that community, or that the economic benefits of the activity flowed primarily to that community; this observation was raised in the context of IFQ "leasing" through the use of hired masters. These comments dovetailed into the Committee's larger discussion of access to the fishery and quota ownership, which is described below.

Discussion: Rural access, entry-level opportunities, intergenerational issues, and owner-operator definition

The Committee held an expansive discussion on big picture challenges for certain IFQ stakeholders. **The Committee generally focused on measures that would promote the social and economic benefits of the fishery flowing to the people who work on the water, or who desire access to that work.** The Committee recognizes that Council direction is necessary before it can call for or entertain proposals for action. As such, the purpose of this discussion was to identify issues of concern with the hope that the Council might provide a “problem statement” that focuses or prioritizes future efforts. The three focal topics of the discussion were rural access to the fishery, entry opportunities, and the high cost of quota. All three issues intersect around the availability of quota. The Committee also noted that any action to address these issues must function not only in the current context of relatively low catch limits (QS:IFQ ratios), but also be robust to a future bounce-back in the resource.

As it did in February 2017, the Committee discussed whether out-migration of quota and population from fishery-dependent rural communities was a function of fishery management programs or part of a broader societal trend. The Committee identified two specific impacts that are traced back to the loss of quota holdings in communities that are defined as small/rural or communities that are not small in population but depend on fisheries for their economy. First, people of working-age find it difficult to live in these communities year-round due to a lack of employment opportunities. Second, some local fishing economies have become less diversified, and are highly dependent on salmon. To the latter point, processing plants in communities that have lost IFQ deliveries now tend to shut down outside of salmon season, making it yet more difficult to live there and maintain a viable IFQ fishing business while also exposing the community to greater risk in the case of a poor salmon season.

The Committee also discussed challenges that the CQE program faces, aside from the high cost of quota shares. **The Committee agreed that the 12-month residency requirement for eligibility to fish a CQE’s quota might be reevaluated,** as rural communities could benefit from the efforts of fishermen who can neither afford to purchase quota nor afford to live year-round in a community with few non-fishing employment opportunities. The Committee also discussed the possibility of Alaska native corporations purchasing quota share and donating them to a CQE. The Committee did not reach a consensus stance on the desirability of that approach, noting that it might alleviate problems with access to capital or financing but it could also contribute to the existing challenge of high market prices for QS. Members noted that cash purchases of QS are common and might be pushing market prices beyond what an entry-level participant can bear – or what they can finance while supplementing with other IFQ pounds that they fish for a leased share.

The Committee agreed that the high cost of quota limits access to the fishery, and that regulations regarding the use of hired masters contribute to high QS prices. The ability to lease out quota – through hired master provisions or medical transfers – reduces the amount of QS that becomes available on the open market because individuals who are in a position to use these provisions are loath sell out of the fishery. It was noted that the program does not include an “exit mechanism” for initial quota recipients, and that the IFQ Program stands in contrast to some other fisheries in that individuals can continue to receive benefits while not actively fishing or while not demonstrating an intent to run an owner-operated

vessel. **The Committee agreed that a transition toward a truly owner-operated fleet is an important goal that is in keeping with the original intent of the IFQ Program, and that the transition will not naturally occur by attrition as initial quota recipients age out of the fishery.**

The term “owner-operator” is used throughout the 20-year IFQ Program Review, and is often held up as a mode of participation that should be supported. **The Committee requests that the Council work toward an objective definition of this term, so that it can serve as a measurable objective for future actions.** The Committee shared examples of situations where individuals or entities who do not operate their own vessel receive financial benefits from the fishery, including some that did not involve permit holders who are allowed to use a hired master. One such example is the heir of an initial quota recipient who meets the sea-day requirement to receive a quota transfer, but who only participates in the fishery as a “ride-along.” Members stated that some ride-along permit holders will shop their quota for the highest available lease rate, leading to unselected trips being cancelled at the last minute. Committee members noted that “lease rates” diminish crew pay – making work in the fishery less appealing to a new generation – and increase barriers to fishermen working their way into quota ownership. Lease costs can also reduce the funds available for vessel maintenance. On the other hand, it was noted that some fishing businesses that are engaged in the IFQ fishery were using hired masters prior to the implementation of the Program, and they might have a claim to continue operating in their traditional manner.

While the Committee generally identified high QS prices as a barrier to fishery access, it also acknowledged that actions to directly or indirectly lower prices would have a negative effect on second-generation permit holders who bought into the fishery at full price. Although the discussion did not reach the level of a consensus recommendation, the concept of additional financing support was floated for consideration. Second-generation stakeholders noted that banks are currently requiring large down payments for quota purchase. The Committee acknowledged that support programs for new entrants – such as Federally-backed loan repayments based on a percentage of ex-vessel revenue – would first require a regulatory definition of “new entrant,” and that such a definition might not serve all stakeholders who are affected by high QS prices.

Other Business

The Committee concurred that it would like to schedule a meeting concurrent with the February 2018 Council meeting in Seattle, WA. The agenda for a one-day meeting would include review of NMFS discussion papers on use of the medical lease provision and the designation of survivorship beneficiaries, but would largely focus on review of Committee members’ proposals for actions that might address issues of access and intergenerational equitability.

The Committee supported public comment letters requesting the appointment of a CQE representative.