

IFQ Committee Minutes

December 8, 2015
Anchorage, AK Hilton Hotel

Membership: Duncan Fields (chair), Bob Alverson, Jared Bright, Jeff Farvour, Tim Henkel, Jeff Kauffman, Don Lane, Dave Little, Paul Peyton, Jeff Stephan

Attendees included: Linda Kozak, Nick Delaney, Jim Hubbard, Rhonda Hubbard, Joel Peterson, Patrick O'Donnell, Rebecca Skinner, Bruce Gabrys, Tom Gemmell, Megan O'Neil

Staff: Sam Cunningham (NPFMC, committee staff), Sarah Marrinan (NPFMC), Steve MacLean (NPFMC), Rachel Baker (NMFS SF), Marysia Szymkowiak (NMFS/Sea Grant), Trent Hartill (ADF&G)

The Chair opened the meeting with introductions and a discussion of the agenda.

I. Update on RQE Committee

Steve MacLean provided a staff report on the work of the Recreational Quota Entity (RQE) Committee meeting that took place on December 7, 2015. This report did not require any action by the IFQ Committee, and none was taken. The IFQ Committee did not identify any implementation issues that required comment or consideration at this stage.

II. Discussion Paper on Area 4 Halibut Leasing Options for CDQ Groups

Sarah Marrinan provided a staff report on the discussion paper. The main purpose of the potential action would be to provide fishing opportunities to residents of CDQ communities during years of low halibut abundance. CDQ groups would be able to lease Area 4 halibut quota and make it available to residents with fishing vessels. While the leasing of quota might cost CDQ groups money, the potential community social and economic benefits of maintaining an active fleet could be greater than the alternative of allowing a few vessels to fish the small amount of Area 4 CDQ halibut that is available, even if the CDQ group was to share the revenues among all qualified fishermen. Staff noted potential impacts on the QS transfer market, and whether this activity would result in altered harvest patterns that cause localized environmental impacts.

The IFQ Committee noted the importance of ensuring that this action fits with the overarching goals of the IFQ Program – specifically that fishing opportunities remain available to an owner-operated fleet. The Committee also discussed the importance of limiting this leasing opportunity to years in which halibut abundance is low, as defined by a threshold, and considered whether the threshold – as yet undefined – could be different across regulatory areas. The Committee was concerned that leasing of quota in certain areas might require small vessels to transit great distances (in potentially unsafe conditions) in order to derive a benefit from this action. For example, Area 4D CDQ can be harvested in Area 4E, but Area 4D IFQ that is leased by a CDQ group could not be harvested in Area 4E.

The Committee highlighted that vessel caps should still apply to vessels that are leasing quota from a CDQ group. Specifically, IFQ that is leased by a CDQ group should count towards the use cap for the vessel on which it is fished, whereas CDQ-held quota does not). Finally, the Committee discussed whether a vessel would need to be defined as a “CDQ vessel”, how that could be defined, or whether any vessel fishing in a certain subarea of Area 4 could be eligible to lease halibut quota from a CDQ group. Eligibility criteria might include ownership requirements or vessel size thresholds.

Ultimately, the Committee made the following recommendations:

- The Council should state that CDQ leasing may only occur in times of low halibut abundance, and that “low abundance” should be defined.

- The Committee expects that any quota leased by a CDQ group would count against the vessel use cap for the vessel on which it is fished.
- The Council should consider whether to limit the size of vessels on which halibut quota leased from a CDQ could be fished.
- The Council should consider whether defining eligibility to use a CDQ group's leased halibut by vessel length might cause small vessels to transit in unsafe conditions in order to reach an area in which the leased quota may be harvested. The Council might also consider whether to seek amendments allowing Area 4D IFQ that is leased by CDQs to be harvested in Area 4E.
- Any action should include measures to prevent the speculative purchase of halibut quota for the purpose of leasing to CDQ groups. For example, any time that the halibut resource crosses a threshold of "low abundance" (as measured by CEY), a class of eligible lessors should be defined. That class could be redefined once abundance increases above a certain threshold.

III. Discussion Paper on Halibut Retention in Sablefish Pots

Sam Cunningham gave a staff report on the discussion paper. This report did not require any action by the IFQ Committee, and none was taken.

The Committee discussed whether the IPHC is able to set a maximum retainable amount (MRA) for halibut in its own regulations.

IV. Stakeholder Proposals

A. Exempt "second generation" fishermen from vessel use caps in the BSAI area (Westfall, November 2014. Amended November 2015)

The proposal requested special relief for individuals who did not receive initial halibut or sablefish quota share (QS) allocations. That relief would allow second generation halibut or sablefish fishermen to exceed vessel use caps in the BSAI area so that they could purchase cheaper (BSAI) QS and fish it without having to purchase a boat or "walk on" to another vessel.

The IFQ Committee noted that many vessels fish QS that is a mix of initially allocated and QS that was purchased by "second generation" fishermen. Therefore, it would be difficult to apply an IFQ use cap exemption that is determined at the vessel level. The Committee also noted that, with the passing of time, most QS holders in the fishery would be "second generation," and thus this action would exempt the majority of the fleet from vessel use caps that were designed for a specific socioeconomic purpose. The Committee highlighted that vessel use caps are a key component of the existing IFQ Program, and that any measure that weakens those caps would need to confer a significant benefit to stakeholders. The Committee did not find that the proposal's benefits outweighed the potential effect on the efficacy of the program's vessel use cap mechanism. The Committee suggested that second generation individuals are able to purchase QS in excess of what can be fished on their vessel, and take that excess onboard another vessel. The IFQ Committee recommended that the Council not take action on this proposal.

B. Exempt honorably discharged U.S. military veterans (or combat veterans) from owner onboard or future vessel ownership interest requirements, and/or provide lifetime ownership privileges and exemption from owner onboard and future vessel ownership interest requirements to the spouse/partner of a U.S. military veteran who was with killed in action or missing in action who held halibut or sablefish QS at the time of death or disappearance (McManus, February 2014)

The Committee stated that a key tenet of the IFQ Program was to avoid setting up preferential treatment for sub-classes of quota share holders, and noted that military veterans are no less able to purchase or

lease quota under status quo regulations. The Committee also recognized that the original plan for the IFQ Program was to transition over time to a fishery wherein quota shares are held by non-initial recipients who are not able to hire skippers. Thus, developing regulations that create a new class of quota-holding individuals who are able to hire skippers is in conflict with the intent of the Program.

The Committee discussed the potential for economic loss by second-generation quota holders who are military reservists. When those individuals are called to active duty they are unable to harvest their own quota during their time of service. However, NMFS staff clarified that existing regulations provide for temporary transfer in this case and in the case of medical disability. Staff also informed the committee that existing regulations allow three years for the surviving heir of a military individual who is killed in action or missing in action to use or dispose of owned quota shares.

After consideration, the IFQ Committee recommended that the Council not take action on this proposal.

V. IFQ Program Review Outline

Marysia Szymkowiak and Sarah Marrinan provided a staff report on an annotated document outline that describes the scope of the program review. The IFQ Committee provided the following suggestions of areas to add, expand upon, or highlight in the review (the following order does not indicate a prioritization by the IFQ Committee):

- Describe “conflict” issues that were identified at the outset of the IFQ Program or addressed in the years since implementation. Compare what the Council expected to occur with what did occur after the Council took a particular action. (Examples: gear conflict, limiting the purchase of quota share as a financial investment rather than a tool to access the resource.)
- Describe the Council’s historical decisions that limit the expansion of processing at sea, and the related trade-offs between maximizing value and maintaining fleet diversity.
- Describe measures that limit corporate ownership of quota.
- Expand on active participation requirements. Draw a distinction between corporate-owned quota shares where a hired skipper is required, and individual owners who choose to hire a skipper as part of their business plan.
- Track changes in the cost recovery fee over time; compare fee revenues to the cost of administering the IFQ Program.
- Describe entry opportunities for crew, and the financial challenge of buying into the fishery for a second generation fisherman.
- Describe time trends in product quality, and the impacts of those developments on stakeholders.
- Highlight the net benefit to the nation in terms of consumers, comparing the IFQ Program to the earlier “derby” system.
- Expand the portion of the document that describes the Observer Program, its costs, and benefits.
- Identify the Program’s biological impacts. (Examples: localized depletion, the effect of targeting larger fish on growth rates.)
- Address the potential impacts of authorizing Recreational Quota Entities (RQE).