

November 29, 2016

North Pacific Fishery Management Council
Dan Hull, Chair
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RE: C3 Charter Halibut RQE, C9 Electronic Monitoring Integration

Dear Chairman Hull and Council Members,

PVOA's mission statement is to:

"Promote the economic viability of the commercial fishing fleet in Petersburg, promote the conservation and rational management of North Pacific resources, and advocate the need for protection of fisheries habitat."

C3 Halibut Charter RQE

Alternative 2

While Petersburg Vessel Owner's Association members believe that the guided, unguided, subsistence, and commercial fishing sectors are all very important to the success of our community and customary lifestyles, we are opposed to the creation of a Halibut Charter Recreational Quota Entity (RQE).

Our members are concerned that negative social-economic impacts on our commercial fishing fleet will outweigh the benefits seen by the charter and tourist sector of our local economy due to the overwhelming amount of economic activity generated in our town by the commercial fishing fleet compared to that by our tourism sector. In Petersburg, the economic activity is created by the commercial fleet harvesting halibut and other seafood through fuel, bait, ice, food, processing labor, freight shipping, vessel parts and maintenance, etc.

Petersburg is listed as one of the top four communities in the State where the highest amounts of halibut are landed and therefore more likely to feel the impacts of lost community revenue sharing from raw fish taxes, (page 189).

We also believe the competition generated by a well-financed buyer will inflate the price of quota shares to current and new entrants. Additionally, the commercial halibut fleet may experience consolidation depending on the transfer restriction chosen for an RQE.

While we are opposed to the creation of an RQE, we value the public process facilitated by the Council.

Element 1. Number of Entities

We have no preference whether one entity is created for both areas, or one for each regulatory area. We agree with the analyses assumption that if only one entity is created, pools for areas 2C and 3A must be kept separate and liberalize bag limits for only their own areas for management purposes and the health of the halibut resource.

Element 2. Restrictions on Transfers

On page 88 of the analyses it reads, "using a structure similar to a CQE, the RQE would be an eligible participant to purchase QS in the Alaska Halibut and Sablefish IFQ Program on behalf of all guided recreational anglers." This is the only mention of allowing the RQE to purchase sablefish quota shares. The analysis also only identifies impacts surrounding the transfers of halibut quota shares. We hope this is purely an error in the analysis as only halibut quota share is cited as an allowable RQE holding in the purpose and need statement, but wish to clarify that we are opposed to an RQE buying sablefish quota on spec.

PVOA members support the Council's preferred Element 2 under Alternative 2 and feel that it is essential that if quota share transfers back to the commercial sector, it retain its original quota class and block designation. Class designation ratios of quota share were set with care to preserve the composition of the fishery. Additionally, because the Council is undergoing a review of the IFQ system, we believe there is currently a better route available to analyze this outside of this policy.

The analysis points out that the only way for the Council to mitigate impacts to the commercial sector, specifically in terms of consolidation, is through transfer restrictions. We support the following transfer restrictions for Alternative 2 as measures to protect the values of the IFQ program, minimize consolidation, and protect current and new entrants.

Annual Transfer Limit

We ask that the annual limit on transfers to the RQE be 0.5% for both regulatory areas to mitigate affects of an RQE's purchasing power in the open market. "Even at a one percent annual purchase limit, the RQE would be the largest individual player in the quota market, (page 14)" Because the funding source of an RQE is yet to be determined and could be substantial in a short period of time, we encourage the Council to set a low transfer rate and mitigate the impacts to the market and affected quota share prices. The analysis points out that RQE purchasing power "under lower stock conditions, when it appears that QS transfer rates slow, (page 96)" would be higher compared to conditions of high abundance.

Cumulative Transfer Cap

We support the preferred preliminary alternative Suboption 3A under the Element 2 that would create a cumulative cap on the amount of quota share held by the RQE and leased under GAF. We ask that the cumulative cap be set at 10% for both areas 2C and 3A.

This would be an increase of 44% and 42% from the current Catch Sharing Plan levels of 18.3% and 18.9% for areas 2C and 3A respectively. This is huge increase, and the analysis shows how it could considerably liberalize bag limits in both areas under the various proposed transfer restriction.

Restrictions on RQE Quota Share Purchases

PVOA members do not support the option that would restrict the purchase of D class quota shares. D class quota is occasionally entry level, however, D class quota shares are fished on vessels small enough that few or no crewmembers are needed. More crewmembers are employed on vessels large enough to fish C and B class quota. These are the boats large enough to require several hands. Many crewmen looking to purchase his or her own quota shares are looking to purchase quota they can fish on the class of vessel they are currently employed on. Allowing purchases from all classes would spread out the impacts of this policy when attempting to address accessibility for existing and new entrants in the commercial fishery.

According to the analysis, restricting the RQE from purchasing D-Class shares in 2C would mean that 92.3 percent of the RQE-eligible quota would be in C-Class shares (page 95). This would create a lot of buying pressure on C class shares and drive prices up. The analysis also points out that a prohibition on D class shares would also likely disrupt the historically lower priced quota class due to increased pressure from the commercial sector pushed into this class or delaying a move to a larger vessel and class.

To ensure that quota share is available to current and new entrants, PVOA asks that unblocked quota be restricted from RQE purchases. Sometimes, while higher priced, this is the only quota a new entrant can afford due to the blocks available on the market being too expensive. We also ask that the Council amend the option to restrict RQE purchase of all blocks less than 5,000 pounds.

Element 3. Use of RQE Quota Share

If an RQE obtains more quota share than necessary in times of high abundance, PVOA members support Suboption 2 under Option 1 of this element that would distribute quota share back to the commercial sector equally to all catcher vessel quota share holders by area and based on the percent of each class of quota share purchased by the RQE. We encourage the Council to add the provision to transfer quota back at this time and not wait to use a future regulatory amendment, as NMFS suggests. We believe NMFS will have plenty of time to create the programming, as the analysis explains it will likely take many years before there is a need due to transfer limits, quota share costs, halibut abundance, and other factors.

"Despite the provisions for two-way transfers (i.e., the RQE could sell QS back to participants of the commercial halibut fishery), commercial sector stakeholders may be concerned that QS would never return to be used in the commercial sector. In a scenario where an RQE has holdings in excess of the amount of QS needed to provide charter clients with harvest opportunities greater than the unguided recreational bag limit, if transfers did not occur and

there was no mechanism to redistribute QS, optimal yield might not be achieved. However, even in times of high halibut abundance, an RQE may be unmotivated to sell QS back into the commercial sector, due to the potential of low abundance in the future, (page 187)"

Due to the concerns cited above, we strongly encourage the Council to include a mechanism for transferring quota back to the commercial sector at this time and not leave the issue to be dealt with in the future.

Element 4. Use of RQE Funds

We ask that the burden of IFQ program fees associated with transferred quota be a cost of the RQE and leveraged by NMFS through the IFQ Cost Recovery fee. NMFS programming costs of creating a structure to transfer quota share back to the commercial fleet should be an additional cost of the RQE under this fee.

More importantly, considering our State's financial situation, the RQE should be required to pay the State of Alaska for lost fisheries business tax and fisheries landing tax from IFQ held by the RQE instead of landed by the commercial fleet. This is an important source of funding depended on by the capital fund and the coastal communities that split these taxes 50/50. While it is up to Alaska's Legislature and not within the Council's jurisdiction to levy taxes, we hope the council seriously considers the impacts of these lost revenues on state and local government, especially in setting transfer restrictions for the RQE.

Using 2014 catch limits and ex-vessel values, and assuming a 10% transfer restriction for both regulatory areas, in 2C \$1,956,600 and in 3A \$5,958,731 in revenues would have been removed from commercial landings and held in the RQE, (pages 185 and 186). If these missed landings would have been made to a processor (at a 3% fisheries business tax, and not the higher fisheries resource landing tax of 4%), this is a cumulative \$237,459.93 in taxes that would have been missed by the State. An additional \$39,576 would have been removed from the Alaska Seafood Marketing Institute budget, and raw fish taxes implemented by various cities and boroughs at various rates would be a lost opportunity.

The ex-vessel values for this scenario were available in the analysis, but the value of taxes that would be lost to the state, or ratio of halibut delivered to a processor under a fisheries business tax verse direct marketed under a fisheries resource landing tax were not included.

Overage-Underage Provision

In the previous Council review of this policy, the overage-underage provision for the IFQ program has not been debated for quota share held by an RQE. We advise the Council to follow the advice from NMFS and debit the IFQ balance first when accounting for charter halibut catch in a year. This will ensure the RQE's quota share balance is zeroed out each year.

Most importantly, if a whole charter management area were to over-harvest their quota share by ten percent, this could have a much larger impact on the biomass than if an individual quota

share holder over-harvests by ten percent, due to the RQE's potential to hold more quota share than an individual fishermen.

RQE Purchase of CHP

Even though Alternative 3 to allow the RQE to purchase Chart Halibut Permits has been dropped since the previous analysis, the latest analysis reads "**Element 4** would limit the use of RQE funds to the acquisition of commercial halibut quota; acquisition of charter halibut permits; halibut conservation/research; promotion of the halibut resource, and administrative costs, (page 150)"

PVOA members continue to support the option for the RQE to purchase and hold latent or under used CHP as a tool to manipulate the bag limits for guided anglers. The analysis repeatedly points out that if these permits that are currently available on the open market were to become active, quota owned by the RQE could have less of an impact in its ability to liberalize bag limits. If an RQE were allowed to purchase and hold/sell charter halibut permits as the charter sector chose, they could self-impose a permit 'buyback' or create additional access as they saw fit.

C9 Electronic Monitoring Integration

Alternative 2

PVOA members support the Council's chosen Preferred Alternative 2 that would integrate EM into the Observer Program and allow the use of EM for catch estimation on vessels in the EM selection pool. This process will allow the Council and NMFS to determine appropriate deployment tools of the EM program including fisheries, gear types, vessel size, primary ports for service, and selection rates through their Annual Deployment Plan. NMFS will also have to allocate their budget between the needs of the human and electronic observer programs.

Under Alternative 2, the catch of all species will be estimated through video review, while Alternative 3 would use logbooks audited by video review as a source of catch estimates for all species. We believe Alternative 2 will be subject to less human error and therefore supply better catch estimates for management purposes. In fishing conditions with high winds or swell, on vessels where the operator helps haul gear, or other circumstances, logbook data could unintentionally suffer.

PVOA also opposes Alternative 3 because our members believe the potential for logbooks to become burdensome to vessel operators could reduce participation in the EM program. We understand the need for enforcement to be a component of all observer programs, but have concerns that accidental clerical errors in logbooks could lead to citations. The analysis also pointed out that NMFS would have operational costs associated with reviewing non-compliant logbooks that couldn't be covered by industry monitoring fees.

In other areas outside of Alaska, where logbooks are used with an EM system, the penalty for

logbook violations requires the vessel owner to pay the costs of a full EM audit. Since the analysis says this is illegal in Alaska and also advises in a previous section that there could be a learning curve for vessel operators to understand how to properly report in a logbook, we believe Alternative 2 would be more cost efficient for NMFS.

Option A EM Monitoring when Fishing IFQ in Multiple Areas

This option would allow vessel operators in the EM pool to retain IFQ exceeding the amount available in the individual area, if the vessel is carrying either a human observer or an EM system. Our membership support this option that is also supported by the EM workgroup, the Observer Advisory Committee, and NMFS as an incentive to encourage participation in the EM program.

The ability to fish multiple IFQ areas could reduce the number of fishing trips a vessel makes and thereby the costs of their trips. It could also reduce the amount of unfished quota in a year since multiple area or 'clean –up' trips would be easily flagged through the ODDS system. Without this provision, some participants may choose to stay in the human observer pool, since it is the currently the only option to fish multiple areas in a single trip.

Option B Rockfish Retention

We do not currently support this option, as the Council began a separate analysis to evaluate the rockfish retention requirement for all fixed gear vessels, rather than solely fixed gear vessels carrying EM. While this could be of benefit to increase accuracy of catch accounting for EM vessels, our members prefer to wait for a fully developed analysis of potential impacts from this policy.

The analysis found that EM cooperative research program has proven successful as a tool of catch estimation for management purposes and "the research has identified that EM data can effectively identify almost all of the species or species groupings required for management, that the systems are sufficiently reliable, and that image quality is generally high, (page 11)" For these reasons, we feel that the program is successful as is and that there is no pressing reason to implement this option at this time as a part of the EM package. Rather, we feel there is sufficient time to examine the issue further.

This option would be required under Alternative 3 and is an additional reason why we do not support that alternative.

Annual Deployment Plan

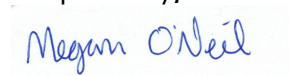
In the future, as the Council and NMFS determine the deployment model of the EM pool through the Annual Deployment Plan, we ask they consider allowing vessels with installed EM equipment the ability to log a trip and leave port immediately instead of logging a trip three days prior to departure.

We assume these vessels would still have to complete a functions test of their EM equipment before leaving port. If there was a critical EM system malfunction, the current 48-hour rule for repairs should still stand.

We believe this privilege would encourage participation in the program since it would allow vessel owners and crews to take advantage of windows of good weather. This could be especially helpful to vessel operators that have to run for a day or more to reach the fishing grounds. It also may mitigate timing conflicts between various fisheries a quota holder may participate in.

Thank you for the opportunity to comment on these agenda items. As always, we would be happy to answer any questions.

Respectfully,



Megan O'Neil
Executive Director