



A REPORT TO THE FLEET

(Updated: July, 1996)

Dear Friends,

The Restricted Access Management (RAM) Division [Alaska Region, National Marine Fisheries Service] prepared the original version of this document in February, 1996, and distributed it to all persons who received 1996 halibut or sablefish Individual Fishing Quota (IFQ). The information it provided, particularly the tables and other summaries of program performance, were well received. In fact, they were so well received that we have found it advisable to update the earlier version for distribution to IFQ fishermen as well as policy-makers and the general public.

To that end, this small report contains the following information:

- 1996 Quota Share Pools (QSPs), and the ratio between QS and IFQ by species and IFQ regulatory area;
- 1996 Quota Share Use and Vessel IFQ Caps;
- "Sweep-Up" limits (for combining very small blocks of QS into larger blocks);
- Information on Transfers of QS (through June, 1996);
- Information on Determinations and Appeals;
- Information on IFQ regulatory changes; and,
- Information on IFQ research activities.

Comments and questions about any aspect of the IFQ program are always welcome, and may be addressed to the RAM Division at the address set out below.

Sincerely,

Philip J. Smith
Chief, RAM Division

1996 Halibut and Sablefish Fisheries -- Calculating the IFQ

The following table displays, by regulatory area and species, the total amount of QS that has been issued (the Quota Share Pool), as of January 31, 1996, the 1996 Total Allowable Catch (TAC), and the ratio between the QSP and the amount of Individual Fishing Quota (IFQ).

QSPs, TOTAL IFQ POUNDS (TACs) BY REGULATORY AREA, AND RATIOS [QS UNITS ÷ IFQ POUNDS] BY AREA

<u>IFQ Area</u>	<u>1996 Quota Share Pool</u>	<u>1996 IFQ (Total Allowable Catch)</u>	<u>Ratio (QSP:IFQ)</u>
Halibut 2C	59,979,977	9,000,000	6.664
Halibut 3A	186,079,384	20,000,000	9.304
Halibut 3B	54,505,286	3,700,000	14.731
Halibut 4A	14,914,713	1,950,000	7.649
Halibut 4B	9,293,043	1,848,000	5.029
Halibut 4C	3,969,186	385,000	10.310
Halibut 4D	4,685,996	539,000	8.694
Halibut 4E	139,999	0	0
Sablefish SE	68,848,467	10,346,188	6.654
Sablefish WY	55,254,522	6,366,885	8.678
Sablefish CG	112,098,331	12,169,392	9.211
Sablefish WG	37,566,440	3,880,096	9.682
Sablefish AI	31,496,242	1,587,312	19.842
Sablefish BS	17,708,130	970,024	18.255

Notes:

- * The "ratio" displays the number of QS units that will yield one pound of 1996 IFQ.
- * Computer rounding may yield slight differences between calculated IFQ and issued IFQ.
- * QSPs include small amounts of QS in "Reserve" (i.e., QS that may not yield 1996 IFQ).
- * TACs do not include Community Development Quota (CDQ) program allocations.
- * Halibut weights are displayed in net pounds; sablefish weights are displayed in round pounds.

To determine about how many pounds of IFQ may be harvested in each regulatory area during 1996 (i.e., to check the calculation of the pounds displayed on the IFQ Permit), one divides the amount of QS units held for each area by the number set out in the "Ratio" column in the above table. Note that the resulting pounds of IFQ may be somewhat different (higher or lower) than the amount issued. The reason for the difference is "overage" and "underage" adjustments resulting from 1995 IFQ fishing activities.

IFQ holders who wished to dispute the amount of 1996 IFQ that was issued to them were encouraged to contact the Division within thirty days following the effective date of their 1996 IFQ permit (i.e., by no later than April 15, 1996).

1996 QS Use and Vessel IFQ Caps

The IFQ regulations provide that no person may hold unrestricted QS (i.e., QS that yields annual IFQ) in amounts that exceed certain percentages of the total QS issued for various regulatory areas. This is known as the "QS Use Cap." The only exception to this provision is for those who

received QS in excess of the Cap by initial issuance. The pounds of IFQ that may be fished from any vessel are likewise limited; this limit is known as the "Vessel IFQ Cap." The following tables display the 1996 QS Use Caps and the Vessel IFQ Caps for both species.

1996 QS USE CAPS - HALIBUT & SABLEFISH

<u>IFQ Regulatory Area</u>	<u>QS Pool, Total Units</u>	<u>QS Use Limit as Percent of QSP(s)</u>	<u>QS Use Limit in QS Units</u>
Halibut 2C	59,979,977	1.0%	599,800
Halibut 2C,3A,3B	300,564,647	0.5%	1,502,823
Halibut 4A - 4E	33,002,937	0.5%	165,015
Sablefish SE	68,848,467	1.0%	688,485
Sablefish - All Areas	322,972,132	1.0%	3,229,721

1996 VESSEL IFQ CAPS - HALIBUT & SABLEFISH

<u>IFQ Regulatory Area</u>	<u>1996 IFQ (CDQ Removed)</u>	<u>Cap as Percent of IFQ</u>	<u>Cap in IFQ Pounds</u>
Halibut 2C	9,000,000	1.0%	90,000
Halibut - All Areas	37,422,000	0.5%	187,110
Sablefish SE	10,346,188	1.0%	103,462
Sablefish - All Areas	35,319,897	1.0%	353,199

Notes:

- * QS Use Cap refers only to QS that will yield IFQ.
- * QS Use Cap applies to all QS held by a person, either individually or collectively (e.g., as an individual and as a partner or shareholder in another QS-holding enterprise).
- * The TACs used to compute Vessel IFQ Caps does not include amounts that are set aside for the Community Development Quota (CDQ) program.
- * Halibut weights are displayed in net pounds; sablefish weights are displayed in round pounds.

"Sweep-Up" Limits for Small Blocks of QS

Under the IFQ regulations, persons who hold very small blocks of QS may combine them by transfer until they reach an amount of QS that would yield 1,000 pounds (or less) of halibut IFQ or 3,000 pounds (or less) of sablefish IFQ. This is known as the "sweep-up" provision. Because the Quota Share Pools (QSPs) and Total Allowable Catch (TAC) limits change from year to year, the regulations provide that the sweep-up limits will be set according to the QSPs as they existed in October, 1994, and as applied to the 1994 TACs. The following Table displays the sweep-up limits under the current regulations.

Sweep-Up Equivalent

<u>IFQ Regulatory Area</u>	<u>(QS Units)</u>
Halibut 2C	5,146
Halibut 3A	6,779
Halibut 3B	13,040
Halibut 4A	7,532
Halibut 4B	4,346
Halibut 4C	5,685
Halibut 4D	6,397
Halibut 4E	1,390
Sablefish SE	12,339
Sablefish WY	14,640
Sablefish CG	15,564
Sablefish WG	24,861
Sablefish AI	19,209
Sablefish BS	81,900

There have not been large numbers of "sweep-ups" of very small blocks of QS. Partly as a result of that fact, the North Pacific Fishery Management Council (Council) has voted to raise the limits to amounts of QS that would yield 3,000 pounds of halibut IFQ and 5,000 pounds of sablefish IFQ. Regulations to accomplish this change are under development (see, section on Regulatory Amendments, below).

QS and IFQ Transfer Activity

Transfers of Quota Share

As of June 26, 1996, the RAM Division had completed processing a total of 2,897 transactions involving the transfer of QS (by permanent transfer, lease, or "sweep-up"). By far the largest number of permanent transfers have involved halibut QS (2,074 halibut transfers v. 579 sablefish transfers), while the opposite is true of leases (112 sablefish leases v. 48 halibut leases).

There continues to be a net gain of QS transferred to Alaskans, as discussed below:

In the halibut fishery, 294 permanent transfers to Alaskans from non-Alaskans, and 291 permanent transfers from Alaskans to non-Alaskans, yielded a net gain of QS to Alaskans in the amount of 4,224,576 units. Leases of halibut QS (and IFQ) during the 1995 season (and through June, 1996) resulted in an additional 1,859,770 units of QS being temporarily transferred to Alaskans.

In the sablefish fishery, 99 permanent transfers to Alaskans from non-Alaskans, and 72 permanent transfers from Alaskans to non-Alaskans, yielded a net gain of QS to Alaskans in the amount of 4,904,352 units. Leases of halibut QS (and IFQ) during the 1995 season (and through June, 1996) resulted in an additional 8,390,007 units of QS being temporarily transferred to Alaskans.

Note: The designation of a person as an "Alaskan" or a "non-Alaskan" is premised upon the addresses provided by the parties; the RAM Division makes no attempt to verify a person's legal residence.

New Entrants to the Fisheries

A feature of the IFQ program is that only those who received QS by initial issuance and those individuals who qualify as "IFQ Crew Members" (by demonstrating that they have served at least 150 days on the harvesting crew in any U.S. fishery) may receive unrestricted Catcher Vessel QS (i.e., Catcher Vessel QS that yields IFQ) by transfer. Those who have gained the status of eligibility to receive QS and IFQ by transfer are issued Transfer Eligibility Certificates (TECs).

As of June 26, 1996, the RAM Division had received and processed 1,133 applications for TECs from individuals who did not receive QS by initial issuance. Of the TECs issued, 849 (74.9%) were issued to Alaskans, while 284 (25.1%) were issued to non-Alaskans. Of those who received TECs, 497 (374 Alaskans and 123 non-Alaskans) actually received QS by transfer for the first time. The following table displays the total QS units received by such persons.

	<u>Units of Halibut QS</u>	<u>Units of Sablefish QS</u>
"Alaskans"	18,542,511	3,204,290
"non-Alaskans"	6,069,175	3,294,010

Determinations and Appeals

Throughout 1994 and 1995 (and, to a lesser extent, in 1996), the RAM Division received and processed almost 6,000 Requests for Application (RFAs) for halibut QS and almost 2,000 RFAs for sablefish QS, each of which represented an application for either halibut or sablefish QS (in appropriate IFQ regulatory areas and vessel categories). Each application could result in issuance of more than one QS Certificate, and many applicants did receive more than one. The following table displays the approximate numbers of both blocked and unblocked QS Certificates that were initially issued to applicants (the table includes those QS Certificates issued as compensation for lost fishing opportunity resulting from the Community Development Quota program):

	<u>Halibut</u>	<u>Sablefish</u>	<u>Total</u>
Blocked QS Certificates	5,900	1,360	7,260
Unblocked QS Certificates	<u>1,610</u>	<u>1,020</u>	<u>2,630</u>
Total QS Certificates:	7,510	2,380	9,890

If an applicant failed to demonstrate his/her eligibility for QS, or some related claim (vessel category, qualifying pounds, etc.) s/he was issued an Initial Administrative Determination (IAD) by the RAM Division. By early February, 1996, the Division had issued more than 1,600 such Determinations. The following table displays the numbers of IADs issued, disaggregated to show the reasons for denials:

<u>Reason</u>	<u>Number of Denials</u>
Untimely Applications	105
Not Eligible for Quota Share	1,190
Conflicts with other Applicant	139
Denied Vessel Category Change	22
Partial Denial of Claimed Pounds	140
Multiple Reasons/Miscellaneous	<u>15</u>
Total Denials	1,611

Note: Conflicts, by definition, involve at least 2 applicants; these data display the number of applicants in Conflict situations.

These represent virtually all denied claims to initial issuance of QS. Although a few more claims continue to trickle in, only a handful remain that have not been addressed with an IAD.

Appeals

As of early June, 1996, only 161 appeals of Initial Administrative Determinations had been lodged with the Office of Administrative Appeals. Thirty-eight final decisions had been published, 15 cases were settled or otherwise dismissed, and 35 decisions had been drafted, but not finalized. Further, two Final Agency Determinations (both involving disputes over initial allocation of QS) had been appealed to the Federal District Court.

IFQ Regulatory Changes

NOTE OF CAUTION

The following discussion of IFQ regulations (and proposed changes to IFQ regulations) is for information purposes only, and is not intended to create any rights enforceable by law. Regulations governing the IFQ program can be found at 50 CFR 679 (formerly 50 CFR 676). Copies of current regulations may be obtained from the RAM Division.

Questions about IFQ regulatory amendments that are currently under discussion or under development may be addressed to the NMFS Fish Management Division (907-586-7228) or to the North Pacific Fishery Management Council (907-271-2809).

The IFQ program has been called a "work in progress" -- when the program was adopted, the Industry, the Council, and the Secretary contemplated that adjustments to its provisions could prove to be necessary (or, at least, desirable). They were right.

During the past year, several amendments to the IFQ regulations were adopted by the Council and approved by the Secretary. These changes are discussed below, as are additional proposals that are in various stages of Council review and the NMFS regulatory process.

Approved Changes to the IFQ Regulations

Fishing in Multiple Areas. A change approved late last year eases the restrictions on fishing for IFQ halibut or sablefish in more than one regulatory area. Under this new regulation, an exemption is provided from the rule that IFQ species retained on-board may not exceed the total amount of unharvested IFQ (for the species and in the area in which gear is deployed) held by all IFQ permit holders aboard the vessel. The exemption is only valid if an observer is on-board the vessel and if daily fishing logs are being maintained.

CDQ Compensation Quota Share. Changes to the regulations that govern the calculation, use, and transfer of QS issued to fishermen in compensation for lost fishing opportunities resulting from the Western Alaska Community Development Quota (CDQ) program have been made. Specifically,

- the regulation verifying that CDQ compensation would not be issued as a block has been adopted; and,
- the regulation that allows for a "one-time-only" transfer of CDQ compensation QS to be transferred to a different vessel category from the one in which it was initially issued has been adopted. **Note that this provision remains in effect only through February 24, 1997.**

Regulatory Changes on the Way

Because of Industry advocacy and action by the Council, a number of other changes to the program are in the regulatory process and are awaiting publication of a Final Rule. They are contained in a set of proposed regulations known as "Omnibus II," and include:

- A provision to eliminate the 72-hour "fair start" (no fishing) requirement before the opening of the sablefish season;
- A provision to ease the requirement that an IFQ holder remain on-board the vessel until the fish are offloaded;
- A provision to transfer QS and IFQ to the surviving spouse of a QS holder who passes away and who has expressed no contrary intent for the disposition of the harvest privilege;
- A provision to ease current restrictions on salmon fishermen making deliveries of IFQ halibut and sablefish to tenders;
- A provision to ease the reporting requirements that govern shipment of IFQ halibut and sablefish by Registered Buyers; and,
- A variety of smaller, technical, amendments.

It is expected that these changes will be finalized before the end of the 1996 season.

Other Proposed Changes

The "Fish-Down" (or "Buy-Down") Amendment. The Council has approved an amendment to the IFQ program that would allow persons to fish catcher vessel IFQ on vessels smaller than the vessel category to which the IFQ is assigned. This would enable a fisherman to (for instance) fish vessel category "B" IFQ (which could currently be used only on vessels greater than 60' Length Over-All) on vessels smaller than 60' LOA.

There are limits to this privilege. In the halibut 2C and sablefish SE regulatory areas, the exemption would not apply to IFQ derived from QS blocks that yield more than 5,000 pounds of IFQ, or to IFQ derived from unblocked QS. Further, the exemption would not be allowed the other way (i.e., smaller vessel IFQ could not be fished on a vessel with a LOA greater than that designated for the IFQ).

This change has passed the Council, and has been published as a proposed rule. It has not yet been published as a Final Rule. If the change becomes effective during the 1996 season, the RAM Division will provide appropriate notice to the fleet.

Extended Sablefish Season in the Aleutian Island Regulatory Area. The council has approved an amendment to the IFQ regulations that would allow vessels with observers on board to harvest sablefish during January, February, and March (the effect of the amendment would be to provide an "early start" for sablesfish fishing in that area). This proposal is undergoing review and development of appropriate regulatory language.

Raising the "Sweep-Up" Limits. The Council has proposed an amendment that would raise the "sweep-up" limits to provide for easier consolidation of small QS blocks. Under the proposal, the limit would be raised to the amounts of QS that would yield 3,000 pounds of halibut IFQ and 5,000 pounds of sablefish IFQ (based on the 1996 QS Pools and TACs). Regulations to accomplish this change are being developed.

QS Use Cap in the Bering Sea. At a recent meeting, the Council voted to propose an increase in the QS Use Cap in the Bering Sea halibut regulatory areas. Industry representatives have commented that the current Cap (set at 0.5%) is too low to allow for efficient fishing activities. In response, the Council voted to establish the Cap at 1.5% of all the QS issued for halibut regulatory areas 4A- 4E. Work on regulations to accomplish this has commenced; however, it is not expected that the changes will become final until the 1997 season.

Future Regulatory Changes

At its February meeting in Anchorage, the Council established a schedule for considering additional amendments to the IFQ Regulations. According to the Council's newsletter:

... the Council will call for IFQ proposals over the summer. In September, the proposals will be forwarded to the IFQ Industry Implementation Team. In

October, the Team will review the proposals, assess staff workload and availability, and rank the need and importance of proposed amendments. In December, the Team will report their findings to the Council. NMFS/RAM Division will also provide a preliminary report on the conclusion of the IFQ season. The Council will review the Implementation Team recommendations on IFQ plan and regulatory amendments and direct staff to initiate particular analysis in light of other staff assignments and other proposed groundfish amendments . . . In April, the Council will schedule initial review for amendments and take final action in June . . .

Research on the Performance of the IFQ Program

To objectively and professionally assess the performance of the program, an inter-agency group (the "IFQ Research Planning Team") has been formed. Members of the Team include representatives of NMFS, the Council, the State of Alaska, the University of Alaska, and the International Pacific Halibut Commission.

Team members have been working together to conduct an in-depth analysis of various impacts resulting from the program, and have committed to produce reports that are:

. . . professional, objective, coordinated between interested parties, premised on independently verifiable data, and subject to peer review. . .

Last September, the team reported to the Council that major research would be undertaken in three critical areas, including: 1) Conservation effects (such as bycatch, catch per unit of effort, gear loss, etc.); 2) Distributional effects (initial issuance of QS and changes resulting from transfers, and distribution of landings during the season by both location and time); and, 3) Individual and community impacts (effects of the program on vessel operations, employment, ex-vessel and wholesale prices, etc.). A series of smaller reports (on Initial Issuance of QS, the 1995 Enforcement experience, implementation costs, effects of program on safety, etc.) are also planned.

Some preliminary reports on a number of these items were presented to the Council in April, while final reports will be presented to the Council at its September meeting in Sitka. Additionally, some reports will no doubt be issued annually in order to track the long-term effects of the IFQ program.

Conclusion

Most observers agree that the 1995 halibut and sablefish seasons went fairly smoothly, in spite of some "start-up" difficulties (some of which intruded into 1996, as well). In large measure, any of the success experienced resulted from the patience, flexibility, and good humor of IFQ holders and Registered Buyers who worked closely with NMFS Enforcement, the RAM Division, and others. We certainly appreciate that cooperation, and look forward to completing the 1996

season and preparing for future seasons. Working together, we can solve existing problems and continue to implement programmatic improvements in the future.