

**NORTH PACIFIC COUNCIL
PERMANENT SOLUTION ALTERNATIVES AND OPTIONS
JUNE 2006**

ALTERNATIVE 1. NO ACTION

ALTERNATIVE 2. ALLOCATION TO THE CHARTER HALIBUT SECTOR

Issue 1. Allocation

Option 1. Fixed Percentage of combined commercial/charter catch limit:

	Area 2C	Area 3A	formula
a.	16.37%	15.92%	125% of average harvest of 2000-2004, translated to percentage
b.	13.05%	14.11%	equal to the 1995-99 GHIL, translated to percentage
c.	14.7%	12.9%	percentage of combined 2004 commercial/charter catch
d.	12.1%	12.9%	convert current GHIL into percentage based on 2004

Option 2. Fixed Pounds

	Area 2C	Area 3A	formula
a.	1.693 Mlb	4.011 Mlb	update GHIL to 2000-2004
b.	1.432 Mlb	3.650 Mlb	equal to the 1995-1999 GHIL
	Suboption 1.		Without step up/down
	Suboption 2.		With stair step up/down provisions if changed by 5, 10, or 15% of the base years of the initial allocation

Suboption. Suballocate between subareas. Develop local area management plans (LAMPs)
(placeholder for State of Alaska recommendations)

Issue 2. Overage/Underage

- Option 1. apply overages/underages to the following year's allocations by sector
- Option 2. allow overages/underages to be transferred across sectors
- Option 3. 3 or 5 year rolling average of catch to determine if overage/underage occurred in latest year
- Option 4. ± 5 or 10% overage/underage results in no management response and >5 or 10% overage/underage leads to change in measures

Issue 3. Mechanisms to increase charter sector harvest with compensation to the commercial sector; increased fishing opportunity to recreational anglers as demand grows; opportunity for charter sector growth in areas that are currently underdeveloped; and maintain stability in coastal communities.

- Option 1. Allow the state to hold commercial QS/IFQ and transfer the poundage/percentage to the charter sector
 - Suboption 1. By purchase of commercial quota share (permanent)
 - Suboption 2. By lease of commercial IFQs (annual)

- Option 2. Allow use of commercial QS in the charter sector through permanent transfer (converted to fish) by purchase or conversion.

Eligibility

- Suboption 1. Must hold a halibut charter limited entry permit to use commercial halibut QS in the charter fishery
- Suboption 2. Must hold a halibut charter limited entry permit and a commercial transfer eligibility certificate to use commercial halibut QS in the charter fishery

Permanent Transferability (Sale)

- Commercial QS is fully transferable across sectors and retains original class designations
- Allow commercial blocks to be split to transfer smaller pieces to the charter sector.
- Split blocks retain original block designations
- Allow transfer of any (A, B, C, or D) vessel class QS for use in charter sector
- Charter business may not hold more than 1 block of Class D QS \geq sweep-up level

Option 3. Allow use of commercial IFQ in the charter sector through temporary leasing (converted to fish)

- < 10 percent of a commercial QS holder's IFQ may be annually leased to charter sector between private individuals

- Allow commercial blocks to be split to transfer smaller pieces to the charter sector.

Suboption 1. Must hold a halibut charter limited entry permit to use commercial halibut IFQ in the charter fishery

Suboption 2. Must hold a halibut charter limited entry permit and a commercial transfer eligibility certificate to use commercial halibut IFQ in the charter fishery

Option 4. Allow charter halibut limited entry permit holders to convert their permits into increased allocation at initial issuance

Suboption 1. Each charter halibut permit is equal to percentage of charter sector allocation based on total number of charter permits (equal shares)

Suboption 2. Each charter halibut permit is equal to percentage of charter sector allocation based on class or other designation of limited entry permit

Issue 4. Mechanisms to finance compensated reallocation to the current charter sector to allow for growth

Option 1. State charter stamp

Option 2. Allow private entities to purchase commercial QS/IFQ and convert to charter allocation; lease back unused allocation at end of year (part of KACO plan)

Option 3. Business Improvement District (tax on trips dedicated to certain purpose)

Option 4. Funds from compensated transfer of unused charter allocation back to commercial sector

Option 5. Allow State to hold IFQs in trust through State bonds (similar to bonds issued recently for construction of State hatchery)

Option 6. Federal funding/grants/stamp to fund entities to purchase QS and convert to charter allocation

Issue 5. LIMITED ENTRY PROGRAM¹

Elements of the program

- 1. Permits²** may be held by U.S. citizens or U.S. businesses with 75 percent U.S. ownership of the business³. Business may receive multiple permits associated with vessels owned by a business. Currently licensed vessels may be "grandfathered" above proposed limits until any change in ownership.
- 2. Permits will have separate designations for Area 2C and Area 3A.**
- 3. Permit Endorsement**

<u>6 clients</u>	<u>highest number on any trip in 2004 or 2005</u>
uninspected (6-packs) vessels	inspected vessels (but not less than 4)
new construction (uninspected or inspected vessels)	uninspected >100 gross tons ("Super-T")
constructive loss ⁴	constructive loss ¹⁰
- 4. Permit would be issued to registered guide business operator**
- 5. Permit applicant** would be required to sign affidavit attesting that all legal requirements were met.⁵
- 6. Transfers** of permits (permanent) would be allowed

¹ Military (Morale, Welfare, and Recreational) boats are exempted from QS program. They could be issued limited entry exemption permits

² Through initial issuance and transfers

³ Military (Morale, Welfare, and Recreational) boats are exempted from limited entry, but harvests still count against GHF

⁴ limited to the endorsement associated with lost vessel

⁵ The only tangible evidence is the ADF&G logbook, which requires meeting all State legal requirements

- 7. **Permits** may be stacked up to use caps^{6,7}
- 8. **Permits** must be renewed annually⁸
- 9. **Evidence of participation** - any ADF&G logbook entry with recorded bottomfish statistical area, rods, or boat hours

10. Permit class

Option 1. No permit classes

Option 2. Permit class

Class A. Immediately transferable if more than or equal to a) 10; b) 30; or c) 50 days each year

Class B. Non-transferable if less than or equal to preferred alternative above [a) 10; b) 30; or c) 50 days] (except to underdeveloped communities under **Issue ?**, Option 3, if no permit class is designated)

Suboption. By port/subarea (placeholder for State of Alaska)

Option 3. Permit class based on 1998 - 2005 logbook records of total groundfish effort days per season

Suboption 1. Average of the 3 best years.

Suboption 2. i. Best year and

ii. Must have a minimum of 10 annual trips for 3A, and minimum of 6 annual trips for 2C (eliminates Area 3A Class H and Area 2C Class G logbooks)

	Area 2C			Area 3A	
	Trips	Avg. # Business		Trips	Avg. # Businesses
Class G	<6	81	Class H	<10	82
Class F	6 – 10	76	Class G	10 – 25	91
Class E	11 – 25	51	Class F	26 – 35	42
Class D	26 – 35	35	Class E	36 – 45	36
Class C	36 – 45	28	Class D	46 – 55	32
Class B	46 – 55	21	Class C	56 – 65	29
Class A	56 – 65 ceiling	14	Class B	66 – 75	28
Unclassified	> 66 trips	71	Class A	76 – 85 ceiling	25
			Unclassified	> 86 trips	67

Option 4. Rod permit endorsement

Sub-option 1. equal to the maximum number of rods fished in any one day on the vessel.

Sub-option 2. equal to best year of 1998-2005 for total number of client rods fished divided by effort days in the chosen season to determine the rod endorsement.

Option 5. Angler-days (= 1 client fishing bottomfish/halibut in 1 day)

Initial issuance - award number of angler day units from ADF&G logbooks which correspond to:

Suboption 1. Total angler-days during 1998-2005

Suboption 2. Average angler-days during best 3 years from 1998 – 2005

Suboption 3. Total angler-days during best 3 years from 1998 – 2005

Transfers

Suboption 1. Angler days not transferable

Suboption 2. Angler days fully transferable:

1. Permanent: must go through NMFS (RAM division)

2. In-season transfers: allowed between charter businesses

11. Permit Leases (in-season only; reverts to permit holder at beginning of next season)

Option 1. not allowed, except for “unavoidable circumstance”

Option 2. allowed, limited to use cap

⁶ a business can use, for example, two 6-packs license endorsements on one “Super-T” vessel

⁷ Clarification is requested as to whether a permit that is stacked is always stacked with the other permit or whether the permit must continue to denote its original endorsement

⁸ Permits could not be renewed if allowed to lapse (due to holder’s inaction to renew or because minimum activity was not met)

12. Rod endorsement leases

- Option 1. Allow transfers, limited to rod endorsement caps and within permit class (if selected under Issue 3, Option 4)
- Option 2. Allow unlimited transfers
 - Suboption. Substitute angler day permits for rods in above options

13. Vessel replacement and upgrade (can switch between permit classes)

- a. inspected vessels
- b. uninspected vessels

- Option 1. Exclude upgrades of uninspected 12-packs over 100 gross t (“Super-T” (passenger for hire))
- Option 2. Grandfather uninspected 12-packs over 100 gross t

14. Vessel use caps, individually and collectively, with grandfather⁹ provision

uninspected (limited to 6 clients) :		inspected and uninspected 12-packs > 100 gross t:	
Option 1.	1 permit	Option 1.	1 permit
Option 2.	5 permits	Option 2.	2 permits
Option 3.	10 permits	Option 3.	3 permits

15. Permit use caps, individually and collectively, with grandfather¹ provision

uninspected (limited to 6 clients) :		inspected and uninspected 12-packs > 100 gross t:	
Option 1.	10 permit	Option 1.	3 permit
Option 2.	20 permits	Option 2.	6 permits
Option 3.	30 permits	Option 3.	9 permits

16. Communities

- Option 1. For Areas 2C and 3A communities previously identified under Amendment 66, allow a community represented by a CQE to purchase between 1-10 limited entry permits per community through the CQE.
- Option 2. A CQE representing a community, which has < 10 active¹⁰ charter businesses with their primary place of business in the community, may request a moratorium permit on behalf of a community resident.
 - Area 2C – use cap of 3 permits per qualified community
 - Area 3A – use cap of 5 permits per qualified community
 - Permits would have limited duration of 5 years after issuance of permit for use by any one individual.
 - Permits would be issued (10, 20, or 30) trips in Area 2C and (20, 40, or 60) trips in Area 3A

Suboption. Exclude communities from GOA FMP Amendment 66 list using the following criteria:

- 1. within 20, 40, 60, 80 nmi of major charter port or
- 2. more than 10-50 charter trips (any species) per year during 2004-2005 listing that community as port of landing
- 3. 1-5 number of charter (any species) businesses active in a community:

⁹ A business whose permit is endorsed in excess of the permit endorsement maintains that exemption for those that remain in its control after others may be sold, but those sold vessels lose that grandfather status in perpetuity. Grandfathered vessels that are sold in total when a business owner sells his entire business/fleet maintain that grandfathered status.

¹⁰ “Active” is defined as 20 or more charter bottomfish trips per year

ALTERNATIVE 3. INCLUDE THE CHARTER SECTOR IN THE HALIBUT IFQ PROGRAM

Issue 1. Initial QS would be: 13.05% in Area 2C and 14.11% in Area 3A of a combined charter and commercial quota

Option. Suballocate between subareas. Develop local area management plans (LAMPs)
(placeholder for State of Alaska recommendations)

Issue 2. QS recipients - Initial allocation of QS would be issued to U.S. citizens or to U.S. businesses with 75 percent U.S. ownership of the business¹¹.

Issue 3. Qualification Criteria

Participation in the charter halibut fishery by a business during any of the years 1998 – 2005 AND active participant in 2005 (or most recent year, depending on when analysis commences). Require that permit applicant signs affidavit attesting that all legal requirements were met.¹²

Issue 4. Initial Distribution of QS:

Option 1. Individual allocations shall be divided between two “pools” of recipients. The intent is that once the quota shares are determined for the recipients in “Pool 1” (1998 through 2001 “Pool 1”) those shares are proportionately applied to the initial allocation amount for each area. The remainder of the allocation goes into “Pool 2” for recent participants.

Pool 1 (“Seniority”): Businesses qualified with 1998 through 2001 logbook catch history AND must have business participation in 2005 (or most current year) AND meet the legal qualifying criteria. Individual business owners would be issued QS based on their average effort reported in the ADF&G logbook for 1998 through 2001 for pool 1 (exclude years when not active (do not average 0 years))

Pool 2 (“Recency”): Active businesses (submitted at least one logbook that reported groundfish fishing days) between 2002 and 2005 AND whose business participated in 2005 AND met the legal qualifying criteria.

Suboption 1. A recipient receives 25% of one potential share of this pool for each year of participation during 2002-2005 (four years). For example, a business with participation in all four years would receive a full share (100%). A business with participation in three years would receive 75% of a full share, etc.

Suboption 2. Use client/rod days for days fished to reward client effort (6 client rod days v 1 day for the same fishing trip). (Rods(or number of clients logged in, if rods not filled out), (A year with no effort counts as “0”) Skipper fish counts toward denominator, but not for numerator for QS and not against IFQs) This might need more explanation if left in without further details or use as a note for yourself on our intent.

Option 2. Businesses qualified with 1998 through 2005 logbook catch history AND must have business participation in 2005 (or most current year) AND meet the legal qualifying criteria. Individuals will pick their best three years during 1998 and 2005 (include “0” for years less than 3) and average their total number of client/rod days for those three years. (groundfish, where halibut not available)

Issue 5. Transfer of QS:

Permanent QS transfers

1. Initially issued QS to the charter sector is fully transferable within the charter sector.
2. QS from the commercial sector purchased by charter operators is fully transferable (two-way) across sectors and retains original designations.
3. QS issued to charter sector is non-transferable to the commercial sector
4. IFQs used in charter sector may/not be leased within the sector
5. IFQs from the commercial sector transferred for use in the charter sector could be leased to either sector

¹¹ Military (Morale, Welfare, and Recreational) boats are exempted from QS program. They could be issued QS program exemption permits

¹² The only tangible evidence is the ADF&G logbook, which requires meeting State legal requirements

Temporary transfers (IN-SEASON IFQ lease):

1. [0, 20, 40, 60, 80, 100%] of a charter operators annual IFQ is leasable within the charter sector for no more than 2 out of 5 years of the program.
2. Leasing is defined as the use of IFQ on a charter vessel on which the owner of the QS has less than a 50% ownership interest.
3. a maximum of 30% of a charter operator's annual IFQ may be leased; up to 10% may be leased to commercial sector after August 15; up to 30% may be leased to charter sector. (allows mop-up by either sector)

Block restrictions - allow splitting of commercial blocks to transfer a smaller piece to the charter sector - split blocks retain original designations.

Vessel class restrictions - from A, B, C, and/or D commercial vessel category sizes to charter sector, except that no charter business may hold more than 1 "D" category block equal to or above the sweep-up level.

Issue 6. To receive halibut QS and IFQ by transfer:

For the charter sector, must be an initial charter issuee or sign affidavit attesting that all legal requirements were met to participate in the charter fishery.

For the commercial sector, must have a commercial transfer eligibility certificate¹³.

Issue 7. Caps

1. use cap for charter QS holders only of 1 percent of combined charter and commercial QS units in Area 2C and ½ percent of combined QS units in Area 3A (for all entities, individually and collectively) and grandfather initial issuees at their initial allocation.
2. use caps for charter QS holders only of ½ percent of combined charter and commercial QS units for combined Areas 2C and 3A (for all entities, individually and collectively) and grandfather initial recipients at their initial allocation

Issue 8. Miscellaneous provisions

- Maximum line limit of 12 in Area 3A (remains at 6 lines for Area 2C), grandfather¹⁴ initial recipients at maximum lines in 2005, however, line limits in excess of the maximum are non-transferable.
- 10% underage provision of total IFQs allows carry over to next season.
- A one-year delay between initial issuance of QS and fishing IFQs to allow reaction to initial issuance to match clients to QS prior to first season under program.
- Halibut harvested aboard a charter vessel continues to be the property of the angler who caught the halibut provided the charter owner possesses sufficient IFQ.

Issue 9. IFQs associated with the charter quota shares would be issued in numbers of fish based on 5-year rolling average determined by ADF&G).

Issue 10. Reporting:

Placeholder for NOAA Fisheries Service

¹³ All commercial rules apply to any provision that may permit the use of commercial QS/IFQ for commercial purposes by any entity in the Charter IFQ sector

¹⁴ A business whose permit is endorsed in excess of the permit endorsement maintains that exemption for those that remain in its control after others may be sold, but those sold vessels lose that grandfather status in perpetuity. Grandfathered vessels that are sold in total when a business owner sells his entire business/fleet maintain that grandfathered status.

Issue 11. Community set-aside (trailing amendment for which communities would be included)

- a. Set aside 1% of the combined commercial and charter halibut quota to communities with ¼ percent annual increases if utilized, to a maximum of 2 percent.
- b. Source of the set-aside: Equal pounds from the commercial and charter sectors.
Option : proportional to split between sectors
- c. Sunset provisions: 10 years (starting in the first year of issuance). Persons currently participating in the set-aside program at the time of sunset would be allowed to operate within the guidelines of the program.

Option. Exclude communities from GOA FMP Amendment 66 list using the following criteria::

1. within 20, 40, 60, 80 nmi of major charter port or
2. more than 10-50 charter trips (any species) per year during 2004-2005 listing that community as port of landing
3. 1-5 number of charter (any species) businesses active in a community
4. See Alternative 2, Issue 6 Communities for Stakeholder Committee list of communities that may result from the above criteria