

Review of the RIR/IRFA/EA for Establishing a Recreation Quota Entity in the Charter Halibut Sector

Presentation to

North Pacific Fishery Management Council

Sarah Marrinan and Jonathan King

April 9, 2016



Initial Review Draft Goals:

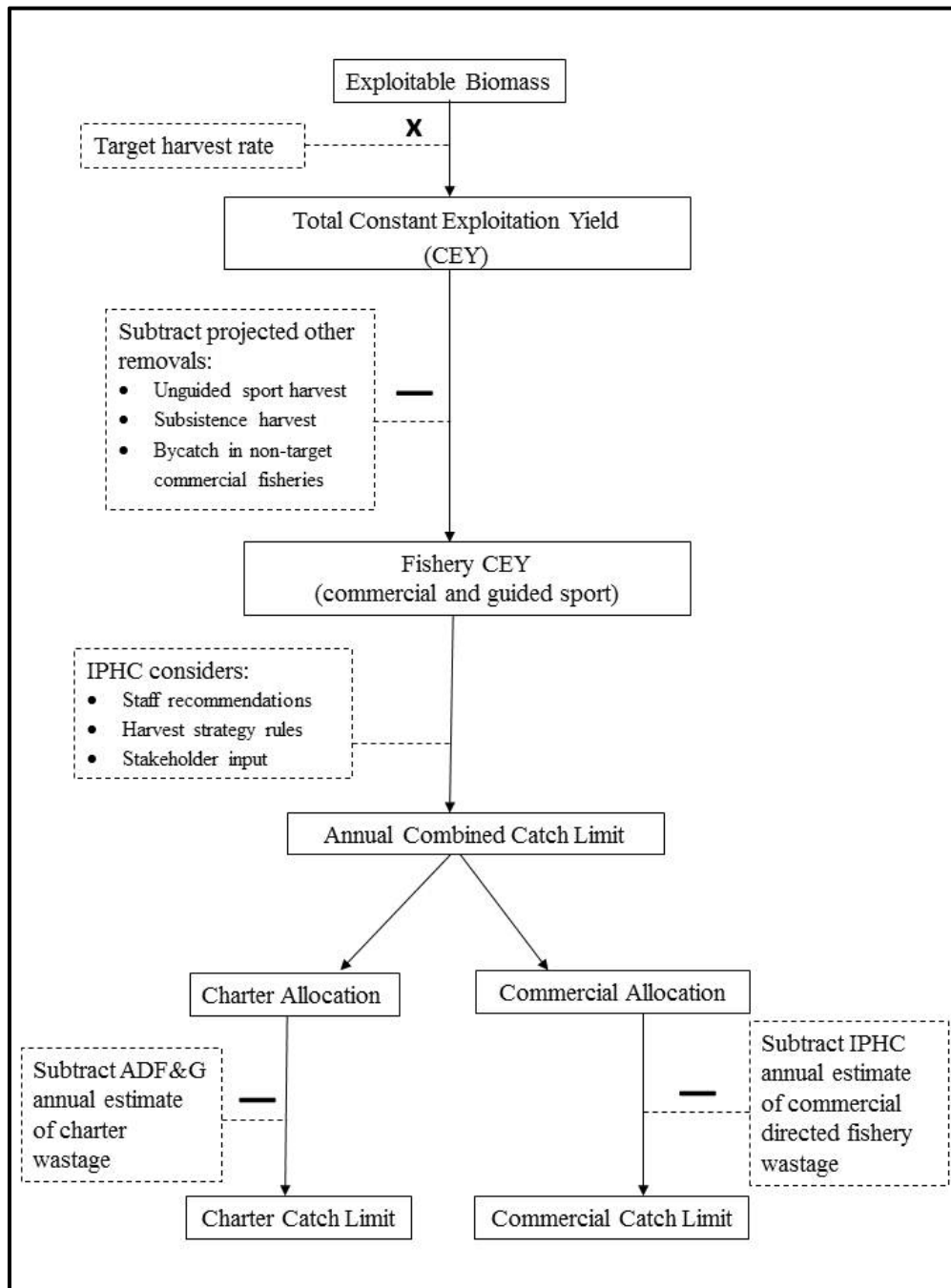
- Make it clear how the RQE program would provide different benefits than the GAF program.
- Determine how effective an RQE could be in the early years of operation, at different levels of QS ownership, and with different restrictions as defined by the Council's motion.
- Begin discussing how an RQE would affect the existing QS market.
- In short- *Can this work and how beneficial/disruptive can it be?*

Your Alternatives

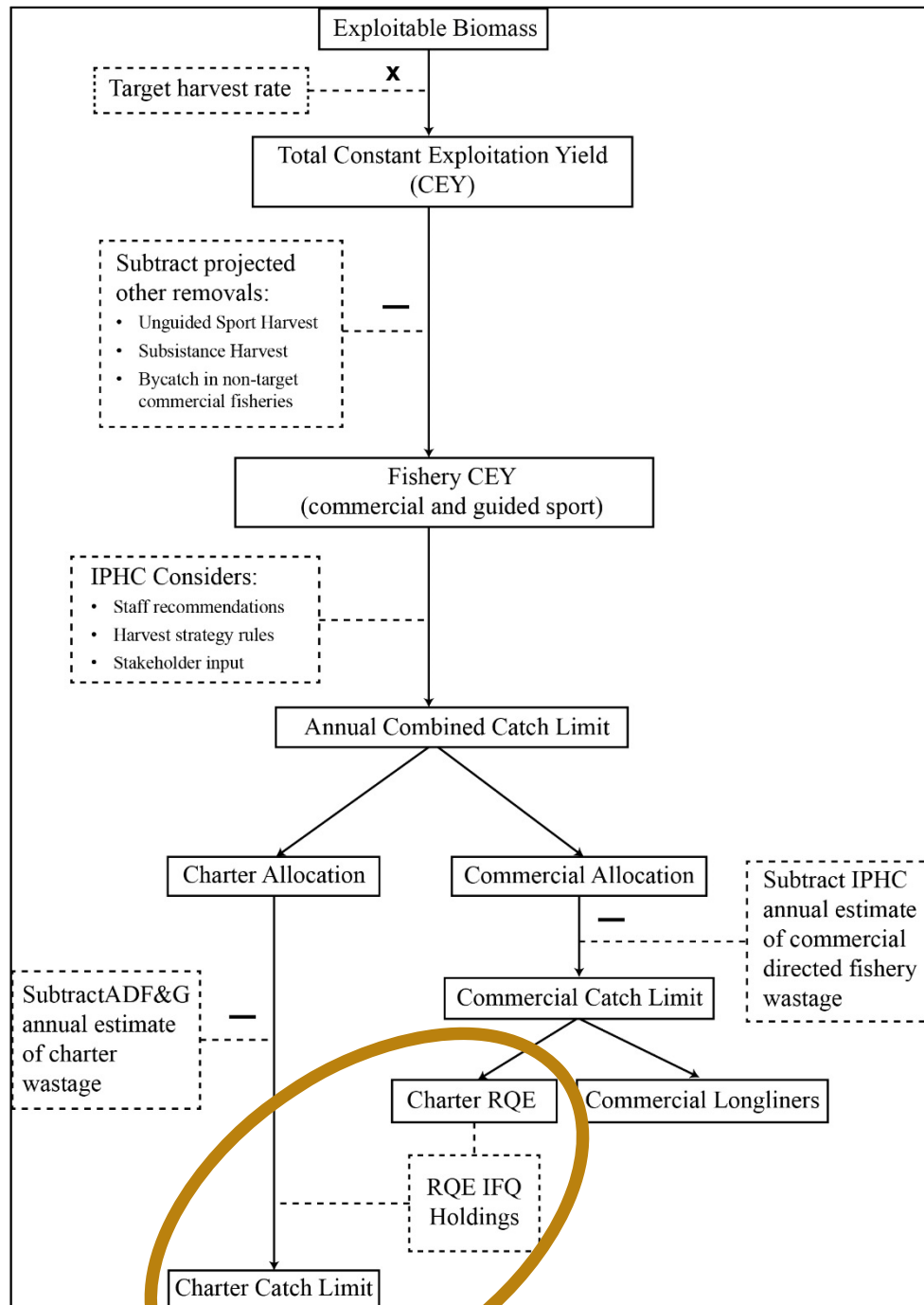
1. No Action
2. Establish an RQE(s)
 - With the potential for restrictions on annual QS purchases, total QS ownership, and block/class ownership restrictions.
3. Allow an RQE to purchase CHPs.

We spend the most amount of time in this presentation on Alternative 2.

Current Catch Limit System



Catch Limit System with an RQE



Alternative 2: Establishing the RQE

- Element 1- Number of Entities
 1. One entity or two entities
- Element 2- Restrictions on Transfers
 1. No restrictions
 2. Annual transfer limits (1-5 Percent)
 3. Total cumulative limits (5-20 percent)
 4. Block and/or Class Limits (D-Class, 1,500/2000 lb. Blocks)
- Element 3- Annual Reallocations during High Abundance
- Element 4- Limits on RQE Fund Limits
- Element 5- RQE Organizational Structure

Alt 2, Element 2, Option 2

- Annual transfer limits would restrict the RQE's purchase in a given year. Unsurprisingly, the poundage associated with a given percentage of QS varies from year to year based on stock conditions.

Table 4-31 Annual transfer allowance across a range of QS/IFQ ratios, 2011-2015 examples

Ratio Year	QS Units	QS/IFQ Ratio	Pounds of Annual Transfer Allowance (by Percent)				
			1	2	3	4	5
Area 2C							
2011	59,477,396	25.56	0.023	0.047	0.070	0.093	0.116
2012	59,477,396	22.70	0.026	0.052	0.079	0.105	0.131
2013	59,477,396	20.05	0.030	0.059	0.089	0.119	0.148
2014	59,477,396	17.94	0.033	0.066	0.099	0.133	0.166
2015	59,477,396	16.17	0.037	0.074	0.110	0.147	0.184
Area 3A							
2011	184,893,008	12.88	0.144	0.287	0.431	0.574	0.718
2012	184,893,008	15.52	0.119	0.238	0.357	0.477	0.596
2013	184,893,008	16.76	0.110	0.221	0.331	0.441	0.552
2014	184,893,008	26.27	0.070	0.141	0.211	0.282	0.352
2015	184,893,008	23.73	0.078	0.156	0.234	0.312	0.389

How Did We Estimate the Effect of Ownership?

Lower Limit (in)	Upper length limit (in)															
	50	52	54	56	58	60	62	64	66	68	70	72	74	76	78	80
35	1.251	1.181	1.117	1.047	0.990	0.939	0.873	0.806	0.770	0.738	0.705	0.686	0.660	0.643	0.640	0.624
36	1.283	1.214	1.151	1.083	1.026	0.976	0.910	0.843	0.808	0.777	0.743	0.723	0.698	0.681	0.678	0.663
37	1.303	1.236	1.173	1.105	1.050	0.999	0.933	0.867	0.832	0.801	0.768	0.749	0.723	0.706	0.703	0.688
38	1.334	1.267	1.206	1.138	1.084	1.034	0.969	0.903	0.869	0.837	0.804	0.786	0.761	0.743	0.740	0.725
39	1.357	1.290	1.230	1.163	1.109	1.059	0.995	0.930	0.895	0.863	0.830	0.812	0.787	0.770	0.767	0.751
40	1.376	1.310	1.251	1.185	1.131	1.082	1.018	0.953	0.919	0.888	0.856	0.837	0.811	0.795	0.791	0.777
41	1.400	1.336	1.277	1.211	1.159	1.110	1.046	0.983	0.948	0.917	0.885	0.866	0.842	0.824	0.822	0.807
42	1.417	1.354	1.296	1.230	1.178	1.130	1.067	1.003	0.970	0.939	0.907	0.888	0.863	0.846	0.843	0.829
43	1.435	1.373	1.316	1.251	1.200	1.152	1.089	1.026	0.992	0.962	0.930	0.911	0.886	0.870	0.866	0.852
44	1.458	1.397	1.341	1.277	1.226	1.179	1.117	1.054	1.021	0.990	0.958	0.940	0.916	0.898	0.896	0.881
45	1.484	1.424	1.370	1.307	1.257	1.210	1.148	1.085	1.052	1.023	0.990	0.972	0.948	0.930	0.928	0.913
46	1.503	1.443	1.389	1.327	1.277	1.230	1.170	1.108	1.075	1.045	1.013	0.995	0.970	0.954	0.950	0.937
47	1.527	1.470	1.416	1.354	1.305	1.259	1.198	1.137	1.104	1.075	1.043	1.025	1.001	0.984	0.982	0.967
48	1.543	1.486	1.433	1.372	1.323	1.278	1.217	1.157	1.124	1.095	1.063	1.045	1.021	1.004	1.002	0.987
49	1.572	1.517	1.464	1.405	1.357	1.312	1.253	1.192	1.160	1.131	1.100	1.082	1.057	1.041	1.038	1.024
50	1.595	1.540	1.489	1.430	1.383	1.338	1.280	1.220	1.188	1.159	1.128	1.110	1.086	1.070	1.067	1.053



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How Did We Estimate the Effect of Ownership?

Lower Limit (in)	Upper length limit (in)															
	50	52	54	56	58	60	62	64	66	68	70	72	74	76	78	80
35	11	9	8	6	4	3	1	CA	CA	CA	CA	CA	CA	CA	CA	CA
36	12	10	9	7	5	4	2	CA	CA	CA	CA	CA	CA	CA	CA	CA
37	13	11	9	7	6	5	3	1	CA	CA	CA	CA	CA	CA	CA	CA
38	14	12	10	8	7	5	4	2	1	CA	CA	CA	CA	CA	CA	CA
39	14	12	11	9	8	6	4	3	2	1	CA	CA	CA	CA	CA	CA
40	15	13	11	10	8	7	5	3	2	2	1	CA	CA	CA	CA	CA
41	15	14	12	10	9	8	6	4	3	2	1	1	CA	CA	CA	CA
42	16	14	13	11	9	8	6	5	4	3	2	2	1	CA	CA	CA
43	16	15	13	11	10	9	7	5	4	4	3	2	1	1	1	1
44	17	15	14	12	11	9	8	6	5	4	3	3	2	2	2	1
45	18	16	15	13	12	10	9	7	6	5	4	4	3	3	3	2
46	18	17	15	13	12	11	9	7	7	6	5	4	4	3	3	3
47	19	17	16	14	13	12	10	8	7	7	6	5	5	4	4	4
48	19	18	16	15	13	12	10	9	8	7	6	6	5	5	5	4
49	20	19	17	16	14	13	11	10	9	8	7	7	6	6	6	5
50	N/A	19	18	16	15	14	12	11	10	9	8	8	7	6	6	6



How Did We Estimate the Effect of Ownership?

Size Limit on 2nd fish (in)	Annual Limit										
	1	2	3	4	5	6	7	8	9	10	None
26	CA	CA	CA	1	2	2	2	2	2	3	3
27	CA	CA	CA	2	2	3	3	3	3	3	3
28	CA	CA	1	2	3	3	5	5	5	5	5
29	CA	CA	1	3	3	5	5	5	5	5	5
30	CA	CA	2	5	5	5	5	5	5	5	5
31	CA	CA	2	5	5	5	5	6	6	6	6
32	CA	CA	3	5	5	6	6	6	6	6	7
33	CA	1	3	5	6	6	7	7	7	7	7
34	CA	1	5	6	6	7	7	7	7	7	7
35	CA	1	5	6	7	7	7	8	8	8	8
36	CA	2	5	6	7	8	8	8	8	8	8
37	CA	2	5	7	7	8	8	8	8	8	8
38	CA	2	5	7	7	8	8	8	8	9	9
39	CA	2	5	7	8	8	8	9	9	9	9
40	CA	2	5	7	8	8	9	9	9	9	9
41	CA	2	5	7	8	9	9	9	9	9	9
42	CA	3	5	7	8	9	9	9	9	9	9
43	CA	3	5	8	8	9	9	9	9	9	10
44	CA	3	5	8	8	9	9	9	9	9	10
45	CA	3	6	8	9	9	9	9	10	10	10
46	CA	3	6	8	9	9	9	10	10	10	10
47	CA	3	6	8	9	9	10	10	10	10	10
48	CA	3	6	8	9	9	10	10	10	10	10
49	CA	3	6	8	9	10	10	10	10	10	10
50	CA	3	6	8	9	10	10	10	10	10	10

- Area 3A is a little different as it presumes the elimination of the DOW closure first and that's not included in the table.
- Under 2015 conditions that RQE needs 3 percent of QS for the current bag limit and eliminating the DOW closure.



RQE Efficacy at Low QS Levels

- In both Areas, even small percentages of QS would help liberalize bag limits. Below are two 2015 examples.

Table 4-34 Projected 2015 fishing regulations based portion of QS held, Area 2C

Category	Status Quo	Portion of Area QS Held by RQE				
		1	2	3	4	5
Harvest Limit+IFQ	0.851	0.888	0.925	0.961	0.998	1.035
Regulation	1F-U42 O80	1F-U44 O80	1F-U45 O80	1F-U46 O80	1F-U48 O80	1F-U49 O80

Source: Northern Economics, Inc. estimates from NOAA (2015a).

Table 4-35 Projected 2015 fishing regulations based portion of QS held, Area 3A

Category	Status Quo	Portion of Area QS Held by RQE				
		1	2	3	4	5
Harvest Limit+IFQ	1.89	1.968	2.046	2.124	2.202	2.279
Regulation	2F-U29	2F-U29	2F-U29	2F-U29 W/O DOW Restriction	2F-U30 W/O DOW Restriction	2F-U32 W/O DOW Restriction

Source: Northern Economics, Inc. estimates from NOAA (2015a).

Alt 2, Element 3, Option 4, SO1: Class Restrictions

- In Area 2C, C-Class QS represent 78.5 percent of all QS while, D-Class shares are 15 percent. Restricting D-Class QS would further focus the RQE into the C-Class market.
- In Area 3A, C-Class and B-Class are the largest QS classes with D-Class representing just 6.9 percent of all QS.

Table 4-40 2015 QS units by class, Area 3A

Category	Class			
	A-Freezer	B-GT 60 ft.	C- 36-60 ft.	D- LE 35 ft.
Area 2C				
Total QS Units	1,249,141	2,655,243	46,677,536	8,895,476
Portion of All Units (%)	2.1	4.5	78.5	15.0
Area 3A				
Total QS Units	4,773,918	68,568,976	98,876,488	12,673,626
Portion of All Units (%)	2.6	37.1	53.5	6.9

Source: Northern Economics, Inc. estimates from NOAA (2015a).

QS Class Data and Annual Transfers

Table 4-36 2015 QS units by class, Area 2C

Category	Class			
	A-Freezer	B-GT 60 ft.	C- 36-60 ft.	D- LE 35 ft.
Total QS Units	1,249,141	2,655,243	46,677,536	8,895,476
Portion of All Units (%)	2.1	4.5	78.5	15.0
Portion Without Class D	2.5	5.2	92.3	N/A
20-Year Average Transfers	2.1	10.7	94.0	60.1
20-Year Average Transfer %	5.7	16.7	7.3	9.2

Source: Northern Economics, Inc. estimates from NOAA (2015a).

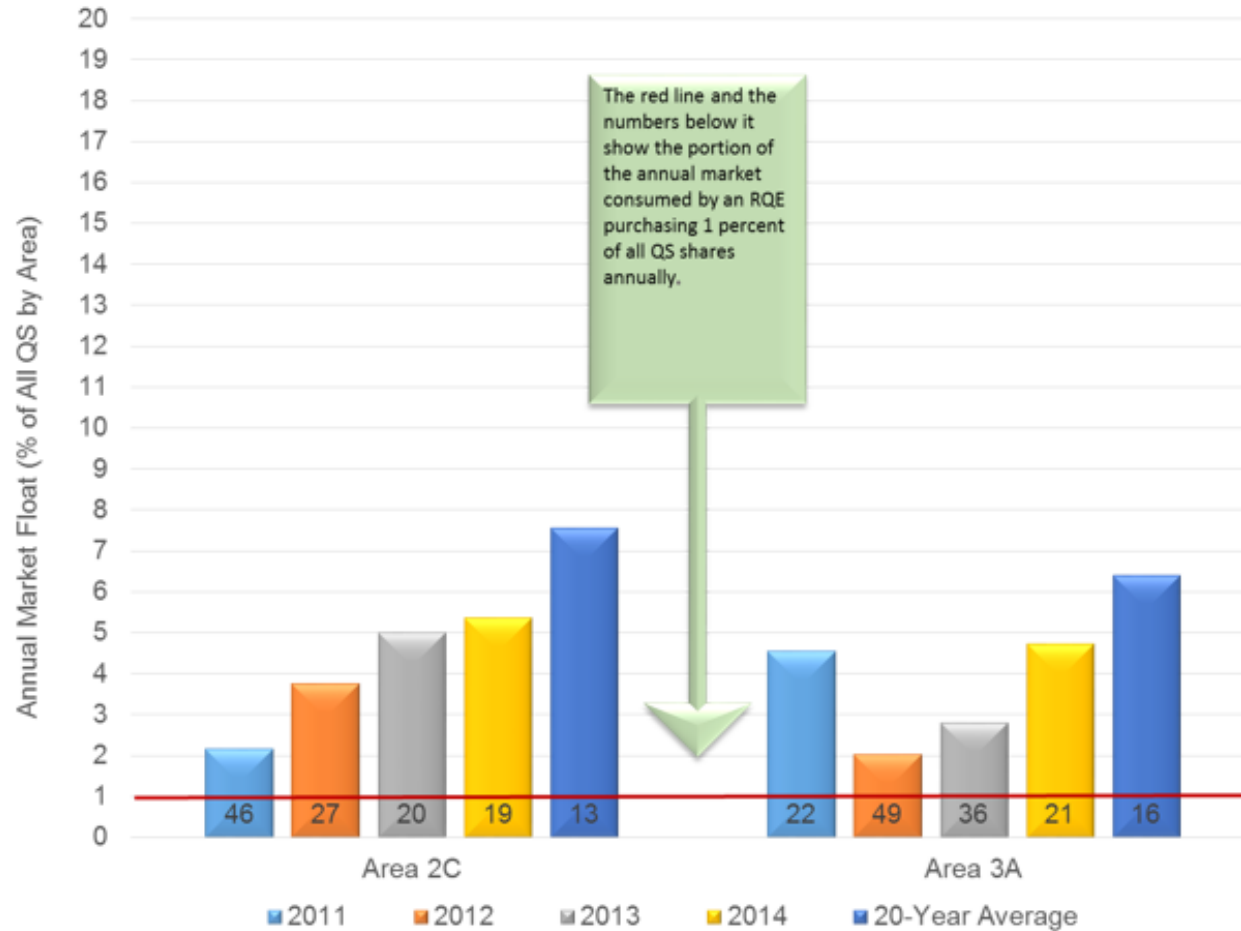
Table 4-37 2015 QS units by class, Area 3A

Category	Class			
	A-Freezer	B-GT 60 ft.	C- 36-60 ft.	D- LE 35 ft.
Total QS Units	4,773,918	68,568,976	98,876,488	12,673,626
Portion of All Units (%)	2.6	37.1	53.5	6.9
Portion Without Class D	2.8	39.8	57.4	N/A
20-Year Average Transfers	2.7	33.2	118.2	68.4
20-Year Average Transfer %	2.8	5.2	6.9	10.6

Source: Northern Economics, Inc. estimates from NOAA (2015a).

Potential Absorption in the QS Market

Figure 4-15 Annual QS market size by year compared with a 1-Percent Annual Transfer Limit



Source: Northern Economics, Inc. estimates from NOAA (2015a).

Alt 2, Elem. 3, Opt. 4, SO2, Area 2C Block Restrictions

- Blocks \leq 1,500 lb. (2015) comprised 13.8 percent of QS units while \leq 2,000 lb. blocks comprised 23.4 percent of all QS units.
- There's substantial overlap between the D-Class shares and the small block shares. Combined the block and class restrictions remove 22.6 percent or 29.3 percent of QS from the market.

Table 4-43 Blocked QS Less than or Equal to 1,500 lb or 2,000 lb in 2015, Area 2C

Class	Total Shares	QS from 2015 Blocks \leq		Percent of Class QS	
		1,500 lb	2,000 lb	1,500 lb	2,000 lb
A	1,249,141	41,280	151,533	3.3	12.1
B	2,655,425	176,366	367,404	6.6	13.8
C	46,677,536	4,357,464	7,999,184	9.3	17.1
D	8,895,294	3,603,482	5,384,115	40.5	60.5
All Classes	59,477,396	8,178,592	13,902,236	13.8	23.4
All D-Class+Blocks	59,477,396	13,470,404	17,413,415	22.6	29.3

Source: Northern Economics, Inc. estimates from NOAA (2015a).

Alt 2, Element 3: Area 3A Block Restrictions

- Blocks \leq 1,500 lb. (2015) comprised 7.2 percent of QS units while \leq 2,000 lb. blocks comprised 13.2 percent of all QS units.
- As with Area 2C, there's substantial overlap between the D-Class shares and the small block shares. Combined the block and class restrictions remove 11.7 percent or 15.7 percent of QS from the market.

Table 4-44 Blocked QS Less than or Equal to 1,500 lb or 2,000 lb in 2015, Area 3A

Class	Total Shares	QS from 2015 Blocks \leq		Percent of Class QS	
		1,500 lb	2,000 lb	1,500 lb	2,000 lb
A	4,773,918	70,692	270,203	1.5	5.7
B	68,568,976	920,969	1,534,265	1.3	2.2
C	98,876,488	7,960,195	14,630,933	8.1	14.8
D	12,664,467	4,403,783	7,924,495	34.8	62.6
All Classes	184,883,849	13,355,639	24,359,896	7.2	13.2
All D-Class+Blocks	184,883,849	21,616,323	29,099,868	11.7	15.7

Source: Northern Economics, Inc. estimates from NOAA (2015a).

Effect of Block/Class Restrictions, Area 2C 2015 Stock

Cumulative Cap (Percent)			≤1,500 lb Blocks		≤2,000 lb Blocks	
	No Restrictions	No D-Class	No Blocks	No Blocks and D-Class	No Blocks	No Blocks and D-Class
5	U49-O80	U48-O76	U48-O76	U48-O80	U48-O80	U47-O80
6	U50-O76	U49-O78	U49-O76	U48-O74	U48-O76	U48-O76
7	U50-O74	U50-O76	U50-O76	U49-O76	U49-O76	U49-O80
8	U50-O70	U50-O74	U50-O74	U50-O76	U50-O76	U50-O80
9	U50-O68	U50-O72	U50-O70	U50-O74	U50-O74	U50-O76
10	U50-O66	U50-O68	U50-O68	U50-O70	U50-O70	U50-O74
11	U50-O64	U50-O66	U50-O66	U50-O68	U50-O68	U50-O70
12	U50-O62	U50-O64	U50-O64	U50-O66	U50-O66	U50-O68
13	U49-O60	U49-O62	U49-O62	U50-O64	U49-O64	U50-O66
14	U50-O60	U50-O62	U50-O62	U46-O60	U50-O64	U49-O64
15	U50-O58	U49-O60	U49-O60	U49-O62	U49-O62	U50-O64
16	U50-O56	U50-O60	U50-O60	U50-O62	U50-O62	U49-O62
17	U49-O54	U50-O58	U50-O58	U49-O60	U49-O60	U50-O62
18	U50-O54	U49-O56	U49-O56	U50-O60	U50-O60	U49-O60
19	U50-O52	U50-O56	U50-O56	U50-O58	U50-O58	U50-O60
20	U49-O50	U49-O54	U49-O54	U49-O56	U49-O56	U49-O58



Effect of Block/Class Restrictions, Area 2C 2011 Stock

Cumulative Cap (Percent)	No Restrictions	No D-Class	<1,500 lb Blocks		<2,000 lb Blocks	
			No Blocks	No Blocks and D- Class	No Blocks	No Blocks and D-Class
5	U44-O76	U44-U80	U44-O80	U43-O76	U43-O76	U43-O76
6	U44-O74	U44-U76	U44-O76	U44-O78	U44-O80	U44-O80
7	U46-O78	U45-O80	U45-O78	U45-O80	U44-O76	U44-O76
8	U47-O80	U46-O80	U46-O80	U45-O76	U45-O76	U45-O80
9	U48-O80	U46-O76	U47-O80	U46-O80	U46-O80	U45-O76
10	U48-O76	U47-O76	U48-O80	U47-O80	U46-O76	U46-O78
11	U49-O76	U48-O76	U48-O76	U47-O76	U47-O78	U47-O80
12	U50-O78	U49-O80	U49-O80	U48-O80	U48-O78	U47-O76
13	U50-O74	U49-O76	U49-O76	U48-O74	U48-O76	U48-O78
14	U50-O72	U50-O80	U50-O80	U49-O78	U49-O80	U48-O76
15	U50-O70	U50-O76	U50-O74	U50-O80	U50-O80	U49-O80
16	U50-O68	U50-O74	U49-O70	U50-O76	U50-O76	U49-O76
17	U46-O62	U50-O72	U50-O70	U50-O74	U50-O74	U50-O78
18	U50-O66	U50-O70	U49-O68	U50-O72	U49-O70	U50-O76
19	U50-O64	U50-O68	U50-O68	U50-O70	U50-O72	U50-O74
20	U49-O62	U46-O62	U50-O66	U49-O68	U50-O70	U50-O72



Effect of Block/Class Restrictions, Area 3A 2015 Stock

- Even at the highest block/class restriction levels considered, a 3A RQE could provide for a U50 limit (2015 conditions) with roughly 11 percent of the Area QS.

Cumulative Cap (Percent)	≤1,500 lb Blocks				≤2,000 lb Blocks	
	No Restrictions	No D-Class	Only Blocks	Blocks and D-Class	Only Blocks	Blocks and D-Class
5	U32	U31	U31	U31	U31	U30
6	U34	U33	U33	U32	U32	U32
7	U38	U35	U35	U35	U34	U34
8	U44	U40	U40	U38	U37	U37
9	U50	U48	U48	U44	U42	U41
10		U50	U50	U50	U50	U48
11						U50
12						
13						
14						
15						
16						
17						
18						
19						
20						

This blue shaded area indicated allowances that would allow managers to select a maximum size on the second fish larger than 50" in length or relax the 5-fish annual limit.

Reallocation Conditions-Area 2C

- For Area 2C, we would expect reallocations to only happen with a very high RQE ownership and historically high stock conditions.

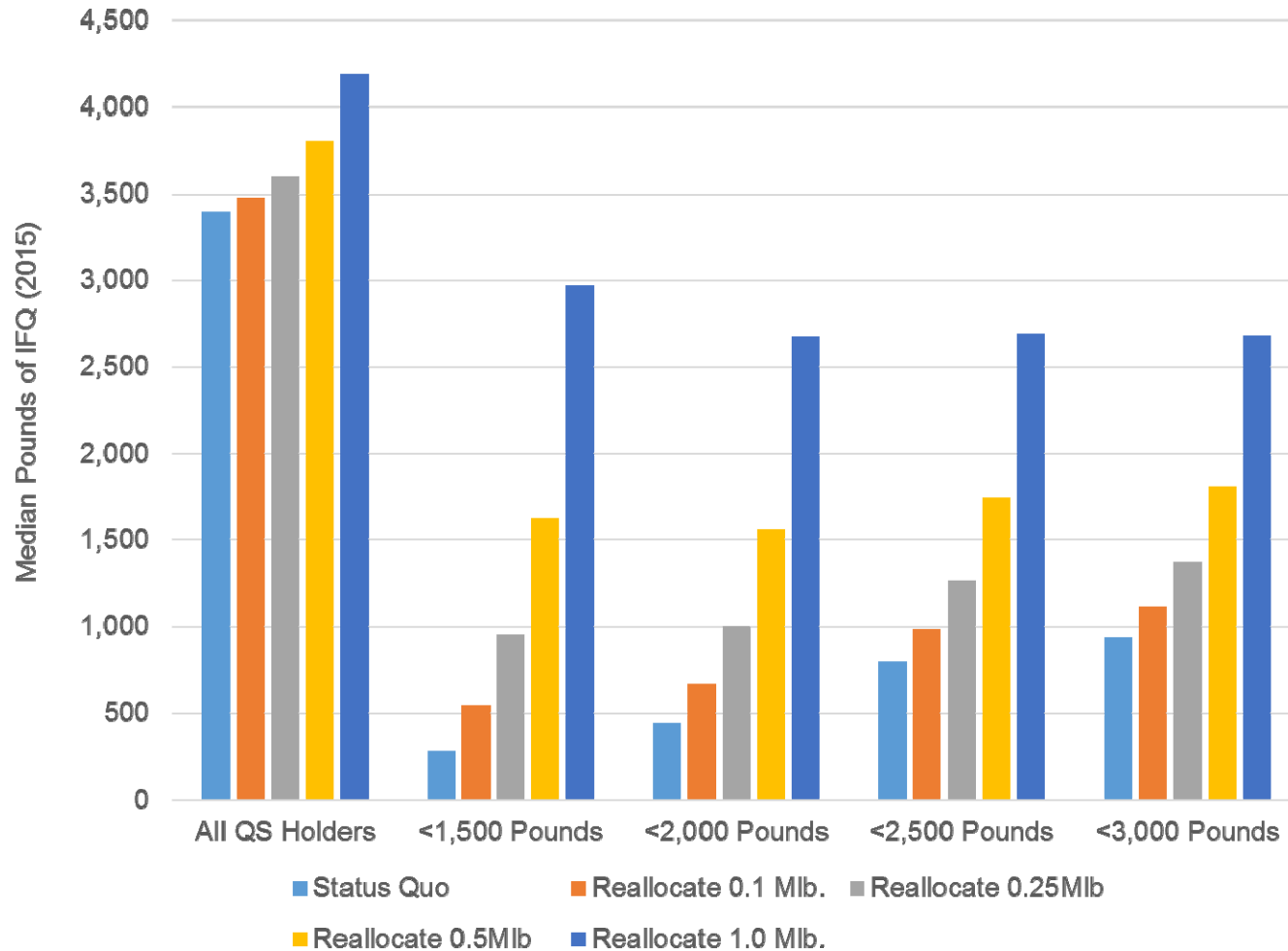
Annual Combined Catch Limit (Mlb)	Base Charter Allocation (Mlb)	Commercial Catch Limit Ex Incidental Mortality (Mlb)	Est QS/IFQ Ratio	RQE CL at 20 Percent RQE Allowance	RQE CL at 15 Percent RQE Allowance	RQE CL at 10 Percent RQE Allowance	RQE CL at 5 Percent RQE Allowance
1.5	0.275	1.19	50.0	0.512	0.453	0.39	0.334
2.0	0.366	1.59	37.5	0.683	0.604	0.52	0.445
2.5	0.458	1.98	30.0	0.854	0.755	0.66	0.557
3.0	0.549	2.38	25.0	1.025	0.906	0.79	0.668
3.5	0.641	2.77	21.4	1.195	1.057	0.92	0.779
4.0	0.732	3.17	18.8	1.366	1.208	1.05	0.891
4.5	0.824	3.57	16.7	1.537	1.359	1.18	1.002
5.0	0.915	3.96	15.0	1.708	1.510	1.31	1.113
5.5	0.915	4.45	13.4	1.805	1.582	1.36	1.137
6.0	0.954	4.90	12.1	1.933	1.688	1.44	1.199
6.5	1.034	5.30	11.2	2.094	1.829	1.56	1.299
7.0	1.113	5.71	10.4	2.255	1.970	1.68	1.399
7.5	1.193	6.12	9.7	2.417	2.111	1.80	1.499
8.0	1.272	6.53	9.1	2.578	2.251	1.92	1.598
8.5	1.352	6.94	8.6	2.739	2.392	2.05	1.698
9.0	1.431	7.34	8.1	2.900	2.533	2.17	1.798
9.5	1.511	7.75	7.7	3.061	2.673	2.29	1.898
10.0	1.590	8.16	7.3	3.222	2.814	2.41	1.998
10.5	1.670	8.57	6.9	3.383	2.955	2.53	2.098
11.0	1.749	8.98	6.6	3.544	3.095	2.65	2.198
11.5	1.829	9.38	6.3	3.705	3.236	2.77	2.298
12.0	1.908	9.79	6.1	3.867	3.377	2.89	2.398
12.5	1.988	10.20	5.8	4.028	3.518	3.01	2.498
13.0	2.067	10.61	5.6	4.189	3.658	3.13	2.597
13.5	2.147	11.02	5.4	4.350	3.799	3.25	2.697
14.0	2.226	11.42	5.2	4.511	3.940	3.37	2.797
14.5	2.306	11.83	5.0	4.672	4.080	3.49	2.897
15.0	2.385	12.24	4.9	4.833	4.221	3.61	2.997

Reallocation Conditions-Area 3A

- For Area 3A, we expect reallocations would happen more freq. even at less than historic stock conditions and lower ownership levels..

Annual Combined Catch Limit (Mlb)	Base Charter Allocation (Mlb)	Commercial Catch Limit Ex Incidental Mortality (Mlb)	Est QS/IFQ Ratio	RQE CL at 20 Percent RQE Allowance	RQE CL at 15 Percent RQE Allowance	RQE CL at 10 Percent RQE Allowance	RQE CL at 5 Percent RQE Allowance
1.0	0.189	0.79	235.0	0.346	0.307	0.268	0.228
2.0	0.378	1.57	117.5	0.693	0.614	0.535	0.457
3.0	0.567	2.36	78.3	1.039	0.921	0.803	0.685
4.0	0.756	3.15	58.7	1.386	1.228	1.071	0.913
5.0	0.945	3.93	47.0	1.732	1.535	1.338	1.142
6.0	1.134	4.72	39.2	2.078	1.842	1.606	1.370
7.0	1.323	5.51	33.6	2.425	2.149	1.874	1.598
8.0	1.512	6.30	29.4	2.771	2.456	2.142	1.827
9.0	1.701	7.08	26.1	3.117	2.763	2.409	2.055
10.0	1.890	7.87	23.5	3.464	3.070	2.677	2.283
11.0	1.925	8.81	21.0	3.686	3.246	2.806	2.365
12.0	2.100	9.61	19.2	4.021	3.541	3.061	2.580
13.0	2.275	10.41	17.8	4.356	3.836	3.316	2.795
14.0	2.450	11.21	16.5	4.691	4.131	3.571	3.010
15.0	2.625	12.01	15.4	5.027	4.426	3.826	3.225
16.0	2.800	12.81	14.4	5.362	4.721	4.081	3.440
17.0	2.975	13.61	13.6	5.697	5.016	4.336	3.655
18.0	3.150	14.41	12.8	6.032	5.311	4.591	3.870
19.0	3.325	15.21	12.2	6.367	5.606	4.846	4.085
20.0	3.500	16.01	11.5	6.702	5.902	5.101	4.301
21.0	3.500	16.98	10.9	6.896	6.047	5.198	4.349
22.0	3.500	17.95	10.3	7.090	6.193	5.295	4.398
23.0	3.500	18.92	9.8	7.284	6.338	5.392	4.446
24.0	3.500	19.89	9.3	7.478	6.484	5.489	4.495
25.0	3.500	20.86	8.9	7.672	6.629	5.586	4.543
26.0	3.640	21.70	8.5	7.979	6.894	5.810	4.725
27.0	3.780	22.53	8.2	8.286	7.160	6.033	4.907
28.0	3.920	23.37	7.9	8.593	7.425	6.257	5.088

Relocation Effects in the Commercial Sector



Elements 4 and 5: Funding and Structure

- Element 4- RQE funds are limited in their use to acquisition of commercial halibut quota; acquisition of charter halibut permits; halibut conservation/research; promotion of the halibut resource; and administrative costs.
- Element 5- The RQE shall consist of a board of seven people and shall include the following: 4 CHP holders, 1 commercial halibut quota share holder, 1 community representative (not a holder of a CHP or commercial QS), and Commissioner of Alaska Department of Fish and Game, or designee.
- *Early discussions indicate that the Council can designate structure and fund use.*

Alternative 3: RQE CHP Purchases

- In 2014, there was substantial latency in both Areas with roughly 40 percent of permits taking 1-2 trips per month or less.

Table 4-62. 2014 Area 2C Charter Halibut Participation Statistics

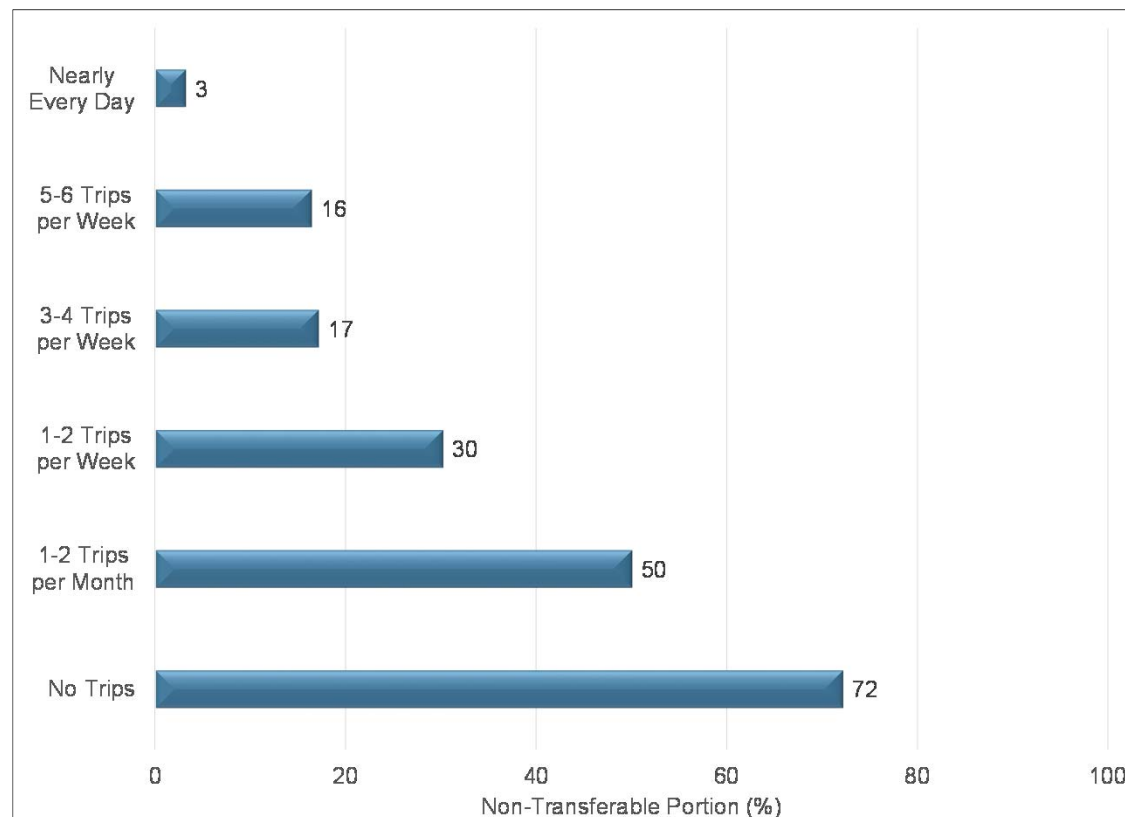
Usage Group	Number of Permits	2015 Trips	2015 Halibut Kept	Average Number of Trips	Portion of Permits	Portion of Trips (%)	Portion of Halibut Kept (%)
No Trips	122	0	0	0	21	0	0
1-2 Trip per Month	110	636	2,027	6	19	3	3
1-2 Trips per Week	116	3,102	9,298	27	20	17	15
3-4 Trips per Week	111	5,442	17,924	49	19	30	28
5-6 Trips per Week	61	3,831	14,284	63	10	21	22
Nearly Every Day	63	5,377	20,324	85	11	29	32

Table 4-63. 2014 Area 3A Charter Halibut Participation Statistics

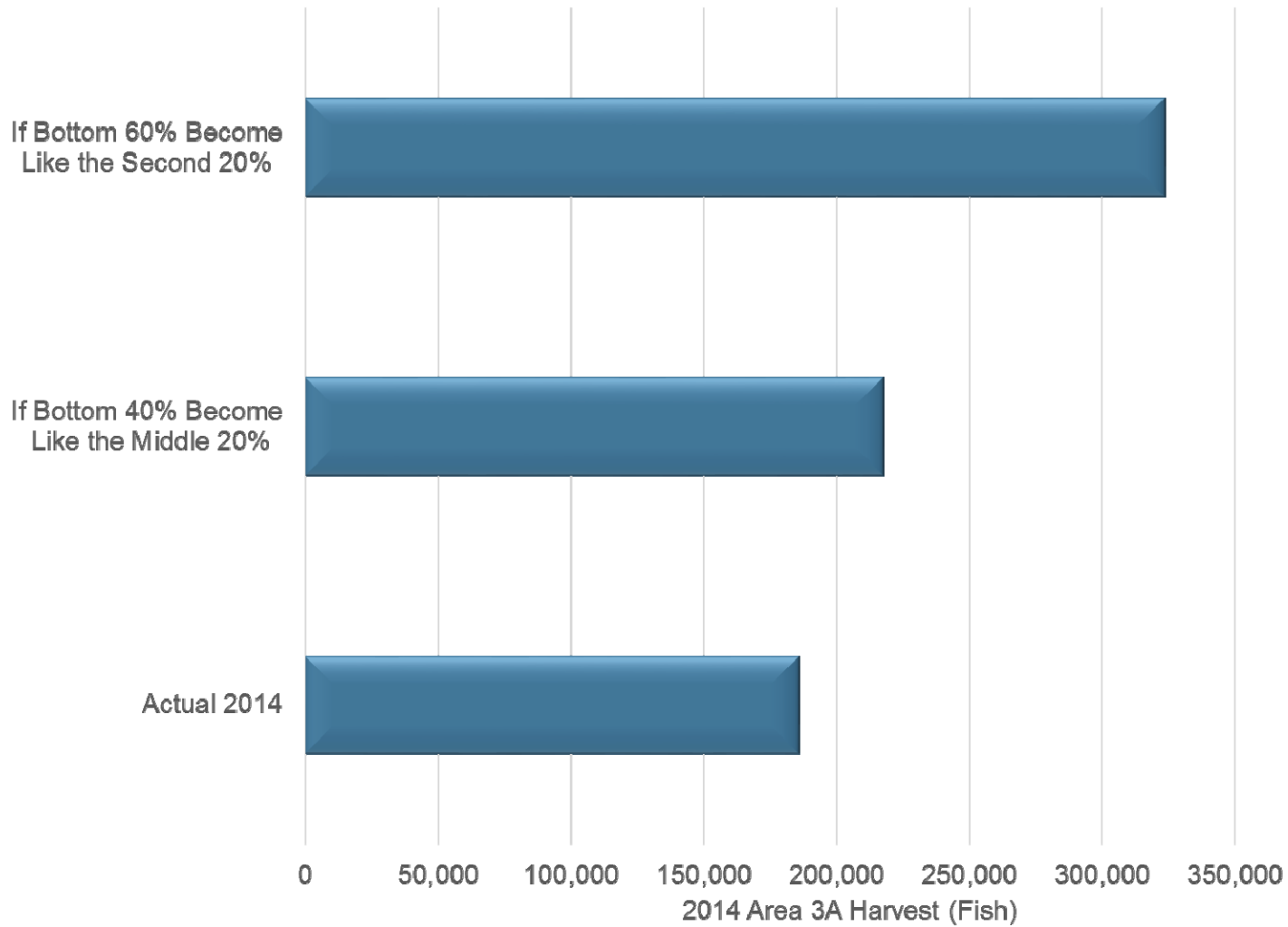
Usage Group	Number of Permits	2015 Trips	2015 Halibut Kept	Average Number of Trips	Portion of Permits	Portion of Trips (%)	Portion of Halibut Kept (%)
No Trips	129	0	0	0	25	0	0
One Trip per Month	66	251	1,711	4	13	2	1
1-2 Trips per Week	106	2329	18,315	22	21	14	10
3-4 Trips per Week	105	5315	54,942	51	21	32	30
5-6 Trips per Week	51	3551	40,607	70	10	21	22
Nearly Every Day	51	5206	70,583	102	10	31	38

Alternative 3: RQE CHP Purchases

- Most of the bottom 40 percent is made up of non-transferable permits.



What if Below Average Users Became Average?



Key Takeaways

- Even small percentages of QS would have helped an RQE liberalize bag limits under 2015 conditions in both IPHC Areas.
- An RQE purchasing one percent of all QS per year would consume a large portion of the average annual market and could materially affect the market.
- Block/Class restrictions could help protect QS perceived to be used by small/new holders, but would affect program efficiency and likely push the RQE into B-Class QS (3A only) and C-Class shares (2C/3A).
- In 2014, there were significant percentages of truly latent (unused) and underutilized capacity in both Area 2C and Area 3A. This group is larger than the 10-30 percent maximum purchase range specified in the motion.

Appendix A: Observer Coverage and Fees

- Based on 2016 ADP, catcher vessels that participate in halibut IFQ fishery fall into the partial coverage observer category. Either the:
 - ◆ “no selection pool” (fixed-gear vessels less than 40 ft LOA) or
 - ◆ “hook-and-line selection pool”

- Processors and register buyers pay 1.25% the ex-vessel value of halibut and groundfish as an observer fee in the partial coverage category (part of which is expected to be passed on to the harvester)

- Ex-vessel value is based off standard calculations from previous year’s IFQ Buyers Report

- Fees are collected from all (even no selection pool) and contribute to the observer budget overall (therefore one sector might not “pay its way”)

In order to understand the impacts on the observer program, we looked at 2 primary questions:

- 1) How much observer fee liability would be foregone if halibut IFQ were used in the halibut charter sector rather than commercial halibut IFQ sector?
- 2) How would the proposed RQE change the demand for the number of observer-days in the partial coverage fleet?

1) How much observer fee liability would be foregone if halibut IFQ were used in the halibut charter sector rather than commercial halibut IFQ sector?

- Difficult to estimate with no transfer restrictions
- More straight-forward to calculate using example transfer restrictions
 - Using the analysis, we can identify max pounds that could have been held in certain year given any set of transfer restrictions
 - Already use a standard ex vessel price by area
 - Multiple those pounds by ex vessel price
 - Apply 1.25% observer fee for reduction in observer fee revenue
 - Based on average cost per day, calculate the number of foregone observer days

2) How would the proposed RQE change the demand for the number of observer-days in the partial coverage fleet?

- Could reduce the demand for observer days given less IFQ associated with partial coverage; decreased number of commercial halibut trips
- More complex to calculate, given the uncertainty in purchasing behavior
- Greatest impact would be felt if all purchased QS was traditionally harvested on fleet in “no selection pool” because they have “no demand” for observers
- We demonstrate some example scenarios in which the foregone revenue from observer fees is offset by a decrease in the demand for observer days

Summary point:

- The impacts are difficult to quantify and will depend on who sells QS to an RQE, and how it changes current commercial operations.

Appendix B: Cumulative GAF and RQE Transfer Limit

- Thus far, the Council has not proposed to revoke the GAF program if an RQE program is implemented
- GAF and proposed RQE have different objectives and expected results
- Stakeholders and Council discussion identified a desire to consider the cumulative impact of the moving halibut harvesting privilege out of the commercial sector
- This appendix considers how regulations might implement a *sliding* cumulative transfer between the GAF program and an RQE

For example, under status quo, commercial QS holders in Area 2C can lease up to 10% of their IFQ as GAF. If the cumulative limit for RQE purchases of commercial quota was 15% of the Area 2C catcher vessel QS pool, then if by October 1 the RQE holds up to 5% of the Area 2C catcher vessel QS pool, the GAF limit remains at 10% for the upcoming year. If by October 1 the RQE holds 6% of the Area 2C catcher vessel QS pool, the GAF limit is reduced to 9% for the upcoming year. Any example could be used within the range of the cumulative limits under Element 2, Option 3.

The GAF program has several restrictions on use 50 CFR 300.65(c)(5)(iv)(H):

- No more than 400 GAF may be assigned to a GAF permit in a year that is assigned to a CHP or community CHP endorsed for six or fewer anglers
- No more than 600 GAF may be assigned to a GAF permit in a year that is assigned to a CHP endorsed for more than six charter vessel anglers in a year
- In Area 2C, a maximum of 1,500 pounds or ten percent, whichever is greater, of the **start year fishable IFQ pounds** for an **IFQ permit**, may be transferred from IFQ to GAF
- In Area 3A, a maximum of 1,500 pounds or fifteen percent, whichever is greater, of the **start year fishable IFQ pounds** for an **IFQ permit**, may be transferred from IFQ to GAF

Implementation Challenges:

- 1) Mismatch of units of measurement (QS units versus pounds of IFQ)
- 2) Mismatch of application (regulations applied to the individual versus regulations applied at an IPHC regulatory Area)

Summary points:

- A sliding cumulative transfer restriction could be created
- Complex, not done in any other aspect of the IFQ program
- Council could also consider cumulative impacts of RQE and GAF and create static area-wide transfer restrictions for both programs

Alt 2.	Establish a Recreational Quota Entity (RQE) as a qualified entity to purchase and hold commercial halibut QS for use by the guided halibut sector	
<u>Element 1.</u>	Number of entities	
	Option 1.	Two entities, one for each IPHC Regulatory Area 2C and 3A
	Option 2.	One entity with two area quota pools, Area 2C and Area 3A
<u>Element 2.</u>	Restrictions on transfers. Two-way transfers are allowed. Quota class and block designation are retained if the quota is transferred back to the commercial sector.	
	(Options below are not mutually exclusive)	
	Option 1.	No restrictions
	Option 2.	Annual limit on transfers to the RQE in each regulatory area (Area 2C and 3A) of 1% - 5% of commercial QS units in each area (2015)
	Option 3.	Total (cumulative) limit on amount held by RQE by regulatory area (Area 2C and 3A)
	Sub-option 1.	5% - 20% of any commercial QS based on 2015
	Sub-option 2.	5% - 20% of each class of QS based on 2015
	Option 4.	Restrictions on RQE quota share purchases (in either or both areas)
	Sub-option 1.	Restrict purchase of D class quota share (limits selected under Option 2 and 3 are calculated using excluding D class QS)
	Sub-option 2.	Restrict purchase of blocked QS by class that equates to ($\leq 1,500$ lb or $\leq 2,000$ lb in 2016 lb)
<u>Element 3.</u>	Setting of annual charter management measures. Use RQE quota share holdings as of October 1 each year as the basis to estimate IFQ pounds to add to the estimated guided recreational allocation under the catch sharing plan for the upcoming year. This amount must be maintained for the following fishing year. This estimated combined allocation would be used to recommend the guided recreational harvest measures for the following year. The procedural process steps and timeline would remain unchanged.	
	Option 1.	Restrictions on RQE quota share purchases (in either or both areas)
	Sub-option 1.	Equally to all catcher vessel QS holders which hold not more than 1,500 to 3,000 pounds in 2016 pounds (by area, proportional to QS holdings)
	Sub-option 2.	Equally to all catcher vessel QS holders (by area, proportional to QS holdings)
	Sub-option 3.	CQEs actively participating in Area 2C/Area 3A
	Sub-option 4.	Unallocated RQE IFQ would not be allocated (left in the water)
<u>Element 4.</u>	Limit on use of RQE funds. RQE funds are limited in their use to acquisition of commercial halibut quota; acquisition of charter halibut permits; halibut conservation/research; promotion of the halibut resource; and administrative costs.	
<u>Element 5.</u>	RQE Organizational Structure. The RQE shall consist of a board of seven people and shall include the following: 4 CHP holders, 1 commercial halibut quota share holder, 1 community representative (not a holder of a CHP or commercial QS), and Commissioner of Alaska Department of Fish and Game, or designee.	
	Option 1.	A representative of the Alaska Department of Revenue shall sit as an ex-officio member of the RQE board.
	Option 2.	RQE board terms shall be for [Options: 3 or 5 years].
	Option 3.	The RQE shall hold no less than two board meetings annually.
	Option 4.	The RQE shall file an annual report detailing RQE activities during the prior year.
Alt 3.	RQE purchase of charter halibut permits. The RQE shall be limited in the purchase of charter halibut permits to [options: 10% - 30%] of the permits in each area.	