

# Review of the Community Quota Entity (CQE) Program under the Halibut/Sablefish IFQ Program

Final Report – March 2010

## I. Background & purpose of review

The North Pacific Fishery Management Council developed the halibut and sablefish Individual Fishing Quota (IFQ) Program in the early 1990s, and NMFS implemented the program in 1995. This program changed the management structure of the fixed gear halibut and sablefish program by issuing quota share (QS) to qualified applicants who owned or leased a vessel that made fixed gear landings of halibut during 1988 – 1990.<sup>1</sup> Halibut quota share is specific to one of eight halibut management areas throughout the BSAI and GOA, and four vessel categories: freezer (catcher processor) category (A share); greater than 60' LOA (B share); 36' to 60' (C share); and 35' or less (D share). Sablefish quota share is specific to one of six sablefish management areas throughout the BSAI and GOA, and three vessel categories: freezer (catcher processor) category (A share); greater than 60' LOA (B share); and 60' or less (C share). The quota share issued was permanently transferable, with several restrictions on leasing. The Council developed leasing and other restrictions in order to achieve some benefits associated with IFQ management but also retain the owner-operator nature of the fisheries and limit consolidation of quota share. To that end, the Council only allowed persons who were originally issued catcher vessel (CV) quota share or who qualify as IFQ crew members<sup>2</sup> to hold or purchase catcher vessel quota share (B, C, and D category). Thus, only individuals and initial recipients could hold catcher vessel quota share.

Halibut and sablefish are very important to Alaska's coastal communities, as noted in an ISER report published just prior to the IFQ Program implementation.<sup>3</sup> The ISER report stated that halibut openings in 1993 created more than 9,000 short-term jobs for residents of coastal towns, and sablefish openings created another 1,800 jobs. Crew members from coastal places were paid about \$21 million during halibut openings in 1993 and sablefish crews a roughly similar amount. The halibut and sablefish fleets in 1993 spent about \$65 million in coastal towns during all the fisheries they took part in (including halibut, sablefish, salmon, crab, and others). The report also noted that halibut and sablefish landings at Alaska ports create jobs and income in processing plants, vessel equipment, supply, and repair businesses, and other sectors of the coastal economies.

Although the IFQ Program has resulted in significant benefits for many fishermen, many quota holders in Alaska's smaller coastal communities have chosen to transfer their quota to others, for various reasons, or have moved out of these communities. Local conditions, location, and market forces were likely factors in the sale of QS originally held by residents of small communities. These conditions include: the cost of access to markets is greater to fishermen landing fish in remote communities; fishermen based in remote communities tend to fish smaller amounts of quota using smaller, less efficient vessels, which result in lower profit margins than larger operations; fishing infrastructure in remote communities tends to be less complete; and residents tend to have less capital with which to purchase economically viable amounts of

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<sup>1</sup>Regular QS units were equal to a person's qualifying pounds for an area. Qualifying halibut pounds for an area were the sum of pounds landed from the person's best 5 years of landings over a 7-year period (1984 – 1990). Qualifying sablefish pounds for an area were the sum of pounds landed from the person's best 5 years of landings over a 6-year period (1985 – 1990).

<sup>2</sup>IFQ crew member means any individual who has at least 150 days experience working as part of the harvesting crew in any U.S. commercial fishery, or any individual who receives an initial allocation of QS (50 CFR 679.2).

<sup>3</sup>Berman, M., and Leask, L. On the Eve of IFQs: Fishing for Alaska's Halibut and Sablefish, Alaska Review of Social and Economic Conditions, UAA, Institute of Social and Economic Research. November 1994, Volume XXIX, No. 2.

QS.<sup>4</sup> Various data sources have illustrated the early out-migration of halibut and sablefish fishing effort from the smaller communities of the Gulf of Alaska, and the subsequent impact on the diversified fishing portfolios of community residents.<sup>5,6</sup> Refer to recent research for a more detailed evaluation of quota transfer patterns out of small, rural communities.<sup>7</sup>

As a result of quota transfers, the total amount of quota held by residents of small, coastal communities and the number of IFQ holders, substantially declined since the inception of the IFQ Program. As this trend may have a severe effect on unemployment and related social and economic impacts in rural communities, the Council took action in 2002 to attempt to alleviate this issue. Under GOA Amendment 66, the Council revised the IFQ program to allow a distinct set of 42 remote coastal communities with few economic alternatives *to purchase and hold catcher vessel QS in Areas 2C, 3A, and 3B*, in order to help ensure access to and sustain participation in the commercial halibut and sablefish fisheries. Eligible communities can form non-profit corporations called Community Quota Entities (CQEs) to purchase catcher vessel QS, and the IFQ resulting from the QS must be leased to community residents annually.

In effect, the CQE remains the holder of the QS, creating a permanent asset for the community to use to benefit the community and its residents. The QS can only be sold in order to improve the community's position in the program, or to meet legal requirements, thus, the QS must remain with the community entity.<sup>8</sup> The CQE Program was also intended as a way to promote ownership by individual residents, as individuals can lease annual IFQ from the CQE and gradually be in a position to purchase their own quota share. In effect, it was noted that both community and individually-held quota were important in terms of fishing access and economic health. This amendment was approved by the Secretary of Commerce and effective in June 2004.

The CQE Program includes several elements which make CQEs subject to either more, the same, or fewer constraints than individual quota share holders. In some cases, the CQE is subject to the same latitude and limitations as individual users, as if the CQE is simply another category of eligible person. For example, an individual CQE is held to the same quota share cap as an individual holder. In other cases, the CQE is subject to less restrictive measures, in order to provide for the differing purpose and use of the QS when held by communities. For example, the vessel size classes do not apply to QS when held by CQEs. In yet other cases, the CQE is subject to more restrictive measures than individuals, in part to protect existing holders and preserve entry-level opportunities for fishermen residing in other (non-eligible) fishery-dependent communities. For example, CQEs cannot purchase D category halibut QS in Area 2C or Area 3A. In addition, there are caps on the amount of QS that all CQEs combined can purchase, and CQEs cannot lease more than 50,000 lbs of halibut and 50,000 lbs of sablefish IFQ to an individual resident, and no more than 50,000 lbs of halibut and 50,000 lbs of sablefish IFQ can be used on an individual vessel. Both limits are inclusive of any individual IFQ held. (Please refer to the April 2002 Council motion for the comprehensive suite of elements that comprise the CQE program (**Appendix 1**). One may also refer to the final rule authorizing the program (69 FR 23681; April 30, 2004).

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<sup>4</sup>*Community Quota Entity Financial Analysis*, prepared for Southeast Alaska Inter-tribal Fish and Wildlife Commission, by McDowell Group. October 28, 2005.

<sup>5</sup> "Smaller Gulf of Alaska Communities: Alaska Peninsula Subgroup: Holdings of Limited Entry Permits, Sablefish Quota Shares, and Halibut Quota Shares Through 1997 and Data On Fishery Gross Earnings, CFEC Report 98-SPAKPEN-N Alaska Commercial Fisheries Entry Commission Juneau, Alaska 99801.

<sup>6</sup> "Access Restrictions in Alaska's Commercial Fisheries: Trends and Considerations." Prepared by DORY Associates for Alaska Marine Conservation Council and Gulf of Alaska Coastal Communities Coalition, January 2009, Kodiak, AK.

<sup>7</sup> Carothers, C. D. Lew and J. Sepez. (In review). Fishing rights and small communities: Alaska halibut quota transfer patterns. Ocean and Coastal Management. Carothers, C. 2007. Impacts of halibut IFQs and changing Kodiak communities. In Cullenberg, Paula (ed) *Harvesting the future: Alaska's fishing communities*, Alaska Sea Grant College Program, Fairbanks, AK.

<sup>8</sup> If the CQE sells its QS for any other reason, NMFS will withhold annual IFQ permits on any remaining QS held, and will disqualify the CQE from holding QS on behalf of that community for 3 years. It also requires that the CQE divest itself of any remaining QS on behalf of that community.

Upon final action, the Council included a request to review the program after five years of implementation, although this is not a regulated requirement. The purpose of the review is to assist NMFS and the Council in assessing the performance of the CQEs in meeting the objectives of providing for community-held QS. This report documents activity under the CQE program to-date, changes in quota share holdings of residents of eligible communities, and provides a brief review of concerns related to the program that have been expressed in public forums. This is a summary report intended to provide the Council and the public with a brief review of the program. No action is required as a result of this report. However, the Council may request a more detailed report on specific issues, should more extensive data or analysis be determined necessary. The Council may also choose to initiate new FMP or regulatory amendments in order to consider changes to the current program.

## **II. Outreach and technical assistance to-date**

A relatively substantial outreach effort was undertaken upon implementation of the CQE Program, as NMFS, RAM Division staff, and in some cases Council and State of Alaska staff, traveled to sixteen communities in Areas 2C, 3A, and 3B and provided information and answered questions about the program.<sup>9</sup> The purpose was to inform eligible communities that the program had been approved, as well as outline the rules and requirements of the program, and review potential technical assistance available to communities.

The State of Alaska, Department of Commerce, Community and Economic Development (DCCED), has also been providing assistance to eligible communities since implementation of the program. The Division of Banking, Securities, and Corporations can assist communities in setting up a non-profit corporation.<sup>10</sup> The Division of Community Advocacy can assist communities regarding sample by-laws and provides a non-profit corporation handbook with ideas regarding how to setup a non-profit corporation.<sup>11</sup> Several municipalities have utilized these services and organizational loans. In addition, shortly after the implementation of the program, the State of Alaska legislature approved a loan program for the CQE Program through the Commercial Fishing Revolving Loan Fund.<sup>12</sup> The Division of Investments provides loan applications and can provide assistance in understanding the application requirements to obtain financing for halibut and sablefish IFQs.<sup>13</sup> More detail on the loan program is provided in the discussion of funding mechanisms (Section VI). Eligible communities can also contact DCCED to schedule workshops regarding the CQE program.

Several private entities have provided technical workshops to assist communities in participating in the program. These include the Southeast Alaska Inter-tribal Fish and Wildlife Commission, Chugach Regional Resources Commission, Gulf of Alaska Coastal Communities Coalition, Alaska Sea Grant Marine Advisory Program, and individual communities. In addition, several departments of the University of Alaska have assisted and continue to assist with CQE-related projects. One of the most recent workshops was co-hosted by the Alaska Sea Grant Marine Advisory Program, the North Pacific Fisheries Trust, and the Gulf of Alaska Coastal Communities Coalition in February 2009. There was broad participation by CQE communities, as well as regional and village Native corporations, NMFS, Council staff and members, Native regional nonprofits, and loan program representatives. The themes of the workshop included non-profit governance and management; accounting and finance; regulatory issues

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<sup>9</sup>These workshops were conducted from May to October, 2004. Twenty-eight of the 42 eligible communities were represented at these workshops.

<sup>10</sup> <http://www.commerce.state.ak.us/bsc/home.htm>

<sup>11</sup> <http://www.commerce.state.ak.us/dca/>

<sup>12</sup>AS 16.10.300 – AS 16.10.370; 3AAC 80.010 – 3 AAC 80.900. The purpose of the fund is to provide long-term, low interest loans to promote the development of predominantly resident fisheries, and continued maintenance of commercial fishing vessels and gear for the purpose of improving the quality of Alaska seafood products.

<sup>13</sup><http://www.commerce.state.ak.us/investments/index.cfm>

in quota management; lease management; and direct marketing of harvests. The primary concerns expressed during these workshops have been incorporated into the discussion of concerns about the program (Section VIII).

Finally, the Gulf of Alaska Coastal Communities Coalition provides on-going support and technical assistance to CQE communities by request. These functions have included working with national organizations to help identify optimal loan models, identifying low interest loans or grant opportunities, assisting CQEs in developing ‘codes of conduct’, and working within the North Pacific Fishery Management Council process to further the program. In early 2010, the Coalition plans to partner with the University of Alaska Anchorage to travel to CQE communities in order to identify barriers to the formation of CQEs in specific subregions.

### **Eligible communities and CQE holdings to-date**

There are 42 eligible communities under the CQE Program, the same number since its inception: 21 are in Southeast Alaska (Area 2C) and 21 are in Southcentral Alaska (14 in Area 3A and 7 in Area 3B). The list of communities is provided as part of the Council’s final motion (Appendix 1), and a map of all 42 eligible communities is provided as **Appendix 2**. To be determined eligible, each community must have met the following criteria: fewer than 1,500 people;<sup>14</sup> documented historical participation (at least one landing) of halibut or sablefish; direct access to saltwater on the GOA coast; no road access to a larger community; and listed in Federal regulation. Communities that were not identified at final action as meeting these criteria must apply to the Council to be approved for participation in the program. A regulatory amendment would need to be developed and approved in order to add a community to the list in Federal regulation, and communities applying for eligibility would be evaluated using the original criteria above.

Under the program, an eligible community must form a nonprofit corporation to act on its behalf (i.e., the CQE). The CQE permitted to purchase and hold the quota share for eligible communities must be: 1) a new non-profit entity incorporated under the State of Alaska; or 2) a new non-profit entity formed by an aggregation of several eligible communities. The non-profit corporation must apply to NMFS for recognition as a CQE, must have the written approval of the community, and upon approval by NMFS, may buy, sell, and hold halibut and sablefish QS for the community. There are caps on the amount of QS that can be held by each individual community, and caps on the amount of QS that can be held cumulatively by all communities in a specified area (e.g., Area 2C, 3A, 3B for halibut; SE, WY, CG, or WG for sablefish). The program limits each CQE to the same use caps as individual holders: 1% of Area 2C halibut QS and 0.5% of the combined Area 2C, 3A, and 3B halibut QS, and 1% of southeast sablefish QS and 1% of all combined sablefish QS. The program also limits all CQEs to holding 3% of the QS in each area in each of the first seven years of the program, culminating in a limit of 21% in each area by 2010.<sup>15</sup> These limits are exclusive of any QS owned by individual residents. See Table 1 and Table 2 below and refer to Appendix 1 for the rules governing transfers, limits, and reporting requirements.

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<sup>14</sup>As documented by the 2000 U.S. Census (i.e., a community must be recognized by the U.S. Census as an incorporated city or census designated place in order to be included in the census.)

<sup>15</sup>See 50 CFR 679.42(e)(6).

**Table 1 2009 Quota share use caps for CQEs and individuals**

Use Cap	2009 QS Use Cap	Equivalent 2009 IFQ lbs
<b>Halibut</b>		
1% of 2C quota	599,799 QS units	50,560 IFQ lbs
0.5% of 2C, 3A, 3B	1,502,823 QS units	126,681 lbs if all 2C quota <sup>1</sup> ; 176,360 lbs if all 3A quota; 302,208 lbs if all 3B quota
<b>Sablefish</b>		
1% of SE quota	688,485 QS units	63,035 IFQ lbs
1% of all quota	3,229,721 QS units	254,497 lbs if all CG; 295,705 lbs if all SE <sup>2</sup> ; 259,279 lbs if all WG; 208,127 lbs if all WY quota

<sup>1</sup>Note that the Area 2C use cap (50,560 lbs) is also in place, so 126,681 lbs is only a theoretical example.

<sup>2</sup>Note that the SE use cap (63,035 lbs) is also in place, so 295,705 lbs is only a theoretical example.

**Table 2 2009 and 2010 cumulative CQE quota share use caps<sup>1</sup>**

Use Cap	QS Use Cap and equivalent annual IFQ lbs			
<b>Halibut</b>				
	<b>Area 2C</b>	<b>Area 3A</b>	<b>Area 3B</b>	
2009	10,719,367 QS units	33,284,037 QS units	9,756,572 QS units	
18% of each area	903,597 lbs	3,905,981 lbs	1,961,988 lbs	
2010	12,505,928 QS units	38,831,376 QS units	11,382,667 QS units	
21% of each area	n/a lbs	n/a lbs	n/a lbs	
<b>Sablefish</b>				
	<b>Southeast</b>	<b>Central Gulf</b>	<b>Western Gulf</b>	<b>West Yakutat</b>
2009	11,901,711 QS units	20,103,594 QS units	6,485,324 QS units	9,587,957 QS units
18% of each area	1,089,691 lbs	1,584,133 lbs	520,638 lbs	617,860 lbs
2010	13,885,330 QS units	23,454,193 QS units	7,566,212 QS units	11,185,950 QS units
21% of each area	n/a lbs	n/a lbs	n/a lbs	n/a lbs

<sup>1</sup>The cumulative use caps apply to the amount of QS that can be held and used by all CQEs combined.

Note: The 2010 quota share pools used to calculate the cumulative use caps are an estimate as of 1/11/10, and are the same as 2009. The 2010 QS:IFQ ratio for each area was not available (n/a) as of 1/11/10, so the caps are not calculated in 2010 IFQ lbs.

Thus far, 20 CQEs have been formed, representing 21 communities (the list is provided as **Appendix 3**). Ten of those communities are in southeast Alaska, and eleven are in southcentral Alaska. Each of these CQEs went through the process of forming a non-profit corporation under laws of the State of Alaska, which requires time and resources of the community. In addition to the incorporation process, in order to be approved by NMFS as a CQE representing an eligible community, the CQE must also submit an application to NMFS.<sup>16</sup> A complete application to become a CQE consists of: (i) the articles of incorporation; (ii) a statement indicating the eligible community, or communities, represented by the CQE for purposes of holding QS; (iii) management organization information, including: (A) the bylaws; (B) a list of key personnel of the managing organization including, but not limited to, the board of directors, officers, representatives, and any managers; (C) a description of how the CQE is qualified to manage QS on behalf of the eligible community, or communities, it is designated to represent, and a demonstration that the CQE has the management, technical expertise, and ability to manage QS and IFQ; and (D) the name of the non-profit organization, taxpayer ID number, permanent business mailing addresses, name of contact persons and contact information of the managing personnel, resumes of management personnel, name of community represented by the CQE, and the point of contact for the governing body of each community represented.

The application also requires a statement describing the procedures that will be used to determine the distribution of IFQ to residents of the community, including: (A) procedures used to solicit requests from residents to lease IFQ; and (B) criteria used to determine the distribution of IFQ leases among qualified community residents and the relative weighting of those criteria. Finally, the application must include a statement of support from the governing body of the eligible community. The statement of support is: (A) a resolution from the City Council or other official governing body for those eligible communities

<sup>16</sup>This application is also submitted to the State of Alaska (DCCED) for a 30-day review and comment period.

incorporated as first or second class cities; (B) a resolution from the tribal government authority recognized by the Bureau of Indian Affairs for those eligible communities that are not incorporated as first or second class cities; but are represented by a tribal government authority; or (C) a resolution from a non-profit community association, homeowner association, community council, or other non-profit entity for those eligible communities that are not incorporated as first or second class cities or represented by a tribal government.

Thus, while the application process is relatively straightforward, it requires submittal of several documents, including a letter of approval from the community and a description of the criteria the CQE will use to determine which residents may lease IFQ derived from CQE-held QS on an annual basis. Note that the Council included three performance standards in its final motion developing the program, and although these are not regulatory requirements, they outline the intent regarding the distribution and use of community-held QS. The performance standards are:

- equitable distribution of IFQ leases within a community
- the use of IFQ by local crew members
- the percentage of IFQ resulting from community-held QS that is fished on an annual basis

Many communities have developed specific and comprehensive criteria to distribute IFQ among community residents, based on the goals and objectives set out by the community. The city of Craig was the first CQE formed in late 2004, and it was very proactive in developing the first set of organizational governance and distribution criteria for quota share. NMFS only requires that criteria are developed, not that each community follow specified criteria. For example, some communities may emphasize providing IFQ to new entrants versus long-term participants (or vice-versa), while others may focus on ensuring that the resident IFQ holder's crew is comprised of resident crewmembers. Some communities have employed a 'point system', while others have developed other types of rating criteria. An example of the criteria used by the CQE representing Old Harbor (Old Barnabas, Inc.), is provided as **Appendix 4**. This CQE reports that it leases quota share to community residents on an equitable basis, and that preference is given to residents that have experience, equipment, investment, and commit to the employment of community residents. The point system developed by the CQE reflects these preferences.

Each CQE must report to NMFS annually on IFQ activities, including nonprofit governance, QS holdings, IFQ recipient selection, landings, and other relevant information. If a CQE fails to submit a timely and complete annual report, NMFS would initiate an administrative action to suspend the ability of that CQE to transfer QS and IFQ, and to receive additional QS by transfer. The annual report is also required to be provided to the governing body of each community represented by the CQE. This is intended to assist the governing body and residents of that community in reviewing the activities of the CQE relative to that community.

To date, only one CQE, representing Old Harbor, has purchased halibut quota share, and no CQEs have purchased sablefish quota share. Old Harbor has been participating in the program using halibut quota share since 2006, with quota share originally obtained through a private financing arrangement. As of year-end 2009, the CQE representing Old Harbor held 151,234 halibut QS units in Area 3B, which equates to a little over 30,400 IFQ lbs in 2009. This represents about 0.05% of the combined Area 2C, 3A, and 3B QS pool, and 0.28% of the total Area 3B QS pool. Recall that the program allows all CQEs combined to purchase up to 3% of the QS in each area in each of the first seven years of the program, culminating in a limit of 21% in each area by 2010. Thus, the program has not come close to reaching its regulatory limits.

The majority of CQEs have not submitted annual reports, as they have not purchased quota share to-date. Several CQEs have submitted reports, even if no quota share had been purchased, in order to report

changes in the Board of Directors, etc. The CQE representing Old Harbor has submitted the required annual report each year it held QS, starting in 2006. No less than 20% of their total IFQ is leased to ‘entry level resident fishermen’, and the remainder is leased to a ‘general pool.’ In sum, this CQE has leased QS at equal or below market rates to 5 participants using 3 vessels in 2006;<sup>17</sup> 8 participants using 5 vessels in 2007; and 10 participants using 5 vessels in 2008. The number of crew used increased each year, and all were residents of Old Harbor, with few exceptions (residents of Kodiak). Starting in 2008, the CQE also formally developed a ‘clean-up’ fishery, in that the IFQ contracts with individual fishermen include a provision that allows the CQE to lease the IFQ to another resident fisherman if the IFQ is not fished by August 1 of the fishing year. During 2006 - 2009, the CQE leased between about 30,000 lbs to 37,000 lbs annually. The most recent annual report notes that lease revenues are used to pay debt services and administrative expenses of the CQE, and as debt services reduce, lease revenues will be used to purchase additional quota.

### **III. Community resident QS holdings to-date**

The NMFS RAM Division produces reports on the changes in holdings of quota share by residents of Gulf of Alaska fishing communities since the implementation of the halibut and sablefish IFQ program in 1995. NMFS recently updated this report through 2008 (NMFS, July 2009).<sup>18</sup> Note that the QS holdings in this report are by individual residents of the CQE eligible communities, not CQEs, with the exception of the QS holdings by the CQE representing Old Harbor.

One impetus for establishing Amendment 66 was the substantial transfer of initially-issued quota share out of the smallest, remote coastal Alaska communities and the change in the geographic distribution of QS holdings. At the time of final Council action, the public review analysis for Amendment 66 reported that residents of the 42 small GOA communities realized a reduction of 14%, 19%, and 19% of their halibut QS holdings in Area 2C, 3A, and 3B, respectively, from initial issuance through year-end 2000. They also realized a reduction in sablefish QS holdings of 15%, 45%, and 7% in the Southeast, West Yakutat, and Western Gulf management areas, respectively. The net gain of QS by these communities as of year-end 2000 was in sablefish QS in the Central Gulf (39%), and this was almost wholly attributable to an increase in holdings in one community (Seldovia). The remaining communities continued to either lose Central Gulf sablefish QS or retain the same amount issued during initial issuance. By year-end 2009, NMFS RAM Division data indicate that residents of the 42 small GOA communities realized a reduction of 45%, 37%, and 29% of their halibut QS holdings in Area 2C, 3A, and 3B, respectively, since initial issuance. They also realized a reduction in sablefish QS holdings of 49% (Southeast), 43% (Central Gulf), 87% (West Yakutat), and 84% (Western Gulf), from initial issuance to year-end 2009.

Overall, residents of the 42 eligible communities held about 9.1% of the total Gulf halibut QS (Areas 2C, 3A, and 3B combined), and about 5.3% of the total Gulf sablefish QS (Southeast, West Yakutat, Central Gulf, and Western Gulf combined), at initial issuance. By year-end 2009, residents of these communities held 5.6% of the total Gulf halibut QS, and about 2.4% of the total Gulf sablefish QS. Quota share holdings by area are provided below in Table 3. Note that these data are inclusive of the QS held by the one CQE who has purchased QS under the program.

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<sup>17</sup>In 2006, the IFQ was purchased and leased in late September, allowing only a couple months to fish; 2006 was the only year in which all of the CQE QS was not fished.

<sup>18</sup>*Report on Holdings of IFQ by Residents of Selected Gulf of Alaska Fishing Communities, 1995 – 2008*. NOAA (NMFS), Alaska Region, RAM Division, Juneau, AK. July 2009. <http://www.fakr.noaa.gov/ram/reports/ifqholdings0709.pdf>

**Table 3 Percent of QS held by residents of CQE communities, at initial issuance (1995) and year-end 2009**

Halibut	2C, 3A & 3B total	2C	3A	3B
initial issuance	9.1%	19.4%	4.9%	12.1%
year-end 2009	5.6%	10.7%	3.1%	8.7%

Sablefish	SE, CG, WG, WY total	SE	CG	WG	WY
initial issuance	5.3%	12.6%	2.9%	4.4%	1.9%
year-end 2009	2.4%	6.4%	1.6%	0.7%	0.3%

Source: NOAA Fisheries, AKR, RAM. Data as of 2/26/10.

Note: The data include Area 3B halibut QS held by one CQE. Excluding the CQE-held QS would reduce the halibut Area 3B holdings to 8.4% of the total.

The July 2009 NMFS report provides information for each of the 42 eligible communities, by year, from 1995 through year-end 2008. The total halibut and sablefish IFQ holdings for residents of the 21 eligible communities located in southeast Alaska decreased by 49% and 45% from 1995 through year-end 2008,<sup>19</sup> and the number of holders of halibut and sablefish IFQ decreased by 55% and 58%, respectively. For residents of the 21 southcentral communities, the total halibut and sablefish IFQ decreased by 26% and 53% from 1995 through year-end 2008, and the number of holders of halibut and sablefish IFQ decreased by 50% and 61%, respectively. Overall, the 42 communities combined realized a 36% reduction in halibut IFQ and a 47% reduction in sablefish IFQ, with 53% and 59% fewer holders at year-end 2008, respectively. The tables summarizing southeast, southcentral, and all eligible communities are provided in **Appendix 5**. A brief summary of the individual community data from this report is provided in Table 4 through Table 7.

**Table 4 Total IFQ holdings and holders, Southeast AK, by year**

Southeast Community	1995 halibut		2000 halibut		2008 halibut		1995 sablefish		2000 sablefish		2008 sablefish	
	lbs	# holders	lbs	# holders	lbs	# holders	lbs	# holders	lbs	# holders	lbs	# holders
Angoon	80,629	50	51,044	31	30,855	15	105,454	2	16,745	1	0	0
Coffman Cove	2,160	3	61	1	0	0	0	0	0	0	0	0
Craig	229,848	70	164,605	57	203,860	51	105,278	15	67,603	10	80,351	11
Edna Bay	45,234	15	20,423	7	25,926	5	26,409	0	0	0	4	0
Elfin Cove	85,810	20	71,240	12	49,800	11	35,902	5	37,207	6	9,441	1
Gustavus	57,440	21	63,804	15	76,355	18	49,524	4	51,011	3	51,011	3
Hollis	0	0	0	0	0	0	0	0	0	0	0	0
Hoonah	283,807	61	163,515	40	129,136	27	196,108	14	95,762	4	82,642	3
Hydaburg	40,436	25	10,436	10	9,580	9	24,042	4	967	1	967	1
Kake	186,623	50	79,704	23	74,172	17	33,261	2	33,260	1	42,830	2
Kasaan	0	0	0	0	0	0	0	0	0	0	0	0
Klawock	28,683	15	24,923	8	15,731	5	8,480	1	134	1	51,993	2
Metlakatla	56,214	25	54,119	15	28,446	7	2,020	2	3	1	3	1
Meyers Chuck	20,462	5	20,462	4	9,550	1	23,532	2	23,532	3	11,852	2
Pelican	322,778	35	196,560	22	98,723	13	327,063	18	250,276	13	117,011	5
Point Baker	52,952	21	21,784	8	15,635	9	39	1	0	0	39	1
Port Alexander	70,172	16	125,323	19	47,227	9	57,731	8	169,871	5	112,758	4
Port Protection	6,646	1	0	0	0	0	0	0	0	0	0	0
Tenakee	26,739	8	25,778	5	48	2	13,602	1	11,446	1	0	0
Thorne Bay	32,661	11	21,240	7	14,988	5	8,940	2	30	1	0	0
Whale Pass	991	3	766	1	0	0	0	0	0	0	0	0
<b>Total SE AK</b>	<b>1,630,285</b>	<b>455</b>	<b>1,115,787</b>	<b>285</b>	<b>830,032</b>	<b>204</b>	<b>1,017,385</b>	<b>85</b>	<b>757,847</b>	<b>51</b>	<b>562,906</b>	<b>36</b>

Source: *Report on Holdings of IFQ by Residents of Selected Gulf of Alaska Fishing Communities, 1995 – 2008*. NMFS, July 2009. ‘2008

Equivalent Pounds’ are used for comparison purposes. These are IFQ pounds derived from all QS held by residents of the subject community, in all management areas. They are computed using 2008 quota share pool and TACs; therefore, they are comparable across all reported years.

QS holders includes all entities (including individuals, corporations, etc.) holding that reported the subject community as a permanent business mailing address, as of year-end.

<sup>19</sup>The report uses ‘2008 Equivalent Pounds’ for comparison purposes. These are IFQ pounds derived from all QS held by residents of the subject community, in all IFQ management areas.

Table 4 compares the amount of IFQ holdings held by individual community residents at three periods: initial issuance (1995), year-end 2000, and year-end 2008. Table 5 shows the percent change in IFQ holdings and number of IFQ holders from initial issuance to year-end 2008. The IFQ pounds represent ‘2008 equivalent pounds’, computed using the 2008 quota share pool and TACs; thus, they are comparable across all reported years. As shown above, all but one southeast CQE community has reduced or maintained the number of IFQ holders since initial issuance, and all but four communities have realized a reduction in the amount of QS held by residents. Halibut quota share attributable to residents of Gustavus, and sablefish QS attributable to residents of Kake, Klawock, and Port Alexander have increased, although only Klawock and Port Alexander realized a substantial increase, by a few holders.

Table 4 also shows that a small amount of QS (relative to the number of initial issues) was initially issued to most of these southeast CQE communities, which in part may explain the transfer of QS from residents of those communities. Evidence suggests that many residents that were initially issued relatively small allocations, such as a few thousand pounds, often sold their quota share in the first few years of the program. Many reasons for this are available anecdotally, including that very small amounts of QS were not economically viable to fish, and individuals could not afford to purchase additional QS to support a viable business plan. Many residents of these communities fish multiple fisheries opportunistically, so most residents would not have qualified for a relatively large share of halibut or sablefish QS under a short (three year) qualifying period.

**Table 5 Percent change in IFQ holdings and holders, Southeast AK, 1995 to 2008**

<b>Southeast Community</b>	<b>% change halibut lbs</b>	<b>% change halibut holders</b>	<b>% change sablefish lbs</b>	<b>% change sablefish holders</b>
Angoon	-62%	-70%	-100%	-100%
Coffman Cove	-100%	-100%	-	-
Craig	-11%	-27%	-24%	-27%
Edna Bay	-43%	-67%	-100%	-100%
Elfin Cove	-42%	-45%	-74%	-80%
Gustavus	33%	-14%	3%	-25%
Hollis	-	-	-	-
Hoonah	-54%	-56%	-58%	-79%
Hydaburg	-76%	-64%	-96%	-75%
Kake	-60%	-66%	29%	0%
Kasaan	-	-	-	-
Klawock	-45%	-67%	513%	100%
Metlakatla	-49%	-72%	-100%	-50%
Meyers Chuck	-53%	-80%	-50%	0%
Pelican	-69%	-63%	-64%	-72%
Point Baker	-70%	-57%	0%	0%
Port Alexander	-33%	-44%	95%	-50%
Port Protection	-100%	-100%	-	-
Tenakee	-100%	-75%	-100%	-100%
Thorne Bay	-54%	-55%	-100%	-100%
Whale Pass	-100%	-100%	-	-
<b>Total SE AK</b>	<b>-49%</b>	<b>-55%</b>	<b>-45%</b>	<b>-58%</b>

Source: *Report on Holdings of IFQ by Residents of Selected Gulf of Alaska Fishing Communities, 1995 – 2008*. NMFS, July 2009. ‘2008 Equivalent Pounds’ are used for comparison purposes. These are IFQ pounds derived from all QS held by residents of the subject community, in all management areas. They are computed using 2008 quota share pool and TACs; therefore, they are comparable across all reported years. QS holders includes all entities (including individuals, corporations, etc.) holding that reported the subject community as a permanent business mailing address, as of year-end.

Note: “-” means that no lbs were issued at initial issuance.

Similar information is provided for the 21 eligible communities in southcentral Alaska in Table 6 and Table 7. Table 6 compares the amount of IFQ holdings held by individual community residents at three periods: initial issuance (1995), year-end 2000, and year-end 2008. Table 7 shows the percent change in IFQ holdings and number of IFQ holders from initial issuance to year-end 2008. Like the previous tables, ‘2008 equivalent pounds’ are used such that pounds are comparable across all reported years. Table 6 and Table 7 show all but one southcentral CQE community has either reduced or maintained the number of IFQ holders since initial issuance, and all but two communities have realized a reduction in the amount of QS held by residents. Quota share attributable to residents of Halibut Cove (halibut) and Port Lions (sablefish) has increased, although the increase in Port Lions is due to one resident holding sablefish QS.

Table 6 also shows that, like in southeast, a small amount of QS (relative to the number of initial issues) was initially issued to the majority of these southcentral CQE communities, which in part may explain the transfer of QS from residents of those communities. While the communities that received relatively larger shares have also realized a reduction in the amount of QS held by residents and the number of QS holders, these communities are typically larger, and either a processing plant is located in the community or they are in close proximity to markets.

Note that Table 6 and Table 7 include the halibut QS holdings by the CQE representing Old Harbor in 2008, which totaled about 30,800 IFQ lbs, or more than half the halibut holdings in Old Harbor.

**Table 6 Total IFQ holdings and holders, Southcentral AK, by year**

Southcentral Community	1995 halibut		2000 halibut		2008 halibut		1995 #		2000 #		2008 #	
	lbs	holders	lbs	holders	lbs	holders	sablefish lbs	holders	sablefish lbs	holders	sablefish lbs	holders
Akhiok	8,349	1	0	0	0	0	0	0	0	0	0	0
Chenega Bay	2,133	3	82	1	82	1	0	0	0	0	0	0
Chignik*												
Chignik Lagoon	203,031	21	130,055	10	104,757	8	87	1	0	0	0	0
Chignik Lake												
Halibut Cove	49,676	7	87,784	4	104,855	4	61	1	247,447	1	61	1
Ivanof Bay	3,940	2	4,213	1	0	0	0	0	0	0	0	0
Karluk	0	0	0	0	0	0	0	0	0	0	0	0
King Cove	350,272	40	197,202	18	188,766	15	87,764	11	21,184	4	9,170	2
Larsen Bay	16,823	8	597	2	0	0	0	0	0	0	0	0
Nanwalek	301	1	0	0	0	0	0	0	0	0	0	0
Old Harbor	112,510	15	36,312	8	52,636	7	3,198	2	0	0	0	0
Ouzinkie	100,421	21	94,187	20	81,867	12	7,943	1	7,943	1	7,943	1
Perryville	10,405	2	4,678	1	7,622	2	0	0	0	0	0	0
Port Graham	22,792	7	3,008	3	12,559	4	44	1	33	1	33	1
Port Lions	41,690	21	32,848	15	27,124	13	0	0	25,738	3	29,218	1
Sand Point	599,018	58	546,861	45	468,274	35	12,465	3	2,142	1	32	1
Seldovia	418,553	30	373,324	22	349,991	13	203,409	10	199,895	9	106,690	6
Tatitlek	264	1	0	0	0	0	0	0	0	0	0	0
Tyonek	0	0	0	0	0	0	0	0	0	0	0	0
Yakutat	173,094	48	166,658	2	158,490	30	14,231	6	6,061	2	94	1
Total SC AK	2,112,971	286	1,677,809	152	1,557,023	144	329,202	36	510,443	22	153,241	14

Source: *Report on Holdings of IFQ by Residents of Selected Gulf of Alaska Fishing Communities, 1995 – 2008*. NMFS, July 2009. ‘2008 Equivalent Pounds’ are used for comparison purposes. These are IFQ pounds derived from all QS held by residents of the subject community, in all management areas. They are computed using 2008 quota share pool and TACs; therefore, they are comparable across all reported years. QS holders includes all entities (including individuals, corporations, etc.) holding that reported the subject community as a permanent business mailing address, as of year-end.

\*Chignik area communities (Chignik, Chignik Lagoon, Chignik Lake) are reported together.

**Table 7 Percent change in IFQ holdings and holders, Southcentral AK, 1995 to 2008**

Southcentral Community	% change halibut lbs	% change halibut holders	% change sablefish lbs	% change sablefish holders
Akhiok	-100%	-100%	-	-
Chenega Bay	-96%	-67%	-	-
Chignik*				
Chignik Lagoon	-48%	-62%	-100%	-100%
Chignik Lake				
Halibut Cove	111%	-43%	0%	0%
Ivanof Bay	-100%	-100%	-	-
Karluk	-	-	-	-
King Cove	-46%	-63%	-90%	-82%
Larsen Bay	-100%	-100%	-	-
Nanwalek	-100%	-100%	-	-
Old Harbor	-53%	-53%	-100%	-100%
Ouzinkie	-18%	-43%	0%	0%
Perryville	-27%	0%	-	-
Port Graham	-45%	-43%	-25%	0%
Port Lions	-35%	-38%	100%	100%
Sand Point	-22%	-40%	-100%	-67%
Seldovia	-16%	-57%	-48%	-40%
Tatitlek	-100%	-100%	-	-
Tyonek	-	-	-	-
Yakutat	-8%	-38%	-99%	-83%
Total SC AK	-26%	-50%	-53%	-61%

Source: *Report on Holdings of IFQ by Residents of Selected Gulf of Alaska Fishing Communities, 1995 – 2008*. NMFS, July 2009. ‘2008 Equivalent Pounds’ are used for comparison purposes. These are IFQ pounds derived from all QS held by residents of the subject community, in all management areas. They are computed using 2008 quota share pool and TACs; therefore, they are comparable across all reported years. QS holders includes all entities (including individuals, corporations, etc.) holding that reported the subject community as a permanent business mailing address, as of year-end.

Note: "-" means that no lbs were issued at initial issuance.

\*Chignik area communities (Chignik, Chignik Lagoon, Chignik Lake) are reported together.

#### IV. Price of quota share

NMFS RAM Division provides several IFQ reports on a regular basis. Two of the most recent reports are “Changes under Alaska’s Halibut IFQ Program, 1995 – 2006” and “Changes under Alaska’s Sablefish IFQ Program, 1995 – 2006”, published in January 2009. Among other things, these reports provide information on QS transfers and prices. Any transaction resulting in a permanent change of ownership is considered a transfer. In the first year of program implementation (1995), the average halibut prices in dollars per IFQ pound were \$7.58 in Area 2C, \$7.37 in Area 3A, and \$6.53 in Area 3B. These prices tended to increase each year slightly, then drop in 1998. Prices then increased again starting in 2001, and increased substantially in 2004.

Table 8 provides the estimated annual prices for halibut QS sold with the associated current year IFQ, by area and year. In 2004, the year in which Amendment 66 was effective, the average halibut prices in dollars per IFQ pound were \$13.70 in Area 2C, \$13.88 in Area 3A, and \$11.16 in Area 3B. By 2006, the last year of data provided in this report, average halibut prices in dollars per IFQ pound had increased to \$18.43 in Area 2C, \$18.09 in Area 3A, and \$15.83 in Area 3B. Thus, between the year of program implementation and 2006, halibut IFQ prices have increased by approximately 2.5 times in each area.

**Table 8 Annual prices for halibut QS with IFQ transfers by area and year**

Area	Year	Mean price \$/IFQ	Total IFQs transferred used for pricing
<b>2C</b>	1995	7.58	996,874
	1996	9.13	681,056
	1997	11.37	517,715
	1998	10.14	220,894
	1999	N/A	N/A
	2000	8.20	423,347
	2001	9.22	412,990
	2002	8.97	363,474
	2003	9.76	274,537
	2004	13.70	365,513
	2005	18.06	311,907
	2006	18.43	246,540
<b>3A</b>	1995	7.37	1,792,912
	1996	8.40	1,582,609
	1997	9.78	1,276,525
	1998	8.55	666,649
	1999	N/A	N/A
	2000	7.94	614,960
	2001	8.63	771,815
	2002	8.35	711,255
	2003	9.81	565,653
	2004	13.88	875,829
	2005	18.07	385,893
	2006	18.09	586,035
<b>3B</b>	1995	6.53	225,912
	1996	7.88	323,160
	1997	8.58	605,744
	1998	7.92	169,833
	1999	N/A	N/A
	2000	7.84	464,711
	2001	8.74	739,936
	2002	7.09	663,248
	2003	8.01	769,927
	2004	11.16	498,167
	2005	13.53	415,646
	2006	15.83	428,693

Source: Transfer Report Summary: Changes under Alaska's Halibut IFQ Program, 1995 - 2006, p. 5.

Similar trends are shown in the transfers of sablefish QS and IFQ. Table 9 below provides the estimated annual prices for sablefish QS sold with the associated current year IFQ, by area and year. In the first year of program implementation (1995), the average sablefish prices in dollars per IFQ pound were \$6.73 in SE, \$5.93 in WY, \$6.02 in CG, and \$6.16 in WG. Generally, these prices tended to increase each year slightly, with a few exceptions. In 2004, the first year in which CQEs could purchase QS under the program, the average sablefish prices in dollars per IFQ pound were \$11.69 in SE, \$12.21 in WY, \$11.50 in CG, and \$8.19 in WG.

By 2006, the last year of data provided in this report, average sablefish prices in dollars per IFQ pound were estimated as \$12.18 in SE, \$11.48 in WY, \$12.60 in CG, and \$7.87 in WG. Thus, between the year

of program implementation and 2006, sablefish IFQ prices have increased by approximately 2 times in each area, with the exception of the Western Gulf.

**Table 9 Annual prices for sablefish QS with IFQ transfers by area and year**

Area	Year	Mean price \$/IFQ	Total IFQs transferred used for pricing	Area	Year	Mean price \$/IFQ	Total IFQs transferred used for pricing
<b>Southeast</b>	1995	6.73	714,993	<b>Central Gulf</b>	1995	6.02	542,427
	1996	8.05	460,777		1996	7.06	576,517
	1997	10.76	303,609		1997	9.36	707,533
	1998	11.11	102,892		1998	10.68	218,048
	1999	N/A	N/A		1999	N/A	N/A
	2000	10.57	166,186		2000	9.11	448,909
	2001	12.22	212,746		2001	9.64	124,247
	2002	10.23	405,427		2002	9.98	251,856
	2003	11.00	411,183		2003	10.16	470,143
	2004	11.69	209,397		2004	11.50	207,013
	2005	11.57	279,550		2005	10.80	304,044
	2006	12.18	205,200		2006	12.60	472,608
<b>W. Yakutat</b>	1995	5.93	208,230	<b>Western Gulf</b>	1995	6.16	129,351
	1996	7.62	240,912		1996	5.53	265,044
	1997	9.04	182,257		1997	7.06	113,032
	1998	9.23	22,538		1998	8.00	77,939
	1999	N/A	N/A		1999	N/A	N/A
	2000	10.15	111,492		2000	6.49	143,154
	2001	10.01	38,808		2001	7.12	178,679
	2002	10.49	143,866		2002	conf.	16,789
	2003	10.87	79,239		2003	6.85	138,688
	2004	12.21	28,031		2004	8.19	295,712
	2005	12.47	132,214		2005	10.70	242,546
	2006	11.48	80,974		2006	7.87	192,139

Source: Transfer Report Summary: Changes under Alaska's Sablefish IFQ Program, 1995 - 2006, pp. 5-6.

Note that estimates of annual ex-vessel prices are also provided in the NMFS reports. The price received at the point of landing for the catch is the ex-vessel price. The reports show halibut estimated ex-vessel prices were highest during 2007 for all three areas (years reported were 1992 – 2007). Overall, halibut ex-vessel prices fluctuated but generally increased over this time period. The reports show sablefish estimated ex-vessel prices were highest during 1997 for the Central Gulf and West Yakutat. In Southeast, the price was highest in 2000, and in the Western Gulf, prices were highest in 2006. Overall, sablefish ex-vessel prices generally increased over this time period. A range of estimated ex-vessel prices are shown below (1992 – 2007), by management area (Table 10 and Table 11). For more detail, please reference the source reports.

**Table 10 Halibut estimated ex-vessel prices by management area and year**

Year	Area 2C	Area 3A	Area 3B
1992	1.01	0.96	0.93
1993	1.27	1.21	1.21
1994	2.01	1.91	1.90
1995	2.04	1.99	1.95
1996	2.26	2.24	2.16
1997	2.24	2.16	2.08
1998	1.39	1.36	1.27
1999	1.99	2.09	2.06
2000	2.62	2.60	2.55
2001	2.11	2.03	2.00
2002	2.22	2.23	2.20
2003	2.95	2.89	2.87
2004	3.04	3.04	2.96
2005	3.08	3.07	3.01
2006	3.75	3.78	3.78
2007	4.41	4.40	4.30

Source: Transfer Report Summary: Changes under Alaska's Halibut IFQ Program, 1995 - 2006, p. 26.

**Table 11 Sablefish estimated ex-vessel prices by management area and year**

Year	Southeast	West Yakutat	Central Gulf	Western Gulf
1992	1.93	1.87	1.85	1.90
1993	1.68	1.65	1.63	1.65
1994	2.46	2.24	2.21	2.00
1995	3.18	3.31	3.30	3.21
1996	3.42	3.27	3.23	3.13
1997	3.78	3.76	3.74	3.65
1998	2.49	2.64	2.63	2.41
1999	3.03	2.98	3.00	2.92
2000	3.79	3.73	3.67	3.65
2001	3.23	3.20	3.16	3.14
2002	3.25	3.24	3.17	3.25
2003	3.68	3.67	3.63	3.65
2004	3.26	3.22	3.09	2.99
2005	3.50	3.24	3.17	3.31
2006	3.11	3.53	3.51	3.89
2007	2.63	3.47	3.30	3.84

Source: Transfer Report Summary: Changes under Alaska's Sablefish IFQ Program, 1995 - 2006, p. 26-27.

Finally, Table 12 shows the statewide halibut and sablefish IFQ TACs, amount of landed pounds, ex-vessel prices, weighted average price per QS unit, and the percent change in weighted average price per QS unit compared to the prior year. Similar to the trends shown above in the tables specific to southeast and southcentral Alaska, prices increased substantially in 2004 (27%) and 2005 (31%) from the previous year for halibut, and in 2003 (14%) and 2004 (17%) for sablefish. In 2004 and 2005, the halibut TAC was stable but slowly declining, and the ex-vessel price continued to increase. In 2004, the sablefish TAC was at a 10-year high, with the lowest ex-vessel price during the time period, as well as the largest percentage increase in transfer price from the previous year. Note that 2009 exhibited the largest percentage decrease in transfer price for both halibut and sablefish QS.

A recent paper (Langdon, 2008)<sup>20</sup> discusses the upward trend in the price of halibut in particular, noting that the rise in price has occurred even when the amount of halibut harvested has increased. The paper notes that it may be due to a combination of factors, which may include changing dietary preferences of consumers (and increasing wealth). In addition, the cost of fuel may also factor into the rising price of halibut. The paper notes that another possibility may be the longer length of the halibut season, and thus, a longer market for fresh fish. Langdon cites an econometric analysis and simulation of ex-vessel price changes in halibut from 1995 to 2002, which suggests that the IFQ Program itself accounts for an increase of \$0.21 in the ex-vessel price from a 1995 base of \$2.00/lb (Herrmann and Criddle, 2006).<sup>21</sup> The Langdon paper states: "This research suggests that while the program may have increased the ex-vessel value of Pacific halibut to fishermen by approximately 10% through 2002, neither the IFQ Program nor other factors noted above can account for the much more substantial increase in quota share price that occurred between 2003 and 2006"(p. 187).

**Table 12 Statewide halibut and sablefish TACs, ex-vessel prices, IFQ landed pounds, and QS prices, 2000 - 2009**

Species	Year	IFQ "TAC"	IFQ Landed pounds	CFEC Statewide Exvessel Price	Count Priced QS Transfers	Weighted Avg \$/QS Unit	Pct Change in Weighted Average Price/QS Unit From Prior Year
Halibut	2000	53,074,000	51,796,153	\$2.52	317	\$1.34	n/a
Halibut	2001	58,534,000	55,758,769	\$1.99	320	\$1.62	20.9%
Halibut	2002	59,010,000	58,122,339	\$2.19	280	\$1.41	-13.0%
Halibut	2003	59,010,000	57,411,780	\$2.84	313	\$1.70	20.6%
Halibut	2004	58,942,000	57,264,375	\$2.97	283	\$2.15	26.5%
Halibut	2005	56,976,000	***	\$3.00	245	\$2.81	30.7%
Halibut	2006	53,308,000	***	\$3.75	246	\$2.60	-7.5%
Halibut	2007	50,211,800	***	\$4.33	233	\$3.19	22.7%
Halibut	2008	48,040,800	47,321,739	\$4.27	207	\$3.27	2.5%
Halibut	2009	43,548,800	42,274,397	unk	129	\$2.38	-27.2%
Sablefish	2000	29,926,122	27,624,505	\$3.53	108	\$0.85	n/a
Sablefish	2001	29,120,561	26,355,159	\$3.04	95	\$0.77	-9.4%
Sablefish	2002	29,388,199	27,091,941	\$3.06	88	\$0.78	1.3%
Sablefish	2003	34,863,545	30,838,900	\$3.46	151	\$0.89	14.1%
Sablefish	2004	37,936,756	33,695,316	\$2.95	86	\$1.04	16.9%
Sablefish	2005	35,765,226	32,877,746	\$3.14	106	\$1.03	-1.0%
Sablefish	2006	34,546,083	30,849,437	\$3.33	88	\$1.05	1.9%
Sablefish	2007	33,450,396	30,080,328	\$3.10	92	\$1.05	0.0%
Sablefish	2008	29,967,127	26,872,648	\$3.45	87	\$1.08	2.9%
Sablefish	2009	26,488,269	24,103,772	unk	57	\$0.70	-35.2%

\*\*\* confidential data

2009 landings data are through 7 a.m. 12/24/09.

Halibut data are in net wt lbs; sablefish data are in round lbs.

\$/QS is an unweighted average computed for all categories, areas for a species: ( total transaction price - broker fees)/(number QS units transferred).

<sup>20</sup>Langdon, Steve J. 2008. The Community Quota Program in the Gulf of Alaska: A Vehicle for Alaska Native Village Sustainability? American Fisheries Society Symposium 68:155-194.

<sup>21</sup>Herrmann, M., and K. Criddle. 2006. An econometric market model for the Pacific halibut fishery. Marine Resource Economics 21:129-158.

## V. Funding the purchase of QS

Funding the purchase of community-owned QS has been the primary obstacle cited to participating in the program (see Section VII below). As an example, a moderate halibut trip could be estimated at 10,000 pounds, which equates to approximately 118,600 QS units in Area 2C.<sup>22</sup> At a relatively low price (e.g., \$2.50/QS unit), it would cost almost \$300,000 for an amount of quota that could reasonably be harvested in a single trip. This example is not limited to CQE purchases of quota, as individuals face a similar barrier. For an individual who already owns quota, the purchase of the additional quota can be leveraged against the equity in the existing quota. For CQEs and individuals who not own quota, financing such an investment can be a significant barrier to participating in the fishery.

In theory, CQEs may be eligible for a variety of bond, loan, and grant programs that could be used to purchase QS, equipment, vessels, etc., depending on the administration, tax structure, and qualifications of the entity. Due to the increased price of QS and other market realities, it has proven difficult to obtain financing in the absence of grant money, and thus far, there has not been any special appropriation approved to purchase QS for CQEs. This paper does not attempt to outline all of the potential funding sources for CQE purchases of QS; however, a few programs and issues are highlighted below.

The State of Alaska passed legislation to allow the DCCED, Division of Investments to provide a loan program for CQEs to purchase QS, under the Commercial Fishing Revolving Loan Fund. While the loan program has been in place for several years, the terms of the loan have not been viewed as feasible by many CQEs. The interest rate is 2% above the prime rate (not to exceed 10.5%),<sup>23</sup> the maximum loan term is 15 years, and the maximum loan is \$2 million per community. For example, the maximum amount of Area 2C halibut QS that a CQE could finance through the State, at a relatively low price (e.g., \$2.50/QS unit), equates to about 67,000 lbs.<sup>24</sup> Under the program rules, a maximum of 50,000 pounds can be fished on an individual vessel and leased by an individual resident. Thus, the amount available to be financed could be fished by two vessels and two residents under program restrictions. In addition, the maximum loan amount is 65% of the purchase price, meaning a CQE must make a 35% down payment. The QS being financed is held as collateral for the loan, and other types of collateral may be offered in order to reduce the down payment requirement. However, CQEs do not typically have collateral assets.<sup>25</sup> Generally, communities have not found it feasible to purchase QS under the State loan program.

Note that the North Pacific Loan Program, managed by the NMFS Financial Services Branch and authorized under the Magnuson-Stevens Act, assists individual fishermen in financing the purchase of QS. To be eligible, an applicant must be a crew member on board the vessel that fishes the IFQ. Thus, while individual residents of CQE communities could apply for a loan under this program, a CQE is not eligible to receive assistance under the current program. This issue is also addressed under Section VII.

Note that at the time the CQE Program was implemented, many thought that the village and regional corporations formed under the Alaska Native Claims Settlement Act (ANCSA)<sup>26</sup> would be a potential funding source for CQE purchases of QS. The regional and village for-profit corporations are owned by

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<sup>22</sup>This calculation uses the 2009 QS:IFQ ratio for Area 2C halibut of 11.863.

<sup>23</sup>Effective 1/1/10, the interest rate was 5.5%. These rates stay in effect until changed, which will be no sooner than April 1.

<sup>24</sup>This calculation uses the 2009 QS:IFQ ratio for Area 2C halibut of 11.863.

<sup>25</sup>Anecdotal evidence suggests that some city governments considered utilizing municipal land as collateral, but when the other loan terms did not support the debt service requirements, utilizing city-held collateral was determined infeasible.

<sup>26</sup>Under ANCSA (1971), Alaska was originally divided into twelve regions, each represented by a "Native association" responsible for the enrollment of past and present residents of the region. Individual Alaska Natives enrolled in these associations, and their village level equivalents, were made shareholders in the Regional and Village Corporations created by the Act. The twelve for-profit regional corporations, and a thirteenth region representing those Alaska Natives who were no longer residents of Alaska in 1971, were awarded the monetary and property compensation created by ANCSA. Village corporations and their shareholders received compensation through the regional corporations.

Alaska Native people through privately owned shares of corporation stock. However, ANCSA corporations are limited in their investments, in that they face a legal vulnerability in providing ‘disproportional dividends.’ In effect, this means corporations must provide dividends (e.g., cash distributions) in equal proportion to shareholders, and cannot benefit a shareholder or group of shareholders disproportionately. Thus, ANCSA corporations may find it difficult to provide direct funding, or a loan program, to benefit a specific group of its shareholders (resident fishermen in one of its member villages). In addition, all residents of a community or village must be considered eligible to apply for IFQ derived from CQE-held quota share, if they meet the residency and IFQ crewmember requirements in Federal regulations. Thus, even if a community was an ANCSA village, not all lessees of CQE-held quota share would necessarily be shareholders of that corporation.

One possible funding mechanism for CQEs to purchase quota share is through the North Pacific Fisheries Trust (Trust), a 509(a)(3) non-profit subsidiary of Ecotrust formed in 2006, which supports the efforts of coastal communities and local fishing families. The Trust “provides financing and makes investments in qualified buyers, community organizations, quota entities, and businesses that share and meet strong community equity, ecosystem conservation, and economic development goals.”<sup>27</sup> One of the primary components of the Trust’s strategy is pursuing long-term funding relationships with qualified CQEs. The Trust notes that due to the start-up nature of the CQE program and its participants, access to capital for the purchase of IFQ is fairly limited at this time. The intent is to offer more flexible terms in the early years of the CQE Program, with an eye toward “graduating” CQEs into more conventional capital sources (e.g., State loan program, Alaska Commercial Fishing and Agriculture Bank, standard banks). The Trust has several million in assets, to invest for the benefit of local fishermen in Oregon, Washington, and Alaska. In order to finance a purchase of quota, the Trust can take down payments as low as 5% of the purchase price, depending on the risk of the deal. One of the limitations of the Trust is that the maximum duration of the loan is 5 years; however, the Trust is working on finding longer-term funding sources.<sup>28</sup>

As noted on its website, the Trust has designed a flexible program for CQEs, which offers:

- An overall focus on creating and retaining economic opportunities within local communities
- Low down-payment requirements
- Below-market interest rates
- Long-term loan amortization
- Ability to secure financing with a wide range of collateral types
- A proven track record in working with multiple groups (CQEs, village corporations, municipalities, etc.) to structure successful community-focused financing
- The financial skills required to structure funding approaches that work within constraints (high prices) of the current IFQ market
- Technical skills required to structure financings that include tax-advantaged strategies for selling entity

Thus far, the Trust has helped finance several sablefish loans in Oregon, including the CQE representing Old Harbor. It is also currently evaluating several near-term opportunities with a few other CQEs. The Trust co-sponsored and provided a presentation at a technical support workshop for CQEs in February 2009, in Anchorage.<sup>29</sup>

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<sup>27</sup><http://www.ecotrust.org/npft/>

<sup>28</sup>Personal communication with Jeff Batton, February 16, 2010.

<sup>29</sup>Presentation provided by Jeff Batton, North Pacific Fisheries Trust, and Justin Stiefel, consultant, *Technical Support Workshop and Development Summit for CQEs*, February 17, 2009, Captain Cook Hotel, Anchorage, Alaska.

## **VI. Other Council actions that include a CQE component**

Two other actions approved by the Council, that are not related to the commercial halibut and sablefish IFQ Program, have included potential opportunities for CQEs. Only one of these programs has been approved by the Secretary of Commerce and is in the process of implementation, but the Council motions on both programs explicitly include provisions for CQEs.

The first action is the proposed halibut charter moratorium action that the Secretary of Commerce approved in January 2010. This action establishes a limited entry program for halibut charter businesses in Area 2C and Area 3A, and will issue permits to qualified charter business owners. As part of this action, the Council approved issuing a limited number of permits to each CQE representing a community in Area 2C and Area 3A by request at no cost, if the community meets specific criteria denoting underdeveloped charter halibut ports. The Council intent was to balance the identified need to limit new entry in the halibut charter fishery in the context of exceeded GHs in recent years, with a second stated need to maintain access to the halibut charter fishery in specified rural communities by creating additional permits.

The criteria targets eligible CQE communities in which 10 or fewer active charter businesses were operating in the community during the initial qualifying years for the overall program.<sup>30</sup> Each CQE located in Area 2C and Area 3A that meets the criteria can request up to 4 and 7 permits, respectively. The analysis for this action estimates that 18 of the 21 eligible CQE communities in Area 2C<sup>31</sup> would qualify to receive charter permits, and all 14 eligible CQE communities in Area 3A would qualify. Recall, however, that not all of the eligible CQE communities have formed a CQE, which is necessary to participate.

There are additional provisions proposed to guide the use of CQE requested halibut charter permits. For example, the permit: must be designated for the area in which the CQE community is located; would be endorsed for 6 clients; is not allowed to be sold; and must be used in the community represented by the CQE (i.e., all charter trips must originate or terminate in the CQE community). The Council also recommended an overall limit on the number of halibut charter permits that each CQE can hold and use (inclusive of both purchased permits and permits requested and issued at no cost). The use cap for each CQE in Area 2C is 8 permits; the use cap for each CQE in Area 3A is 14 permits. The use cap applies to all CQEs formed in Area 2C and Area 3A, regardless of whether the community meets the qualification criteria to receive permits at no cost.

The halibut charter moratorium program was approved by the Secretary on January 5, 2010,<sup>32</sup> and the application period and issuance of permits is expected to be completed in 2010. NMFS will announce a 60-day application period for individual businesses in the Federal Register, likely starting in February 2010. The first year a permit would be required on a halibut charter vessel in Areas 2C and 3A is 2011.

In order to receive community charter halibut permits, an application must be signed and dated by the applicant (CQE), and the applicant must attest that, to the best of the applicants' knowledge, all statements in the application are true and complete. Applications for community charter halibut permits will be made available by NMFS in the future and can be submitted at any time; thus, the CQE is not subject to the one-time application period designated for permits issued to individual charter businesses. This is in part because the Council did not want to limit a CQE to requesting the number of permits that

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<sup>30</sup>“Active” is defined as at least 5 bottomfish trips in a year, and the qualifying years specified are 2004 or 2005.

<sup>31</sup>The three Area 2C CQE communities that are not estimated to qualify for CQE halibut charter permits are Craig, Elfin Cove, and Gustavus. These communities are estimated to have had more than 10 active charter businesses in 2004 or 2005.

<sup>32</sup>75 FR 554, January 5, 2010.

its community could support at the time of the 60-day application period, but instead wanted to allow for growth over time. In addition, the Council did not want the CQE to request the maximum number of permits at the outset of the program, without having lined up charter businesses in the community that could lease the permits. Information on how a CQE uses its halibut charter permits will be required in the CQE's annual report to NMFS.

The second action is the proposed GOA fixed gear recency action that the Council approved in April 2009. This action would add non-severable, gear-specific Pacific cod endorsements to fixed gear licenses that qualify under the landings thresholds, effectively limiting entry into the directed Pacific cod fisheries in Federal waters in the Western and Central GOA. Similar to the halibut moratorium program, the Council balanced the intent of preventing future entry of latent fixed gear groundfish licenses into the Pacific cod fisheries with retaining opportunities for CQE communities dependent on access to a range of fishery resources. The purpose was to promote community protections at a level that imposes minimal impact on historic catch shares of recent participants.

The CQE component of the action would allow each of the 21 communities eligible under the CQE Program in the Western and Central GOA to request a number of fixed gear and Pacific cod-endorsed licenses equal to the number currently held by residents of the community that are estimated to be removed under the fixed gear recency action under a 10 mt landing threshold, or two licenses, whichever is greater.<sup>33</sup> Under these criteria, an estimated total of 27 LLPs endorsed for the Western GOA could be requested by CQEs located in the Western GOA, and an estimated 59 LLPs endorsed for the Central GOA could be requested by CQEs located in the Central GOA. The number of LLPs available by request to *each specific CQE* will be published in the proposed rule for fixed gear recency, based on information in the NMFS RAM database. While the proposed rule has not yet been published, when effective, it would allow CQE communities access to a limited number of permits for the fixed gear Pacific cod fisheries in the Western and Central Gulf at no cost.

## VII. Summary

More than five years after implementation, participation in the CQE Program has been relatively limited with respect to the primary purpose of allowing communities to purchase halibut and sablefish quota share in the Gulf and retaining that QS for use by resident fishermen. Only one CQE has purchased quota share to-date, 151,234 units of halibut QS in Area 3B. This represents about 0.05% of the combined Area 2C, 3A, and 3B QS pool, and 0.28% of the total Area 3B QS pool. Recall that each CQE is limited to 0.5% of the combined Area 2C, 3A, and 3B QS pool, and all CQEs combined are allowed to purchase up to 21% of the QS in each area by 2010. Thus, the program has not come close to reaching its regulatory limits. However, in terms of performance, the one CQE that has purchased quota share appears to have met the performance standards adopted by the Council and created a system for the distribution of current and future quota share that is equitable, accountable, and reflective of the community's need to provide opportunities for both long-established and new entrants.<sup>34</sup>

While only one CQE has purchased QS, 21 of the 42 eligible communities have completed the process to form a CQE and have it approved by NMFS (refer to Section III for a description of that process). Thus, half of the eligible communities have invested substantial time and resources in preparing to participate in

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<sup>33</sup>Note that while the CQE provisions were included in the overall motion on fixed gear recency approved in April 2009, the Council amended the motion with respect to CQE licenses in December 2009. This action was taken in order to remedy an inconsistency with the Council's original stated intent of providing the same number of licenses to CQEs that residents of those communities were estimated to lose under the recency action.

<sup>34</sup>Note that the CQE representing King Cove and Sand Point (Aleutia, Inc.) has purchased BSAI crab quota, although this is not under the regulations governing the halibut and sablefish CQE Program.

the program, and several additional communities have made efforts to evaluate whether forming a CQE is of interest and benefit to the community at this time. Regardless of the interest conveyed and effort put forth to participate in the program, very little quota share has been purchased. Several entities have evaluated the reasons for the lack of participation in the CQE program to-date, and they can primarily be categorized as: 1) barriers to purchasing QS; and 2) program-related restrictions. The remainder of this section outlines some of primary issues cited under these categories.

## Barriers to purchasing QS

### QS prices and availability

Several reasons have been cited as contributing to the relatively limited community participation in the CQE program thus far; one of the most significant being that communities were not included until ten years after the IFQ Program was established. While a substantial number of transfers and consolidation took place in the first several years of the IFQ Program, they have declined since implementation. At the same time, quota share prices have trended upward as the market for fresh fish has expanded, from an average 1995 price of less than a dollar per pound for some types of halibut quota to upwards of \$20 per pound in recent years for some types of halibut quota. The current price and availability of quota have been cited as primary factors contributing to limited community participation.

One analysis, conducted by the McDowell Group for the Southeast Alaska Inter-tribal Fish and Wildlife Commission (October 2005), evaluated the financial viability of the CQE program. In part, the report concluded the following: “It does not appear possible to purchase and fish halibut shares profitably at today’s prices, particularly with the added overhead needed to support a CQE organization, unless the cost of capital is very low...In general, only fishermen who received halibut QS initially at no cost, or who bought it prior to the price increases of recent years, are in a position to maintain an overall average cost-of-quota low enough to allow them to consider additional purchases at today’s prices.”<sup>35</sup> Note that many of the financial barriers to CQEs purchasing QS are also applicable to individuals who want to buy into the IFQ Program.

In addition, there is the potential issue of QS availability. While this issue is not evaluated independently in this review, the Langdon (2008) paper notes that a major barrier to full implementation of the CQE Program is that QS is not readily available. The number and rate of halibut and sablefish QS transfers have declined since the inception of the IFQ Program, and sales have become a smaller portion of all transfers (as opposed to gifting). Personal contacts with sellers of QS appear to be the most accessible means to acquisition, thus a substantial portion of the QS for sale is not available in the open market (e.g., through a broker). A CQE’s access to QS is directly affected by the market structure for QS. Because the nature of the market is such that a substantial amount of quota that is for sale is not openly marketed, QS prices are relatively high for those shares that are for sale in the competitive market. Thus, CQEs are competing for a limited amount of QS at a relatively high price.

Consolidation was expected as a result of the program, and this has occurred in each area. The average halibut QS transfer rates over 1995 - 2006 ranged from 8% in Area 3A to 14% in Area 4A. For sablefish, QS transfer rates have been relatively consistent across all areas, ranging from 5% in West Yakutat to 12% in the Bering Sea.<sup>36</sup> In addition, the TACs for each area have generally decreased each year since the mid-2000s. Since 2006, the Area 2C and 3A commercial halibut TACs have declined by 53% and 14%, respectively, while the Area 3B TAC has remained about the same. Also since 2006, the CG, SE,

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<sup>35</sup>*Community Quota Entity Financial Analysis*, McDowell Group. Prepared for the Southeast Alaska Inter-tribal Fish and Wildlife Commission. October 28, 2005.

<sup>36</sup>Transfer Report Summary: Changes under Alaska’s Halibut IFQ Program, 1995 – 2006, p. 5. Transfer Report Summary: Changes under Alaska’s Sablefish IFQ Program, 1995 – 2006, p. 5.

and WY sablefish TACs have each declined by about 22%, and the WG sablefish TAC has declined by 39% in that same time period. TAC declines may contribute to additional competition in the quota market, as current participants attempt to maintain their harvest levels.

#### Administrative costs

Another financial factor limiting access to QS is the administrative cost necessary to both establish a non-profit corporation and manage assets, which can be significant in a small village. Because the CQE Program represents community-held quota for annual lease to local residents, but not owned by residents, there is a layer of both administrative cost and fiduciary responsibility that has proven difficult in using currently available funding sources. The administrative overhead for a CQE, which must arrange and maintain financing for the QS, negotiate purchases of QS, develop and administer the criteria for distributing IFQ among potential lessees, and submit annual reports to NMFS detailing its activities, is potentially one barrier to participation. The price of QS is such that CQEs cannot afford the administrative costs and have remaining funds for debt repayment. Partnering with local organizations, when possible, may help fulfill some of the administrative and accounting duties, in order to lower the cost of operating a CQE. In addition, establishing regional CQEs, or having a CQE represent more than one community,<sup>37</sup> would consolidate the administrative functions of the CQE and potentially increase efficiencies and lower costs. However, using an ‘umbrella’ CQE may make it less appealing to communities that want to play an integral part in a comprehensive economic development strategy that includes participation in the halibut and sablefish fisheries.

#### Financing QS purchases

In addition to the current price and availability of QS, one of the biggest challenges facing CQEs appears to be the financing terms associated with currently available funding. Specifically, the lack of low interest, long-term loans, and high down payment requirements, are cited as primary obstacles. The lack of credit history and the fact that they are non-profit organizations likely also increases the perceived risk to lenders. Thus, a loan guarantee program has been discussed as necessary, in which larger, more established corporations, or the Federal government, could guarantee CQE loans.<sup>38</sup> Both Langdon (2008) and several workshops on the CQE Program have cited the need for more favorable loan terms for CQEs, both in a private lending environment and through the State of Alaska’s Commercial Fishing Revolving Loan Fund. In addition, the draft proceedings for the recent 2009 CQE workshop cite the need to amend the North Pacific Loan Program in the Magnuson-Stevens Act, such that CQEs would be eligible for the Federal loan program. This program is currently limited by statute to financing the purchase of IFQ by individuals, either those who fish from small vessels or first-time purchases by new entrants. This was also submitted as an IFQ proposal during the recent call for proposals, for consideration by the Council in February 2010.<sup>39</sup>

A few recent developments could help overcome the financial barriers to implementation. One possible alternative to conventional financing is through the North Pacific Fisheries Trust, as described in Section VI. The Trust was formed to provide financing with more flexible terms for CQEs and other entities that have community economic development goals, and one of the primary components of the Trust’s strategy is to pursue long-term funding relationships with qualified CQEs. The one CQE which has purchased QS is currently financed through the Trust, and other CQEs are starting to explore similar opportunities. Thus, this may be a viable funding mechanism for CQEs in the future; there simply has not been enough time for the program to have achieved its intended effect.

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<sup>37</sup>Only two communities have employed this approach; King Cove and Sand Point are represented by one CQE (Aleutia, Inc.)

<sup>38</sup>Discussion at *Technical Support Workshop and Development Summit for CQEs*, February 17 – 18, 2009, Anchorage, AK.

<sup>39</sup>*IFQ proposal on CQE eligibility for Federal loans*, submitted by Gulf Coastal Communities Coalition, January 2, 2010.

In addition, subsequent program development associated with other fisheries (i.e., fixed gear permits for Pacific cod in the Western and Central Gulf, halibut charter permits in Areas 2C and 3A) may help to further the opportunities provided under the original CQE Program. The limited entry program for halibut charter was recently approved by the Secretary; it establishes a new requirement that charter businesses meet criteria and hold a charter permit for halibut charter fishing in Areas 2C and 3A. It also allows for CQEs to request a limited number of permits at no cost, depending on the area. Thus, new charter businesses in these communities, or existing businesses that did not meet the qualification requirements for a charter permit, could potentially lease a community halibut charter permit from the CQE and lower the cost of entry into or expansion in the charter halibut fishery. The fixed gear Pacific cod fishery is a slightly different situation. The Council's overall action would remove existing latent licenses from the fixed gear Pacific cod fisheries in the Gulf, including those from residents of eligible CQE communities. The Council then recommended that NMFS issue a number of permits to each CQE equivalent to the number estimated to be removed from residents of the represented community, or 2 permits, whichever is greater, such that access to Pacific cod remain as a long-term community asset. The expansion of the base of community holdings beyond that of halibut and sablefish QS may help further the CQE Program, and in fact, may allow CQEs to leverage their assets such that purchases of halibut and sablefish QS become more financially feasible.

#### Program-related restrictions

There are also several program-related restrictions that communities have cited as prohibitive, and in some cases, may add to the risk for financiers. Thus, the program-related restrictions and financial issues cannot be completely separated. Note that the following regulatory issues would require action by the Council, in terms of a Gulf FMP and/or regulatory amendment(s) to the program. Several IFQ proposals have been submitted to the Council, proposing changes to the current program that address some of the regulatory constraints identified below.

#### Prohibition on purchasing D category halibut QS in Area 2C and Area 3A

One restriction applicable to CQEs and not individual IFQ holders is a prohibition on purchasing D category (for use on catcher vessels  $\leq 35$  feet) halibut quota share in Area 2C and Area 3A. This was cited as an issue at a 2009 CQE workshop,<sup>40</sup> and was also submitted as an IFQ proposal during the recent call for proposals, for consideration by the Council in February 2010.<sup>41</sup> Generally, D shares are the least expensive category of halibut QS, as they can only be used on the smallest category of vessel ( $\leq 35'$  LOA).<sup>42</sup> This is opposed to B and C category QS, which can be 'fished down' and used on the category of vessel to which the QS corresponds, or on vessels within a smaller size category. Thus, the proposal requests that CQEs be allowed to purchase D category halibut QS in Area 2C and 3A. Note that once a CQE purchases QS, it is exempt from the vessel size (share class) restrictions while the QS is owned and leased by the community. Thus, if a CQE purchases catcher vessel QS, it can be used on a vessel of any length. This was established in order to provide flexibility to communities, recognizing that some communities may initially have only one or two resident vessels from which to fish.

The issues cited by CQEs have been that CQEs, like any new entrant, have difficulty in funding the purchase of QS. The least costly category of QS is preferred, and it corresponds to the type of vessel that most residents use in these smaller communities. Some very small blocks of D shares might be feasible

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<sup>40</sup>Draft proceedings from *Technical Support Workshop and Development Summit for CQEs*, February 17 – 18, 2009, Anchorage.

<sup>41</sup>*IFQ proposal to allow CQE communities to purchase QS in all vessel categories*, submitted by Gulf Coastal Communities Coalition, May 27, 2009.

<sup>42</sup>The exception to this rule is that D shares can be 'fished up' on vessels  $\leq 60'$  LOA (C category) in Areas 3B and 4C. See 72 FR 44795, August 9, 2007. This rule was implemented to address economic hardship and safety concerns resulting from fishing in small vessels in these areas.

for a CQE to purchase, and make sense to lease to a start-up operation. In addition, there are resident crewmembers of CQE communities that cannot afford to purchase QS, and the CQE lease arrangement may be a viable option.

In effect, D shares are often used for smaller operations, or new entrants, and there is a relatively small amount of D share quota in each area. In Area 2C, D share halibut QS makes up about 15% of the total, and in Area 3A, it makes up about 7% of the total. These percentages do not change if freezer category (i.e., A shares) are excluded from the total. One of the primary reasons the Council established this restriction was to help ensure that D shares would continue to be available to new entrants and crew members that wanted to start their own business. There was concern that an influx of CQEs in Area 2C and 3A would drive up the market for D shares, and result in more expensive, and fewer available, shares for individuals. This restriction was not established for Area 3B halibut QS because at the time, there was very little market for the smaller categories of catcher vessel QS in Area 3B.

### Residency requirements

One of the fundamental requirements of the program is that CQE-held QS must be used by a community resident. The regulation at 50 CFR 679.41(g)(6) is:

*(6) IFQ derived from QS held by a CQE on behalf of an eligible community may be used only by an eligible community resident of that eligible community.*

Further, under 50 CFR 679.2:

*Eligible community resident means, for purposes of the IFQ Program, any individual who:*

*(1) Is a citizen of the United States;*

*(2) **Has maintained a domicile in a rural community listed in Table 21 to this part for the 12 consecutive months immediately preceding the time when the assertion of residence is made, and who is not claiming residency in another community, state, territory, or country, except that residents of the Village of Seldovia shall be considered to be eligible community residents of the City of Seldovia for the purposes of eligibility to lease IFQ from a CQE; and***

*(3) Is an IFQ crew member. (emphasis added)*

The residency question has surfaced several times in the context of the CQE program. CQEs have questioned whether ‘maintaining a domicile’ means a person must have physically remained in the community for 12 consecutive months immediately preceding the lease transaction in order to meet the residency requirement. One of the primary objectives of the CQE Program is to provide an opportunity for employment and fishing effort in CQE communities that have realized a transfer of QS out of their communities, thus, many CQE communities want to attract resident fishermen back to their communities, including young fishermen. Thus, the 12 month residency requirement provides a barrier as communities attempt to provide fishing opportunities as an incentive for residents to return to the community, as leasing from the CQE would not be possible for 12 months. In addition, this requirement may be difficult to meet in some small communities, as many of those communities do not have year-round economies, effectively requiring residents to live outside of the community for a period or season, even if their principal home is in the community.

This was cited as an issue at the recent February 2009 CQE workshop, and was also submitted as an IFQ proposal during the recent call for proposals, for consideration by the Council in February 2010.<sup>43</sup> The

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<sup>43</sup>IFQ proposal to change residency requirements for CQEs, submitted by Gulf Coastal Communities Coalition, May 27, 2009.

proposal requests a 36-month exemption from the 12 month residency requirement, for individuals who sign affidavits regarding their intent to reside permanently in a CQE community. If an individual leases QS from the CQE and after 36 months has not achieved at least 12 consecutive months of maintaining a domicile in the community, they would forfeit any future leasing opportunities.

Note that this requirement has been interpreted by many to preclude a person from taking advantage of leasing QS from a CQE until the individual has physically lived in the community for 12 continuous months. However, the current regulations require that the individual has *maintained a domicile* in a rural community for the 12 consecutive months immediately preceding the time when the assertion of residence is made, and who is not claiming residency in another community, state, territory, or country. The common legal definition of domicile is the residence where a person has a permanent home to which they intend to return whenever they are absent; every person has only a single domicile at any time. Thus, the criteria for residency in the existing CQE Program do not appear to require that a person must have ‘lived continuously’ in the community for 12 months; rather, residency is based on having the principal home in the community, and the intent to return to that home. While this definition still inhibits a young person from returning and immediately fishing CQE quota until they have established a principal residence for 12 months, it does not appear to require an individual to have lived continuously at that residence during that time period.

There are not Federal regulations that clarify this interpretation at this time, but it does reflect a practical, legal definition. Clarification of this interpretation also will not likely resolve the issue in entirety, as many small communities may still have difficulty attracting residents to return when they must establish a domicile for 12 months prior to being able to fish CQE-held QS. The IFQ proposal submitted proposes to resolve this concern by establishing a ‘grace period’ for establishing residency of 3 years. While not the intent, however, it is theoretically possible under the proposal that the shares could continually be fished by non-residents on a two-year basis. Another potential alternative is to apply the grace period to the CQE, as opposed to the individual lessee. The CQE could have a grace period of a year or more to lease its QS to non-residents; upon the termination of the grace period, the QS must be leased only to residents for a specified period of time before a subsequent grace period is allowed.

#### Vessel use caps of 50,000 lbs of halibut QS and 50,000 lbs of sablefish QS

Since the inception of the CQE Program, community representatives evaluating the financial viability of the program have noted that the 50,000 lb vessel use cap for both halibut and sablefish QS is unnecessarily prohibitive. The vessel use cap is inclusive of any individually-owned QS, thus, vessels within CQE communities that fish any amount of IFQ derived from CQE-owned QS have an aggregate limit of 50,000 lbs of each species per year. The cap on the amount of QS that can be fished from a single vessel was originally established to ensure a broad distribution of quota share and thus, benefits, from CQE-owned quota share. However, there is also a cap on the amount of QS that each individual resident can lease from the CQE, which appears to more directly serve a similar purpose.

Individual QS holders are subject to a less restrictive vessel use cap, based on the size of the IFQ TAC. There is a vessel use cap of 1% of Area 2C halibut IFQ TAC (50,200 lbs in 2009) and 0.5% of all halibut IFQ TAC combined (217,744 lbs in 2009). Similarly for sablefish, there is a vessel use cap of 1% of Southeast sablefish IFQ TAC (60,358 lbs in 2009) and 1% of all sablefish IFQ TAC (264,883 lbs in 2009). Thus, the amount of IFQ that can be fished on a single vessel by an individual is four to five times greater than that for CQEs, with the exception of the specific limit in Southeast.

This was also cited as an issue at the recent February 2009 CQE workshop,<sup>44</sup> and was submitted as an IFQ proposal during the recent call for proposals, for consideration by the Council in February 2010.<sup>45</sup> The proposal requests that the Council eliminate the vessel caps for both halibut and sablefish. During the development of the CQE Program, several provisions were approved in order to provide more flexibility to CQEs than individual holders, understanding that CQE QS purchases were intended to represent an entire community, not an individual. In addition, there were several provisions approved that were more limiting to CQEs than individual holders, in part due to the uncertainty regarding communities' level of interest and ability to participate in the program in the first couple of years. The more restrictive vessel cap appears to be one of those provisions, intended to limit consolidation such that not only one or two vessels would be used by a community, thus limiting the benefits that could be gained by using additional vessels and crewmembers, etc. At the same time, the Council exempted CQE-held QS from the vessel size restrictions while the QS is owned and leased by the community, allowing a CQE to use its QS on a vessel of any length. This was established in order to provide additional flexibility to communities, recognizing that some communities may initially have only one or two resident vessels from which to fish. The intents of these two provisions appear to be in conflict with one another, one recognizing that there may be a limited number of vessels in the smallest communities from which to fish, and the other imposing an artificial cap on the amount of QS that can be used on a single vessel, resulting in the need to employ more vessels than would be needed to fish the amount of QS.

The proposal to eliminate the vessel cap, and discussions at several CQE workshops, have emphasized the need to allow entry-level fishermen, and fishermen with very small vessels, the ability to use their CQE-leased IFQ on vessels owned by other residents. Some CQE communities may have a very limited number of longline vessels, or longline vessels that are too small to ensure safety during all seasons, and as CQEs develop their business plans, vessel availability may become an issue. In addition, the cap may prevent a crewmember who does not own a vessel from being able to separately lease CQE QS and fish it off the vessel on which he works. While only one CQE has purchased QS to date, this CQE has broadly distributed its annual IFQ among applicants in quantities much less than 50,000 lbs. However, the vessel use cap could present a barrier to CQEs who have few longline vessels available, especially if those vessels are already fishing individually-owned IFQ. One alternative to removing the vessel use cap in entirety would be to revise the cap such that it only applies to CQE-held IFQ. In effect, IFQ owned by an individual would not be applied toward the 50,000 lb caps.

In sum, while the CQE Program cannot yet be viewed as a success, there are a few recent developments that may provide better financing opportunities for CQEs, as well as a few proposed revisions to the regulatory structure that may put CQEs in a better position to participate. Upon review of this paper, the Council could request a more detailed report on specific issues, if additional data or analysis is determined necessary before taking action. The Council could also determine not to take any action. The Council may also choose to initiate new FMP or regulatory amendments at this meeting, in order to consider changes to the current program.

---

<sup>44</sup>Draft proceedings from *Technical Support Workshop and Development Summit for CQEs*, February 17 – 18, 2009, Anchorage.

<sup>45</sup>*IFQ proposal to eliminate vessel limitations for CQEs*, submitted by Gulf Coastal Communities Coalition, May 27, 2009.

## Appendix 1

### Council Motion on Community Quota Share Purchase – Gulf FMP Amendment 66

April 10, 2002

The Council recommends to allow eligible Gulf of Alaska coastal communities to hold commercial halibut and sablefish QS for lease to and use by community residents, as defined by the following elements and options.

#### **Element 1. Eligible Communities (Gulf of Alaska Communities only)**

Rural communities with less than 1,500 people, no road access to larger communities, direct access to saltwater, and a documented historic participation in the halibut and/or sablefish fisheries.

Communities meeting the above criteria at final action will be listed as a defined set of qualifying communities in regulation (*see attached list*). Communities not listed must apply to the North Pacific Fishery Management Council to be approved for participation in the program and will be evaluated using the above criteria.

#### **Element 2. Ownership Entity**

- New non-profit community entity
- New non-profit entity formed by an aggregation of several qualifying communities
- New regional or Gulf-wide umbrella entity acting as trustee for individual communities

#### **Element 3. Use Caps for Individual Communities**

1% of Area 2C and 0.5% of the combined Area 2C, 3A and 3B halibut QS, and 1% of Southeast and 1% of all combined sablefish QS.

Communities in Areas 3A and 3B cannot buy halibut quota share in Area 2C and communities in Area 2C cannot buy halibut quota shares in Area 3B.

#### **Element 4. Cumulative Use Caps for All Communities**

Communities are limited to 3% of the Area 2C, 3A, or 3B halibut QS and 3% of the SE, WY, CG, or WG sablefish QS in each of the first seven years of the program, with a 21% total by area, unless modified by the Council through the five-year review.

#### **Element 5. Purchase, use and sale restrictions**

Block Restrictions (Block restrictions are retained if the community transfers QS.)

- Allow communities to buy blocked and unblocked shares.
- Individual communities will be limited to 10 blocks of halibut QS and 5 blocks of sablefish QS in each management area.
- Restrict community purchase of blocked halibut quota share to blocks of shares which, at the time of the implementation of sweep provisions (1996), exceeded the following minimum poundage of IFQ:
  - (a) For Areas 2C and 3A, minimum halibut IFQ poundage of 3,000 lbs.
  - (b) For Areas SE, WY, CG, and WG, minimum sablefish IFQ poundage of 5,000 lbs.

## **Appendix 1**

Vessel Size Restrictions (Vessel size restrictions are retained if the community transfers the QS)

Quota share held by communities under this program would be exempt from vessel size (share class) restrictions while the QS is owned and leased by the community.

Transferability of halibut QS in Areas 2C and 3A from commercial to community entities is restricted to B and C category quota share.

### Sale Restrictions

Communities may only sell their QS for one of the following purposes:

- (a) generating revenues to sustain, improve, or expand the program
- (b) liquidating the entity's QS assets for reasons outside the program. In that event, NMFS would not qualify that entity or another entity to hold QS for that community for a period of 3 years.

### Use Restrictions

Leasing of community quota share shall be limited to an amount equal to 50,000 pounds of halibut and 50,000 pounds of sablefish IFQs, inclusive of any IFQ owned, per transferee.

Leasing of community quota share shall be limited to an amount equal to 50,000 pounds of halibut and 50,000 pounds of sablefish IFQs, inclusive of any IFQ owned, per vessel.

## **Element 6. Performance Standards**

Communities participating in the program must adhere to the following performance standards established by NMFS in regulation:

- (a) Leasing of annual IFQs resulting from community owned QS shall be limited to residents of the ownership community. (Residency criteria similar to that established for the subsistence halibut provisions shall be used and verified by affidavit.)

The following should be seen as goals of the program with voluntary compliance monitored through the annual reporting mechanism and evaluated when the program is reviewed. When communities apply for eligibility in the program they must describe how their use of QS will comply with program guidelines. This information will be used as a benchmark for evaluating the program.

- (b) Maximize benefit from use of community IFQ for crew members that are community residents.
- (c) Insure that benefits are equitably distributed throughout the community.
- (d) Insure that QS/IFQ allocated to an eligible community entity would not be held and unfished.

## **Appendix 1**

### **Element 7. Administrative Oversight**

Require submission of a detailed statement of eligibility to NMFS prior to being considered for eligibility as a community QS recipient. The statement would include:

- (a) Certificate of incorporation
- (b) Verification of qualified entity as approved in Element 2
- (c) Documentation demonstrating accountability to the community
- (d) Explanation of how the community entity intends to implement the performance standards

Require submission of an annual report detailing accomplishments. The annual report would include:

- (e) A summary of business, employment, and fishing activities under the program
- (f) A discussion of any corporate changes that alter the representational structure of the entity
- (g) Specific steps taken to meet the performance standards
- (h) Discussion of known impacts to resources in the area.

### **Element 8. Program Review**

Council review of the program after 5 years of implementation.

*The Council also recommends forming a community QS implementation committee, in order to ensure that the program is implemented as intended.*

## Appendix 1

### (42) Eligible Communities for Purchase of Halibut and Sablefish Quota Share (Element 1)

General Qualifying Criteria: Rural communities in the Gulf of Alaska with less than 1,500 people, no road access to larger communities, direct access to saltwater, and a documented historic participation<sup>1</sup> in the halibut or sablefish fisheries.

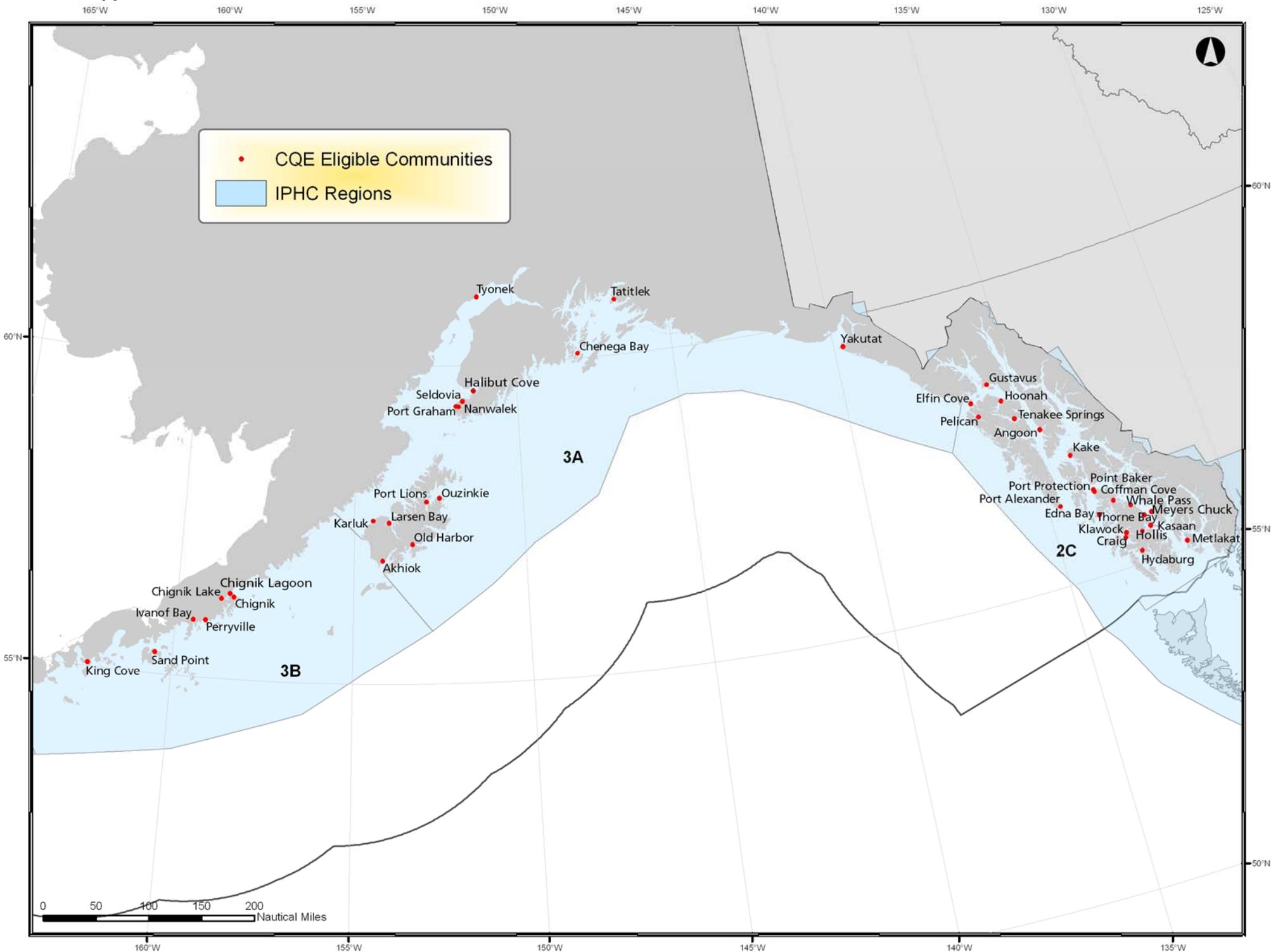
<b>Area 2C</b>		<b>Area 3A</b>	
<u>Community</u>	<u>Population<sup>2</sup></u>	<u>Community</u>	<u>Population</u>
Angoon	572	Akhiok	80
Coffman Cove	199	Chenega Bay	86
Craig	1,397	Halibut Cove	35
Edna Bay	49	Karluk	27
Elfin Cove	32	Larsen Bay	115
Gustavus	429	Nanwalek	177
Hollis	139	Old Harbor	237
Hoonah	860	Ouzinkie	225
Hydaburg	382	Port Graham	171
Kake	710	Port Lions	256
Kassan	39	Seldovia	286
Klawock	854	Tatitlek	107
Metlakatla	1,375	Tyonek	193
Meyers Chuck	21	Yakutat	<u>680</u>
Pelican	163		
Point Baker	35	14 communities	2,711
Port Alexander	81		
Port Protection	63		
Tenakee Springs	104	<b>Area 3B</b>	
Thorne Bay	557	<u>Community</u>	<u>Population</u>
Whale Pass	58	Chignik	79
		Chignik Lagoon	103
		Chignik Lake	145
21 communities	8,119	Ivanof Bay	22
		King Cove	792
		Perryville	107
		Sand Point	<u>952</u>
		7 communities	2,200

<sup>1</sup>As documented by CFEC, DCED, or reported by ADF&G in *Alaska Rural Places in Areas with Subsistence Halibut Uses*.

<sup>2</sup>2000 census data, Alaska Department of Community and Economic Development.

**Note:** The above 42 communities appear to meet the qualifying criteria at Council final action on April 10, 2002, and will be listed as a defined set of qualifying communities in Federal regulation. Communities not listed must apply to the North Pacific Fishery Management Council to be approved for participation in the program and will be evaluated using the above criteria.

# Appendix 2



### Appendix 3

Name and Contact Information of Community Quota Entities  
(As of August 2008)

CQE Non-Profit	Community	Contact Information	Address	E-mail	Phone
Prince of Wales Island Community Holding Corp	Craig	Brian Templin	PO Box 725 Craig, Alaska 99921	<a href="mailto:planner@craigak.com">planner@craigak.com</a>	(907) 826-3278
Aleutia, Inc	Sand Point	Shelly Kirkbride	PO Box 408 Sand Point, AK 99661	<a href="mailto:shelly@arctic.net">shelly@arctic.net</a>	(907) 383-5945
Aleutia, Inc	King Cove	Shelly Kirkbride			
Larsen Bay Development, Co	Larsen Bay	Jack Wick, VP-agent	Box 68 Larsen Bay, Alaska 99624	<a href="mailto:jwick2@starband.net">jwick2@starband.net</a>	(907) 847-2207
Ouzinkie Community Holding, Corp	Ouzinkie	Robert W. Katelnikoff	PO Box 54 Ouzinkie, Alaska 99644	<a href="mailto:rwilliankatel@yahoo.com">rwilliankatel@yahoo.com</a>	(907) 680-2259
Hydaburg Community Holding Corp	Hydaburg	Doreen Witwer	PO Box 349 Hydaburg, Alaska 99922	<a href="mailto:d_witwer@hotmail.com">d_witwer@hotmail.com</a>	(907) 285-3541
Pelican Fishing Corporation	Pelican	Tom Andrews	PO Box 737 Pelican, Alaska 99832	<a href="mailto:cityhall@pelicancity.net">cityhall@pelicancity.net</a>	(907) 735-2202
Perryville CQE. Inc	Perryville	Aaron Phillips	PO Box 101 Perryville, Alaska 99648	none	(907) 853-2203
Hoonah Community Fisheries, Corp	Hoonah	Dennis H. Grey	PO Box 360 Hoonah, Alaska 99829	<a href="mailto:dgrayjr@cityofhoonah.org">dgrayjr@cityofhoonah.org</a>	(907) 945-3663
Cape Baranabas, Inc	Old Harbor	Duncan Fields	PO Box 71 Old Harbor, Alaska 99643	<a href="mailto:dfields@ptialaska.net">dfields@ptialaska.net</a>	(907) 486-8836
Admiralty Island Community Quota Entity	Angoon	Reggie Nelson	PO Box 189 Angoon, AK 99820	none	(907) 788-3653
Chenega Heritage, Incorporated	Chenega Bay	Midge Clouse	3000 C Street Suite 301, Anchorage, AK 99503	<a href="mailto:mclouse@chenegacorp.cc">mclouse@chenegacorp.cc</a>	(907) 677-4928
Port Graham, CQE, Inc	Port Graham	Patrick Norman	PO Box 5510 Port Graham, Alaska 99603	<a href="mailto:pnormanvc@hotmail.com">pnormanvc@hotmail.com</a>	(907) 284-2227

### Appendix 3

Name and Contact Information of Community Quota Entities  
(As of August 2008)

CQE Non-Profit	Community	Contact Information	Address	E-mail	Phone
Organized Village of Kasaan Community Quota Entity	Kasaan	Lisa Lang	PO Box 26 Kasaan, Alaska 99950	<a href="mailto:lisa@kasaan.org">lisa@kasaan.org</a>	(907) 542-2230
Nanwalek Natural Resources/Fisheries Board, Inc	Nanwalek	James Kvasnikoff	PO Box 8078 Nanwalek, Alaska 99603	<a href="mailto:Jameskvas@yahoo.com">Jameskvas@yahoo.com</a>	(907) 281-2208
Thorne Bay Fisheries Association	Thorne Bay	Charles D. McGee	PO Box 19111 Thorne Bay, Alaska 99919	<a href="mailto:CityofTB@Gmail.com">CityofTB@Gmail.com</a>	(907) 282-3380
Yakutat Community Holding Corporation	Yakutat	Bill Lucey	PO Box 160 Yakutat, Alaska 99689	<a href="mailto:Yakutat.Salmon_board@y">Yakutat.Salmon_board@y</a>	(907) 784-3329
Klawock Community Quota Entity	Klawock	Donald Marvin	PO Box 469 Klawock, Alaska 99925	<a href="mailto:dmarvin@cityofklawack.co">dmarvin@cityofklawack.co</a>	(907) 755-2261
Coffman Cove Community Quota Entity	Coffman Cove	Megan Buckley	PO Box 18066 Coffman Cove, Alaska 99918	<a href="mailto:meganiner@yahoo.com">meganiner@yahoo.com</a>	(907) 329-2277
Elfin Cove Community Quota Entity	Elfin Cove	Gordon Wrobel	PO Box 17 lot 6 Elfin Cove, Alaska 99825	<a href="mailto:gordonwrobel@covelodge">gordonwrobel@covelodge</a>	(907) 239-2226
Akhiok Halibut & Sablefish Commission	Akhiok	Phyllis Amodo	PO Box 5050 Akhiok, Alaska 99615	<a href="mailto:pamodo_98@yahoo.com">pamodo_98@yahoo.com</a>	(907) 836-2322

## B. Application

The Cape Barnabas, Inc. Application to Lease Quota covers all areas scored by the Board of Directors, determining eligibility for the applicant to lease IFQ's from Cape Barnabas, Inc. This application was reviewed at the end of the 2007 season and some changes were made to better reflect the scoring criteria. **\*Appendices D**

## C. Scoring

**Scoring for the General Quota Pool is based upon the following criteria:**

Vessel and Gear	25 possible points
Employ Old Harbor Residents	10 points for each crew man up to 40 possible points
Has Existing IFQ's	20 possible points
Previous Experience	50 possible points

The applicant may have points deducted for fishing violations, failure to fish leased poundage in a timely manner or paying crew less than 7% of net share.  
**\*Appendices E**

**Scoring for the Entry Level Quota Pool is based upon the following criteria:**

Vessel	25 possible points
Gear	10 possible points
Employ Old Harbor Residents	10 points for each crew man up to 20 possible points
Previous Experience	20 possible points
Age	25 possible points

The applicant may have points deducted for fishing violations, failure to fish leased poundage in a timely manner or paying crew less than 7% of net share.  
**\*Appendices F**

## D. Establish eligibility

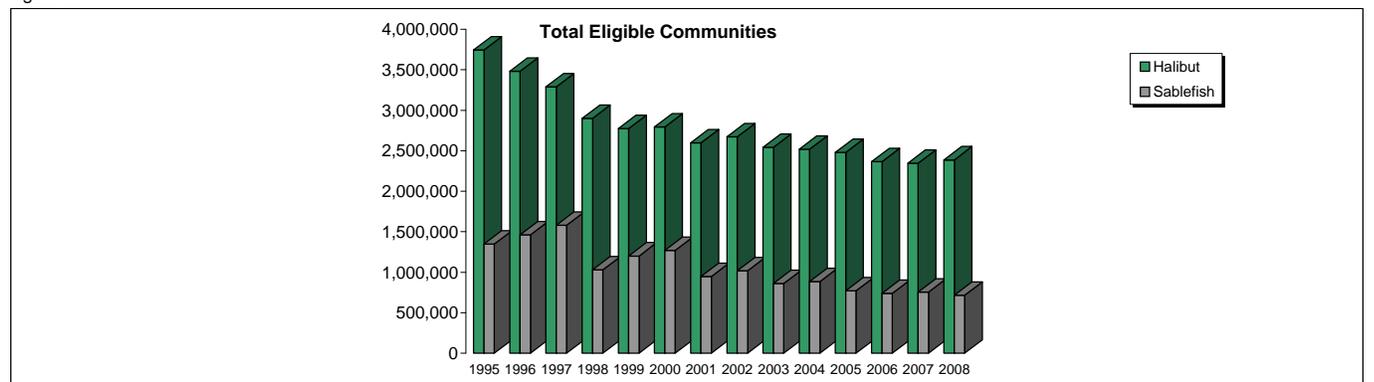
The Cape Barnabas, Inc. Board of Directors reviews each application received for eligibility. Cape Barnabas, Inc. owned quota is only available for lease to qualified Old Harbor residents (A U.S. citizen that has maintained a domicile in the community of Old Harbor for the 12 consecutive months immediately proceeding the time when the assertion of residency is made.) Once an application is deemed eligible it is scored based on the scoring criteria.

Appendix 5

IFQ Community Report for Total Eligible Communities

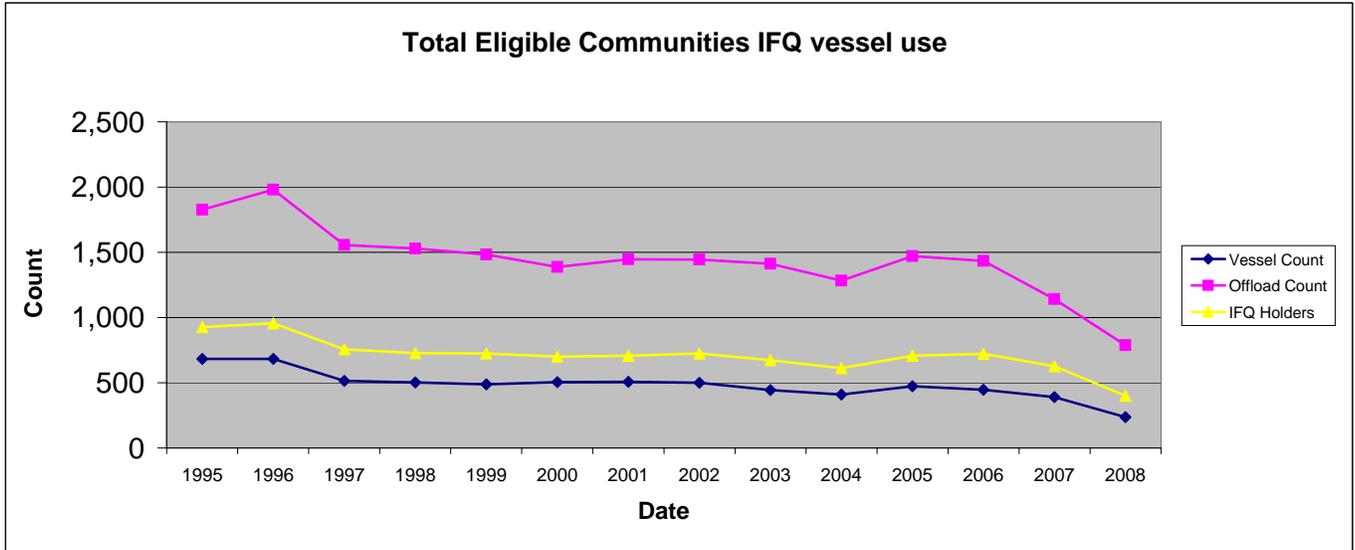
Table 1. Total IFQ Holdings by Year				Table 2. Gross IFQ Earnings						
Halibut		2008 Equivalent Pounds	Persons	Halibut		Pounds Issued	Pounds Landed	Percent Fished	Estimated Earnings	Individuals
Year				Year						
1995		3,743,256	741	1995		2,884,701	2,640,498	92%	\$5,136,243	470
1996		3,480,474	660	1996		3,032,175	2,781,479	92%	6,137,540	461
1997		3,290,674	571	1997		4,018,701	3,655,488	91%	7,816,790	442
1998		2,901,469	536	1998		3,725,020	3,334,142	90%	4,410,169	346
1999		2,773,631	494	1999		3,852,689	3,507,466	91%	7,050,377	344
2000		2,793,596	469	2000		3,148,729	2,919,119	93%	7,391,319	313
2001		2,598,351	450	2001		3,358,301	3,020,864	90%	6,124,328	289
2002		2,672,180	437	2002		3,477,788	3,273,821	94%	7,250,086	309
2003		2,543,800	422	2003		3,314,604	3,114,318	94%	9,020,919	296
2004		2,518,318	402	2004		3,409,057	3,174,048	93%	9,563,546	296
2005		2,478,385	399	2005		3,232,474	2,984,174	92%	8,806,132	272
2006		2,366,306	377	2006		2,977,349	2,805,699	94%	10,577,327	278
2007		2,344,399	332	2007		2,591,069	2,402,373	93%	10,546,089	254
2008		2,387,055	348	2008		2,412,473	2,263,709	94%	NA	NA
Sablefish				Sablefish		Pounds Issued	Pounds Landed	Percent Fished	Estimated Earnings	Individuals
Year		Pounds	Persons	Year						
1995		1,346,587	121	1995		2,146,680	1,950,560	91%	\$6,232,197	81
1996		1,463,519	108	1996		1,854,086	1,719,054	93%	5,727,534	77
1997		1,580,380	88	1997		1,698,558	1,679,868	99%	6,283,836	69
1998		1,028,392	80	1998		1,104,332	1,029,544	93%	2,600,349	53
1999		1,200,351	77	1999		1,104,931	990,114	90%	2,962,888	48
2000		1,268,290	73	2000		1,145,727	1,024,632	89%	3,790,433	43
2001		945,717	66	2001		838,153	713,053	85%	2,267,082	43
2002		1,018,020	65	2002		823,419	714,195	87%	2,314,269	41
2003		858,944	61	2003		831,666	696,229	84%	2,545,230	36
2004		885,792	61	2004		949,652	783,852	83%	2,506,088	36
2005		768,910	58	2005		932,038	770,316	83%	2,620,281	36
2006		739,753	54	2006		852,929	714,616	84%	2,363,165	33
2007		755,904	51	2007		783,929	576,205	74%	1,654,550	26
2008		716,147	50	2008		728,901	577,841	79%	NA	NA
Total IFQ Holding by Year				Total IFQ Holdings by Year						
Comparison	1995	2008	% change	Comparison	1995	2007	% change			
Halibut lbs.	3,743,256	2,387,055	-36%	Halibut \$	5,136,243	\$10,546,089	105%			
No. Persons	741	348	-53%	No. Persons	470	254	-46%			
Sablefish lbs.	1,346,587	716,147	-47%	Sablefish \$	6,232,197	1,654,550	-73%			
No. Persons	121	50	-59%	No. Persons	81	26	-68%			
Table 3. Estimated Earnings Both Species				Fishable Lbs	Pounds landed		Earnings	Individuals		
Year										
1995				5,031,381	4,591,058	91%	\$11,368,440	487		
1996				4,886,261	4,500,533	92%	11,865,074	478		
1997				5,717,259	5,335,356	93%	14,100,626	462		
1998				4,829,352	4,363,686	90%	7,010,518	360		
1999				4,957,620	4,497,580	91%	10,013,265	358		
2000				4,294,456	3,943,751	92%	11,181,752	325		
2001				4,196,454	3,733,917	89%	8,391,410	299		
2002				4,301,207	3,988,016	93%	9,564,355	313		
2003				4,146,270	3,810,547	92%	11,566,149	303		
2004				4,358,709	3,957,900	91%	12,069,634	298		
2005				4,164,512	3,754,490	90%	11,426,413	284		
2006				3,830,278	3,520,315	92%	12,940,492	278		
2007				3,374,998	2,978,578	88%	12,200,638	280		
2008				3,141,374	2,841,550	90%	NA	NA		
Comparison	1995	2007	% change							
Earnings \$	\$11,865,074	\$11,426,413	-4%							
No. Persons	478	284	-41%							

Figure 1.



### IFQ Community Report for Total Eligible Communities

Table 4. Use of the port combined Halibut and Sablefish				
	Vessel	Count	IFQ Holders	Weight
1995	684	1,828	928	10,313,985
1996	684	1,980	955	9,529,005
1997	514	1,557	757	8,136,050
1998	502	1,530	728	8,185,351
1999	489	1,483	724	8,801,255
2000	505	1,387	699	9,033,505
2001	508	1,446	708	8,867,045
2002	501	1,444	725	11,435,450
2003	444	1,413	674	12,624,454
2004	409	1,282	612	11,133,082
2005	472	1,470	708	11,130,804
2006	447	1,435	722	11,641,979
2007	390	1,142	627	9,834,399
2008	236	787	401	9,663,141



Notes:

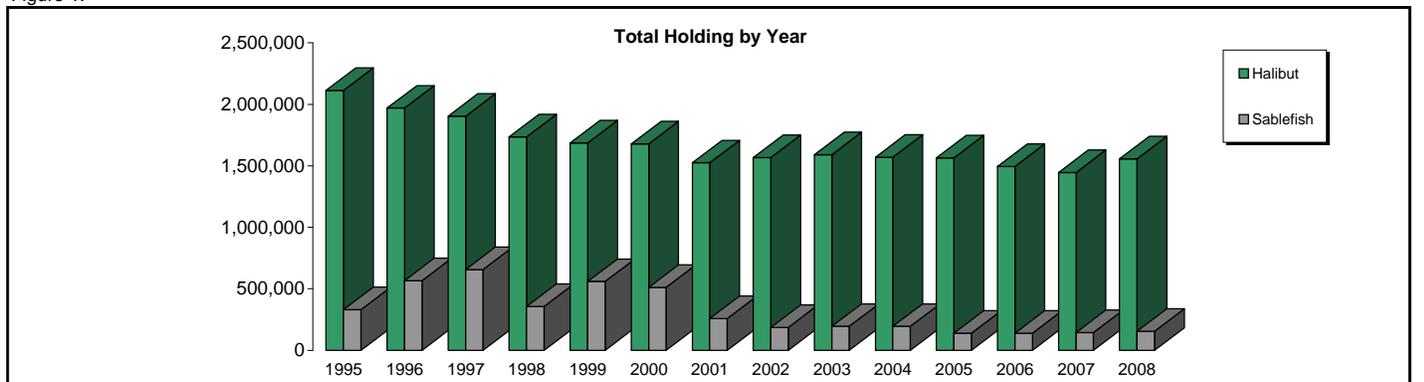
- \* Indicates that the data may not be displayed because simple subtraction would allow confidential data to be computed.
- \*\* Indicates that the data are confidential because they are derived from the landings of fewer than three IFQ permit holders.
- \*\*\* Indicates that the offloading vessels delivered to fewer than three Register Buyers (RB) permit holders.
- NA "2008 data" not available at this time.
- 1. Halibut weights are reported in net (headed and gutted) pounds; sablefish weights are reported in round pounds.
- 2. Residence determinations are based on unverified self-reported addresses provided by QS holders.
- 3. Estimated earnings (dollar amounts) are nominal; they are not adjusted for inflation nor by year.
- 4. Table 1:
  - a. "2008 Equivalent Pounds" are IFQ pounds derived from all QS held by residents of the subject community. They are computed using 2008 Quota Share Pool and TACs; therefore, they are comparable across all reported years. These reported pounds include pounds derived from QS held in all IFQ management areas.
  - b. "QS holders" includes all entities (including individuals, corporations, etc.) holding and reported the subject community, as a permanent business mailing address, as of the end of the indicated year.
- 5. Tables 2 and 3:
  - a. "Fishable Pounds" are calculated from amounts of QS held by all residents of the subject community as of the end of the indicated year. These amounts are adjusted for "overages and underages" resulting from prior years fishing activities.
  - b. "Pounds Landed" display the actual pounds landed during the indicated year.
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Appendix 5

IFQ Community Report for  
Total Southcentral

Table 1. Total IFQ Holdings by Year				Table 2. Gross IFQ Earnings					
Halibut	Year	2008 Equivalent Pounds	Persons	Halibut	Pounds Issued	Pounds Landed	Percent Fished	Estimated Earnings	Individuals
	1995	2,112,971	286	1995	1,062,514	819,660	79%	\$1,600,356	149
	1996	1,969,257	248	1996	1,091,215	999,061	94%	2,186,307	166
	1997	1,904,433	215	1997	2,012,331	1,713,298	84%	3,609,072	167
	1998	1,734,318	206	1998	1,885,202	1,677,900	89%	2,178,361	134
	1999	1,686,660	195	1999	2,145,268	1,965,697	91%	4,049,834	144
	2000	1,677,809	184	2000	1,931,221	1,813,884	96%	4,564,870	129
	2001	1,524,302	176	2001	2,091,704	1,937,485	93%	3,888,574	120
	2002	1,567,845	169	2002	2,233,497	2,150,355	96%	4,746,191	132
	2003	1,590,703	167	2003	2,137,965	2,027,090	96%	5,824,495	124
	2004	1,568,985	160	2004	2,031,401	1,933,540	96%	5,767,067	125
	2005	1,565,024	160	2005	1,846,851	1,743,361	95%	5,002,830	120
	2006	1,494,998	156	2006	1,636,845	1,547,982	95%	5,832,615	124
	2007	1,445,344	143	2007	1,470,115	1,410,754	96%	6,126,653	124
	2008	1,557,023	144	2008	1,583,200	1,502,578	NA	NA	NA
Sablefish	Year	Pounds	Persons	Sablefish	Pounds Issued	Pounds Landed	Percent Fished	Estimated Earnings	Individuals
	1995	329,202	36	1995	384,464	308,729	80%	\$1,018,179	13
	1996	565,038	33	1996	611,068	536,428	83%	1,723,074	18
	1997	655,139	26	1997	667,450	651,618	95%	2,426,960	14
	1998	356,441	25	1998	393,292	343,023	90%	900,729	12
	1999	559,169	26	1999	488,354	431,604	82%	1,282,606	9
	2000	510,443	22	2000	548,100	487,057	88%	1,770,965	11
	2001	256,547	20	2001	285,785	224,975	94%	710,580	7
	2002	185,515	18	2002	247,792	193,819	95%	616,837	8
	2003	194,175	19	2003	220,215	156,881	79%	569,793	6
	2004	194,175	19	2004	313,010	247,936	87%	757,534	7
	2005	138,798	18	2005	272,745	192,192	77%	617,718	6
	2006	138,600	17	2006	263,554	195,748	84%	717,522	6
	2007	144,128	14	2007	215,900	122,810	68%	414,615	5
	2008	153,241	14	2008	196,060	123,744	NA	NA	NA
Total IFQ Holdings by Year				Total IFQ Landing by Year					
Comparison	1995	2008	% change	Comparison	1995	2007	% change		
Halibut lbs.	2,112,971	1,557,023	-26%	Halibut \$	\$1,600,356	\$6,126,653	283%		
No. Persons	286	144	-50%	No. Persons	149	124	-17%		
Sablefish lbs.	329,202	153,241	-53%	Sablefish \$	\$1,018,179	\$414,615	-59%		
No. Persons	36	14	-61%	No. Persons	13	5	-62%		
Table 3. Estimated Earnings Both Species				Earnings			Individuals		
Year	Fishable Lbs	Pounds landed							
1995	1,446,978	1,128,389	78%		\$2,618,535	152			
1996	1,702,283	1,535,489	90%		3,909,381	170			
1997	2,679,781	2,364,916	88%		6,036,031	174			
1998	2,278,494	2,020,923	89%		3,079,089	137			
1999	2,633,622	2,397,301	91%		5,332,440	146			
2000	2,479,321	2,300,941	93%		6,335,835	131			
2001	2,377,489	2,162,460	91%		4,599,154	119			
2002	2,481,289	2,344,174	94%		5,363,028	127			
2003	2,358,180	2,183,971	93%		6,394,288	123			
2004	2,344,411	2,181,476	93%		6,524,600	120			
2005	2,119,596	1,935,553	91%		5,620,549	120			
2006	1,900,399	1,743,730	92%		6,550,137	113			
2007	1,686,015	1,533,564	91%		6,541,268	120			
2008					NA	NA			
Comparison				1995	2007	% change			
Earnings \$				\$2,618,535	\$6,541,268	150%			
No. Persons				152	120	-21%			

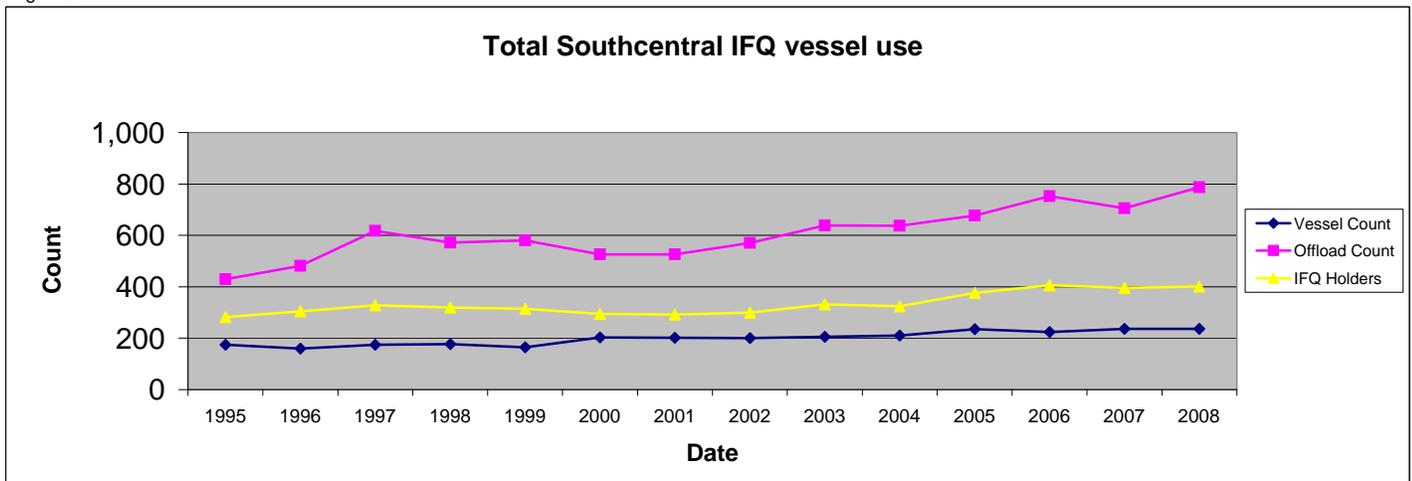
Figure 1.



IFQ Community Report for  
Total Southcentral

Table 4.				
	Vessel	Count	IFQ Holders	Weight
1995	175	430	282	5,375,414
1996	160	482	305	4,537,510
1997	175	617	328	5,316,081
1998	177	572	319	5,518,764
1999	165	580	314	5,919,813
2000	203	526	295	5,813,882
2001	202	526	292	5,792,056
2002	200	570	300	7,764,266
2003	206	639	332	9,401,118
2004	210	637	324	8,978,681
2005	235	677	376	9,187,864
2006	224	752	406	9,528,229
2007	236	705	396	8,550,310
2008	236	787	401	9,663,141

Figure 2.



Notes:

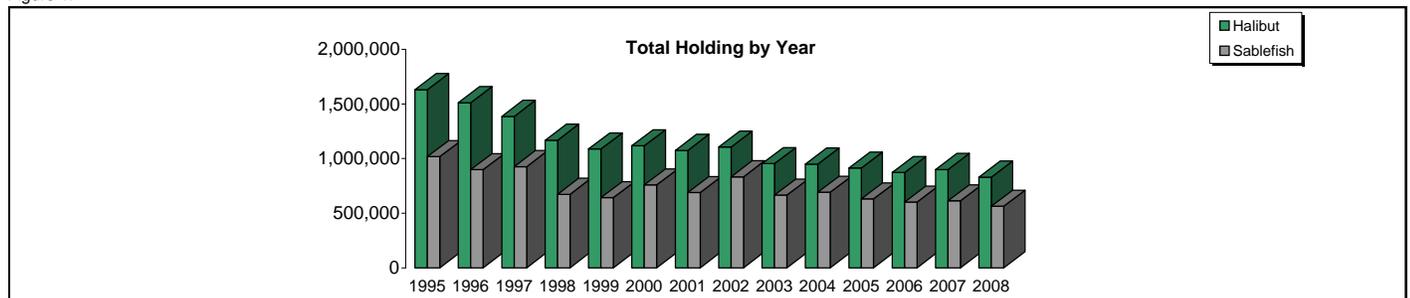
- \* Indicates that the data may not be displayed because simple subtraction would allow confidential data to be computed.
- \*\* Indicates that the data are confidential because they are derived from the landings of fewer than three IFQ permit holders.
- \*\*\* Indicates that the offloading vessels delivered to fewer than three Register Buyers (RB) permit holders.
- NA "2008 data" not available at this time.
- 1. Halibut weights are reported in net (headed and gutted) pounds; sablefish weights are reported in round pounds.
- 2. Residence determinations are based on unverified self-reported addresses provided by QS holders.
- 3. Estimated earnings (dollar amounts) are nominal; they are not adjusted for inflation nor by year.
- 4. Table 1:
  - a. "2008 Equivalent Pounds" are IFQ pounds derived from all QS held by residents of the subject community. They are computed using 2008 Quota Share Pool and TACs; therefore, they are comparable across all reported years. These reported pounds include pounds derived from QS held in all IFQ management areas.
  - b. "QS holders" includes all entities (including individuals, corporations, etc.) holding and reported the subject community, as a permanent business mailing address, as of the end of the indicated year.
- 5. Tables 2 and 3:
  - a. "Fishable Pounds" are calculated from amounts of QS held by all residents of the subject community as of the end of the indicated year. These amounts are adjusted for "overages and underages" resulting from prior years fishing activities.
  - b. "Pounds Landed" display the actual pounds landed during the indicated year.
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  - d. "Individuals making landings" includes all individuals with recorded landings of IFQ derived from QS held by persons reporting business address in subject community (as displayed on Table 1). The total includes hired skippers; accordingly, in some instances, the total number of individuals with landings may exceed the total number of "persons" who hold QS.
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Appendix 5

IFQ Community Report for  
Total Southeast

Table 1. Total IFQ Holdings by Year				Table 2. Gross IFQ Earnings					
Halibut	Year	2008 Equivalent Pounds	QS holder	Halibut	Fishable Pounds	Pounds Landed	Percent Fished	Estimated Earnings	Individuals
	1995	1,630,285	455	1995	1,822,187	1,820,838	100%	\$3,535,887	321
	1996	1,511,217	412	1996	1,940,960	1,782,418	92%	3,951,232	295
	1997	1,386,241	356	1997	2,006,370	1,942,190	97%	4,207,719	275
	1998	1,167,151	330	1998	1,839,818	1,656,242	90%	2,231,808	212
	1999	1,086,971	299	1999	1,707,421	1,541,769	90%	3,000,543	200
	2000	1,115,787	285	2000	1,217,508	1,105,235	91%	2,826,449	184
	2001	1,074,049	274	2001	1,266,597	1,083,379	86%	2,235,754	169
	2002	1,104,335	268	2002	1,244,291	1,123,466	90%	2,503,895	177
	2003	953,097	255	2003	1,176,639	1,087,228	92%	3,196,424	172
	2004	949,333	242	2004	1,377,656	1,240,508	90%	3,796,479	171
	2005	913,361	239	2005	1,385,624	1,240,813	90%	3,803,302	152
	2006	871,308	221	2006	1,340,504	1,257,717	94%	4,744,713	154
	2007	899,055	189	2007	1,120,954	991,619	88%	4,419,436	130
	2008	830,032	204	2008	829,273	761,131	92%	NA	NA
Sablefish	Year	2008 Equivalent Pounds	QS holder	Sablefish	Pounds	Pounds Landed	Percent Fished	Estimated Earnings	Individuals
	1995	1,017,385	85	1995	1,762,216	1,641,831	93%	\$5,214,018	68
	1996	898,481	75	1996	1,243,018	1,182,626	95%	4,004,461	59
	1997	925,241	62	1997	1,031,108	1,028,250	100%	3,856,876	55
	1998	671,951	55	1998	711,040	686,521	97%	1,699,620	41
	1999	641,182	51	1999	616,577	558,510	91%	1,680,282	39
	2000	757,847	51	2000	597,627	537,575	90%	2,019,469	32
	2001	689,170	46	2001	552,368	488,078	88%	1,556,502	36
	2002	832,505	47	2002	575,627	520,376	90%	1,697,432	33
	2003	664,769	42	2003	611,451	539,348	88%	1,975,437	30
	2004	691,617	42	2004	636,642	535,916	84%	1,748,555	29
	2005	630,112	40	2005	659,293	578,124	88%	2,002,562	30
	2006	601,153	37	2006	589,375	518,868	88%	1,645,642	27
	2007	611,776	37	2007	568,029	453,395	80%	1,239,935	21
	2008	562,906	36	2008	532,841	454,097	85%	NA	NA
Total IFQ Holding by Year				Total IFQ Holdings by Year					
Comparison	1995	2008	% change	Comparison	1995	2007	% change		
Halibut lbs.	1,630,285	830,032	-49%	Halibut \$	\$3,535,887	\$4,419,436	25%		
No. Persons	455	204	-55%	No. Persons	321	130	-60%		
Sablefish lbs.	1,017,385	562,906	-45%	Sablefish \$	5,214,018	1,239,935	-76%		
No. Persons	85	36	-58%	No. Persons	68	21	-69%		
Table 3. Estimated Landings and Earnings of both Species				Fishable Pounds	Pounds Landed	Percent Fished	Earnings	Individuals	
Year									
	1995			3,584,403	3,462,669	97%	\$8,749,905	335	
	1996			3,183,978	2,965,044	93%	7,955,693	308	
	1997			3,037,478	2,970,440	98%	8,064,595	288	
	1998			2,550,858	2,342,763	92%	3,931,429	223	
	1999			2,323,998	2,100,279	90%	4,680,825	212	
	2000			1,815,135	1,642,810	91%	4,845,917	194	
	2001			1,818,965	1,571,457	86%	3,792,256	180	
	2002			1,819,918	1,643,842	90%	4,201,327	186	
	2003			1,788,090	1,626,576	91%	5,171,861	180	
	2004			2,014,298	1,776,424	88%	5,545,034	178	
	2005			2,044,917	1,818,937	89%	5,805,864	164	
	2006			1,929,879	1,776,585	92%	6,390,355	165	
	2007			1,688,983	1,445,014	86%	5,659,370	160	
	2008			1,362,114	1,215,228	89%	NA	NA	
Comparison									
				1995	2007	% change			
Earnings \$				\$8,749,905	\$5,659,370	-35%			
No. Persons				335	160	-52%			

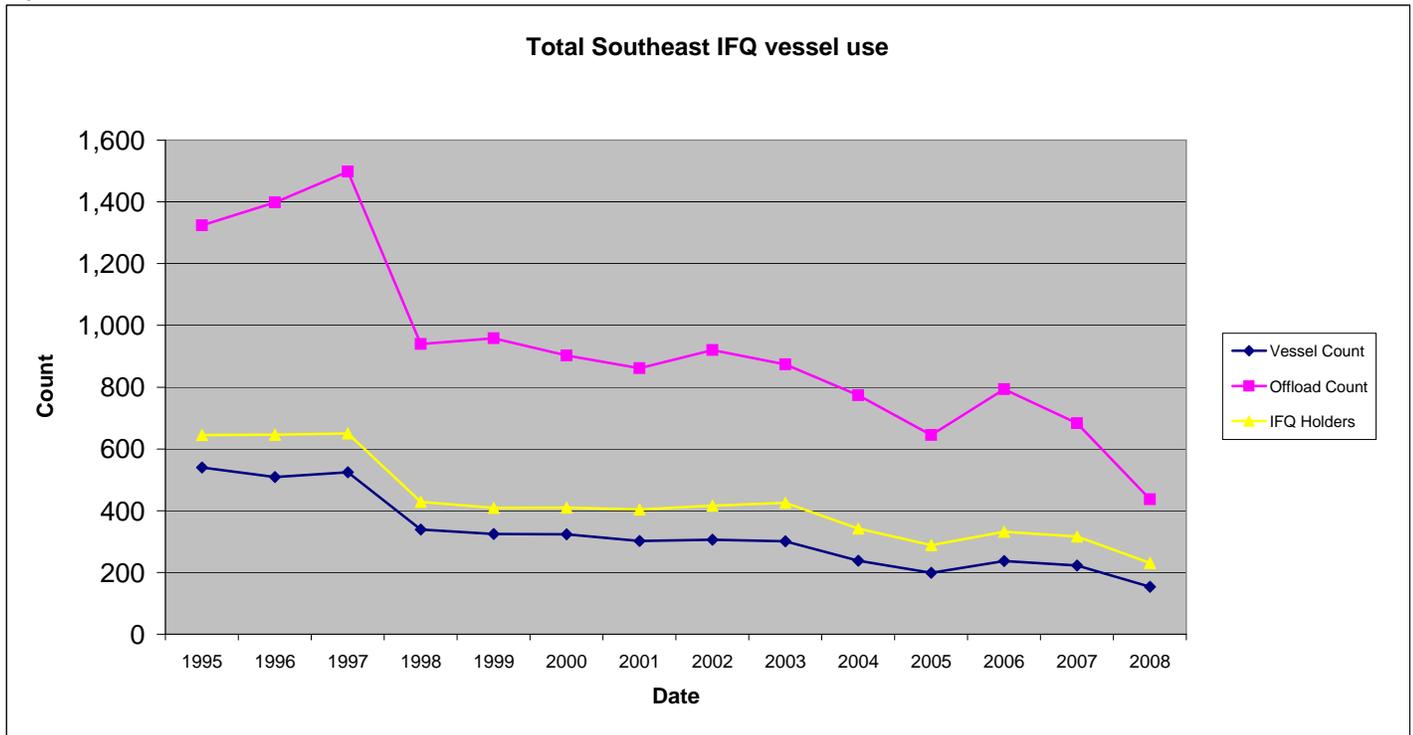
Figure 1.



IFQ Community Report for  
Total Southeast

	Vessel Count	Offload Count	IFQ Holders	Sum quota Weight
1995	540	1,324	645	5,635,342
1996	509	1,398	646	4,938,571
1997	524	1,498	650	4,991,495
1998	339	940	429	2,819,969
1999	325	958	409	2,666,587
2000	324	903	410	2,881,442
2001	302	861	404	3,219,623
2002	306	920	416	3,074,989
2003	301	874	425	3,671,184
2004	238	774	342	3,223,336
2005	199	645	288	2,154,401
2006	237	793	332	1,942,940
2007	223	683	316	2,113,750
2008	154	437	231	1,284,089

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