Dear Chairman Olson,

The Alaska Longline Fishermen’s Association (ALFA) has worked alongside the Council for close to 20 years to finalize a management plan for the charter halibut fishery. Throughout this time our primary goal has been to end the reallocation of halibut from those who have historically depended on the halibut resource to the charter sector. With adoption of the Halibut Catch Sharing Plan (CSP) in 2008 our members thought the battle was over. Fishermen who had waited years to invest in halibut shares moved ahead with purchases and those who had begun to seriously doubt the management process regained some confidence in the future. All that confidence disappeared when NOAA once again sent the charter management plan back to the Council.

As you revisit the Halibut CSP again this October, four years after your final action on the CSP, we ask what we have asked since 1993: please stop the reallocation. ALFA supports streamlining the CSP as is proposed in Alternative 3; we support the GAF provisions included in options 2-5; we support the allocations established in 2008 and included in Alternative 2.

The 2008 CSP

Each time the Council has revisited the charter management plan, historic users have given up more to accommodate the charter fleet, and the 2008 CSP was no exception. Under the CSP, the charter industry is again guaranteed a continuous season of historic length with no in-season change in management measures. The charter allocations are increased during times of low abundance in yet one more reallocation compromise. The CSP fairly ties both charter and commercial allocations to the same index of abundance and sets these allocations after deductions for sport, subsistence and bycatch. The CSP establishes a mechanism for limited transfer between sectors, which directly addresses the Council’s problem statement and allows charter operators to invest in harvesting opportunities as commercial fishermen must to increase harvest. These aspects of the CSP should not be changed; nor should the 2008 allocations.

CSP vs. the “Status Quo”

The analysis before the Council frames the allocation issue relative to the GHL. What is lost in the analysis is the reallocation that has occurred under the GHL as halibut abundance dropped in Areas 2C and 3A. When the GHLs were set, the charter percentage of the combined commercial/charter catch limit (CCL) was 13% in Area 2C and 14% in Area 3A. In 2012, the charter allocation has increased to 26% of the CCL in 2C and 20% in 3A. Phrased another way, while halibut abundance in the two areas dropped by over 50%, the commercial catch limit in 2C was cut 75% and the charter catch limit by 35%. In 3A, the commercial catch limit has been reduced by 56% and the charter catch limit by 15%. These disproportionate reductions strongly indicate that any reallocation should return halibut quota to the commercial fleet. Clearly commercial fishermen have borne the burden of conservation over the past six years—why would the Council consider imposing additional costs through further reallocation?

Reallocation: Alternatives 3-5

The economic analysis also makes a strong case against the reallocation included in Alternative 3-5. Tables 2-64 through 2-67 (pp 225-227) establish that in every scenario and in both areas annual charter halibut revenue INCREASED between 2005 and 2010, despite the decline in halibut abundance and the Area 2C adjustments to charter bag limits. Charter operators have raised prices charged to clients and, since 2007, participated in designing the management measures implemented in their sector. Despite claims of pending bankruptcy, the average charter operator has thrived over the past six years. Of equal relevance, changes in charter activity have been comparable between Areas 2C (where the bag limit was reduced and a minimum size limit imposed) and 3A (where management measure have remained static), suggesting the economic downturn, rather than harvest controls, has decreased demand for charter services.

Commercial fishermen, on the other hand, have paid a steep price for resource conservation over the past six years. Table 2-68 (page 229) illustrates that an Area 2C commercial fishermen who held 3,500 pounds of quota share (QS) in 2003 had less than 1000 lbs in 2011, which is decline of more than two thirds. Although the table indicates that the value of the QS has increased slightly, the ex-vessel revenue has declined by more than one third. In other words, even though ex-vessel prices have increased, the increase has not been enough to off-set the quota decline and revenue loss to commercial QS holders. Table 2-69 (page 230) establishes that the average vessel harvest has declined, but not by as much as the reductions in the Fishery Constant Exploitation Yield, which indicates that QS holders are fishing together on fewer boats. This consolidation of QS onto fewer boats eliminates crew jobs and has substantial community impacts.

Table 2-70 (page 231) establishes the impact on fishermen who purchased QS periodically over the years in an effort to maintain stable fishing businesses. These fishermen are now so far underwater on loans that they cannot sell the QS to pay off the QS debt. The commercial fleet is struggling, and since 75-80 percent of the QS holders are Alaskans with most living in Alaska's fishery dependent communities, the communities are also struggling.

Although the scenarios for fishermen in Area 3A still indicate revenue increases through 2011, the 3A commercial catch limit was reduced an additional 17% in 2012 and 3A fishermen testified in April to lost revenue and now being underwater on their 3A QS loans. As the analysis states on page B-2: "The increase in ex-vessel prices, which result from a decline in Area 2C and 3A halibut on the market, is not expected to be sufficient to offset the loss in revenue associated with selling fewer pounds."

In short, the analysis before the Council establishes that at low abundance levels every pound counts to the commercial industry—both harvesters and processors—and that the commercial industry has suffered severe economic impact from reduced quotas. Charter operators, on the other hand, have offset the impacts through price adjustments or management strategies that minimize impacts to their sector. Given this analysis, alternatives that increase the economic disparity by allocating more commercial quota to the charter industry are unsupported. Again, ALFA does not support the reallocations included in Alternatives 3-5.

Specific to the logbook reallocation included in Alternative 3: ALFA supports improving the timeliness and accuracy of charter catch accounting and agree that a verified logbook program is an improvement over the current management strategy. That said, we cannot support a reallocation disguised as a statistical “adjustment factor.” The logbooks did not exist during the GHL base years, nor are they a verified source of information. ADFG has staunchly defended the accuracy of charter catch accounting for 20 years even as the logbooks have deviated substantially from the Statewide Harvest Survey (SWHS). Reallocating halibut to the charter fleet because the ADFG has decided the unverified logbooks are likely more accurate than the SWHS seems political rather than scientific and should be judged by that standard.

Economic Impact

Over the years, charter spokespeople have claimed supreme economic importance for their industry, and have asserted that the value of charter harvested halibut eclipses the value of commercially caught halibut. We have grown weary of these unsubstantiated claims. The economic benefit of the commercial fishing sector within Alaska far outweighs the total economic benefit of the charter industry regardless of whether one considers total economic benefits or halibut specific benefits. The total annual sport fish industry economic output in Alaska is $1.6 billion. The comparable number for the commercial fishing sector is $5.8 billion. The tourism related jobs in Alaska from all tourist industries total 36,200. The comparable number for commercial fishing alone is 80,800. With respect to halibut specifically, under the most optimistic scenario, only $200 million of the total $1.6 billion of alleged sport fish economic output can be attributed to halibut in Areas 2C and 3A. For the commercial fishery, the comparable number for Areas 2C and 3A is $478 million. 1 And, as the 2012 halibut Prohibited Species Catch EA/RIR established (p. 178) the per pound value of halibut to the charter client is comparable to the halibut per pound ex-vessel price paid to commercial fishermen.

1 Economic Impacts and Contributions of Sport fishing in Alaska 2007 (Southwick Associates and Alaska Dept of Fish and Game Sport fish Division), The Seafood Industry in Alaska’s Economy 2007 (Northern Economics).

Finally, on the issue of public access, ALFA asks that the Council remember that even at these low levels of abundance, the Area 2C and 3A commercial catch limits equate to roughly 8 million “finished” pounds of halibut, or 32 million halibut meals per year. One can assume that the average person does not eat halibut more than three times in a year, which translates to the commercial fishermen in these two areas annually providing access to the halibut resource for 7-9 million Americans plus another 1-2 million non-Americans through export. The Area 2C and 3A charter industry, on the other hand, provides an expensive recreational opportunity to approximately 230,000 clients per year. (CSP Proposed Rule EA/RIR/IRFA at xxxvii). In sum, the commercial fishery provides 44 times more Americans access to the halibut resource.

Streamlining the CSP

When the CSP was developed, the Council worked with the assumption that annual changes to charter management measures were not possible, but that establishing a proscriptive management matrix would expedite these changes. As a result, the matrix was developed and incorporated into the CSP. In 2012 the Council recommended a management change for implementation by the IPHC in the following season. This process is an improvement over the matrix and allocation ranges and should replace those in the CSP. Because charter operators have a history of objecting to a change in management measures implemented months in advance of the season, ALFA asks that the Council speak directly to this issue on the record and query charter operators on their willingness to support changes when those changes are more, rather than less restrictive.

GAF Program

The problem statement that guided the Council in developing the CSP identifies the instability caused by the lack of an effective charter allocation and identifies the need for a mechanism for transfer between sectors: “Unless a mechanism for transfer between sectors is established, the existing environment of instability and conflict will continue.” (EA at xvi). Dr. Lubchenco has identified the same problem with sector allocations in other fisheries and called for market-based solutions:

“I would like to see Councils phasing in mechanisms for inter-sector trading…I think trading can be a win-win, and can allow a more fluid (and less political) allocation process.

Dr. Jane Lubchenco, April 6, 2010 Recreational Saltwater Fishing Summit, http://www.nmfs.noaa.gov/sfa/PartnershipsCommunications/recfish/RecFishSummit/RecFishSummit_041610_LubchencoRemarks.pdf.

The CSP allows charter operators to lease QS from commercial fishermen. ALFA supports this provision. The transfer mechanism will afford charter operators the opportunity to invest in resource access and conservation the same way commercial fishermen invest to participate in the halibut fishery. If charter clients want to harvest a second halibut when a one halibut bag limit is in place, charter operators can acquire the quota to provide that opportunity. The charter industry has frequently claimed that their clients place a high value on catching two halibut; if this claim is accurate, then those same clients are

likely to pay extra for the opportunity to harvest an extra fish. If the demand is not high, than the obvious conclusion is that charter clients place a lower value on that second fish then the consumers who purchase commercially harvested halibut.

Some charter operators have stated the Guided Angler Fish (GAF) provision will require them to pay for fish they never harvest, therefore will be unworkable. This fear is unfounded. Commercial fishermen are allowed to “carry over” to the following season up to 10% of their annual allocation. This 10% can be contractually held in reserve for a charter operator to use as needed over the course of the season, with the understanding that any unused portion will be returned to the QS holder at the end of the charter season and any used portion will be paid for at an agreed upon rate. Current “hired skipper” and leasing arrangements in the commercial halibut fishery suggest the likely lease rate will be approximately 50% of the ex-vessel per pound value of the QS transferred. Since the average size halibut in the charter fishery is 20 pounds and the current average ex-vessel price $4.50, a charter operator could expect to pay approximately $45 per GAF. Again, if charter clients place sufficient value on harvesting the second halibut, that cost will be passed on from charter operator to willing client.

Summary

Twenty years is a long time to wait for resolution of this issue and an end to halibut reallocation. As the analysis substantiates, over the past six years the commercial halibut industry has borne the burden of conservation and paid a heavy price. While we support streamlining the CSP and providing the charter industry opportunity under the GAF program, we do not support any additional reallocation. We have compromised enough. ALFA respectfully requests that the Council adopt a blend of Alternatives 2 and 3, retaining the allocations established in the 2008 but streamlining the CSP as specified in Alternative 3.

Thank you for your time and consideration.

Sincerely,

Linda Behnken (Executive Director, ALFA)