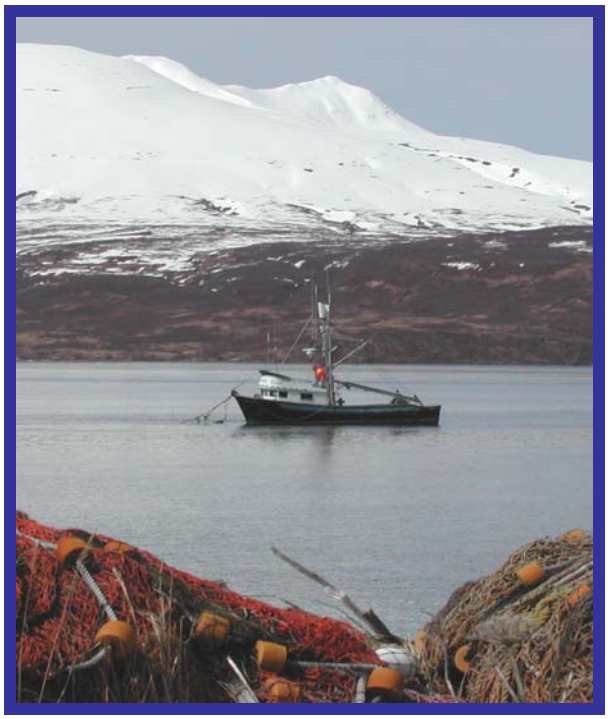
Pacific Halibut–Sablefish IFQ Report
Fishing Year 2004



Fishing in the Aleutians NOAA Fisheries

Alaska Region, NOAA Fisheries (NMFS)
Restricted Access Management (RAM)
September 2007

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IFQ LANGUAGE

ALT	Alaska local time
Council	North Pacific Fishery Management Council
IFQ	Individual Fishing Quota
IPHC	International Pacific Halibut Commission
MSA	Magnuson-Stevens Act
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
QS	Quota Share
QSP	Quota Share Pool
RAM	Restricted Access Management
TAC	Total Allowable Catch

PACIFIC HALIBUT–SABLEFISH IFQ REPORT
FOR FISHING YEAR 2004

The 10th IFQ Program Report

Alaska Region, NOAA Fisheries (NMFS)
Restricted Access Management (RAM)

September 2007

Since May 2007, the *Report to the Fleet* publications have been under new title.

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SECTION 1

TACS, CAPS, AND REGULATIONS

2004 SEASON

The 2004 Individual Fishing Quota (IFQ) season for halibut and sablefish opened at noon Alaska local time (ALT) on February 29 and closed at noon ALT on November 15. This section of the report includes information on calculations of 2004 IFQ amounts, 2004 Quota Share (QS) use and vessel IFQ caps, and changes to the rules that came into effect for that fishing year.

CALCULATIONS

Annual IFQ permit amounts are calculated using a simple formula dependent on annual total allowable catch (TAC) limits, a person's QS holdings, and the sum of all units issued.

For each area in which a person holds QS, the amount of QS held is divided by the amount of all the QS issued for that area (the Quota Share Pool, or QSP). The resulting fraction is then multiplied by the TAC for that area. The equation yields the number of pounds of IFQ that a person is entitled to harvest for a year, derived from QS held. Simply stated, it looks like this:

$$(QS \div QSP) \times TAC = IFQ\ POUNDS$$

In many cases, the 2004 IFQ allocations were then adjusted slightly up or down, depending on fishing activities by the persons who fished the 2003 IFQ. The U.S. adopted annual "TACs" for halibut and sablefish based on recommendations by the International Pacific Halibut Commission (IPHC) and the North Pacific Fishery Management Council (Council), respectively, before the 2004 season started. The annual permit accounts were calculated using January 31 QSPs. Table 1.1 shows those amounts and the "ratio" between the QSP and the TAC for each area; this ratio shows how many units of QS were needed to yield one pound of IFQ.

Table 1.1 2004 Quota share pools (QSPs) and total allowable catches (TACs)

Species and Area	2004 Quota Share Pool[a] (units)	2004 IFQ TAC[b,c] (pounds)	Ratio[d] (QS:IFQ)
Halibut 2C	59,556,591	10,500,000	5.6721
3A	184,930,966	25,060,000	7.3795
3B	54,203,176	15,600,000	3.4746
4A	14,587,099	3, 470,000	4.2038
4B	9,284,774	2,248,000	4.1302
4C	4,016,352	860,000	4.6702
4D	4,958,250	1,204,000	4.1181
4E	139,999	0	0
All Areas	***331,677,207***	***58,942,000***	
Sablefish AI	31,932,492	4,100,556	7.7874
BS	18,768,845	2,557,336	7.3392
CG	111,668,048	12,874,864	8.6733
SE	66,119,746	8,311,342	7.9554
WG	36,029,105	5,167,582	6.9721
WY	53,267,935	4,925,076	10.8157
All Areas	***317,786,171***	***37,936,756***	

[a] QS Pools may include small amounts of QS in "Reserve" (QS that is yet to be issued) and QS that is "Restricted" (QS that has been issued, but which does not yield IFQ to its holder).

[b] IFQ TACs do not include pounds that have been set aside for the CDQ program.

[c] Halibut weights are in net (headed and gutted) lbs; sablefish weights are in round lbs.

[d] The "ratio" displays the number of units of QS that yield one pound of 2004 IFQ.

2004 QS USE AND VESSEL IFQ CAPS

The IFQ rules place limits on the amount of QS that yields IFQ that a person may hold (QS Use Caps) and on the amount of total IFQ pounds that can be landed from one vessel during a season (Vessel IFQ Caps). The following tables display the caps in effect during the 2004 season. Note the QS Use Caps are constant, based on the 1996 QSPs.

Table 1.2 2004 QS Use Caps

	Applicable Percent	Size of Relevant QSPs[a]	QS Use Cap
Halibut	1 percent of 2C QSP	59,979,977 QS units	599,799 QS units
	.5 percent of 2C, 3A, 3B	300,564,647 QS units	1,502,823 QS units
	1.5 percent of Area 4	33,002,937 QS units	495,044 QS units
Sablefish	1 percent of SE QSPs	68,848,467 QS units	688,485 QS units
	1 percent of All QSPs	322,972,132 QS units	3,229,721 QS units

[a] The "Relevant" QSPs for calculating the use caps for both sablefish and halibut are the 1996 QSPs.

Table 1.3 2004 Vessel IFQ Caps[a]

	Vessel Use Cap Percent	2005 IFQ TAC	Vessel Use Cap
Halibut[b]	1 percent of 2C IFQ TAC	10,500,000 net lbs	105,000 net lbs
	.5 percent of All IFQ TAC	58,942,000 net lbs	294,710 net lbs
Sablefish[b]	1 percent of SE IFQ TAC	8,311,342 round lbs	83,113 round lbs
	1 percent of All IFQ TAC	37,936,756 round lbs	379,368 round lbs

[a] Vessel IFQ caps are calculated based on the IFQ TACs only; CDQ TACs are not included in the calculations.

[b] Halibut weights are in net (headed and gutted) pounds; sablefish weights are in round pounds.

IFQ RULE CHANGES EFFECTIVE IN 2004

Since the IFQ Program regulations were first published in November 1993, numerous administrative and programmatic changes have been made through regulatory changes. Significant regulation changes effective in 2004 are listed below chronologically:

- On April 30, 2004, a final rule was approved to implement Amendment 66 to the Fishery Management Plan for Groundfish of the GOA and a Pacific halibut regulatory amendment to modify the IFQ Program. These changes allow eligible communities in the GOA to establish nonprofit entities to purchase and hold QS for lease to, and use by, community residents to revitalize fishing communities. Forty-two communities and 13,000 residents were determined eligible for the new program. These changes were effective June 1, 2004.

- Effective December 23, 2004, a month after the 2004 season ended, NMFS issued a final rule that requires the operator of a federally permitted catcher vessel using hook-and-line or jig gear in the Southeast Outside District (SEO) of the Gulf of Alaska to retain and land all demersal shelf rockfish (DSR) caught while fishing for groundfish or for Pacific halibut under the IFQ program. This program change did not directly affect fishermen this season, except in planning and preparation for the next season.

SECTION 2

THE 2004 IFQ SEASON IN REVIEW

PERMITS AND LANDINGS

Permits and Landings

The 2004 IFQ season opened February 29 (ALT) and ended November 15. A total of 6,334 IFQ permits (as defined by unique combinations of species, areas, and vessel categories), including 4,664 halibut permits and 1,670 sablefish permits, were active as of year-end 2004.

Halibut Landings

When the season ended November 15, IFQ holders had used their halibut permits to report 6,808 vessel landings of IFQ halibut, for a total harvest of 97 percent of the IFQ halibut TAC. The table below displays those halibut landings by species, regulatory area, and IFQ pounds as reported by Registered Buyers.

Table 2.1 2004 IFQ halibut allocations and fixed-gear IFQ landings

Species/Area	Vessel Landings[a]	Area IFQ TAC[b]	Total Harvest	Percent Harvested[c]
Halibut 2C	2,792	10,500,000	10,088,931	96
3A	2,594	25,060,000	24,601,516	98
3B	894	15,600,000	15,334,232	98
4A	299	3,470,000	3,392,035	98
4B	117	2,248,000	2,169,480	97
4C	80	860,000	478,274	56
4D	32	1,204,000	1,202,152	100
Total	***6,808***	***58,942,000***	***57,266,620***	***97***

[a] Vessel landings include the number of reported landings by participating vessels reported by IFQ regulatory area; each such landing may include harvests from multiple IFQ permit holders.

[b] Halibut weights are in net (headed and gutted) pounds.

[c] Due to over- or underharvest of TAC and rounding, percentages may not total 100 percent.

Sablefish Landings

IFQ holders used their 1,670 sablefish permits to report 2,077 vessel landings of IFQ sablefish, for a total harvest of 89 percent of the IFQ sablefish TAC. The table below displays those sablefish landings by species, regulatory area, and IFQ pounds as reported by Registered Buyers.

Table 2.2 2004 IFQ sablefish allocations and fixed-gear IFQ landings

Species/Area	Vessel Landings[a]	Area IFQ TAC[b]	Total Harvest	Percent Harvested[c]
Sablefish AI	119	4,100,556	2,084,314	51
BS	139	2,557,336	1,158,053	45
CG	650	12,874,864	12,713,109	99
SE	701	8,311,342	8,172,370	98
WG	217	5,167,582	4,692,786	91
WY	251	4,925,076	4,874,684	99
Total	***2,077***	***37,936,756***	***33,695,316***	***89***

[a] Vessel landings include the number of reported landings by participating vessels reported by IFQ regulatory area; each such landing may include harvests from multiple IFQ permitholders.

[b] Sablefish weights are in round pounds.

[c] Due to over- or underharvest of TAC and rounding, percentages may not total 100 percent.

RATE OF IFQ HARVEST

Halibut

Figures 2.1 and 2.2 display the pattern and rate of IFQ halibut and sablefish harvests by month and percent of TAC for 2004 compared with monthly averages for all IFQ years. Since 1995, the monthly pattern of the IFQ halibut and sablefish harvests has been consistent, although season dates varied by as much as a few weeks among years.

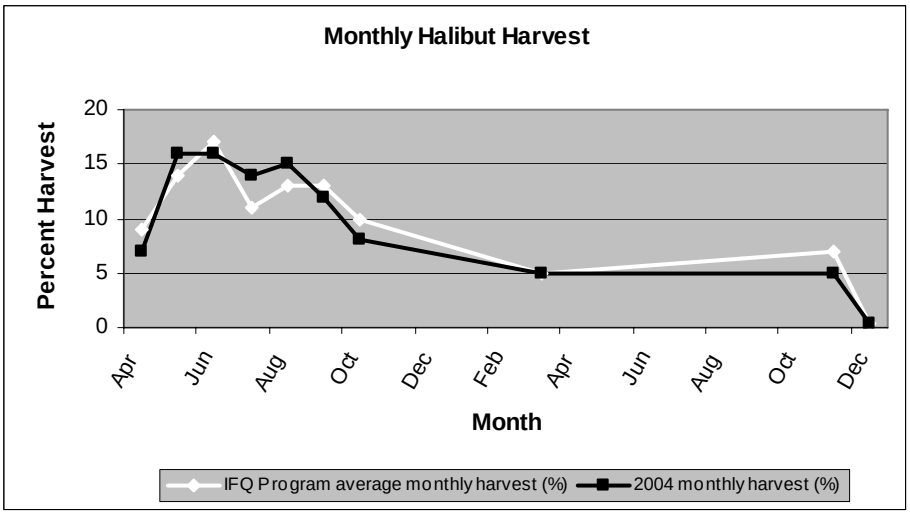

Figure 2.1 Average Monthly IFQ Halibut Harvest (1995–2004) and 2004 Monthly Halibut Harvest (percent)

Sablefish

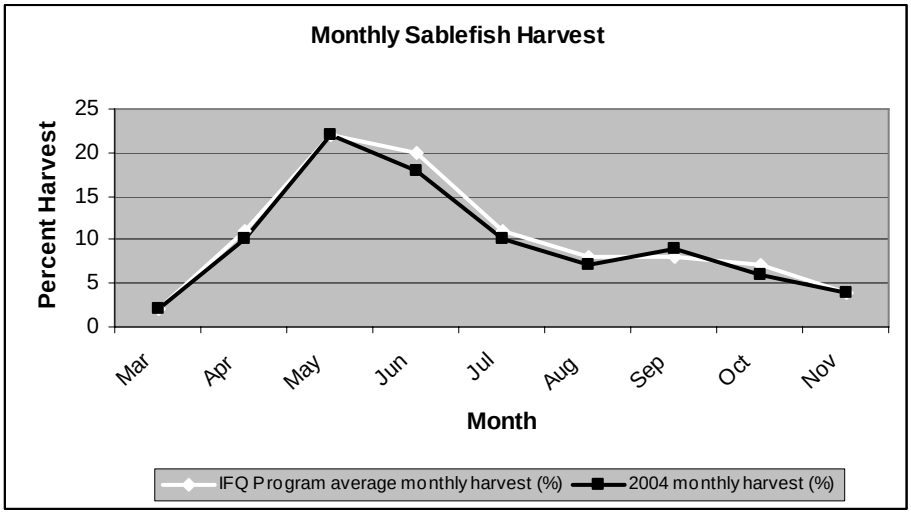

Figure 2.2 Average Monthly IFQ Sablefish Harvest (1995–2004) and 2004 Monthly Sablefish Harvest (percent)

ALASKA'S TOP TEN PORTS

Halibut

This table displays the top ten Alaska ports in which IFQ halibut were landed. These top ports have remained relatively constant over the past ten years, while the percentage of IFQ halibut landed outside Alaska has steadily decreased. Note that in 2004 Sand Point held onto its mid-positioned ranking of 5th among the top ten ports and Hoonah reclaimed its top ten standing. Eleventh port during 2004, Cordova barely missed inclusion in the top ten ports.

Table 2.3 Top ten Alaska halibut ports, 1995–2004

Port	2004 Net lbs Landed[a]	2004 Percent Landed	2004 Rank	2003 Rank	2002 Rank	2001 Rank	2000 Rank	1999 Rank	1998 Rank	1997 Rank	1996 Rank	1995 Rank
Homer	10,666,315	18.6	1	1	1	1	1	1	1	3	2	2
Kodiak	8,509,514	14.9	2	2	2	2	2	2	2	1	1	1
Seward	7,011,365	12.2	3	3	3	4	4	3	3	4	3	5
Dutch/Unalaska	4,231,832	7.4	4	4	4	3	3	4	4	2	4	4
Sand Point	3,980,206	7.0	5	5	5	11	10	14	13	13	15	15
Sitka	3,660,390	6.4	6	6	7	5	6	6	5	5	5	3
Juneau	3,270,697	5.7	7	7	6	6	5	5	7	8	8	13
Petersburg	2,965,400	5.2	8	8	8	7	7	7	6	6	6	6
Hoonah	2,012,725	3.5	9	11	11	9	12	9	8	7	7	7
King Cove	1,726,482	3.0	10	9	13	14	9	13	13	10	11	11
All Ports[b]	***57,266,620***	NA										

[a] Halibut weights are in net (headed and gutted) pounds.

[b] "All ports" includes additional Alaska landing locations and all locations outside Alaska.

Sablefish

As the following table displays, the top ten Alaska ports in which IFQ sablefish were landed have remained relatively constant over the past ten seasons. Note that since fishing year 1995, Sand Point has risen in rank from twelfth to sixth, showing the highest gain in port rating for current top ten ports.

Table 2.4 Top ten Alaska sablefish ports, 1995–2004

Port	2004 Round lbs[a] Landed	2004 Percent Landed	2004 Rank	2003 Rank	2002 Rank	2001 Rank	2000 Rank	1999 Rank	1998 Rank	1997 Rank	1996 Rank	1995 Rank
Seward	7,733,164	23.0	1	1	1	1	1	1	1	1	1	1
Sitka	4,641,800	13.8	2	3	3	3	3	2	2	2	2	2
Dutch/Unalaska	4,390,847	13.0	3	2	2	2	2	4	4	4	4	3
Kodiak	2,763,289	8.2	4	5	5	4	4	3	3	3	3	4
Homer	2,656,840	7.9	5	4	4	5	6	5	6	9	8	9
Sand Point	1,793,695	5.3	6	7	9	12	13	12	12	11	11	12
Cordova	1,773,633	5.3	7	6	8	6	9	9	10	7	7	8
Juneau	1,460,708	4.3	8	9	6	7	5	7	7	8	13	9
Petersburg	1,350,344	4.0	9	8	7	9	10	8	9	10	5	7
Hoonah	1,105,879	3.3	10	10	11	8	8	10	8	6	9	10
All Ports[b]	***33,695,316***	NA										

[a] Sablefish weights are in round pounds.

[b] "All ports" includes some additional Alaska landing locations and all locations outside Alaska.

HIRED SKIPPER ACTIVITY

A central policy of the IFQ Program is that those who hold catcher-vessel QS and receive annual IFQ permits should, over time, exercise the harvest privilege themselves. This is the so-called "owner-onboard" policy, which does not apply to "freezer vessel" (category "A") shares that may be leased without restriction. The IFQ Program is designed so that eventually all catcher-vessel IFQ will be fished by the QS/IFQ holders.

An element of the program is that, during a transitional period, some persons may (and others must) designate a "master" (or "hire a skipper") to do the fishing authorized by their annual IFQ permit. Under current regulations, the IFQ permitholder may not hire a skipper unless the permitholder holds an ownership interest of at least 20 percent of the vessel upon which the IFQ is to be fished by that skipper (an exception to this rule results in a small number of IFQ permitholders allowed to hold less than 20 percent). One way of looking at this provision is that it is a "grandfather" provision—vessel owners who, before the IFQ Program was implemented, were able to hire someone else to run the boats they owned may continue to do so. However, as individuals depart from the fishery, and as corporations and partnerships dissolve over time, the new entrants who take their place must be onboard when the fish are caught.

During the 2004 IFQ season, 314 distinct skippers participated in the fishery. A total of 276 Hired Skippers harvested 21,820,614 pounds of IFQ halibut (head off, gutted), which was 37 percent of the halibut IFQ TAC and 38 percent of all IFQ halibut weight landed. Also during the season 190 Hired Skippers harvested 18,694,066 round pounds of IFQ sablefish, which was 49 percent of the sablefish IFQ TAC and 55 percent of all IFQ sablefish weight landed.

EFFECTS OF UNDER- AND OVERFISHING OF ANNUAL IFQ PERMITS ON FUTURE YEAR PERMITS

IFQ regulations provide for administrative adjustment of IFQ permits because of under- and overfishing QS the prior year. If IFQ pounds remain unfished, a "use it or lose it" provision limits the amount of poundage that may be carried over to the following year. If a person exceeds a permit by a small percentage, the next year the QS holder may see a permit account debit; since 1998 a large permit overage results in enforcement action without future administrative adjustment. Therefore, the debit or credit adjustment to the QS holder's permit may be less than the actual number of pounds that were under- or overfished the prior year.

NMFS applies administrative adjustments at the beginning of each fishing year when annual IFQ accounts are created and IFQ pounds are allocated to QS holders. Administrative adjustments "follow the QS" so that the adjustment is applied to the permit of the person(s) who, at the beginning of a year, holds the QS associated with the IFQ that was under- or overfished the prior year.

The following tables show the net adjustments to IFQ halibut and sablefish permits from under- and overfished IFQ pounds during 2004, including adjustment *averages* from 1996 through 2004. "Net adjustment" is the sum of all credits and debits applied to all IFQ permits.

In every year since the beginning of the program, underfishing has exceeded overfishing, resulting in net positive adjustments to IFQ permits. In 2004 this trend continued; had all additional adjustment pounds been harvested with no underfishing, the allotted annual IFQ TACs

would have been exceeded by the pounds and percentages indicated in tables. Tables 2.5 and 2.6 summarize past adjustments and their effects on IFQ permit amounts.

Table 2.5 Net Adjustments to IFQ halibut permits with yearly averages, derived from under- and overfishing of prior year permits

Species/category	2004	Averages 1996[a]–2004
Halibut[b] All areas net adjustment	613,928	967,747
All areas annual IFQ TAC	58,942,000	54,578,444
All areas percentage by which TAC could be exceeded	1%	2%

[a] The IFQ Program started in 1995; the first adjustments were made to 1996 annual IFQ permits.

[b] Halibut data are in net weight (head off, gutted) pounds.

Table 2.6 Net Adjustments to IFQ sablefish permits with yearly averages, derived from under- and overfishing of prior year permits

Species/category	2004	Averages 1996[a]–2004
Sablefish[b] All areas net adjustment	861,311	600,604
All areas annual IFQ TAC	37,936,756	31,532,100
All areas percentage by which TAC could be exceeded	2%	2%

[a] The IFQ Program started in 1995; the first adjustments were made to 1996 annual IFQ permits.

[b] Sablefish data are in round weight pounds.

REGISTERED BUYERS

An IFQ Registered Buyer (RB) must report landings of IFQ halibut and sablefish, and must do so electronically, using a real-time Internet reporting system. Real-time accounting of individual harvests contributes significantly to accurate management of each IFQ holder's IFQ accounts. In 2004, 83 percent of approximately 11,600 Landing Report transactions were reported electronically. Tables 2.7 and 2.8 display the number and types of Registered Buyer permits issued by RAM for 2004 and the number of Registered Buyers who reported landings this fishing season.

Table 2.7 Number and type of Registered Buyer permits, 2004

Type of Registered Buyer[a]	Permits Issued	RBs Reporting Landings	Percent Reporting Landings[b]
Buyer-Broker	105	39	37
Catcher-Seller	315	78	25
Retail	47	19	40
Mothership	7	2	29
Tender	16	5	31
Catcher-Processor	93	31	33
Restaurant	19	5	26
Shoreplant	124	79	64
Other	31	5	16
Total (not additive)	***567***	***194***	***34***

[a] Permit applicants select all relevant "Types of Registered Buyer" operations; as a result, numbers are not additive across types.

[b] Because percentages are rounded, they may differ slightly from actual data.

Table 2.8 Mean pounds and landings by Registered Buyer and species, 2004

Species	Registered Buyers Reporting Landings	Mean Pounds
Halibut	157	362,432
Sablefish	88	382.901

NOAA IFQ ENFORCEMENT ACTIVITIES

Partners

The U.S. Coast Guard and the National Marine Fisheries Service (NMFS) Office for Law Enforcement (OLE) enforce the regulations that govern fishing under the IFQ program. In addition, OLE has created a partnership with the State of Alaska Department of Public Safety through Joint Enforcement Agreements (JEAs). These JEAs provide a mechanism for state enforcement personnel to assist OLE in enforcing IFQ and other federal fishing regulations. More detailed enforcement information is available online at www.nmfs.noaa.gov/ole .

Joint Enforcement Agreements (JEAs)

The Alaska State Troopers continued to assist OLE by using their Troopers and Public Safety Technicians to carry out dockside boardings and inspections and at-sea patrols, using their aircraft and patrol vessels. The State conducts these duties under authority through a Cooperative Enforcement Agreement and is funded through JEAs. Following is a brief summary of cooperative trooper effort in the 2004 season. IFQ is included but not separated out in these totals.

Table 2.7 Trooper JEA enforcement, 2004

Trooper Enforcement Activities	Number of Offenses
Vessels Boarded	141
Federal Violations detected	55
State Violations Detected	17
Fishermen Contacted	483

Duties

The Seventeenth Coast Guard District also monitors offloads and provides after-hours surveillance. Generally OLE focuses its enforcement effort shoreside, while the Coast Guard focuses its efforts at sea. The OLE is primarily responsible for offload monitoring, accounting for IFQ shipments, and investigating fraud and other illegal activities.

In the 2004 season crime prevention and community involvement continued at all levels of the industry, from shoreside processors to catcher vessels, to promote regulatory outreach and education. During 2004 OLE and their JEA partners conducted 430 IFQ dockside boardings.

IFQ Violations in 2004

In 2004, agents and officers spent 8,697 hours for enforcement of the IFQ program. This is down from the 2003 fishing season's 10,335 IFQ program hours. Since September 11, 2001, much demand has been placed on aerial surveillance that, to some extent, affects dockside effort. Between July 1, 2004 and September 30, 2004, IFQ violations fell into 7 categories, with civil penalties costing IFQ permitholders $93,212.

Table 2.8 displays these IFQ violation categories and the number and percentage of cases in each one. These violations reflect only NMFS records; U.S. Coast Guard's recorded violations reflect separate data and effort.

Table 2.8 NMFS (OLE) violation cases for IFQ halibut and sablefish, by type, number, and percent for fishing season 2004

Violation Type	Number of IFQ violations	Percent[a] of total cases
Fishing illegally with no halibut IFQ	2	.2
Failure to have the IFQ permitholder onboard	2	.2
Fraudulent logbook entries	1	.1
Landing with no prior notice (PNOL)	2	.2
Unreported halibut fillets onboard (home-packing)	1	.1
Halibut overage	18	2
Sablefish overage	8	.9

[a] During fishing year 2004, NMFS enforcement opened 923 fishing violation cases.

U.S. COAST GUARD VESSEL SAFETY AND ENFORCEMENT

IFQ Fishing Vessel Safety

During 2004 the Coast Guard issued 25 violations, involving 20 IFQ fleet vessels. In the 2004 IFQ fleet, 8 fishing trips were terminated due to safety concerns, 5 involving life raft discrepancies, 2 for insufficient survival suits, and 1 for insufficient fire extinguishers. The table below compares the 2004 fishing year violations with those in 2003.

Table 2.9 IFQ fleet safety violations by type and number, 2003–2004

2004 Violation Types	2004 Violations	2003 Violations
Expired/missing life raft/hydro[a]	6	11
Insufficient visual distress signals	6	7
Expired EPIRB[b]/Hydro	4	8
Insufficient/expired fire extinguishers	3	5
Insufficient survival suits	2	3
Unserviceable/missing life ring	1	6
Exposed hazards	1	3
No marine sanitation device	1	2
No sound-producing device	1	1

[a]A hydro, or HRU, is a hydrostatic release unit that holds life rings or an Emergency Position Indicating Radio Beacon (EPIRB). If a vessel takes on water, a wet "hydro" releases what it is holding to let it rise to the water's surface.

[b]An EPIRB is an emergency device that uses a radio signal to alert satellites or passing airplanes to a vessel's position.

2004 Search and Rescue (SAR)

A positive aspect of the IFQ system is that participants are no longer caught up in derby conditions, which lessens the number of SAR cases. IFQ SAR statistics in 2004 reflect a decrease from previous years. In fact, no vessels were lost in 2004.

Although no vessels sank in 2004 and SAR cases were reduced to 2 (down from 10 cases in 2003), the fleet suffered 2 fatalities in two SAR cases. These occurred while the vessels were engaged in the halibut or sablefish fisheries.

The Coast Guard continues to aggressively enforce lifesaving gear and training regulations to continue this downward trend of SAR cases. Figure 2.3 displays the IFQ search and rescue (SAR) safety record during the last 6 years.

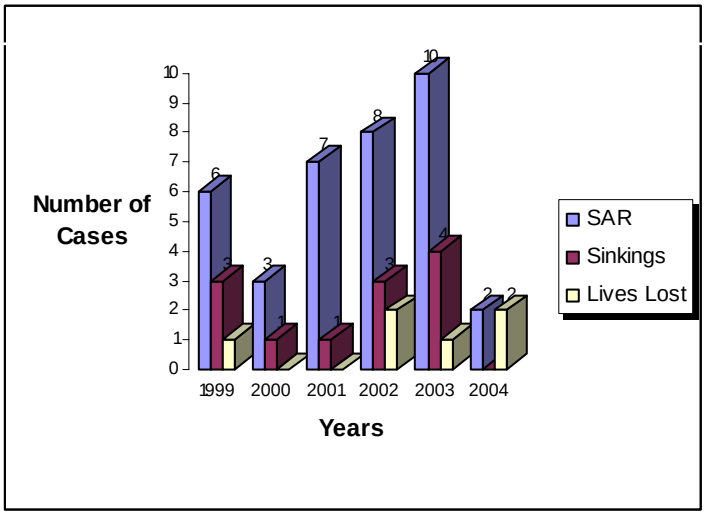

Figure 2.3 IFQ Search and Rescue Cases, 1999–2004

Planning Toward Safety and Compliance

The Coast Guard planned to emphasize the following activities in 2005:

- ✓ focus on at-sea boardings and patrols
- ✓ ensure distribution of presence reflects fishing effort
- ✓ direct attention toward significant violations
- ✓ continue coordination with NMFS Enforcement

SECTION 3

THE 2004 IFQ SEASON BY THE NUMBERS

INTRODUCTION

One way of assessing the performance of a program that restricts access to fisheries is to quantify as many elements as possible and report these data to the fleet, the public, fisheries managers, and policymakers. That is this section's purpose.

Quite simply, these data reflect the decisions of thousands of quota shareholders—decisions to appeal determinations, to buy or sell quota share, to fish or join with other quota shareholders on a vessel. We report these data generally without comment, allowing only the numbers to speak.

On the following pages, we present information on appeals, consolidation of quota shareholders and of vessels, "IFQ crewmembers" who have entered the fishery after the IFQ Program began, vessel participation, and updates from the North Pacific Loan Program.

DETERMINATIONS AND APPEALS

The Office of Administrative Appeals (OAA) adjudicated most initial issuance appeals prior to 2004. Infrequently, RAM receives an inquiry about eligibility for initial QS or other program features. Table 3.1 provides the cumulative status of IFQ appeals. The three most common causes of appeal have been basic eligibility, vessel owner/lease conflicts, and untimely applications. During 2004, no new appeals were filed, and by year-end only 1 case was pending. From the beginning of the IFQ Program through 2004, constituents have filed 189 appeals with the OAA. For more information on published OAA decisions, visit the OAA online at www.fakr.noaa.gov/appeals .

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Table 3.1 Status of IFQ Appeals, 1994–2004

Cumulative status of IFQ appeals as of year-end 2004	Number
Decisions Issued (final determinations)	159
Appeal Settled or Dismissed (Final Determination)	29
Appeals Pending	1
New Appeals Filed in 2004	0
Total IFQ Appeals[a]	***189***

[a]Cases are counted once and for each case this table displays only the most recent OAA actions.

APPEALS OF FINAL AGENCY ACTIONS

A Decision of the OAA becomes a Final Agency Action 30 days after it is published. An appellant may appeal a Final Agency Action to the federal courts and 11 have done so in IFQ cases. Table 3.2 lists the status of those appeals.

Table 3.2 Status of appeals to federal courts, year-end 2004

Case Title (Nature of Dispute)	Status of Appeal
Dell v. NMFS (Lease/Ownership)	Ninth Circuit Court Judgment for Defendant (NMFS)
Smee v. NMFS (Lease/Ownership)	Ninth Circuit Court Judgment for Defendant (NMFS)
Cole v. NMFS (Lease/Ownership)	Ninth Circuit Court Judgment for Defendant (NMFS)
Gates v. NMFS (Lease/Ownership)	Ninth Circuit Court Judgment for Defendant (NMFS)
West v. NMFS (Ownership Conflict)	District Court Judgment for Appellant (West)
Foss v. NMFS (Untimely Application)	Ninth Circuit Court Judgment for Defendant (NMFS)
Pancratz v. NMFS (Transfer)	Pancratz appealed a NMFS October 2001 approval of QS transfers and subsequent refusal to void the approved QS transfer applications and return the QS or to reimburse the appellant for the value of the QS. In 2002 the appellant filed a Complaint for Injunctive Relief and Damages and a motion for Temporary Restraining Order and Preliminary Injunction against RAM and NMFS in U.S. District Court.
Prowler/Ocean Prowler Partnerships v. NMFS (Ownership Conflict)	District Court Partial Summary Judgment for Defendant (NMFS); Partial Remand. On remand, agency denial was affirmed; to date, the decision has not been reappealed to the federal courts.
Prowler/Ocean Prowler Partnerships v. NMFS (Landings)	Ninth Circuit Court Judgment for Defendant (NMFS)
Petticrew v. NMFS (Regulation Challenge)	Settled prior to Judgment
Ward's Cove v. NMFS (Regulation Challenge)	9th Circuit Court Judgment for Appellant (Ward's Cove Packing)

QUOTA SHARE TRANSFER ACTIVITY

Table 3.3 displays a summary of QS/IFQ transfer activities (numbers of approved transfer applications) from the beginning of the program in late 1994 through year-end 2004. The table displays transfers for halibut and sablefish, and both species combined.

Table 3.3 Numbers of approved QS/IFQ Transfers 1995–2004[a]

Species	Transfer Type	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Halibut	Regular QS/IFQ	1,218	1,397	1,002	544	631	556	588	509	560	494
	IFQ Only (lease)	31	61	52	43	39	49	48	51	39	33
	Sweep-up of Small Blocks	31	63	441	147	154	71	92	62	73	104
	Total–Halibut Transfers	***1,279***	***1,521***	***1,498***	***730***	***800***	***676***	***728***	***622***	***672***	***631***
Sablefish	Regular QS/IFQ	352	351	388	184	238	220	200	174	264	149
	IFQ Only (lease)	76	51	50	57	53	79	67	60	56	47
	Sweep-up of Small Blocks	15	20	82	33	24	29	19	18	25	10
	Total–Sablefish Transfers	***443***	***422***	***521***	***275***	***312***	***328***	***286***	***252***	***345***	***206***
Both Species	Regular QS/IFQ	1,570	1,748	1,390	728	869	776	788	683	824	643
	IFQ Only (lease)	107	112	102	100	92	128	115	111	95	80
	Sweep-up of Small Blocks	46	83	523	180	178	100	111	80	98	114
	Total–All Transfers[b]	***1,723***	***1,943***	***2,015***	***1,008***	***1,139***	***1,004***	***1,014***	***874***	***1,017***	***837***

[a] Transactions reflect calendar year activity.

Tables 3.4 and 3.5 summarize the transfer of QS/IFQ between Alaskans and Non-Alaskans. The distributive effects of the transfers summarized below have not been dramatic (at least with respect to net gains and losses of QS/IFQ by Alaskans compared with Non-Alaskans).

Additional information on changes in QS holdings and consolidation in the halibut and sablefish fisheries are on our website at www.fakr.noaa.gov.

Table 3.4 Changes in halibut QS holdings between initial issuance and year-end 2004

	Initially Issued [a]				Issued as of year-end 2004			
	Alaskan[b]		Non-Alaskan[b]		Alaskan		Non-Alaskan	
Area	Number of Persons	QS Units	Number of Persons	QS Units	Number of Persons	QS Units	Number of Persons	QS Units
2C	1,971	49,265,458	417	10,293,932	1,167	49,950,989	233	9,570,347
3A	2,436	118,591,502	636	66,843,449	1,447	110,453,387	415	74,095,318
3B	780	28,061,266	277	26,159,470	378	26,250,625	172	27,943,160
4A	376	7,065,931	155	7,485,405	173	6,399,239	102	8,187,413
4B	80	3,242,733	73	6,050,658	50	3,091,692	57	6,193,082
4C	48	2,199,603	32	1,769,583	37	1,833,295	25	2,175,291
4D	22	665,856	46	4,168,808	15	1,526,562	34	3,431,688
4E	98	127,392	6	12,607	94	125,944	8	13,827
Total unique Persons[c]	***3,976***		***854***		***2,656***		***659***	

[a] "Initially Issued" means QS that is initially issued to its first holder. Initial issuance was accomplished primarily at the beginning of the IFQ program but continued because of adjudicated appeals.

[b] Designation of "Alaskan" or Non-Alaskan" is premised on holders' self-reported business mailing address; NMFS/RAM makes no effort to verify residency. Changes over time between "Alaskan" and "Non-Alaskan" QS holdings result from QS transfers and QS holders' address changes. Persons without known addresses are excluded from this table.

[c] The number of QS holders is not additive across areas or species. "Total Unique Persons" represents the number of QS holders for each species.

Table 3.5 Changes in sablefish QS holdings between initial issuance and those issued in 2004

	Initially Issued[a]				Issued as of Year-end 2004			
	Alaskan[b]		Non-Alaskan[b]		Alaskan		Non-Alaskan	
Area	Number of Persons	QS Units	Number of Persons	QS Units	Number of Persons	QS Units	Number of Persons	QS Units
AI	49	7,112,625	87	24,405,551	30	9,648,844	67	22,262,591
BS	62	7,090,226	82	11,514,928	49	6,228,573	63	12,531,017
CG	395	43,422,477	247	68,055,072	239	42,023,299	184	69,658,869
SE	466	42,774,622	247	23,734,199	294	43,583,687	166	22,534,726
WG	107	8,523,462	125	27,562,419	68	9,442,580	102	26,585,130
WY	250	18,494,619	205	34,938,242	139	17,499,510	139	35,765,895
Total unique Persons[c]	***720***		***332***		***530***		***345***	

[a]"Initially Issued" means QS that is initially issued to its first holder. Initial issuance was accomplished primarily at the beginning of the IFQ program but continued because of adjudicated appeals.

[b]Designation of "Alaskan" or Non-Alaskan" is premised on holders' self-reported business mailing address; NMFS/RAM makes no effort to verify residency. Changes over time between "Alaskan" and "Non-Alaskan" QS holdings result from QS transfers and QS holders' address changes. Persons without known addresses are excluded from this table.

[c]The number of QS holders is not additive across areas or species. "Total Unique Persons" represents the number of QS holders for each species.

TRANSFER ELIGIBILITY CERTIFICATES (TECs)

Besides the GOA Community Program, eligibility to receive catcher vessel QS by transfer is restricted to those persons who received QS by initial issuance and those individuals who can demonstrate they have served as a member of the harvesting crew in any U.S. fishery for no fewer than 150 days. Those individuals are designated as "IFQ Crewmembers" and receive Transfer Eligibility Certificates (TECs) from RAM.

Table 3.6 displays the number of TECs issued by state of residence to IFQ crewmembers since the program began in 1994. It also shows how many of those IFQ crewmembers were holding QS at
year-end 2004. For the same period, Table 3.7 shows quota held by IFQ crewmembers by species, area, and residence.

Table 3.6 Summary of TEC (IFQ Crewmember) issuance 1994–2004 and crewmembers holding QS 2004

Residency	Crewmember TECs Issued 1994–2004	Crewmembers holding QS/IFQ year-end 2004
Alaskan[a]	1,870	823
Non-Alaskan	748	289
Total[b]	***2,618***	***1,112***

[a] Designation of "Alaskan" and "Non-Alaskan" is premised on the applicant's most recent self-reported address.

[b] Persons without known addresses are excluded from this table.

Table 3.7 Quota held by IFQ Crewmembers by species, area, and residence, year-end 2004[a]

Species/Area		Alaskan IFQ Pounds[b]	Non-Alaskan IFQ Pounds	Total 2004 IFQ Pounds[c]	Percent Area TAC[d]
Halibut	2C	2,325,443	658,670	2,984,113	28
	3A	3,745,896	1,735,799	5,481,696	22
	3B	2,243,594	1,418,278	3,661,872	24
	4A	468,889	492,555	961,443	28
	4B	199,195	373,339	572,534	26
	4C	125,580	124,791	250,372	29
	4D	70,090	179,237	249,326	21
Halibut total[e]		***9,178,687***	***4,982,669***	***14,161,356***	***24 (% halibut TAC)***
Sablefish	AI	15,698	1,040,857	1,056,554	26
	BS	254,863	437,385	692,248	27
	CG	646,431	937,462	1,583,892	12
	SE	946,083	770,654	1,716,737	21
	WG	198,912	303,906	502,818	10
	WY	214,161	341,360	555,520	11
Sablefish total[e]		***2,276,148***	***3,831,624***	***6,107,769***	***16 (% sablefish TAC)***

[a] An "IFQ Crewmember" is an individual who did not receive QS/IFQ by initial issuance, but who applied for, and was issued, a TEC.

[b] Designation of "Alaskan" or Non-Alaskan" is premised on holders' self-reported business mailing address; NMFS/RAM makes no effort to verify residency.

[c] Pounds derive from QS held and are not adjusted by prior year fishing activity.

[d] TAC amounts are listed in Table 1.1

[e] Persons without known addresses are excluded from this table.

INTERESTS AGAINST QS

Since mid-1995, RAM has informally recorded claimed interests against QS on behalf of creditors. Most lending institutions take advantage of this service, although there is no legal requirement to do so, and these notations do not legally perfect the creditors' legal interest in the QS.

Table 3.8 shows, by species and type of creditor, the number of interests that RAM recorded as of year-end 2004. Note this table displays the number of interests filed against identifiable QS ranges (blocks, ranges of unblocked QS) and not against quota shareholders.

Table 3.8 Asserted interests recorded by RAM against QS ranges, year-end 2004[a]

Type of Person Asserting Interest	Halibut	Sablefish	Total Number of Asserted Interests[b,c]
Private Banks (and CFAB/credit unions)	912	461	1,373
State of Alaska (Division of Investments)	277	85	362
State of Alaska/WA Child Support	5	5	10
Private Lenders (other than banks)	238	125	363
CDQ Groups	14	4	18
NMFS Financial Services Branch	236	97	333
Internal Revenue Service	27	3	30
Total—All NMFS Recorded Interests	***1,709***	***780***	***2,489***

[a] Table displays interests voluntarily reported to RAM; interests may be recorded in other venues.

[b] More than one person may have reported an interest against the same range of QS units.

[c] An interest is counted once for each range of QS units for which it is reported.

CONSOLIDATION OF QS

Over time in the IFQ program, QS has consolidated into the hands of fewer persons than the number that received QS by initial issuance. The following tables show, by area and size of holding, how transfer activities have led to consolidation of QS. In these tables, the area data are not additive; quota shareholders may (and many do) hold QS in more than one administrative area for both halibut and sablefish. Also the number of persons holding QS that yields IFQ of differing amounts has changed from the report published in 2003. These minor changes result from two causes:

- tables are updated to include those who received QS through settlements and appeal determinations; and
- to make data comparable over time, tables display the number of quota shareholders using pound equivalents; this report uses 2004 IFQ pound equivalents for all years.

Table 3.9 Consolidation of halibut QS, initial issuance through year-end 2004 by numbers of persons holding halibut QS by area and size of holdings, expressed in 2004 IFQ pounds

Area [a,b]	Size of Holding 2004 IFQ lbs	Initial Issuees	Holders 1995[c]	Holders 1996	Holders 1997	Holders 1998	Holders 1999	Holders 2000	Holders 2001	Holders 2002	Holders 2003	Holders 2004
2C	3,000 or less	1,445	1,263	1,068	922	873	818	786	750	726	682	627
	3,001–10,000	632	523	482	477	469	459	447	441	431	434	433
	10,001–25,000	268	288	285	273	271	269	271	264	275	272	276
		43	51	60	69	72	77	78	81	79	78	77
	2C Total	***2,388***	***2,125***	***1,895***	***1,741***	***1,685***	***1,623***	***1,582***	***1,536***	***1,511***	***1,466***	***1,413***
3A	3,000 or less	1,757	1,553	1,364	1,201	1,108	1,033	983	936	905	856	798
	3,001–10,000	655	557	503	485	489	477	471	468	474	473	475
	10,001–25,000	369	357	361	357	352	349	349	348	340	342	331
	over 25,000	290	286	287	295	293	297	295	297	298	293	293
	3A Total	***3,071***	***2,753***	***2,515***	***2,338***	***2,242***	***2,156***	***2,098***	***2,049***	***2,017***	***1,964***	***1,897***
3B	3,000 or less	454	406	321	239	204	180	168	151	143	132	120
	3,001–10,000	254	222	187	143	128	112	101	94	88	89	83
	10,001–25,000	173	152	136	143	145	141	145	148	148	157	155
	over 25,000	175	175	180	184	188	197	195	193	198	199	199
	3B Total	***1,056***	***955***	***824***	***709***	***665***	***630***	***609***	***586***	***577***	***577***	***557***

Continued

Table 3.9 Continued

Area [a,b]	Size of Holding 2004 IFQ lbs	Initial Issuees	Holders 1995[c]	Holders 1996	Holders 1997	Holders 1998	Holders 1999	Holders 2000	Holders 2001	Holders 2002	Holders 2003	Holders 2004
4A	3,000 or less	303	261	228	186	162	143	129	110	104	98	99
	3,001–10,000	128	111	97	84	82	80	72	66	68	64	63
	10,001–25,000	62	63	64	62	62	66	66	72	73	72	68
	over 25,000	38	42	46	47	48	48	48	47	45	48	50
	4A Total	***531***	***477***	***435***	***379***	***354***	***337***	***315***	***295***	***290***	***282***	***280***
4B	3,000 or less	41	40	34	31	26	20	20	17	18	17	18
	3,001–10,000	53	49	50	41	42	38	35	35	27	29	26
	10,001–25,000	32	31	31	32	30	30	30	30	33	33	34
	over 25,000	26	25	26	26	26	29	28	30	30	29	29
	4B Total	***152***	***145***	***141***	***130***	***124***	***117***	***113***	***112***	***108***	***108***	***107***
4C	3,000 or less	25	25	24	25	21	21	19	15	15	15	15
	3,001–10,000	30	30	28	24	23	22	20	15	14	14	14
	10,001–25,000	16	15	18	17	17	17	18	20	20	22	22
	over 25,000	10	10	10	11	11	11	12	12	12	12	12
	Total 4C	***81***	***80***	***80***	***77***	***72***	***71***	***69***	***62***	***61***	***63***	***63***
4D	3,000 or less	11	11	10	9	8	7	5	5	3	3	3
	3,001–10,000	21	21	20	17	14	13	12	10	10	11	11
	10,001–25,000	25	23	26	17	18	16	19	19	19	16	16
	over 25,000	12	12	12	16	16	17	16	16	16	19	19
	4D Total	***69***	***67***	***68***	***59***	***56***	***53***	***52***	***50***	***48***	***49***	***49***
All	3,000 or less	2,515	2,370	2,158	1,883	1,778	1,663	1,603	1,532	1,482	1,410	1,311
	3,001–10,000	1,148	987	910	868	864	852	843	833	829	818	799
	10,001–25,000	656	637	630	615	605	603	600	591	587	592	593
	over 25,000	510	516	529	547	548	559	562	579	591	598	599
	Total All Areas (Unique Persons)	***4,829***	***4,510***	***4,227***	***3,913***	***3,795***	***3,677***	***3,608***	***3,535***	***3,489***	***3,418***	***3,302***

[a] Halibut data do not include Area 4E; there is no IFQ allocation for that area.
[b] The area data in the table are not additive; QS holders may hold QS in more than one administration area.
[c] All years are calculated using 2004 pound equivalents.

Table 3.10 Consolidation of sablefish QS, initial issuance through year-end 2004 by numbers of persons holding QS by area and size of holdings, expressed in 2004 IFQ pounds

Area[a]	Size of Holding 2004 IFQ lbs	Initial Issuees	Holders 1995[b]	Holders 1996	Holders 1997	Holders 1998	Holders 1999	Holders 2000	Holders 2001	Holders 2002	Holders 2003	Holders 2004
AI	5,000 or less	54	49	49	44	42	40	32	30	30	28	28
	5,001–10,000	21	19	19	18	19	19	18	15	14	13	13
	10,001–25,000	20	21	23	23	19	19	20	18	18	18	22
		40	35	39	39	39	34	34	34	36	36	35
	AI Total	***135***	***124***	***130***	***124***	***119***	***112***	***104***	***97***	***98***	***95***	***98***
BS	5,000 or less	63	58	58	53	52	52	48	49	45	45	45
	5,001–10,000	31	32	26	25	24	24	21	21	21	18	18
	10,001–25,000	21	18	20	22	22	23	22	20	21	20	20
	over 25,000	30	29	31	30	30	28	28	27	27	31	31
	BS Total	***145***	***137***	***135***	***130***	***128***	***127***	***119***	***117***	***114***	***114***	***114***
CG	5,000 or less	339	306	282	237	226	214	205	195	186	182	180
	5,001–10,000	62	53	43	38	40	39	37	37	39	36	37
	10,001–25,000	88	86	84	81	75	70	68	73	71	74	73
	over 25,000	154	141	142	136	136	135	138	138	141	141	139
	CG Total	***643***	***586***	***551***	***492***	***477***	***458***	***448***	***443***	***437***	***433***	***429***
SE	5,000 or less	369	316	284	231	211	194	192	180	174	169	162
	5,001–10,000	105	96	81	76	72	74	72	73	71	74	78
	10,001–25,000	141	140	141	138	134	128	122	122	120	109	104
	over 25,000	100	102	103	104	107	108	110	111	116	118	120
	SE Total	***715***	***654***	***609***	***549***	***524***	***504***	***496***	***486***	***481***	***470***	***464***

Continued

Table 3.10 Continued

Area[a]	Size of Holding 2004 IFQ lbs	Initial Issuees	Holders 1995[b]	Holders 1996	Holders 1997	Holders 1998	Holders 1999	Holders 2000	Holders 2001	Holders 2002	Holders 2003	Holders 2004
WG	5,000 or less	106	102	98	86	82	81	73	75	72	70	69
	5,001–10,000	32	28	25	22	20	21	20	21	18	19	19
	10,001–25,000	49	39	39	39	38	36	34	32	33	35	37
	over 25,000	45	47	49	47	48	47	49	49	50	50	48
	WG Total	***232***	***216***	***211***	***194***	***188***	***185***	***176***	***177***	***173***	***174***	***173***
WY	5,000 or less	288	252	227	188	175	159	145	140	139	134	127
	5,001–10,000	48	47	47	47	51	46	48	47	46	45	43
	10,001–25,000	62	56	57	54	55	50	47	51	46	43	43
	over 25,000	58	61	61	61	60	63	63	62	65	65	67
	WY Total	***456***	***416***	***392***	***350***	***341***	***318***	***303***	***300***	***296***	***287***	***280***
All	5,000 or less	500	466	456	403	382	369	360	349	337	319	315
	5,001–10,000	113	106	100	101	103	106	103	106	101	103	102
	10,001–25,000	154	154	153	159	152	149	145	147	148	152	158
	over 25,000	287	281	285	277	282	278	282	288	301	312	310
	Total All Areas[c] (Unique Persons)	***1054***	***1007***	***994***	***940***	***919***	***902***	***890***	***890***	***887***	***886***	***785***

[a] The area data in the tables are not additive; QS holders may hold QS in more than one administrative area.

[b] All years are calculated using 2004 IFQ pound equivalents.

CHANGES IN QS HOLDINGS, INITIAL ISSUANCE TO YEAR-END 2004

Over time, fewer initial issuees have been active in the fishery. As expected, the rate at which they left has decreased. Figure 3.1 shows the percent and number of persons initially issued any type of QS who were holding QS at the end of each year of the IFQ Program.

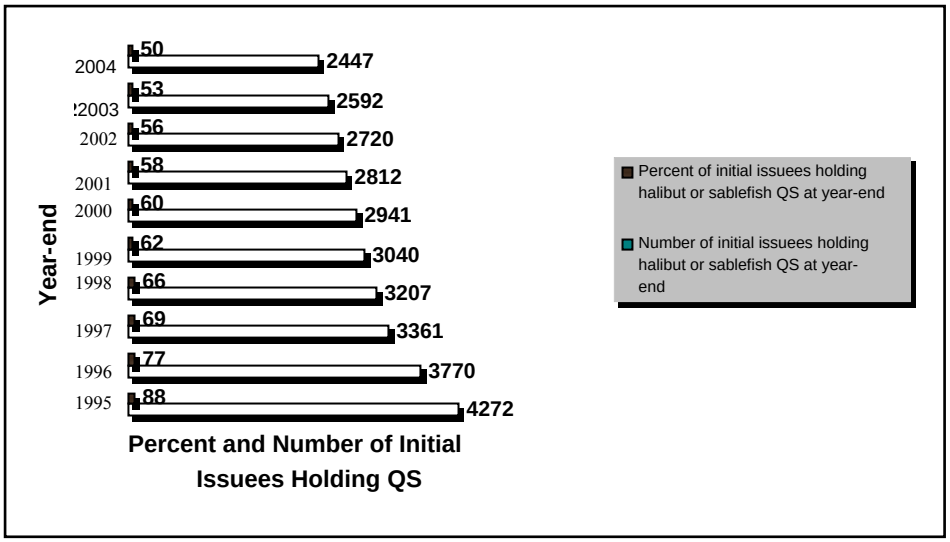

Figure 3.1 IFQ Halibut and Sablefish Initial Issuees, 1995–2004

Figures 3.2a and 3.2b show a decrease over time in numbers of halibut and sablefish QS holders (whether or not holders were initial issuees).

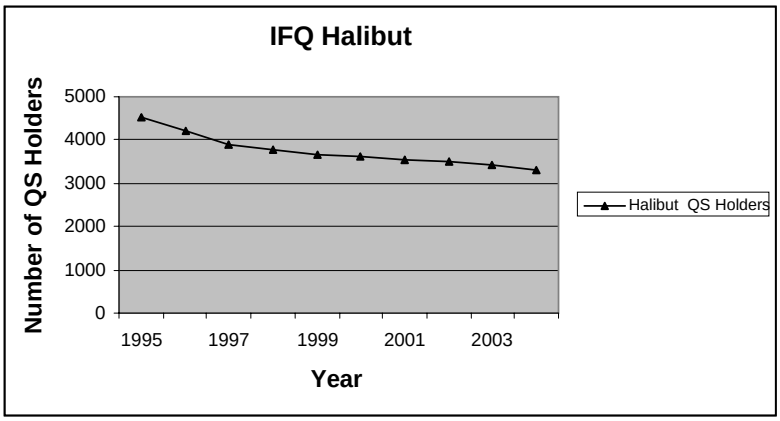

Figure 3.2a Halibut QS Holders, 1995–2004

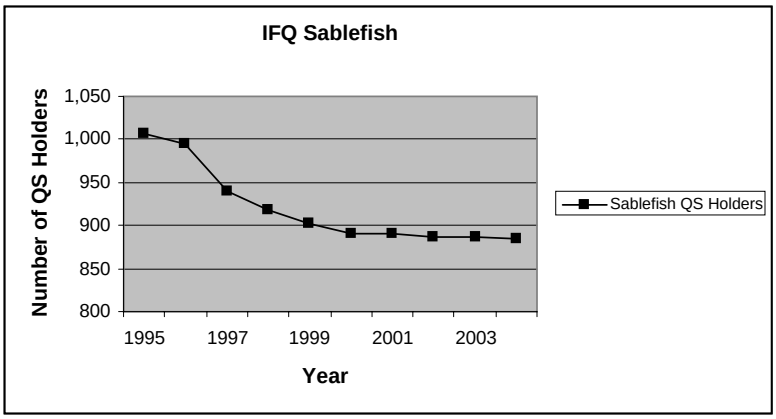

Figure 3.2b Sablefish QS Holders, 1995–2004

VESSEL PARTICIPATION

Tables 3.11 and 3.12 display reductions in the numbers of vessels participating in fixed-gear fisheries under the IFQ program, compared with years just prior to program implementation. In the columns displaying counts of vessels by area, note that the same vessels may have participated in the fishery in different areas. The final rows of data show the total numbers of individual vessels that participated in the fisheries in any regulatory area.

Table 3.11 Number of vessels with halibut harvests by area and year, 1992–2004

Species/ Area	Pre-IFQ Program			IFQ Program									
Halibut	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
2C	1,775	1,562	1,461	1,105	1,029	993	836	840	816	733	713	706	678
3A	1,924	1,529	1,712	1,145	1,104	1,076	899	892	839	802	746	712	696
3B	478	401	320	332	350	357	325	323	340	327	315	328	303
4A	190	165	176	140	147	142	120	121	125	118	119	114	112
4B	82	65	74	57	64	69	47	51	55	52	52	44	42
4C	62	58	64	35	41	46	30	36	35	28	24	24	24
4D	26	19	39	27	33	33	22	29	32	31	32	26	27
Total Vessels	***3,452***	***3,393***	***3,450***	***2,057***	***1,962***	***1,925***	***1,601***	***1,613***	***1,568***	***1,451***	***1,385***	***1,338***	***1,304***

Table 3.12 Number of vessels with sablefish harvests by area and year, 1992–2004

Species/ Area	Pre-IFQ Program			IFQ Program									
Sablefish	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
AI	50	65	61	67	64	56	39	42	43	39	38	44	36
BS	100	85	61	68	64	55	45	44	53	42	47	45	38
CG	613	500	602	347	312	291	260	244	228	225	208	204	192
SE	510	393	488	391	368	339	309	295	280	266	262	250	252
WG	126	47	30	101	97	91	81	77	77	74	74	75	73
WY	275	209	265	243	230	206	188	172	158	146	143	136	136
Total Vessels	***1,166***	***969***	***1,191***	***616***	***565***	***530***	***477***	***463***	***450***	***433***	***415***	***409***	***396***

Figures 3.3a and 3.3b show a consistent pattern of decreasing numbers of vessels in the halibut and sablefish fisheries since the IFQ fishery began in 1995. The figures reveal initial precipitous declines that, as expected, gradually slowed over time.

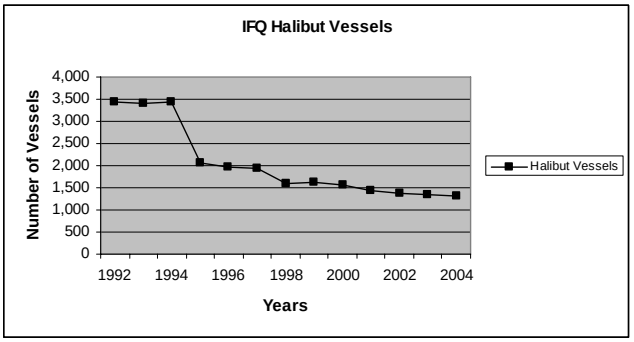

Figure 3.3a Vessel Participation in the IFQ Halibut Fisheries, 1992–2004

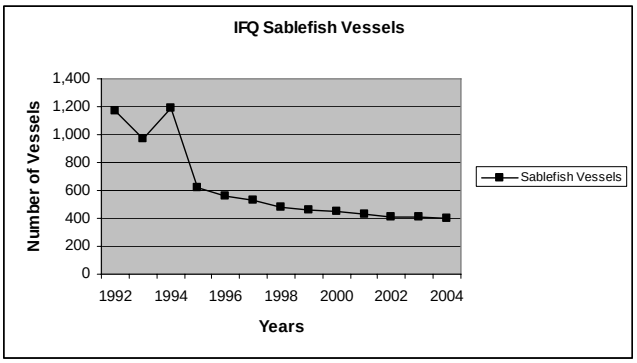

Figure 3.3b Vessel Participation in the IFQ Sablefish Fisheries, 1992–2004

IFQ LOANS

The North Pacific Loan Program

Under the authority of the Magnuson–Stevens Act, the NMFS financial Services Branch in Seattle issues loans to refinance or purchase Quota Share to entry-level fishermen and those fishing from small vessels. Since fiscal year (FY) 1998, congressional appropriations have established a loan fund of $5,000,000 for each fiscal year. The next table displays the number of loans and amounts approved each fiscal year by borrowers' state of residence.

Table 3.13 Status of NMFS loans for purchase of QS/IFQ by residence, fiscal year, amount, and number of loans, 1998–2004

State of Residence	1998	1999	2000	2001	2002	2003	2004	Number of loans	Average loan amount	Total loan amount
Alaska	2,704,749	2,942,881	2,852,759	2,506,978	2,898,348	3,886,000	2,412,042	171	118,151	20,203,757
Arizona				185,000	170,187			2	177,594	355,187
California			260,000				272,178	3	177,393	532,178
Colorado			60,000				150,000	2	105,000	210,000
Florida		360,019						1	360,019	360,019
Georgia	250,000		92,871					2	171,436	342,871
Idaho			80,000	99,564				2	89,782	179,564
Michigan		61,500						1	61,500	61,500
Minnesota					100,000			1	100,000	100,000
Nebraska				200,000				1	200,000	200,000
Nevada					100,000			1	100,000	100,000
Oregon	169,336	205,800	393,000	354,955	100,000	300,000	342,000	14	133,221	1,865,091
S. Dakota							100,000	1	100,000	100,000
Texas							68,780	1	68,780	68.780
Utah	114,808							1	114,808	114,808
Washington	1,761,107	1,429,800	1,261,370	1,570,914	1,631,465	814,000	1,655,000	68	148,887	10,123,656
Wisconsin				65,089				1	65,089	65,089
FY Totals	***5,000,000***	***5,000,000***	***5,000,000***	***4,982,500***	***5,000,000***	***5,000,000***	***5,000,000***	***273***	***$128,141***	***$34,982,500***

SECTION 4

ANNUAL REPORT
IFQ FEE (COST RECOVERY) PROGRAM

COST RECOVERY

Section 304(d)(A) of the Magnuson–Stevens Fishery Conservation and Management Act (MSA), enacted in late 1996, obligates NMFS to recover the "actual costs of managing and enforcing" the IFQ program. The law provides that the fee be paid by IFQ fishermen and premised on the ex-vessel value of fish harvested under the program. The fee cannot exceed 3 percent of the annual ex-vessel value in dollars, goods, and services.

USE OF FUNDS

Receipts from the collection effort are deposited in two accounts. Twenty-five percent (25 percent) of the collections are deposited in the U.S. Treasury. They are available to Congress for annual appropriations to support the North Pacific (IFQ) Loan Program. The other 75 percent is deposited in the "Limited Access System Administrative Fund" (LASAF). Funds in this account are available only to the Secretary of Commerce and must be spent on IFQ program management and enforcement.

REQUIREMENTS AND RESPONSIBILITIES

The program places responsibilities on two categories of participants: 1) IFQ Registered Buyers who are acting as shoreside processors and 2) IFQ permitholders with landings of halibut or sablefish authorized by their permit.

For IFQ Registered Buyers

Registered Buyers acting as shoreside processors must report the price and amount of purchased pounds of halibut and sablefish by species, month, and port. Essential for calculating annual standard ex-vessel prices of IFQ fish, reports are due each year at RAM by October 15 and can be submitted on the Internet or on paper forms.

For IFQ Permitholders

IFQ permitholders are responsible for fees owed for all landings on their permit(s), regardless of whether their IFQ pounds were from their own QS or leased from another quota shareholder and regardless of whether a permitholder or hired skippers made the landings.

Permitholders must pay their fee liability by no later than January 31 of the year after the calendar year of the landings. There are two payment options:

Option 1: Permitholders may pay the amount billed (RAM's calculation of the annual fee owed,

based on standard prices and values) or

Option 2: Permitholders may pay an amount based in whole or in part on actual ex-vessel receipts from the sale of their IFQ halibut or sablefish. If they choose this option, they must be prepared to demonstrate, with written documentation, how much they were paid for those IFQ landings.

RAM Responsibilities

At the end of each IFQ season, RAM is responsible for these actions.

- ✓ compiles a list of all IFQ landings by species, month, and port or port group;
- ✓ uses shoreside Registered Buyer data to calculate a set of standard ex-vessel prices for IFQ fish landed;
- ✓ applies the appropriate standard ex-vessel price to each landing, creating a standard ex-vessel *value* for each landing;
- ✓ sums the total standard ex-vessel values of all landings to derive the total ex-value of the year's IFQ fishery;
- ✓ compiles all costs directly attributable to the IFQ fishery;
- ✓ uses direct program costs and total ex-vessel value to calculate the annual fee percentage; and
- ✓ applies the percentage to the standard ex-vessel values to determine the fee owed for each landing;
- ✓ sums the fees owed for all landings on all IFQ permits held by each person. This final figure is the *annual fee* owed by each permitholder, based on standard prices and values.
- ✓ mails IFQ permitholders a summary that itemizes their landings and shows their calculated fee liability. The fee liability is based on the sum of all payments of monetary worth to fishermen for landings of IFQ fish.

Penalties: Failure to pay on time results in NMFS action against the permitholder's Quota Share holdings and additional monetary charges, fines, and/or permit sanctions. If a permitholder fails to pay by the January 31 due date, his/her QS/IFQ will become nontransferable until the fee liability is satisfied. Also, RAM will issue an Initial Administrative Determination (IAD) to which the permitholder must respond within 30 days. If an account is unpaid for 30 days after the due date, administrative fees, interest, and penalties start to accrue.

If the account is not paid within the 30 days provided by the IAD, in addition to penalties, interest, and fees, the permitholder's IFQ permit account will be sanctioned and the permitholder will be unable to fish until the fee liability is satisfied. Additional fines may also apply.

2003 PAYMENT PERFORMANCE

At the end of last season, the fee was established at 1.3 percent, down from the 2.0 percent of fee percentages of 2001 and 2002. In 2003 RAM billed 2,472 permitholders and, of these, only 8 were sent to collections.

CALCULATING THE 2004 FEE

The fee of 1.3 percent for 2004 derives from at least four sources:

- the total ex-vessel value of the halibut and sablefish fisheries
- the total costs of managing and enforcing the IFQ program (by actual expenditures during FY 2004)
- the balance in the Limited Access System Administrative Fund (last year's overpayment, if any)
- the anticipated nonpayment rate. These are discussed below.

THE 2004 IFQ COST RECOVERY FEE PERCENTAGE

NMFS announced that the 2004 IFQ fee percentage was set at 1.3 percent, lower than every year except 2003, when the percentage was the same. Under cost recovery regulations, IFQ permitholders who used their permits to record landings of halibut or sablefish during the 2004 IFQ fishery were obligated to pay 1.3 percent of their total ex-vessel receipts from the sale of their halibut or sablefish.

The fee percentage was premised on a total ex-vessel value calculated at $235,431,066.11 and total program expenditures of $3,326,606.

In 2004 RAM billed 2,430 permitholders, slightly down from last year's total of 2,472. Only 8 were passed on to collection, which is the same number as in 2003; the fleet continues good compliance with NMFS fee collection. One reason for such good compliance is that over the years, RAM has improved payment options, which include credit card, online payments, and direct mail by either check, money order, or credit card.

Calculating the fee percentage

The fee percentage is calculated using the following formula:

$$[100 \times (DPC-AB)/V]/(1-NPR)$$

This is not as complicated as it may seem. It simply means that the Direct Program Costs (DPC) of management and enforcement, less the amount that was overcollected from last year, or the Account Balance (AB), multiplied times 100, is then divided by the fisheries Value (V) and is further divided by the anticipated Payment Rate (calculated by subtracting the Non-Payment Rate from 1, or, as set out in the formula, "1-NPR"). The result, rounded to the nearest 0.1 percent, is the *fee percentage*.

Table 4.1 Detail of formula for calculating the 2004 fee percentage

Factor	Value	Activity
Cost (DPC)	3,326,606	minus
Overpayment (AB)	195,178.00	times 100 and divided by
Fisheries Value (V)	235,431,066	divided by
Payment Rate (1-NPR)	0.9999	equals
=	1.329949602	rounded to nearest 0.1 percent yields
Rate for 2004 IFQ Season = 1.3 percent		

COST COMPONENTS OF THE IFQ FEE PROGRAM

The two highest cost components are NMFS Enforcement and RAM, respectively. Between years, costs fluctuate due to changes within the programs, such as new purchases of patrol equipment and personnel changes.

Ex-vessel Value of the IFQ Fisheries

Because the fee obligation is premised on a percentage of the ex-vessel value of the IFQ fisheries, it has been necessary to calculate those values. Ex-vessel prices vary from port to port and with the time of year. Accordingly, in October IFQ Registered Buyers that received IFQ halibut or sablefish as shoreside processors submitted information on 1) the amount of halibut and sablefish they received and 2) their purchase price paid to permitholders. Buyers reported this information by species, port, and month.

Once collected, RAM used the data to calculate the mean, or average, ex-vessel value for each species, port, and each month. Then the amount of IFQ products delivered to each port, by month, was multiplied by the value. Generally, the calculations show the total standard *ex-vessel value* of the two fisheries in 2004 is $235,431,066.

Halibut	$167,999,806.86
Sablefish	$ 67,431,259.25
Total	$235,431,066.11

Costs of Management and Enforcement

The other part of determining the fee is calculating costs associated with managing and enforcing the IFQ program. Note these costs are incremental (that is, costs that would not have been incurred but for the IFQ program). To arrive at these costs, in early September 2004 NMFS agency units and the International Pacific Halibut Commission (IPHC) each calculated their own IFQ-associated costs. NMFS Alaska Region agency units submitting costs included NMFS/RAM, NMFS Sustainable Fisheries, and NMFS Office of Law Enforcement. Table 4.2 shows the costs by agency and operating unit.

Table 4.2 Costs associated with management and enforcement of the IFQ program, year-end 2004

Cost Category	NMFS RAM	NMFS Enforcement	NMFS Sustainable Fisheries	Halibut Commission	Total
Personnel Costs[a]	916,850	1,101,300	74,203	120,488	2,212,841
Travel[b]	40,801	134,623	0	8,817	184,241
Transportation[c]	1,372	9,800	0	0	11,172
Printing	931	300	0	0	1,231
Contracts/Training	14,122	433,200	0	14,193	461,515
Supplies	25,334	18,600	1,095	7,500	52,529
Equipment	13,675	21,700	0	0	35,375
Rent/Util/Overhd[d]	116,973	224,590	9,490	0	351,053
Other	0	-6,300	0	1,020	-5,280
Total	***1,130,058***	***1,937,813***	***84,788***	***152,018***	***3,304,677***

[a] Personnel Costs include COLA and all benefits.

[b] Travel includes per diem payments.

[c] Transportation includes shipment of items.

[d] Rent/Utilities/Overhead includes costs of space and utilities and shared common space and services.

CONCLUSION

This year Registered Buyers and members of the IFQ fleet have continued to comply and cooperate very well with fee program requirements. Each year RAM calculates the annual fee using these annual calculations, relying directly on excellent reporting by Registered Buyers. The IFQ fleet participation in 2004 remained strong, further strengthening the IFQ fee program. We expect this reciprocal relationship to continue to sustain the fee program well into the future.

Cost Recovery fees do not increase budgets or expenditures. They simply *offset* funds that would otherwise have been appropriated, except the IPHC expenditures, for which there is no direct appropriation. No budgetary advantage is ever gained by inflating IFQ management and enforcement costs.

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APPENDIX

DESCRIPTION OF THE HALIBUT AND SABLEFISH IFQ PROGRAM

A BRIEF HISTORY OF THE IFQ PROGRAM

In December of 1991, the Council proposed an IFQ program as the best alternative to address problems associated with excess harvesting capacity in the Pacific halibut and sablefish longline fisheries off Alaska. The decision to propose an IFQ program resulted from years of discussion and debate about the best way to address the problems created by overcapitalization in the fisheries (sometimes expressed as "too many boats chasing too few fish"). These problems included short "derby" openings (in most cases, seasons lasted less than a week), lost gear (and resulting "ghost fishing"), gear conflicts, safety concerns, poor product quality, low ex-vessel prices, and a host of other issues.

The IFQ approach was chosen to provide fishermen with the authority to decide the amount and type of investment they wished to make to harvest the resource. By guaranteeing a certain amount of catch at the beginning of the season, and by extending the season over a period of 8 months, those who held the IFQ could determine where and when to fish, how much gear to deploy, and how much overall investment in harvesting they would make.

One way to achieve the advantages of such a program was to insure the transferability of quota from one person to another. However, concerns were expressed about allowing quota to be freely transferred. To address the fear that most of the quota could eventually be concentrated into very few hands (thus undermining the economies of fishery-dependent communities), and could be held by persons who do not fish (thus establishing a "landlord" class of quota holders), the Council designed a number of constraints to unrestricted transferability. This was done to ensure that the characteristics of the fleet that existed prior to the IFQ program (an essentially "owner-operator" fleet of catcher vessels of various lengths) would not be fundamentally changed by the program.

Following further refinement, the Council's IFQ proposal was approved by the Secretary of Commerce and finally published in the Federal Register in November of 1993. The IFQ program is administered by the National Marine Fisheries Service, Restricted Access Management (RAM).

During the initial application period, more than 6,000 persons applied for more than 9,000 QS certificates (by area, species, and vessel category). From that pool of applications, RAM determined approximately 1,100 not to be eligible for QS, while some 750 others challenged part or all of the official records used to determine who received QS, what amount, and which type. RAM issued an Initial Administrative Determination (IAD) to all applicants whose claims were denied in whole or in part. An appeal process within the Office of Administrative Appeals (OAA) allowed an appellant to appeal a Final Agency Action (a decision of the OAA that had

been published for 30 days) to the federal courts.

GENERAL PROGRAM DESCRIPTION

Under the IFQ program, eligible persons were issued QS based on halibut and sablefish landings made aboard vessels that they owned or leased during the late 1980s and in 1990. Applications for initial issuance of QS were received and processed by RAM. The application deadline was July 1994, and most applications were received in 1994. Issuance of QS to eligible applicants began in November of 1994.

To determine how many pounds of fish a QS holder may harvest during each year's fishing season (i.e., the person's annual IFQ), RAM first establishes the QS Pool (QSP) for both species and each regulatory area. There are eight halibut regulatory areas and six sablefish regulatory areas. The QSP is the sum of all the QS units that have been issued in a given area for each species. RAM calculates the QSP annually (on January 31), which varies slightly from year to year due to administrative adjustments.

After fisheries managers determine what the annual Total Allowable Catch (TAC) will be, each QS holder's QS for the area is divided by that area's QSP and the resulting fraction is then multiplied by the TAC. This equation yields the number of pounds of IFQ that a QS holder may harvest that year, before adjustments for the previous year's fishing activity. Put simply, the above explanation can be expressed in this equation:

$$\mathbf{QS \div QSP \times TAC = IFQ}$$

Note that although a person's QS remains the same, and the QSP may vary by a slight amount from year to year, the TAC may change significantly annually, depending on the condition of the stocks. As the TAC increases, so does each person's IFQ; as it declines, each person's IFQ likewise decreases.

In this manner, the total annual TAC is divided up; those to whom IFQ permits have been issued may then harvest their share at any time during the eight-month IFQ halibut and sablefish seasons. Those who do not hold QS are generally excluded from the fisheries, although some very limited provisions for "leasing" freezer vessel IFQ exist.

OTHER PROGRAM ELEMENTS

As noted above, the Council took steps to insure that QS would not eventually be consolidated into a very few hands. To accomplish this goal, strict limits on how much QS can be held by any person are imposed on QS holders (persons who received more than the "cap" by initial issuance were "grandfathered" in; however, they may not receive more QS by transfer). Refer to Section 1, page 3, for a breakdown of the 2003 QS use and vessel IFQ caps.

In addition to the caps, the Council has provided for QS blocking provisions. Under this program element, QS that originally yielded less than 20,000 pounds of IFQ (using the 1994 QSPs and TACs) was issued as a block, and such blocks may not be subdivided upon transfer. Further, no person may hold more than two blocks of QS for the same species in any regulatory area (or one block and unblocked QS up to the cap). In this way, smaller amounts (blocks) of QS will always be available for those who wish to enter the fishery by getting QS by transfer.

To meet the goal of an owner-operated fleet, catcher vessel QS may only be transferred to individuals, and those individuals must be aboard the vessel when the fish are harvested and landed. In recognition of historical fishing practices, initial issuees may (with some exceptions) hire skippers to fish their annual IFQ. Currently, the QS holder must demonstrate that she or he holds at least a 20 percent ownership interest in the vessel on which the IFQ is to be fished.

Quota share and the annual IFQ that it yields are classified by species, vessel, and regulatory area. A variety of restrictions regarding harvesting and landing IFQ fish are also in place. Although there is no space here to discuss these in detail, more information about program restrictions is available in the IFQ regulations on the NMFS website www.fakr.noaa.gov or by contacting RAM.

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HALIBUT AND SABLEFISH
IFQ REGULATORY AREAS

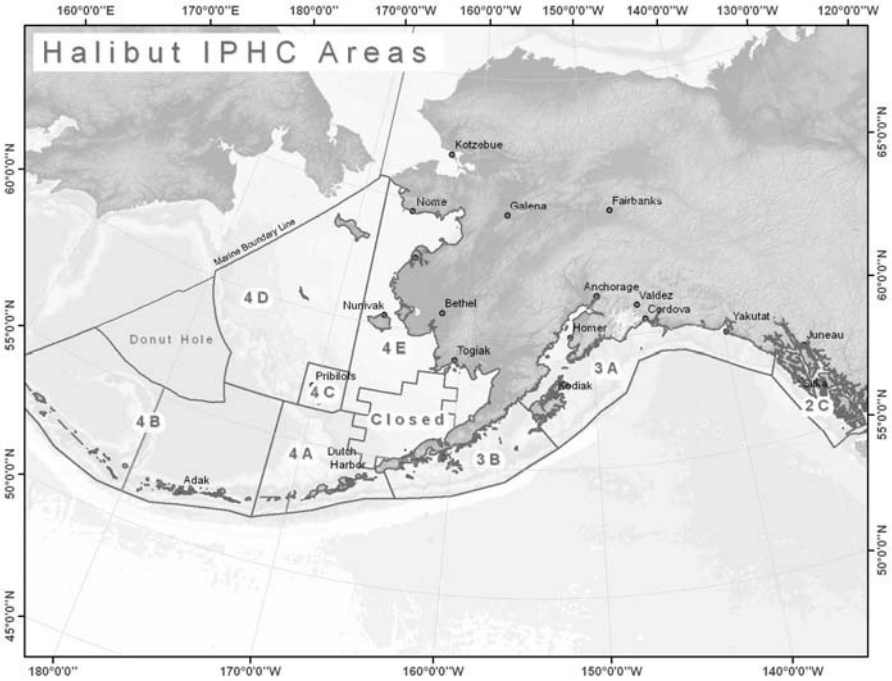

Figure A.1 Halibut IFQ Regulatory Areas.

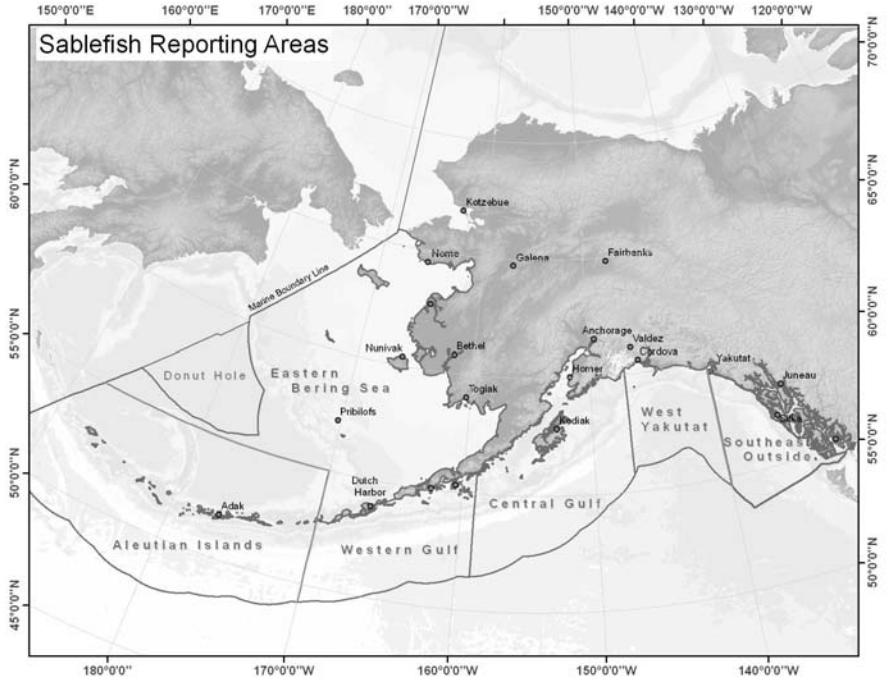

Figure A.2 Sablefish IFQ Regulatory Areas