



Southeast Alaska Economic Recovery Program (SEAKER) How the Program Will Work

10/10/10

SEAKER Program Key Benefits:

- Ensures sustainability of the halibut resource.
- Works within the current catch share plan.
- Creates a manageable inter-sector transfer mechanism.
- Permits free-market and economically driven allocation shares between sectors.
- Compatible with charter fishing business models.

Introduction

Over the past year SEAGO, (www.seagoalaska.org), has been developing the Southeast Alaska Economic Recovery Program (SEAKER) which is designed to mitigate BOTH the impact of the two year long recession and the harmful effects of the upcoming catch share plan.

Our program takes a pragmatic approach to preserving the charter industry in Southeast and South Central and places a laser focus on economic recovery in the communities where we live and work.

In a nutshell, the plan provides for compensated reallocation through an open market IFQ purchase initiative and managed under a single pool. Key features of the SEAKER plan include:

- It works within the framework of the current catch share plan to ensure sustainability.
- Is compatible with charter business models
- Seeks federal funding to mitigate the impact of the recession in our coastal communities and impacts to processors and commercial fishermen with loans under water.
- Brings jobs and business saves in the rural communities where we live and work.

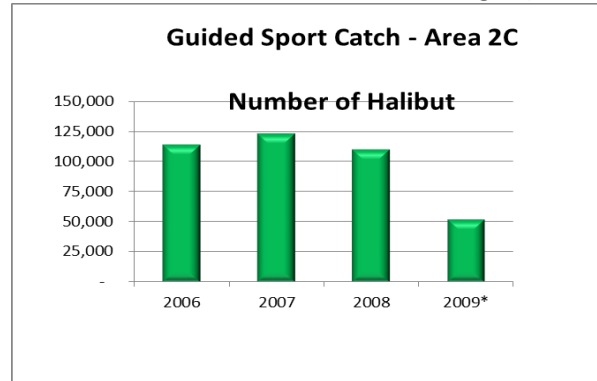
Rather than attempting to shoe-horn the charter fishing industry into a traditional commercial business model and regulation, the SEAKER amendment creates an innovative way to let the two sectors co-exist in a non-threatening manner. Finally we believe that adoption of this model will further demonstrate Alaska's innovative approach to fisheries management and has application in other parts of the country.

The draft SEAKER operating model is based on two primary considerations:

1. We think it is more practical and effective to manage total catch at an aggregate fleet level rather than at the individual charter operator level.
2. The maximum number of charter operators and anglers eligible to fish for halibut has been established thru implementation of the Limited Access/Moratorium Program which will go in effect in February 2011.



First, the total charter catch has been fairly predictable in terms of number of fish caught (110-124k fish caught per year, and their weight, ie ~25lb range). The decline in 2009 was due to the regulation change from two to one fish. We believe this predictability will permit us to accurately forecast annual charter catch.



Furthermore, a similar program operating under the Pacific Salmon Treaty demonstrates that the fleet can be managed at a macro level. This program establishes catch limits in terms of number of fish for the year based on a scientific “Abundance Index”. Operating for several years, the PST program has consistently managed within catch limit targets. We can give you more information as requested.

Finally we believe that managing total catch at the individual charter operator level presents a significant enforcement issue regarding which fish is an “IFQ fish” vs a “GHL/CSP fish” in a rental program, probable requirement for enhanced in-season reporting, and increased administration costs. Individual IFQ’s, halibut stamps, together with other administrative tools are a possible alternative, however we believe the costs would outweigh the benefits. From a business profitability perspective we believe it is impractical to attempt to manage purchased IFQ on an individual basis and charter operators are currently excluded from participating in the IFQ program.

Second, the LEP/Moratorium Program (<http://www.fakr.noaa.gov/frules/75fr554.pdf>) plan is scheduled for implementation in February of 2011. This program puts a ceiling on the number of charter operators eligible to fish for halibut in Areas 2C and 3A and further limits the number of anglers allowed to fish on each vessel, (angler endorsement provision). This program effectively caps the number of angler days and gives us actual maximum demand.

How will the program work?

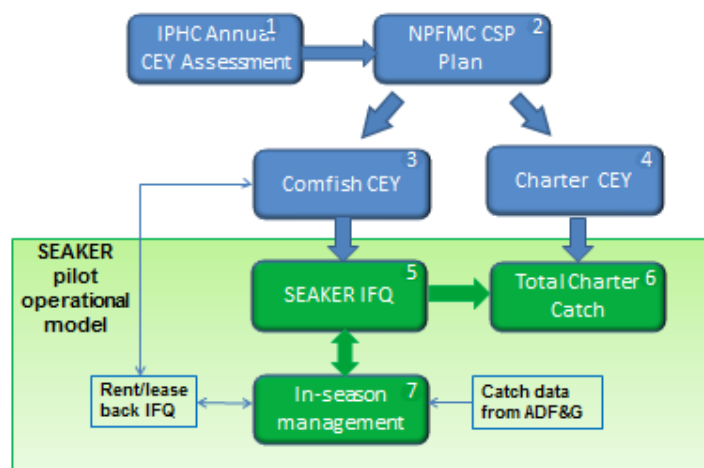
Non Profit legal structure highlights – Preferred alternative

We will transfer commercial halibut quota to guided sport fishing via an IFQ permit purchase program.

- Objective is to acquire 1M lbs of commercial halibut allocation for area 2C guided sport fishing.
 - Recognize that this is probably a two-three year program to complete.
- Purchase IFQ in the open market from current holders – we will stress the free enterprise aspect of this program. No requirement for current permit holders to sell, no pre-determined pricing, etc.
- Organization will be able to purchase IFQ independent of IFQ classification and once purchased, the IFQ will not be subject to commercial fishing related fees because the fish will not enter the supply chain.

- Use existing brokerage companies and one-on-one deals as the two primary sources of IFQ permits.
- Once IFQ is purchased it will be integrated into the Catch Sharing Plan for use by all charter operators. There are several methods to do this, either allocation percentage change or a modified version of the Canadian model are contending approaches.

SEAKER Pilot Operational Model



Narrative for SEAKER Pilot Operational Model

Box-1 – Each Year the IPHC sets CEY (constant exploitation yield) for each geographical area. The final allocation amount is then adjusted based on several economic and other factors.

Box-2 – The NPFMC then does an allocation split based on a matrix. Currently the split is roughly 85% to commercial (**Box-3**) and 15% to charter (**Box-4**) for Area 2C. See CSP details for copy of the matrix.

Box-5 – Through the open market purchase of 1M lbs of IFQ, the SEAKER portion would be apportioned to Charter operators.

Box-6 – The total charter catch would become the sum of **Box-4** and **Box-5**. Depending on the CEY, the charter allocation would then be converted into a daily allowable number of fish to catch, ie one fish, or one fish of unrestricted size and U-32 fish, etc. This step would be done with cooperation of NPFMC.

Box-7 – During the season, SEAKER operations would receive weekly catch data from ADF&G and create an ongoing forecast of charter catch for the season. At the approximate end of the charter season, (~Sept 1), a determination of excess/shortfall in total catch will be determined. In the event that the charter catch is short of the total allocation, then provision will be made to rent unused quota to commercial fishers at market or sub-market



rates. In the event that the charter operators go over the allocation, SEAKER will rent IFQ from commercial operators.

- **Functional capabilities of the SEAKER Organization**
 - Ability to purchase & sell up to 1M lbs of IFQ in the open market – will require dispensation from NPFMC
 - Ability to compensate processors
 - Ability to compensate distressed loan holders
 - Capability to impose an annual or other fees/dues to LEP holders
 - Capability to purchase LEP permits in the open market
 - Ability to rent or offer for rent IFQ intra-season
 - Ability to not use all IFQ during a season for sustainability/conservation purposes
 - Creation of a resident Alaskan ‘new charter operator’ program
 - Creation of ongoing charter industry training/education programs
 - Conduct related fisheries research
 - Ability to deliver ongoing marketing programs
 - Ability to change catch limits similar to salmon program, ie daily, annual limits, emergency order, etc
 - Ability for the entity to assume debt for operating cash-flow and/or capital/IFQ purchases.
 - Right to receive in-season catch data from ADF&G or NMFS
 - Ability to create an advisory board for science, economic, political input
 - Initial scope to include Area 2-C with ability to expand organization to include Area 3-A upon proper funding and as required

- **Administrative components of the SEAKER Organization**
 - Creation of a non-profit organization to be based in Alaska, (probably Juneau)
 - Creation of suitable bylaws
 - Consider help from groups like EDF & NOAA for internal governance development
 - Five member board of directors – three charter operators, one NPFMC member, one member from ADF&G/BOF.
 - Some mechanism for initial board member selection
 - Board members approve future board members from industry nominations (or perhaps holders of LEP permits)
 - Three year staggered terms
 - Executive director and staff as required
 - Outside CPA annual audit
 - Work within the limits of the Halibut Act
 - Work within the limits of the Catch Share Plan to be adopted by NPFMC
 - Provision for interim rules during the several year ramp-up period



- IFQ purchased for this program will be exempt from commercial fees and taxes as the fish never enter the commercial supply chain.
- Permit ongoing research of bag limits and other restrictions for input into economic analyses and periodic allocation reviews.

- **In Season Management**

From a management perspective, total allowable catch would be established at the beginning of the year based on IPHC CEY input. The charter total allowable catch would then become the GHG from the CSP plus the amount of IFQ share purchased. From there we would establish daily bag limits for the upcoming season with oversight from NPFMC (and others?).

In season, we would take data feeds from existing ADF&G logbook and creel survey information. This would permit us to build a catch forecast model that would be updated week by week to forecast total catch for the season. Because we will know fleet size, (number of participants), and understanding that catch rates and fish size are fairly predictable we are confident that a fairly accurate forecasting model can be built.

During the season, SEAKER would employ an innovative inter-sector transfer process. With a two-way transfer capability we can assure that the charter fleet can stay within the allowable catch. In the event that the charter fleet catches less than its allowed catch, we would propose to rent back unused IFQ to the comfish sector or perhaps leave fish in the water.

In the event that the charter fleet is forecasted to go slightly over its allowed catch, we could do several things. First, we would propose renting IFQ from the comfish sector to cover the shortfall. Funding would come from a reserve to be established from times when we are able to rent-back unused IFQ. Second, we could fallback upon in-season emergency orders similar to management techniques employed in other Alaska fisheries that would impose various levels of reduced fishing activity, ie reduce daily allowable number of fish to catch, size restrictions, etc.

In summary, we think that accountability at the fleet level will be more effective than at the individual operator level, and with in-season management tools and the capability to transfer IFQ back and forth between sectors, we can manage to our quotas. Finally, it's important to reiterate that our plan is still in its formative stages.

- **Some Frequently Asked Questions.**

1. I assume you're envisioning the catch modeling being done in-house by SEAKER, or someone which SEAGO hires, rather than the catch modeling for the pilot "co-op" being done by ADFG?

Answer - The model is a key element of overall management to TAC, especially when we get to end-of-season actions, ie if we are over or under at the end of the charter season (usually the beginning of September), do we rent-to or rent-from the commercial sector for



them to complete their season in November? We won't have actual final numbers (due to some reporting lag) at that point and will have to do some forecasting of catch so the model will play a larger role. Of course we will employ some conservative contingency/buffer provisions prior to the rent to/back decision but it will be important to get it right. Further in the very rare case when actual catch rates are way out of whack earlier the season, we would also want to take a proactive role in emergency actions.

With that in mind, the model becomes an important management tool. In order to avoid any sense of impropriety I think that we should hire one of the reputable fisheries management consulting companies to build it for us. AND IMPORTANTLY, then make the model transparent to all involved. I believe that if we disclose how it works and maybe even make it available to interested parties, we can minimize any black-box manipulation accusations. There are several reputable management companies that could do modeling work for us, Southwick, Gentner(sp), and others. Finally, as we discussed, this is an area where organizations such as EDF can help us with a model vetting process as part of establishing governance protocols. Any good model should expect to change fairly frequently over time so the vetting process will become an ongoing requirement.

Finally, the good news is that the charter catch has been fairly constant/predictable over the past several years, ie total number in the 110-124,000 fish caught and weights in the 25lb range. So the model should be fairly straight forward to build.

2. I also assume that the in-season monitoring and potential in-season fishery response would be done in-house by SEAKER rather than by ADFG?

Answer - In-season monitoring would be done in-house by the SEAKER non-profit. We would take data feeds from current ADF&G logbook/creel survey data to update the model on an ongoing basis. When/if the model called for a management action, we would refer to our chain of command to take appropriate action under published/vetted procedures and controls. What I have in mind is a series of "IF-THEN" procedures that specify a course of action to a given situation. Some decisions may require Board of Directors approval and we will establish provision for electronic/virtual mtgs to enable quick actions. While the Board structure hasn't been finalized I suspect it should include representation for NPFMC/NMFS, ADF&G, and of course charter industry. This is one area that hasn't been fleshed out yet, but clearly one of the 'governance' areas where organizations like EDF can lend a great hand. We should also discuss the possibility of EDF inclusion so you can gain value from the Alaska pilot in making it adaptable to other fisheries.

3. In both of the above cases, I'd envision the plan and strategy being "okayed" by the NPFMC, with oversight by NMFS/ADFG, but with primary fishery management activities being internalized by SEAGO



Answer - Once again, under the 'governance umbrella' I assume that after the IPHC publishes CEY in January of each year, there would be an early February SEAKER organization meeting to establish catch rates in Area 2C and 3A which would then be vetted by either the SEAKER board of directors which will include NPFMC/NMFS representation, and/or via published formula, and/or by a SEAKER management meeting directly with NPFMC/NMFS, to approve our regulations for the season, ie two fish, one fish, size restrictions, etc. I think there is some legal feedback we need here because I suspect the actual regulation probably needs to come from NMFS or NPFMC.... We can establish the administration process at the appropriate time. This same process would apply to any in-season actions that might be required.

4. Also, what is your reaction to a roll-over provision? In other words, if the pilot cooperative exceeds the GHL established for it, the overage would be taken off next year. Inversely, if the GHL is underachieved, that underage (or some portion of it) could be banked for use in the following year.

Answer - Rollover provisions – The current CSP has a provision for over/under rollover and a plus-minus percentage buffer for total annual catch. In general I'm in favor of some limited carryover in both directions but if the amt of 'banked/make-up fish' got too large or too negative, we could create a potential sustainability issue. This rule will certainly require science/bio input for 'maximum' over/under limit setting to assure that we don't impact the fishery.

Another option would be to leave fish in the ocean as a banking system, so that there is a rolling forward of such fish, (perhaps up to 20% of a season's allocation). We should be able to figure out what the deviation has been from year to year – and then allow for banking of fish to accommodate changes in either the number of participants from year to year, or to the average weight of the fish per year. By being able to roll fish forward, and get credit for it, it can help smooth out the need for any in-season changes if you are going over by smaller margins – up to 20%.

Right now our primary management objective is to use the annual regulation and emergency action for daily catch, size, etc to get us close to the TAC objective and then zero in on the authorized allowable catch via the IFQ inter-sector two-way-rent-back provision. One option could be in the event we went over limit in the previous year, to immediately 'rent-from' right at the beginning of the year. On the other side, there is also the opportunity to just leave some fish in the water, as appropriate. This part is mostly my own thoughts right now so haven't had much feedback and certainly subject to insights from you and others.

5. What is the importance of operational procedures?

Answer - To-date, our primary activities have been focused on obtaining "money and a mandate". These operational procedures and controls are now just rising to priority and



being put down on paper for the first time, (ie still a work-in-process). All of this is straight forward management process, but it needs to be hashed out and probably have some spreadsheet noodling to support final procedures and controls. I understand that the success of the program depends on the details, so recognize that we still have some very important work to do. Once again, that's where your partnership could be very helpful in adapting 'best practices' and experience in other situations to our pilot.

Contact John Blair, SEAGO's Executive Director for more information, john@seagoalaska.org 925-366-6638.