DRAFT FOR SECRETARIAL REVIEW

ENVIRONMENTAL ASSESSMENT

AND

REGULATORY IMPACT REVIEW/INITIAL REGULATORY FLEXIBILITY ANALYSIS

FOR

CATEGORIES (CLASS C & D)

prepared by

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EXECUTIVE SUMMARY

Amendment 42 to the Bering Sea/Aleutian Islands (BSAI) Groundfish FMP and Amendment 42 to the Gulf of Alaska (GOA) Groundfish FMP addresses the need for increased flexibility of halibut and sablefish QS use on category B, C, and D catcher vessels, while maintaining the goals of the IFQ program and modified block amendment to limit consolidation, allow new entrants into the fishery, and protect coastal communities. Small boat fishermen have reported the scarcity of medium to large size blocks (≥5,000 lb) in some areas and have requested that the Council enable them to rationalize their operations by purchasing shares from QS holders in larger vessel size categories. Large vessel (category B) operators have reported difficulties in utilizing or marketing small category B blocks and have requested the opportunity to downsize their operations or sell QS to owners of smaller vessels. This amendment responds to these requests by enhancing flexibility while maintaining consistency with the basic tenets of the IFQ program.

The increased flexibility in QS use under this amendment may also benefit crew members. Crewmen who purchase category B or C shares will have access to a larger pool of vessels from which to harvest their shares. They could also subsequently purchase their own smaller vessel from which to harvest their shares as they stair-step their way into the fishery.

The alternatives included in the analysis are:

Alternative 1: Status quo.

Alternative 2: Allow the use of larger vessel category (B & C) QS on smaller category vessels (C & D).

Alternative 3: (*Preferred Alternative*) Allow the use of larger catcher vessel category (B & C) QS on smaller category vessels (C & D) in all areas, except for category B unblocked QS or category B blocked QS equal to more than 5,000 lb (based on 1996 TACs) in halibut Area 2C and sablefish Southeast area.

The preferred alternative would allow the use of larger vessel category QS on smaller vessels for both halibut and sablefish in all regulatory areas, except for category B unblocked QS and blocked QS/IFQ ≥ 5,000 lb (based on 1996 TACs) only in halibut Area 2C and sablefish Southeast area. Allowing the "buydown" to occur only for small category B blocks in those two areas would still benefit crewmen and small vessel owners who would be able to use small category B blocks on smaller vessels without affecting the market price of category B medium and large blocks and unblocked QS.

1.

The groundfish fisheries in the Exclusive Economic Zone (3 to 200 miles offshore) of the Gulf of Alaska, Bering Sea, and Aleutian Islands are managed under the Fishery Management Plan (FMP) for the Groundfish Fisheries of the GOA and the FMP for the Groundfish Fisheries of the BSAI. Both FMPs were developed by the Council under the Magnuson Fishery Conservation and Management Act (Magnuson Act). The GOA FMP was approved by the Secretary of Commerce and became effective in 1978; the BSAI FMP became effective in 1982.

The Northern Pacific Halibut Act of 1982 (NPHA), P.L. 97-176, 16 U.S.C. 773 c (c) authorizes the regional fishery management councils having authority for the geographic area concerned to develop regulations governing the Pacific halibut catch in U.S. waters which are in addition to but not in conflict with regulations of the International Pacific Halibut Commission. The halibut IFQ program is implemented by federal regulations under 50 CFR part 676, Limited Access Management of Fisheries off Alaska under authority of the Magnuson Fishery Conservation and Management Act of 1975, P. L. 94-265, 16 U.S.C. 1801.

The National Environmental Policy Act (NEPA), Executive Order (E.O.) 12866, and the Regulatory Flexibility Act (RFA) require a description of the purpose and need for the proposed action as well as a description of alternative actions which may address the problem. Section 2 contains information on the biological and environmental impacts of the alternatives as required by NEPA. Impacts on endangered species and marine mammals are addressed in this section. Section 3 contains a Regulatory Impact Review (RIR) which addresses the requirements of both E.O. 12866 and the RFA that economic impacts of the alternatives be considered.

This document is the draft Environmental Assessment/Regulatory Impact Review/Initial Regulatory Flexibility Analysis (EA/RIR/IRFA) for Amendment 42 to the Bering Sea/Aleutian Islands (BSAI) Groundfish FMP and Amendment 42 to the Gulf of Alaska (GOA) Groundfish FMP. Changes to the halibut IFQ program would be implemented through a regulatory amendment to 50 CFR part 676, Limited Access Management of Fisheries off Alaska under authority of the Magnuson Fishery Conservation and Management Act of 1975, P. L. 94-265, 16 U.S.C. 1801.

1.1 Purpose and Need for Action

Amendment 42 to the Bering Sea/Aleutian Islands (BSAI) Groundfish FMP and Amendment 42 to the Gulf of Alaska (GOA) Groundfish FMP addresses the need for increased flexibility of halibut and sablefish QS use on category B, C, and D catcher vessels, while maintaining the goals of the IFQ program and modified block amendment to limit consolidation, allow new entrants into the fishery, and protect coastal communities. Small boat fishermen have reported the scarcity of medium to large size blocks ($\geq$5,000 lb) in some areas and have requested that the Council enable them to rationalize their operations by purchasing shares from QS holders in larger vessel size categories. Large vessel (category B) operators have reported difficulties in utilizing or marketing small category B blocks and have requested the opportunity to downsize their operations or sell QS to owners of smaller vessels. This amendment responds to these requests by enhancing flexibility while maintaining consistency with the basic tenets of the IFQ program.

The increased flexibility in QS use under this amendment may also benefit crew members. Crewmen who purchase category B or C shares will have access to a larger pool of vessels from which to harvest their shares. They could also subsequently purchase their own smaller vessel from which to harvest their shares as they stair-step their way into the fishery.

Under this amendment, QS would retain its original vessel category designation in perpetuity. Subsequent use would be allowed up to the original QS category designation. The flexibility to use larger vessel QS on smaller vessels would increase the available pool of larger blocks to the smaller vessel fleet (category C and D for halibut and category C for sablefish). Smaller vessel QS holders who are at the block cap may be able to increase their QS holdings by selling their smaller blocked holdings and purchasing larger blocks in another vessel category that are currently limited in some regulatory areas.

Currently, QS and IFQs are issued specifically for an IFQ regulatory area and vessel category and may not be used on vessels in any other category. An exception allows IFQs from categories B, C, and D to be on-board a category A vessel, as long as the length overall of the freezer vessel corresponds to the category issued with the category B, C, or D IFQ and as long as no processed fish are on-board the category A vessel during the same trip. category A QS are not included under the proposed action.

The analysis has been designed so that the Council may allow the use of QS on smaller sized vessels than currently permitted for either halibut or sablefish or for particular regulatory areas.

Alternative 1: Status quo.

Vessel category restrictions for sablefish are defined in Section 4.4.1.1.4 (5) and 14.4.7.1.4 (5) of the GOA and BSAI FMPs and under §676.22 (a) of the implementing regulations for sablefish and halibut. Under the status quo, the QS or IFQ specified for one vessel category may not be used in a different vessel category. The Council designed the IFQ program with vessel categories to distribute QS among initial issuees. Four vessel categories were created for the seven halibut regulatory areas designated by the IPHC for waters off Alaska. Three vessel categories were created for the six sablefish regulatory areas. Vessel categories redefined under Amendments 33/37 (NPFMC 1995) include:

(i) category A - vessels of any length authorized to process IFQ species;

(ii) category B - vessels greater than 60 feet (18.3 meters) in length overall and not authorized to process IFQ species;

(iii) category C - vessels less than or equal to 60 feet (18.3 meters) in length overall for sablefish, or vessels greater than 35 feet (10.7 meters) but less than or equal to 60 feet (18.3 meters) in length overall for halibut and not authorized to process IFQ species; and

(iv) category D - vessels that are less than or equal to 35 feet (10.7 meters) in length overall for halibut and not authorized to process IFQ species.

Alternative 2: Allow the use of larger vessel category (B & C) QS on smaller category vessels (C & D).

Alternative 2 would allow the use of larger catcher vessel (category B & C) QS on smaller vessels (category C & D), but not allow the use of small vessel categories on larger vessels. The Council could choose to allow the "buydown" for either species and any regulatory area.

Alternative 3: (*Preferred Alternative*) Allow the use of larger catcher vessel category (B & C) QS on smaller category vessels (C & D) in all areas, except for category B unblocked QS or category B blocked QS equal to more than 5,000 lb (based on 1996 TACs) in halibut Area 2C and sablefish Southeast area.

The Council's preferred alternative would also allow the "buydown" for both halibut and sablefish in each regulatory area, but it excludes category B unblocked QS and category B blocked QS $\geq$ 5,000 lb in halibut Area 2C and sablefish Southeast area from the "buydown" provisions..

Under either Alternative 2 or 3, the QS would retain its original vessel category assignment in perpetuity and would designate vessel category on the initially issued QS to be the **maximum** size vessel on which that QS could be used.

Alternatives 2 and 3 would increase the flexibility of halibut and sablefish QS use while maintaining the goals of the Council's IFQ program to limit excessive consolidation, maintain diversity of the fleet, and allow new entrants into the fishery. Small boat fishermen have reported the scarcity of transferable QS with which

to increase their holdings due to current area and vessel category restrictions. Alternatives 2 and 3 would also maximize the potential for small boat fishermen and crew members to enter the IFQ fisheries on small boats and provide additional opportunities for them to expand to larger sized vessels over time. Both alternatives would permit IFQ-qualified fishermen to purchase larger vessel category QS to use on currently owned or crewed small vessels and allow them to move that QS with them as they move up to larger sized vessels. Both alternatives would also allow the original QS holder to use those QS on smaller vessels.

However, neither Alternative 2 or 3 mandates an alteration in the historic nature of the fleet or, necessarily, the distribution of QS across vessel categories. It is possible that only limited amounts of large vessel QS may be used on smaller vessels. But, current participants (vessel owners and crewmen) gain an advantage from the increased flexibility of the IFQ program. Alternatives 2 and 3 would allow use of QS on vessels smaller than current regulations allow (i.e., "move down") and allow their use by small boat fishermen who could then either fish them on their currently owned (or crewed) vessels or "move up" to larger boats.

2.0 NEPA REQUIREMENTS/ENVIRONMENTAL IMPACTS OF THE ALTERNATIVES

An environmental assessment (EA) is required by the National Environmental Policy Act of 1969 (NEPA) to determine whether the action considered will result in a significant impact on the human environment. The environmental analysis in the EA provides the basis for this determination and must analyze the intensity or severity of the impact of an action and the significance of an action with respect to society as a whole, the affected region and interests, and the locality. If the action is determined not to be significant based on an analysis of relevant considerations, the EA and resulting finding of no significant impact (FONSI) would be the final environmental documents required by NEPA. An environmental impact study (EIS) must be prepared if the proposed action may cause a significant impact on the quality of the human environment.

An EA must include a brief discussion of the need for the proposal, the alternatives considered, the environmental impacts of the proposed action and the alternatives, and a list of document preparers. The purpose and alternatives are discussed in Sections 1.1 and 3, and the list of preparers is in Section 6. This section contains the discussion of the environmental impacts of the alternatives including impacts on species listed as threatened and endangered under the Endangered Species Act (ESA).

The environmental impacts generally associated with fishery management actions are effects resulting from: 1) overharvest of fish stocks which might involve changes in predator-prey relationships among invertebrates and vertebrates, including marine mammals and birds; 2) physical changes as a direct result of fishing practices affecting the sea bed; and 3) nutrient changes due to fish processing and discarding fish wastes into the sea.

2.1 Environmental Impacts of the Alternatives

No biological or environmental changes will occur by adopting either of the alternatives. Both alternatives institute an allocation of QS among individuals across vessel categories and have no biological impact.

2.2 Impacts on Endangered, Threatened or Candidate Species Under the ESA

Species that are listed as threatened or endangered, or are candidates or proposed for listing under the Endangered Species Act (ESA), may be present in the BSAI and GOA. Additionally, nonlisted species, particularly seabirds, also occur in those areas and may be impacted by fishing operations. A list of species and a detailed discussion regarding life history and potential impacts on marine species can be found in the EA/RIR/IRFA for Amendments 31/35 (Block Program) (NPFMC 1994). Since this amendment strictly addresses allocation of QS, fishing activities under either of the alternatives would not be expected to cause any adverse effects.

2.2.1 Salmon

Listed species of salmon, including the Snake River sockeye salmon (*O. nerka*), fall chinook and spring/summer chinook salmon (both *Oncorhynchus tschawytscha*) may be present in the BSAI. These areas

are believed to be outside the range of another listed species, the Sacramento River winter-run chinook salmon. A Biological Opinion conducted on effects of the groundfish fisheries concluded that groundfish fisheries are not likely to jeopardize the continued existence of endangered or threatened Snake River salmon species (NMFS 1994a). Neither of the alternatives are expected to adversely affect any listed salmon species.

2.2.2 Seabirds

Listed or candidate species of seabirds include the endangered short-tailed albatross (*Diomedea albatrus*), the threatened spectacled eider (*Somateria fischeri*), and the candidate (category 1) Steller's eider (*Polysticta stelleri*), or (category 2) marbled murrelet (*Brachyramphus marmoratus*), red-legged kittiwake (*Rissa brevirostris*) or Kittlitz's murrelet (*Brachyramphus brevirostris*). A formal consultation conducted by the U.S. Fish and Wildlife Service (USFWS) on the potential impacts of groundfish fisheries and subsequent informal consultation on impacts of 1994 groundfish fisheries on these species concluded that groundfish fisheries adversely affect, but do not jeopardize, the existence of the short-tailed albatross (USFWS 1989, 1994) if the incidental take allowance of up to two short-tailed albatrosses per year was not exceeded. The informal consultation also concluded that groundfish fisheries were not likely to adversely affect the spectacled eider, Steller's eider, or marbled murrelet. The USFWS did not comment on remaining candidate species at that time. Neither of the alternatives are expected to adversely affect any listed or candidate seabird species.

2.2.3 Marine Mammals

As with salmon and seabirds listed under the ESA, fishing activities under this proposed action are not likely to impact the threatened Steller sea lion (*Eumetopias jubatus*), in a manner, or to an extent, not previously considered in informal Section 7 consultations for 1994 groundfish fisheries (NMFS 1994b, c). The 10-nm annual trawl exclusion areas around Steller sea lion rookeries would be in place regardless of which alternative is chosen. These create refuges where no trawling can occur in areas important for sea lion breeding and foraging.

Other listed marine mammals include the endangered fin whale (*Balaenoptera physalus*), sei whale (*Balaenoptera borealis*), humpback whale (*Megaptera novaeangliae*), and sperm whale (*Physeter catodon*). None of these species are anticipated to be adversely affected by this amendment because total harvests and overall fishing effort would not change. The impacts of marine mammals is further detailed in the EA/RIR/IRFA for Amendments 31/35 (Block Program) (NPFMC 1994).

2.3 Impacts on Marine Mammals not listed under the ESA

Marine mammals not listed under the ESA that may be present in the BSAI or GOA include cetaceans, [minke whale (*Balaenoptera acutorostrata*), killer whale (*Orcinus orca*), Dall's porpoise (*Phocoenoides dalli*), harbor porpoise (*Phocoena phocoena*), Pacific white-sided dolphin (*Lagenorhynchus obliquidens*), and the beaked whales (e.g., *Berardius bairdii* and *Mesoplodon* spp.)] as well as pinnipeds [northern fur seals (*Callorhinus ursinus*), and Pacific harbor seals (*Phoca vitulina*)] and the sea otter (*Enhydra lutris*). A list of species and detailed discussion regarding life history and potential impacts of the 1995 groundfish fisheries of the BSAI and GOA on those species can be found in an EA conducted on the 1995 Total Allowable Catch Specifications for the GOA and BSAI (NMFS 1994a). Neither of the alternatives are expected to adversely affect any listed or candidate marine mammals in a manner not already considered in previous consultations.

2.4 Coastal Zone Management Act

Each of the alternatives would be conducted in a manner consistent, to the maximum extent practicable, with the Alaska Coastal Zone Management Program within the meaning of Section 307(c)(1) of the Coastal Zone Management Act of 1972 and its implementing regulations.

2.5 Finding of No Significant Impact

None of the alternatives are likely to significantly affect the quality of the human environment; preparation of an environmental impact statement for selection of any of the alternatives as the proposed action would

not be required by Section 102(2)(C) of the National Environmental Policy Act or its implementing regulations.

3.0 REGULATORY IMPACT REVIEW

The Regulatory Impact Review (RIR) provides information about the economic and sociological impacts of the alternatives including identification of the individuals or groups that may be 0affected by the action, the nature of these impacts, quantification of the economic impacts if possible, and discussion of the trade-offs between qualitative and quantitative benefits and costs.

An RIR is required by NMFS for all regulatory actions or for significant Department of Commerce or NOAA policy changes that are of significant public interest. The RIR: (1) provides a comprehensive review of the level and incidence of impacts associated with a proposed or final regulatory action; (2) provides a review of the problems and policy objectives prompting the regulatory proposals and an evaluation of the major alternatives that could be used to solve the problems; and (3) ensures that the regulatory agency systematically and comprehensively considers all available alternatives so that the public welfare can be enhanced in the most efficient and cost effective way.

Executive Order 12866, "Regulatory Planning and Review," was signed on September 30, 1993 and established guidelines for promulgating new regulations and reviewing existing regulations. While the order covers a variety of regulatory policy considerations, the benefits and costs of regulatory actions are a prominent concern. Section 1 of the order describes the regulatory philosophy and principles that are to guide agency development of regulations. The regulatory philosophy stresses that, in deciding whether and how to regulate, agencies should assess all costs and benefits of all regulatory alternatives. In choosing among regulatory approaches, the philosophy is to choose those approaches including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity) that maximize net benefit to the nation.

The regulatory principles in E.O. 12866 emphasize careful identification of the problem to be addressed. The agency is to identify and assess alternatives to direct regulation, including economic incentives, such as user fees or marketable permits, to encourage the desired behavior. When an agency determines that a regulation is the best available method of achieving the regulatory objective, it shall design its regulations in the most cost-effective manner to achieve the regulatory objective. Each agency shall assess both the costs and benefits of the intended regulation and, recognizing that some costs and benefits are difficult to quantify, propose or adopt a regulation only upon a reasoned determination that the benefits of the intended regulation justify its costs. Each agency shall base its decisions on the best reasonably obtainable scientific, technical, economic, and other information concerning the need for, and the consequences of, the intended regulation.

An RIR is required for all regulatory actions that either implement a new FMP or significantly amend an existing FMP. The RIR is part of the process of preparing and reviewing FMPs and provides a comprehensive review of the changes in net economic benefits to society associated with proposed regulatory actions. The analysis also provides a review of the problems and policy objectives prompting the regulatory proposals and an evaluation of the major alternatives that could be used to solve the problem. The purpose of the analysis is to ensure that the regulatory agency systematically and comprehensively considers all available alternatives so that the public welfare can be enhanced in the most efficient and cost-effective way. The RIR addresses many of the items in the regulatory philosophy and principles of E.O. 12866.

Executive Order 12866 requires that the Office of Management and Budget review proposed regulatory programs that are considered to be "significant." A "significant regulatory action" is one that is likely to:

(1) Have an annual effect on the economy of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities;

(2) Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(3) Materially alter the budgetary impacts of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(4) Raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in this Executive Order.

A regulatory program is "economically significant" if it is likely to result in the effects described in item (1) above. The RIR is designed to provide information to determine whether the proposed regulation is likely to be "economically significant."

3.1 Management Action Alternatives

Alternative 1: Status quo.

Under Alternative 1 (status quo), the IFQ program for halibut and sablefish would maintain existing restrictions on the use of QS and not allow their use across vessel categories. No relief would be provided to small boat fishermen who find limited halibut vessel categories C and D QS and sablefish vessel category C QS available for use.

Alternative 2: Allow the use of larger vessel category (B & C) QS on smaller category vessels (C & D).
Alternative 2 would provide additional flexibility in the use of all halibut QS among vessel categories B, C, and D and all sablefish QS between vessel categories C and D in each regulatory area.

Alternative 3: (*Preferred Alternative*) Allow the use of larger catcher vessel category (B & C) QS on smaller category vessels (C & D) in all areas, except for category B unblocked QS or category B blocked QS equal to more than 5,000 lb (based on 1996 TACs) in halibut Area 2C and sablefish Southeast area.
Alternative 3 (preferred alternative) differs from Alternative 2 by excluding category B unblocked QS and blocked QS ≥ 5,000 lb only in halibut Area 2C and sablefish Southeast area. The following discussion of the effects of the "buydown" provisions on the current distribution of IFQs pertain to both Alternatives 2 and 3. Additional discussion on the preferred alternative's exclusion of category B unblocked and blocked QS ≥ 5,000 lb are included below.

Table 1 summarizes the distribution of total halibut and sablefish catcher vessel QS holdings in percent of IFQ pounds by regulatory area and vessel category. For IFQ holdings ≥ 5,000 lb (reported by industry to be sufficient to economically harvest), ≤ 8% of category D IFQ holdings are distributed in any regulatory area (except for Area 4C with 28% IFQ). For sablefish, category B IFQ holdings ≥5,000 lb exceed similar category C holdings in all areas except Southeast; category B QS holdings <5,000 lb were less than category C holdings in all areas except the Bering Sea.

Fewer than 1% of all halibut IFQ holdings in pounds are available in category D (Table 2). An examination of the pounds currently distributed in both halibut categories C and D shows that 95% of total Area 2C IFQ holdings are held in those smaller vessel categories. Similarly, 78% of total sablefish Southeast area QS are currently in category C. Only 6% of all halibut Area 2C IFQ holdings <5,000 lb and 4% of all IFQ holdings ≥5,000 lb were in category B (Table 1). And of total Area 2C category B holdings, 80% (105) were <5,000 lb and 20% (26) were ≥5,000 lb (Table 3a). For sablefish, 24% of all Southeast area IFQ holdings < 5,000 lb and 22% of QS ≥5,000 lb were in category B (Table 1). Of total Southeast area IFQ holdings, 53% (79) were <5,000 lb and 47% (69) were ≥5,000 lb (Table 4a).

The preferred alternative would exempt category B unblocked QS and blocks ≥ 5,000 lb in halibut Area 2C and sablefish Southeast area from the "buydown" provisions. Allowing the "buydown" to occur only for small category B blocks in those areas would still benefit crewmen and small vessel owners who would be able to use small category B blocks on smaller vessels without affecting the market prices of the category B medium and large blocks and all unblocked QS.

Table 2 illustrates the potential movement of larger vessel IFQ to smaller vessels for Alternatives 2 and 3. For example, under the status quo, in halibut Area 3B there are 243 category B IFQ holdings of 2 million lb,

551 category C holdings of nearly 1.4 million lb, and 257 holdings in category D of 133,000 lb. Alternative 2 would allow the use of the 243 category B IFQs on category C vessels for a potential maximum of 794 (243+551) holdings of 3.4 million pounds. This represents an increase in maximum available IFQ holdings of 44% and available pounds of 147%. Additionally, the 794 category B and C holdings could be used on category D vessels, for a maximum of 1,051 holdings and 3.6 million pounds. This represents an increase of 309% in QS holdings and 2,547% in IFQ pounds for the small boat fleet. These figures represent the maximum potential changes in IFQ distribution among vessel categories since not all of larger vessel IFQ holdings are expected to be used on smaller vessels.

Tables 3a-g and 4a-f show that a majority of total holdings are in smaller sized issuances. Using Area 3B again for example, 84% of category D halibut IFQ holdings are smaller than 1,000 lb; nearly all of the remainder are between 1,000 and 4,999 lb (Table 3c). Allowing the use of category B QS on category C vessels would potentially increase holdings <1,000 lb from 249 to 313 and IFQ pounds from 102,100 to 121,000 (102,100 + 18,700), an increase of 26% in holdings and 18% in pounds. Allowing the use of category B and C IFQs on category D vessels would potentially increase available holdings <1,000 lb from 216 to 529 (145% increase) and IFQ pounds from 37,650 to 158,400 (321% increase). Larger potential increases are found with larger QS holding sizes.

3.2 Identification of the Individuals or Groups That May Be Affected by the Proposed Action

Alternatives 2 and 3 broaden the market for larger category QS, and creates substitutes for smaller category QS. In general, economic theory holds that increasing competition in the marketplace increases the net benefits to society, even though there may be some persons made less well off by the action. The broader marketplace has some implications for prices as both larger category shares and smaller category shares. In general, the fewer barriers between categories, the less difference in prices for similar holdings. The following chart identifies in a qualitative sense which groups may be made better off by the action, and which may be worse.

Who May Win	**Why**
Holders of large category QS who wish to sell.	More potential buyers, and potentially a higher price.
Holders of larger category QS who wish to use their shares on smaller vessels.	Eliminates the need to first sell large category QS and then buy small category QS. This effect will tend to make it easier to migrate to smaller vessels.
Persons wishing to buy QS for use exclusively on small vessels.	Wider marketplace for QS available for use on small vessels may mean lower prices for small category QS. If smaller vessels are indeed more efficient for small amounts of QS, then the price effect on small category shares will be mitigated somewhat by increased demand from former large vessel owners.
Persons who wish the flexibility to use their shares on vessels in multiple categories.	The ability to use QS on more vessels may make the holders of larger category QS more employable.
Who May Lose	**Why**
Persons wishing to buy QS for use exclusively on large vessels.	There may be a greater number of persons who are wishing to buy, thus potentially driving up the price.
Sellers of small category QS.	Wider marketplace for purchasers may mean lower prices for small category QS. This effect may be mitigated somewhat by additional increased demand from former large vessel owners.

Quantitative identification of winners and losers under this alternative is not possible because of a lack of information as to the intentions of specific individuals. Nonetheless, Table 5 shows the numbers of current catcher vessel QS holders by size category in each regulatory are for sablefish and halibut. The 6,640 individuals or corporations who were issued halibut QS in vessel categories B, C, or D and 1,974 individuals or corporations who were issued sablefish QS in vessel categories B or C may potentially be affected by the preferred alternative.

Any qualified crewman who might purchase QS in the future also could be affected under either Alternative 2 or 3. Halibut QS holders in categories C and D (5,754) may benefit from using category B QS on their smaller vessels. Likewise, the 2,662 category D halibut QS holders might benefit from the use of category C QS. Some category B and C QS holders may be negatively affected due to increased competition for use of those QS on smaller vessels. Similarly, category B and C crewmen and vessel owners may find fewer available QS available in the marketplace for use. The maximum number of affected fishermen would not include holders of category B unblocked QS and blocked QS ≥ 5,000 lb in halibut Area 2C and sablefish Southeast area.

Similarly, 1,337 current sablefish category C QS holders would gain the ability to use category B QS on their vessels. The numbers of potentially affected individuals for both halibut and sablefish are a maximum, since not all QS holders are expected to utilize the increased QS flexibility under the preferred alternative. Holders of unblocked category B QS and blocked QS < 5,000 lb in Area 2C and Southeast would not be affected under Alternative 3. Additionally, some of the losses might be offset by gains made by halibut category B and C and sablefish B QS holders who otherwise might not have found a use for their QS under the status quo.

Table 5. Halibut and sablefish QS recipients by regulatory area and vessel category.

	Halibut			
AREA	**B**	**C**	**D**	**TOTAL**
2C	125	1,021	984	2,130
3A	274	1,356	1,164	2,794
3B	195	511	255	961
4A	136	136	201	473
4B	78	34	27	139
4C	29	20	31	80
4D	49	14	0	63
4E	0	0	0	0
TOTAL	886	3,092	2,662	6,640

	Sablefish		
AREA	**B**	**C**	**TOTAL**
SE	117	501	618
WY	124	268	392
CG	179	379	558
WG	98	93	191
BS	61	55	116
AI	58	41	99
TOTAL	637	1,337	1,974

The effect from the preferred alternative on the price of QS is not expected to be significant. Price data of transferred QS is not currently available from the NMFS Restricted Access Management Division, but is being analyzed by the State of Alaska Commercial Fisheries Entry Commission under contract by NMFS as part of the inter-agency State/Federal review of the first IFQ season. This report is scheduled for presentation to the Council in June 1996.

A review of reported QS prices from commercial brokers indicate that prices vary between vessel categories and size of halibut QS holdings and regulatory area, and no generalizations can be made for all QS transactions and price differences (Table 6). Blocked category B QS of comparable size sold for higher prices than category C and D QS in Areas 2C and 3B, less than category C in Area 3A, and the same as category D QS in Area 4A. Some generalizations on market price of QS can be made: (1) unblocked QS brought higher prices than blocked QS; (2) larger blocks of QS brought higher prices than smaller blocks; and (3) category D QS was not generally available for transfer, and when available was of very small blocks.

3.3 Administrative, Enforcement, and Information Costs

No significant additional administrative, enforcement, or information costs are expected either under Alternative 1 (status quo) or Alternatives 2 or 3.

4.0 INITIAL REGULATORY FLEXIBILITY ANALYSIS

The objective of the Regulatory Flexibility Act is to require consideration of the capacity of those affected by regulations to bear the direct and indirect costs of regulation. If an action will have a significant impact on a substantial number of small entities, an Initial Regulatory Flexibility Analysis must be prepared to identify the need for the action, alternatives, potential costs and benefits of the action, the distribution of these impacts, and a determination of net benefits.

NMFS has defined all fish harvesting businesses that are independently owned and operated, not dominant in their field of operation, with annual receipts not in excess of $2 million as small businesses. In addition, seafood processors with 500 employees or less, wholesale industry members with 100 members or less, not-for-profit enterprises, and government jurisdictions with a population of 50,000 or less are considered small entities. A "substantial number" of small entities would generally be 20% of the total universe of small entities affected by the regulation. A regulation would have a "significant impact" on these small entities if it resulted in a reduction in annual gross revenues by more than 5%, annual compliance costs that increased total costs of production by more than 5%, or compliance costs of small entities that are at least 10% higher than compliance costs as a percent of sales for large entities.

If an action is determined to affect a substantial number of small entities, the analysis must include:

Table 6. Reported prices[1] for halibut and sablefish QS transactions (Source: Access Unlimited, Inc.).

Area	Category	B/U	Size	Price/lb
2C	B	B	1,000	$7.80
2C	B	U	<1,000	$6.70-7.00
2C	C	B	<5,000	$5.50-6.00
2C	C	B	5,000-10,000	$7.15-8.00
2C	C	U	1,000	$7.75-7.80
2C	D	B	<5,000	$4.50-6.50
3A	B	B	7,000-12,000	$5.00-6.70
3A	B	U	10,000	$7.25
3A	C	B	500-3,000	$5.50-6.25
3A	C	B	10,000-15,000	$6.40-6.50
3A	C	U	12,000	$6.75
3A	D	B	5,000	$7.00
3A	D	U	2,000	$7.53
3B	B	B	2,000-6,000	$5.00-6.25
3B	C	B	1,000	$5.00
3B	C	U	20,000	$8.00
3B	D	B	2,000	

(1) description and estimate of the number of small entities and total number of entities in a particular affected sector, and total number of small entities affected; and

(2) analysis of economic impact on small entities, including direct and indirect compliance costs, burden of completing paperwork, or record keeping requirements, effect on the competitive position of small entities, effect on the small entity's cash flow and liquidity, and ability of small entities to remain in the market.

4.1 Economic Impact on Small Entities

Every catcher vessel participating in the Alaska Pacific halibut and sablefish IFQ fisheries would potentially be affected by the preferred alternative. Most vessels harvesting halibut and sablefish off Alaska meet the definition of a small entity under the RFA. A maximum 6,640 halibut fishermen who received catcher vessel QS in categories B, C, and D and a maximum of 1,974 sablefish fishermen who received catcher vessel QS in categories C and D may potentially be affected by the preferred alternative. The maximum number of

affected fishermen would not include holders of category B unblocked QS and blocked QS ≥ 5,000 lb in halibut Area 2C and sablefish Southeast area.

These impacts do not appear to be significant within the meaning of the Act. They are not likely to lead to a reduction in the gross revenues received by the small business sector of the fleet.

5.0 LITERATURE CITED

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