



Marine Fisheries
ENVIRONMENTAL QUALITY

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Governor

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Secretary

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MEMORANDUM

TO: Marine Fisheries Commission
Standard Commercial Fishing License Criteria Committee

FROM: Nancy Fish
Division of Marine Fisheries

DATE: Oct. 28, 2016

SUBJECT: Standard Commercial Fishing License Criteria Committee Meeting

The Standard Commercial Fishing License Criteria Committee met at 10 a.m. on Friday, Sept. 30, 2016 at the Crystal Coast Civic Center, 3505 Arendell Street, Morehead City, NC 28557. The following attended:

Committee Members: Sammy Corbett – Chairman, Chuck Laughridge, Janet Rose, Joe Shute, Mike Wicker and Alison Willis

Absent: Mark Gorges

Staff: Braxton Davis, Dee Lupton, Nancy Fish, C.J. Alley, Col. Dean Nelson, Kathy Rawls, Stephanie McInerny, Michelle Duval, Chris Batsavage, Suzanne Guthrie, Grace Kemp, Trish Murphey, and Katy West

Public: Rep. Jimmy Dixon, Garrett Myrke, Rick Sasser, Jerry Schill, Kenny Rustic, Pam Morris, Brent Fulcher, Adam Tyler, Aundrea O’Neal, Bradley Styron, Brent Fulcher, Jan Willis, Scott Baker and Glenn Skinner

Sammy Corbett, serving as chair, called the meeting to order, reminded commissioners of their duty to avoid any conflicts of interest and asked Nancy Fish to do the roll call.

Chairman Corbett recognized Representative Jimmy Dixon, who was in the audience, and Lewis King from the Speaker’s Office, who was on the phone.

APPROVAL OF AGENDA

Motion by Chuck Laughridge to approve the agenda. Second by Mike Wicker.

Motion passes unanimously.

SCOPE AND PURPOSE

Chairman Corbett explained that earlier in the year at the February meeting, the commission decided to convene a committee made up of commission members to discuss defining a commercial fisherman and any necessary actions or recommendations the committee feels need to be made. He also explained that in the General Assembly, several legislators have been talking about fisheries issues, including commercial licensing. A few weeks ago Representatives Jimmy Dixon and Ted Davis met with various stakeholders to discuss these issues, with the intent of having the House Select Committee on Wildlife Resources look at some of these matters in the upcoming legislative session. Chairman Corbett said he advised the legislators this committee was going to be meeting and Representative Dixon asked if the committee could share its recommendations and if the division could also provide any recommendation it had by mid-October. Chairman Corbett said he envisioned the committee meeting multiple times over the course of several months, but after hearing the legislative request, he thought it would be best if the committee and the division could get together at this meeting and come up with recommendations to share with the legislators.

PUBLIC COMMENT

Kenny Rustic, a full-time commercial fisherman from Carteret County, said he had no problem with part-time fishermen, they contribute to the economy. He felt the committee deliberations were ridiculous and stressed that people needed to work.

Wicker asked if some type of threshold was needed and Rustic replied the license criteria should stay at status quo. Wicker asked if he was concerned about people who hold a license but have no sales. Rustic said if there was concern about people selling seafood illegally, that was a law enforcement issue, not a licensing issue.

Chairman Corbett said that some groups were expressing concerns about people holding a Standard Commercial Fishing License in order to get around recreational bag limits.

Glenn Skinner, a full-time commercial fisherman from Carteret County, advised the committee that some people frequently have to start out as a part-time fisherman and work their way up to fishing full-time. He questioned if it was legal, or possibly unconstitutional, to implement a production requirement to qualify for a license. Skinner doesn't want the legislature telling him what to do and he said he would challenge the requirement if the state implements new criteria.

Laughridge asked if he had an objection to catches not being reported on trip tickets and possible black market sales. Skinner replied that not reporting catch or black market sales were law enforcement issues, not licensing issues. He further stated that in his opinion a commercial fisherman was someone who holds a Standard Commercial Fishing License and sells their catch and if it was decided to get rid of inactive licenses, there needs to be a phase-out period or a time limit.

Laughridge talked about Marine Patrol only having 40 officers in the field and asked Skinner if he would be willing to go to Raleigh and support having more Marine Patrol officers.

Rose said she thought the Marine Patrol was doing its job and talked about fines and civil penalties being assessed if a person was caught selling seafood without the proper licenses.

Jerry Schill, the president of the North Carolina Fisheries Association, said that 30 years ago his association endorsed an income threshold of 75 percent for someone to be considered a commercial fisherman. He immediately started receiving phone calls from state representatives expressing concerns that many of their constituents that were farmers also relied on fishing, especially in Hyde County. Schill said that was still a need today, but on a more limited basis. He confirmed with an agricultural extension agent that there were still farmer/fishermen. Since that time, the North Carolina Fisheries Association has supported the approach that if you hold a commercial fishing license and sell fish then you are a commercial fisherman.

Schill said he knew data collection was important and the black hole in North Carolina data is in the recreational sector reporting. He said this issue has been discussed many times over the years.

Wicker pointed out the current law defines a commercial fisherman as someone who holds a Standard Commercial Fishing License or a Shellfish License, it does not mention selling fish. Schill said they were opposed to an income requirement and that people are making this a problem when none exists and said he did not think it was a serious problem if people held a commercial license to circumvent recreational bag limits. He doubts this is a serious problem, but it needs to be quantified.

Laughridge asked if the North Carolina Fisheries Association had a position on full-time and part-time fishermen and Schill responded they did not.

Laughridge asked if Schill had a problem with someone buying a license on-line that did not have any knowledge about fishing and that inexperienced fisherman caught a turtle and shut the whole or part of the fishery down – was the industry willing to take that risk? Schill said yes, they were doing that now.

Laughridge asked if the North Carolina Fisheries Association had a stance on people buying licenses on-line and Schill responded they did not have a position on that issue.

Chairman Corbett said there were about 3,100 people that hold a commercial license, that do not have any reported trip tickets in three years, and if you get rid of those licenses, then that revenue is lost also. Schill said just because people don't have trip tickets does mean they are trying to subvert the system – he referenced comments from Billy Carl Tillett back in 2012 when the commission formed a committee to look at this issue. Tillett had explained that as a business owner who ran a fish house and had several boats, he rarely had trip tickets on his licenses. Schill said there were also a lot of people that are crew on boats that do not have trip tickets.

Rose said she had two licenses that she wanted to keep that were her husband's – they are part of her family's heritage. One day she might have a grandson or a son-in-law that wants those licenses and if she chooses to pay the state of North Carolina \$400 each year for each of those licenses, then that is her choice.

Schill closed his comments by saying he remembered a time when the Division of Marine Fisheries director would reach out to interest groups and seek support of legislative and budget agendas and he'd like to see that type of relationship start again.

Pam Morris said she is an original member of the Standard Commercial Fishing License Eligibility Board since 1998 and a longtime member of the Carteret County Fisheries Association. Regarding license transfers and assignments, if someone is sick, they need to be able to assign their license to someone else to work their gear and that for transfers, if someone was selling their boat, that the value of the operation is in in the license in many instances.

For income requirements, she had worked at length with the late Senator Jean Preston and they tried to keep in mind there would be new license holders or crew members that don't have landings. With buying or deleting licenses out of the pool, she views that as curtailing or limiting the future of commercial fishing in North Carolina. She doesn't agree with the "use it or lose it" approach – her husband has not fished for eight years, but still considers himself a commercial fisherman, even though he works at Cherry Point. She said it was not fair to limit the license and has never heard of another license being discussed in this manner.

Wicker talked about the cost of the licenses people are selling on-line and that the price is much higher than what the state charges and he said there seems to be a perceived problem that the commission is trying to limit people who use commercial gear to make a living. Morris said she didn't think it was as big a problem as it was being made out to be, except maybe in the southern region.

She talked about license changes and costs through the years and how those had impacted the number of commercial fishermen. She encouraged the committee to not reduce future capacity of commercial fishermen in the state and asked the committee not to decrease the number of licenses in the Eligibility Pool and warned they could be excluding crew members.

Laughridge asked if crew members could attach a 1099 tax from with their license and Morris said you can't require someone to provide a copy of their tax returns.

Aundrea O'Neal said if you purchase a Standard Commercial Fishing License then you are a commercial fisherman, no matter where you are from. She said she would rather have people subsidize their income from part-time fishing than have them drawing welfare from her taxes.

Wicker questioned if no one sells fish then there is zero income, then they are not commercial. O'Neal said that was not correct, that she knew people who fish on scallop boats that do not have trip tickets, but they are fishermen.

Wicker said there is a perception about being able to re-enter the fishery.

O'Neal talked about recreational fishermen needing to fill out trip tickets and that that they sell fish on the black market. She said this is a paper trail problem. She closed by saying the creation

of the recreational fishing license has caused a division between the recreational and commercial fishermen in the state.

Bradley Styron, member of the Carteret County Fisherman's Association and former Marine Fisheries Commission member, said if someone pays \$400 for a Standard Commercial Fishing License, then they are probably serious about it and that if someone from Charlotte has a license they are probably not going to cause a problem, but they will produce revenue.

He talked about the recent increase in commercial license fees to fund the Observer Program and that industry is responsible. He urged the committee not to rock the boat. He said the number of available Standard Commercial Fishing Licenses is capped at approximately 9,000 licenses, while there is no limit on the number of recreational licenses that can be issued and about 1 million of those recreational licenses are sold. He questioned why the commercial industry should have to jump through hoops – it is an honorable profession that provides food for consumers. Styron said there are 9 million people that don't fish in North Carolina, but they still need access to the fisheries to enjoy eating seafood. He talked about the North Carolina Seafood Festival being held in Morehead City.

He said there was lots of talk about the amount of seafood being caught declining and he said that was simple, that there was probably only 20 days of fishing with large mesh gill nets this year and that the commercial industry is strapped as much as it can handle right now.

Laughridge asked if Styron had concerns about a person buying a license on the internet for \$1,600 and if the state should have a concern. Styron said if someone paid \$1,600 for a license then they wanted it, but he could not interpret their intent. He explained he had four sets of licenses since 1994 – look at the investment I have in that, he said. He explained that he was a fish dealer and he assigned his licenses so people can work for him. He also said there had been concerns expressed about inexperienced people taking turtles and that if there was no risk, there was no gain – no foul, no harm.

Wicker asked if there was a problem with re-entry or entry into the commercial industry for the guy who wants to do it; but if a person pays \$1,600 for the license, they are doing it for some reason. But to have over 3,000 people who hold a license that do not submit trip tickets – I think that is a problem we should address, said Wicker.

Rose asked what was the problem? Wicker said that people spending more money than they needed to just catch a couple of fish did not make sense.

Styron said if someone buys a license they should be able to do what they like with it within the rules and regulations. He said he knew someone from Grantham that liked to come down and set more than 100 yards of gill net, if that is how he wants to spend his money why is it a problem.

He said the legislature capped the number of commercial licenses at about 8,896 licenses so he doesn't understand why this is a problem. He said he sat of the commission for 11 years and he has seen how this has transpired. He said the commission closed a loophole several years ago, where people were getting a license from the pool and then selling it.

Styron said his license should go back to the state when he is done with it for future fishermen. Rose said part of the reason people buy them on-line is because they are not eligible to get one through the Eligibility Board and they are willing to pay \$1,600. She said people buy Virginia fishing licenses online too and that she knew someone who paid \$15,000 in order to get a permit to have 250 crab pots, so it is happening everywhere.

Wicker questioned if we were suffering from unintended consequences of past rulings that have us in a quandary, because some people feel a new person can't enter the fishery and there is pressure to keep people from doing that.

Chairman Corbett said the Standard Commercial Fishing License Eligibility Board met recently; he sits on that board and they had 22 applications and issued 18 licenses and that it was easy to get a license from the pool – you just have to show three years of experience. He said some people buy a license on-line because they don't want to wait to get a license from the pool if they don't have that experience. He was fine with doing away with on-line license sales because if someone wants to get a license they can get one through the Eligibility Board.

Wicker said he has asked people why they bought a license on Craig's List and they said they didn't have that legacy or experience and he questioned if they should consider making it easier to get a license and that would take the market away from on-line sales, like Craig's List.

Chairman Corbett explained how the eligibility process works and said people need to have some knowledge before we turn them loose on the water because they don't know what they are doing and they will make the commercial industry look bad and cause problems.

Rose said the average person could not afford to be a helper on a crab boat for three years in order to get the license and support a family at the same time.

Wicker said there needs to be an avenue for young people to gain that experience and knowledge.

Laughridge referenced the guy from Grantham that wanted to fish more than 100 yards of gill net, but didn't have any trip tickets, and said we are concerned that these fish are not documented and said we could make it a requirement to have a trip ticket for all fish caught by someone with a Standard Commercial Fishing License. Chairman Corbett said if we are going to go this route, we need to let Representative Dixon know that we need the for-hire guys to report their catch too – that was a terrible thing that happened when the for-hire guys didn't have to report their data through logbooks.

Styron asked if there was a problem with the current cap on the number of Standard Commercial Fishing Licenses available and Laughridge said it had been mentioned about the commission lowering the number of licenses available through the Eligibility Pool – this is a number that is set each year and it can be raised or lowered depending on the need.

Laughridge said he was not opposed to having a full-time and part-time license, but we are worried about seafood being harvested and not documented. There has to be some financial motive for people to justify the expense of paying \$1,600 or more for a license.

Wicker said we have a bunch of people with commercial licenses and we don't know what they are doing and that someone like him should not set a gill net for a family cookout, that he should have to buy it from a dealer - from the people who are trying to make a living.

Styron said he disagreed; if you have a license you should be able to use it as long as you stay within the rules and the committee is trying to put people in a box and if someone was willing to pay \$1,600 for a license on-line, he doesn't think it is a problem.

Styron said he was against income requirements and he said we need all the licenses we can get to fund the work being done by the Division of Marine Fisheries.

Laughridge said whatever we do has to be revenue neutral and asked if the industry would be willing to pay for the Observer Program, which was followed by a discussion about the funding of this program.

Chairman Corbett asked what if everyone who had submitted a trip ticket could keep their license, and that people could have a retired or heritage license for half price and were allowed to take that license out of retirement one time, if the Recreational Commercial Gear License was discontinued and if a part-time license was created that would be a stepping stone for someone to get their three-years-worth of knowledge to get a full-time license - would those measures be acceptable. Styron said he felt there was a place for the Recreational Commercial Gear License and that there might be a place for a part-time license too and he would like to sit down and have more discussion about it.

Brent Fulcher, chairman of the North Carolina Fisheries Association, owner of several fish houses and member of the Finfish Advisory Committee, said he is trying to understand what the dilemma was with the current definition.

Rose said we have insinuated that people who are willing to pay more for a license on-line have something up their sleeve but he didn't agree it was an issue and if people are willing to pay that was their choice, maybe it was just a good investment.

Chairman Corbett said his problem was user conflict and some people holding a commercial license who don't know what they are doing.

Fulcher said if people are willing to pay more money on-line to get a license, rather than go through the Eligibility Pool, that was commerce. He said industry has come a long way to address user conflict and that the state needs to move from the incidental take permit process and go with an incidental take statement, with a biological opinion, that allows you to fish under certain criteria, but you don't count numbers.

He said these are cooperative things we can do. He talked about the shrimp trawl gear study that industry and the state have done that has shown a 50 percent reduction in bycatch.

Fulcher said again he did not understand what the problem was that we were trying to fix. Chairman Corbett pointed out that Fulcher was not there when the meeting began and he reviewed again the sequence of events that led to the meeting.

Wicker said commercial fishermen generate income and over half of the commercial licenses have not had trip tickets reported to show they are generating income and that influences the ability to have good data; he also thinks there is a perceived problem that people think there is a barrier to someone that would want to enter the industry. Wicker also said the part-time license has merit and we have a real chance to make some improvements here.

Chairman Corbett asked Fulcher if he would allow Representative Dixon to speak before he had to leave.

Representative Jimmy Dixon talked about an initiative he is spearheading relative to improving the Fisheries Reform Act; and is currently looking for ideas, concerns and recommendations regarding commercial fishing licenses for possible consideration by the Wildlife Resources Oversight Committee that is chaired by Representative John Bell. He has met with various stakeholders on this topic already, and found the information being discussed at this committee meeting very informative.

He said he understands what legislators hear and reality can be different and that he doesn't want to make decisions because of the loudest squeaking wheel. He feels we can all agree on the following points:

1. We have fish in our fisheries;
2. They are a public trust resource;
3. The citizens of North Carolina have a right to access these resources; and
4. There are two basic fishing groups, recreational fishermen and commercial fishermen.

The General Assembly's job, he said, is to establish parameters to administer fair access to the resource and this is a good opportunity to work collaboratively and to make sure this public trust resource is transferred to the next generation.

He cautioned he would not be part of spreading misinformation, arguing or finger pointing and that it is time for these type of actions to stop. He discussed a recent legislative attempt to hold a referendum on banning gill nets and that the bill was sent to the Rules Committee to die because the leadership did not think that was the way to do legislation.

He said he is unbiased towards these issues and does not want to be harmful. He said owning a license is not a right and that you must qualify, and he feels the General Assembly created a black market when it limited the number of commercial fishing licenses. He does not want to limit someone from becoming a commercial fisherman.

This issue, he said, is too important to let it come down to who walks the halls of the General Assembly and that we have to hit the ball this time. He closed by saying his final test would be – is it good or bad for the resource.

Brent Fulcher (continued) said that Representative Dixon talked about having a requirement for the license. The division uses a “P” number (which is the vessel identification number) to help track data, so if someone wants to expedite the process and buy a license on-line, he said, and if they do have a “P” number that would be fine. If they don’t have that number, then require them to meet the same criteria as people who get licenses from the Eligibility Pool. That way they don’t have to wait for the next Eligibility Board meeting. He also offered that he was happy to let people work with him to gain experience. Fulcher suggested that the Eligibility Board process could be fast-tracked and that the criteria could possibly be tweaked and the board could meet more frequently. He said if a license holder is not acting appropriately and causing problems, it is the responsibility of the license holder to be aware of fishing laws and rules.

Laughridge asked if the vessel identification number, or “P” number could be used to cover the crew and document participation and Fulcher said it would not.

Chairman Corbett said a place would need to be created on the trip ticket to list an individual’s license number, or “F” number, to record all the crew so their effort could be documented.

Fulcher said what he was hearing is that you might be letting people buy their way into the industry and that some of those people might be hurting the industry. He said you can fix that by making them meet the Eligibility Board criteria.

He asked what would happen to a license holder that was hurt and cannot work for several years and cannot document any type of effort; Chairman Corbett said a hardship provision needs to be considered.

Fulcher thinks the current definition of a commercial fisherman is fine and is working well and that there are just a few loopholes that need to be addressed.

Jan Willis, a recreational fisherman from Carteret County and adviser to the Coastal Recreational Fishing License Committee, said she was there to offer a different perspective. Most people think there are only two user groups that harvest seafood – the recreational and the commercial, she said. Recreational fishermen go out on the water to have fun, fish with a rod-n-reel and take a creel limit home to family dinner. Commercial fishermen go out on the water to work, use specialized gear in a professional manner, catches as much as they can, and sells their harvest for money to support their family. These are two distinct groups in both their goals and practices.

However, she said, there is a third group of harvesters that is a hybrid between recreational and commercial. This group thinks and acts as if they are above the rules that are put in place to manage marine fisheries. They are recreational fishermen that exploit the commercial license in order to harvest more seafood than allowed. They do not sell their catch as true commercial fishermen would do. In essence, they tell the commercial fishermen they do not respect their

professionalism and to the recreational fishermen they are saying we are better than you and do not have to follow the daily creel limit.

Willis offered two solutions:

- 1) Have the commission recommend that the General Assembly pass a law that all seafood harvested under a Standard Commercial Fishing License must be sold and recorded on a trip ticket. Right now, she said, a Standard Commercial Fishing License can keep unlimited amounts of seafood for personal use without recording it on a trip ticket. The undocumented harvest prevents the division from collecting this needed data for management.
- 2) The commission should define a commercial fisherman based on a percentage of income. This will protect full-time commercial fishermen from dishonest recreational fishermen. This will help ensure there are adequate numbers of fish for the legitimate businessman and the recreational fisherman. She recommended a 50 percent threshold to retain a Standard Commercial Fishing License to accomplish this needed protection.

Rick Sasser, a recreational fisherman from Wayne County, said commercial fishing is a business and it is dangerous and hard work. He said he had worked on a farm and knew the meaning of hard work. He understood that people feel a sense of heritage associated with fishing, but that includes recreational fishing too. He remembered his father and grandfather would come and rent cabins at Radio Island and fish.

Sasser said our fisheries are a public trust resource that needs to be managed sustainably for all sectors of the public that want to access that resource. This resource was currently in trouble and the past director of the Division of Marine Fisheries said in February 2016 that we are at overcapacity in most, if not all of our fisheries. What we are addressing here today are capacity issues and who has the right to set commercial gear. We have to get control because we are killing the resource for everyone, said Sasser.

He said 80 percent of transfers fall outside of policy and are an exception to both rule and law. State statute does not allow these transfers, but they are occurring because someone with the division decided we needed to keep as many licenses active as possible to generate revenue. He said licenses are being managed to generate revenue to the division and not managed as a way of controlling the resource. He showed examples of licenses be sold on Craig's List that ranged from \$1,800 to ~~\$33,000~~ \$3,000. He said we should be holding transfers to state statute and do away with the 80 percent of transfers that don't follow the law. Really, we should do away with all transfer and assignments because we have a legitimate process through the Eligibility Board that allow people to get a license.

He said that he looked at division data from 2012-2015 for Standard Commercial Fishing Licenses and Retired Standard Commercial Fishing Licenses and over that four-year period, an average of 3,661 license holders, or 57.8 percent, did not report any landings. During that same time frame, 713 licenses had between \$1 - \$1,000 of income and only 294 licenses had between \$1,001-\$2,500 of income. So if you want to define a commercial fisherman you should focus on the 400 licenses that sold between \$10,000 - \$25,000 and any above that level.

He said it was also important to set a fair market value for these licenses because people are willing to pay so much more on-line than the \$400 the state charges for the license. He said \$400 was too cheap for someone to have a license that allows them to harvest a public trust resource.

He also said there was not enough enforcement and that fines were too small and were just considered a cost of doing business.

He said that not having 60 percent of your licenses report landings also put the state in violation of its federal incidental take permits, because these permits require a minimum amount of coverage in gill net fisheries. If you do not know how much effort you have, then you have no clue on how much coverage you need or have and this is a lawsuit waiting to happen.

He said the chairman had earlier said that there were 3,200 licenses that didn't report landings. If you multiply that number by the license cost of \$400, that equals \$1.3 million of revenue generated from licenses with no landings. There had been discussion about keeping any recommendations or changes revenue neutral. He said if we increased the cost of the Coastal Recreational Fishing License to match the cost of the inland fishing license, then you could generate \$2 million annually, and that would more than offset the loss of doing away with the commercial licenses that do not have landings. He doesn't want to put hard working people trying to support their families out of work, but that should not be the priority. The priority should be to protect the resource and have sustainable fisheries. He said the recreational fishery was worth \$1.6 billion and the commercial fishery was worth \$300 million.

DISCUSSION OF STANDARD COMMERCIAL FISHING LICENSE CRITERIA, ISSUES AND CONSIDERATIONS

Wicker asked if the 72.8 percent of transfers that Sasser referenced were all Craig's List-type of transactions. Division Deputy Director Lupton explained there were three categories for transfers:

- 1) Retirement – the term “retirement” is not defined.
- 2) Death – when a license holder dies, the license is transferred to the executor of the estate and then can be transferred to immediate family or it can eventually go to a third party.
- 3) Sale of a vessel – the Standard Commercial Fishing License is separate from the Commercial Fishing Vessel Registration, but it can be transferred with the vessel.

Lupton also explained that most were probably licenses that were sold on on-line, but transfers can also occur within a business operation. She also pointed out that we have no idea what is actually paid for these licenses on-line, we only see what is being asked for the license. She also agreed this is an area that could be further defined to close some loopholes and it is something for this group to consider. There was also a discussion that early on in the development of the license, the division was advised by the Attorney General's Office that the license was considered a commodity.

Sasser talked about the policy for allowing transfers for retirement and that it was supposed to be used if you were selling your boat and gear, not to sell on Craig's List. Sasser said he had a ~~Standard Commercial Fishing License~~ Recreational Commercial Gear License to catch king mackerel bait in the ocean and in case the state was to ever require people who giggered for flounder to have a commercial license.

Wicker said he had asked several people who had purchased licenses on-line what they had paid for the license and it was fairly reflective of the lower end of what was advertised.

Rose asked if Sasser would support having recreational fishermen report their catch and he said he would. He also said there are substantially less recreational fishermen on the water now as in the past. He said people come down and buy a three-day license and go to Walmart and buy a rod and sit out on the beach and maybe they will fish. The true guys that fish for fun, their numbers are way down because there are no fish to catch.

Chairman Corbett said he spends a great amount of time on the water and he feels recreational activity is increasing, especially from Snead's Ferry to the South Carolina line. Sasser said the southern area of the coast was one of the fastest growing regions and he explained in the central area of the state, recreational effort was down and these are depressed areas that could benefit from a strong recreational fishery.

Rose questioned what would be the effect of increasing the cost for the recreational fishing license and Sasser responded that recreational fishermen fought for a recreational license for years and former Senator Marc Basnight had blocked the recreational license because he didn't want to empower the 1.2 million recreational anglers. Only when the feds came in and said they were going to create a recreational license to better manage these fisheries, did Basnight allow it.

Rose said we still don't know what we are catching recreationally and Sasser said he supported anglers reporting their catch, and he said most anglers felt that way. There was a discussion about creating an app to report recreational catch.

Chairman Corbett said the only recreational people who have not supported reporting catch were the for-hire guides that didn't want a logbook.

He also said for the licenses not being used, like the licenses Commissioner Rose is holding that were her deceased husband's, he'd like for people to be able to hold onto those heritage licenses.

Rose said that for the licenses not reporting catch, they may not even be catching any seafood, but she said she was going to start catching fish with those licenses now. Chairman Corbett said you could charge half price for a retired or heritage license and not allow that license to harvest seafood and then we would have an understanding of how many people fall into that category. He said he did not want to put anyone out if they were even catching one fish. He wants to find out exactly what the recreational guys are catching, the commercial guys are catching and the for-hire/charter boat guys are catching.

Sasser referenced a pilot study the division had done on personal consumption and latent licenses, but it was pointed out there were flaws with the pilot study and it could not be used for quantitative purposes.

Lupton said there are about 700 to 800 people who wait to renew their licenses at the very end of the license year – most likely these people are not using the license, but are holding onto them.

Wicker said there are people who hold commercial licenses for speculative reasons.

Rose said there are also people who had a license when they were young, went on to another career, and want to go back to commercial fishing when they retire from their other job.

Wicker said it appeared we could improve commercial and recreational licensing and it appears we are being too restrictive on people wanting to get a commercial license.

Laughridge said a Standard Commercial Fishing License is a powerful thing to use and there is a sales tax exemption that is fairly substantial and that was probably a reason why people want to get the license. There was a discussion about the sales tax exemption.

Shute said so many people would come into his tackle shop that had the right documentation to get the sales tax exemption, but they were not true commercial fishermen and he said one thing that is a problem is when people were buying licenses to sell blue fin tuna and he talked about the inequity of out-of-state people being able to buy the Land and Sell License.

Laughridge said another issue is the statutory language that allows licenses to be assigned to out-of-state fishermen and Rose questioned how many assignments actually fell into this category. Lupton reported from 2009-2014 there was an average of 750 total assignments, with 35 of those going to out-of-state residents.

Laughridge said assignments were a way around people getting a Standard Commercial Fishing License and Rose responded that assignments were used for people helping with the fishing operation. Lupton also explained that someone who held multiple licenses might assign one of those licenses to a boat captain to run a boat. Assignments also allow people to gain experience and qualify for a license from the Eligibility Board.

Laughridge said he was in the investment business and he could not sell his license or assign it and he felt there were problems with the licensing system from a fiscal and biological standpoint.

Chairman Corbett said he had met with division staff several weeks ago and had jotted down a few ideas. First, any changes need to be revenue neutral and if we did send forward any recommendations on setting a threshold for the Standard Commercial Fishing License, that it needs to be based on trip tickets and not income. Additionally, there needs to be a place on trip tickets to record “P” numbers or “F” numbers so that crew can get credit for their fishing effort and there needs to be a way to account for number of days fished too. He said if a license holder wanted to inactivate or retire their license, they could be charged half the license cost that could be reactivated one time and there cannot be any trip ticket from that license when it was inactive. He also said For-Hire License holders that also have Standard Commercial Fishing Licenses are playing both sides of the fence. We would also like to have a Bluefin Tuna License because there are some folks that buy the Standard Commercial Fishing License, simply to be able to sell a bluefin tuna if they catch one. There are many of us who think we should do away with the

Recreational Commercial Gear License and make it a part-time license instead. He said there also needs to be a hardship clause included if there was an income or activity threshold established for the Standard Commercial Fishing License.

Division Director Davis said for him it was helpful to separate the discussion out into new entrants and those maintaining their license. It appears that the commission has the authority to modify the rules regarding third party transfers, and the division could get behind this, but we will need to get the commission counsel's guidance. We have been asked what is the problem we are trying to address and one thing that has been common in the discussion here today it that you are trying to professionalize the industry and you want folks that come into the industry to know what they are doing – to have good fishing practices and to know the rules. When you go through a third party transfer, you are skipping out on all of that and that presents a risk. Davis said if there's a way for the commission to cut down on third party transfers, but maybe take into account allowing transfers to intra-family and intra-business, that would be worth considering. It would also be good to cut down on third party transfers on Craig's List and get people to go through the Eligibility Board, we think that would be a positive step. Brent Fulcher brought up an alternative that the extra price you pay on the market is because you want to get the license sooner than the next board meeting, so you might be able to create some standards that the division could expedite rather than going to the board. The criteria for the Eligibility Board already has the requirement for significant involvement standard, but you could further define what that means. He said completion of a certified community college program could be added as a way to qualify to receive a license from the pool. It seems like there is some common ground on new entrants into commercial fishing, it needs to be determined what that would look like and how much can be done by the commission and what needs to be done by the General Assembly. He appreciates the comments about being revenue neutral and if there are discussions about raising license costs we have to be mindful about impacts to the Observer Program. Davis said he wanted people to know he is taking a close look the incidental take permit and is talking with industry and will hopefully come out with ways to improve that program soon.

Rose expressed concern if the committee was talking about raising the costs of commercial licenses, because these fees were recently increased. She said she thought that was kind of tough when we have imposed all these new restrictions. Chairman Corbett reminded people that it was the industry that supported doubling the license cost, so we could maintain the Observer Program so our flounder fishermen could keep fishing. Rose agreed that was the case, but where did it get us, fishermen could hardly fish last year because of shutdowns due to turtle interactions, she said.

Wicker said we could eliminate the Recreational Commercial Gear License and create a part-time license that could off-set the revenue losses.

Lupton said you have to figure out what problem you are trying to solve; currently those people who are not using the license are subsidizing the work the division is doing. If you raise the price of the Recreational Commercial Gear License, those people will most likely not renew their licenses. Chairman Corbett said if those folks moved to the part-time license and were required to submit trip tickets you would be getting a lot of data that you are currently losing and it could serve as an apprenticeship to qualify for a full-time license through the Eligibility Board. The part-time license could be sold at half the cost of a full-time license, would allow use of limited

amounts of commercial gear, and trip tickets would be allowed with sales. Lupton said there was about 3,800 Recreational Commercial Gear Licenses sold last year and that sales had been steadily declining and she pointed out that the General Assembly determines the cost of licenses.

There was a discussion about the how to balance the costs of licenses with the revenue needs and that it would probably take a couple of years to be able to project how many licenses would be purchased; it was mentioned there could be a possible sliding scale for fees.

Laughridge said the issue of Standard Commercial Fishing Licenses that did not have any trip tickets needs to be addressed.

Wicker said when fishermen renew their license a standard could be established to hold a Standard Commercial Fishing License; he did not think it would be appropriate to eliminate a license or take a license away from someone during the license year.

Laughridge talked about considering a certain number of trip tickets or a 50 percent income threshold as a qualification standard. He said there is a precedent of an income standard in the statute where commercial fishing seats on the commission have to earn at least 50 percent of their income from commercial fishing.

Wicker liked having the flexibility of the either/or scenario, in case someone did not want to submit their tax records.

Rose had concerns with an income requirement due to the amount of paperwork the fishermen would have to do and the calculations to estimate market price.

Chairman Corbett said if you set the standard at five trip tickets you would eliminate 630 license holders and if you combine them with the 3,200 that don't have any trip tickets at all then you will put almost 4,000 people out of the fishery that now have licenses.

Rose asked if that was the goal – to eliminate licenses? Chairman Corbett said that wasn't the goal, he was just trying to add perspective to the discussion.

Laughridge asked about possibly requiring one trip ticket per month

Rose talked about a fisherman she knows that fishes fyke nets to supplement his Social Security, she would hate to make him go out and fish more than he has too, just to reach a certain number of fishing trips.

Chairman Corbett said there were 979 fishermen that had 12 or fewer trips reported. He asked where the money is going to come from if you get rid of almost 5,000 licenses? He asked how many licenses we currently had and staff responded 6,455.

Wicker said it was obvious that whatever we do will impact the number of licenses and the revenue those licenses generate, but he doesn't think that is a good reason not to do anything. He

said we could set the trip ticket requirement low enough not to eliminate people like the fyke net fisherman that Commissioner Rose talked about.

Chairman Corbett said if you set the standard at five trip tickets, then you would eliminate 3,915 licenses. How much money would you be losing?

Lupton offered that the committee needed to decide what they wanted to do and let the division worry about the figures.

Skinner said he thought the committee was approaching it wrong; he felt if you modified the tax exempt status to only cover people who were truly fishermen that would most likely eliminate a large number of the license holders that don't have any trip tickets. He said a trip ticket threshold would not be hard to achieve.

Wicker said we need to make sure whatever recommendations we come up with are enforceable.

Laughridge said if you set a \$10,001 threshold to be eligible for tax exempt status then you would cut participants by 57.8 percent.

Skinner said he did not recommend they could not have the license if they didn't make over a certain dollar amount, only that they could not be tax exempt.

Laughridge said setting a threshold at one trip was too low, and he felt just one trip a month was too low.

Lupton added that shellfish lease holders, when they are first getting started may not have any landings or trip tickets for three years, and we need to keep that in mind as aquaculture is a growing aspect of the industry.

Chairman Corbett said there would have to be an exemption for aquaculture.

Rose said she does not have a tax exempt status and are we really worried about people not paying taxes. She said why should she have tax exempt status because she was not a full-time commercial fisherman.

Chairman Corbett talked about just the recent costs he had of outfitting his commercial fishing operation and Rose said then he deserved the tax exempt status.

Laughridge asked Rose if she made 50 percent of her income as a commercial fisherman and she responded not this year, I have done very well selling real estate.

Wicker asked if it would be easier to do a trip ticket delineation rather than an income delineation and Lupton responded that it would and that she did not want to put division staff in the position of determining where somebody got their income from.

There was a general discussion amongst the committee and the staff about license types, costs, and criteria. The number of days fished, instead of just relying on the number of trip tickets also needs to be considered.

Wicker offered that commercial gear can only be used in activities that generate trip tickets, where it could be documented if the catch was for sale or for personal consumption.

There was a discussion about increasing penalties for fisheries violations. Lupton pointed out that if you are caught selling seafood without the proper license, then not only can criminal penalties of an average of \$35 plus court costs be assessed, but also civil penalties can be assessed up to \$10,000, and there have been civil penalties of several thousand dollars. It was also discussed that if a license is revoked or suspended, then all the person with the revoked or suspended license has to do is get someone with a license to go out with him and he can continue fishing, so there is not that much of a deterrent.

There was discussion about the division's position on these issues and the need to define the problem. Director Davis said the criteria for the Eligibility Board could be enhanced to make sure new entrants are professional and experienced. Gear usage and capacity issues are generally dealt with through the fishery management plan process; it is hard to have a position on the part-time license until the gear restrictions with that license are laid out, but there could be a number of benefits.

Laughridge talked about not reissuing a license to Standard Commercial Fishing License holders who had not had any trip tickets submitted in the last three years and having those licenses go into the Eligibility Pool; those folks could apply to the Eligibility Board to get the license back if they qualified; and there would be no more licenses transferred/sold on the open market.

Chairman Corbett talked about having full-time, part-time and heritage categories for the Standard Commercial Fishing License.

Wicker said there was an issue with perception – commercial fishermen think we are trying to get rid of them, but that is not the case. He felt many issues could be resolved by simply requiring that if you use commercial gear you have to submit a trip ticket.

There was a discussion about transfers. Deputy Director Lupton explained the Fisheries Reform Act gave the commission the ability to develop rules. Several attorneys with the Attorney General's Office have advised over the years that commercial fishing licenses were considered a commodity and that influenced how license transfers have been treated through the years.

Director Davis talked about the possibility of creating a Resident Land and Sell License to allow fishermen to catch and sell pelagic species and land them in the state – fishermen would still have to have the appropriate federal permits.

Laughridge talked about sending recommendations forward to General Assembly and Rose questioned if the full commission should vote on this matter prior to sending recommendations.

Chairman Corbett explained that Representative Dixon had requested input by mid-October, because Dixon's committee was wanting to start meeting on this issue in November and that if they waited until the Nov. 16-18 commission meeting, it may be too late to provide input.

Rose continued to express concerns with sending committee recommendations directly to the legislature, without being approved by the full commission first, and Wicker agreed.

Chairman Corbett again explained that Representative Dixon wanted to receive input from the commission on commercial licensing issues, but that he needed it by mid-October.

There was discussion about just reporting to the General Assembly the outcome of the committee meeting, and clarifying that the issue still had to go to the full commission for consideration.

Willis asked each of the committee members if they felt there were problems with the commercial license that needed to be address. All of the members felt there were issues, except for Rose.

The committee developed the following slate of recommendations:

Recommendations that require statutory changes – Legislative action needed:

Full-time Standard Commercial Fishing License Eligibility – Modify the existing licensing laws to limit Standard Commercial Fishing License eligibility based on a certain number of fishing trips or trip tickets submitted or number of days fished within a specified time period. Must include:

- An exemption for aquaculture operations (it can take several years for these operations to produce a harvestable crop);
- A hardship clause for illness or acts of God; and
- A way to list multiple crew members on a trip ticket to document their fishing participation.

Part-time Standard Commercial Fishing License – Create a new part-time license that anyone could qualify for at one-half the cost of the Standard Commercial Fishing License. This license would allow the use of limited amounts of commercial gear and would require trip ticket reporting. This license could serve as a stepping stone to qualify for a full-time Standard Commercial Fishing License - have the Marine Fisheries Commission set the criteria.

Heritage Standard Commercial Fishing License – Create a new type of license that is an inactive license, sold at one-half the cost of the current Standard Commercial Fishing License. This license could be activated to a full-time Standard Commercial Fishing License for one time only. Active licenses would then have to maintain criteria set for full-time licenses.

Commercial Gear Usage – Require that all landings caught by commercial gear, regardless of the type of license held, or whether the catch is sold or caught for personal use, be recorded on trip tickets.

Tax Exempt Status – Set an income threshold for tax exempt status at \$10,000 for commercial fishing.

For-Hire License – Require holders of this license to report catch via a logbook.

Resident Land or Sell License – Create a new license to allow state residents to have similar opportunities on the Land or Sell License. This license would allow individuals to land and sell

catch like bluefin tuna caught in federal waters. Currently the Land or Sell License is only available to non-residents.

Recommendations that require rule changes – Marine Fisheries Commission action needed:

Standard Commercial Fishing License Eligibility Board Criteria – Develop rules to improve criteria used to determine who is eligible to receive a license through the Eligibility Board. Consider graduation or completion of classes from a community college in commercial fishing as a way to qualify.

Transfers/Assignments - Develop rules to refine transfer and/or assignment criteria for the Standard Commercial Fishing License.

Other

Recreational Catch – Have Division of Marine Fisheries staff explore options to enhance recreational data collection; for example, using a phone app to report catch.

It was discussed that the full commission will consider these recommendations at its Nov. 16-18 business meeting in Kitty Hawk.

It was also determined that the committee recommendations will also be sent to Representative Dixon, along with other members of the N.C. General Assembly.

Enclosures

Cc: Catherine Blum Jess Hawkins Gerry Smith
Mike Bulleri Dee Lupton District Managers
Scott Conklin Nancy Marlette Committee Staff Members
Dick Brame Katie Mills Marine Patrol Captains
Braxton Davis Phillip Reynolds Section Chiefs
Charlotte Dexter Jerry Schill