

# Accumulation Limits

- Specifying the accumulation limit options
  - Control Limits (QS/QP)
  - Vessel Limits (QP in a Vessel Account)
- Decisions on the limits
  - Whether to set control limits below vessel limits
  - The percentages to use for the limits

# Control Limits Below Vessel Limits

- A vessel owner holds QS up to the control limit
  - Has to acquire/lease QP from others to reach the vessel limit
- 
- Problem
    - QP must be put into the vessel account to be used.
    - Control limit applies to both the QS and QP
    - When a vessel owner at the control limit tries to fill out the vessel limit, the control limit is exceeded.
    - For the vessel owner: “There is no way to get there from here”

# Resolving the Problem

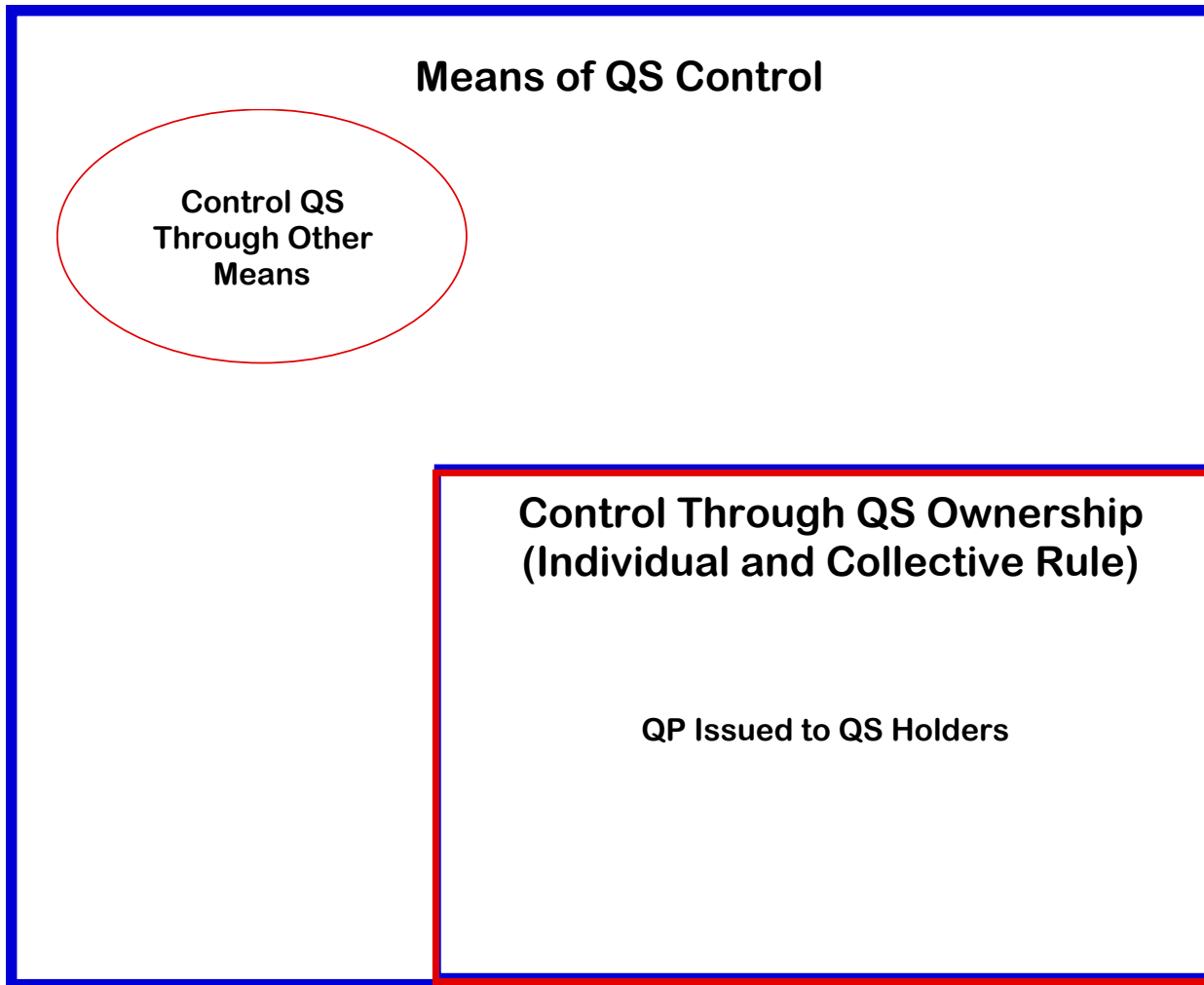
- Set Control Limits Equal to Vessel Limits
- Set Control Limits Below Vessel Limits But
  - Exempt QP in vessel accounts from automatically counting
  - Exempt all QP from automatically counting
    - Exempting QP from control limits does not change the underlying rule.
    - Cap QP holdings at a level equal to vessel limits.

# Control Limits < Vessel Limits

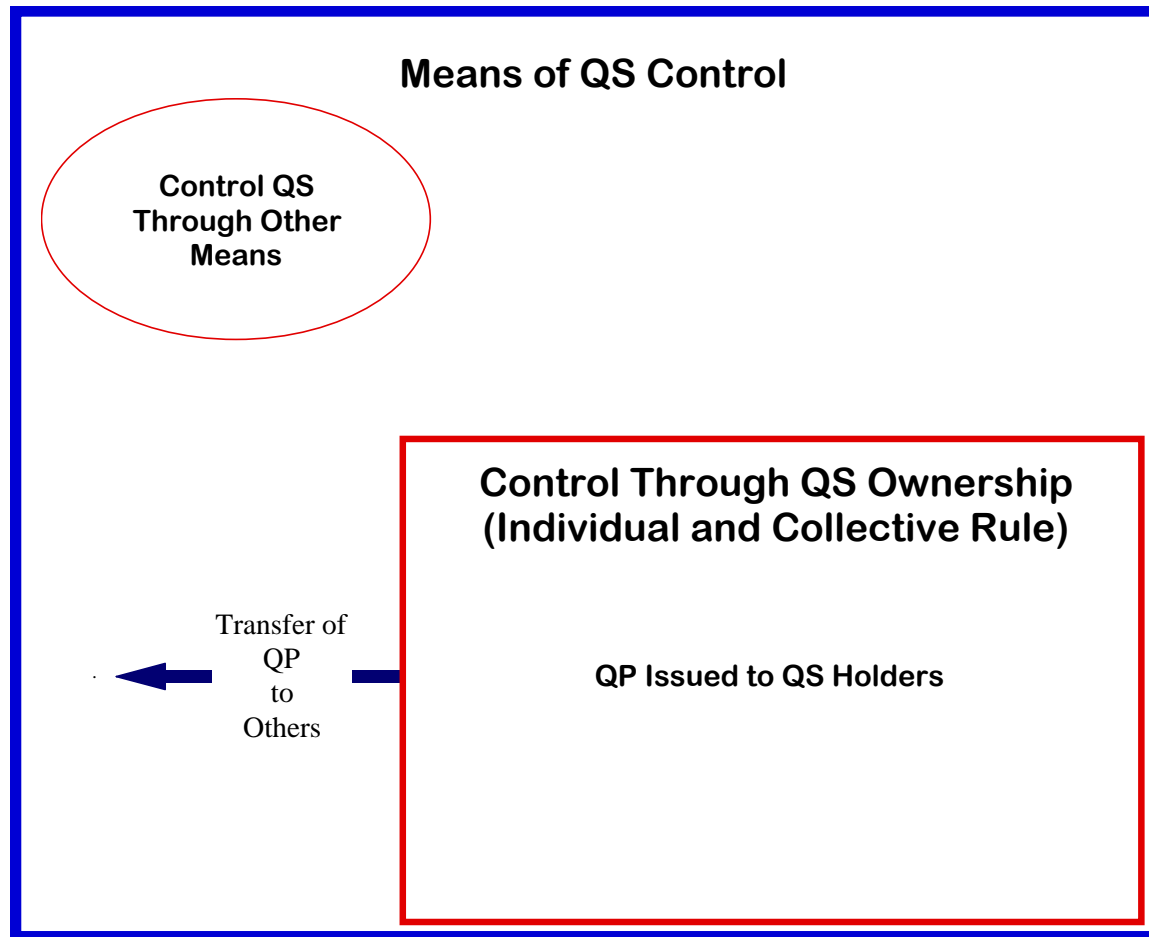
## Why?

- Better achieve competing objectives
  - Higher vessel limits allow greater efficiency
    - WHILE
  - Lower control limits spread control over the access to the fishery among more entities
- Vessel owners desiring to reach higher income and efficiency levels will have to co-operate with others.
  - Leaves room for crew members, communities and others to put their QP on a vessel

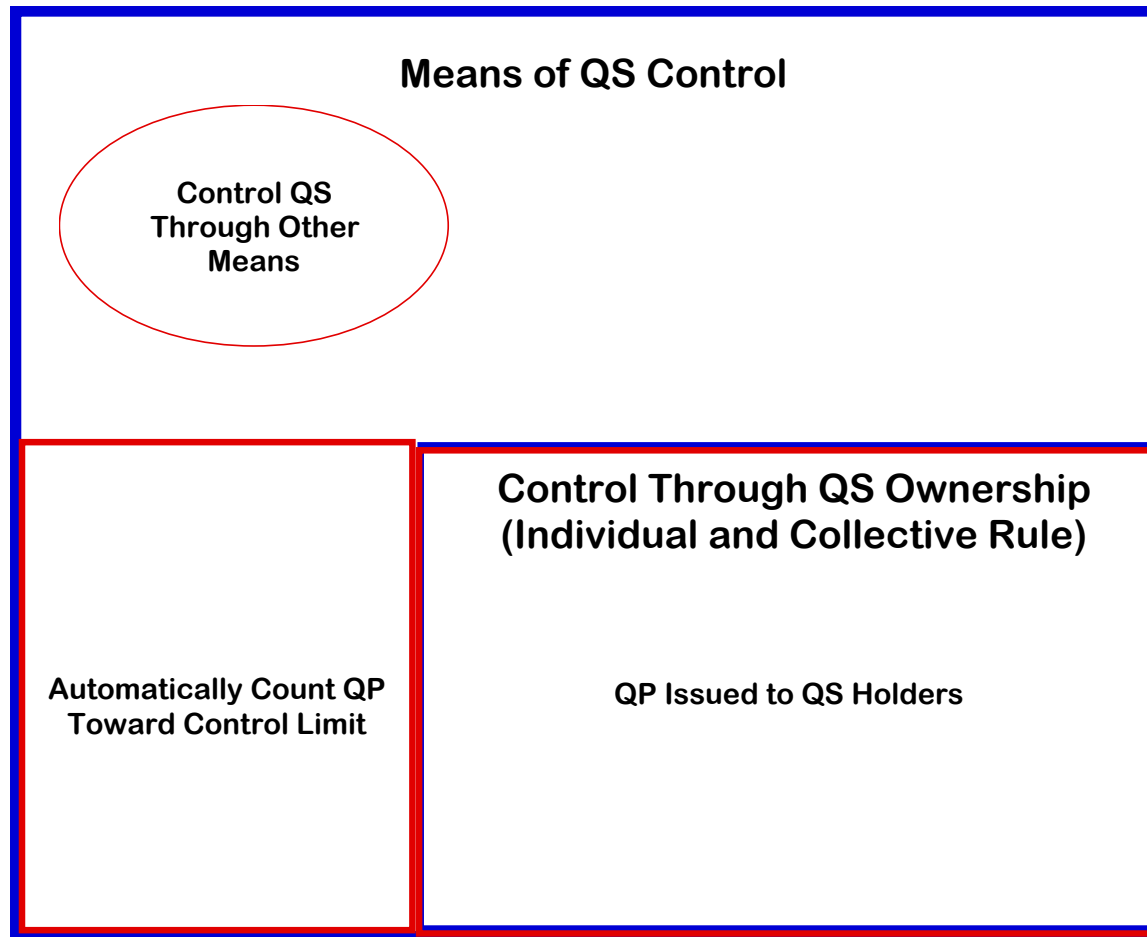
# QS Control: Through Ownership and Other Means



# Regular Transfers of QP to Certain Other Entities May Indicate Control Through Other Means



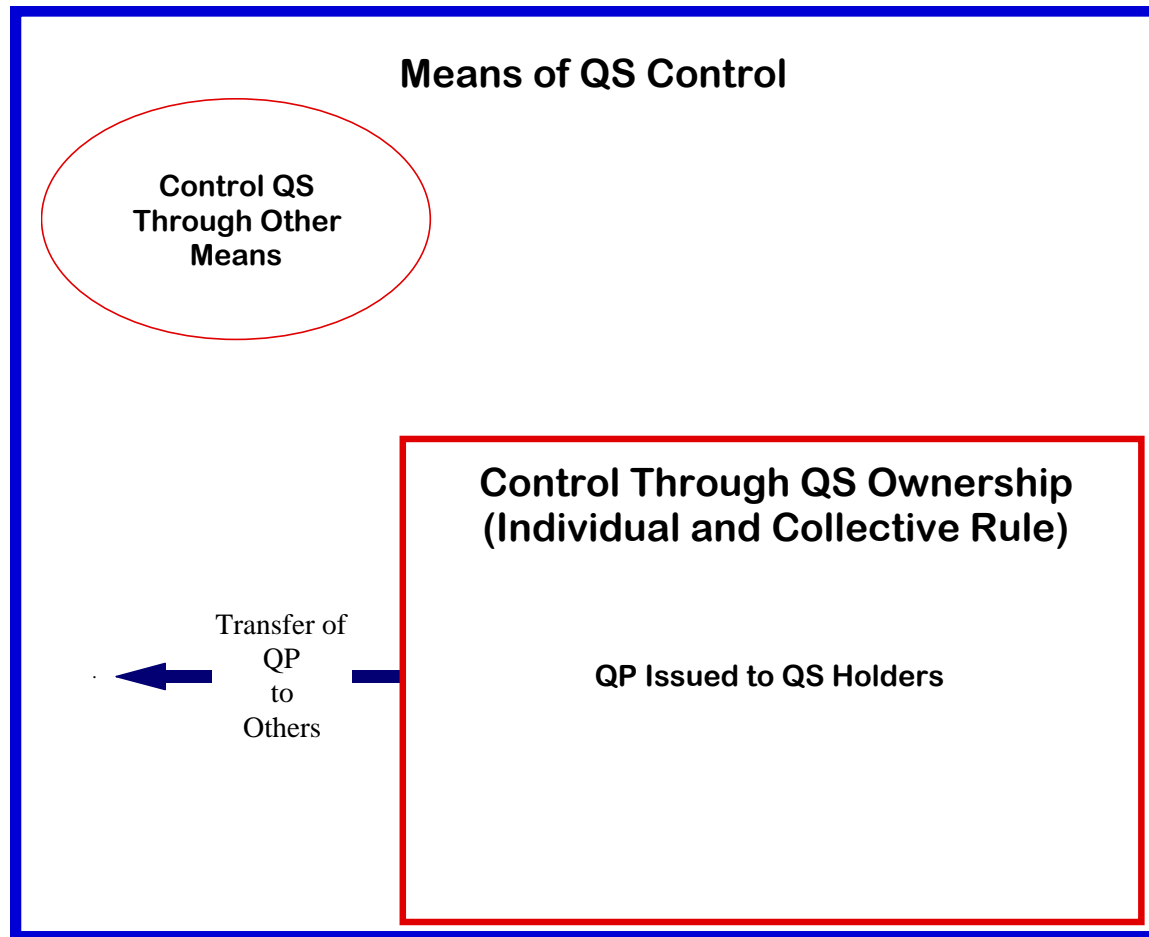
# Decided to Apply the Control Limit to Both QS and QP



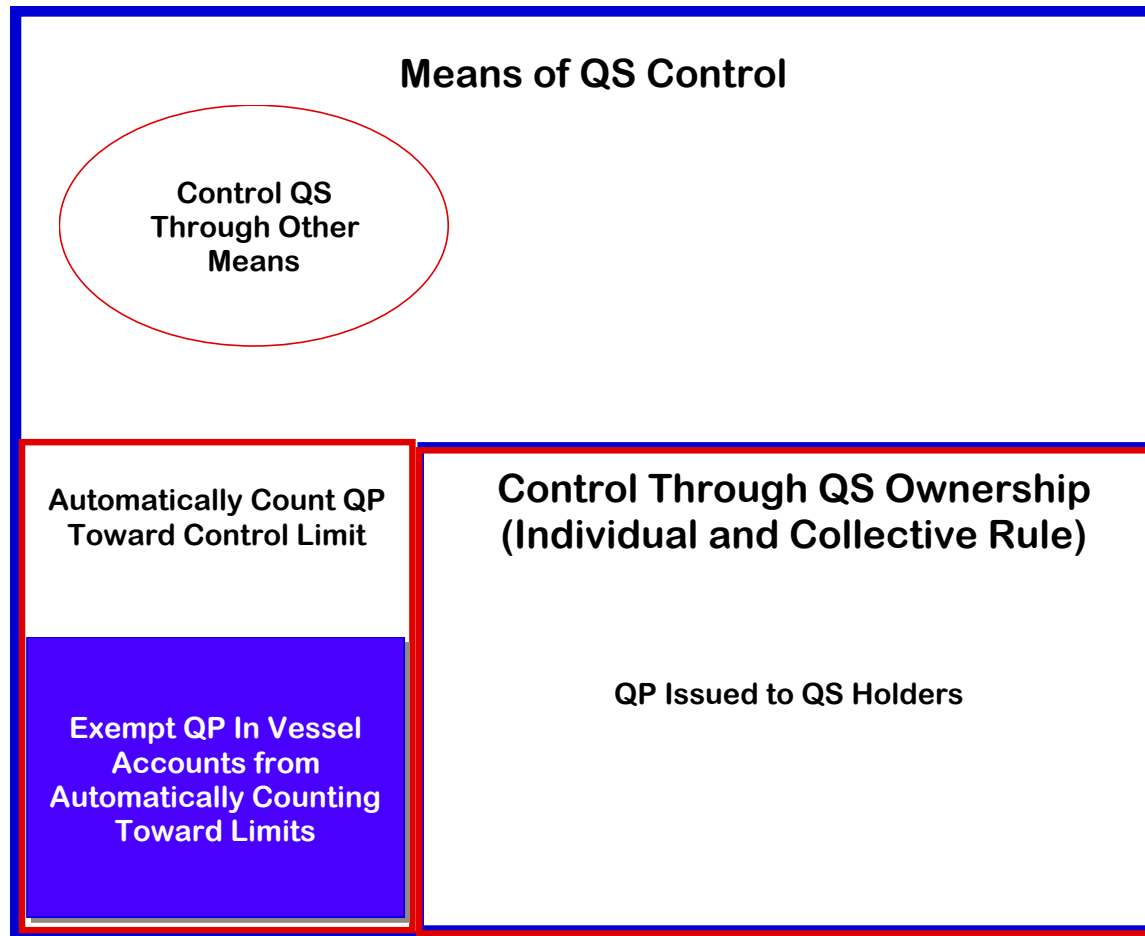
- Applying QS & QP toward control limit
  - not a problem
  - until control limits were set below vessel limits.
- One solution, set the control limits equal to vessel limits

# Another Solution: Don't Count QP Toward Control Limits

Exempting QP from Automatically Counting Does not Change Underlying Rule



# Third Approach: Exempt Vessel Accounts



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# Setting Accumulation Limit Percentages

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- Your vision for the future
  - Number of vessels
  - Dispersion of ownership

# Criteria Examined To Date

- Historic share of harvest in a given year
  - e.g. provide opportunity to achieve past performance of highliner ==>>
    - set limits at maximum shares.
      - More to allow highliners to improve
      - Less to allow everyone to reach 90<sup>th</sup> percentile performer.
- Amount of QS allocated

# Precautions on Using QS Allocations as a Guide for Accumulation Limits

- Development of Rationale Becomes a Challenge
  - Vision for future driven by choices like
    - amount allocated equally
    - amount allocated to processors
    - dropping worst years

# Precautions and Challenges in Using Historic Annual Shares

1. Elimination of buyback permits from the data set
    - Vision for future driven by whether or not the highliner(s) decided to sell out.
  2. Whether to evaluate the shares of landings or the shares of trawl allocation (how to deal with under harvest of OYs)
  3. For control limits, earlier than 2004 limited information on multiple permit ownership and linkages between processing entities has been developed.
  4. Need to set limits that are good for both the whiting and nonwhiting shoreside fisheries (when combined in a single sector)
- Challenges 2 and 3 are greater for 1994-2003 than 2004-2006.

# Attachment F.3.c, Additional Analysis

## Historic Shares by Permit (Figures 2-35, pages 6-22)

- Provides graphs of 2004-2006 maximum share in any one year
- Shares are relative to an estimated trawl allocation (not landings)
- Relevant to vessel limits but control limits are also displayed

## Limits Relative to QS Allocations (Table 0-1, page 23)

- Shows number of entities whose initial allocations would be constrained by limits (no grandfather clause)

# No Grandfather Clause for Permits and Reallocation Effect

- Reallocation Affect
  - The QS that would be in excess of limits gets redistributed to those with less QS.
- With no grandfather clause, those over limits because they hold multiple permits will likely divest prior to initial allocation.
  - Limited reallocation effect
- Processor side is not analogous.
  - Divestiture would require the company to break up.