The Pacific Fishery Management Council (Council) is slated to identify preliminary preferred alternatives (PPA) for (1) quota share (QS) control rule safe harbors for Community Fishing Association (CFA) and risk pools and (2) cost recovery. The only priority trailing action item on which the Council is not slated to take action at this meeting is control rule safe harbors for lenders. At its April meeting, the Council delayed final action on the lender issue and expanded the scope to include third party verification of quota share ownership (i.e. National Marine Fisheries Service [NMFS] informing a third party as to the ownership of particular QS), a lien registry, and unique identifiers for QS to facilitate financial transactions. While the Council is not scheduled to identify preliminary preferred alternatives on these lender issues, it may provide additional direction and guidance as it deems appropriate.

With respect to control rule safe harbors for CFAs and risk pools, the Council requested the rationale and decisional history on the existing control rules. The CFA and risk pool issues have been combined into a single environmental assessment (EA) (Agenda Item E.7.a, Attachment 1) and that information has provided in Section 1.4.2.2 of the draft EA. The Council also expressed interest in seeing a discussion of the reasons that CFAs and risk pools might or might not have needs that warrant special consideration relative to other types of entities that might also benefit from an exception to control limits. Discussion on this topic has been provided in Section 1.4.4.

At its April meeting, to help assess the need for safe harbors for CFAs, the Council was presented with historical information on the total historic landings received by each trawl port in comparison to the amount of landings which could be controlled under existing QS control limits. The purpose of this information was to illustrate the degree to which a single entity might meet the needs of any particular port with control limits set at their current levels. The Council was also interested in knowing what minimum amounts of QS might be needed to maintain a trawl port. While adequate economic information was not available to respond to this question, the analysis showed that a number of trawl ports appeared to have maintained long-term viability with harvest levels that could be accommodated under existing control limits. Still at issue is the degree to which the Council believes that port stability necessarily requires that the historic landings of any particular port be accommodated by QS held by a single entity. The analysis provided in April has now been augmented by providing historic (1996-1998) information on a yearly basis rather than average, an assessment of county dependencies and vulnerabilities based on non-whiting trawl metrics, inclusion of landings from the Morro Bay/Port San Luis experimental fishing permits, and the use of a Conception area sablefish trawl allocation lower than the 2011 level to evaluate the degree to which the control limits accommodate sablefish landings in southern ports. This information is provided in Appendices A and C of the EA as part of the analysis of the level of the exception that might be provided to CFAs. Appendix B of the EA covers all provisions of the CFA alternative. Subsections in Appendix B correspond to each section of the CFA alternative and identify outstanding options and questions for Council
decision. These issues should be addressed as part of selection a preliminary preferred alternative.

With respect to risk pools, one of the major points of deliberation at the April Council meeting was how the duration of agreements obligating quota pounds (QP) affect assessment of the control of underlying QS. To help address this issue, the Council added for consideration an option that would specify that any agreement on the transfer of QP of a duration of 14 months or less would not constitute control of underlying QS. Additional discussion on the issue of duration of agreements in conjunction with other features of risk pool agreements has been provided by Council staff in Section 1.4.3.

With respect to cost recovery, NMFS will provide a report on its efforts to develop a methodology for Council consideration (Agenda Item E.7.b, NMFS Report). Because the cost recovery method will be implemented under a National Environmental Policy Act categorical exclusion, for which an EA/Environmental Impact Statement is not required, final action in September does not necessarily require that the Council adopt a PPA for cost recovery at this meeting. The Council has previously expressed a number of preference on this issue, including preferences for (1) an option that would divide and assess costs by each of the three trawl sectors, (2) the identification of specific tasks required to implement the trawl rationalization program, (3) the application and explanation of general budget estimation methods to model an allocation of agency resources between the new trawl rationalization necessities and other fishery management activities, (4) the collecting cost recovery fees through the same method used for the buyback program, and (5) consideration of reimbursing states for their relevant new management costs. A letter from the Washington Department of Fish and Wildlife (WDFW) discussing relevant state costs is provided as Agenda Item E.7.b, WDFW Letter.

Council Action:

1. Adopt PPA for QS control rule safe harbors:
   a. for CFAs
   b. for risk pools
2. Adopt PPA or provide guidance, as appropriate, for cost recovery methodologies.
3. Other guidance on trailing actions and trawl rationalization as needed.

Reference Materials:

4. Agenda Item E.7.c, Public Comment.
Agenda Order:

a. Agenda Item Overview  
Jim Seger and LB Boydstun
b. Reports and Comments of Advisory Bodies and Management Entities
c. Public Comment
d. **Council Action:** Adopt Preliminary Preferred Alternatives for Issues Concerning Safe Harbors from the Control Rule and Cost Recover or Guidance as Necessary

PFMC
05/24/11