Widow Rockfish Divestiture Considerations

NMFS Handout to Supplement Presentation by Colby Brady

Because the control limit and divestiture issues in the trawl IFQ program are so complex, NMFS has provided additional information and calculations that may help to visualize some of the issues.

How does the Widow Rockfish QS Reallocation Consideration affect control limits and divestiture?

There are two control limits that affect the amount of quota share (QS) a person or entity can own:

- Control Limits for Individual Species: These are limits set for each species, and these are fairly straightforward to calculate. For example, the control limit for widow rockfish is 5.1%. If a permit owner has 6%, they are over the individual control limit and must divest 0.9% of widow rockfish. If an individual is an owner or partial owner across many QS permits, he or she must add up their shares across permits to see if they are under the limit.

  For example: if Joe Dragger has three QS permits: permit A has 1% of widow rockfish, permit B has 1%, and permit C has 2%, the total widow rockfish owned by this person would be 4%, and they would be under the 5.1% control limit.

	Permit A	Permit B	Permit C	Total QS Owned	Control Limit	Amount Under Limit
Widow Rockfish	1%	1%	2%	4%	5.1%	1.1%

- Aggregate Non-Whiting Control Limit: This is a total limit of 2.7% that can be owned across IFQ species, and is more restrictive than the sum of individual species limits. The limit is calculated by converting an entity's QS percentages into pounds based on the 2010 OYs, and then dividing those pounds by the total 2010 OY to convert it back to a percentage. For example, if an entity owned 3% of aggregate non-whiting pounds, they would be over the limit by 0.3% and would need to divest of some shares (of the species of their choosing) in order to get under or equal to the 2.7% limit. You can see an example entity's aggregate non-whiting control limit calculation on page 3. 2010 OYs were used to set a stable limit that would not change with the sector allocation each year (otherwise, someone who was below the limit this year could be above the limit next year if the amount of pounds for the sector decreased).

The deadline to divest of QS or IBQ in excess of the control limits is November 30, 2015. Right now, there is no trading of widow rockfish QS because the Council knew that they might reallocate widow rockfish shares. The regulations at 50 CFR 660.140(d)(4)(v) exclude widow rockfish from needing to be divested by the deadline because it cannot be traded yet. However, it is difficult for QS permit owners to calculate compliance with the aggregate non-whiting control limit because widow rockfish is a part of that calculation, and widow QS is subject to change through the reallocation consideration. See Agenda Item J.2.a, Attachment 2, Section 1.4.2 for more detail on the challenges presented by the divestiture deadline and the moratorium on trading widow.

For these reasons, the Council may want to consider:

- Applying the aggregate non-whiting control limit of 2.7% to all species except widow for the November 30, 2015 deadline
- Delaying the November 30, 2015 divestiture deadline until after the Widow Rockfish QS Reallocation Consideration is complete
- Changing or eliminating the aggregate non-whiting control limit

What are the Control Limits, and how many people are over?

QS and IBQ Control limits are accumulation limits and are the amount of QS and IBQ that a person, individually or collectively, may own or control. The table below shows the control limits as specified at 50 CFR 660.140(d)(4)(i)(C), and the number of permits and individuals (lowest level of ownership in a QS permit) that exceed each limit. These overage values were calculated using Fall 2013 ownership interest information and October 2014 QS% holdings.

IFQ Species Category	QS or IBQ Control Limit (%)	Number of QS Permits Over Limit	Number of Individuals Over Limit
Arrowtooth flounder	10.0%	0	0
Bocaccio rockfish South of 40°10' N.	13.2%	1	Less than or equal to 3
Canary rockfish	4.4%	0	Less than or equal to 3
Chilipepper rockfish South of 40°10' N.	10.0%	0	0
Cowcod South of 40°10' N.	17.7%	1	Less than or equal to 3
Darkblotched rockfish	4.5%	0	Less than or equal to 3
Dover sole	2.6%	2	Less than or equal to 3
English sole	5.0%	0	Less than or equal to 3
Lingcod N. of 40°10' N. lat.	2.5%	0	Less than or equal to 3
Lingcod S. of 40°10' N. lat.	2.5%	0	Less than or equal to 3
Longspine thornyheads North of 34°27' N.	6.0%	0	0
Minor shelf rockfish North of 40°10' N.	5.0%	0	0
Minor shelf rockfish South of 40°10' N.	9.0%	0	0
Minor slope rockfish North of 40°10' N.	5.0%	0	0
Minor slope rockfish South of 40°10' N.	6.0%	2	Less than or equal to 3
Other flatfish	10.0%	0	0
Pacific cod	12.0%	0	0
Pacific halibut (IBQ) North of 40°10' N.	5.4%	2	Less than or equal to 3
Pacific ocean perch North of 40°10' N.	4.0%	0	Less than or equal to 3
Pacific whiting	10.0%	0	Less than or equal to 3
Petrale sole	3.0%	1	Less than or equal to 3
Sablefish North of 36° N.	3.0%	1	Less than or equal to 3
Sablefish South of 36° N.	10.0%	2	Less than or equal to 3
Shortspine thornyheads North of 34°27' N.	6.0%	0	0
Shortspine thornyheads South of 34°27' N.	6.0%	2	Less than or equal to 3
Splitnose rockfish South of 40°10' N.	10.0%	0	0
Starry flounder	10.0%	1	0
Widow rockfish	5.1%	1	Less than or equal to 3
Yelloweye rockfish	5.7%	1	Less than or equal to 3
Yellowtail rockfish North of 40°10' N.	5.0%	0	Less than or equal to 3
Aggregate non-whiting groundfish species	**2.7%**	**1**	**Less than or equal to 3**

The totals in the table below show that relatively few QS permit owners or individuals (lowest level of ownership in a QS permit) currently exceed control limits for individual species, and an even smaller amount exceed the aggregate non-whiting control limit of 2.7%. We also have shown the number of QS permit owners who are closest to reaching the aggregate non-whiting control limit without exceeding it. Again, these overage values were calculated using Fall 2013 ownership interest information and October 2014 QS% holdings.

Total QS permit owners or individuals over control limit for one or more species	9
Total QS permit owners or individuals over 2.7% aggregate non-whiting control limit	Less than or equal to 3
Total QS permit owners or individuals within 0.5% of 2.7% aggregate non-whiting control limit	Less than or equal to 3
Total QS permit owners or individuals within 1.0% of 2.7% aggregate non-whiting control limit	5

How is the Aggregate Non-Whiting Control Limit Calculated?

Current regulations (at 50 CFR 660.140(d)(4)(i)(B)) specify a method for calculating the 2.7% control limit for non-whiting groundfish species using 2010 OYs. Below you can see a calculation for an example entity who owns a QS permit. We set this example entity's QS holdings equal to the QS and IBQ control limits, above (page 2), but you could take this same table and insert any QS percentages. You can see that the aggregate non-whiting control limit is more constraining than the sum of all individual species QS and IBQ control limits.

IFQ Species	2010 Shorebased Trawl Allocation (lbs)	An Example Entity's QS% - Here Set Equal to Control Limits	Conversion of Individual Entity's QS to Pounds
Arrowtooth flounder	21,156,441	10.000%	2,115,644
Bocaccio rockfish South of 40°10' N.	113,287	13.200%	14,954
Canary rockfish	34,294	4.400%	1,509
Chilipepper rockfish South of 40°10' N.	4,046,034	10.000%	404,603
Cowcod South of 40°10' N.	4,409	17.700%	780
Darkblotched rockfish	655,071	4.500%	29,478
Dover sole	34,546,436	2.600%	898,207
English sole	20,398,822	5.000%	1,019,941
Lingcod North of 40°10' N.	3,494,084	2.500%	87,352
Lingcod South of 40°10' N.	1,283,443	2.500%	32,086
Longspine thornyheads North of 34°27' N.	4,544,278	6.000%	272,657
Minor shelf rockfish North of 40°10' N.	543,925	5.000%	27,196
Minor shelf rockfish South of 40°10' N.	133,526	9.000%	12,017
Minor slope rockfish North of 40°10' N.	1,950,209	5.000%	97,510
Minor slope rockfish South of 40°10' N.	869,459	6.000%	52,168
Other flatfish	9,646,547	10.000%	964,655
Pacific cod	3,340,003	12.000%	400,800
Pacific ocean perch North of 40°10' N.	377,577	4.000%	15,103
Petrale sole	2,502,247	3.000%	75,067
Sablefish North of 36° N.	6,606,862	3.000%	198,206
Sablefish South of 36° N.	1,164,834	10.000%	116,483
Shortspine thornyheads North of 34°27' N.	3,288,084	6.000%	197,285
Shortspine thornyheads South of 34°27' N.	110,231	6.000%	6,614
Splitnose rockfish South of 40°10' N.	965,514	10.000%	96,551
Starry flounder	1,176,166	10.000%	117,617
Widow rockfish	713,178	5.100%	36,372
Yelloweye rockfish	406	5.700%	23
Yellowtail rockfish North of 40°10' N.	8,189,203	5.000%	409,460
Total Non-Whiting Non-Halibut QP Sum:	**131,854,570**	**Example Entity's QP Sum:**	**7,700,338**
		Example Entity's Aggregate Non-Whiting Percentage:	**5.840%**
		Amount Over Limit (2.7%):	**3.140%**

How will NMFS revoke QS if someone over a limit does not divest?

Right now, the regulations at 50 CFR 660.140 (d)(4)(v) make it clear that if a QS permit is in excess of a control limit after the divestiture deadline, NMFS will revoke the QS or IBQ in excess of the limit and redistribute it to all other QS permit owners in proportion to their holdings. For example, the control limit for Pacific whiting is 10%. If a QS permit owner had 11% of Pacific whiting, NMFS would revoke 1% and redistribute it to all other QS permit owners.

However, the regulations do not currently describe a method for NMFS to revoke shares in two situations:

1. When a business entity or individual person is over an individual species control limit across several QS permits
2. When a business entity or individual person is over the aggregate non-whiting control limit

NMFS hopes that all QS permit owners and individuals will divest of any QS in excess of the control limits, so that no QS will need to be revoked. However, in case there is a need to revoke, NMFS would like to propose a proportional method to do so. This method is described in greater detail below, and NMFS is seeking feedback from the Council on whether this method is appropriate.

If an entity is over an individual species control limit across several QS permits, NMFS proposes to revoke QS in proportion to the amount owned by the entity in each permit. In the example below, NMFS would first calculate the total QS owned by the entity across each of their five permits to see if they were over the limit. In this case, they own 11% across permits, which is 1% over the 10% limit. Second, NMFS would determine how much each permit is contributing to the total amount owned. Below, in column C, this permit owner has 11% total QS for this species, and 18.182% of this is coming from permit 1, 9.091% is coming from permit 2, etc. Third, NMFS would calculate how much each permit is contributing to the 1% overage proportionally, to figure out how much to revoke from each permit. This permit owner would have 1% QS revoked across permits, and be left with 10% QS remaining across permits.

A	B	C	D	E
QS Permit	QS Percent Owned by Individual in Each Permit for Species X	Individual Permit's Share of Total Percent Owned Across Permits = [B / Total (11%)]	Amount Revoked and Redistributed by NMFS = [C x Overage (1%)]	Amount Remaining Owned by Individual = (B-D)
1	2%	18.182%	0.182%	1.818%
2	1%	9.091%	0.091%	0.909%
3	3%	27.273%	0.273%	2.727%
4	1%	9.091%	0.091%	0.909%
5	4%	36.364%	0.364%	3.636%
Total QS% Owned by Individual Across QS Permits	11%		1.000%	10.000%
QS Control Limit for Species	10%			
Amount Over Control Limit	1%			

If an entity is over the aggregate non-whiting control limit, NMFS proposes to revoke QS in proportion to the amount each species is contributing to the overage. This would bring the QS permit owner's aggregate non-whiting holdings to an amount equal to the aggregate non-whiting control limit.

A	B	C	D	E	F	G	H
IFQ Species	2010 Shorebased Trawl Allocation (lbs)	An Example Entity's QS% - Here Set Equal to Control Limits	Conversion of Example Entity's QS to Pounds	Overage/Total Owned = (3.140% / 5.840%)	Amount Revoked and Redistributed by NMFS = (C*E)	Amount Remaining Owned by Example Entity = (C-G)	Conversion of Example Entity's Remaining QS to Pounds
Arrowtooth flounder	21,156,441	10.000%	2,115,644	53.767%	5.377%	4.623%	978,119
Bocaccio rockfish South of 40°10' N.	113,287	13.200%	14,954	53.767%	7.097%	6.103%	6,914
Canary rockfish	34,294	4.400%	1,509	53.767%	2.366%	2.034%	698
Chilipepper rockfish South of 40°10' N.	4,046,034	10.000%	404,603	53.767%	5.377%	4.623%	187,059
Cowcod South of 40°10' N.	4,409	17.700%	780	53.767%	9.517%	8.183%	361
Darkblotched rockfish	655,071	4.500%	29,478	53.767%	2.420%	2.080%	13,629
Dover sole	34,546,436	2.600%	898,207	53.767%	1.398%	1.202%	415,265
English sole	20,398,822	5.000%	1,019,941	53.767%	2.688%	2.312%	471,546
Lingcod North of 40°10' N.	3,494,084	2.500%	87,352	53.767%	1.344%	1.156%	40,385
Lingcod South of 40°10' N.	1,283,443	2.500%	32,086	53.767%	1.344%	1.156%	14,834
Longspine thornyheads North of 34°27' N.	4,544,278	6.000%	272,657	53.767%	3.226%	2.774%	126,057
Minor shelf rockfish North of 40°10' N.	543,925	5.000%	27,196	53.767%	2.688%	2.312%	12,574
Minor shelf rockfish South of 40°10' N.	133,526	9.000%	12,017	53.767%	4.839%	4.161%	5,556
Minor slope rockfish North of 40°10' N.	1,950,209	5.000%	97,510	53.767%	2.688%	2.312%	45,082
Minor slope rockfish South of 40°10' N.	869,459	6.000%	52,168	53.767%	3.226%	2.774%	24,118
Other flatfish	9,646,547	10.000%	964,655	53.767%	5.377%	4.623%	445,986
Pacific cod	3,340,003	12.000%	400,800	53.767%	6.452%	5.548%	185,301
Pacific ocean perch North of 40°10' N.	377,577	4.000%	15,103	53.767%	2.151%	1.849%	6,983
Petrale sole	2,502,247	3.000%	75,067	53.767%	1.613%	1.387%	34,706
Sablefish North of 36° N.	6,606,862	3.000%	198,206	53.767%	1.613%	1.387%	91,636
Sablefish South of 36° N.	1,164,834	10.000%	116,483	53.767%	5.377%	4.623%	53,853
Shortspine thornyheads North of 34°27' N.	3,288,084	6.000%	197,285	53.767%	3.226%	2.774%	91,210
Shortspine thornyheads South of 34°27' N.	110,231	6.000%	6,614	53.767%	3.226%	2.774%	3,058
Splitnose rockfish South of 40°10' N.	965,514	10.000%	96,551	53.767%	5.377%	4.623%	44,638
Starry flounder	1,176,166	10.000%	117,617	53.767%	5.377%	4.623%	54,377
Widow rockfish	713,178	5.100%	36,372	53.767%	2.742%	2.358%	16,816
Yelloweye rockfish	406	5.700%	23	53.767%	3.065%	2.635%	11
Yellowtail rockfish North of 40°10' N.	8,189,203	5.000%	409,460	53.767%	2.688%	2.312%	189,304
Total Non-Whiting Non-Halibut QP Sum:	**131,854,570**	**Example Entity's QP Sum:**	**7,700,338**			**Example Entity's NEW QP Sum:**	**3,560,075**
		Example Entity's Aggregate Non-Whiting Percentage:	**5.840%**			**Example Entity's NEW Aggregate Non-Whiting Percentage:**	**2.700%**
		Amount Over Limit (2.7%)	**3.140%**			**NEW Amount Over Limit (2.7%)**	**0.000%**