

FMP AMENDMENT 20 – TRAWL RATIONALIZATION—FINAL ACTION ON
ACCUMULATION LIMITS AND DIVESTITURE

Completion of the specifications for accumulation limits is one of the three trailing actions identified in the Council's final trawl rationalization action in November 2008. Initial actions on accumulation limits were taken at the Council's March meeting. The Council has made the following decisions on accumulation limits (the meeting at which the decision was made is indicated in parentheses).

1. There will be accumulation limits. Limits on the accumulation of quota share (QS) and quota pound (QP) are envisioned for individual species (including overfished species) as well as for aggregate limits on all nonwhiting species combined. (November 2008)
 - a. Control limits will apply to QS ownership (March 2009)
 - b. Vessel use limits will apply to QP (March 2009)
2. Control limits on the accumulation of QS will be measured by direct ownership by any entity as well as indirect control by such entity. An individual and collective rule will be used to evaluate control through ownership (Section A-2.2.3.e of Agenda Item E.10.a, Attachment 2). (November 2008)
3. Aggregate nonwhiting species QS control limits will be evaluated by converting QS to QP using the 2010 optimum yields (OYs) and trawl allocations. To simplify and provide stability, the 2010 OYs will be used for this calculation until the Council recommends otherwise. (March 2009)
4. There will not be a grandfather clause (November 2009), however, the Council will reconsider this matter (consider a divestiture provision) at its June meeting (March 2009). Without a grandfather clause, at the time of initial QS allocation, the QS that would otherwise go to those who would qualify for an allocation greater than the accumulation limits would instead be redistributed to those who are under the limits. A divestiture provision would allow entities to receive QS in excess of the limits and then to divest themselves of that QS via sale or other transaction that relinquishes direct or indirect control.
5. Final preferred alternative percentages for accumulation limits for all non-overfished groundfish species have been adopted (Agenda Item E.11.a, Attachment 1) (March 2009)
6. Preliminary preferred alternative percentages for accumulation limits for all overfished groundfish species have been identified. (March 2009)
7. A range of options have been adopted for accumulation limits for Pacific halibut individual bycatch quota (IBQ). (March 2009)
8. The Council requested analysis of a vessel use limit based on the concept of limiting the amount of unused QP in a vessel account, rather than limiting total QP.

Additional information on the issues to be covered under this agenda item is provided in Agenda Item E.11.a, Attachment 1.

At its May 5-7, 2009 meeting, the Groundfish Allocation Committee (GAC) reviewed these issues and provided recommendations (Agenda Item E.11.b, GAC Report). It was brought to the GAC's attention that with the March 2009 Council action to apply control limits only to QS there is no effective limit on the amount of QP an entity could accumulate during the year

outside of a vessels account. In response, the GAC has recommended that QP transfers be allowed only from QS holders to vessel accounts and from one vessel account to another. In making its recommendations, the GAC relied on reports provided by the Groundfish Management Team (GMT). An updated and expanded GMT report is provided here for the Council (Agenda Item E.11.b, GMT Report). If divestiture is allowed (Item 4 in the above list) the Council will also need to discuss whether or not there should be a cut-off date for the accumulation of permits. This issue is also addressed in Attachment 1.

The GAC also discussed the ability of overfished species insurance pools to form in the presence of control limits. It was agreed that the Council should have a discussion of its intent with respect to the application of control limits to insurance pools and other types of cooperative ventures that might arise.

Council Task:

- 1. Specify accumulation limits for overfished species and Pacific halibut.**
- 2. Consider GAC recommendation to specify that QP can only be transferred to vessel accounts.**
- 3. Determine whether or not to allow divestiture of QS after the initial allocation. If so, address the need for a cut-off date on permit acquisition.**
- 4. Discuss applicability of control limits to cooperative ventures.**

Reference Materials:

1. Agenda Item E.11.a, Attachment 1: Issue Summary and Analysis: Accumulation Limits, Divestiture and Related Provisions
2. Agenda Item E.11.b, GAC Report, GAC Recommendations on Accumulation Limits, Divestiture and Related Matters.
3. Agenda Item E.11.b, GMT Report.
4. Agenda Item E.11.c, Public Comment.

Agenda Order:

- a. Agenda Item Overview Jim Seger, Merrick Burden
- b. Reports and Comments of Management Entities and Advisory Bodies
- c. Public Comment
- d. **Council Action:** Adopt Final Preferred Alternative

PFMC
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