

GROUND FISH ALLOCATION COMMITTEE REPORT ON FINAL ACTION ON  
ACCUMULATION LIMITS AND DIVESTITURE

The following GAC recommendations, excerpted from the Agenda Item E.11.b GAC Report, pertain to this agenda item.

*Overfished Species and Pacific Halibut Control and Vessel Limits*

**The Council should have a discussion of intent with respect to the formation of risk pools and application of control limit to such pools.**

**Rationale:** The GAC would like to retain flexibility so people can form voluntary and informal risk pools, but a third entity would not need to be formed to facilitate the risk pool.

**The GAC recommends QP transfers be allowed only from the QS holder to vessels and from one vessel to another. Control limits would limit QS ownership and vessel QP limits would restrict the accumulation of QP.**

**Rationale:** The GAC discussed the need for a limit on the accumulation of QP outside of vessel accounts, the need for an “entity QP limit.” While there is a limit on QS ownership and a limit on the amount of QP in a vessel account, there is no limit on the amount of QP that could be accumulated outside the vessel account. Staff indicated that current policy did not restrict the amount of QP transferred among QS holders or to other entities, other than vessels. The GAC identified that the policy intent was to ensure the QP is moved to vessels in a timely manner, to increase the probability of its use. The desire is to have a link between the QS/QP and a vessel. At the same time, the intent is to provide an opportunity for crew members, processors and other to hold QS and direct the associated QP. The possibility of addressing this issue by requiring the QP be transferred to a vessel by a certain time was discussed. However, this would restrict flexibility of non-vessel owners to direct the use of their QP or create complexities in the catch and QP usage tracking system. To address this problem, the GAC recommends that transfer of QP be allowed only from the QS holder to the vessel and among vessels. QP could not be transferred among other entities. Thus the QS control limit would effectively restrict the amount of QP held by anyone other than a vessel owner. The limit on QP transfers addresses both the need to limit the accumulation of QP during the year and reinforces the policy requiring that QP be moved onto the vessel during the year.

**The GAC recommends the Council adopt the preliminary preferred overfished species control and vessel limits from the GMT.**

**Rationale:** The GMT control limits are the highest initial allocations using the bycatch allocation approach for OF spp. The motion did not recommend the unused QP limit idea from the GMT/GAP; however, the staff analysis on that will be presented to the Council in June.

**For Pacific halibut, the GAC recommends the Council adopt a 5.4 percent control limit, and a vessel limit of 14 percent.**

**Rationale:** The control limit of 5.4% is the maximum initial allocation to a single permit. This approach is the same as that used for the overfished species. The vessel limit levels should provide the opportunity for vessels to take the full vessel limit for arrowtooth (20%) or petrale sole (4.5%), assuming they can achieve a halibut bycatch mortality rate that would be low enough for the fleet to take the full OYs of both arrowtooth and Petrale (a rate of 0.006 pounds of legal and sublegal halibut per pound of arrowtooth or Petrale). Based on some of the bycatch rate reductions observed in Washington EFPs, it is thought that it will be possible for trawl vessels to get down to this halibut bycatch rate.

### Divestiture

**The GAC recommends the following three options for Council consideration, no single one of which is preferred. All recommend allowing divestiture of QS in excess of control limits, but vary in the amount of excess QS temporarily retained by original owners and the issuance of annual QP for excess QS.**

Under all options, the two year moratorium on QS transfers remains in effect (QP transfers are allowed during that period).

**Option 1: 100% of Excess QS Temporarily Retained by Original Owners but No QP issued to the Owner of the Excess QS.**

#### Initial Allocation of Target Species QS In Excess of Control Limits

Target species QS will be issued on the basis of the initial allocation formula. The control limits will not restrict the initial allocation, but the amount above the control limit is to be considered as temporary ownership to allow for voluntary divestiture.

Divestiture Requirement: Entities receiving a temporary initial allocation of QS in excess of control limits must divest themselves of the excess QS between the onset of year 3 and the end of the 5th year of the program. After that time, any QS still held in excess of the limits will be revoked and distributed among other QS holders on a pro rata basis.

#### Initial Allocation of Overfished Species QS

QS in excess of the targets species control limits will not be included in the allocation formulas for overfished species allocations.

#### QP for QS Held in Excess of Limits

- At the start of each year when QP is issued, original QS holders will not receive QP for any QS held in excess of the control limits. (100% of such QP will be distributed to all other QS holders below the control limits on a pro-rata basis.)
- QP will be issued to new QS holders who have received divested QS, at the start of the year after the QS divestiture transaction was completed.)

**Option 2: 50% of Excess QS Temporarily Retained by Original Owners, but No QP Issued to the Owner of the Excess QS**

Initial Allocation of Target Species QS In Excess of Control Limits

Target species QS will be issued on the basis of the initial allocation formula, except that half the amount an entity qualifies for in excess of the limit will be withheld and redistributed to those below the control limits and half will be temporarily retained by the original entity for the purpose of divestiture.

Divestiture Requirement

Same as Option 1

Initial Allocation of Overfished Species QS

Same as Option 1

QP for QS Held in Excess of Limits

Same as Option 1

**Option 3: 50% of Excess QS Temporarily Retained by Original Owners, with Full QP Issued to the Owner of the Excess QS**

Initial Allocation of Target Species QS In Excess of Control Limits

Same as Option 2

Divestiture Requirement

Same as Option 2

Initial Allocation of Overfished Species QS

Same as Option 2

QP for QS Held in Excess of Limits

- Each year QP will be issued for all QS initially allocated to the original entity, including any amount temporarily held in excess of control limits.
- At the time of divestiture of QS by an original entity to a new owner, the seller can transfer associated QP to the new owner, and at the start of the year after the QS divestiture transaction was completed, all associated QP will be issued to new QS holders who have received divested QS.

**The above GAC options are relative to a No Divestiture option. If the Council decides to allow divestiture, then the GAC recommends the Council adopt a cutoff date between 2003 and June 2009.**

**Rationale:** If a divestiture provision is adopted, entities may accumulate additional permits prior to the time of initial allocation. The cut-off date is needed so that NMFS will know whether to apply the divestiture rules for all permits an entity owns at the time of initial allocation or only

those accumulated up to a certain date. There was discussion of rationale for a number of possible cut-off dates including the originally published control date of November 6, 2003, the date at which the option to not have a grandfather clause was first included as a formal option (November 2007), the date on which the no grandfather clause was adopted by the Council (November 2008) or a later date.