

desire to review the addition of any communities not listed. Council review is ensured by listing eligible communities in the regulations. Any change to the list of eligible communities would first require Council action to recommend such a change. The Council desired this review to ensure that communities that were not originally considered under this proposed rule provide adequate

evidence of their eligibility to participate in this program. This review would reduce potential disruption in administration of the Community QS Program due to a sudden and unanticipated increase in competition for QS among eligible communities. This Council review also would provide an additional public review process before modifying the Community QS Program.

3. Use Caps for Individual Communities

Each eligible community as represented by a CQE would be subject to the same use limitations on QS and IFQ currently established for QS holders as described under 50 CFR 679.42(e) for sablefish and 50 CFR 679.42(f) for halibut. Therefore, for each community it represents, a CQE would be limited to using:

No more than: 599,799 units of halibut QS	in IFQ regulatory area 2C.
No more than: 1,502,823 units of halibut QS combined	in IFQ regulatory areas 2C, 3A, and 3B.
No more than: 688,485 sablefish QS units	in the IFQ regulatory Area East of 140° W. long. (Southeast Outside District).
	in the Southeast Outside District West Yakutat, Central Gulf Regulatory Area, and Western Gulf Regulatory Area.
No more than 3,229,721 sablefish QS units combined	

A CQE representing an eligible community located within Areas 3A or 3B would be prohibited from purchasing QS in Area 2C (Southeast Alaska) on behalf of that community. The Council recommended this provision because 21 of the 42 eligible communities are located in Area 2C. Allowing additional CQEs representing communities located in Areas 3A and 3B to purchase QS in Area 2C would increase competition, and possibly result in higher QS prices, for 2C communities. This increased competition could affect both prospective community QS buyers and new individual entrants to the fishery.

Likewise, a CQE representing an eligible community within Area 2C would be prohibited from purchasing and using QS in Area 3B (Western GOA) on behalf of that community. The Council recommended this limitation because residents from communities located in Area 2C traditionally did not fish in Area 3B, and one of the principal goals of the community QS program is to improve the access of residents of the eligible communities to local resources.

Although the Council recommended limiting the use of halibut QS to those areas that are adjacent to the eligible communities, a similar provision was not recommended for sablefish. The sablefish fishery occurs in deeper waters than much of the halibut fishery and typically requires larger vessels that can travel longer distances for harvesting fish.

As noted above, the Council recommended limiting QS holdings by CQEs on behalf of communities to the levels established in the current IFQ program. The Council noted that this limit would provide an adequate opportunity for communities to purchase and hold sufficient QS for leasing the resulting IFQ among

community residents. This level was considered not to be so restrictive as to discourage communities from purchasing and holding quota. The Council also considered the potential effects on existing QS holders in recommending use caps for individual communities. The use caps accommodate existing QS holders who are concerned that shifting potential QS holdings to communities could disadvantage individual fishermen by reducing the amount of QS available to them in the QS market.

4. Cumulative Use Caps for All Communities

Communities represented by CQEs cumulatively would be limited to holding a maximum of 3 percent of the total halibut and sablefish QS in each area in the first year after implementation of this program. In each subsequent year, the percentage would be increased by an additional 3 percent until, after 7 years, a maximum of 21 percent of the total halibut and sablefish QS could be held in each area in which CQEs are eligible to hold QS.

The Council recommended limiting cumulative community ownership of QS in each area as an additional measure to reduce the potential increase in QS price that could result if CQEs sought to purchase QS up to their respective communities' use cap(s) in each area. The Council recommended this step-up cumulative use cap to balance potential QS market competition between communities and individuals, and to accommodate the desire of GOA community representatives to have adequate access to QS as CQEs enter the program on behalf of eligible communities.

5. Transfer and Use Restrictions

(a) Block Limits

The purchase of blocked QS by CQEs would be restricted. During Council deliberations, numerous industry representatives and fishermen indicated that allowing unrestricted purchasing of QS could disadvantage new entrants, particularly those individuals in the market for "blocked QS." Blocked QS are aggregates of small units of QS that were designated as blocks when they were initially issued and that cannot be subdivided upon transfer. The number of blocks that may be held by a person is limited under the IFQ Program. These limits were established to limit the consolidation of blocked QS and to ensure that smaller aggregate units would be available on the market. Blocked QS typically is less expensive and more attractive to new-entrants.

This proposed rule would modify the consolidation limits for blocked QS for communities represented by CQEs. The Council is recommending this change to provide additional opportunities for CQEs (on behalf of the communities they represent) to access the typically less expensive blocked QS. The Council also considered the potential effects on new entrants by allowing each community represented by a CQE to hold more QS blocks than can other types of QS holders. Each community represented by a CQE would be limited to holding, at any point in time, a maximum of 10 blocks of halibut QS and 5 blocks of sablefish QS in each IFQ regulatory area for halibut and sablefish. The CQE could not subdivide blocked QS.

Existing regulations at 50 CFR 679.42(g) limit QS holders to a maximum of two blocks for either species in any area if a person holds only blocked QS, and no more than one