

NATIONAL MARINE FISHERIES SERVICE REPORT ON
BLACKGILL AND SLOPE ROCKFISH QUOTA SHARE ALLOCATION

The Council is currently considering an action to remove blackgill rockfish from the Minor Slope Rockfish South of 40°10' N. Complex so as to manage it as a single species instead of within the Complex. As part of this action, the Council is also considering how to reallocate blackgill rockfish and minor slope rockfish South of 40°10' N. between the groundfish sectors, and how to reallocate blackgill and minor slope rockfish South of 40°10' N. shares to quota share permit owners in the shorebased IFQ program. The purpose of this action is to reduce the risk of exceeding the blackgill rockfish overfishing limit contribution south of 40° 10' N., and ensure an equitable allocation of the harvestable surplus of blackgill rockfish and the minor slope rockfish South of 40°10' N.

NMFS has concerns with the current discussion on the reallocation of blackgill and minor slope rockfish South of 40°10' N. shares to quota share permit owners in the shorebased IFQ program. Specifically, a reallocation process for IFQ species subdivision *already exists* in the Groundfish FMP and regulation at 50 CFR 660.140 (c)(3)(vii)(B) that was not acknowledged in the Council discussion at the April Council meeting:

Reallocation with subdivision of a species group. If at any time after the initial allocation an IFQ species which is a species group is subdivided, each species or species group resulting from the subdivision will be an IFQ species. **QS owners for the species group being subdivided will receive an amount of QS for each newly created IFQ species that is equivalent to the amount they held for the species group before it was subdivided.** For example, if a person holds one percent of a species group before the subdivision, that person will hold one percent of the QS for each IFQ species resulting from the subdivision.

The preliminary draft analytical document and the alternatives chosen by the Council failed to recognize the existence of this process, and instead proposed several reallocation alternatives to QS permit owners based on limited entry permit history. NMFS believes it is imperative that the Council either include the status quo process, as prescribed in federal regulations, as one of the alternatives under consideration, or completely remove the reallocation issue in the shorebased IFQ program from the purpose and need.

Leading up to the implementation of the Trawl Rationalization Program, the Council anticipated and planned for several reallocation scenarios that might occur after initial allocation. The Council established, and the agency approved and implemented, a reallocation process for a species group subdivision (50 CFR 660.140 (c)(3)(vii)(B)) that would reallocate the new IFQ species to the current QS permit owner in an amount equal to the base species group. For example, under this regulation, a QS permit owner who held 1% of minor slope rockfish South of 40°10' N. at the time of blackgill reallocation would receive 1% of blackgill rockfish. This decision was intended to simplify reallocation and recognize existing quota share holdings in a dynamic fishery with changing participation. The same section of regulations at 50 CFR 660.140(c)(3)(vii)(A)(1) was

used to reallocate lingcod from a coastwide species into lingcod North of 40°10' N. and lingcod South of 40°10' N in 2013.

In addition to recommending detailed analysis and consideration of the status quo alternative that is currently in regulation, NMFS would like to point out several issues with the alternatives already adopted for analysis. We believe that analysis and resolution of these issues, if the Council continues with them, could delay Council or agency action on this topic, which could be inconsistent with the clear intent that blackgill rockfish allocations be in place for 2017.

- Reallocating blackgill to QS permit owners using the methods in the proposed alternatives would be extremely challenging given that QS trading began in 2014 (See Agenda Item D.9, Attachment 1 for further discussion of calculation challenges).
- The effect on quota market share caused by using anything other than the method existing in regulation will need to be thoroughly considered and addressed. Those who have purchased Minor Slope QS since QS trading started may not own a limited entry permit. In addition, the purchaser would have made their purchase thinking that the minor slope QS included blackgill and that they would receive any future allocation if blackgill was pulled out of the complex (based on the regs).
- The effect on market stability and confidence will need to be thoroughly considered for reallocation alternatives that use methods other than the current regulations. In other words, it is important to consider the effect of potentially undercutting confidence among QS permit owners that the shares they hold are actually theirs into the future and limit their ability to value their asset.

NMFS strongly encourages the Council to consider, at a minimum, analyzing the methods that are already laid out in regulation. The process stated in regulations has already been vetted by the Council and approved by the agency, would be much simpler to implement than the other alternatives, and accomplishes the purpose of the action with the least amount of disruption to the current fishing practices meeting objective 14 of the Pacific Coast Groundfish Fishery Management Plan. In addition, we recommend that the Council reconsider the alternatives preliminarily adopted for consideration. As noted above, proceeding with those alternatives may delay considerably final resolution of the reallocations.