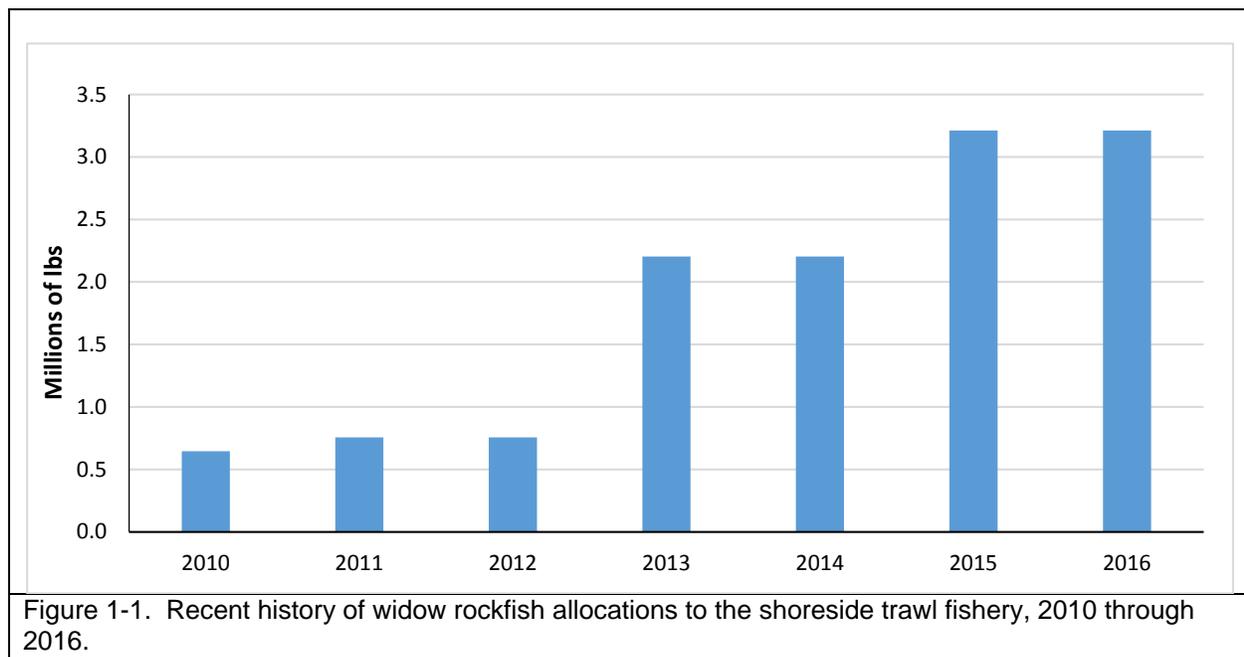


Widow QS Reallocation Consideration:
Public Scoping Document
(DRAFT)

CHAPTER 1

1.1 Introduction

Under Amendment 20, widow rockfish QS for nonwhiting trips in the shoreside trawl IFQ fishery was originally allocated using an allocation formula for overfished species. Based on a 2011 assessment of widow rockfish, the stock was declared rebuilt and increased fishing opportunities were provided for the 2013-2014 biennial specifications period. The ACLs for the fishery were further increased for the 2015-2016 biennial specifications period Figure 1-1.



Now that widow rockfish has been rebuilt, the Council is considering whether or not to reallocate widow rockfish QS on some other basis. This document is intended to provide background information to assist the Council and public in the initial scoping of this issue.

1.2 Proposed Action

The proposed action is to adopt a widow rockfish QS allocation formula to facilitate the re-establishment of historic widow rockfish target fishing opportunities for initial QS recipients. The new allocation would take the place of the initial widow rockfish QS allocations, which were based on each catcher vessel permit's allocations of target species, average widow rockfish incidental catch rates and geographic distribution of fishing activities, as specified in the Amendment 20 trawl rationalization program.

1.3 Purpose and Need

The purpose of the proposed action is to adopt allocations of widow rockfish quota shares based on criteria that are consistent with the Magnuson-Stevens Fishery Conservation and Management Act (MSA), other applicable law, and the goals and objectives of the Pacific Coast Groundfish Fishery Management Plan, including Amendment 20 to that plan (the trawl rationalization program). Under Amendment 20, overfished species, such as widow rockfish, were allocated to permit holders based on the QS allocation of the target species QS with which widow rockfish is incidentally caught. Amendment 20 states that for overfished species QS reallocations will be reconsidered when an overfished species become rebuilt.

Reallocation with Change in Overfished Status: When an overfished species is rebuilt or a species becomes overfished there may be a change in the QS allocation within a sector (allocation between sectors is addressed in the intersector allocation process). When a stock becomes rebuilt, the reallocation will be to facilitate the re-establishment of historic target fishing opportunities.

Prior to the declaration of overfished status for widow rockfish there was a substantial target fishery for this species. Without a reallocation, the increased fishing opportunity for this stock provided as a result of achievement of rebuilt status and the attendant dramatic increase in the ACL will go to QS owners who previously used widow QS as bycatch and may not have historically participated in directed widow targeting. Under such circumstances, absent a reallocation, historical widow fishery participants wanting to take advantage of renewed fishing opportunities will have to purchase widow QS on the market, in common with other later entrants to the fishery. Thus, the proposed action is needed to allow historical widow fishery participants to benefit from a direct reallocation based on the renewed fishing opportunities.

1.4 Background

1.4.1 Widow Rockfish Target and Bycatch Fisheries

Widow rockfish is generally targeted with midwater trawl gear together with yellowtail rockfish. It is also incidentally caught in the midwater whiting fishery. After a major fishing-down in the

1990s, the stock became overfished and for most of the last decade, up through 2012, was managed for rebuilding (see Figure 3-1).

1.4.2 Divestiture

Amendment 20 includes control limits for all species individually (5.1 percent for widow rockfish) and an aggregate control limit for nonwhiting species of 2.7 percent. All persons controlling QS are required to divest down to these limits by November 30, 2015. However, there is a moratorium on widow rockfish QS trading, pending the outcome of these Council deliberations on whether or not to reallocate widow rockfish QS now that the species has been rebuilt. The moratorium presents a number of challenges:

- A widow rockfish reallocation could affect where a person's holdings stand in relation to the aggregate non-whiting QS limit (pushing people above or below that limit). For example, a person who divests because they are over the aggregate limit might find that after widow QS reallocation they are now under the limit.
- The reallocation results could change the optimal choices for divesting down to the aggregate limit. For example, a person who finds themselves with substantially more widow QS after reallocation might want to have held on to species that would be taken while targeting widow rockfish.
- The widow QS trading moratorium eliminates the option of divesting of widow QS, forcing divestiture of other species in order to get within the aggregate limit.

For these reasons, the Council may wish to consider an extension of the divestiture period as part of this action.

CHAPTER 2 DEVELOPMENT OF ALTERNATIVES

In this section a No Action alternative (Alternative 1) is described along with four other strawman alternatives, provided to stimulate discussion.

Alternative 1: *No Action*

Alternative 2 (Strawman): *Reallocate Widow QS Using the Amendment 20 Target Species Allocation Formula* (a portion to all permits equally and a portion to permits based on landings history x to y)

Alternative 3 (Strawman): *Include Landings History to 2010* (same as Alternative 2 but for the landings history portion of the formula include landings history through 2010)

Alternative 4 (Strawman): *Pounds Neutral Reallocation* (leave a base amount of QS unallocated, such that in 2016 every permit would receive the same amount of quota pound (QP) that they received in 2012, the last year of rebuilding; and reallocate the remainder using the historic landings formula from Alternative 2)

Alternative 5 (Strawman): *Pounds Neutral – Plus* (same as Alternative 4 but leave an additional amount of QS in each account such that in 2016 every permit would receive an increase in QP relative to their 2012 QP allocations)

The Amendment 20 allocation formulas set 10 percent of the non-whiting QS aside for the adaptive management program and allocated the remaining 90 percent to limited entry permit owners. Those limited entry permit owners became the owners of the QS accounts to which initial QS allocations were made. Because of the trading moratorium on widow rockfish QS, all of the current widow rockfish QS can be traced directly back to the permits for which the QS was initially issued. Therefore it is still possible to reallocate widow QS among the current QS owners based on the catch histories on which initial allocations were based.

2.1 Possible Alternatives for Consideration

Alternative 1: No Action

Summary: **Maintain the existing allocations.** Allocations are based on a formula intended to allocate widow QS to those who need it to cover bycatch taken in fisheries directed on other species.

Detailed Description

Adaptive Management: 10 percent of the QS set aside for adaptive management.

Equal division: No widow QS was allocated based on equal division of buyback history.

Whiting/Non-whiting Split: The allocation of the remaining QS was split between whiting and nonwhiting trips based on the proportions derived from the following allocations

Whiting Trips: The shorebased portion (42%) of the whiting sector allocation (52 percent of the 2010 trawl allocation) (28 percent¹ of widow QS for whiting trips)

Nonwhiting Trips: 48 percent of the 2010 trawl allocation (62 percent¹ of the widow QS for nonwhiting trips)

Historic Landings Formula for the 28 percent of the widow QS Distributed for Whiting Trips:

Distribute in proportion to each permit's whiting allocation--as specified in Amendment 20, Section A-2.1.3, for bycatch species and in regulations at 660.140(d)(8)(iv)(C)(2)(ii) (whiting trips, incidentally caught species).

Historic Landings Formula for the 62 percent of the widow QS Distributed for NonWhiting Trips:

Distribute based on the target species QS allocation to a permit, the permit's distribution of catch among areas as recorded in logbooks, and area specific fleet average bycatch rates and logbook information (using 2003-2006 WCGOP information)--as specified in Amendment 20, Section A-2.1.3, for overfished species taken incidentally on nonwhiting trips and in regulations at 660.140(d)(8)(iv)(B)(3) (nonwhiting trip Group 2 species).

[NOTE: 10% for AMP + 28% for whiting trips + 62% for nonwhiting trips equals 100%]

¹ The percent widow QS for each sector is derived as follows, where T = the trawl sector's allocation of widow:
Shorebased trawl whiting share of widow = T x 0.52 (whiting share) x 0.42 (shorebased share of whiting) = 0.22 T
Shorebased trawl nonwhiting share of widow = T x 0.48 (nonwhiting share) = 0.48 T
Total shorebased share = 0.22 T + 0.48 T = 0.7 T
Shorebased trawl whiting share of shorebased widow = 0.22T/0.7T = 0.31
Shorebased trawl nonwhiting share of shorebased widow = 0.48T/.7T = 0.69
Multiply both values by 0.9 to reduce result for the 10 percent AMP set aside.
0.31 x 0.9 = 0.28; 0.69 x 0.9 = 0.62

Alternative 2 (Strawman): Reallocate Widow QS Using Amendment 20 Target Species Allocation Formula (Allocation formula for Category 1 Species)

Summary: AMP: 10 % of QS to adaptive management
Equal Division: 22% of QS divided equally among all participants (buyback history)
68% of QS allocated based on widow catch from 1994-2003

In the following, the Amendment 20 allocation formula used for all nonoverfished species has been applied to widow. Note that Amendment 21 included a whiting/nonwhiting intersector allocation formula for widow rockfish that would have been used in the Amendment 20 allocation formula in the event that widow rockfish had been rebuilt at the time of the initial allocation. Under this alternative, the Amendment 21 allocation rules for widow rockfish under rebuilt status would be applied to the 2016 trawl allocations allocation.

Detailed Description

Adaptive Management: 10 percent of the QS set aside for adaptive management.

Equal division: The pool of QS for equal allocation was determined using the 1994-2003 landings history from Federal limited entry groundfish permits that were retired through the Federal buyback program (70 FR 45695, August 8, 2005). Based on that process, 28 percent of the widow rockfish QS would have been allocated on this basis.

Whiting/Non-whiting Split: The allocation of the remaining QS was split between whiting and nonwhiting trips based on the proportions derived from the following allocations

Whiting Trips: The shorebased portion (42%) of the whiting sector allocation of widow (500 mt) (13 percent for whiting trips--using the Amendment 21 allocation rules for widow rockfish under rebuilt status applied to the 2016 trawl allocations allocation)

Nonwhiting Trips: The 2016 trawl allocation of widow minus 500 mt (49 percent for non-whiting trips--using the Amendment 21 allocation rules for widow rockfish under rebuilt status applied to the 2016 trawl allocations allocation)

Historic Landings Formula for the 13 percent of the widow QS Distributed for Whiting Trips: Same as specified for Alternative 1, No Action.

Historic Landings Formula for the 49 percent of the widow QS Distributed for Non-Whiting Trips: Allocate

- using a 1994-2003 allocation period,
- measure history each year relative to the catch of the entire fleet (i.e. as a percent of the fleet's total landings for a year),
- drop three lowest years
--as specified in Amendment 20, Section A-2.1.3, for overfished species taken incidentally on nonwhiting trips and in regulations at 660.140(d)(8)(iv)(B)(2) (nonwhiting trip Group 1 species).

[NOTE: 10% for AMP + 28% for equal allocation + 13% for whiting trips + 49% for nonwhiting trips equals 100%]

Alternative 3 (Strawman): Include Landings History Through 2010

Summary: This alternative would be the same as Alternative 2 but the period used for the historic landings formula for non-whiting trips would be 1994-2010.

Currently the allocation of widow QS is based on an allocation formula intended to meet bycatch needs. From 2002 through 2010 trip limits were reduced with the intention of providing only enough widow to meet bycatch needs. Extending the end of the allocation period from 2003 to 2010 would increase the weighting on bycatch needs relative to years in which there was widow targeting (1994 through the mid-year 2002). Because individual permit's catch history for any particular year is measured as a share of total fleet landings (relative pounds), years in which there was a minimal amount of recorded landings would still have a substantial influence on the overall allocation formula.

Previously Endorsed Alternatives (GAP Endorsed for Analysis, November 2011)

At the November 2011 Council meeting two alternatives were endorsed by the GAP. The trawl allocation for widow has increased substantially since it was last in overfished status (in 2012). The alternatives endorsed by the GAP were designed to ensure that no one would be worse off in terms of the QP they receive annually, relative to their 2012 QP allocation amounts. At its November 2012 meeting, the Council decided not to move ahead with reallocation of widow rockfish. Those alternatives were as follows (updated for the current years and reworded to increase clarity).

Alternative 4 (Strawman): Pounds Neutral Reallocation

Pounds Neutral QS: Determine how much QS is required such that no one would receive less non-AMP QP in 2016 than they received in 2012:² with respect to the QS in individual accounts, identify the percent of the total QS which, when applied to the 2016 allocation, would result in each account receiving non-AMP QP allocations in the amounts the account received in 2012. Leave that amount of QS untouched in each account.

Reallocation of Remainder: Reallocate all of the remainder among QS accounts based on the "Historic Landings Formulas" of Alternative 2 (excluding the AMP QS, which are not in individual QS accounts).

For example, if the 2012 trawl allocation was 600 mt and the new allocation will be 2,400 mt, if everyone keeps 25 percent of their QS then they would receive the same amount of non-AMP QP in 2016 that they did in 2012. This would leave 75 percent of the non-AMP QS for redistribution based on the allocation formula specified in the "Historic Landings Formulas" of Alternative 2.

² For QS accounts which have the same amount of widow QS as they did in 2012. While widow QS transfers have been prohibited, some transfers have been allowed under exceptional circumstances, e.g. court orders.

Alternative 5 (Strawman): Pounds Neutral - Plus

All QS holders receives at least some increase in QP relative to their 2012 QP level: same as Alternative 4 but in the second step reallocate only half the remaining QS and leave the other half untouched (leave in the accounts to which they were originally issued, along with the pounds neutral QS amount).

For the example provided in Alternative 4 this would mean that 37.5 percent would be reallocated based on the Alternative 2 formula and 62.5 percent would not be reallocated (25 percent from the pounds neutral portion of the formula plus 37.5 percent that, under Alternative 4, would have been reallocated as part of the “remainder” portion). Everyone would experience at least a 150 percent increase in the amount of non-AMP QP they receive as compared to 2012, i.e., 62.5 percent of the QS would not be reallocated as compared to the 25 percent that would not be reallocated under Alternative 4 pounds-neutral approach.

2.2 Possible Complimentary Actions

2.2.1 Widow Rockfish Divestiture Deadline

Strawman Alternative. End the widow rockfish trading moratorium upon completion of reallocation and set a widow control limit divestiture deadline for **XX** months/years after reallocation is completed.

2.2.2 Aggregate Nonwhiting Species Divestiture Deadline

Alternative 1: No Action

Alternative 2 (Strawman): Extend the aggregate control limit deadline to coincide with the widow control limit.

Option A: Extend the nonwhiting aggregate control limit with respect to all species (the November 30, 2015 deadline would apply to species individually, except widow)

Option B: Exclude widow rockfish from the nonwhiting aggregate control limit until the widow rockfish divestiture deadline. (The aggregate nonwhiting limit is 2.7 percent. Since widow QS would not count toward the limit, individuals would be able to control up to 2.7 percent of the QS for all nonwhiting species plus their holdings of widow QS).

2.2.3 Rules for Revoking Forfeited QS (for Aggregate Nonwhiting Control Limit)

Resolution of this issue may or may not require regulatory action. See Agenda Item J.2.b, NMFS Report. At the November 2014 meeting, there should be a determination of whether regulatory action is required on this issue.

CHAPTER 3 PRELIMINARY INFORMATION

The information provided here focuses primarily on Alternative 1 and the Alternative 2 strawman because these are two allocation formulas which the Council used under Amendment 20 (albeit Alternative 2 was not applied to widow rockfish).

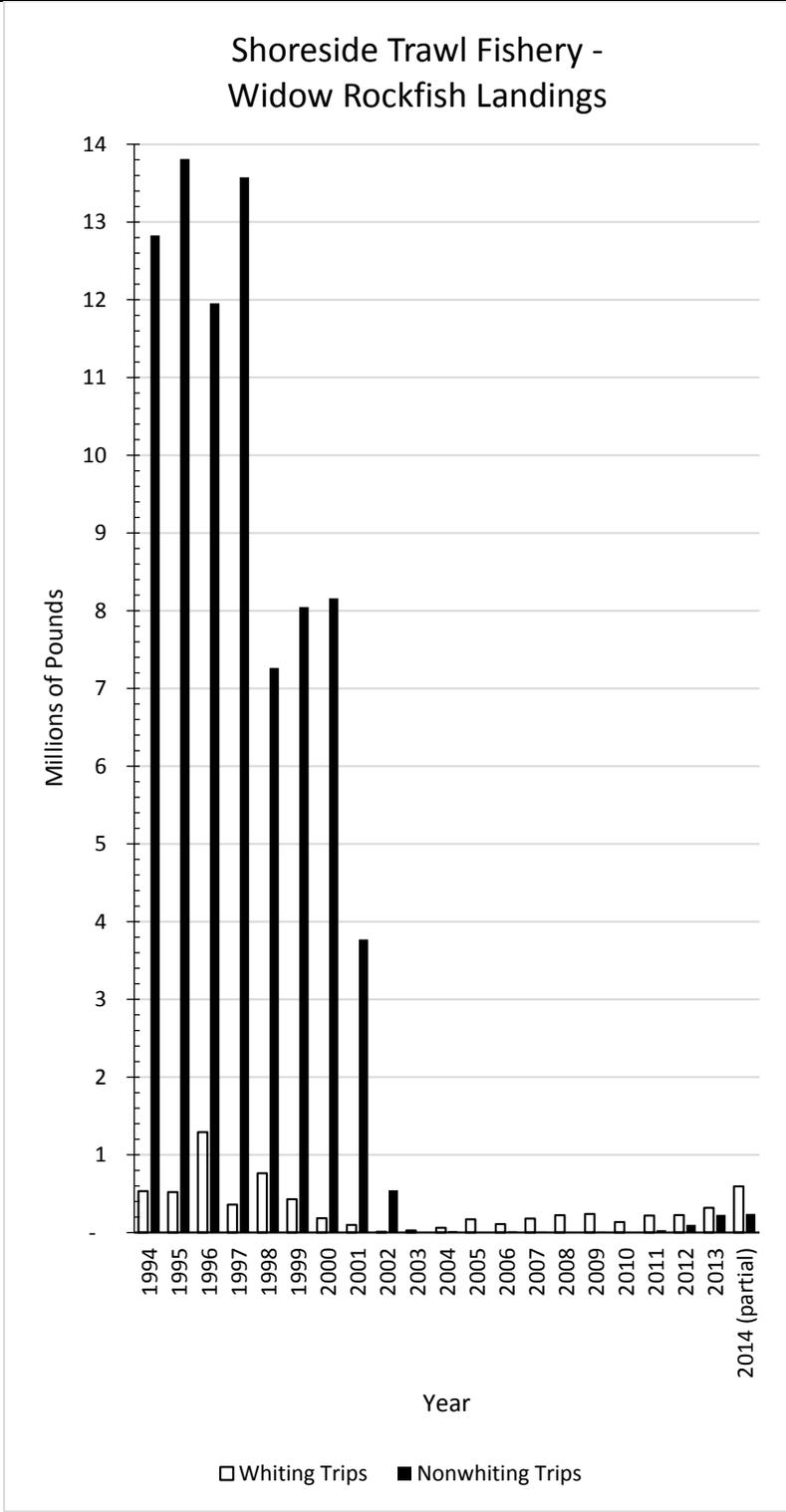
The history of widow rockfish landings in the trawl fishery from 1994 through 2014 is provided in Figure 3-1. This figure shows that recent years' fisheries are still far below the levels achieved when the stock was being fished down in the 1990s. Also of note in this figure is the low level of harvest in 2002, and, in particular, in 2003, both of which years are part of the Amendment 20 landings history allocation period. Under the Alternative 2 strawman, each year's landings are expressed as a percent of the fleet's total landings in that year (i.e., relative pounds). Because of the very low level of landings in 2003 (8,000 pounds), it is possible for a single vessel to take substantial portion of the fleet's harvest. For example, only four thousand pounds of widow bycatch would account for half the fleet's landings in 2003, giving a single permit credit for 50 percent of relative pounds for that year. Under the allocation formula, a permit that harvested widow in only in one year, 2003, landing only 4,000 pounds would establish credit for catch history equivalent to taking approximately 7% of the fleet's total relative pounds over the allocation period (i.e., 50% spread out over seven years - the ten year allocation period minus the lowest three years).³ This dynamic is actually observed in the data and is the cause of some of the more dramatically high allocations shown in Figure 3-2 resulting under the Alternative 2 strawman. This dynamic would also likely have a strong effect on initial allocations under the Alternative 3 strawman, which would extend the history-based allocation period out through 2010.

The effect of increased OYs for widow rockfish on the amount of QP that would be received under Alternative 1 and the Alternative 2 strawman is illustrated in Figure 3-3. Note that in Figure 3-3 under the Alternative 2 strawman, in 2015/2016 almost every recipient would receive

³ The weight of this 7 percent in the allocation formula would be lower than 7 percent because all permits are able to eliminate their three worst years and by the amounts set aside for equal allocation and the AMP program.

an amount of QP at least equivalent to the QP they received in 2012. Therefore, the Alternative 2 strawman would, for the most part, achieve the objective of the Alternative 4 strawman (ensuring that no one is worse off with respect to the amount of QP received). Alternative 2 might also be considered to achieve the objective of the Alternative 5 strawman in that most would receive more QP than they received in 2012.

The results of the widow reallocations as they relate to the total allocations are shown in Figure 3-4 and Figure 3-5. These two figures show that the effects of a widow reallocation on aggregate shoreside nonwhiting QS holdings (Figure 3-4) and estimated exvessel value of the combined shoreside and mothership allocations (Figure 3-5) are quite small. With respect to Figure 3-4, the effect on aggregate shoreside nonwhiting QS is small because widow rockfish QS receives a weight of only 0.05 in determining its contribution to the aggregate (i.e., an individual's widow QS is multiplied by 0.05 to determine its contribution to aggregate nonwhiting QS holdings). Figure 3-5 converts each permit's QS and mothership history to quota pounds and then applies 2013 average exvessel prices to generate exvessel value equivalents. Values are also shown "adjusted for attainment." The adjusted for attainment values simply multiply each QS holder's exvessel value equivalent for each QS species by the fleet's average attainment of the overall trawl allocation for that species during 2011-2013 (except that attainment for widow and yellowtail rockfish are assumed to be 100%). Note that this figure may understate the effect on total exvessel value to the degree that increased availability of widow QS leverages harvest of target species other than yellowtail rockfish.



<u>Year</u>	<u>Whiting</u>	<u>Nonwhiting</u>
1994	0.532	12.828
1995	0.521	13.811
1996	1.291	11.953
1997	0.360	13.576
1998	0.764	7.262
1999	0.428	8.045
2000	0.184	8.157
2001	0.098	3.770
2002	0.011	0.544
2003	0.028	0.008
2004	0.062	0.018
2005	0.170	0.006
2006	0.109	0.013
2007	0.181	0.010
2008	0.223	0.004
2009	0.239	0.009
2010	0.136	0.009
2011	0.219	0.031
2012	0.225	0.100
2013	0.318	0.228
2014 (partial)	0.595	0.240

Figure 3-1. Millions of pounds of shoreside widow rockfish landings by year in whiting and nonwhiting fisheries.

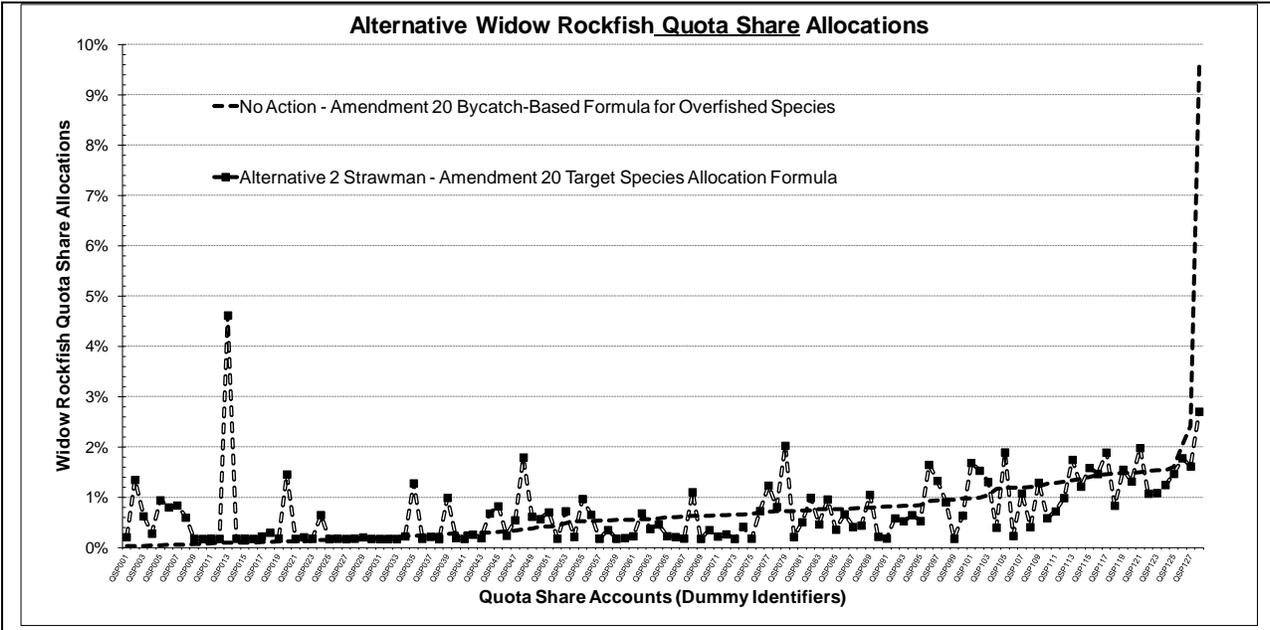


Figure 3-2 Comparison of current widow QS allocations (No Action) to the allocations that would result under the Alternative 2 strawman.

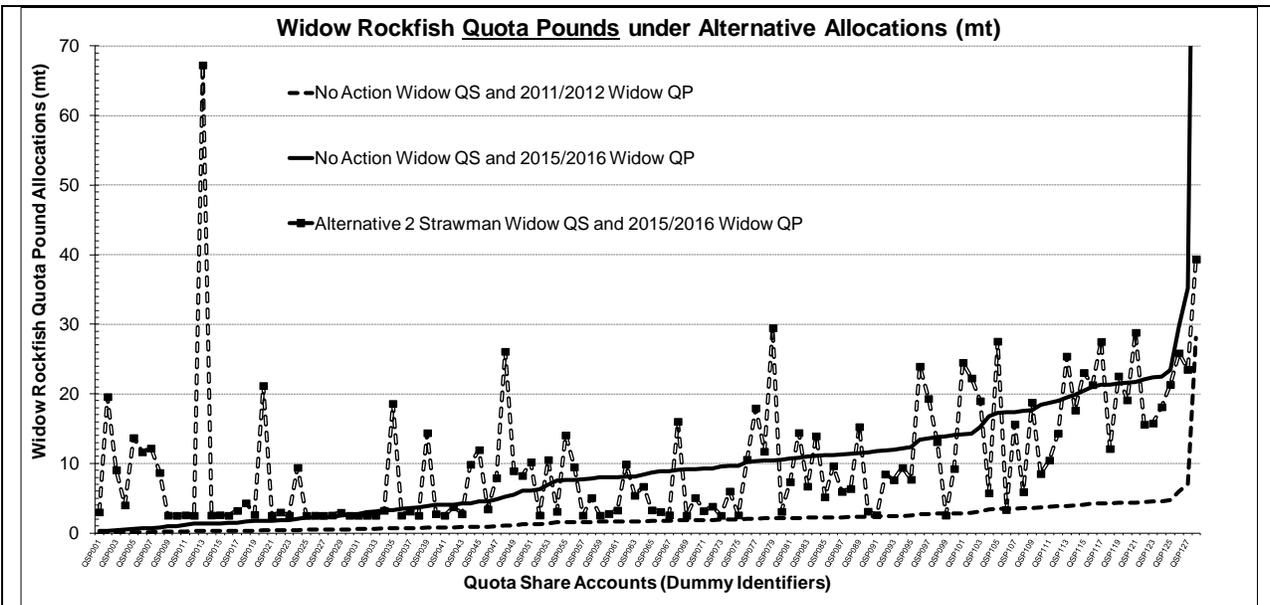


Figure 3-3. Comparison of widow QP allocations among QS accounts based on the current widow QS allocations (with the 2011/2012 and 2015/2016 shoreside trawl allocations) and the Alternative 2 strawman with the 2015/2016 shoreside trawl allocation.

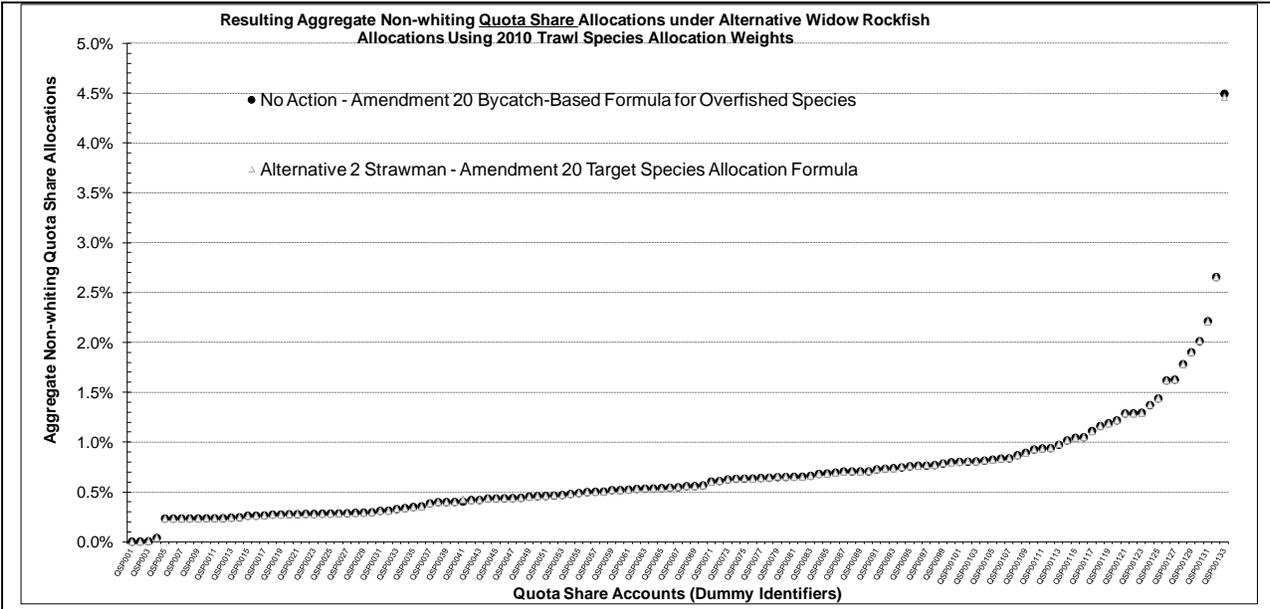


Figure 3-4. Aggregate shoreside nonwhiting QS under No Action and the Alternative 2 strawman.

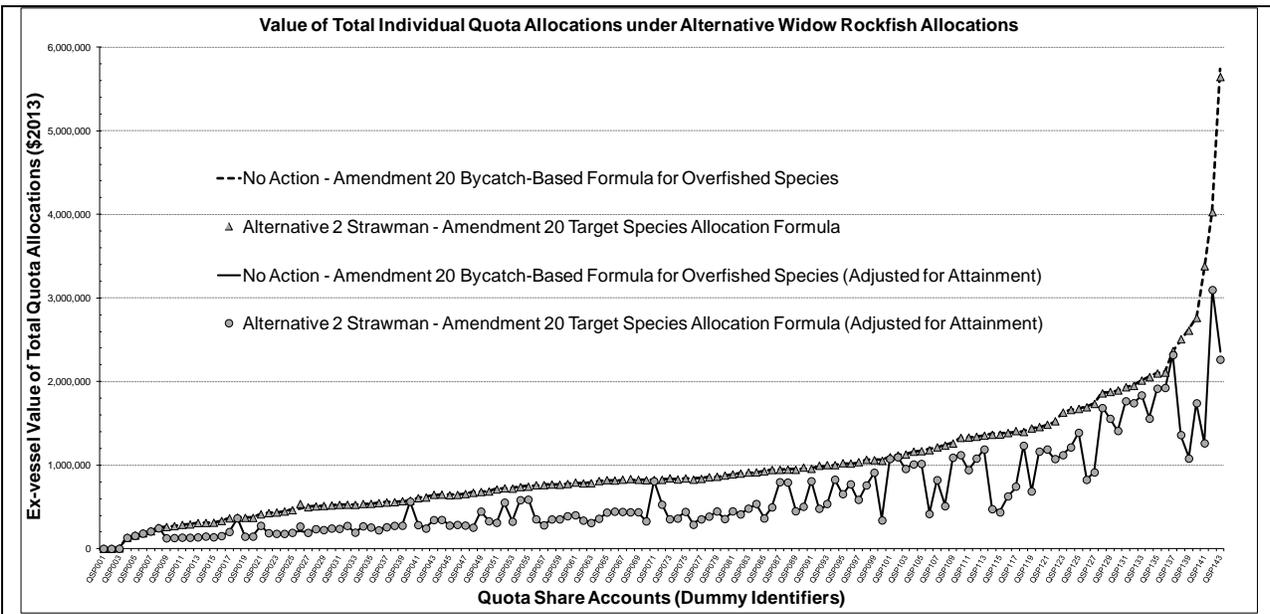


Figure 3-5. Total quota holdings (shoreside whiting and nonwhiting plus mothership) converted to exvessel value equivalents using 2013 prices and 2015 allocations for No Action and the Alternative 2 strawman (includes total QP and QP adjusted for average fleet attainment during 2011-2013).