

SaMTAAC Action Alternatives

This document provides SaMTAAC alternatives as modified based on the results of the May 2019 SaMTAAC meeting, including SaMTAAC instructions to develop Alternative 2 further, working with the proponent that alternative. The alternatives have been renumbered in response to the removal of what were previously Alternatives 1 and 2 (shifting harvest of southern sablefish to the north). An attempt has been made to provide very short titles for reference in anticipation that there may be further renumbering in the future. For each alternative, rationale is provided based on the discussions occurring at the meeting. A description and discussion of the no action alternative, status quo, is not included in this document but will be covered in the package considered by the Council.

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Action Alternatives: Overview of Approaches

The SaMTAAC action alternatives (Table 1) currently include two different general approaches:

1. Limiting gear switching for northern sablefish by placing gear-switching limitations on quota (two alternatives).
2. Limiting gear switching for northern sablefish by prohibiting or limiting the number of vessels allowed to gear switch and the amount of gear switching by individual vessels (two alternatives).

Of the alternatives that would place gear-switching limitations on northern sablefish quota, the first (Alternative 1) specifies some of the annually issued QP as unrestricted (gear switching eligible) and the remainder as trawl-only QP, and the second (Alternative 2) would place similar designations on the QS (designating some QS as eligible for gear switching and the rest as trawl only). Of the alternatives that would create a gear switching endorsement for sablefish and provide substantial opportunity for vessels associated with those endorsements, the first (Alternative 3) would allow all vessels that did not receive such an endorsement to continue to retain sablefish while gear switching but in lesser amounts. The second (Alternative 4) would require that any vessel not receiving an endorsement discard any sablefish caught while gear-switching to target on other species. For both Alternative 3 and Alternative 4 the endorsement might be issued based on vessel history or permit history, but the endorsement would be assigned to the limited entry permit—so as not to create the administrative burden of an additional permit system.

Use of Input and Output Controls

The first two alternatives are solely based on an output control in the form of tradeable quota. In general, LAPPs (limited access privilege programs) are a form of output control that increases fishermen flexibility by limiting the amount individuals may catch while reducing restrictions on how the fish is caught. When quota issued under a LAPP is tradeable (as with the trawl catch share program) it further minimizing restrictions on fishing operations by allowing each fishing operation to scale activity to a size that is optimal within the context its overall strategy. Reduction of restrictions on how the fish is caught is subject to constraints intended to address other conservation and socio-economic objectives (for example, accumulation limits). By restricting gear switching for a portion of the quota, Alternatives 1 and 2 would reduce the flexibility allowed under the current program (reduce the achievement of Amendment 20 net economic benefit goal and flexibility objective) in pursuit of other management objectives (increasing achievement of Amendment 20 full utilization goal).¹

¹ The balance of outcomes with respect to the concerns of other program objectives (impacts on fishing communities, employment throughout the production chain, and quality product for the consumers) will be impacted in different directions by these alternatives, depending on the products and groups considered, and the net effect will be described in the analysis.

Table 1. Main provisions of the action alternatives (No Action not included here).

	Gear Designations for Northern Sablefish Quota (Output Control)		Limiting Vessels that Gear Switch (Input and Output Control)	
	Action Alt 1	Action Alt 2	Action Alt 3	Action Alt 4
Scope	Northern Sablefish and Gear Switching North of 36° N. lat.			
<i>Gear Switching Limitation Mechanism:</i>	Gear Specific Quota		Gear Switching Endorsements (assigned to trawl limited entry permits based on one time evaluation of qualifying criteria)	
	For every QS account, issue XX% of QP as trawl-only QP and YY% as unrestricted QP. The same percent is issued each year. (Amount of QP issued as unrestricted would vary annually with the trawl allocation).	Some QS would be permanently designated as eligible for gear switching (along with the associated QP). (Amount of QP issued as gear-switching would vary annually with the trawl allocation).	Vessels with gear switching endorsed permits allowed to engage in more sablefish gear switching than vessels without such an endorsement (all vessels have some opportunity to gear switch and retain sablefish).	Vessels with gear switching endorsed permits allowed to gear switch for northern sablefish. All other vessels prohibited from retaining northern sablefish caught while gear-switching.
Duration of gear switching privilege	Annual and tradeable (QP)	Permanent and tradeable (QS)	Permanent and potentially tradeable with limited entry permit (LEP) (depending on option)	Permanent and tradeable with LEP
Qualification	All accounts will receive trawl-only and unrestricted QP except that at the start of the program some ^{a/} or all QS owners will have an opportunity to "opt-out" and receive all QP as unrestricted.	The amount of sablefish QS identified as eligible for gear switching would be based on the history of transfer of QP from a QS account to a gear switching vessel. There might be some minimum threshold that must be met to qualify.	To qualify for permit endorsement the vessel or permit (TBD) would need to meet a minimum participation requirement (1/1/2011-9/15/2017).	To qualify for permit endorsement the vessel or permit (TBD) would be required to demonstrate sablefish catch on at least one gear switching trip (1/1/2011-9/15/2017).
Phase-outs of gear switching activity	None	None	Possible phase out of gear switching endorsement (after which all vessels would be restricted to lower gear switching limit)	None
Sunsets	Possible sunset of gear designations (back to 100% unrestricted QP).	None	Possible sunset (elimination of restrictions on gear switching).	None

a/ Under one option, those meeting a qualification requirement will have an opportunity.

Alternatives 3 and 4 use would both modify the input control of the current catch share program (create s gear-switching endorsement) and impose a new output control that is less flexible than tradeable quota. While the trawl catch share program is a LAPP, the number of vessels that participate is limited (an input control imposed through the requirement that the vessel hold a limited entry permit). Alternatives 3 and 4 would use a gear-switching endorsement to limit the number of vessels in the class given the highest level of gear switching opportunity (another input control). The new output control would limit the amount of gear switching in which endorsed (and unendorsed) vessels could engage. Alternative 3 would provide substantially lower opportunities for vessels without an endorsement as compared to those that receive an endorsement.² In contrast, Alternative 4 would require that all sablefish be discarded by any vessel gear switching without an endorsement³. Vessels with endorsements might have the same limit or a limit tailored to a participation history. However, neither alternative provides vessels

² Which, within the context of the program, could be unrestricted in the amount of gear switching they are allowed.

³ Some vessels target non-sablefish species while gear switching.

with an opportunity to scale a gear switching operation to larger sizes, or to scale downward and open up more opportunities for other vessels.

The endorsement and limit systems of Alternatives 3 and 4 may provide less flexible output controls than Alternatives 1 and 2. However, they may have an advantage in that endorsements are simpler to administer than Alternatives 1 or 2 and the amount of gear switching allowed might be easier to adjust over time than for Alternative 2. Some general concerns that have been voiced about the gear-switching endorsements include: creating a new permit “class” (i.e., a special permit or endorsement that would have a higher value), the challenges of selecting a gear switching limit for endorsed and unendorsed permits, potentially limiting the value of the IFQ fishery as a whole, and the potential for differential impacts on communities. The approaches that place gear designations on quota would not create a new class of permits⁴ or require specifying individual vessel gear-switching limits, and would have different impacts on the value of the IFQ fishery as a whole and on communities.

Limiting Gear Switching By Placing Gear Designations on Quota (Northern Sablefish)

Gear Specific QP Alternative (Action Alternative 1)

Overview: Each year, some northern sablefish QP would be issued as trawl-only QP and the remainder would continue to be unrestricted (valid with any legal groundfish gear, as under status quo). Every northern sablefish QS owner would receive the same proportion of their sablefish QP as trawl-only (e.g., 50 percent trawl-only and the remainder unrestricted), except that under one option there would be an opportunity for certain entities to receive all their sablefish QP as unrestricted (an “opt-out” opportunity).

Full Description

Allocation of Gear Specific QP: At the start of the year, QS accounts will receive a specified percentage of their northern sablefish QP as trawl-only and the remainder as unrestricted (i.e., status quo “sablefish QP”).⁵ As the QP are transferred and used, these designations will be tracked. The percent issued as trawl only will be XX% (the Council will determine the percent issued as trawl-only as part of its recommendation).

Conversion Date: On a “trawl-only conversion date,” any remaining unused trawl-only sablefish QP in individual accounts will convert to unrestricted sablefish QP. The trawl only conversion date will be

Date Option a: September 1

Date Option b: Earlier (August 1)

Date Option c: Later (October 1)

⁴ Although Alternative 1 when combined with a qualifying requirement for the opt-out provision, might create a temporary class: those individuals that would receive all their QP as unrestricted until such time as they are phased out of the fishery.

⁵ As part of implementation, PacFIN species codes would be used to track this distinction. For example “TWSF” could be used for trawl-only sablefish and the current species code (“SABL”) for unrestricted sablefish.

Option for an Opt-out Provision

The Council may decide to include in this alternative an opt-out provision for QS accounts with northern sablefish QS. Under an opt-out provision, any QS account owners who opt out will receive 100% of the QP issued to their account as unrestricted (i.e. status quo QP).

Opt-out Option a: At the time of implementation, all QS account owners with northern sablefish QS will have a one-time opportunity to opt-out. For any QS accounts created in the future the owners will not have an opportunity to opt-out and will receive trawl-only QP in the standard proportion specified in the first paragraph of this alternative.

Opt-out Option b: At the time of implementation, a one-time opt-out option will be provided for qualified QS account owners that have a history of transferring their northern sablefish QP to vessels that had substantial use of fixed gear in the trawl IFQ fishery. Any future new QS account owners will not have an opportunity to opt-out and will receive trawl-only QP in the standard proportion specified in the first paragraph of this alternative.

Qualification Criteria Suboptions for Opt-out Option b:

For a QS account to qualify for an opt-out opportunity the vessel(s) to which the QS account's QP were transferred⁶ must have used the QP for gear switching such that

Qualification Poundage Suboption 1: XX% of the QS account's QP were used for gear switching.⁷

Qualification Poundage Suboption 2: 100% of the QS account's QP were used for gear switching

Qualification period: The time period for determining the qualifying poundage is January 1, 2011 through September 15, 2017 (the control date).

Opt-out status will expire when the account expires *or* when a new owner is added to the underlying ownership of the account (using the same rules which apply to expiration of the owner-on-board exemption for the fixed gear permit system).

Opt-Out Conversion Date Suboption: Eliminate the trawl-only conversion date.

Option for a Sunset Provision

The Council may decide to include a sunset provision with this alternative, which might also include a mandatory review prior to the sunset date.

Sunset Option: These provisions end 10 years after implemented in regulation, unless the Council takes action to extend or modify the program. If the program sunsets, all QP will be issued as unrestricted in the

⁶ See footnote 15 for description of the method by which a vessels QP could be associated with a QS account.

⁷ Variations on this option might include X% in Z out of 7 years.

subsequent fishing year, i.e. a return to status quo with respect to the related regulations.

Review Period Suboption: There will be a review period prior to sunset date.

Discussion

This alternative is intended to address the purpose and need by limiting the amount of northern sablefish QP eligible for use by gear switching vessels. It is an output control in that it does not directly limit the gear switching opportunity for any particular fishing operation.

For most of the year, this alternative would cap the proportion of northern sablefish QP that would be available for the fleet to use with non-trawl gear (gear switched). The percent that is issued as northern sablefish QP might be set in the FMP as an amendment. While trawlers would continue to be able to acquire any of the trawl allocation (trawl-only and unrestricted QP), for the first part of the year they would no longer be competing with non-trawl vessels for the trawl-only QP. Thus+, this alternative would guarantee a minimum amount of QP potentially available exclusively for vessels using trawl gear (until the trawl-only conversion date). The analysis will need to evaluate the overall impact on northern sablefish QP markets (e.g. what would be the price impact if some QP owners hold trawl-only QP off the market until the conversion date in order to sell it at a higher price).

The gear specific QP approach has the advantage of not creating a new cap on the amount of gear switching that any one vessel could undertake. However, each year gear switching vessels would need to acquire gear-switching eligible QP (up to the annual vessel QP limit that applies to all vessels).

Conversion Date: For those fixed gear vessels that acquired sablefish QS specifically for use in gear switching, the trawl-only conversion date preserves their ability to use all their QP for gear-switching (albeit later in the year for some QP).⁸ For trawlers which hold their sablefish QP until later in the year, in case they need it to cover unexpectedly high levels of sablefish bycatch (e.g. in the whiting fishery), the conversion date preserves their opportunity to sell unneeded QP to trawl permitted fixed gear vessels for use between the conversion date and the end of the fishing year. The opt-out options include suboptions that would not provide a conversion date.

Opt-out Option: On the one hand, the opt-out provision would provide those entities that acquired sablefish QS specifically for use in gear switching the opportunity to receive all of their QP as unrestricted, preserving their year-round ability to engage in gear-switching with the QS/QP they acquired for that purpose.^{9,10} On the other, it would create a separate class of QS accounts (i.e., those that opted-out would receive 100% of their sablefish QP as unrestricted).

⁸ Earlier in the year, these participants might be able to trade their trawl-only QP to trawlers in return for unrestricted QP.

⁹ Without the provision, some of the ability of gear switching vessels to use their QS/QP for gear switching would be limited to after the trawl-only conversion date.

¹⁰ If a QS account opts out, they would also be able to acquire additional QS and receive all of their QP as unrestricted (up to the 3 percent own/control limit).

The opt-out qualification suboptions would reduce the number of entities in the special class and with no opt-out provision there would not be a special class.

If an opt-out option is chosen then the conversion date might be eliminated (i.e. trawl-only QP would remain trawl only) while still fully preserving the opportunity to gear switch for those that acquired and used QS for that purpose. The opt-out option would provide those who may have acquired QS with the intent of using it for gear switching with an opportunity to do so without needing the conversion date to assure such an opportunity.

While the opt-out option would likely reduce the initial degree of restriction on gear switching activity under this alternative, as QS accounts expire and new QS accounts are established, the trawl-only QP provisions would become more fully effective (new QS account owners would not be provided with an opt-out opportunity). Additionally, since QS accounts can continue indefinitely (so long as the name listed on the account does not change), opt-out status would also expire when a new owner is added to the underlying ownership of the account (the same rules which apply to expiration of the owner-on-board exemption for the fixed gear permit system would be applied for this alternative).

Anticipated Implementation Details: If this alternative is implemented and a vessel making a trawl landing has both trawl-only and unrestricted sablefish QP in its account, it is anticipated that the vessel would direct the buyer as to which type of QP the sablefish should be debited against and that the QP tracking system would be set up to allow such specification.¹¹

After the trawl-only conversion date, all QP would be unrestricted and could be used to cover gear-switched catch, even catch that occurred before the conversion date. Thus, the amount of gear switching possible prior to the conversion date would be greater than the amount of QP issued as unrestricted and the decision on the amount issued should take this into account.¹² Similarly, for determining a vessel's deficit carryover allowance (maximum of 10 percent of the used QP) for simplicity, before and after the trawl-only conversion date the 10 percent deficit allowance will be determined in a similar fashion: 10 percent of the combination of trawl-only and unrestricted sablefish QP.¹³ While the deficit allowance will be determined in a manner that does not distinguish between trawl-only and unrestricted QP, if the deficit is incurred with fixed gear the vessel will still have to cover the deficit with unrestricted sablefish QP. For consistency and simplicity, the surplus carry-over allowance (10 percent of all the vessel account's QP, both used and unused) will also be calculated without distinction between trawl-only and unrestricted gear; and, since all QP at the end of the year will be unrestricted, all carryover will be for unrestricted QP.

¹¹ Alternatively, a formula/rule could be used for determining which QP is used first. For example, use the trawl-only QP first, then unrestricted QP. This approach would reduce administrative costs while maximizing a vessel's future flexibility.

¹² Vessels that fish into deficit with fixed gear but do not acquire unrestricted QP to cover their deficit would not be able to make additional IFQ trips until their deficit is covered.

¹³ Another approach would have been to calculate deficits incurred with fixed gear based only on the amount of catch that was covered with unrestricted QP, i.e. exclude trawl-only QP from the calculation.

Options Considered but Rejected

At the start of each year, new northern sablefish QP with the trawl-only designation would be issued (along with unrestricted QP) and some QP would be carried over from the previous year. At that point, all carryover for the previous year (including what was originally issued as trawl-only) will have been converted to unrestricted QP. For carry-over QP, the possible restoration of the original trawl-only QP designations was considered but rejected as adding unnecessary complexity that would only impact a relatively small amount of QP (usually a few percent).

Gear-Switching QS Alternative (Action Alternative 2)

Overview: Some northern sablefish QS would be designated as gear-switching eligible (unrestricted) and all other QS would be trawl only. QS would be identified as gear-switching eligible based on history of QP transfers to gear-switching vessels. The QP issued from the gear switching eligible QS would be designated as gear-switching eligible. Gear-switching QS and the QP issued for it would be transferable and maintain the gear switching eligible designation.

Full Description

Gear Switching QS: Some northern sablefish QS would be designated as “Gear-Switching QS” (or “Unrestricted QS”) and the QP issued for that QS would be gear-switching eligible. Gear switching eligible quota could also be used with trawl gear. All other northern sablefish QS and the associated QP would be trawl-only.¹⁴

Initial Qualification and Amounts Designated for Gear Switching: During an initial implementation period, a portion of the sablefish QS in qualified QS accounts would be designated as eligible for gear-switching.

QS Account Qualification Option A: Gear switching northern sablefish QS will be issued for every current QS account with northern sablefish QS in amounts determined as specified in the following paragraph.

QS Account Qualification Option B: Gear switching northern sablefish QS will be issued only to those current QS accounts for which at least X,XXX QP are associated with gear switching (using the WDFW proportional method¹⁵) in X years of the

¹⁴ When northern sablefish Adaptive Management Program QP are distributed to a QS account, it will be designated as gear-switching or trawl-only in proportion to the gear-switching and trawl-only QS in the account.

¹⁵ **THIS DESCRIPTION IS UNDER REVIEW:** Using the proportional method, first “QP use portfolios” and “QP use ratios” will be established for the northern sablefish QP associated with each vessel QP account. The gear switching QP use portfolio specifies the amount of QP associated with the account that was used for gear switching and the gear-switching QP use ratio will specify the proportion of the account’s QP associated with gear switching. The gear switching QP associated with each QS account is the sum of the amount of QP it transferred to each vessel account times the gear switching QP use ratio for that account.

QS Account Gear Switching QP =

(QP Transferred to *Vessel Account A*) X (Gear Switching QP Use Ratio for *Vessel Account A*)

(QP Transferred to *Vessel Account B*) X (Gear Switching QP Use Ratio for *Vessel Account B*)

(QP Transferred to *Vessel Account C*) X (Gear Switching QP Use Ratio for *Vessel Account C*) and so on.

The gear switching QP use ratio for a particular vessel account is a combination of the direct use ratio (ratio for the QP gear switching by that vessel) and the indirect use ratio (ratio for the QP used by other vessels). The gear switching direct use ratio is the ratio of the particular vessel’s QP used for gear switching divided by all the QP that were transferred to the particular vessel’s account (received by the vessel).

qualifying period (1/1/2011 through 9/15/2017). The amounts of gear switching eligible QS to be issued will be determined as specified in the following paragraph.

Amount of QS Designated for Gear Switching: For qualified current QS accounts, the greatest amount of sablefish QS associated with gear switching in any one year during the qualifying period (1/1/2011 through 9/15/2017) will be the amount designated as gear-switching eligible. If less than this amount remains in the account at the time of implementation, then all the northern sablefish QS remaining in the account will be designated as gear-switching eligible northern sablefish QS (no additional credit will be provided for amounts of QS that could have qualified but are not in the account). The proportional method¹⁵ will be used to determine the amount of gear-switching QS associated with each qualified QS account.

Transferability: Gear switching QS and QP would be fully transferable and maintain its gear switching eligible status when transferred..¹⁶

Combining with a Gear-Switching Endorsement Alternative: If this alternative is combined with an alternative that includes a gear-switching endorsement, the gear switching QP could be used for gear switching in excess of whatever limit applies to a particular vessel (whether the vessel has an endorsement or not) up to the annual vessel QP limit, currently 4.5 percent.

Discussion

This alternative is intended to address the purpose and need by limiting the amount of northern sablefish QS/QP eligible for gear switching. It is an output control that leaves open the specific vessels that may gear switch, the number of those vessels (within the restrictions of the limited entry program), and amount of gear switching in which they may individually engage. It contrasts with the Gear Specific QP Alternative, in that it applies the gear limitations at the QS level. Under Gear Specific QP Alternative, QP trading would occur each year as needed to match gear switching eligible quota with gear switching vessels. Under this alternative, in addition to the QP trading the QS could be traded to match quota with vessels intending to gear switch. Thus, with quota access secured with QS, gear switching vessels would be able to plan their fishing activity with greater certainty. This might also reduce the amount of QP available on the market each year, relative to the Gear Specific QP Alternative.

This alternative is intended to recognize investments made in QS for the purpose of gear switching with more certainty than might occur with the endorsement based alternatives.

Gear Switching Direct Use Ratio = (QP Used in Gear Switching) / (QP Received by the Vessel)

The indirect use ratio is derived from the gear switching QP use ratio of another vessel to which the particular vessel transferred QP. The particular vessel may have transferred QP to a number of other vessel accounts, in which case there would be a number of indirect use ratios to combine. To prepare for the combination, first, the QP transferred from the particular vessel to the other vessel are multiplying by the gear switching use ratio of the other vessel. This result is the number of QP transferred to the other vessel that are assumed to have been used in gear switching. This result can then be divided by the total QP received by the particular vessel to derive the gear switching indirect use ratio.

¹⁶ Full transferability means the QS and QP will retain their gear-switching eligible status whenever transferred.

Individuals making such investments in QS may have used the related QP on their own vessels in some years and transferred it to others in other years, or may simply rely on revenue every year from selling QP to gear switching vessels. Under an allocation of gear switching privileges in the form of a permit based on vessel or permit history, as is included in endorsement based alternatives, those individuals might not qualify for an endorsement (or the limits allowed under the endorsement system might not allow them to gear-switch or sell to gear-switchers an amount of sablefish that is in line with their QS investment).

This alternative might be combined with one of the endorsement alternatives (which are more tailored to recognizing the investments in vessels and/or permits acquired for gear switching) to establish a balance between recognizing those investments and investments in QS. Under such an approach, in order to achieve desired overall caps on gear switching the amount of gear switching authorized under each alternative might have to be reduced. Combining approaches would also double up the initial implementation administrative costs (requiring initial implementation of both the endorsement system and the gear-switching QS system). After initial implementation, ongoing administration of the endorsement system would not likely add to the costs of the existing limited entry permit program and ongoing administration of the gear-switching QS system might be similar to the ongoing administrative costs of the Gear-Specific QP Alternative (perhaps somewhat less since there would not be a date on which trawl-only quota would convert to unrestricted quota eligible for gear switching).

Options Considered but Rejected

Consideration was given to qualifying the QS account for gear switching (rather than the northern sablefish QS). However, under such an approach either the amount of gear-switching QS in the account would have to be capped or QS newly transferred to the account would have to be eligible for gear switching. A cap would not provide individuals with further opportunities to scale the size of their operation, therefore the preference was to allow newly transferred QS to be eligible for gear switching. Allowing all sablefish QS newly transferred to a gear switching eligible account to be used for gear switching would have allowed for a considerable expansion in the total amount of gear switching. Consideration was given to limiting the potential expansion by specifying that the only QS that could be transferred into a QS account eligible account and be eligible for gear switching would be that QS which came from a gear switching eligible account. However, it became simpler to focus on the QS rather than the QS accounts, such that a portion of the QS would be designated as gear switching eligible and allowed to transfer between any QS accounts (the current alternative).

Limiting Gear Switching By Limiting Individual Vessels (Northern Sablefish)

Gear Switching Endorsement and Allowance (Action Alternative 3)

Overview: In the area north of 36° N. lat. there will be different sablefish gear-switching limits for two groups of vessels: those associated with a gear-switching endorsement and all other trawl permitted vessels. The amount of sablefish gear switching allowed for endorsement associated vessels will be larger than the allowance provided to all other trawl permitted vessels. There will be qualification requirements for the gear-switching endorsement, which may apply to the vessel or limited entry permit. Regardless of whether the vessel or permit qualifies, the endorsement will be attached to a limited entry permit. The endorsement might or might not be transferable

with the permit and could be phased out, depending on the options selected. If endorsements are phased out, all vessels would eventually only have access to the lower level gear switching limit provided to all trawl permitted vessels. Additionally, there is an option that would sunset all the provisions of this alternative, returning the fishery to status quo gear switching opportunities (gear switching limited only by the annual vessel QP limits).

Full Description

Gear-Switching Endorsement and Qualification: Gear switching endorsements will be attached to trawl limited entry permits. The presence or absence of a gear-switching endorsement on a vessel's limited entry permit will determine its gear-switching limits.

The entity for which the qualifying criteria are evaluated will be the vessel or limited entry permit (TBD prior to or on final action).

Vessel qualification: if the qualifying requirements must be met by the vessel, then the gear-switching endorsement will be attached to the trawl limited entry permit associated with the vessel at the time of implementation.

Permit qualification: if the qualifying requirements must be met by the permit, then the gear-switching endorsement will be attached to the qualifying permit.

The following are the criteria that must be met to qualify for the gear-switching endorsement.

The limited entry vessel/permit (to be determined) made gear-switched landings totaling at least X lbs of northern sablefish (TBD) in each of at least 3/4/5 years (TBD) prior to the control date (for analysis X = 15,000, 20,000, 25,000, 30,000 lbs, 50,000 lbs, or 70,000 lbs). For a permit to qualify, it must have been associated with the vessel at the time the gear switched landing occurred.

Gear-Switching Limits:

Sablefish Gear-Switching Limits:

For vessels with trawl permits that have a gear-switching endorsement, the annual sablefish north gear-switching limit is:

Endorsement Limit Option 1: the maximum percent of northern sablefish trawl allocation landed by the qualifying permit/vessel (TBD) with fixed gear in any year between 2011 and the control date (9/15/2017). Once that maximum is determined, it is assigned to the permit and stays with the permit when it is transferred.¹⁷

¹⁷ DETAIL FOR SaMTAAC CONSIDERATION: Additional provision for permit transfers.

Vessel based approach: If more than one gear-switching endorsed trawl permit is associated with the vessel (either sequentially or at the same time), the vessel is entitled to the gear switching limit associated

Endorsement Limit Option 2: less than the amount under Limit Option 1 (for example, perhaps an amount that would reduce the total potential gear-switched sablefish landings by all endorsed permits to the “control date footprint”). Reduction could be applied immediately or phased in over 10 years.

Endorsement Limit Option 3: the standard northern sablefish vessel QP limit (currently 4.5%).

For vessels with trawl permits that **do not have a gear-switching endorsement** there is a per vessel sablefish gear-switching allowance, or limit, of X% of the annual trawl allocation of northern sablefish.¹⁸

Other Species Gear Switching Limit: For all trawl permitted vessels there will not be any gear switching limits for other IFQ species.

Annual Vessel QP Limit: Regardless of these gear switching limits, trawl permitted vessels are not allowed to catch amounts in excess of the northern sablefish vessel QP limit (taking into account both the vessel’s trawl and non-trawl landings).

with only one of the permits. A vessel cannot catch sablefish with non-trawl gear in excess of the gear-switching limit associated with the permit registered to the vessel at the time of the catch. For example, if a vessel starts the year with a permit that has a 15,000 pound gear-switching limit and catches 12,000 pounds but then transfers to a permit with only a 10,000 pound limit, it would not be in violation of the new permit limit but it may not take additional gear-switched sablefish. If it starts with a 10,000 pound permit, catches 10,000 pounds, then acquires a 15,000 pound permit, it can catch an additional 5,000 pounds while registered to the second. If a vessel were to have two trawl permits on board at the same time, it would be subject to the larger of the two limits associated with the permit (permit related gear switching limits cannot be stacked).

Permit based approach: The gear switching limit is associated with the permit. If the permit is transferred midyear, fish caught prior to the transfer still count against the permit’s limit for the year. If a vessel were to have two or more trawl permits on board at the same time, it would be subject to the larger of the limits associated with the permit (permit related gear switching limits cannot be stacked). Note: This is similar to how the fixed gear tiered permit system works except here stacking is not included (though the SaMTAAC could modify this approach to include stacking).

¹⁸ **DETAIL FOR SaMTAAC CONSIDERATION:** What happens when a vessel reaches or exceeds its sablefish gear-switching limit. Approach to consider:

On the trip on which a gear-switching vessel reaches its gear switching limit (limit provided by its gear-switching endorsement or the allowance for vessels without an endorsement), it must discard any sablefish caught in excess of the limit and may not deploy non-trawl gear on any trawl IFQ sector trips taken during the remainder of the year. This means it would no longer be able to gear switch to target on sablefish or non-sablefish species (even if the chance of sablefish bycatch is extremely low). Discarded sablefish must be covered by sablefish QP, though survival credit is provided (as per regulation). A vessel that reached the sablefish gear-switching limit would be able to continue to retain sablefish caught with trawl gear.

Endorsement Transferability and Expiration:

Transferability/Expiration Option 1: Gear-switching endorsements expire when the permit ownership changes (ownership-based phase-down of gear switching).¹⁹

Transferability/Expiration Option 2: Gear-switching endorsements may be transferred one or two times with a change in ownership of permit (ownership-based phase-down of gear switching).¹⁹

Transferability/Expiration Option 3: Gear-switching endorsements are permanent/freely transfers

Transferability/Expiration Option 4: Gear-switching endorsements expire one year after completion of the second full trawl catch share program review after full implementation of these provisions, unless the Council takes action to extend or modify the expiration provisions (phase-down to non-endorsed permit gear switching limits).

Sunset Option:

All gear-switching limitation provisions expire one year after Council finalization of the second full trawl catch share program review after implementation of these provisions, unless the Council takes action to extend or modify the sunset provisions.

Discussion

This alternative includes both an input control (the endorsement that restricts the number of gear switching vessels) and an output control (vessel limits that restrict the amount of gear-switching each vessel is allowed).²⁰ This contrasts with the gear specific QP and gear-switching QS alternatives, which limit output by limiting the amount of quota available for gear switching—leaving open the specific vessels that may gear switch, the number of those vessels (within the restrictions of the limited entry program), and amount of gear switching in which they may individually engage (subject to accumulation limits).

This alternative is intended to address the purpose and need by preserving opportunity for those that have made an investment in trawl sector gear-switching to target northern sablefish, while limiting the degree to which other entities are allowed to engage in substantial new gear switching. Gear switching requires acquisition of a trawl permit and vessel capable of effectively handling fixed gear, along with an investment in fixed gear and the knowledge needed to use the gear. The decision analysis document will include discussion of how allocation to the permit and vessel each take into account recent and historic participation and investment in different ways.

The qualification criteria for gear switching endorsements and associated gear switching limits would be set to allow fishermen that own vessels or permits that are substantially involved in

¹⁹ DETAIL FOR SaMTAAC CONSIDERATION: How should ownership changes be defined. Possibilities include consideration of changes to nominal ownership on the permit and changes to the underlying ownership. For purposes of sunsetting the grandfather exemptions to the owner-on-board requirement, the fixed gear permit stacking program considers a change to occur when a new entity is added to the permit ownership but not when an entity leaves the permit ownership (e.g. partners may leave but new partners may not be added).

²⁰ Vessels with unendorsed permits would be similarly limited, first by the total number of limited entry trawl permits available and then by the gear switching limits applying to vessels with unendorsed permits.

gear-switching to continue such activity while at the same time limiting the expansion of gear switching (balancing these two factors along with others).

The gear-switching allowance for vessels without endorsements is intended to allow some economically viable low level targeting of sablefish with non-trawl gear (amount needed to be determined) and cover bycatch taken while targeting on other species while gear switching. If a low level targeting opportunity is maintained, that would preserve some of the original expectation that gear switching in the catch share program would allow trawl vessels to take advantage of their remaining sablefish QP in a situation in which opportunities to take sablefish as part of mixed species targeting opportunities were exhausted (or less economically rewarding). Part of the balance in determining the allowance for non-endorsed vessels will be the countervailing objective of limiting the total amount of sablefish taken by gear-switching.

The details on setting the gear-switching limits have yet to be fully fleshed out, including whether to and how to modify them over time. Limits could be set to levels which guarantee that gear-switching does not escalate to higher than desired amounts. To do this, the limits would be set based on the assumption that every vessel maximizes its gear switching opportunity. After experience is gained with how many vessels will typically participate, limits could be increased while still maintaining a reasonable certainty that total fleet gear switching will not exceed certain levels (if the alternative allows for adjustment of the limit over time).

This alternative specifies that the gear-switching endorsement would be attached to a limited entry permit. If the gear switching endorsement is issued based on vessel history, between the NMFS decision to implement the proposal and the application period the vessel would have a period of time to identify the permit to which the endorsement would be attached. For vessels that lease permits, this would provide them with an opportunity to either acquire a permit or enter into a contract or other arrangement to have the endorsement attached to some other permit.

Phase-Down/Out and Sunsets: The alternative includes a phase down/out and a sunset option that together bracket a wide range of potential future gear switching. The endorsement phase out would phase down gear switching to a level allowed by the limit provided for non-endorsed vessels. Most of the transferability/expiration options would phase out the gear switching endorsements through one of two methods: limiting transferability (Options 1 and 2) or setting a sunset after which all endorsements would expire (Option 4). Option 3 would allow unlimited transferability (no endorsement phase out) but could be combined with Option 4 (with the buyer needing to beware of the potential expiration of the endorsement). Under the sunset option, after a period of time all gear-switching restrictions of this alternative would be eliminated, returning the fishery to status quo and allowing all vessel to gear switch up to the annual sablefish QP limit (currently 4.5 percent). Thus, between the phase-out and sunset, the potential range of gear switching runs from that accommodated by the lower gear switching limit that would be provided for vessels with unendorsed permits and theoretically up to 100 percent of the trawl allocation (the latter, as under status quo).

The process driven time frame for the endorsement phase out (Transferability/Expiration Option 4) and the Sunset Option is intended to ensure that an adequate time has passed to evaluate performance of these provisions, generate efficiency in the management system (since the

programmatic review can be used evaluate whether or not the provisions should sunset), and provide adequate time for the Council and NMFS to take action to extend the provisions, if that is the desired outcome. Nothing in this alternative would prevent the Council from recommending terminating the provisions at an earlier time if it became apparent that they were not functioning as desired.

Options Considered but Rejected

An “active trawler” designation was considered. Under this provision , entities that were not grandfathered in based on previous gear switching opportunity (did not receive an endorsement) would continue to have higher levels of gear switching privileges if they met an annual active trawler requirement. While such a designation would preserve some of the programs original intent for gear switching, this was viewed as unnecessary for addressing the purpose and need, and it appeared to create problems and complexities that exceeded the potential benefits (for example, addressing situations in which an otherwise active vessel did not trawl in one year). Limiting the number of entities that can engage in substantial gear switching and providing others with a lesser opportunity was viewed as sufficient to provide a balance between both capping and providing ongoing opportunity for gear switching.

Determining a vessel’s quota limit based on QS owned by an associated QS account was eliminated because it was unnecessary and complex. Establishing ownership linkages between vessels and QS account is often straight forward but in many cases more complicated. For example, there may be partial differences in the ownership of the related QS accounts and vessels. Or, a single QS account under one ownership may have overlapping ownership with two or more vessels where the vessels do not have a common ownership (e.g. partners that own a QS account together but own their vessels separately). This approach continues to be evaluated for other alternatives and could be restored to this alternative if it determined to be viable. One of the questions for this alternative would be the determination of which vessel/permit associated with a qualified QS account would receive an endorsement (how to handle situations where more than one gear switching vessel is associated with a particular QS account or accounts that have linked ownership).

For the expiration and sunset options (Expiration Option 4 and Sunset Option), specific periods of time were considered. Periods of four and five years were eliminated because they were not long enough to evaluate performance of the alternative. Longer specific time periods were eliminated in favor of a process driven time frame tied to the MSA required program review schedule.

Attachment of the gear-switching endorsement to a vessel (rather than the limited entry permit) was rejected in order not to create another permit system with the accompanying administrative and regulatory burden. As described above, use of the limited entry permit as the vehicle for the gear switching endorsement would not prevent the consideration of vessel history as the qualifying criteria for the endorsement.

Gear Switching Endorsement Only (Action Alternative 4)

Overview: In the area north of 36° N. lat., retention of sablefish while gear-switching will be allowed only for those vessels associated with a gear-switching endorsement and there will be no

new limits for those vessels (i.e. vessels with gear-switching endorsed permits will be able to gear switch in amounts up to the northern sablefish annual vessel QP limit, as under status quo). All other vessels engaged in gear-switching will be required to discard sablefish. There will be gear-switching endorsement qualification requirements that may apply to the vessel or permit. Regardless of whether the vessel or permit qualifies, the endorsement will be attached to a limited entry permit. Gear switching endorsements will be transferable with the permit to which they are attached.

Full Description

Gear-Switching Endorsement and Qualification: Gear switching endorsements will be attached to limited entry trawl permits. The gear-switching endorsement on a vessel's limited entry permit will determine whether it has an opportunity to gear switch.

The entity for which the qualifying criteria are evaluated will be the vessel or limited entry permit (TBD prior to or on final action).

Vessel qualification: if the qualifying requirements must be met by the vessel, then the gear-switching endorsement will be attached to the trawl limited entry permit associated with the vessel at the time of implementation.

Permit qualification: if the qualifying requirements must be met by the permit, then the gear-switching endorsement will be attached to the qualifying permit.

The following are the criteria that must be met to qualify for the gear-switching endorsement.

The limited entry permit/vessel (TBD) made gear switched landings of sablefish between January 1, 2011 and September 15, 2017. For a permit to qualify, it must have been associated with the vessel at the time the gear switching occurred.

Gear Switching Limits: For vessels with trawl permits that have gear-switching endorsements there will be no new gear-switching limits (the annual northern sablefish gear-switching limit is the northern sablefish QP limit, currently 4.5%). For all other trawl permitted vessels, retention of sablefish while gear switching is prohibited.²¹ For all trawl permitted vessels, there will not be gear switching limits for any other species.

Endorsement Transferability and Expiration: Gear switching endorsements transfer with the limited entry permit. There will be no limit on transfers or expiration date for the endorsement.

Discussion

This alternative is covered within the options of the Gear Switching Endorsement and Allowance Alternative (Alternative 3), except:

²¹ Regardless of these gear switching limits, trawl permitted vessels are not allowed exceed the northern sablefish vessel QP limit (taking into account both the vessel's trawl and non-trawl landings).

- there would be no sablefish gear-switching opportunities for vessels not associated with a gear switching endorsement (vessels without a gear switching endorsement targeting on non-sablefish species would be required to discard sablefish bycatch); and²²
- the gear switching endorsement qualifying requirements of this alternative are lower.

Therefore, the rationale described in the first two paragraphs of the Discussion section under Alternative 3 also apply to this alternative.

The qualifying criteria for the gear switching endorsement are specified to allow any vessel/permit that has some sablefish gear-switching history to qualify for an endorsement (in consideration of potential investments in gear switching). While this is fairly liberal, relative to the other endorsement alternative, this alternative is more restrictive for vessels without a trawl permit endorsed for gear-switching (which, under Alternative 3, would be allowed to engage in some sablefish gear switching even without a gear-switching endorsement).

This alternative specifies that the gear-switching endorsement would be attached to a limited entry permit. For additional discussion, under Alternative 3 see the 6th paragraph of the Discussion section.

Options Considered but Rejected

The main option considered but rejected was the attachment of gear-switching endorsements to vessels, rather than existing limited entry permits. This choice was made was in order not to create another permit system with the accompanying administrative and regulatory burden. It will still be possible to apply a qualifying requirement to the vessel (rather than the permit) but a qualifying vessel would be required to identify the limited entry permit to which it would like its endorsement attached.

²² Note that for fixed gear sablefish discards, vessels would receive a 50 percent survival credit such that only one half a pound of QP would be required to cover each pound discarded.