

UPDATED SaMTAAC PROPOSAL DESCRIPTIONS—
ALTERNATIVE 3 (Ver: April 25, 2019)

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

Action Alternative 3: Gear Specific QP and LE Permit Owner Opt-out Options

Overview: All sablefish QP would be issued with one of two gear designations: any-gear or trawl-only. Each year, each sablefish QS owner would receive sablefish QP with the same mix of gear designations as every other sablefish QS owner (e.g., 80 percent any-gear, 20 percent trawl-only), except that under some options there is an opportunity for certain entities to receive all their sablefish QP as any-gear (an “opt-out” opportunity).

Full Description

1. At the start of the year, QS accounts will receive a specified percentage of their sablefish QP as trawl-only (e.g., TWSF) and the remainder as any-gear (i.e., status quo—just “sablefish”). (The Council will determine the percent of trawl-only as part of its final recommendation.) As the QP are transferred and used these designations will be tracked.
2. On an “any-gear conversion date,” the remaining unused trawl-only sablefish QP (TWSF) will revert back to the general “sablefish” QP. The any-gear conversion date will be
 - Date Option a:** September 1
 - Date Option b:** Earlier (August 1)
 - Date Option c:** Later (October 1)
3. Opt-out Provision
 - Under an “opt-out” provision, any QS account owner who opts out will receive 100% of the QP issued to their account as “any gear.”
 - Opt-out Option a:** No opt-out opportunity.
 - Opt-out Option b:** At the time of implementation, all sablefish QS account owners have a one-time opportunity to opt-out. Any new QS account

Commented [MC1]: This is just sablefish as it is issued now. Currently, there is only one type of sablefish, which can be harvested with any gear. A portion of that will be designated as “trawl-only,” but the remainder doesn’t change from status quo.

Commented [MC2]: If it helps clarify, this is really a “trawl-only expiration date.”

owners will not have an opportunity to opt-out and will receive trawl-only QP in the proportion specified in paragraph one of this alternative.

Opt-out Option c: At the time of implementation, a one-time opt-out option will be provided for qualified QS owners that own a vessel that primarily used fixed gear in the trawl IFQ fishery. Any new QS account owners will not have an opportunity to opt-out and will receive trawl-only QP in the proportion specified in paragraph one of this alternative.

Commented [MC3]: This was not intended to be limited to vessel ownership. I may need help with the language, but the intent is, "...for qualified QS owners that transferred sablefish QP into a vessel account that used fixed gear in the trawl IFQ fishery to harvest sablefish."

Qualification criteria suboptions for Opt-out Option c:

To qualify for an opt-out opportunity a QS account owner's vessel must have used fixed gear to catch

Qualification Poundage Suboption 1: XX% of its sablefish pounds landed

Qualification Poundage Suboption 2: 100% of its sablefish pounds landed

Qualification period suboptions for Opt-out Option c:

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

4. Gear Designation Sunset Provision

Sunset Option a: No Sunset

Sunset Option b: These provisions end 10 years after implemented in regulation, unless the Council takes action to extend or modify the program. If the program sunsets, gear designations would be removed from all sablefish QP, the equivalent of issuing all QP any-gear, 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 of Modified Language

The original Opt-out Option C did not specify the link that had to exist between the QS account and the vessel that would meet the qualification criteria:

Opt-out Option C: Opt-out option for qualified fixed gear participants. All permits that had primarily used fixed gear have a one-time opt-out designation.

Some linkage is needed between the QS account (to which the opt-out provision applies) and the vessel doing the fishing. In the modified language, it has been suggested that an ownership link be required. Another approach would be to require a "first transfer" link, i.e. that the first vessel account to which QP are transferred be considered linked to the QS account. There may be other approaches that could be explored.

In the qualification poundage suboptions for the original alternative, the species that had to be landed with fixed gear was not mentioned. A sablefish qualifier has been added, since sablefish

is the primary species of concern, and since owners of vessels that gear switch sometimes use all of their sablefish QP but transfer QP for other species to trawl vessels.

Other minor modifications were made to the language to simplify where possible and create terminology that would be easy to reference (e.g. the “any-gear conversion date”).

The SaMTAAC should review these changes and modify as needed.

Questions to Address

The following is a list of decision points covered in this section.

- Opt-out Status Transfers
 - Once established, does opt-out status stay with the account or go with owner? The opt-out status remains with the QS account owner with the same grandfather rules that apply to the fixed gear tiered permit stacking program. There is an understanding that, through natural attrition, the QS accounts with opt-out status would be phased out over time and (eventually) all QS accounts would be treated the same.
 - If opt-out status goes with the owner, which owners (individuals or collective ownership)? N/A
 - Should the general rule include exceptions for some circumstances? No
- Qualifying for the opt-out
 - If the opt-out opportunity is provided to all QS account owners, does that include QS accounts that do not have sablefish QS at the time the opt-out opportunity is offered? N/A
 - Where qualification is required, how should vessel history and QS ownership be linked for complex situations? Need to link QP transferred from QS account to vessel account, then assess whether that vessel landed sablefish using fixed gear.
 - Should there be a second Qualification Period Suboption? (If not, the current suboption should be incorporated as part of Opt-out Option C)?
- Deficit Allowances, Deficit Carryover Limits, and Coverage Requirement
 - Should deficit allowances and limits be calculated for each sablefish QP gear-type designation separately or for all sablefish QP combined? A vessel that fishes into deficit with trawl gear can cover that deficit with either trawl-only QP or general sablefish QP, whereas general sablefish QP can only be covered with general sablefish QP. If a vessel goes into deficit for general sablefish QP (regardless of gear used), then that vessel would have the option to either purchase general sablefish QP and continue fishing or cease fishing and cover its deficit after the conversion date if there is trawl-only QP in its vessel account.
 - After the end of the year, should fixed gear vessels be allowed to cover their deficits with trawl-only QP or be required to continue to cover their catch with any-gear QP? Prior to the end of the year, all QP is general sablefish QP, so at the end of the year, there is no trawl-only QP. If a vessel is in deficit at the end of the year regardless of gear type, it is in deficit of general sablefish QP. As such, all deficits covered by QP issued for the following year can only be covered by general sablefish QP.

- Surplus Carryover Limits (10 percent) and Gear Designations for Carryover QP
 - Should surplus carryover limits be calculated for each sablefish QP gear-type designation separately or for all sablefish QP combined? Surplus carryover is calculated after the conversion has occurred, so there is only general sablefish QP to carryover at the end of the year—there is no trawl-only sablefish to carryover.
 - After the end of the year, should QP revert to their original trawl-only and any-gear designations or be carried over as any-gear QP? There is only carryover for general sablefish QP.

Commented [CMK(4)]: I think having the designations reactivated after the end of the year just adds complexity.

Opt-out Status Transfers: Does the opt-out status stay with the QS account (ending when the QS account is terminated) or does it go with the QS account owner (such that the owner may establish a new account and maintain the opt-out status with that new account)? If it goes with the QS owner, does each person who participates in that ownership have their own opt-out status that they can use if they open a new QS account, or does the status accrue to the group of owners as a whole?¹ Should the opt-out declaration transfer to a new account for some circumstances in which a new QS account is generated?

New QS accounts are generated when an owner changes its business name (as an example), as well as for new entrants. If ownership changes but the business name does not change then a new QS account is not necessarily generated by the ownership change. For example, when a corporation is sold but the corporate name kept, a new QS account might not be generated. Conversely, if a QS account is held by a two individuals (e.g. a husband and wife partnership) and one of the partners leaves the ownership, generating a new ownership name, then generally a new QS account is created.

Opt-out Option b (All QS Account Owners Have a One Time Opportunity Opt-Out): Does this include QS accounts that do not currently have sablefish QS? No, the opt-out provision is for sablefish QS only.

Opt-out Option c (Qualification for Opt-out Based on History of Vessel(s) Owned): The modified language proposed that the QS account/vessel account link be based on vessel ownership. Other possibilities might be available, such as a linkage established based on the first vessel to which a QS account transfers its QP.

Commented [MC5]: This was not intended.

Commented [MC6]: Yes, something like this makes sense, but it doesn't need to be the first vessel account—just any vessel account that received sablefish QP from this QS account and used fixed gear to harvest sablefish QP.

If an ownership based approach is taken, what are the standards for the link (e.g. does the ownership have to be 100% identical, greater than 50% identical, at least one person in common)? If 50% or less can a single vessel qualify multiple QS accounts (e.g. partners in a vessel that maintain their own separate QS accounts)? How does the opt-out provision apply for QS owners that don't have a vessel (e.g. community quota funds)?

If an entity participates in the ownership of multiple vessels and QS accounts and only one vessel has gear switched, would all QS accounts owned by the entity qualify for the opt-out (Example A, Figure 1)? For partnerships that owns a QS account and in which each partner also owns a

¹ In the case of the latter, a provision might be modelled based on the owner-on-board grandfather provision for the fixed gear fishery tier/stacking system: an ownership group may lose owners without losing their grandfather status but if they add an owner they lose their grandfather status.

vessel and their own QS account, if one of the partner's vessels fished with fixed gear which QS accounts would qualify for the opt-out provision (Example B, Figure 1)? In the previous example, what if one of the partners does not own a vessel (Example C, Figure 1)?

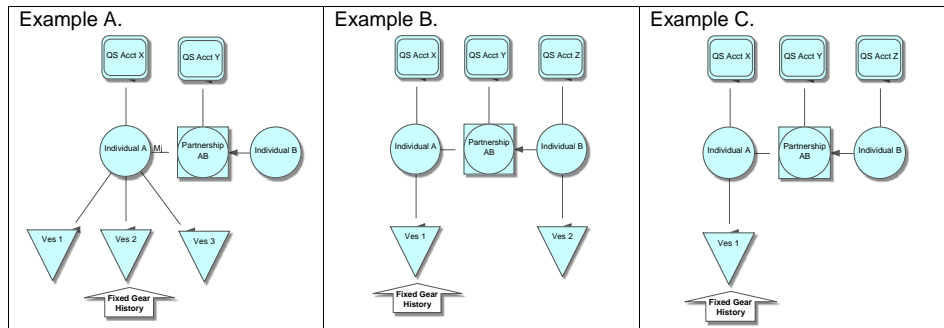


Figure 1. Examples of ownership structures to consider in developing policy for linking vessel fixed gear history QS accounts.

Opt-out Option c (Qualification Period): Under Opt-out Option c there is a qualification period that is characterized as a suboption but there are no other options. Should a suboption be added or should the qualification period be considered part of Opt-out Option c, rather than a suboption?

Deficits—Inseason and Carry-Over: There are two issues to address, the first is how the inseason deficit allowance and deficit carry-over amount will be calculated and the second is the QP gear designation required after the end of the year to cover deficits incurred with a particular gear.

Commented [CMK(7): Inseason deficit allowance should be combined. The deficit carry-over amount should be of the same unit as the surplus carryover, which is general sablefish QP.

There are three periods of time to consider: deficits occurring prior to the any-gear conversion date (first day of August, September or October, to be determined), deficits occurring after the any-gear conversion date and prior to the start of the following year (when only any-gear QP is available), and deficits carried over into the following year (see Table 1, first column). While there are three periods to consider, the alternative approaches for each appear to be similar.

Two approaches have been identified for calculating the deficit allowance: (1) calculate based on the gear used (distinct approach), (2) calculate based on total sablefish catch (combined approach; see Table 1, second column). The distinct approach will result in separate calculations for each gear used, as shown for Vessel 2 in Table 2. For this approach, if a vessel has both trawl and fixed gear landings but has a deficit with only one of those gears,² then the amount of deficit the vessel will be allowed to carry could be lower than for a vessel that had the same total amount of landings and QP but used only one gear (see the “Deficit Allowance/Carryover” column for all three vessels of Table 2). For the combined approach, vessels with the same total catch and QP would have the same carryover amount regardless of how the catch was distributed

² It will necessarily be the case that a vessel can only incur a deficit with one gear type (trawl or fixed gear) because only one of these gear types can be used on a trip and after a deficit is incurred the vessel cannot participate in the IFQ fishery until after the deficit has cleared.

among gears (Table 3). Note that the gear-type of the QP used to cover catch does not have a bearing on these deficit calculations because the deficit is the amount that remains uncovered and so is not yet associated with QP that has a gear designation.

The QP used to cover the deficit would be that available in the period of the deficit or in the following period(s). During the initial period (prior to the any-gear conversion date), a vessel could use trawl-only or any-gear QP; after the any-gear conversion date, the deficit would be covered with any-gear QP; and after the end of the year, either vessels could be required to cover the deficit with QP that has the gear-type designation appropriate for the gear used or they could be allowed to use QP with either gear type designation (relevant for fixed gear deficits). The latter approach might be consistent with the any-gear status that all QP would have after the any-gear conversion date. However, after the start of the new year there would also be trawl-only QP available (issued for the new year).

Carry Over of Surpluses: As with deficit carry-over, a decision is needed on determination of the individual vessel QP account carryover limits. Additionally, a decision is needed on whether any-gear QP will carry over as any-gear QP or with its original gear designation. Only any-gear QP can be carried over.

When carryover is issued, vessels are generally allowed to carry-over unused QP in an amount equal to 10 percent of their combined used and unused QP. As with the deficit carryover, the question is whether to calculate carry-over for each QP gear designation, i.e., the original trawl-only and any-gear designations, or for both together (bottom of Table 1). As with the deficit carryover, calculation of separate carry-over limits (the “distinct” approach) can result in lower amounts of carryover than calculation of a combined carryover QP limit (compare the surplus carryover columns of Table 4 and Table 5).

The distinct approach would require QP to continue to carry their gear designations, even after the any gear conversion date. The following section on implementation details describes how the original gear designations on QP could be maintained by changing the accounting rules instead, such that trawl-only QP could be used with any gear after the any-gear conversion date. Under the combined approach, either only any-gear QP would be carried over or the QP gear-type designations could be maintained and the combined carryover limit applied in proportion to the types of unused sablefish QP the vessel maintains. For example, for the combined approach calculation, if a vessel is able to carryover 1,000 QP and has 1,500 QP of surplus trawl-only QP and 500 pounds of surplus any-gear QP, then it would carryover over 750 QP of trawl only QP and 250 pounds of any-gear QP.

To cover deficits after the end of the year vessels can use QP for the following year, which will carry one of the two gear type designations, or QP that others have carried over from the previous year. Depending on how the any-gear period is implemented and surplus carryover treated, QP from the previous year will be either be all any-gear QP or QP with one of the two gear designations.

Commented [CMK(8): This adds complexity and is not needed to accomplish the policy intent.

SaMTAAC Agenda Item E
Attachment 2
May 2019

Table 1. Approaches for calculating deficit/carryover limits under Alternative 3.

Period and Type of Deficit/Surplus	Calculation of Inseason/Carryover Deficit Limit ^{a/} Or Surplus Carryover Limit	Gear-type QP Used to Cover Deficit (any-gear and/or trawl-only) and Gear-type for Surplus Carryover	Some Implications
Inseason Deficit Prior to Any-Gear Conversion Date (deficits in excess of 10% are a violation)	Distinct: Deficit allowance calculated for each gear type as 10% of sablefish caught ^{b/} and covered with QP, by the gear type ("fixed gear" or "trawl")	Trawl: Either Any-Gear or Trawl-Only	Possibility of smaller deficit allowance for vessels that use both gears compared to the deficit allowance for vessels with the same total QP and catch but using only one gear (see Table 2).
	Combined: Deficit allowance calculated as 10% of sablefish caught and covered with QP (regardless of gear with which the fish was caught)	Fixed Gear: Any-Gear	All vessels with the same total QP and catch would have the same deficit allowance, regardless of the gears used (see Table 3).
Inseason Deficit After Any-Gear Conversion Date (deficits in excess of 10% are a violation)	Distinct: Same as for "Prior to Any-Gear Conversion Date"	Trawl: Any-Gear (including for deficits occurring before the any-gear conversion date)	Same as for "Prior to Any-Gear Conversion Date" and distinct calculations.
	Combined: Same as for "Prior to Any-Gear Conversion Date"	Fixed Gear: Any-Gear	
End-of-Year Deficit	Distinct: Carryover calculation same as allowance for "Prior to Any-Gear Conversion Date"	Trawl: Either Any-Gear or Trawl-Only or Trawl-Only Issued for Following Year	Same as for "Prior to Any-Gear Conversion Date" The distinct approach would rely on gear type used during the any-gear period even though all QP during that period was any-gear QP.
	Combined: Carryover calculation same as allowance for "Prior to Any-Gear Conversion Date"	Fixed Gear: Any-Gear Consider whether QP will revert to original designations after the end of the year. Consider whether fixed gear catch during the any-gear period would have to be covered with any-gear QP or whether trawl-only QP might also be used (this would not be consistent with reverting the QP to their original designations. .	

Period and Type of Deficit/Surplus	Calculation of Inseason/Carryover Deficit Limit ^{a/} Or Surplus Carryover Limit	Gear-type QP Used to Cover Deficit (any-gear and/or trawl-only) and Gear-type for Surplus Carryover	Some Implications
End-of-Year Surplus (Calculation includes used and unused QP)	Distinct: 10% of the trawl-only QP and 10% any-gear QP	All QP carries over with its original designations trawl-only or any-gear (though it would be possible to use the distinct approach but carry the QP over as any-gear QP).	Potentially smaller surplus allowance for vessels that use both trawl-only and any-gear quota compared to the surplus allowance for vessels that only use one quota type with the same total QP and catch (see Table 4). If gear designations are carried over, vessels may want to continue to designate which QP gear-type they are using to cover their catch after the any-gear conversion.
	Combined: 10% of the total used and unused for trawl-only QP and any-gear QP combined	All QP carries over as any-gear (though it would be possible for the QP to carryover with its original gear designations ^{c/})	All vessels with the same total QP and catch would have the same deficit allowance, regardless of type of quota held and gear used (see Table 5). If all QP carries over as any-gear, after the any-gear conversion date there would be no need to track the original gear-type designations on the QP. If gear designations are carried over, vessels may want to continue to designate which QP gear-type they are using to cover their catch after the any-gear conversion.

a/ No options are provided for calculating a deficit based on gear-type QP because for vessels using trawl gear catch is not specific to a gear-type QP (i.e. either type can be used to cover the catch).

b/ While the reference here is to sablefish caught, with the new provision providing sablefish survival credits the actual calculation would be based on sablefish mortality.

c/ If a vessel holds QP in excess of the 10 percent surplus carryover limit (such that some QP must be forfeited) and has both gear-type QPs, then both types would be reduced by the amount required to reduce total holdings to the 10% limit. For example, if an individual has QP equal to a 15% carryover, then a 1/3 reduction of the holdings of surplus QP for each gear type will be required.

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Table 2. Resulting carryover allowances for vessels with **deficits** using the **distinct** approach.

	Gear Used	Sablefish Catch (lbs)	QP Used (lbs)	Deficit	Deficit Limit (10%)	Deficit Allowance/ Carryover	QP Used to Cover		
							Pre-Conv Period	Conv Period	Following Year
Ves 1	Trawl	1,000	910	90	91	90	Any-gear or Trawl Only	Any-Gear	Any-Gear or Trawl-Only
Ves 2	Trawl	600	510	90	51	51	Any-Gear or Trawl- Only	Any-Gear	Any-Gear or Trawl-Only
	Fixed Gear	400	400	0	40	0			
Ves 3	Fixed Gear	1,000	910	90	91	90	Any-Gear	Any-Gear	Any-Gear (or also allow coverage with trawl-only)

Table 3. Resulting carryover allowances for vessels with **deficits** using the **combined** approach.

	Gear Used	Sablefish Catch (lbs)	QP Used (lbs)	Deficit	Deficit Limit (10%)	Deficit Allowance/ Carryover	QP Used to Cover Deficit During. . .		
							Pre-Conv Period	Conv Period	Following Year
Ves 1	Trawl	1,000	910	90	91	90	Any-gear or Trawl Only	Any-Gear	Any-Gear or Trawl-Only
Ves 2	Trawl	600	510	90	91	90	Any-Gear or Trawl- Only	Any-Gear	Any-Gear or Trawl-Only
	Fixed Gear	400	400	0		0			
Ves 3	Fixed Gear	1,000	910	90	91	90	Any-Gear	Any-Gear	Any-Gear (or also allow coverage with trawl-only)

Table 4. Resulting carryover allowances for vessels with **surpluses** using the **distinct** approach.

	Gear Used	QP Gear Type	Total QP (Used & Unused)	Sablefish Catch (lbs)	QP Used (lbs)	Surplus QP	Surplus Limit (10%)	Surplus Carryover
Ves 1	Trawl	Trawl-Only	400	910	400	0	40	0
		Any-Gear	600		510	90	60	60
Ves 2	Trawl	Trawl-Only	300	510	300	0	30	
		Any-Gear	300		210	90	70	70
Ves 3	Fixed Gear	Any-Gear	400	400	400	0	100	100
Ves 3	Fixed Gear	Any-Gear	1,000	910	910	90	100	100

Table 5. Resulting carryover allowances for vessels with **surpluses** using the **combined** approach.

	Gear Used	QP Gear Type	Total QP (Used & Unused)	Sablefish Catch (lbs)	QP Used (lbs)	Surplus QP	Surplus Limit (10%)	Surplus Carryover
Ves 1	Trawl	Trawl-Only	400	910	400	90	100	90
		Any-Gear	600		510			
Ves 2	Trawl	Trawl-Only	300	510	300	90	100	90
		Any-Gear	300		210			
Ves 3	Fixed Gear	Any-Gear	400	400	400	90	100	90
Ves 3	Fixed Gear	Any-Gear	1,000	910	910	90	100	90

Anticipated Implementation Detail (Preliminary)

Tracking QP after the Any-Gear Conversion Date. There are at least two ways that the tracking system might allow both trawl-only and any-gear QP to be used as any-gear after the any-gear conversion date. One would be to change the designations on the QP to any-gear. The other would be to change the accounting system rules (and programming) to allow trawl-only quota to be used for catch by any gear. How this is implemented may depend on the way that end-of-year surpluses are handled (Table 1). If all QP is to be carried into the following year as any-gear gear QP, then after the any-gear conversion date there would be no need to maintain the QP gear distinctions (all QP could be relabeled as any-gear QP). However, if QP is to be carried into the following year as trawl-only and any-gear, then the maintaining distinction on the QP might be maintained. It may be easier for tracking the QP trades and implementing the carryover to simply allow trawl-only QP to be used as any-gear QP after the conversion date. In either case, it would be up to NMFS to determine the most administratively feasible and cost effective approach.