



SEPTEMBER 2020  
COUNCIL MEETING  
AGENDA ITEM D.I.

# GEAR SWITCHING & SABLEFISH AREA MANAGEMENT SCOPING—STAFF PRESENTATION





# AGENDA ITEM D.I – OVERVIEW

# PROCESS

- Action split off from other catch share review follow-on actions
- September 2017- Council adopts control date ([September 15, 2017](#))
- Sablefish Management & Trawl Allocation Attainment Committee
  - Appointed April 2018.
  - Met 6 times
  - Final report June 2020
  - Accompanying preliminary analysis focusing on need for action

## COUNCIL ACTION

Decide, whether to move forward on this issue and, if so,

- a. Adopt a purpose and need statement, and
- b. Consider further development of alternatives.



# DOCUMENT FOR COUNCIL CONSIDERATION

- Situation Summary
- Analysis (D.I., Attachment I)
- SaMTAAC Final Report (D.I.a, SaMTAAC Report)
- Supplemental GMT Report
- Supplemental GAP Report
- Public Comment

# TODAY'S PRESENTATION

- SaMTAAC Final Report—Overview
- Analysis—Highlights (focusing on issues related to need and purpose)

# QUESTIONS ABOUT PROCESS?



# SAMTAAC FINAL REPORT – SUMMARY



# SAMTAAC FINAL REPORT (AGENDA ITEM D.I.A, SAMTAAC REPORT)

- Charge
- Deliberations
- Draft Purpose and Need
- Principles
- Range of Alternatives
- Appendix A: Full Description of Action Alternatives
- Appendix B: Rationale for Design of Action Alternatives

# SUMMARY OF DRAFT PURPOSE AND NEED

## Need:

“Shorebased Individual Fishing Quota (IFQ) Program has under attained most of its allocations since the inception of the program in 2011. ...[possibly] ...due to

- the allowance to use fixed gear to harvest shorebased IFQ,
- declining trawl vessel participation, and
- the lack of market and infrastructure.”

A concern is gear switchers using northern sablefish quota causing

- Sablefish QP to be less available to trawlers, limiting attainment of other species
- Uncertainty about trawl access to quota affecting the development of markets and infrastructure.

## Purpose

- keep northern sablefish gear switching from impeding the attainment of northern IFQ allocations with trawl gear, while considering impacts on current operations and investments.
- address related goals and objectives on maximizing value, achieving maximum yield and full utilization.

# ALTERNATIVES FOR SOUTHERN SABLEFISH

- Southern Sablefish
  - Considered increasing utilization in the south but did not pursue.
  - Focused on shifting unused Southern QP northward.
    - Set aside for similar reasons and because did not resolve the gear switching issue.
- Alternatives to Shift South to North that Were Set Aside
  - Alt X: Reapportion southern trawl allocation to northern trawl allocation.
  - Alt Y: Allow some of the southern trawl QP to be caught in the north.

## RECOMMENDED ALTERNATIVES INCLUDE

- No Action
- Three Action Alternatives Intended to Limit Catch of Northern Sablefish by Gear Switching Vessels



# OVERVIEW OF NO ACTION ALTERNATIVE

## No Action

- Any vessel with a trawl permit can gear switch up to annual vessel QP limits.
  - 4.5% for sablefish north of 36° N. lat.
- Gear switching would continue to fluctuate or trend depending on a number of factors including groundfish markets and opportunities in other fisheries.

# OVERVIEW OF ACTION ALTERNATIVES

	Alt 1	Alt 2	Alt 3
Short Title	Gear Specific QP Alternative	Gear Switching Endorsement Alternative	Active Trawler Alternative
Grandfather Privilege	Opt-Out	Endorsement	Active Trawler Requirement Exemption



# ANALYSIS – OVERVIEW

# FISHERY OVERVIEW

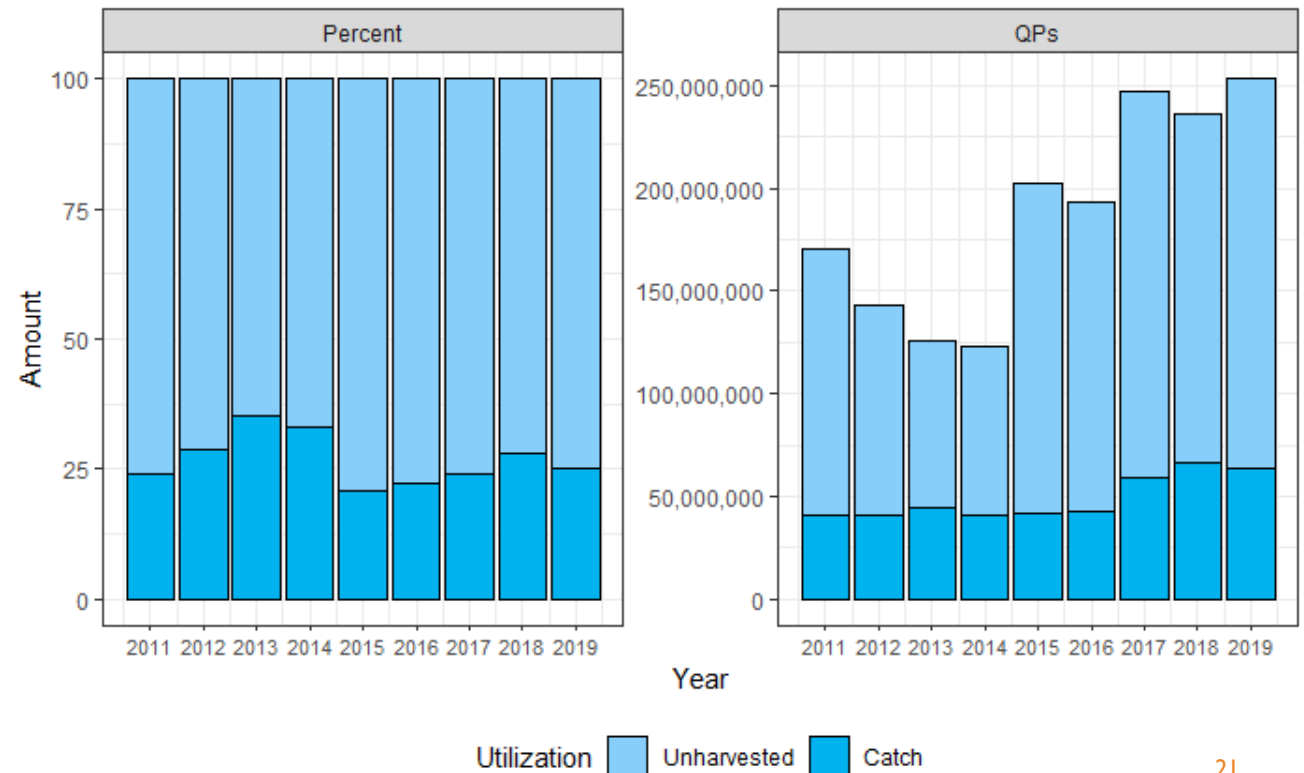
- SECTION 1.0
  - FMP HISTORY
  - FISHERY DESCRIPTION
- SECTION 3.0-5.0
  - PARTICIPANTS

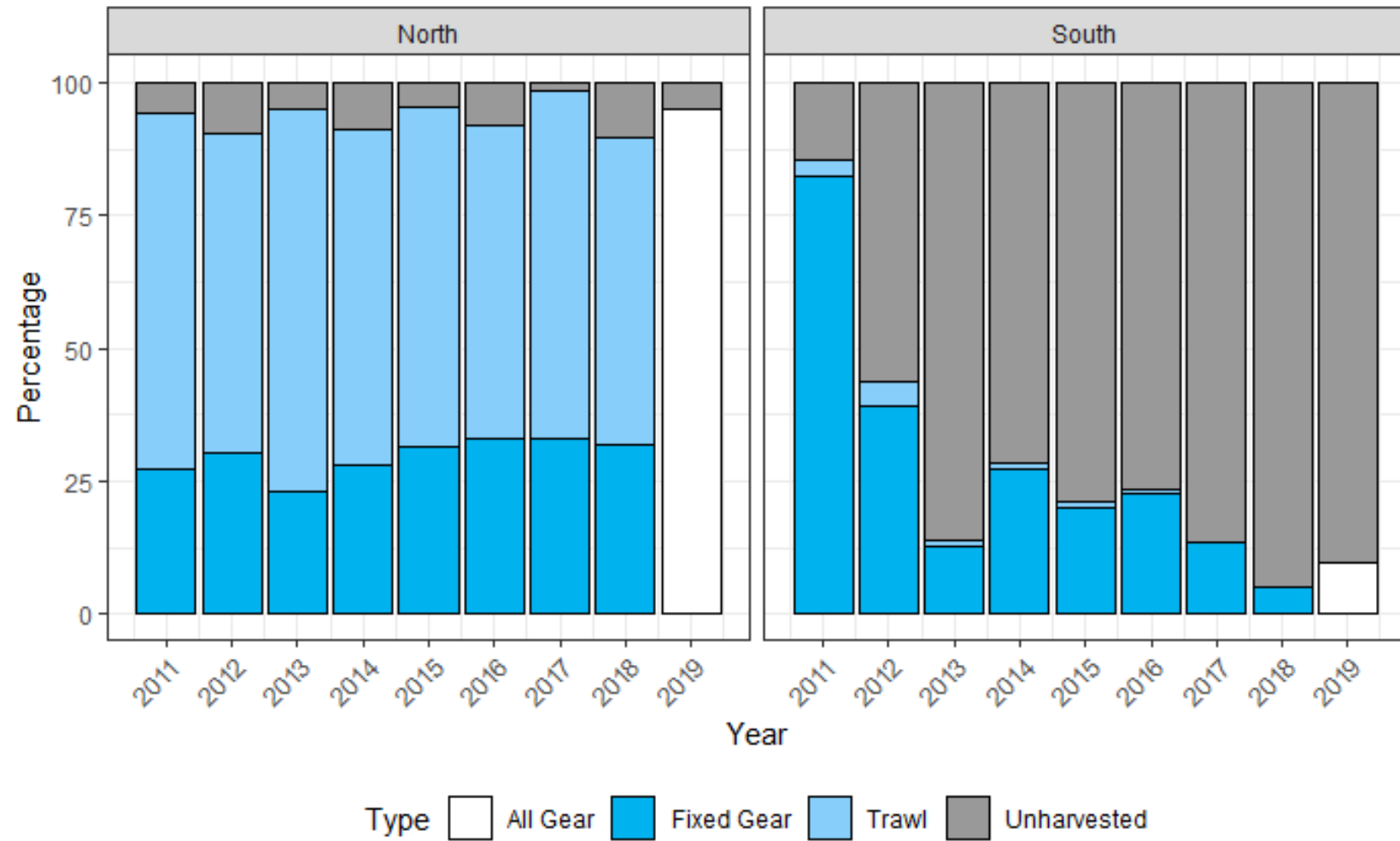
## QUICK OVERVIEW OF TRAWL IFQ PROGRAM

- Vessels with trawl permits must cover groundfish catch with quota (regardless of gear used)
- Beginning in 2016, vessels can have both trawl and FG LEP,
- QS issued to LEP holders at start of program
- Anyone can open a QS account (acquire a QS Permit) & acquire QS (e.g. crew members)
- QP issued to QS holders each year
- Vessels with trawl LEPs open QP accounts

# UNDERATTAINMENT OF TRAWL ALLOCATIONS

- Avg. Attainment of Non-Whiting Species
  - 2011-2014: 30%
  - 2015-2016: 22%
  - 2017-2019: 26%
- Non-whiting trawl revenue averaged \$31.7 million from 2011-2019.
  - Species with more than 50% attainment in a year = avg of 58.7%

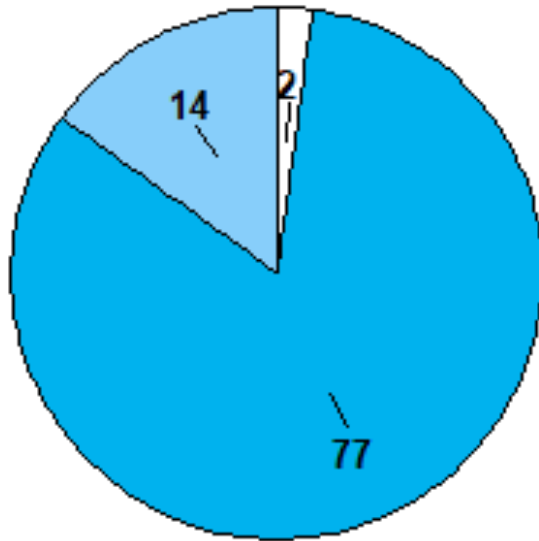




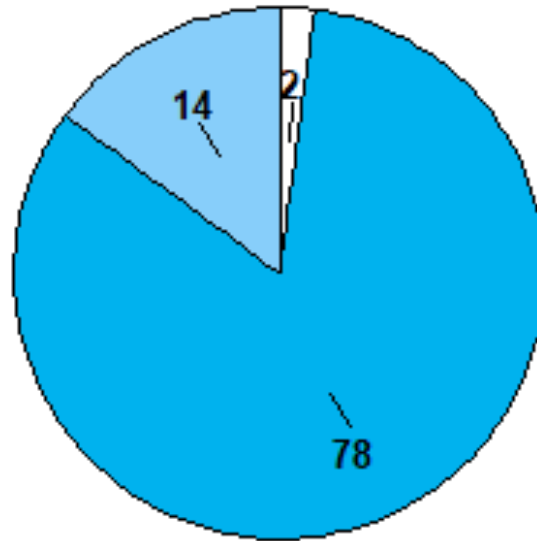
## IFQ SABLEFISH HARVEST

# PARTICIPATION TRENDS

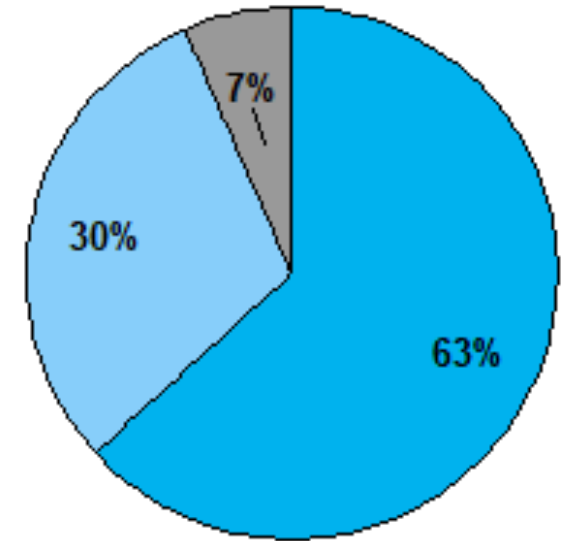
Avg. Vessels  
2011-2019



Avg. Permits  
2011-2019



QP Utilization  
2011-2019



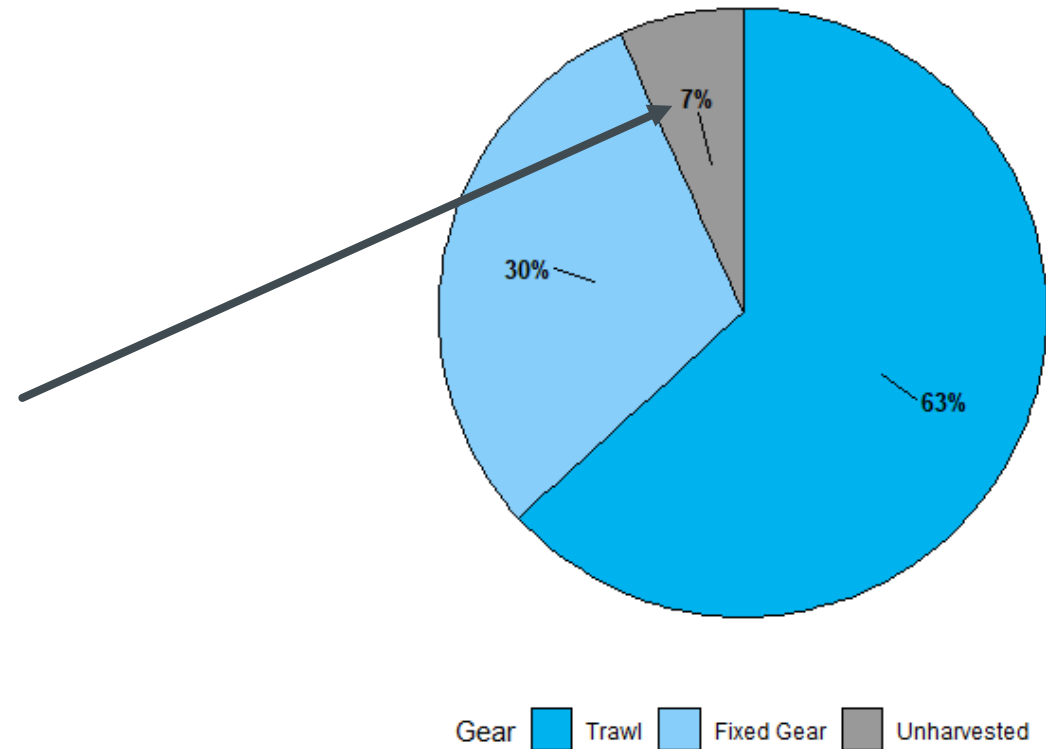
Gear  Both Trawl and Fixed Gear  Trawl  Fixed Gear  Unharvested



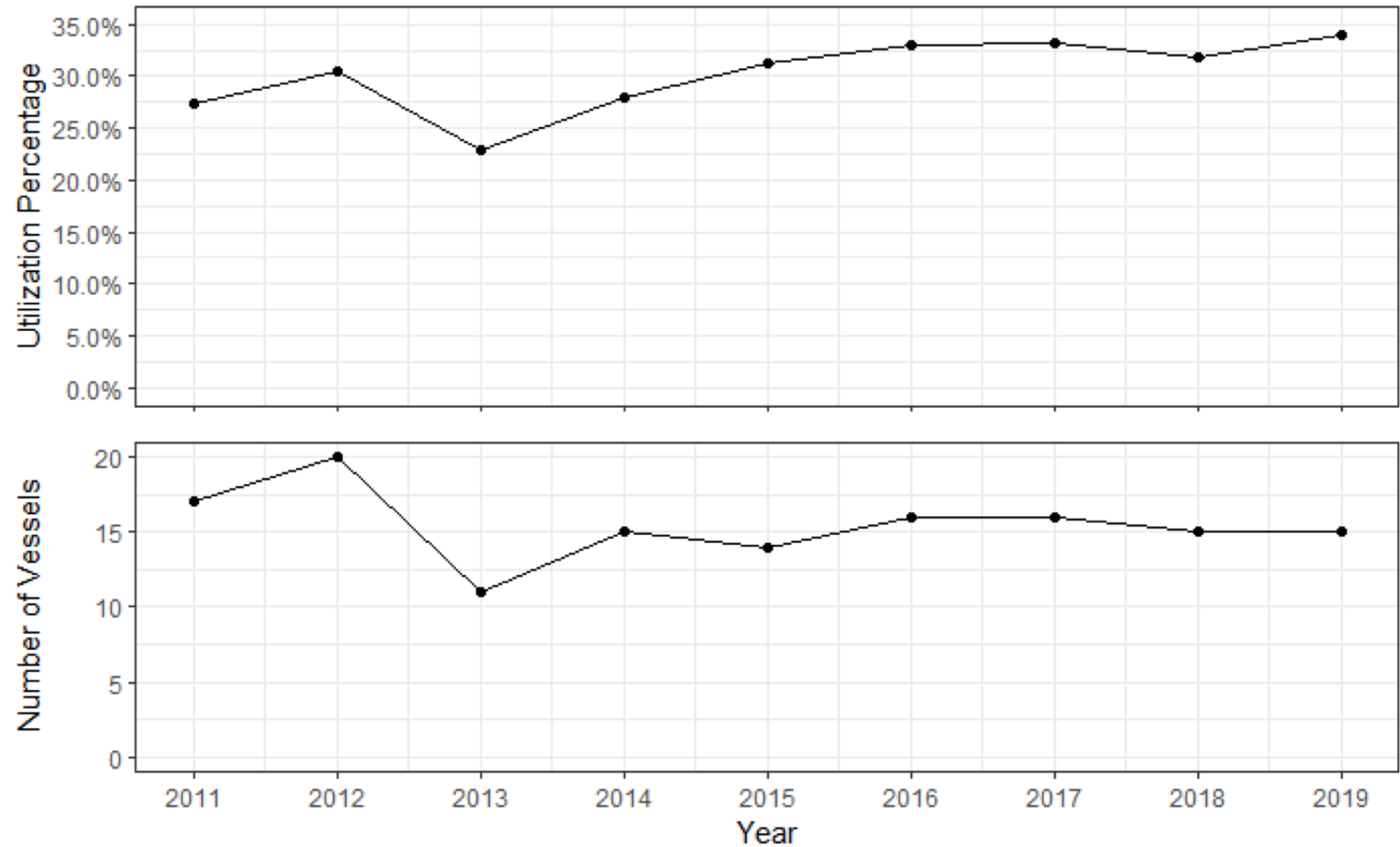
## SABLEFISH NORTH QP UTILIZATION

*When taking into account surplus and deficits...*

*2.8% Unused*

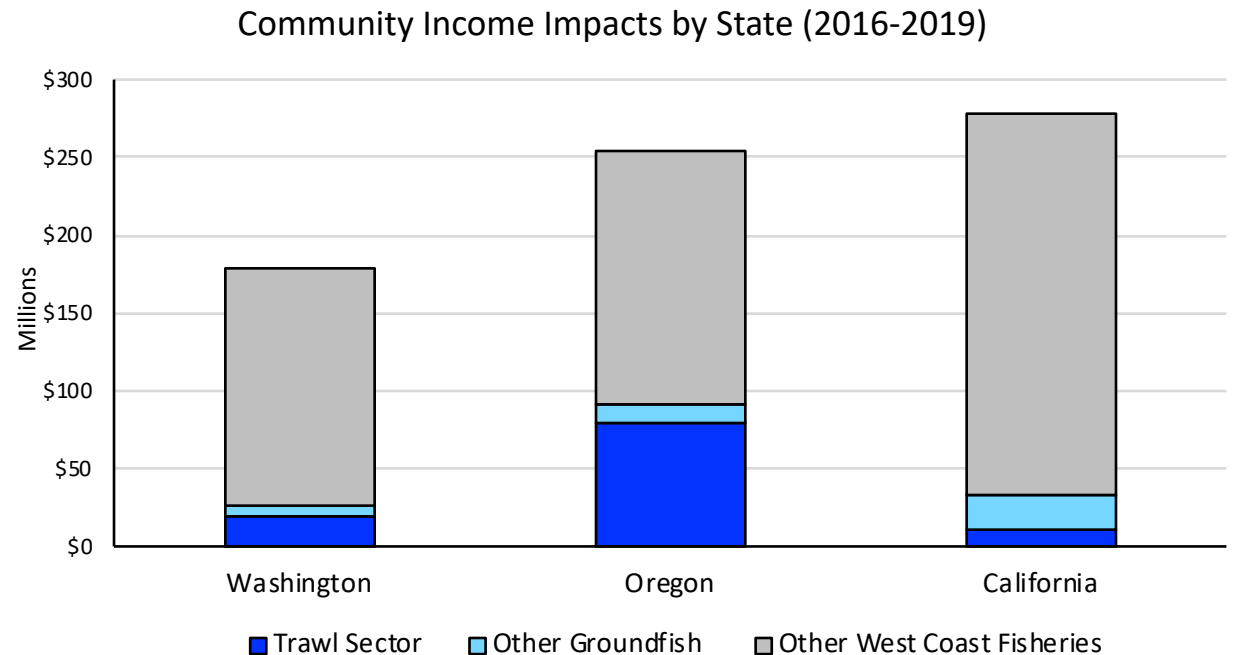


# GEAR SWITCHING TRENDS 2011-2019



# IOPAC IMPACTS

- GF contributes 25% of all coastal shoreside income
- GF contributes more to northern port economies
- Gear switching larger % of OR income impacts compared to WA or CA
- Trawl sector generates avg of 1,300 jobs, of which 9% associated with gear switching.

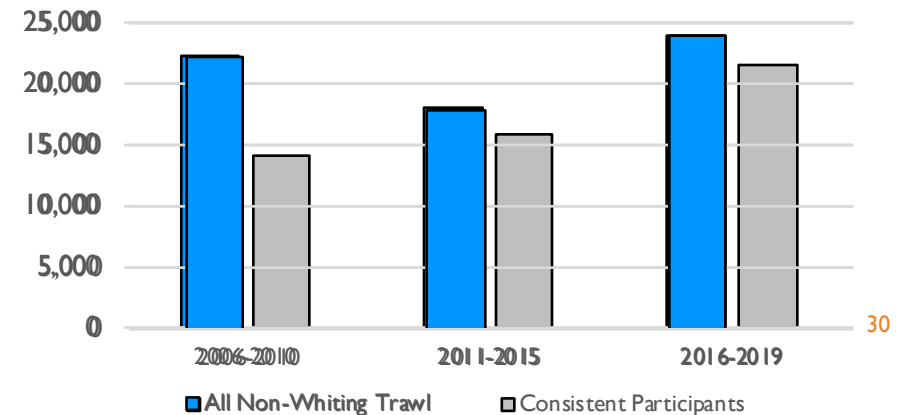
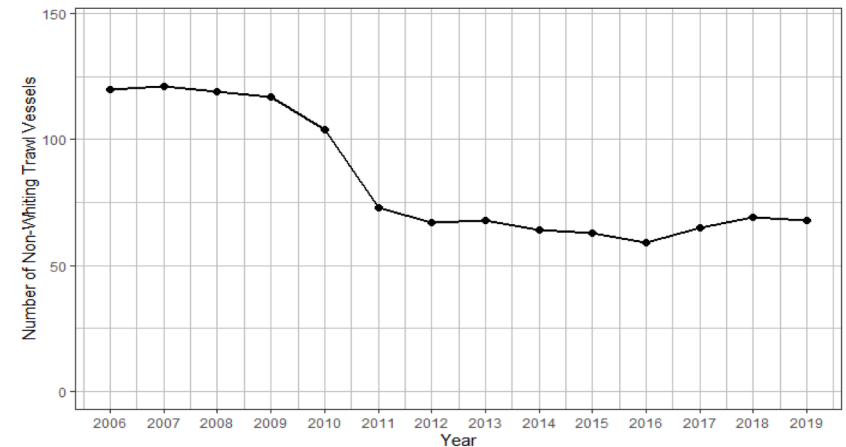


# SECTION 2.0: POTENTIAL CAUSES OF UNDER ATTAINMENT

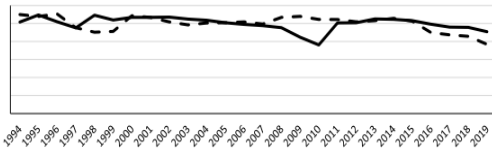
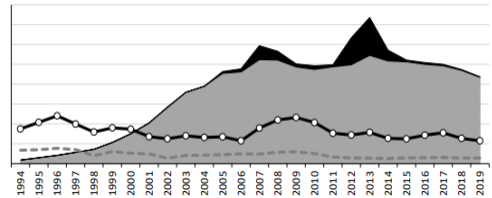
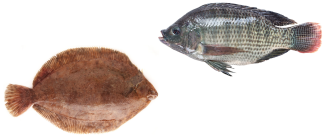
- TRAWL VESSEL PARTICIPATION
- MARKET LIMITS
- INFRASTRUCTURE
- IFQ SYSTEM DESIGN
- SABLEFISH QP-  
COMPETING USERS

## TRAWL VESSEL PARTICIPATION (SECTION 2.1)

- Non-whiting trawl vessels declined (~45%) (Fig 5, p. 13)
- Vessels participating across 2006-2019 are catching near the same levels in 2016-2019 as whole trawl fleet did in 2006-2010 (Fig 7, p. 15)
- Average catch and net revenue per vessel is up since pre-catch shares
- Latent permits are available
- Appears likely that trawl vessel participation is not limiting attainment



# MARKETS (SECTION 2.2)



- Increasingly globalized markets and competition.
- Fresh tilapia appears to compete with wild whitefish (including Dover sole).
- Dover sole increased in 2007-2009 while fresh tilapia imports were relatively level (Fig 14, p. 23).
- When Dover sole production rose, ex-vessel prices declined (Fig 15, p. 24).
- Competition due to commodification can be countered by product differentiation.

# INFRASTRUCTURE (SECTION 2.3)

- **Physical Infrastructure:**

No strong indications of coastwide increase or decline (except processing entities).

- **Processors & IFQ First Receivers:**

Numbers down in a number of ports

- **Northern Ports (OR & WA):**

Some signs of infrastructure investment

- **Service and Organizational**

**Infrastructure:** Difficult to assess. ?



## CATCH SHARE DESIGN (SECTION 2.4)

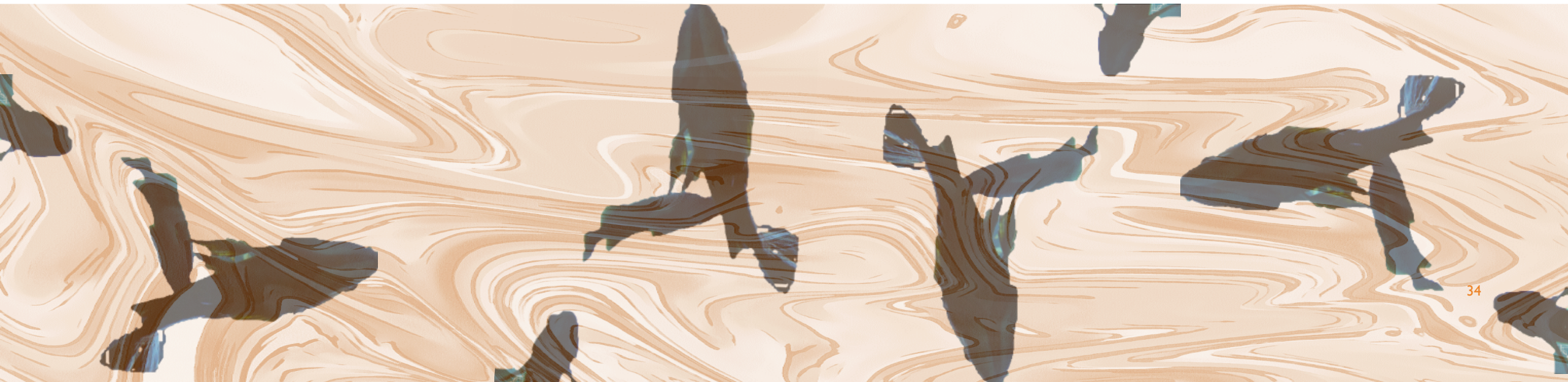
- Is uncertainty about access to sablefish inhibiting major investments needed to improve competitiveness and expand markets?
- Answer would be to buy long term access to what you need.
- Under IFQs:
  - Purchase of quota is limited by QS control limits
  - IFQ is more limited and exclusive than pre-catch share





## SABLEFISH NORTH QP – COMPETING USERS (SECTION 2.5)

- Northern sablefish QP—used across all targeting strategies
- As abundances and species mixes shift, needs for sablefish QP shift.
- Whiting bycatch increasing (immature year classes): 7% of 2019 allocation



## DTS: HYPOTHETICAL OPPORTUNITY TO INCREASE REVENUE

*For 2016-2019, if gear switching were not allowed and the market were able to absorb additional DTS without affecting exvessel prices.*

- Trawl gear DTS exvessel revenue could have increased  
\$6.0 to \$9.3 million per yr. (55% to 65% of actual DTS rev).
- Gear switching revenue would have declined  
\$4.1 to \$6.5 million per yr.
- Trawl sector revenue could have increased  
\$1.9 to \$ 3.0 million per yr.

*Ranges reflect differences in the estimate for each year.  
From Table 8 on page 36*

# SECTION 6.0: FUTURE SABLEFISH CONSTRAINTS AND POTENTIAL GEAR SWITCHING

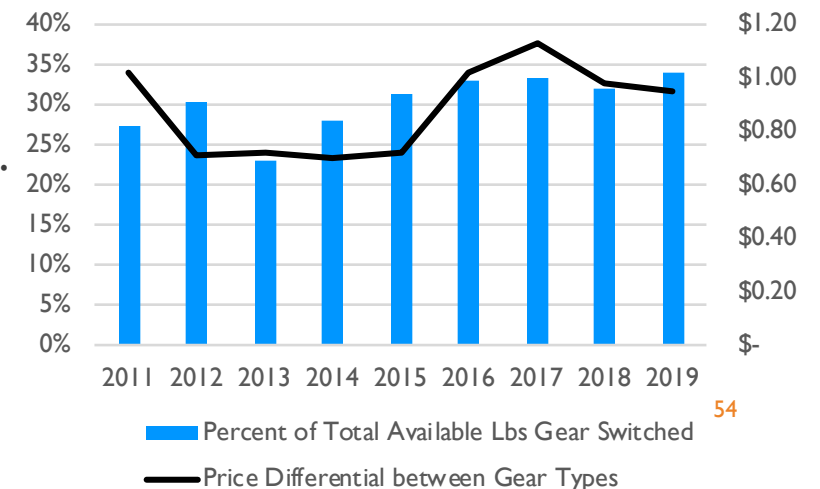
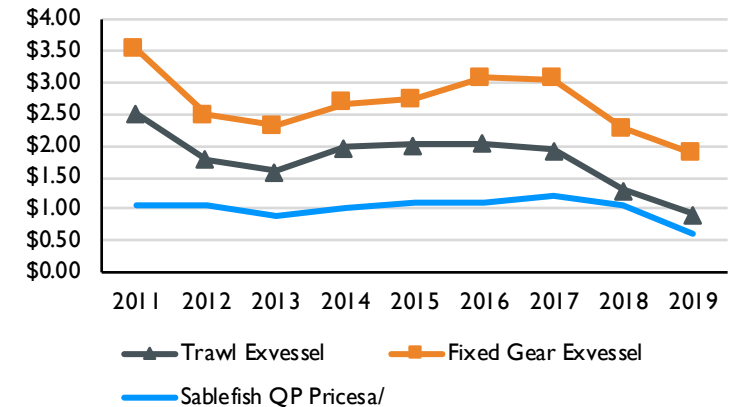
- BIOMASS
- MARKET PRICES
- LATENT & INACTIVE PERMITS
- CROSSOVER FISHERIES
- TRENDS IN QS ACQUISITION

## BIOMASS AND TRAWL ALLOCATION (SECTION 6.1)

- Changes in biomass, management, and health of stock can result in changes to availability of sablefish and the degree to which it is needed by various strategies (e.g., DTS, whiting, fixed gear)
- Based on Council's final recommendation for 2021-22, ACLs for sablefish north in upcoming biennia expected to be ~1,000 mt higher than 2011-2019 levels (similar to pre-catch shares magnitudes)

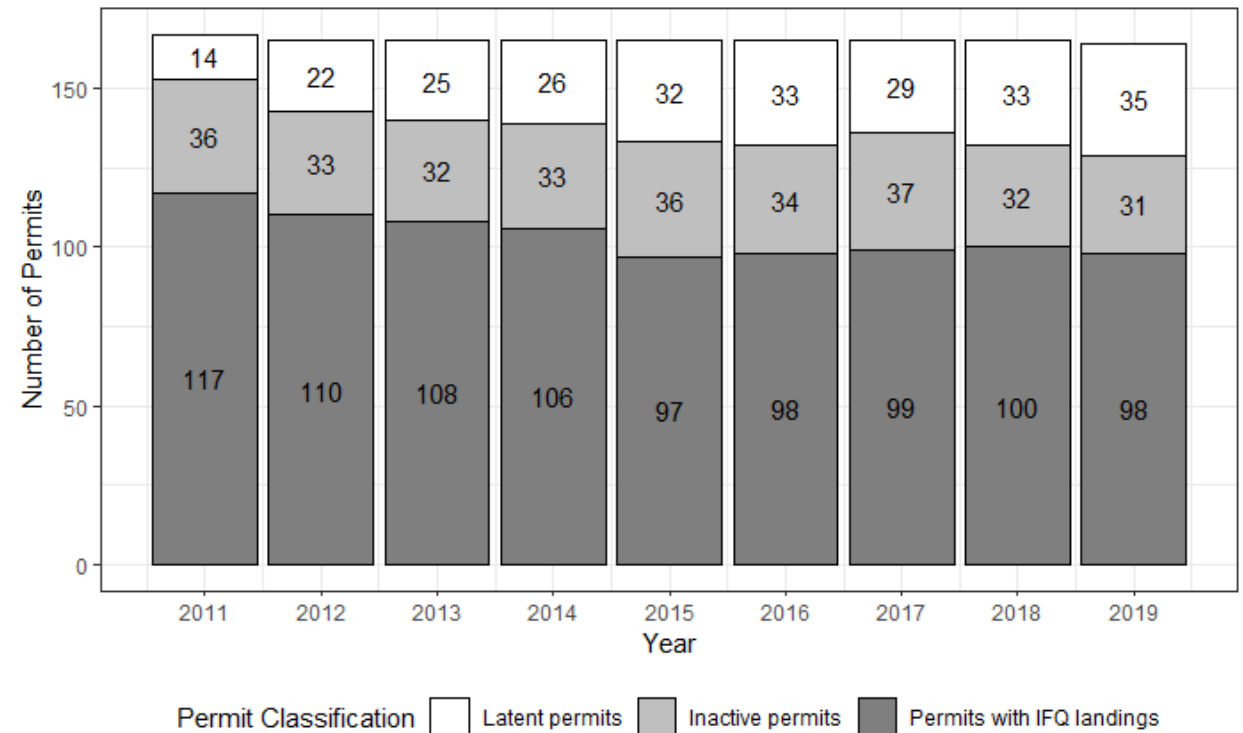
## MARKET PRICES FOR SABLEFISH AND QP (SECTION 6.2)

- Exvessel prices for northern sablefish are down in recent years but gear switching remains stable (Fig 39, p. 63).
- The price differential between trawl and FG is up (Fig 40, p. 63).
- QP market appear to be reasonably well functioning (trawlers & fixed gear vessels pay about the same for QP).
- What would happen to QP prices if gear switching is reduced?
  - Gear switching opportunity likely increases demand and QP price.
  - Not clear that gear switchers have higher net profit per pound of sablefish.
  - Impact on QP prices
    - might be modest if trawlers are able to use all the sablefish QP
    - could be substantial if other factors are constraining trawl harvest.



# LATENT AND INACTIVE PERMITS (SECTION 6.3)

- Number of latent permits (not assigned to vessel) increasing
  - Average (2011-2014)= 22
  - Average (2015-2019)= 32
- Avg. of 34 permits inactive (assigned to vessel but no associated landings) from 2011-2019



## CROSSOVER FISHERIES (SECTION 6.4)

- LEFG fishery
  - Approximately 50% of IFQ gear switching vessels in a given year crossover.
  - Possible motivation: Constraints imposed by the three permit stacking limit.
    - Difference in lbs for 2020: ~146k for 3 tier 1 stacked, ~262k in IFQ
  - Restriction in gear switching would impact total revenue of IFQ-only fixed gear vessels more than tier/IFQ vessels.
- Only other main source of crossover was Dungeness crab

## TRENDS IN QS ACQUISITION (SECTION 6.5)

- Sablefish north QS owned by gear switchers averaged ~12-13% from 2016-2018.
- Regular participants (4 of 8 years or 2 of the last 4)
  - own 11.5% of the QS (as of end of 2018).
  - have acquired 3% additional QS since 2014.
- Regular and single year participants have divested of 3.6% QS since 2014.
- Gear switchers lease about 20% of all QP issued each year.



# SECTION 7.0: QUALIFIERS AND NON-QUALIFIERS

- PRIVILEGE
- ALTERNATIVE ANALYSIS

# OVERVIEW OF ACTION ALTERNATIVES

	Alt 1	Alt 2	Alt 3
Short Title	Gear Specific QP Alternative	Gear Switching Endorsement Alternative	Active Trawler Alternative

## WHO RECEIVES THE GRANDFATHER PRIVILEGE— PERMIT OWNER (ALT 1 & 2) OR VESSEL OWNER (ALT 3)?

- History and rationale for Alternatives found in Section B.2.1 of May SaMTAAC Report
- Effects of History
  - Permit and Vessel Remain Together= No Impact
  - Permit Leased or Permit/Vessel Transferred Separately= Impact

## WHO RECEIVES THE GRANDFATHER PRIVILEGE— PERMIT OWNER (ALT 1 & 2) OR VESSEL OWNER (ALT 3)?

- Gear-switching vessels lease ~50% of their permits
- Trawl vessels tend to own their permits.
- Gear switching Permit-Vessel Combinations
  - 8 vessels used more than 1 permit
  - 10 permits have been used on more than 2 vessels
  - No vessel-permit combination used all 9 years

# GEAR SWITCHING PRIVILEGE QUALIFICATION ANALYSIS



# ALT I OPT-OUT QUALIFICATION SUBOPTIONS (PERMIT)

	Qualifying Period				Qualifying Amount
	Start Date		End Date		
	Jan 1, 2011	Jan 1, 2014	Sep 15, 2017	Dec 31, 2018	
SubOption A					1 landing
SubOption B					10,000 lbs
SubOption C					10,000 lbs
SubOption D					30,000 lbs
	OR				
					30,000 lbs

# QS ACCOUNT OPT-OUT QUALIFIERS (PERMIT)

Sub-Option	Qualification	Number of Qualifying Permits	Number Qualifying Under All Options	% of Permits with Gear Switching History	Qualifiers' % of 2020 Allocation based on Avg. GS Catch 2011-2018
A	Between 2011-CD, 1 FG sablefish landing	38	22	100%	27%
B	Between 2011-CD, 10,000 lbs+ of FG sablefish landings	33		87%	27%
C	Between 2014-2018, 10,000 lbs+ of FG sablefish landings	26		68%	24%
D	Between 2011-CD or 2014-2018, 30,000 lbs+ of FG sablefish landings	34		90%	27%

# ALT 2 ENDORSEMENT QUALIFICATION OPTIONS (PERMIT)

	Qualifying Period				Qualifying Amount	Suboption: Recent Participation Requirement (2016-2018)
	Start Date		End Date			
	Jan 1, 2011	Jan 1, 2014	Sep 15, 2017	Dec 31, 2018		
Option 1	In at least 3 years				10,000 lbs/yr	Suboption
Option 2	In at least 3 years				30,000 lbs/yr	Suboption
Option 3	In at least 3 years				30,000 lbs/yr	Required
	OR					
		At least 1 landing in each of 3 years			90,000 lbs in 3 yrs	Not Required



# GEAR SWITCHING ENDORSEMENT QUALIFIERS (PERMIT)

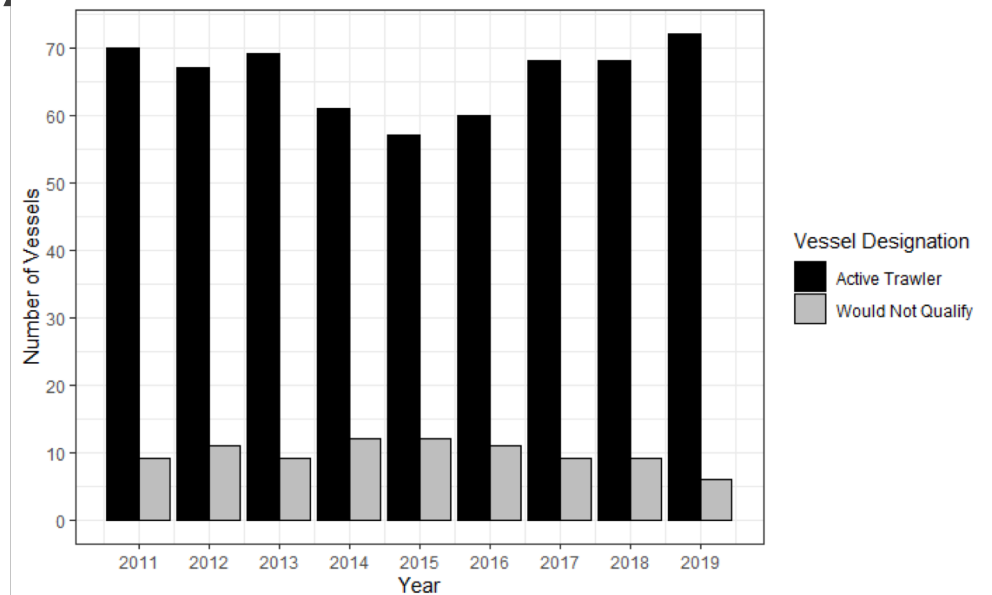
Option	Qualification	Number of Qualifying Permits	Number Qualifying Under All Options	% of Permits with Gear Switching History	% 2020 All. based on Avg. Catch 2011-2018
1	10,000 lbs/yr in 3+ yrs b/t 2011-CD	15	10	39%	19%
	... and participated in 1+ yr b/t 2016-2018	14		36%	18%
2	30,000 lbs/yr in 3+ yrs b/t 2011-CD	11		28%	18%
	... and participated in 1+ yr b/t 2016-2018	10		26%	17%
3	30,000 lbs/yr in 3+ yrs b/t 2011-CD and participated in 1+ yr b/t 2016-2018 or caught 90,000 lbs cumulatively across 3 years from 2014-2018, with at least 1 GS landing in each of those 3 yrs.	13		33%	19%

## ALT 3 ACTIVE TRAWLER DESIGNATION

- Two pathways for gear switching
  - Active Trawler Designation (assigned to vessel)
  - Exemption (assigned to permit)

## ALT 3 ACTIVE TRAWLER DESIGNATION (VESSEL)

- Required to make 6 IFQ landings of certain size north of 36 N. lat.
- Designation good for that year and the following year
- Allowed to gear switch up to 1% of sablefish N allocation
- Avg of 86% of IFQ vessels would have qualified each year



## ALT 3 EXEMPTED VESSEL QUALIFICATION OPTIONS

	Qualifying Period				Qualifying Amount
	Start Date		End Date		
	Jan 1, 2011	Jan 1, 2014	Sep 15, 2017	Dec 31, 2018	
Option 1	In at least 3 years				30,000 lbs/yr
Option 2	In at least 3 years				30,000 lbs/yr
	OR				
		At least 1 landing in each of 3 years			90,000 lbs in 3 yrs

# ACTIVE TRAWLER EXEMPTION QUALIFIERS (VESSEL)

Option	Qualification	Number of Vessels that qualify under Option	Number Qualifying Under All Options	Qualifying Vessels as a % of Vessels with Gear Switching History	% of 2020 Allocation based on Avg. Catch 2011-2018
1	30,000 lbs of northern sablefish trawl QPs per year in at least three years between January 1, 2011 and September 15, 2017.	11	11	29%	20%
2	30,000 lbs of northern sablefish trawl QPs per year in at least three years between January 1, 2011 and September 15, 2017 or 90,000 lbs cumulatively across three years from 2014 to 2018, with at least one gear-switched landing in each of the three years.	12		32%	21%



QUESTIONS?