

WASHINGTON DEPARTMENT OF FISH AND WILDLIFE REPORT ON GEAR
SWITCHING FOR SABLEFISH IN THE TRAWL CATCH SHARE FISHERY

This report lays out a set of options that we anticipate proposing for SaMTAAC recommended Alternative 1. They would be additions to and not replacements for the existing options.

The additions include the following four pieces:

- A. Converting 100% of quota to trawl-only unless opted-out.
- B. Identifying a range of targets for the percentage of quota that would remain unrestricted, with 12%-33% being a range to start off the analysis.
- C. Limiting participation in the opt-out based on qualification criteria and a points system that ranks each QS owners' connection to gear switching.
- D. Creating unrestricted and trawl-only quota using separate individual fishing quota (IFQ) management units.

We discuss how we see each enhancing Alternative 1 in terms of the choices and analysis available to the Council below.

A. Conversion of 100% of QS to trawl-only unless opted out

The existing options would allocate 30% or 10% unrestricted QP to those that would not qualify for the opt-out. Doing so would either increase the amount of unrestricted QP in the fishery overall or take it from those with dependence on gear switching. This new option would allow the Council to consider allocating the unrestricted quota only to those who qualify under the opt-out.

B. Direct evaluation of unrestricted quota percentages

The existing options build up from qualifying criteria and leave the amount of unrestricted QP that would result somewhat uncertain. This new option would add a contrasting approach where the Council would begin with a target level of unrestricted quota and then evaluates how to allocate to the target using the opt-out program. We would suggest starting off by analyzing two levels: 12% and 33%. The first is the estimate of the QS owned by gear switching businesses. And, the second approximates the status quo level of Sablefish North QP fished using fixed gears since 2015. We understand the interest in analyzing a 10% unrestricted level, yet see it as adding an extra layer of complexity to the opt-out allocations, as described more below.

C. Limited Participation in the Opt-Out - QS Owner focused

The existing options focus qualification criteria on landings activity. This new option would evaluate fair and equitable considerations based on how investments and business arrangements have developed under the IFQ program.

Under the IFQ program, much of value of the fishing privileges has gone into the QS. Sablefish North QS sells for over \$1 million per percentage point. This new option would focus the opt-out directly on QS owners.

In addition, the IFQ program has seen an active Sablefish North QP transfer market. That market has benefited businesses by providing lease revenues, exchange for other species QP, flexibility in fishing plans, and other forms of value. This option would use QP transfers to quantify who was most tied to gear switching businesses in the Sablefish North QP transfer market.

We provide additional thoughts on the qualification criteria and points system below.

D. Creating two IFQ Management Units

The existing options under Alternative 1 differ from how the current IFQ program is administered. It would create two types of QP from a single QS unit. And it would also attach rules to the QSA itself, instead of the QS. Adding this option would allow weighing of the pros and cons between using that new approach over the existing IFQ management unit approach. Following the existing approach, Sablefish North quota would be split into two trawl-only QS and unrestricted QS. There would be no expiration dates on the unrestricted QS. It would operate under the same rules that exist for all other species IFQ management units.

Outline of the Opt-Out Qualification Criteria and Scoring System

The opt-out system proposed here is based on analysis that, while well underway, is not yet complete. At this time, we can only describe the qualification criteria and scoring system in concept. We expect the analysis to proceed, if only for analytical purposes, and be available in early 2021.

The new opt-out option would involve two tiers.

Tier 1

Tier 1 would include businesses that own QS and fished the majority of their QP using a vessel in which they also hold ownership interest. These owners would be offered the choice of opting out 100% of their QS. The qualification criteria used to identify this group would be brought forward at the next step and would be based on QP transfers between QSAs and VAs and ownership information from the two types of accounts.

We propose 12% here instead of the 10% proposed by members of the trawl and processing industry because if the Council were to look at limiting the unrestricted QP to something lower than the percentage owned by this group, then some rationing within this tier would be necessary. There are ways of reducing from 12% to 10% but they would involve an extra layer of complexity for a relatively small amount of quota. The analysis could bring back additional information on what it would take to reduce to 10% level once analysis is available. Additional analysis may show that less than 12% of the QS would qualify under this tier. If so and it is 10% or less, then 10% could be used instead of the 12%.

Tier 2

The second tier would be used if the Council's target for unrestricted QP exceeded that allocated to the Tier 1 QS owners. For instance, in the scenario where the Council wished to leave up to 33% of the QP available for gear switching and 12% of the QS is owned by the Tier 1 owners, then the Tier 2 system would be used to allocate the remaining 21% of the unrestricted QS.

The scoring would employ a point system to rank QS owners' connection to gear switching businesses. The method WDFW presented to the SaMTAAC in October 2019 for tracking QP transfers between QSAs and VAs would provide a key source of information. It would also incorporate information on common ownership of QSAs and vessel accounts (VA). The scoring would also look to account for partnerships and informal business arrangements by upweighting QP transfer relationships that persisted across multiple years.

The system would be worked out and presented in early 2021. The expectation is that the point system would identify the relative connection and dependence of each QSA owner on gear switching. Those with higher dependence would be granted priority in the opt-out program. If there is clear spread among QSA owners, the opt-out may simply be an ordering of who gets the choice to opt-out first. Owners would be able to opt-out until the allocation target was hit. Or if scores clump together such that some groups score similarly, it may be more appropriate to divide the available allocation equally or proportionally to QS holdings. More analysis is needed before proposing specific formulas or methods for rationing the unrestricted QS.

Summary

We see two core questions at the center of the Council's deliberations on whether to impose limits and in what form. Namely, if gear switching is to be limited then (1) at what level should it be capped; and, (2) how should the privilege to fish using fixed gears in the IFQ program be fairly and equitably allocated? The set of options described here are intended to provide a different angle from which to evaluate the two questions more directly. This report does not otherwise intend to make a statement about the agency's position on whether gear switching limits are warranted in the IFQ fishery.