

# GEAR SWITCHING ALTERNATIVES-- AREAS OF COMPLEXITY

Part 2



# Areas for Action/Clarification

- Criteria that cover multiple time periods -- changes in group membership
- Criteria evaluation for ownership groups
- Many-to-many and one-to-many relationships



# Alternatives Document

1.0 No Action

2.0 Summary of Action Alternatives

3.0 Detailed Description of Action Alternatives

## *3.1 Gear Specific QS Alternative*

3.1.1 Full description

3.1.2 Interpretations – Council should review. No action needed unless wrongly interpreted.

**3.1.3 *Other Matters for Council Consideration – Action/Clarification Needed.***

## *3.2 Gear Switching Endorsement Alternative*

3.2.1 Full description

3.2.2 Interpretations – Council should review. No action needed unless wrongly interpreted.

**3.2.3 *Other Matters for Council Consideration – Action/Clarification Needed.***



# Allocations and Ownership Complexities

- Other Groundfish limited entry systems (e.g. license limitation):
  - *Only one asset was considered.*
  - *Allocations based on **current ownership** of a qualifying asset (**ownership on implementation**).*
- Current alternatives: In most cases allocations based on
  - *ownership of multiple assets and*
  - *past ownership by **current owners***

*At time of implementation*

- *Alt 1: For current QS owners*

*Determination of*

- Amounts of QS owned on the control date
- Past ownership of a vessel while it participated

- *Alt 2: For owners of qualifying permits or vessels*

*Determination of*

- Qualification based control date ownership of QS and a vessel or permit.
- Permit-specific gear-switching limits based on QS owned on control date



# Types of Entities to Keep in Mind (QS Accounts, Permits, and Vessels)

- Individuals
- Trusts
- NGOs
- Governments



## Types of QS Account Owners With Sablefish North (2020)

Account Type	Count
<b>Owned by a Single Entity</b>	<b>65</b>
Individual	55
Trusts	6
NGO/Government	4
<b>Owned by Multiple Entities</b>	<b>63</b>
One Type of Owner	52
Multiple Types of Owners	11



# Alt 1: Gear Specific QS— Ownership Complexities

Criteria for determining participant status and identifying QS for conversion –

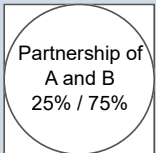
*Participant status determines QS conversion formulas*

- *Before 9/15/2017: Own a vessel and use it to gear switch*
- *9/15/2017: Amounts of QS owned*
- *Two-years prior to implementation: Own a vessel and use it to bottom trawl*
- *On Implementation: Amount of QS owned*



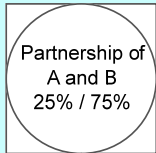
Jan 1, 2011

Ownership of  
Vessel that  
Gear Switches

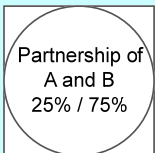


September 15,  
2017  
(Control Date)

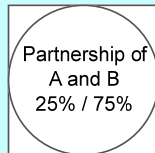
Ownership Groups  
and Amount of QS  
Owned



1% QS



1% QS



1% QS

2 Yrs Prior to Impl

In situations of changing ownership groups

Ownership of  
Vessel While it  
Bottom Trawled  
(IFQ Part Opt 2)

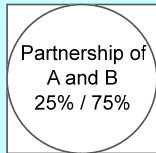
How is participant status determined?



What is the cap on amount of QS converted based on participant status?

Implementation  
Date

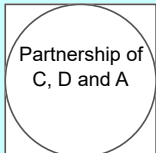
Ownership Groups,  
Amount of QS  
Owned,  
Relationship to  
Earlier Ownerships



1% QS



1% QS



2% QS



0.25% QS



0.75% QS

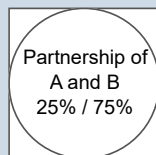




Jan 1, 2011

Ownership of  
Vessel that  
Gear Switches

1



2

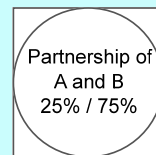


Alternative 1

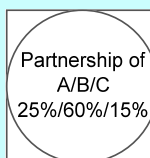
Individual  
Approach

September 15,  
2017  
(Control Date)

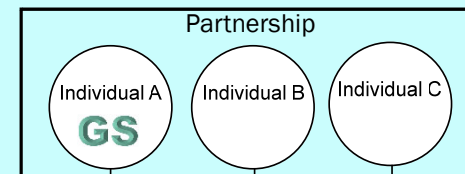
Ownership Groups  
and Amount of QS  
Owned



1% QS



1% QS



0.25% QS

0.60% QS

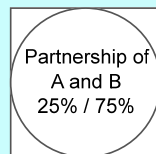
0.15% QS

2 Yrs Prior to Impl

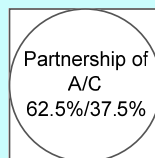
Ownership of  
Vessel While it  
Bottom Trawled  
(IFQ Part Opt 2)

Implementation  
Date

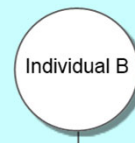
Ownership Groups,  
Amount of QS  
Owned,  
Relationship to  
Earlier Ownerships



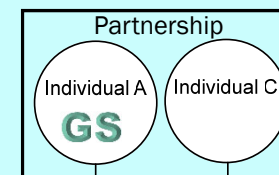
1% QS



0.4% QS

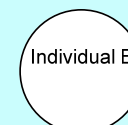


0.6% QS



0.25% QS

0.15% QS

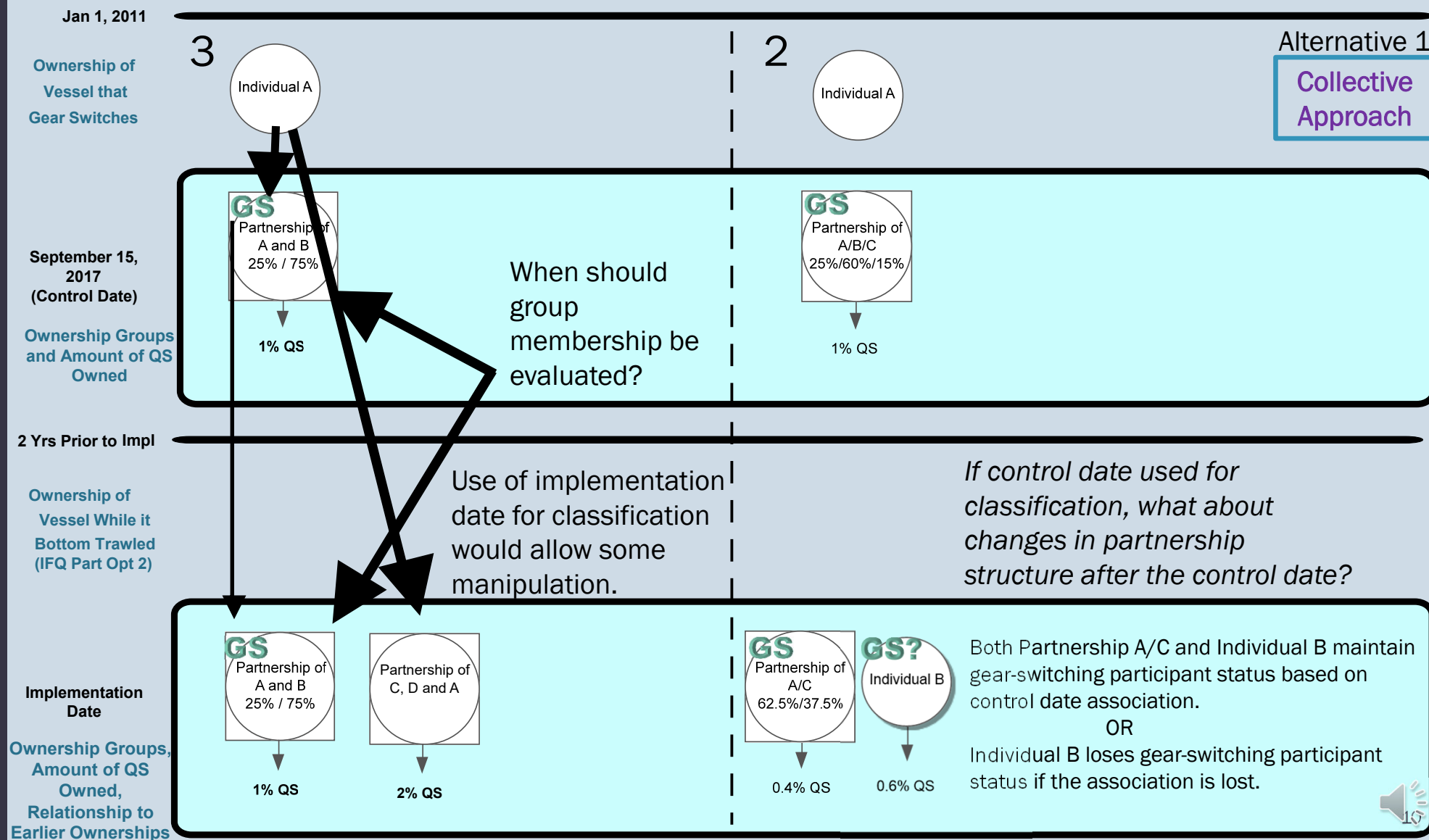


0.60% QS



# Alternative 1

## Collective Approach



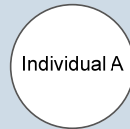
Jan 1, 2011

Ownership of  
Vessel that  
Gear Switches

2



Individual  
Approach



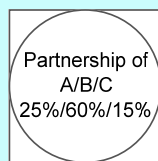
Collective  
Approach



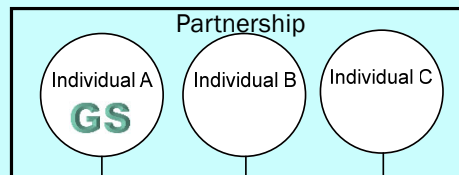
Alternative 1

September 15,  
2017  
(Control Date)

Ownership Groups  
and Amount of QS  
Owned



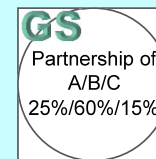
1% QS



0.25% QS

0.60% QS

0.15% QS



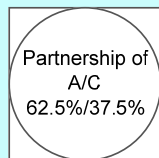
1% QS

2 Yrs Prior to Impl

Ownership of  
Vessel While it  
Bottom Trawled  
(IFQ Part Opt 2)

Implementation  
Date

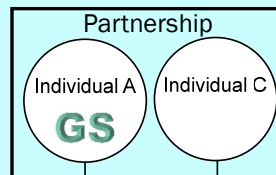
Ownership Groups,  
Amount of QS  
Owned,  
Relationship to  
Earlier Ownerships



0.4% QS

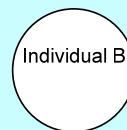


0.6% QS

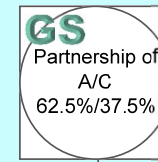


0.25% QS

0.15% QS



0.60% QS



0.4% QS



0.6% QS



# Alternative 1

## IFQ Participant Classification

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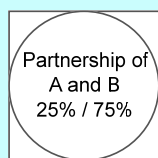
Ownership of  
Vessel that  
Gear Switches

4

5

September 15,  
2017  
(Control Date)

Ownership Groups  
and Amount of QS  
Owned



1% QS



1.0% QS

2 Yrs Prior to Impl

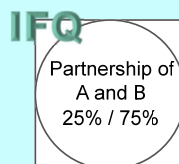
Ownership of  
Vessel While it  
Bottom Trawled  
(IFQ Part Opt 2)



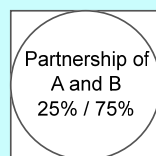
Participants might engage in  
bottom trawling between now  
and implementation.

Implementation  
Date

Ownership Groups,  
Amount of QS  
Owned,  
Relationship to  
Earlier Ownerships



1% QS



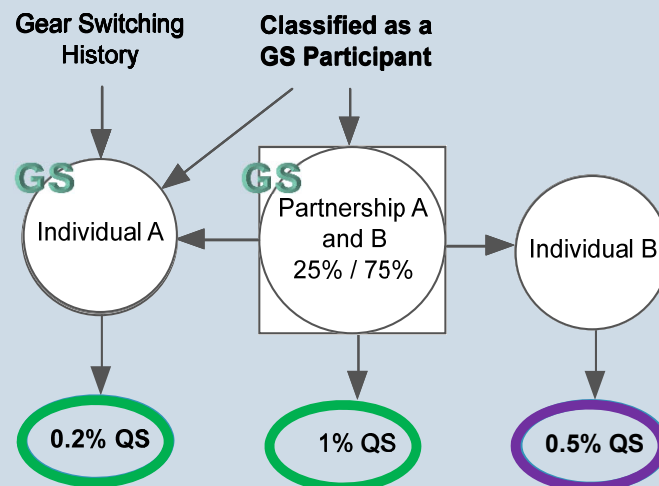
1% QS

Partnership would not qualify.  
Consider an **Individual AND Collective** rule under which  
Individual A would still be able to qualify the  $\frac{1}{4}$   
percent QS attributable to its ownership interest.

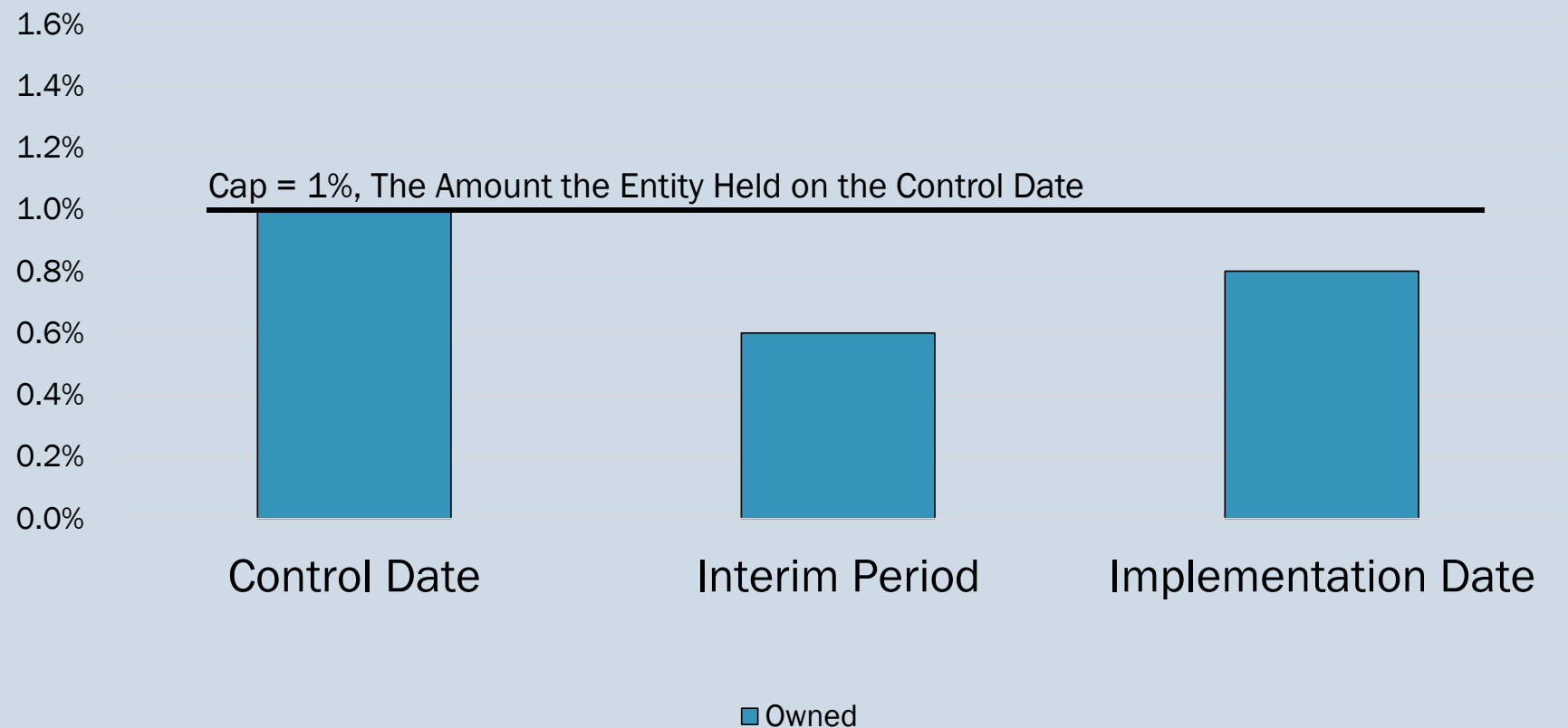


# QS Held Outside Ownership Groups

- Partnership and Individual A classified as a gear switching participants
  - *Individual holdings outside of partnership*
    - Individual A – Gear Switching participant status on own
    - Individual B – Not a Gear Switching participant
- Also, note hierarchy of participant classification – Gear Switching => IFQ => Other.



# QS Conversion Caps



Jan 1, 2011

Ownership of  
Vessel that  
Gear Switches

2



Individual  
Approach



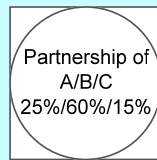
Collective  
Approach



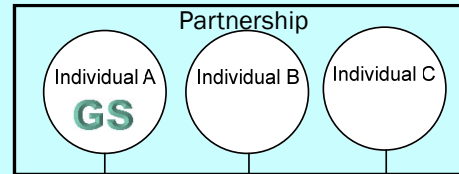
Alternative 1  
QS Conversion

September 15,  
2017  
(Control Date)

Ownership Groups  
and Amount of QS  
Owned



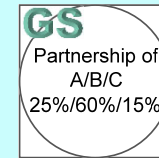
1% QS



0.25% QS

0.60% QS

0.15% QS



1% QS

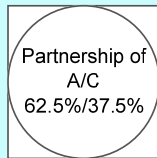
2 Yrs Prior to Impl

Ownership of  
Vessel While it  
Bottom Trawled  
(IFQ Part Opt 2)

QS Conversion Cap if Split:  
each individual's share OR  
the amount of the partnership (1%) ?

Implementation  
Date

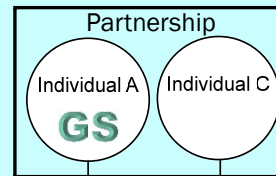
Ownership Groups,  
Amount of QS  
Owned,  
Relationship to  
Earlier Ownerships



0.4% QS

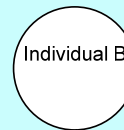


0.6% QS

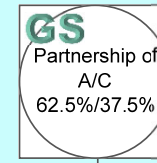


0.25% QS

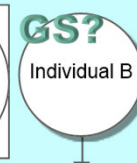
0.15% QS



0.60% QS



0.4% QS



0.6% QS



# Alt 1 Question Summary

- Approach for Assessing Participant Classification Status
  - Assess *Individuals* (e.g. *Individual A*)
  - Assess *groups* (e.g. *Partnership of A and B*) (OR both ind. & grps)
    - If Groups when?
      - For gear switching
        - Implementation date
        - **Control date**
    - Splitting up
      - If a group splits, does the group status still apply to individuals/subgroups that did not earn the status on their own?
    - Trawl IFQ participant Option 2 (2-year span)
- QS owned outside partnership does not benefit from group classification.
- Assessing conversion caps for changing groups.
  - If an individual leaves a partnership,
    - would the partnership cap still apply to the individual?
    - would the cap of the remaining partnership be reduced?

Jan 1, 2011

Ownership of  
Vessel that  
Gear Switches

Individual A

Control Date

Ownership Groups  
and Amount of QS  
Owned

Partnership of  
A and B  
25% / 75%

1% QS

2 Yrs Prior to  
Implementation

Ownership of  
Vessel that  
Bottom Trawls  
(IFQ Part Opt 2)

Implementation  
Date

Ownership Groups,  
Amount of QS  
Owned,  
Relationship to  
Earlier Ownerships

Individual A

Individual B

0.25% QS

0.75% QS





# Alt 2: Gear Switching Endorsements— Ownership Complexities

## Endorsement Qualification Options

- *Ownership changes across time periods*  
*(control date compared to time of implementation)*

## Endorsement Limit Options

- *Determination of endorsement limits for one-to-many and many-to-many linkages*



Jan 1, 2011

Option 1

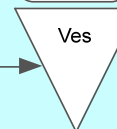
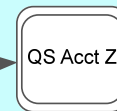
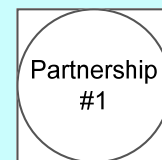
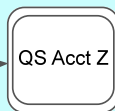
Option 2

Option 3

Alternative 2  
Permit Qualifier Options

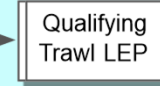
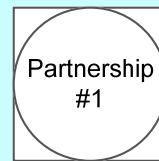
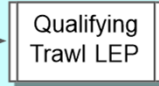
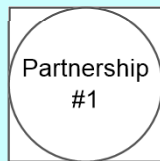
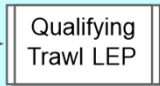
September 15,  
2017  
(Control Date)

Ownership Groups  
and Whether they  
Own QS and  
Vessel/Permit



Implementation  
Date

Ownership Groups,  
Current Ownership  
of a Qualifying  
Permit/Vessel



Jan 1, 2011

Option 1

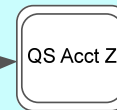
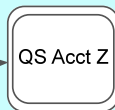
Option 2

Option 3

Alternative 2  
Vessel Qualifier Options

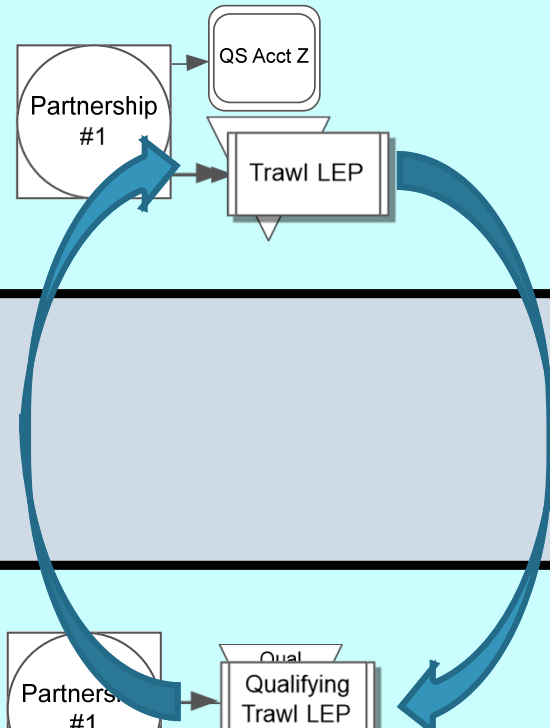
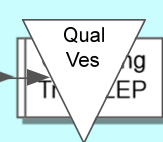
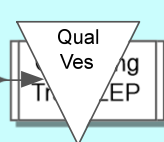
September 15,  
2017  
(Control Date)

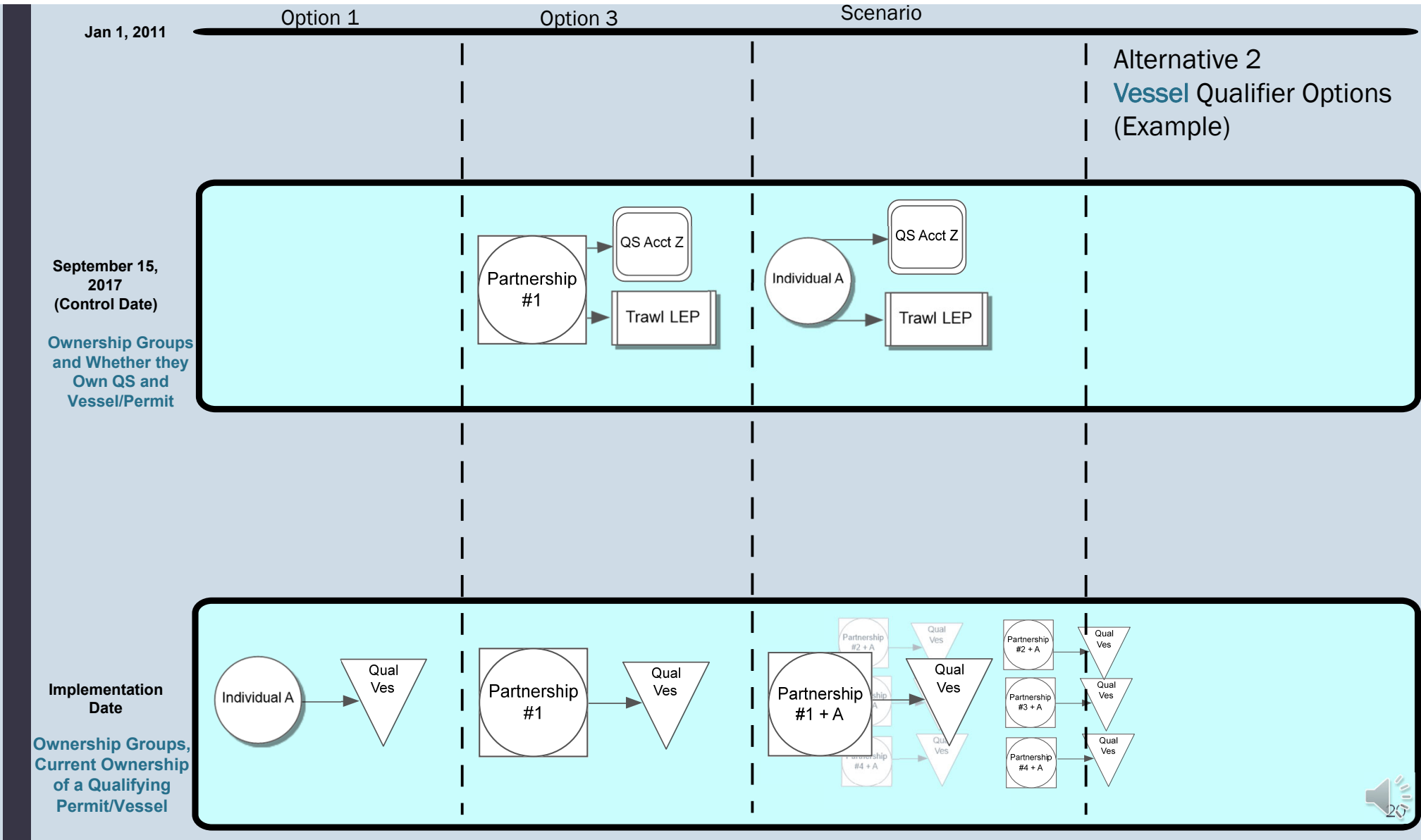
Ownership Groups  
and Whether they  
Own QS and  
Vessel/Permit



Implementation  
Date

Ownership Groups,  
Current Ownership  
of a Qualifying  
Permit/Vessel





# Endorsement Limit—Based on QS Owned Ownership Linkages

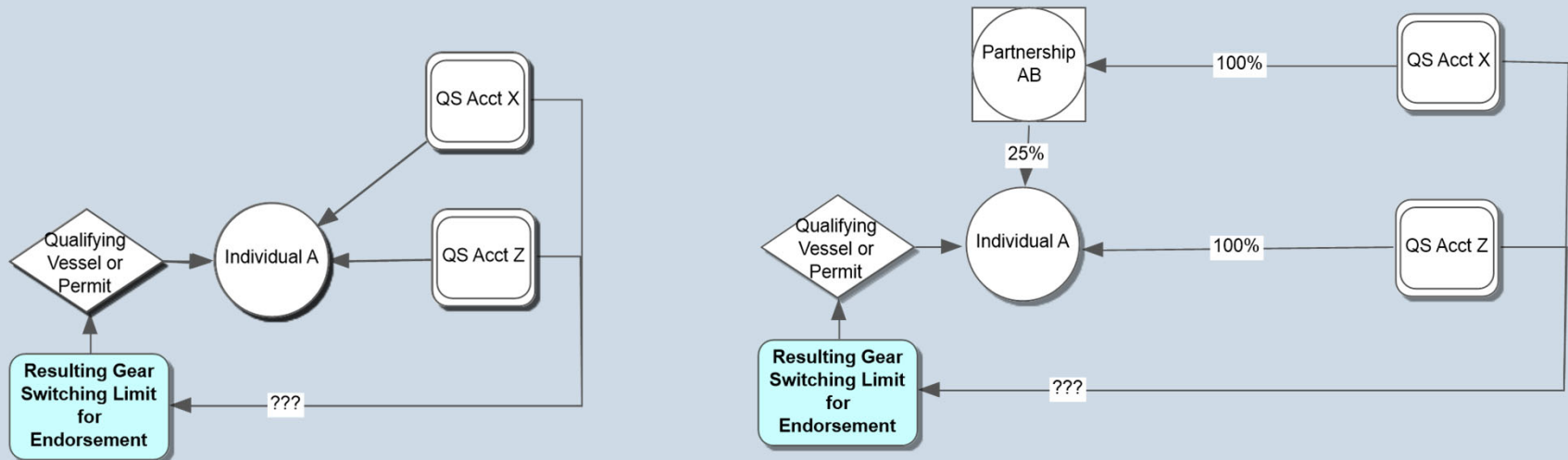
- One-to-Many and Many-to-Many relationships via ownership linkages

For limits based on QS, how to distribute among permits/vessels linked through ownership?

# Endorsement Limit Option Review

- Determination of Permit Specific Limits
  - *Permit Qualifier (3 options)*
  - *Vessel Qualifier (3 options)*
    - Option 1: Historic amount caught by qualifying permit/vessel
    - Option 2: Percent of *QS owned* plus an amount based on historic catch
    - Option 3: Percent of *QS owned*

# Single Qualifier and Multiple QS Accounts (End Limit Opt 2 and 3)



1. Multiple QS accounts—sum QS owned across the accounts.
2. Partnership listed as the owner on the QS account—treat same as if two individuals?

# QS Held by Partners in a Qualifying Owner Group (End Limit Opt 2 and 3)

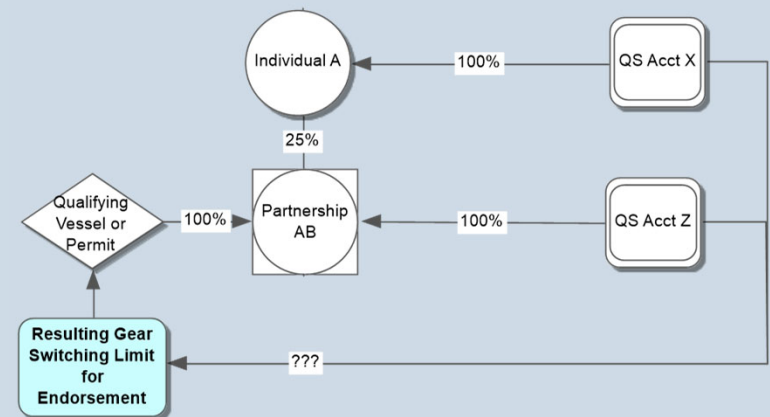
## Scenario 1:

Both Individual A and the Partnership have ownership interest in a qualifying asset—could meet qualifying criteria.

Individual A owns QS as of the control date.

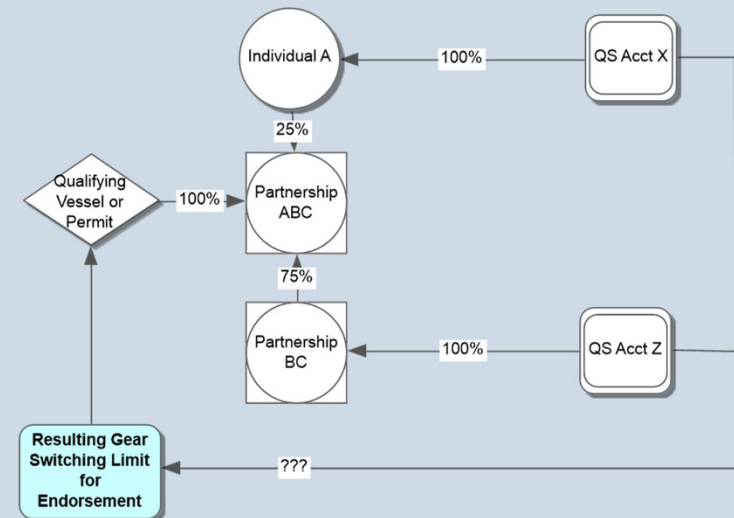
Partnership AB owns QS as of the control date.

Would QS Acct X and Z be used to determine the limit for the resulting endorsement?



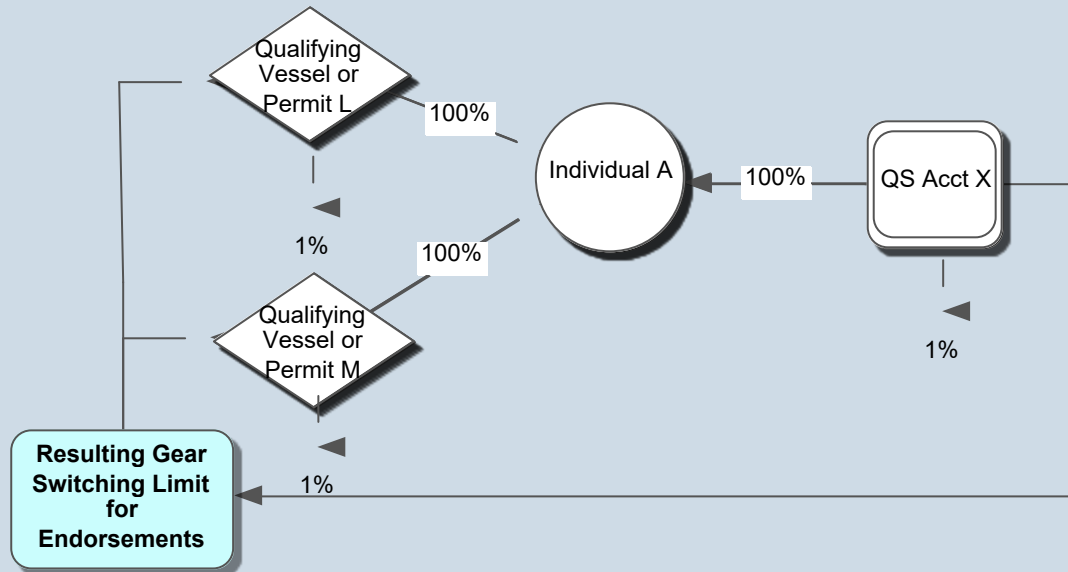
## Scenario 2:

Same as Scenario 1, except all QS is held outside the qualifying partnership.





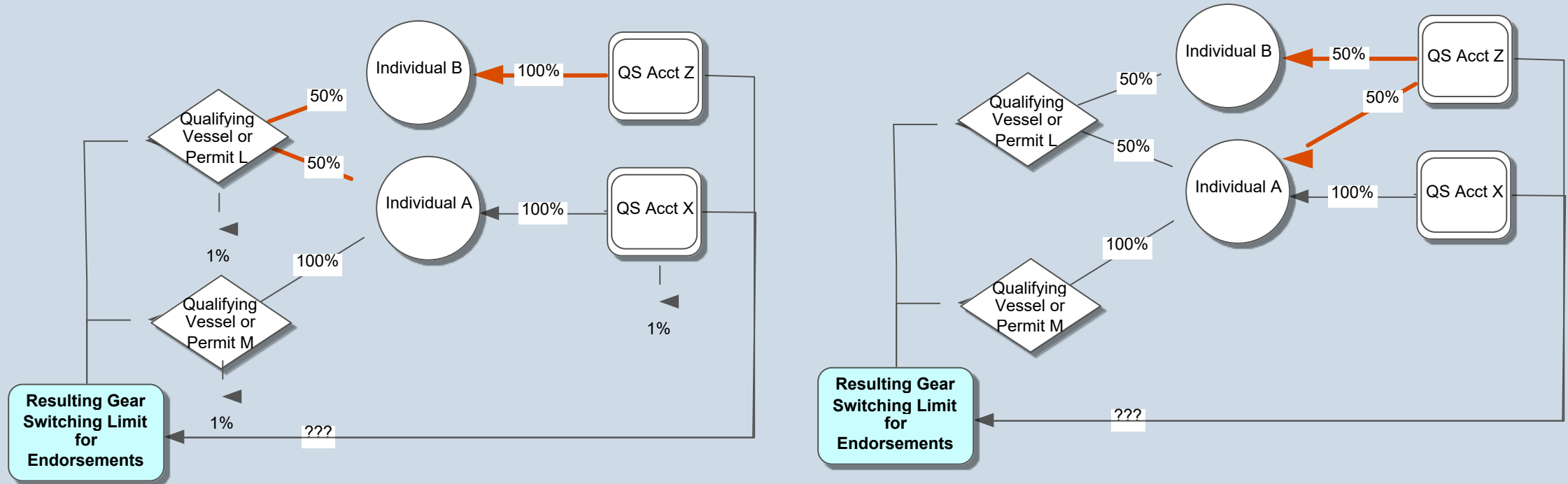
# Multiple Qualifiers and a Single or Multiple QS Accounts (End Limit Option 2 and 3)



1. Literal reading of option: the same QS limit for both permits based on the amount of QS in the accounts.  
E.g. if 1% in QS Account X, then the limit for both permits is 1%.

# Multiple Qualifiers and a Single or Multiple QS Accounts

## (End Limit Option 2 and 3)

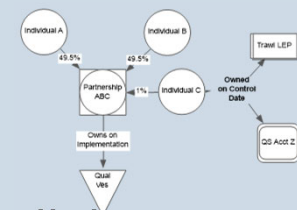


1. Literal reading of option: the same QS limit for both permits based on the amount of QS in the accounts.  
E.g. if 1% in QS Account X, then the limit for both permits is 1%.
2. Alternatively,  
formula for distributing the QS based limits between permits  
OR  
a choice of the involved parties?

# Summary of Alt 2 Issues/Questions

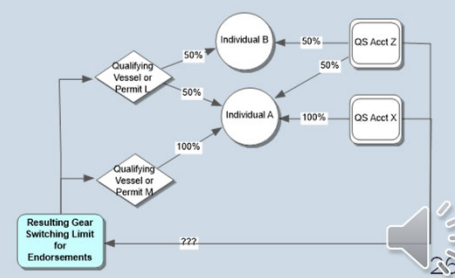
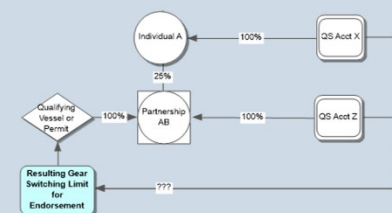
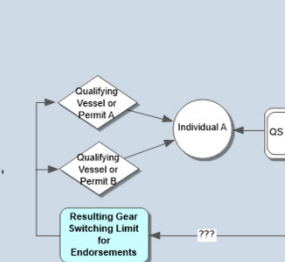
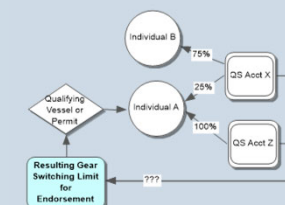
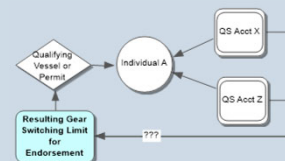
**Qualification:** Changes in ownership prior to implementation

Owners joining together to qualify permits/vessels.



## QS Based Endorsement Limits: One-to-Many and Many-to-Many linkages

- Single qualifier, multiple QS accounts
  - Credit for QS in multiple accounts (simple summation?).
  - Partial or full credit for QS in partially owned accounts? Formula or choice?
  - Credit for QS held by ownership group members?
- Multiple qualifiers
  - from a single QS acct to multiple linked permits; or among multiple accounts and permits.
    - *Double counting possibility.*
    - *Allow parties involved to determine?*



# OTHER TOPICS

Other materials covered in  
Section 3.1.3 and  
Section 3.2.3



# Other Alt 1 Issues to Consider

- Application of criteria to trusts, NGOs, and governments
- Formulas relying on share of ownership when ownership shares on record do not add to 100%
- Modification of QS control and annual vessel QP limits to take into account the division of the northern sablefish allocation into two pools.

# Other Alt 2 Issues to Consider

- Endorsement limit options
  - *Adjust QS based endorsement limits to take into account*
    - AMP
    - Partial calendar year in 2017
- Non-endorsed permit gear-switching limit options (fixed at 10,000 lbs)



# NEXT

March 2022 Council Meeting: Future Meeting and Workload Planning

