

Range of Gear Switching Alternatives Adopted for Analysis
by the Council at Its September 2021 Meeting

February 2022

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Range of Gear Switching Alternatives Adopted for Analysis by the Council at Its September 2021 Meeting

This document provides a description of the preliminary range of alternatives adopted by the Pacific Fishery Management Council (Council) at its September 2021 meeting. Also included are notes on interpretation of the motions by which the alternatives were adopted and issues for the Council to discuss. The text of the original motions is provided in Section 5.0. In these descriptions, all references to quota, allocations, quota share (QS), and quota pounds (QP) are to northern sablefish, unless otherwise specified.

1.0 SUMMARY OF NO-ACTION ALTERNATIVE

No Action is an alternative to each of the following action alternatives. Under No Action, the regulatory regime would not change in connection with this deliberation, but the fishery will continue to change in response to changing environmental, economic, and social conditions, as well as other regulatory actions. Attainment of the trawl allocations would continue to vary with changes in factors such as the level of trawl allocations, market conditions, the mix of co-occurring species, and prices for QP. These factors may influence and be influenced by the degree of gear switching (trawl-permitted vessel use of non-trawl gear to catch trawl QP). Vessels with trawl limited entry permits (trawl LEPs) would be able to continue to use any gear to catch their sablefish north of 36° N. lat. QP, up to the annual vessel limit of 4.5 percent. The total amount of gear switching might decline, remain at recent levels, or increase.

2.0 SUMMARY OF ACTION ALTERNATIVES

There are two action alternatives, each of which rely on a different mechanism to limit gear switching of sablefish north of 36° N. lat. (Table 1). The first would limit gear switching by converting some northern sablefish quota share (QS) to trawl-only and leaving the remainder as is (i.e. any-gear QS; Alternative 1, Gear Specific QS). The second would provide a minimal level of gear switching for all vessels with trawl LEPs and more opportunity for vessels fishing with gear switching endorsed trawl LEPs (Alternative 2, Gear Switching Endorsement). Under both alternatives, some greater amount of opportunity would be provided for participants with a qualifying level of gear switching history. History-based opportunities would be allocated using criteria that include qualifying gear-switching history in association with ownership of one or some combination of the following assets: the trawl LEP, the vessel, and/or the QS.

Table 1. Overview of the action alternatives.

	Alt 1 Gear Specific QS Alternative	Alt 2 Gear Switching Endorsement Alternative
Mechanism to Limit Gear Switching	Gear-Specific QP Issued for Gear-Specific QS (Trawl-Only or Any-Gear)	Annual Limits on the Amount of Gear Switching Allowed for a Vessel or Trawl Permit
Gear Switching Opportunity Available to Any Current or Future Trawl Permit Holder	A vessel's gear switching is limited only by the amount of any-gear QP it is able to acquire.	All vessels can gear switch at least 10,000 lbs of northern sablefish.
Gear-Switching Opportunity Based on History of Gear Switching Activity	Relative to other QS owners, QS owners with qualifying gear switching history would have more of their QS designated as any-gear QS (as compared to QS owners without a qualifying gear switching history).	Qualifying entities designate a trawl LEP permit that would receive a gear switching endorsement. Vessels fishing under permits with such endorsements would have individualized gear-switching limits that would likely be higher than 10,000 lbs. ^{a/}
Primary Basis for Qualifying for History-Based Gear-Switching Opportunities	Owning QS on the control date <u>and</u> owning a vessel when it met gear switching participant or (individual fishing quota (IFQ) participant landings criteria. ^{b/}	Owning a trawl LEP/vessel with gear switching history (which of the two is required will be determined by the Council), with additional options that could also require QS and vessel/trawl-LEP ownership ^{c/} (mix of additional requirements to be determined by the Council)
Duration	No limit on duration.	Options for the gear switching endorsement to expire or remain with transfer of permit to a new owner.

a/ Depending on the criteria for determining the endorsement limit and ACL levels, for some the gear-switching endorsement limit could be the equivalent of less than 10,000 lbs, in which case the potential recipient might choose to decline the endorsement.

b/ Those qualifying as a gear switching participant based on their history of owning a vessel that gear switched would have all of the QS they owned converted to any-gear QS (in amounts up to the amount they held on the control dates. Others might have a portion of their QS converted to any-gear QS.”

c/ Whichever is required as the primary qualifier (a trawl permit or vessel with gear switching history), the opposite would be required as an additional option.

2.1 Alternative 1—Gear Specific QS

Under Alternative 1, gear switching would be limited by creating gear specific QS and QP. Specifically, the trawl allocation of northern sablefish would be managed with

- any-gear QS (i.e., status quo QS for which QP valid for use with any gear would be issued), and
- trawl-only QS (i.e., QS for which QP valid only for use with trawl gear would be issued).

Vessels could use either type of QP for trawl sablefish landings while any-gear QP would be required for gear switched sablefish.

To implement this alternative, all existing QS would be converted to trawl-only or any-gear QS (as shown on the left-hand side of Figure 1). This one-time conversion process would be conducted for each individual QS account and the adaptive management plan (AMP) QS. After the initial conversion is completed (and before an adjustment step), the percentage of each type of QS would match the QP split option (the percentages of QP that will be issued each year with each type of gear designation). For example, if QP Split Option 1 is selected then each year, 29 percent of the QP would be issued as any-gear QP and 71 percent as trawl-only QP. Then, for the one-time conversion, the percentages of QS converted to any-gear and trawl only (before an adjustment step) would be 29 percent any-gear QS and 71 percent trawl-only QS. And, in the adjustment step, the QS amounts resulting from the initial conversion would then be scaled up using adjustment factors, so that the total amount of each type of QS would equal 100 percent (90 percent held in private accounts and 10 percent as AMP QS). This process and the need for the QP and QS splits to match are described in more detail in Section 3.1.2(d). After QS is converted to trawl-only or any-gear and adjusted such that each type totals to 100 percent, then on an annual basis, the trawl allocation would be divided between these two QS types (as indicated by the QP split options on the right hand side of Figure 1).

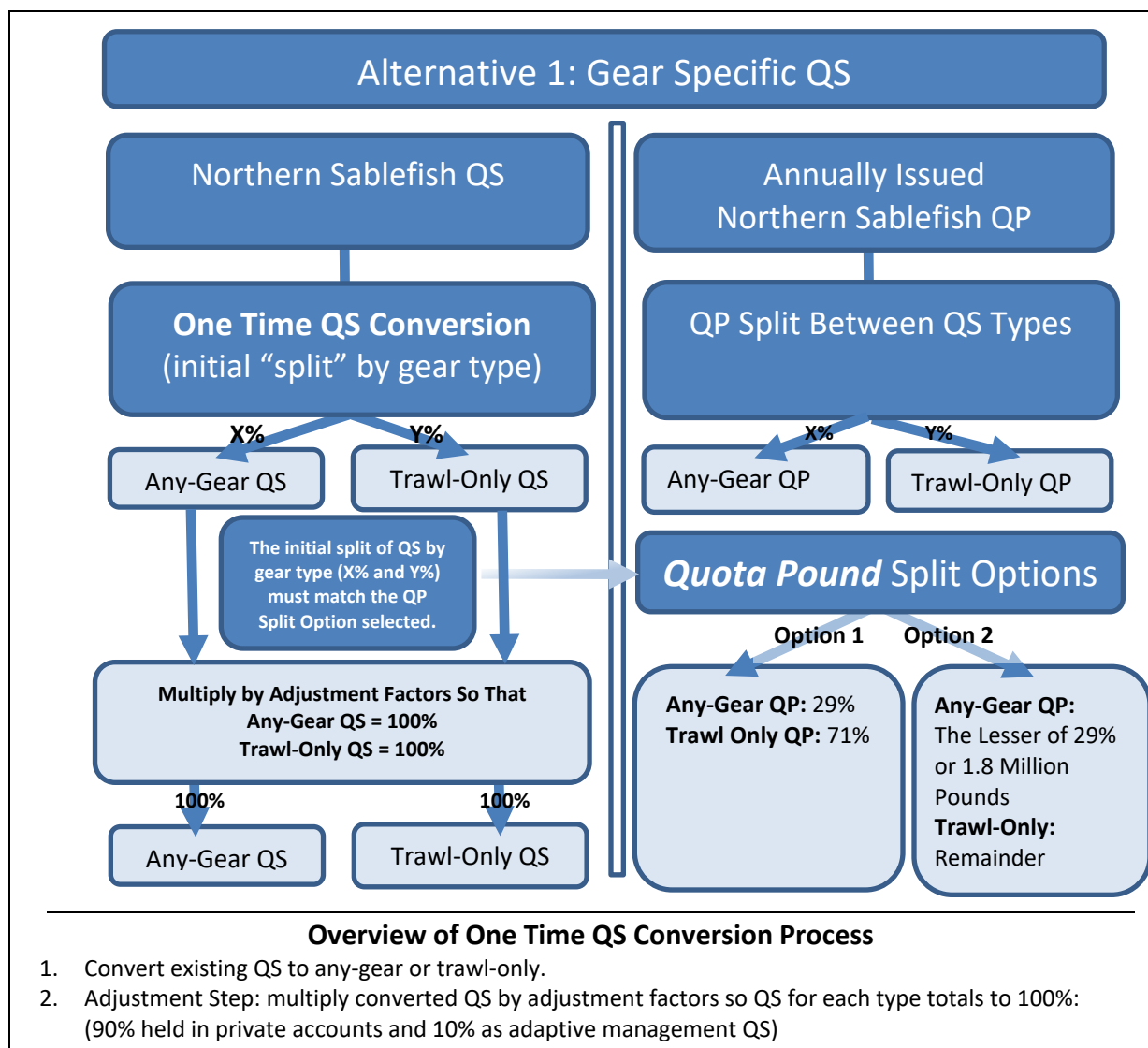


Figure 1. Schematic summary of Alternative 1 (see alternative description for precise details).

The conversion of QS for those that owned QS as of the control date would be based on their participant category. Those that qualify as gear switching participants would have their QS converted to any-gear QS (but not more than the amount of QS they owned on the control date). Those that qualify as IFQ participants would have their QS converted to trawl-only QS and any-gear QS in proportions derived from an option selected by the Council (but the total converted on that basis would not be more than the amount they owned on the control date). Any QS owners that own QS as of the control date and do not qualify as a gear switching or IFQ participant would be classified as “Other Participants” and have 100 percent of their QS designated as trawl-only QS. QS owners that have more QS than they owned on the control date would have the excess amount converted to trawl-only QS (this would include all QS owned by QS owners that owned no QS on the control date). QS set aside for the AMP would be converted to any-gear and trawl-only in the proportions specified in the QP Split Option selected by the Council.

Table 2. Summary of conversion rules to be applied at the time of implementation for each type of QS holder.

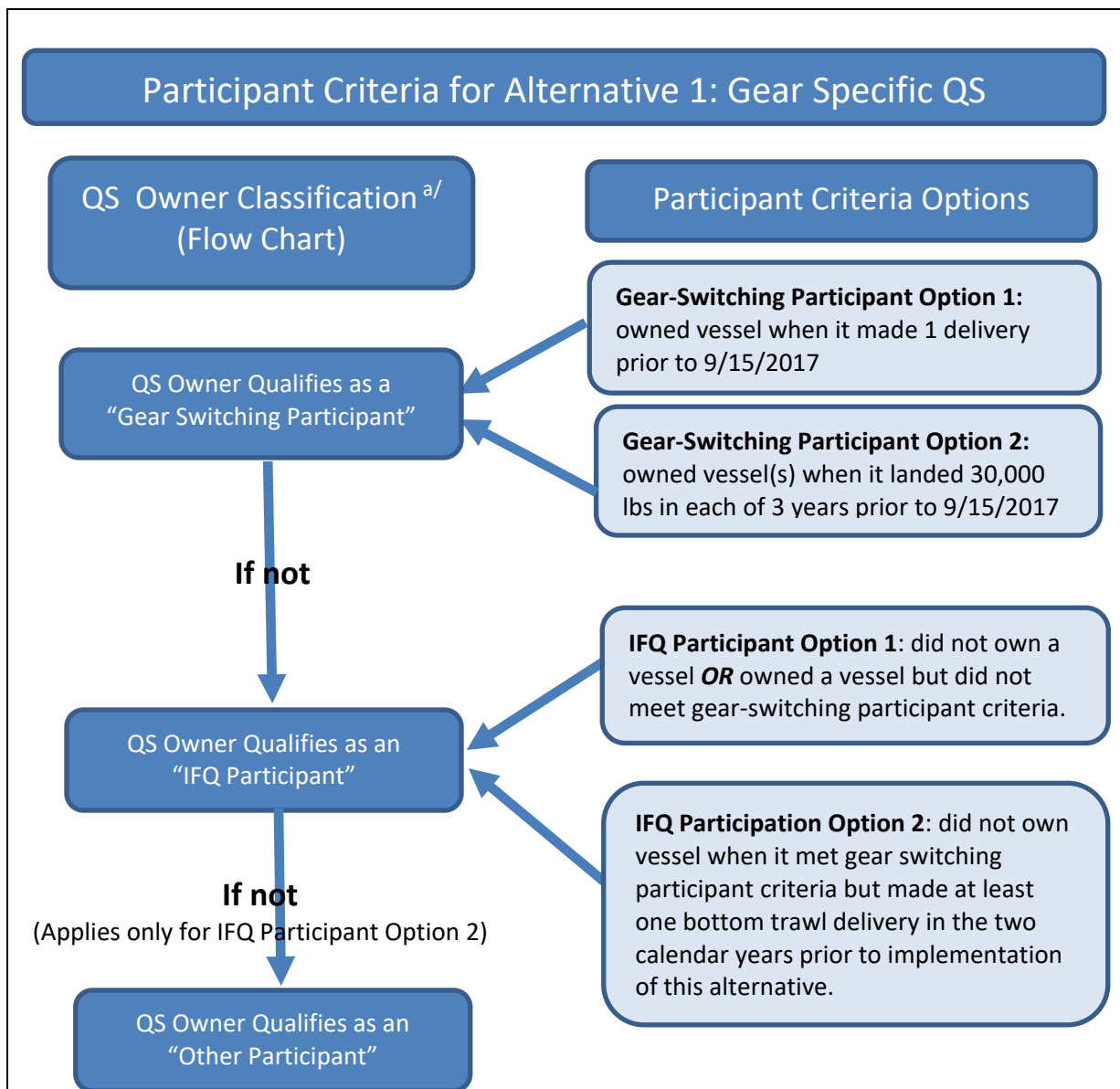
QS Holder Classification	Conversion Rules
Gear Switching Participant	100% converted to any-gear QS
IFQ Participant	Converted to any-gear and trawl-only QS using proportions that result in the total amount of any-gear and trawl-only QS across all categories matching the proportions from the QP Allocation Split options selected by the Council (prior to the adjustment step).
Other Participant	100% converted to trawl-only QS
QS In Excess of Amount Held on Control Date (including QS held by those that did not own QS as of the control date)	100% converted to trawl-only QS
AMP QS	Converted to any-gear and trawl-only QS using proportions from the QP Allocation Split Option selected by the Council.

Current QS account owners would be classified into the participant categories based on the landings history of a vessel(s) under their ownership (or based on not having owned a vessel). Classification is carried out in a hierarchical fashion.

First, QS owners that owned a vessel which meets the gear switching participant landing criteria would be classified as gear switching participants (left-hand side of Figure 2). To qualify as a gear switching participant, a QS account owner's vessel(s) would have to have gear switched prior to the control date (September 15, 2017) (Gear-Switching Option 1) or have gear switched at least 30,000 pounds in each of at least three years prior the control date (Gear-Switching Option 2). The QS owner must have owned a vessel when it met the landing criteria but does not necessarily need to still be the vessel owner. Ownership only needs to be partial. Additionally, a QS owner could qualify through the activity of different vessels (e.g., an owner has two years of gear switching with one vessel landing more than 30,000 pounds a year and one year of landing 30,000 pounds with a different vessel).

Second, QS owners that did not meet the gear switching criteria are evaluated to see if they meet the IFQ participant criteria. Under IFQ Participant Option 1, all QS account owners that owned QS as of the control date qualify as an IFQ participant. Under IFQ Participant Option 2, the QS account owner must have owned a vessel that they used to bottom trawl and caught sablefish at least once in the two years before this alternative is implemented.

Finally, if IFQ participant Option 2 is selected, any QS owner not meeting the previous criteria, would be classified as an "Other Participant."



^{a/} Only individuals who own QS as of the control date are given a participation classification. The QS for anyone acquiring QS after the control date would be converted to trawl-only.

Figure 2. Schematic summary of Alternative 1 participation criteria—applies to those that own QS as of the control date (see alternative description for precise details).

2.2 Alternative 2—Gear Switching Endorsement

Under Alternative 2, gear switching would be limited through the use of gear switching limits that apply to vessel landings of northern sablefish.

- At a minimum, all trawl vessels would be allowed to gear switch at least 10,000 pounds of landings.
- Vessels fishing under a trawl permit that has a gear switching endorsement would have a larger annual gear switching limit¹—a limit that goes with the permit and would be in place of the 10,000 pound limit that otherwise applies to any trawl permitted vessel.

Entities with a qualifying history of participation and investment in gear-switching would receive a gear switching endorsement for their permit, or, in a situation where they did not own a permit, would be able to designate a permit to which the endorsement would be applied.

For the gear switching endorsement there are a total of six qualification options (Table 3):

- three are based on the gear switching history of a trawl LEP and
- three are based on the gear switching history of a vessel.

The first option in each set of three requires only that at the time the alternative is implemented an entity owns a trawl LEP or vessel with a qualifying history. The entity does not have to have owned the qualifying permit/vessel at the time the gear-switching activity occurred or as of the control date. The second option in each set requires that, in addition to the first option requirement, the entity owned some amount of northern sablefish QS as of the control date. The third option is the same as the second, except that, in addition to what is required in the second option, as of the control date the qualifying entity must also have owned a vessel (in addition to the trawl LEP it must own at time of implementation) or trawl LEP (in addition to the vessel it must own at time of implementation) (see options P3 and V3 in Table 3). The vessel required under the third option (Option P3) must have had at least one gear switched landing prior to the control date while the trawl LEP required under the third option (Option V3) does not need to meet any gear-switching history requirements.

¹ Depending on the criterion for determining the endorsement limit and ACL levels, for some the gear-switching endorsement limit could be the equivalent of less than 10,000 lbs, in which case the potential recipient might choose to decline the endorsement.

Table 3. Gear-switching endorsement qualification options and assets that must be owned at time of implementation compared to the control date.

When ownership is required	Endorsement Qualification Options							
	Ownership Requirement	Permit Qualifier Options			Ownership Requirement	Vessel Qualifier Options		
		P1	P2	P3		V1	V2	V3
At Time of Implementation ^{a/}	Qualifying permit must be owned	X	X	X	Qualifying vessel must be owned	X	X	X
As of Control Date ^{a/}	Some QS must be owned		X	X	Some QS must be owned		X	X
	Vessel ownership required ^{b/}			X	Permit ownership required			X

a/ Note: at the time of implementation, an entity does not still need to own the QS or vessel/permit that they would be required to own as of the control date and as of the control date, they do not need to own the permit/vessel that they must own at the time of implementation.

b/ This vessel would be required to have some gear switching history.

Each gear-switching endorsed permit would have a different gear-switching limit. The endorsements and associated limits would not be separable from the permits or divisible. As with the qualification requirement, there are a total of six options for gear switching limits that would be associated with the gear switching endorsements:

- one set of three from which the Council would choose if it has selected a permit-based qualification option, and
- another set of three from which the Council would choose if it has selected a vessel-based qualification option.

For the first option in each set of three, the endorsement limit would be calculated as the average percentage of the sablefish north QP allocation caught by the qualifying permit (for permit qualifier options) or vessel (for vessel qualifier options) with non-trawl gear for years fished before the control date.

The second option in each set of three would base the endorsement limit on a combination of two factors: the amount of QS owned and gear switching history (measured as it would be under the first option). The gear switching limits for all sablefish endorsed permits would total 29 percent. To determine each permit's limit, first, each permit would be assigned a limit amount equivalent to the amount of QS owned by the qualifying entity (the owner of the trawl LEP or vessel with a qualifying history) as of and since the control date. Second, these limits would be summed across all permits and the difference between that sum and 29 percent determined. For example, if the limits based on QS ownership came to 10 percent, then the difference between that and 29 percent would be 19 percent. Then that difference (19 percent, in this example) would be distributed to each permit in proportion its catch history (measured as it would be under the first option).

The third option in each set of three would base the endorsement limit only on the amount of QS owned as of and since the control date. This third option might not be a good match for a

qualification option that is based only on permit or vessel ownership (the first of each of the two sets of three qualification options), because it would then be possible for an entity to qualify for an endorsement but for the endorsement not to receive a gear switching limit (in which case the permit owner would likely choose not to apply for an endorsement).

With respect to the duration of the endorsement, depending the option selected by the Council, the gear switching endorsements might expire with the transfer of the trawl LEP ownership or addition of a new entity to the permit ownership or continue indefinitely (as with other endorsements on the permit and the permit itself).

Some other provisions covered in the details of the alternative address the following:

- What happens with respect to the gear switching limits when endorsed permits are moved between vessels mid-year?
- What happens to a gear switching endorsement if two trawl permits are combined to generate a single permit with a larger size endorsement?
- How are gear switching limit overages handled?

3.0 DETAILED DESCRIPTION OF THE ACTION ALTERNATIVES

Following is a detailed description of action alternatives. In these descriptions, all references to quota, allocations, QS, and QP are to northern sablefish, unless otherwise specified. Additionally, all references to years are to calendar years unless otherwise noted.

3.1 Gear Specific QS Alternative (Action Alternative 1)

Overview. All northern sablefish QS will be converted to either QS valid only for the use of trawl gear (“trawl-only QS”) or for the use of any gear (“any-gear QS”, i.e. QS that is the same as status quo QS with respect to gear usage). This one-time conversion will be carried out in a fashion such that it will not impact the total percentage of northern sablefish QP a QS owner receives in the first year after the conversion. The proportions of each type of QS a QS owner receives will be based on the owner’s history of owning a vessel that gear switched or trawled (their participation status), except that any QS an owner holds that is excess of the amount held as of the control date (September 15, 2017) will be converted entirely to trawl-only QS. The trawl allocation of northern sablefish QP issued each year will be split between trawl-only QS and any-gear QS.

Terminological Note:

- Any-gear QS: Same as status quo QS.
- Conversion: Because any-gear QS is the same as status quo QS, there is not really a need to “convert” it to any-gear QS but to simplify discussion, the designation of QS as any-gear QS will be described as “conversion.”

3.1.1 Full Description

Creation of Trawl-Only Quota Share (QS): The current northern sablefish QS (valid for use with any gear) will be converted to trawl-only QS and any-gear QS (see procedure below).

Annual Split of the Sablefish North QP Allocation Between Trawl-Only and Any-Gear QS:

QP Allocation Split Option 1: 71 percent of the trawl QP allocation will be designated as trawl-only QP and 29 percent as any-gear QP. Trawl only QP will go to trawl only QS holders and trawl-only AMP QS. Any-gear QP will go to any-gear QS holders and any-gear AMP QS.

QP Allocation Split Option 2: the total amount of QP issued as any-gear QP will be the smaller of 29 percent of the trawl QP allocation and 1.8 million lbs with the remainder of the allocation issued as trawl-only QP. Trawl-only QP and any-gear QP will be distributed to QS holders and AMP, as indicated in Option 1.

Procedure for Converting Northern Sablefish QS holdings to Trawl-Only and Any-Gear QS: NMFS will categorize current owners of sablefish north QS based on the gear switching and IFQ participation criteria listed in the next section and then convert that QS to trawl-only and any-gear QS using the following initial steps. After initial steps are completed, all QS amounts will be adjusted so that the total amount of QS held for each management unit totals to 90 percent for QS accounts and 10 percent for QS reserved for AMP. The end result will be that in at least the first year after implementation each QS holder would receive the same percentage of the total sablefish QP after the conversion that they did before, except designated as trawl-only or any-gear QP.

Initial steps:

1. **Excess QS.** All QS owned by an individual in excess of the amount the individual held as of the control date (September 15, 2017) will be converted to trawl-only QS. All other QS held by the QS owner at the time of conversion will be **potentially** eligible for conversion to any-gear QS, depending on the QS owner's status as determined by participation criteria and applied in the following steps.
2. QS owners **meeting the gear switching participation criteria** will have their eligible QS converted to any-gear QS.
3. QS owners **meeting the IFQ participation criteria** will have their eligible QS converted to trawl-only and any-gear QS in preestablished ratios that are applied to each account. Those ratios will be established such that, when all of these initial steps are completed and results summed across all QS accounts, the ratio of trawl-only to any-gear QS would match the ratio of QP Allocation Split Option selected above and the combined total of trawl-only and any-gear QS comes to 90 percent.^{2,3}

² For QP Allocation Split Option 1, in the initial step, the total amount of QS issued to private accounts as trawl-only would be 63.9 percent and the total amount issued as any-gear would be 26.1 percent, i.e. 71 percent of 90 percent and 29 percent of 90 percent.

³ If the Council chooses QP Allocation Split Option 2, the ratio will be the percentages that would apply under QP Split Option 2 for the year of the conversion.

4. QS owners that **do not meet the gear switching or IFQ participation criteria** (“Other Participants”) will have 100 percent of their QS converted to trawl-only QS.
5. AMP QS will be designated as trawl only and any-gear in proportions that match the QP Allocation Split option selected above.

Adjustment Step:

The amount of trawl-only QS and any-gear QS in each account after the initial steps will be adjusted by multiplying by an adjustment factor so that the result is that the total amount of each type of QS in QS accounts is 90 percent.

Trawl Only QS: The adjustment factor will be 90 percent divided by the sum of all trawl-only QS in all QS accounts.

Any-Gear QS: The adjustment factor will be 90 percent divided by the sum of all any-gear QS in the accounts.

The percentage of QS held as AMP will be expanded so that there are 10 percentage points of trawl-only AMP QS and 10 percentage points of any-gear AMP QS.

Participation Criteria for Use in QS Conversion Procedure:

The participation criteria below are applied only to current QS owners. To meet the participation criteria, a current QS owner must

- have owned northern sablefish QS as of September 15, 2017; and
- for some criteria, have used a vessel or vessels under their ownership to meet participation criteria listed below.

Criteria requiring that a vessel owned by the QS owner be used to meet participation criteria does not also require that the QS owner maintain ownership of the vessel through to the control date or time of implementation. A vessel is considered to have been under the ownership of the QS owner if there is any degree of common ownership between the ownership of the vessel at the time it made qualifying landings and a QS owner (the owner QS need not be the full owner of the participating vessel). Vessel account information will be used to determine ownership of a vessel at any particular point in time and linkage to a current QS account owner.

Gear-switching participation criteria:

Gear-switching Participation Option 1: The QS owner owned a vessel that they used to make at least one gear switched landing of northern sablefish prior to September 15, 2017.

Gear-switching Participation Option 2: The QS owner owned a vessel or vessels that they used to make gear switched landings of at least 30,000 pounds of northern sablefish in each of three or more years prior to September 15, 2017.

IFQ participation criteria:

IFQ Participation Option 1: The QS owner owns sablefish north QS but does not meet the gear switching participation criteria (including QS account owners that do not own vessels).

IFQ Participation Option 2: The QS owner does not meet the gear-switching participation criteria but owns or owned a vessel that they used to land northern sablefish with bottom trawl in the IFQ fishery in any of the two years prior to the year in which the above QS conversions to gear-specific QS are conducted.

Other Participant Criteria:

Any QS owners not qualifying under the selected gear-switching and IFQ participant criteria options. Only if IFQ Participation Option 2 is selected would there be anyone in this category. Under IFQ Participation Option 2 “Other Participants” would include QS owning entities that did not own a vessel and entities that owned a gear switching vessel but did not meet the Gear Switching Participation Option 2 criteria for the amount of landings required.

3.1.2 Interpretations

The following sections explain interpretations of the motion which are reflected in the above language on the alternatives. These interpretations of intent are within the scope of the language of the motion and were confirmed with the maker of the motion. Additionally, in some cases, observations are provided on some of the nuances of how the alternative would function. No further action is required on these issues unless Council members are in disagreement with the way the motion was interpreted.

3.1.2(a) Section by Section Notes on Translation of the Motion to Language of the Current Alternative

Creation of Any-Gear Quota Share (QS). This section was simplified to focus on the end result. The functional effect of the alternative would be to maintain status quo QS privileges for those receiving “any-gear” QS. There would not necessarily be a need to relabel those QS as “any-gear,” since they are already valid for any-gear. Only those receiving trawl-only QS will experience a change in their fishing opportunity. However, as noted in the motion, it is easier to reference “trawl only” and “any-gear” QS. The language of the alternative was simplified on that basis. Similarly, it is also easier to discuss “conversion” of all northern sablefish QS to either any-gear or trawl-only, even though for QS designated as any-gear there is not a change with respect to the scope of gear usage allowed, relative to status quo QS.

Annual Split of the Sablefish North QP Allocation Between Trawl-Only and Any-Gear QS. This section was modified to make it more explicit that these options are the formulas that would be used each year to allocate QP between the two types of QS. The section also contained references to use of the split in the procedural steps for conversion of status quo QS to trawl-only and any-gear QS. That language was moved to the main section that covers that procedure—see the following subsection. Language was added to more fully specify how AMP fits within the alternative.

Procedure for Converting Northern Sablefish QS holdings to Trawl-Only and Any-Gear QS. This section was modified to specify a step-by-step process that incorporates related provisions that were removed from the previous section. Language was modified and terms created to clarify the steps.

There was a possible inconsistency between steps one and three of the motion language. Step 1 said “QS acquired by owners after the control date *and* in excess of what they held on to the control date will be converted to trawl-only” (emphasis added). Step 3 said that “QS acquired after the control date will be converted to trawl only.” Thus, under Step 1, the amount that an individual owned as of the control date is effectively a cap on what would be converted based on their participation status: they can divest themselves of QS and reacquire QS that would be converted based on their participation status up to the amount owned on the control date. The conversion formula applied to the amount up to that limit would then be based on their participation status. Under the language of Step 3, any QS acquired after the control date (even if it simply replaces a QS divestment occurring after the control date) would not be eligible for conversion using the formulas based on the owner’s participation status, but rather all of newly acquired QS would be converted to trawl only. Since the language for step 1 was explicit, it was assumed that comparable language for Step 3 was accidentally omitted. Therefore, Step 3 was modified to treat the amount of QS owned on the control date as a cap on the amount that could be converted based on the QS owner’s participation status.

Participation Criteria. Language was modified and terms created to clarify the participation criteria. With respect to vessel activity, the term “fished” was changed to “land” to provide increased specificity. The category “Other Participant Criteria” was separated out to make more readily apparent the status of this group.

The motion also mentioned using vessel accounts as the basis for evaluating landings and ownership with respect to participation criteria, but for simplicity the writeup of the alternative focuses on the vessel. At any point in time, there is a one-to-one correspondence between vessels and vessel accounts. Thus, even if the focus of the policy is on the vessel, it can be applied using vessel landings information derived from the vessel accounts. Further, the alternative still specifies that the ownership of the vessel will be assessed using vessel account information—which is far more detailed than the vessel owner information in US Coast Guard and state registration files.

3.1.2(b) Schematic on Implementation of Alternative 1 QS Conversions

The implementation of this alternative will involve considerations of QS owner status or activities at four different points in time: the time of implementation (“current”), the two years prior to implementation, the control date, and from 2011 through the control date (Figure 3). These four evaluations will be required only for those entities with some QS at the time of implementation.

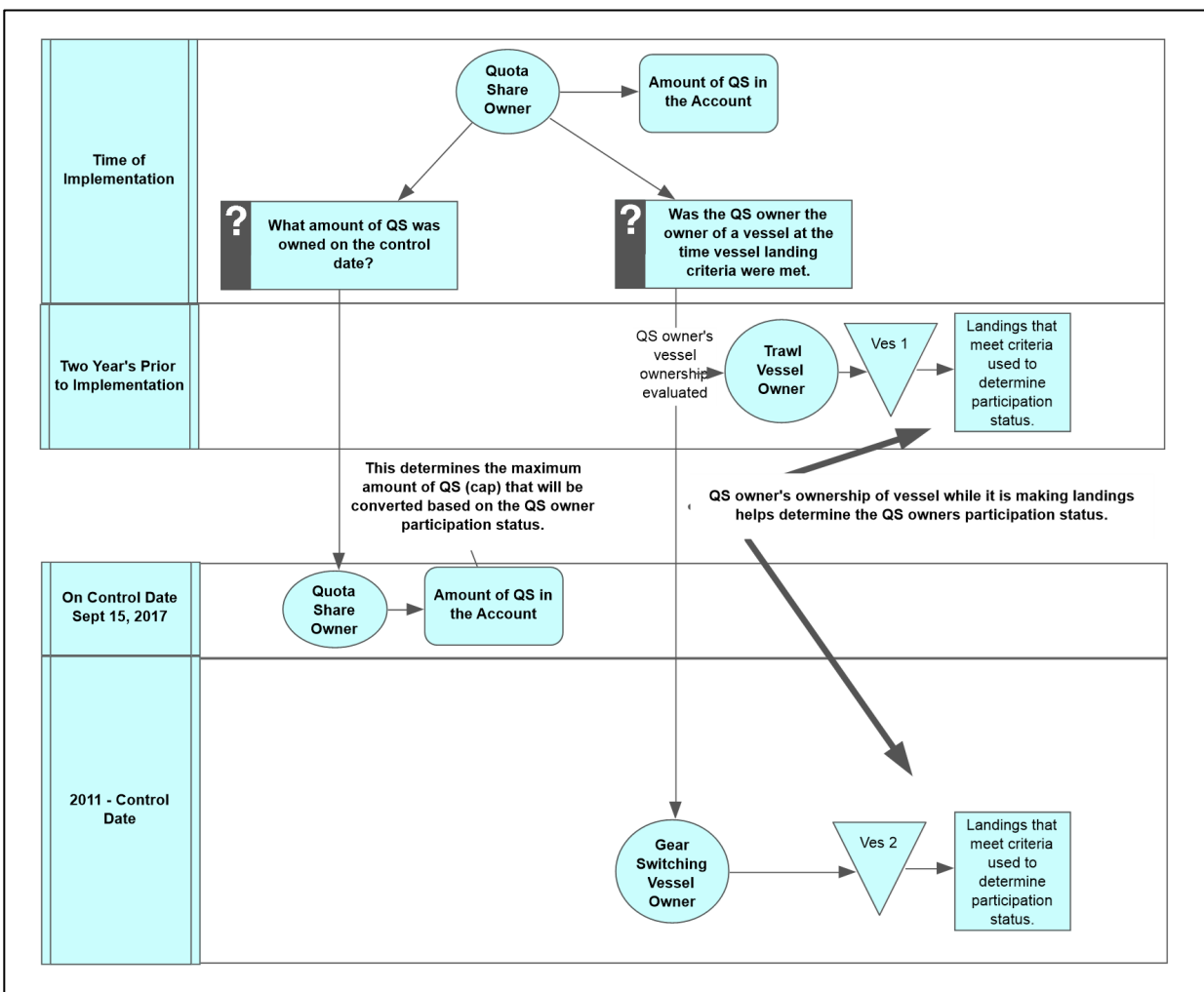
Time of implementation: Determine the amount of QS currently owned.

Two years prior to implementation: During this period, did the QS owner own a vessel while the vessel met the landing criteria for IFQ Participation Option 2 (if selected)?

Control date (September 15, 2017): Determine the amount of QS owned on the control date. The amount owned at time of implementation will be compared to the amount owned on the control date (see discussion in following paragraph).

2011-Control date: During this period, did the current QS owner own a vessel while the vessel met the gear switching landing criteria? Note: there is no requirement that current QS owners owned any QS at the time of vessel ownership.

The amount owned on the control date might be thought of as a cap for the amount of QS that can be converted based on the conversion ratios that apply for an owner's participation classification—see discussion in 3.1.2(a).



Note: Depending on the participation criteria options selected, it may or may not be necessary to evaluate whether a QS owner meets the trawl vessel ownership history criteria (IFQ participation criteria). Under IFQ Participation Option 1, any QS owner

who does not meet the gear switching participation criteria is considered an IFQ participant. Under IFQ Participation Option 2, only if a QS owner does not meet the gear switching vessel owner participation criteria would an evaluation of the IFQ participation criteria be needed.

Figure 3. Schematic showing the considerations to be made in applying QS conversion formula in relation to the time period during which the consideration is evaluated.

3.1.2(c) Evaluation of Participation Criteria Based on Past Ownership

- To meet one of the participation criteria based on vessel landings, the QS owner must have owned the vessel at the time the landings were made but not necessarily
 - have owned QS at the time of the landings, or
 - own a vessel on or after the control date.

Conversion formulas are applied to QS based on the participation status of the QS owner. Participation status is based on a QS owner's vessel history (i.e. the history of the QS owner as a vessel owner). The motion stated that "The term 'vessel' refers to a vessel owned in full or part by the QS owner."

Since the reference to ownership was past tense, this was interpreted to mean that the QS owner must have owned the vessel at the time of the landings that met the gear switching participation criteria (Option 1 or Option 2) or the IFQ participation criteria (Option 2). The person does not necessarily have to own the vessel on the control date or at the time of implementation. Landings criteria for gear switching must have been met before the control date while the landings criteria for bottom trawl activity must be met after the control date, in the two years prior to program implementation.

Allocating based on a current QS owner's past ownership of a qualifying asset (e.g., a permit or vessel that has a certain catch or landing history) is highlighted here since the approach varies from approaches taken in past groundfish limited entry programs (licenses and catch shares) and the approach under some qualifying options in Alternative 2. The Council's groundfish limited entry policies have generally focused on qualification based on the ownership of an asset at the time of implementation, (e.g., current owner of the vessel under Amendment 6, current owner of the permit under Amendments 9 and 20, or current owner of permit or vessel under Alternative 2 of this range of alternatives) rather than ownership at the time of the qualifying activity.⁴ The following is a summary of some implications of specifying that in order for landings to count toward participation criteria, QS owners must have owned the vessel at the time the landings were made.

- QS owner does not necessarily have to still own the vessel at time of the control date or implementation.
- QS owner could qualify through landings made on a combination of different vessels.
- A single vessel could potentially qualify more than one QS owner if they
 - shared ownership of the vessel at the time qualification criteria were met, or

⁴ Amendment 6 established the limited entry permit system, Amendment 9 established the fixed gear permit sablefish endorsement, Amendment 20 established the trawl catch share program.

- owned the vessel at different points in time (i.e. the vessel met the criteria several times but under different owners).

None of these implications are problematic but they are noted here to help avoid mis-applying assumptions based on past systems to the Alternative 1 allocation approach.

Another implication of basing qualification criteria on past activities is the need to assign the activities meeting those criteria to a particular QS ownership as the composition of that ownership changes across time. For example, assume there is a partnership of two individuals that own QS as of the control date and one member of the partnership owned a vessel that met the gear switching participation criteria while the other was classified as an IFQ participant. If at some time before this alternative is implemented the partnership splits up, how would the participation status of each QS owner be treated? Different ways to address this and similar situations are discussed in Section 3.1.3(a).

3.1.2(d) QS Split Must Match QP Split to Avoid QS Reallocation

- If the proportion of each type of QS that results from the first four steps of the conversion process does not match the QP allocation split option selected, the net result would be a reallocation of northern sablefish QS among QS owners

In the original motion, Step 4 was

“QS owners meeting the IFQ participation criteria will have their QS converted at the rate that achieves the Council’s recommended allocation between the two QS units.”

This left room for interpretation as to whether the allocation to be achieved by the rate used for conversion was a yet to be a specified amount of QS of each gear type or whether the intent was that the percentage of each type of QS is to match the percentage of each type of QP. The motion was interpreted as requiring a match between the share of QS with a particular gear type designation and the QP split option selected. That clarification is reflected in Step 3 of the current rendition of the alternatives. This interpretation ensures that after the conversions occur, at least initially, a QS owner would get the same amount of QP after the conversions that they did before. In the following, it is also explained that if QP Split Option 2 is selected, it is possible that at some time in the future the amount of QP a QS owner receives could be different from what it would otherwise have received as a result of this alternative.

The initial steps of the conversion process result in the redesignation of all QS as any-gear or trawl-only (Figure 4). To recap that process, using QP Allocation Split Option 1 as an example, first all privately held QS (i.e. all QS other than AMP; first bar in Figure 4) are redesignated as trawl-only and any-gear QS (top two segments of second bar in Figure 4) such that 71 percent of that privately held QS becomes trawl only (i.e. 63.9 percent of all QS) and 29 percent any-gear (i.e. 26.1 percent of all QS). Additionally, 71 percent of the AMP is redesignated as trawl-only QS and 29 percent as any-gear QS (7.1 and 2.9 percent of all QS), respectively; bottom two segments of second bar in Figure 4). The resulting separate types of QS are represented in the third set of bars in Figure 4. These results must then be adjusted so that the amount of QS totals

to 100 percent for each gear-type designation. To do this, the 63.9 percent and 26.1 percent allocated to privately held QS accounts are multiplied by an expansion factor so that each QS type held in private accounts totals to 90 percent and the AMP amounts of each type are expanded so that each type totals to 10 percent (last set of bars in Figure 4). For this example, as long as those that hold the 29 percent converted to any-gear QS continue to receive 29 percent of the non-AMP QP and those that hold the 71 percent converted to trawl-only continue to receive 71 percent of the non-AMP QP, the effect of the redesignation will not impact the total amount of northern sablefish QP any single QS owner receives.

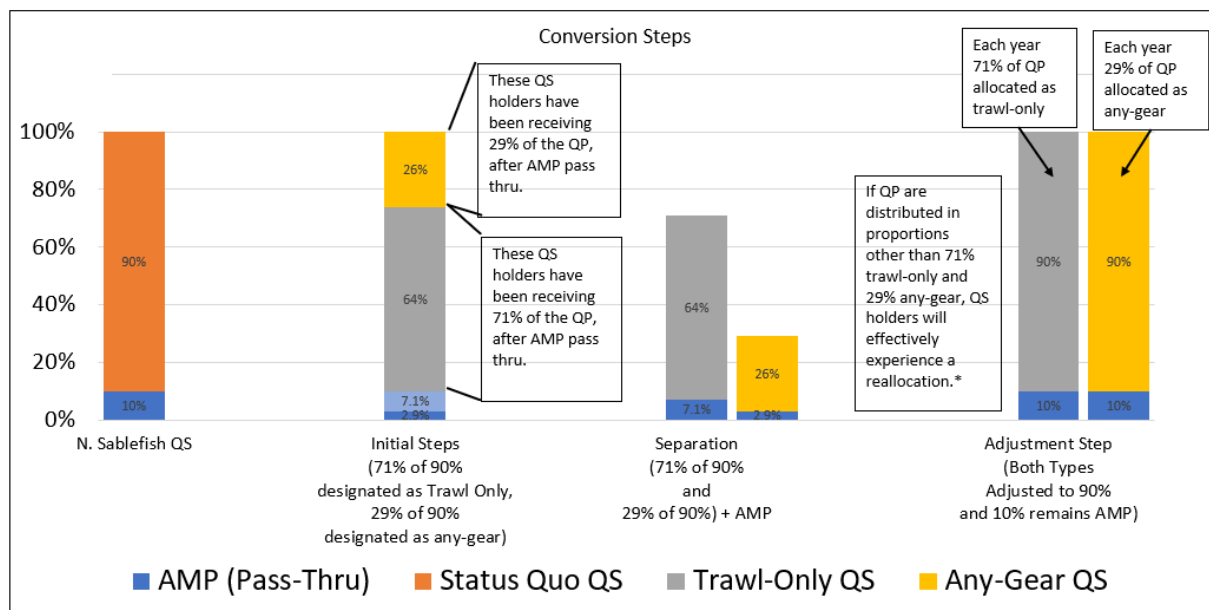


Figure 4. Illustration of the proportions that apply in the steps of the QS conversion formula—applying QP allocation split Option 1.

However, if at some time in the future either QS type is allocated a share of QP that does not match the original split used for the conversion of QS (as could occur with QP Allocation Split Option 2), then what would effectively be a reallocation of QS will result (i.e. QS owners will receive a different amount of northern sablefish QP than they would have if the conversion had never occurred). The following example continues to use the 71/29 split under QP Allocation Split Option 1 to demonstrate this (for simplicity, the AMP pass-through is omitted from this example). If an individual starts out holding 1 percent of the QS and there is a 5-million-pound trawl allocation, then they would receive 50,000 QP. If all their QS is converted to any-gear, , after applying an expansion factor to their 1 percent holdings they will end up with 3.45 percent of the any-gear QP ($(90\% \div 26.1\%) \times 1\% = 3.45\%$). With 29 percent of the 5-million-pound trawl allocation going to any-gear QP, a total of 1.45 million pounds would be allocated as any-gear QP. An individual with 3.45 percent of the any-gear QP would receive 50,000 any-gear QP, the same amount of QP as they did prior to the conversion ($3.45\% \times 1.45 \text{ million QP} = 50,000 \text{ QP}$). However, if the share of the allocation going to a particular type of QP is changed, then the QP amount is represented by that individual's 3.45 percent changes. For example, if the Council chose to reduce the amount of QP allocated as any-gear to 20 percent of the trawl allocation (1.0 million pounds of the 5.0 million pound allocation), then instead of 50,000 QP a person with 3.45 percent of the any-gear QP would receive 34,500 QP, or 0.7 percent of the 5-million-pound trawl

allocation ($34,500 \div 5,000,000$). Thus, this reduction in the percentage of the trawl allocation distributed as any-gear QP would effectively reduce the individual's QS as a percentage of the total trawl allocation from 1.0 percent to 0.7 percent. In this example, the impact of the change in QP splits could be held neutral with respect to the total amount of northern sablefish QP an individual with any-gear QS holder receives each year by allocating some amount of the trawl only QP to holders of any-gear QP.

While the previous paragraph addresses policy change that shifts the amount of QP allocated to each gear-type, under QP Allocation Split Option 2, the percentage split between trawl-only and any gear can fluctuate with a substantial increase in the northern sablefish ACL. This is because Option 2 sets a cap of 1.8 million pounds on the amount that is given to the holders of any-gear QP. For example, if the original allocation is based on a 71/29 split but the ACL increases such that 1.8 million pounds is only 25 percent of the trawl allocation, any-gear QS owners, who originally received 29 percent of the annual QP allocation for that QS, would instead receive 25 percent. Though their total QP would have increased compared to current years, their share of the total allocation would be lower. For individuals who had all their QS converted to any-gear QS this would be a 13.8 percent reduction for any individual any-gear QS holder, compared to what they would have received for their QS under status quo ($29\% - 25\% = -4\%$ and $4\% \div 29\% = 13.8\%$).

3.1.3 Other Matters for Council Consideration

The following sections identify issues that the Council should consider in completing the specification of this alternative.

3.1.3(a) Application of Criteria to QS Owners Across Time

As described above, when Alternative 1 is implemented, the QS owners at time of implementation (current QS owners) will have to be evaluated with respect to

- QS ownership
 - the amounts of QS each owns at the time of implementation;
 - the amounts of QS each owned as of the control date;
- Participation status
 - ownership of a vessel when it was gear switching between the start of the catch share program and the control date, and
 - ownership of a vessel when it was trawling in the two years prior to implementation of the program.

This brings up the question of how to evaluate QS owning entities that involve multiple individual owners and changes in ownership groups across time.

Determining Participation Status

Alternative 1 bases participation status largely on criteria related to whether the current owner of the QS owned a vessel that achieved the vessel landings criteria while under their ownership. For gear switching participants, depending on the option selected, this would be one sablefish north IFQ landing with non-trawl gear or 30,000 pounds of sablefish north trawl IFQ landings with non-trawl gear in each of three years prior to the control date. For IFQ participants, depending

on the option selected, this would either be at least one landing of sablefish north with bottom trawl gear in the two years prior to implementation of the alternative or no criteria (i.e., any QS owner that is not a gear switching participant would be considered an IFQ participant). Evaluating participant status would be relatively straight forward for ownership groups that are stable and engage together in both QS ownership and vessel ownership. For such groups, it is simply a matter of determining whether the group applying for conversion owned a vessel that met the participation criteria. The same would be the case for QS owners that are individuals and own(ed) vessels only in their individual capacity.

The situations which are a bit more complex are first those where the QS ownership group overlaps with but does not match the vessel ownership group and second, those situations where the membership in the QS ownership group changes over time. To provide a sense of the number of entities that may need to be considered, as of 2020 there were 65 QS accounts with northern sablefish QS for which there was only one entity (an individual or entity for which individual interests cannot be determined, for example an estate) and 63 QS accounts owned by more than one entity (ownership groups). For 2020, Table 4 provides the number of QS accounts owned by a single entity (i.e., individuals or legal entities such as community associations or trusts) versus multiple entity owners (e.g. two individuals or an individual and an estate). There are six types of owner classifications: Individual, Trust, Not for Profit Non-Governmental Organizations (NGOs), Estates, Government, and Publicly Held Corporations. For the single entity owner accounts, the majority are owned by individuals. Multiple owner accounts were mostly owned by multiple individuals or groups of the same type (52). There were 11 QS accounts (QSAs) with sablefish north QS that had multiple owner types (e.g., an account owned by an individual and a trust). Also provided is a count of the number of accounts held in joint tenancy (usually a married couple where each partner is listed as owning 100 percent of an account), the number of accounts with more than three owners, and the number of accounts where some of the ownership is not currently reported (QS accounts are not required to report the identities of owners that own less than 2 percent interest in the account).

Table 4. Counts of 2020 Sablefish North QSA by types of owners.^{a/}

Account Type	Count
Owned by a Single Entity	65
- Individual	55
- Trusts	6
- NGO/Government	4
Owned by Multiple Entities	63
- One Type of Owner ^{b/}	52
- Multiple Types of Owners	11
- More than 3 owners	7
- Joint Tenancy	3
- Some ownership not reported	9

a/ Ownership was evaluated based on the greatest level of disaggregation possible. For example, if the ABC partnership is owned by two individuals it would show up in the count for multiple entity ownership with one type of owner (individuals); or if ABC partnership is owned by one individual and an NGO, it would show up in the count for multiple entity ownership with multiple types of owners.

b/ Two accounts are owned by multiple groups, with the remainder owned by multiple individuals.

While Table 4 provides a sense for the number of group ownership (multiple entity) situations, it does not indicate the number of groups for which the group composition has changed over time or the number of situations where some members of a QS ownership group owned a particular vessel but others did not. Such information will be developed for the analysis.

Alternative 1 specifies that in order to qualify, the QS owner does not necessarily need to own the vessel in its entirety (Figure 5). Thus, an individual or a QS owning group that had at least part ownership of a vessel while a vessel met the qualification criteria might would meet the participant criteria.

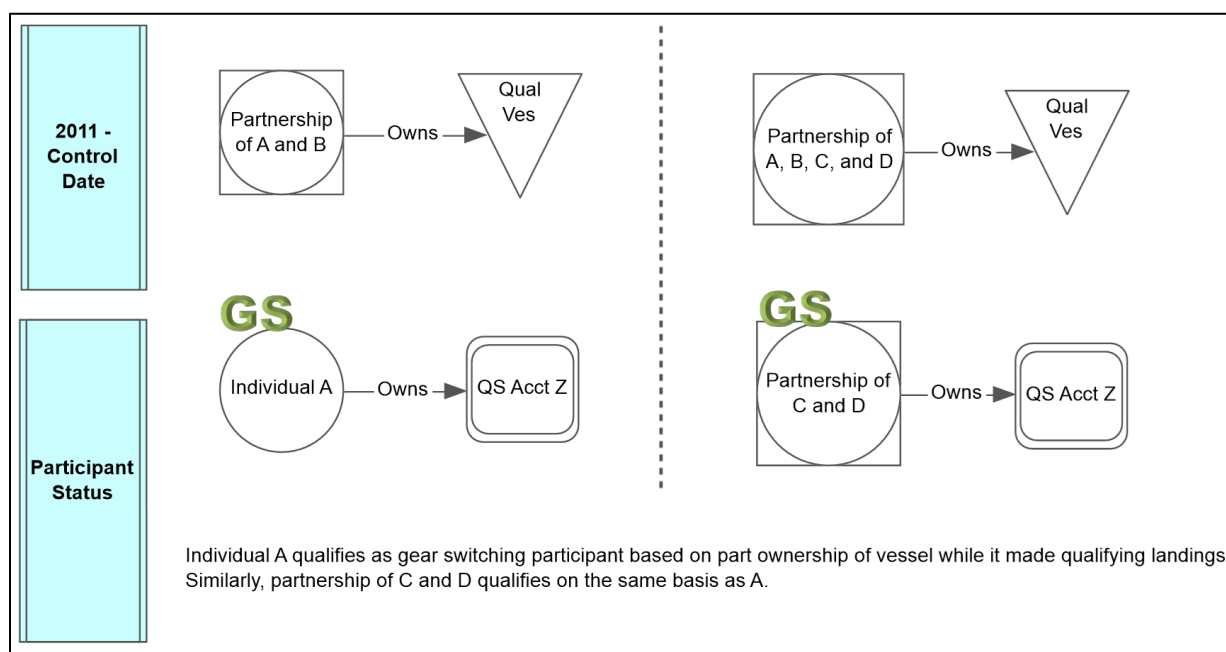


Figure 5. Schematic showing a QS owner need only have partial ownership of a vessel while it made qualifying gear switching landings in order for the QS owner to qualify for gear switching participant status (the same applies to qualification for IFQ participant status by owning a vessel while it made bottom trawl landings in the two years prior to implementation; GS = qualifies as a gear switching participant).

But this leaves open a number of questions. First, *does the entire partnership need to meet the vessel ownership qualification criteria or just some members?* For example, one approach might be taken where just the entity that had an ownership interest in the vessel qualifies for the participant status (**an individual approach**). Another approach might be if one member of an ownership group has met the vessel ownership requirement, then the entire group would be considered to have met the requirement (**a collective approach**). In an individual approach, only the QS attributed to the qualifying entity based on their share of ownership of the partnership would be converted based on their participation status. Scenario 1 in Figure 6, shows the individual approach where one individual is involved in vessel ownership. An individual approach might also be applied at the group level, where the individuals remain together, as in Scenario 2 in Figure 6.

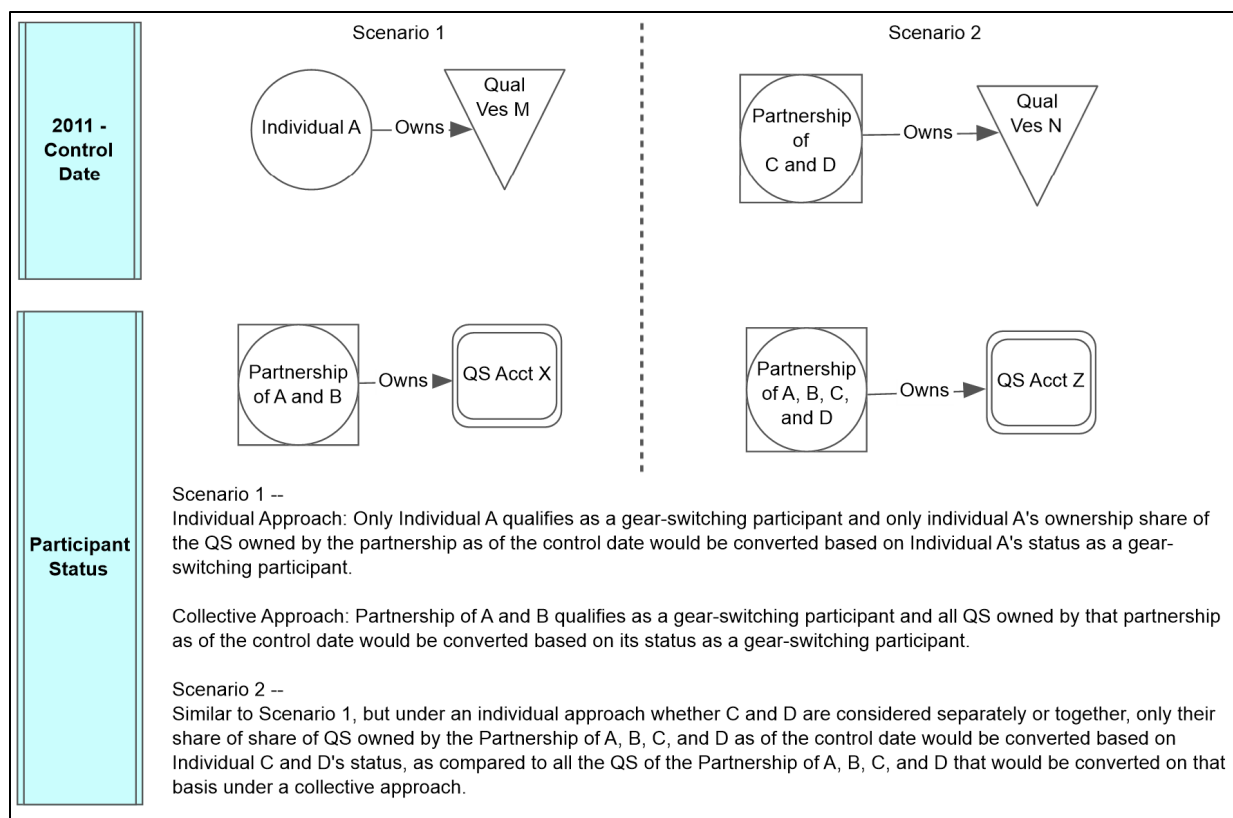


Figure 6. Schematic showing approaches for assessing QS owner participant status: individual compared to collective.

The second question to address is: *If a collective approach is used, at what point in time will membership of a qualifying entity in a QS owning group will be evaluated?* If it is done at time of implementation, then prior to implementation, entities with a qualifying vessel ownership history could join any number of ownership groups that owned QS as of the control date and thereby qualify those groups. This is illustrated in Figure 7 which shows the Partnership of C and D taking on Individual A as a member and thereby qualifying as a gear switching participant. Another choice might be to determine group members based on membership as of the control date.

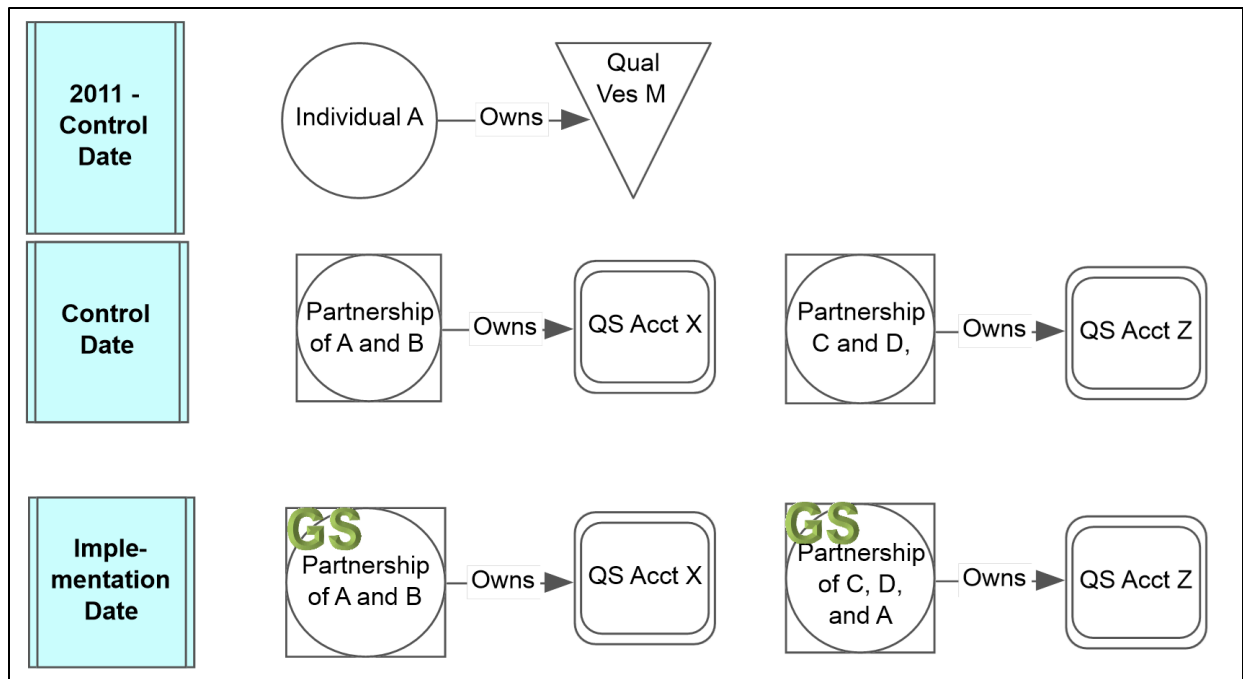


Figure 7. Schematic showing that under a collective approach, determination of the membership in a group at the time of implementation would allow individuals with a qualifying history of vessel ownership to join multiple ownership groups and qualify each of them (GS = qualifies as a gear switching participant).

If under a collective approach group membership, and therefore group qualification, is determined based on membership as of the control date, then *if some members of the group part ways prior to the control date, how might the participant status of that group be evaluated?* Figure 8 illustrates this question.

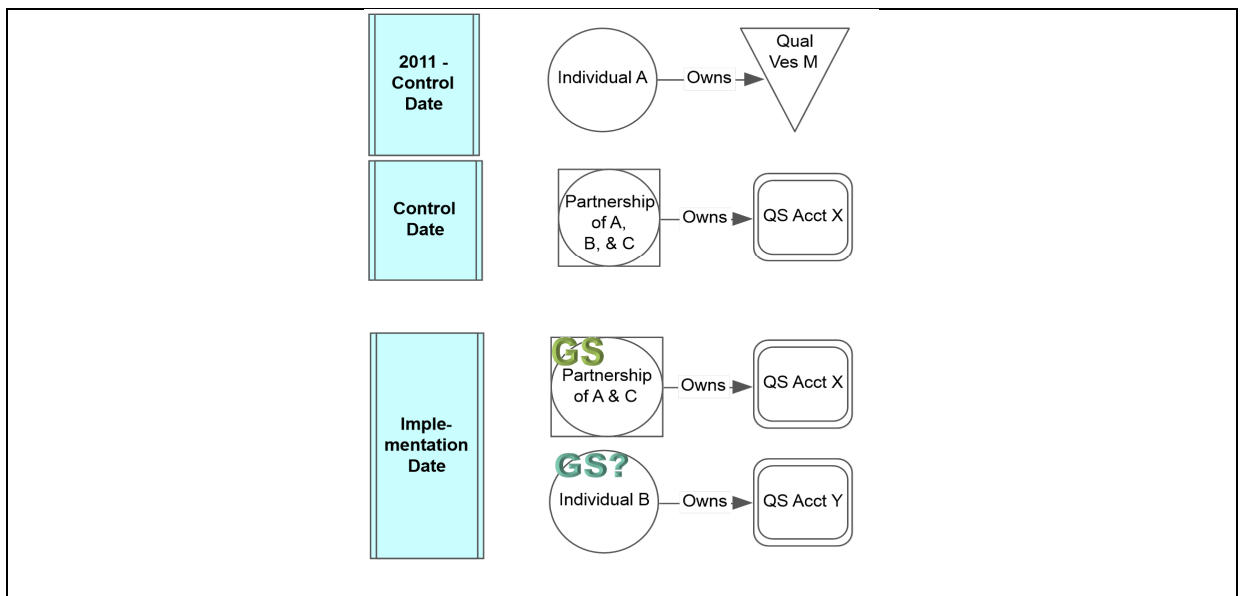


Figure 8. Schematic illustrating question: under the collective approach, if on the control date an individual (Individual B) does not qualify as a gear-switching participant on its own but is a member of a

partnership that does so, if the non-qualifying individual leaves the ownership group prior to implementation, do they retain their status as a gear switching participant them (GS = qualifies as a gear switching participant)?

With respect to the individual approach, some issues that might need to be considered include treatment of entities that are not comprised of individual owners (e.g. QS owned by trusts, NGOs, or governments) and situations where the total QS ownership does not total to 100 percent. With respect to QS owners that include ownership by legal entities that cannot be decomposed to individuals, there were at least 10 such ownership situations in 2020 (Table 4). In such situations, participation status might be determined only at the group level (e.g. an NGO would be evaluated as if it were an individual and its participation status would be determined based on its history of vessel ownership, as would be the case for an individual). Additionally, there are situations where ownership does not total to 100 percent, for example, joint tenancy (adding to over 100 percent) or unreported ownership (ownership reporting is not required for shares that are less than 2 percent). There are 12 ownership groups where ownership did not total to 100 percent in 2020 (Table 4). These situations might be handled by evaluating shares of ownership in an entity based on the total percentages of ownership reported. For example, for a joint ownership situations, each entity is reported to own 100 percent, therefore the share of each entity would be 50 percent (100% / 200%). Another issue to be dealt with in any approach are situations such as the transfer of assets from an individual to a trust created by that individual.

Determining QS Owned as of Control Date (Cap on Amount of QS Converted Based on Participant Status)

If an individual approach is taken to determine participation status, then the same would apply to the determination of an individual's cap on the amount converted based on their participant status is straightforward: for individuals that are part of ownership groups, the individual's ownership interest in the group's QS as of the control date could be determined and that amount would be a cap on what could be converted based on the individual's status (individual ownership percentage x QS amount = cap). Then, the individual's share of the group's QS as of implementation could be determined and anything less than or equal to the amount the individual controlled on the control date would be converted based on the individual's status.⁵

However, if a collective approach is taken to determination of participant status, changes in ownership between the control date and implementation might also affect a determination of the cap for QS conversion. As with the evaluation of participation status, individual or collective approaches might be taken to determining caps. The approach used for the caps need not necessarily match that taken for the participation status determination. If an ownership group separated prior to the control date, *would the cap on the amount of QS an entity could convert based on their participant status be the total amount of QS owned by the entire ownership group as of the control date, regardless of whether all members remain part of ownership group (a collective approach)? Or, would the cap be only the share of that QS owned attributable to the current QS ownership group (an individual approach)? Or, is there some other approach that might be followed?* This question is illustrated in Figure 9.

⁵ There are some situations in which the ownership records for a QS account might not total to 100 percent. In these situations, the percentage owned could be determined based on each party's share of the total reported percentages.

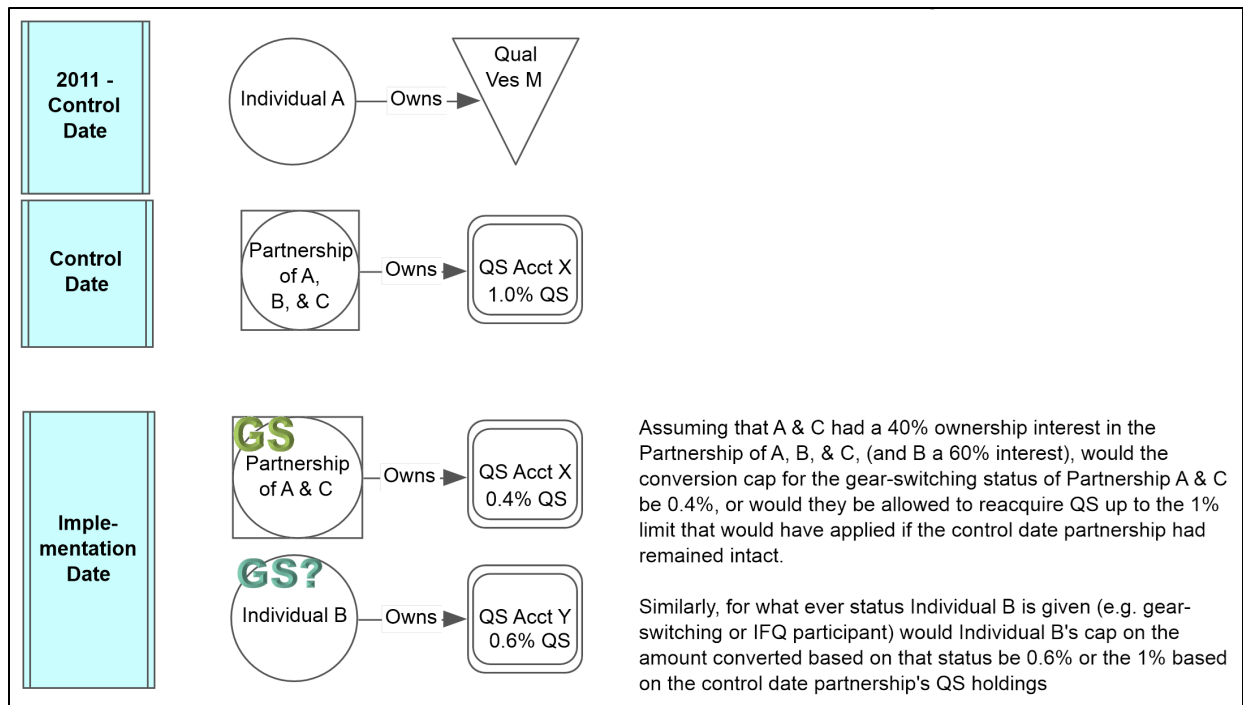


Figure 9. Schematic illustrating question: for the collective approach what is the QS conversion cap that would be applied to QS owners on implementation for situations in which an ownership group broke up after the control date (assuming the control date is the period used to determine membership groups for the purpose of assigning participation status)? (GS = qualifies as a gear switching participant)?

3.1.3(b) Potential Need to Adjust Control Limits and Vessel QP Limits

- The current 3.0 percent northern sablefish control limit should probably be adjusted.
- Adjustments might also be considered for the vessel QP limit.

With the creation of two different categories of QS, there is likely a need to modify the 3.0 percent northern sablefish QS control limit. With respect to the QS limit, if an entity currently owns 3.0 percent of the QS and that QS is converted entirely to any-gear QS, once the amount of any-gear QS is adjusted so that QS owner holdings total 90 percent, their share will be much larger. More specifically, using QP Allocation Split Option 1, given that after the initial steps the amount of any-gear QS will total to 29 percent ($29\% = 26.1\%$ (total amount of the QS in QSAs redesignated as any-gear QS) + 2.9% (AMP QS redesignated as any-gear)) then their share of that total would be 10.3 percent ($3\% \div 29\% = 10.3$). Similarly, someone who held 3.0 percent of the QS and had all their QS converted to trawl-only QS would end up with 4.2 percent of the trawl only QS after conversion and the adjustment step. Thus, one approach might be to set control caps to 10.3 percent for any-gear QS and 4.2 percent for trawl-only QS.

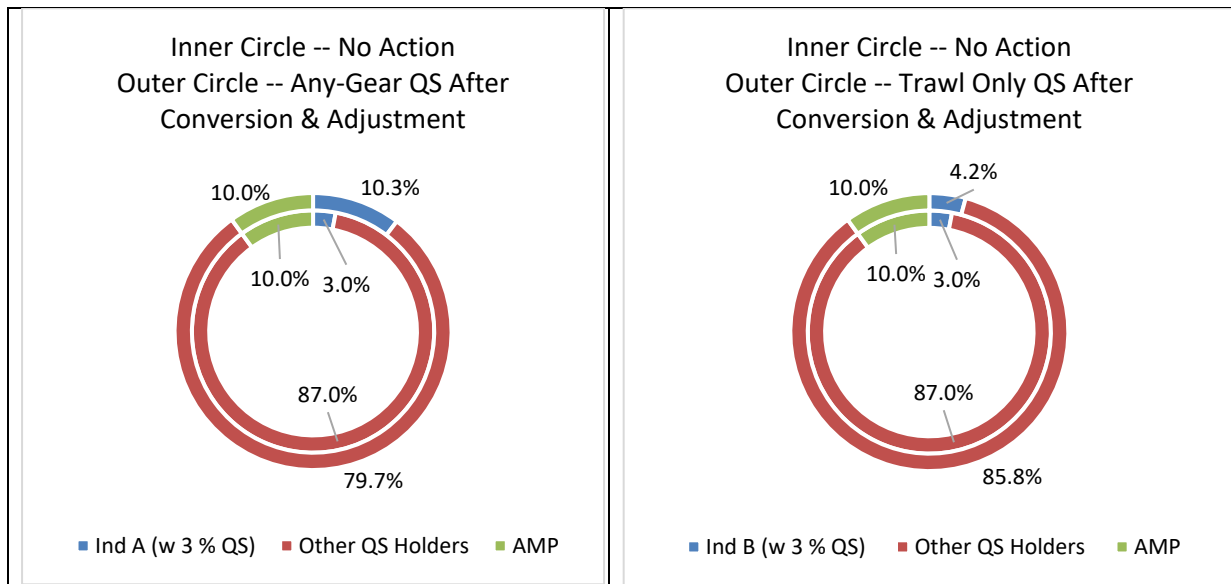


Figure 10. Effect of QS conversion on an individual with 3 percent of the QS assuming that the 3 percent is converted entirely to any-gear (left-hand side) or trawl-only (right-hand side).

A question would then arise as to whether an entity would also be able to control QS in amounts up to the QS control limit for trawl-only and any-gear (which would effectively double the northern sablefish QS control limit). As an alternative to what is outlined in the preceding paragraph, a weighting formula could be used such that the combined trawl-only and any-gear QS could not be above a certain amount. Again, assuming the QP Split Option 1 is selected, that formula might be: the amount of trawl-only QS times 0.71 plus the amount of any-gear QS times 0.29 cannot total to more than 3.0 percent. Using this approach an entity could control a maximum of either 4.2 percent of the trawl-only QS and none of the any-gear QS or 10.3 percent of the any-gear QP and none of the trawl-only QS. In either case, the total amount of northern sablefish QS that they control would be 3.0 percent. As another example, a person could control 2.1 percent of the trawl-only QS and 5.2 percent of the any-gear QS ($2.1\% \times 0.71 + 5.2\% \times 0.29 = 3.0\%$).

Similar approaches could be taken for the 4.5 percent northern sablefish vessel QP limit. Applying the 4.5 percent limits to the new types of sablefish north QP would effectively result in a reduction of the maximum amount of sablefish any single vessel would harvest. As was suggested for the QS limits, for vessel QP limits, separate new vessel limits could be determined for each type of QP; or the limit could be left at 4.5 percent and a weighting formula could be used for assessing the percentage of QP a vessel uses relative to that limit.

3.2 Gear-Switching Endorsement Alternative (Action Alternative 2)

Overview. In the area north of 36° N. lat., a vessel's gear-switching activity will be restricted to a standardized relatively low annual gear switching limit except for vessels fishing under trawl LEP with a gear switching endorsements. Vessel fishing under endorsed trawl LEPs will have higher limits individualized for each permit based on gear-switching history, QS ownership, or a mix of the two. The amount of sablefish north gear switching allowed will be larger for gear-switching endorsed permits than for non-endorsed trawl permits. Gear-switching endorsements will be attached to trawl LEPs and based on a permit or vessel meeting minimum qualification criteria that include gear switching history and, under some options, linkage between permit, QS and/or vessel ownership. The endorsement might or might not expire when the permit to which it is attached is transferred. If endorsements expire with permit transfer, the higher gear-switching limits associated with endorsed permits would eventually phase out and all vessels would be restricted to the lower-level gear-switching limit provided for vessels fishing trawl LEPs that do not have gear-switching endorsements.

Note on option numbering and relationships. There are separate sets of options for the qualification criteria (prefix Q) and endorsement limit options (prefix L). Within each of those sets, there is subset that applies if the qualification basis is permits (Q-P and L-P) or vessels (Q-V and L-V). Then, within each of those subsets, there are three options for a total of 12 options. If qualification is based on permits (i.e., Q-P option selected), then the limit options should also be based on permits (i.e., one of the L-P options should be selected). The same applies with respect to utilizing L-V options if Q-V options are selected. The numbers of the options do not need to be matched (e.g. Q-P1 can be selected along with L-P1, L-P2 or L-P3).

Table 5. Alternative 2 option numbering.

Qualification Options		Endorsement Limit Options Available	
Permit Based	Vessel Based	If a Permit Based Qualification Option is Selected	If Vessel Based Qualification Option is Selected
Q-P1	Q-V1	L-P1	L-V1
Q-P2	Q-V2	L-P2	L-V2
Q-P3	Q-V3	L-P3	L-V3

3.2.1 Full Description

Gear-Switching Endorsement and Qualification. Gear-switching endorsements will be attached to trawl LEPs and will not be severable from the permit. The gear-switching endorsement on a permit (or the absence of such an endorsement) will determine the northern sablefish gear-switching limit associated with the permit. There are two sets of similar options for Council consideration for qualifying for a gear switching endorsement: one based on permit history and the other based on vessel history.

Permit Qualifier Options:

To qualify for a gear-switching endorsement, between January 1, 2011 and September 15, 2017 (the control date), the trawl LEP must have landed northern sablefish IFQ with non-trawl gear totaling at least:

Endorsement Qualification Option Q-P1: 30,000 lbs per year in at least 3 years

Endorsement Qualification Option Q-P2: same as Option Q-P1 plus the permit owner **also owned northern sablefish quota shares** (any amount) on the control date.

Endorsement Qualification Option Q-P3: same as Option Q-P2 plus as of the control date the permit owner **also owned a trawl permitted vessel with some history of gear switching prior to the control date.**

Vessel Owner Qualifier Options:

A qualifying vessel owner will designate a single trawl LEP to carry the gear switching endorsement.

In order for a vessel owner to qualify for a gear-switching endorsement, between January 1, 2011 and September 15, 2017 (the control date), the owner's vessel must have landed northern sablefish IFQ with non-trawl gear totaling at least:

Endorsement Qualification Option Q-V1: 30,000 lbs per year in at least 3 years.

Endorsement Qualification Option Q-V2: same as Option Q-V1 plus the vessel owner **also owned northern sablefish quota shares** (any amount) on the control date.

Endorsement Qualification Option Q-V3: same as Option Q-V2 plus as of the control date the vessel owner **also owned a trawl LEP.**⁶

⁶ Note: There was no mention in the discussion of the motion that gear switching history would be required for the permit.

Sablefish Gear-Switching Limits.

Trawl permits with gear-switching endorsements. Whether the qualifying option selected above is based on the permit or the vessel owner determines the set of options from which the endorsement limit would be selected.

The gear switching limits apply to the QP used by the vessel while gear switching. The annual sablefish north gear-switching limit for a trawl LEP that receives a gear switching endorsement is:

If a Permit Qualifying Option is Selected—

Endorsement Limit Option L-P1: the average percentage of the sablefish north trawl QP allocation caught by the qualifying permit with fixed gear for years⁷ fished before the control date.

Endorsement Limit Option L-P2: the percentage of QS owned by the owner of a qualifying permit as of and since the control date, plus an additional amount which will be determined in two steps. First, calculate the difference between the aggregate amount of QS owned by all qualifying permit owners as of and since the control date and 29 percent. Second, allocate that difference among all qualifying permit owners proportionally to each permit's average of the sablefish north QP allocation caught by the permit with fixed gear for years fished before the control date.

Endorsement Limit Option L-P3: the percentage of sablefish north QS owned by the qualifying permit owner as of and since the control date

If a Vessel Owner Qualifying Option is Selected—

Endorsement Limit Option L-V1: the average percentage of the sablefish north trawl QP allocation caught by the qualifying vessel with fixed gear for years⁷ fished before the control date.

Endorsement Limit Option L-V2: the percentage of QS owned by the owner of a qualifying vessel as of and since the control date, plus an additional amount which will be determined in two steps. First, calculate the difference between the aggregate amount of QS owned by all qualifying vessel owners as of and since the control date and 29 percent. Second, allocate that difference among all qualifying vessel owners proportionally to each vessel's average of the sablefish north QP allocation caught by the vessel with fixed gear for years fished before the control date.

⁷ Including 2017 through the control date.

Endorsement Limit Option L-V3: the percentage of sablefish north QS owned by the qualifying vessel owner as of and since the control date

Trawl Permits Without a Gear-Switching Endorsement. The annual sablefish north gear-switching allowance for a trawl permitted vessel, except when fishing under a permit endorsed for gear switching, is 10,000 lbs.⁸

Gear-Switching Limits and Permit Transfers. For gear-switching endorsed trawl LEPs, the gear-switching limits are associated with the permit. If a permit is transferred midyear, fish caught using the permit and prior to the transfer still count against the permit's limit for the year.

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 gear switched QP landings).

Sequential Permit Registration.⁹ A vessel may sequentially fish under multiple gear-switching endorsed permits, catching all or a portion of the limit allowed under each permit.

Combination of Trawl Permits. Current management measures allow vessels to combine two permits to create a single permit with a larger vessel length endorsement. If trawl LEPs are combined and if there is a gear-switching endorsement on either permit, the permit resulting from the combination will have a gear-switching endorsement. If both of the combined permits have a gear-switching endorsement, then the larger of the two limits will be included on the resulting permit.

Gear-Switching Limit Overages.

When a vessel reaches the gear-switching limit (as determined by the trawl LEP registered to the vessel), it may retain and sell any sablefish caught in excess of the limit but may not deploy non-trawl gear on any trawl IFQ sector trips taken during the remainder of the year.¹⁰ The gear-switching limits are specified as limits on the maximum amount of sablefish QP that can be used to cover fish caught under the

⁸ This limit is *not* in addition any amount that might be taken under a gear-switching endorsed permits.

⁹ Permit Stacking and Joint Registration: As under status quo, this alternative does not allow trawl permit stacking (the registration of more than one trawl permit with a vessel at the same time). Similarly, as with status quo, joint registration of trawl and fixed gear permits continues to be permissible.

¹⁰ A vessel that reaches the sablefish gear-switching limit would not be able to gear switch on subsequent trips even if it was targeting non-sablefish species and the chance of sablefish bycatch is extremely low. It would be able to continue to fish with trawl gear and retain sablefish caught, up to the annual vessel limit.

IFQ Program with non-trawl gear.¹¹ All gear-switching overages must be covered by QP. Any QP a vessel uses for gear switching in excess of its gear-switching limit will reduce the following year's gear-switching limit for the permit by the amount of the excess QP used. This applies to the permit being used by the vessel at the time of the overage.

Suboption: Any QP a vessel uses for gear switching in excess of its gear-switching limit will not reduce the following year gear-switching limit on the permit used when the limit was exceeded (i.e., eliminate the last two sentences of the above paragraph).

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

Endorsement Expiration.

Expiration Option 1: Gear-switching endorsements will expire¹² when the permit is transferred to a different owner or a new owner is added to the existing permit ownership^{13, 14, 15} (ownership-based phase-down of gear switching).

Expiration Option 2: Gear-switching endorsements do not expire when the permit is transferred.

3.2.2 Interpretations

The following sections explain interpretations of the motion which are reflected in the above language on the alternatives. These interpretations of intent are within the scope of the language of the motion and were confirmed with the maker of the motion. Additionally, in some cases, observations are provided on some of the nuances of how the alternative would function. No further action is required on these issues unless Council members are in disagreement with the way the motion was interpreted.

¹¹ Sablefish gear-switching limits are evaluated after applying credits for discard survival. Therefore, they are actually limits on total QP used (sablefish discard mortality and landings) rather than of catch.

¹² Expire means the endorsement will be removed from the permit.

¹³ For purpose of this provision, a change in ownership will be considered 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 (using rules similar to those which apply to expiration of the owner-on-board exemption for the fixed gear permit system).

¹⁴ A change in the name or organizational structure (e.g. from partnership to LLC) of the permit will not be considered a change in ownership for the purposes of these provision unless the change also involves the addition of a new entity or individual to the underlying permit ownership.

¹⁵ The rule causing expiration of an endorsement with the addition of a new owner to the permit ownership interest, but not subtraction of an owner, would be similar to that which applies to expiration of the owner-on-board exemption for the limited entry fixed gear program. The intent is to allow, for example, a partner to leave the ownership or die without depriving the remaining owners of the opportunity provided. Addition of a new owner would be volitional on the part of the existing owners and could be used to effectively circumvent the intent of expiration-on-transfer provisions. Therefore, it is only addition of a new owner that would be considered the equivalent of a transfer that terminates the opportunity.

3.2.2(a) Endorsement Qualification Option Q-P3/Q-V3: Percent of Common Ownership Required

Where there is a requirement for common ownership, the percent of ownership required is not specified. Therefore, it was assumed that any common ownership is sufficient to meet the qualifying requirements.

This interpretation is needed only for Q-P3 and Q-V3, for which it is specified that some degree of common ownership between the permit and vessel is required but no specific amount of common ownership is specified.

For Options Q-P2 and Q-V2 an interpretation was not needed because the options specified that ownership of any amount of QS is adequate to meet the QS ownership criteria. This means that any degree of common ownership between a QS account and a permit (Q-P2) or vessel (Q-V2) meets that criterion for those options.

For Q-P1 and Q-V1, the permit or vessel qualifies, and a single endorsement is attached to the permit (or permit designated by the vessel owner)—there is no common ownership requirement.

3.2.2(b) Endorsement Qualification Options Q-P3/Q-V3: QS Ownership Requirement

The motion language that became Endorsement Qualification Options Q-P3/Q-V3 did not mention that the required QS ownership needed to be established as of the control date. However, because Options Q-P3/Q-V3 build off Options Q-P2/Q-V2, which do require QS ownership as of the control date, it was assumed that the motion language for Q-P3/Q-V3 was shorthand and that the intent was that the QS ownership referenced in Q-P3/Q-V3 was also intended to be QS owned as of the control date. This would also be consistent with other options referencing QS ownership within Alternative 2 as well as Alternative 1

3.2.2(c) Endorsement Qualification Options Q-P3/Q-V3: Difference in Gear Switching Requirements

For Qualification Option Q-P3, based on rationale provided with the motion, it is specified that the vessel a person must own on the control date is a trawl permitted vessel with some history of gear switching. However, for Option Q-V3 there is nothing specified about whether the trawl LEP a person must own must have a history of gear switching. The fact that the no gear switching history is required for the permit is not a specific concern but is highlighted here since it varies from what is required of the vessel.

3.2.2(d) Endorsement Limit Options L-P2/L-V2 History: Catch or Landings; Percentage or Pounds

In the motion, the calculation for assessing each permit's or vessel's harvest history varied between the options. Limit Options L-P1/L-V1 measure each permits/vessel's annual gear switched *catch* history as a *percentage* of the trawl allocation for that year. This is consistent with the SaMTAAC alternatives. In the motion, however, the text that became Limit Options L-P2/L-V2 referenced each permit's average annual gear switched *landings* in years fished with no reference to percentage. Therefore, it varied from L-P1/L-V1 both in terms of the fact that it used

landings instead of catch and did not use percentages. Given that a rationale for this difference was not spoken to, it was assumed that the difference was inadvertent.

3.2.2(e) Gear-Switching Limits and Permit Transfers: Status of Non-endorsed Trawl Permits

For the section entitled “Gear-Switching Limits and Permit Transfers: Status of Non-endorsed Trawl Permits”, the language of the motion maintained the original SaMTAAC language:

For both gear-switching endorsed and non-endorsed permits, the gear-switching limits are associated *with the permit*. . . . [emphasis added]

However, the previous section (“Trawl Permits Without a Gear-Switching Endorsement”) modified the SaMTAAC language with respect to non-endorsed permits such that the limit would be associated with the vessel:

The annual sablefish north gear-switching allowance for a *trawl permitted*¹⁶ vessel, except when fishing under a permit not endorsed for gear switching, is 10,000 lbs.... [emphasis added]

This change indicates that the limit is associated with the vessel rather than the permit. Additionally, the subsequent section removes language intended to address the possibility that a vessel might circumvent the gear switching limit by sequentially registering non-endorsed permits and harvesting the non-endorsed limit for each permit. To create consistency between the sections, reference to non-endorsed permits was removed from the “Gear-Switching Limits and Permit Transfers” section so that it now reads

For gear-switching endorsed permits, the gear-switching limits are associated with the permit. . . .

3.2.3 Other Matters for Council Consideration

The following sections identify issues that the Council should consider in completing the specification of this alternative.

3.2.3(a) Qualification Options Q-P2/Q-P3 and Q-V2/Q-V3: Potential Number of Qualifiers to Increase by New Group Formation

Under Qualification Options Q-P2/Q-V2 and Q-P3/Q-V3, an entity is required to have ownership in a qualifying permit (Options Q-P2/Q-P3) or vessel (Options Q-V2/Q-V3) as of the time of implementation (qualifying permits and vessels are those that have adequate gear-switching history under Options Q-P1 or Q-V1). That permit or vessel can be acquired at any time up to the time of implementation. However, under the second and third options for qualification (Options Q-P2/Q-V2 and Q-P3/Q-V3), as of the control date, an entity with a qualifying vessel

¹⁶ Note: the word “permitted” was not in the motion but was added to clarify that these provisions apply to trawl vessels that have limited entry trawl permits and not, for example, shrimp trawl vessels that do not have such permits.

or permit must also have owned QS. Additionally, under the third option in each set, as of the control date, the entity would also have to own a vessel with gear switching history (Option Q-P3) or trawl LEP (Option Q-V3). On the one hand, these are additional requirements that might reduce the number of qualifiers as compared to the first option of each set (Options Q-P1 and Q-V1). On the other hand, it might be possible for entities that own the assets required as of the control date to subsequently join in ownership of a qualifying gear switching permit or vessel that did not own the assets required to be owned on the control date and thereby qualify the owners of that permit or vessel for an endorsement.

For example, consider Option Q-V3 and the scenario illustrated on the left-hand side of Figure 11. Partnership 1 owns a qualifying vessel at the time of implementation but did not own the QS and trawl LEP required as of the control date. However, Individual A did own QS and a trawl LEP as of the control date. Unless the ownership groups on the control date must perfectly match the ownership groups at the time of implementation (or some other restriction is devised), then Individual A could join with Partnership 1 prior to implementation, forming Partnership 1+A (illustrated on the right-hand side of Figure 11) and the Partnership 1+A would qualify for an endorsement. In fact, Individual A could join a number of such partnerships (or other ownership groups) not meeting the control date ownership requirements and qualify each of them for a gear switching endorsement to be placed on the permit of their choice.

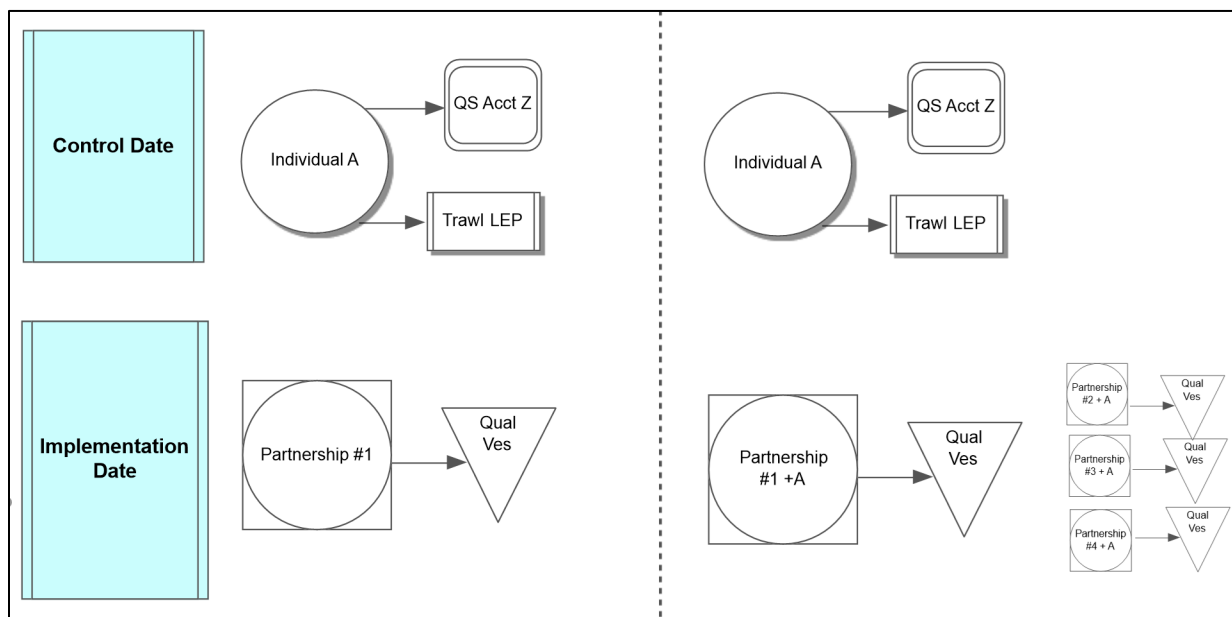


Figure 11. Schematic illustrating how one individual that meets control date related criteria might join with others by the time of implementation in order to qualify a partnership with a vessel that has sufficient qualifying landings for an endorsement (under Option Q-V3).

3.2.3(b) Endorsement Limit Options L-P1/L-V1 and L-P2/L-V2: Effects of Partial Year (2017)

The specification of the endorsement limit options that take into account the average percentage of the trawl allocation gear switched for years fished, include 2017 up through the September 15 control date. Inclusion of this partial year may reduce a qualifier's annual average if they fished after that date in 2017. One approach might be to specify that 2017 be dropped from the average

for situations where a person fished after September 15, 2017 and the exclusion of catch occurring after that date reduces their annual average. Such an approach adds some complexity and there might be other approaches to consider, including leaving the options as they are.

**3.2.3(c) Endorsement Limit Options L-P2/L-V2 and L-P3/L-V3:
QS Percent vs. Percent of QP and Annual Vessel QP Limit**

- Should the specification of gear switching limits be adjusted to take into account the QP that QS owns currently received from the AMP pass through?
- Should a provision be added to specify that nothing in these alternatives is intended to allow a gear switching endorsement to exceed the annual vessel QP limit?

There is a difference between the percent of QS a person holds and the percent of total QP a person receives, due to the additional AMP QP distributed to QS owners. Setting the limit for an endorsed permit or vessel as the amount of QS owned (as written in the alternative language) will result in limits that are less than the amount of QP the QS owner typically receives. Ten percent of the QS set aside for AMP is passed through to QS owners. Therefore, a person owning 1 percent of the QS receives 1 percent of the entire trawl allocation plus about 1 percent of the 10 percent pass through, i.e., about 1.1 percent of the QP allocation.¹⁷ If the Council's intent is to ensure that a QS owner that gear switches is able to gear-switch all of its QP for the QS it owns, the limit should be set to the percent of QP (including AMP distributions) equivalent to the QS owned (i.e. about 1.1 times their QS percentage).

Depending on the rules for determining the amount of QS a qualifying entity gets credit for in determining an endorsement limit under Options L-P2, LP3, L-V2, or LV3 (e.g. whether a qualifying entity gets credit for all the QS in an account even if they are only part owners of the account), a one-to-many relationship between a qualifying vessel or permit and QS accounts might allow a single permit to receive a gear switching limit that is greater than the annual vessel QP limit. While it is uncertain whether such situations are currently present, ownership changes prior to implementation could lead to this kind of a result (as discussed in the next section). If the Council does not want to allow this, as a safeguard a statement might be added to the effect that: "Nothing in these provisions should be construed or implemented in a fashion that allows the gear switching endorsement limit to exceed the annual vessel QP limit."

**3.2.3(d) Endorsement Limit Options L-P2/L-V2 and L-P3/L-V3:
Degree of Credit for QS Ownership.**

For determining endorsement limits that are based at least in part on QS ownership (Options L-P2/L-V2 and L-P3/L-V3) should the an entity receive credit only for that portion of the QS in the account that reflects their share of ownership interest in the account (similar to the individual approach described for Alternative 1) or should they receive credit for all the QS in an account that they partially own (similar to the collective approach described for Alternative 1).

¹⁷ The actual amounts are slightly greater than 1.1 percent because only 90 percent of the QS was distributed in the initial allocation. So, after QP for the 10 percent of QS held back for AMP is distributed to the 90 percent, 1 percent then remains undistributed. After that 1 percent is distributed to the 90 percent, then 0.1 percent remains undistributed, and so on. So the actual amount of QP a person with 1 percent of the QS receives is about 1.1111.... percent.

3.2.3(e) Endorsement Limit Options L-P2/L-V2 and L-P3/L-V3: One to Many and Many to Many Relationships

- Some additional guidance is needed for situations in which
 1. the owner(s) of a single qualifying vessel or LEP owns several QS accounts,
 2. the owner(s) of multiple qualifying vessels or LEPs owns a single QS account, and
 3. several ownership entities own multiple qualifying vessels or LEPs and multiple QS accounts but shares of ownership amongst assets vary.

These situations either do or could come into existence by the time of implementation.

The amount of QS owned as of and since the control date by a qualifying permit or vessel owner is used in the second and third endorsement limit options to determine the limit for the permit to which the gear switching endorsement is assigned. However, in these situations rules may be needed to determine how to distribute the endorsement limits among permits where there are multiple relationships between permits and accounts.

1. Where one entity owns a qualifying permit or vessel and multiple QS accounts, this could be handled in a straightforward manor by simply summing the QS across QS accounts (left hand side of Figure 12). However, if an entity is only the partial owner of a particular QS account, then the QS used to determine the endorsement limit might be based on the entity's share of ownership of the QS account (see Section 3.2.3(d) for related discussion on situations where a single entity is only the partial owner of a single account). Using this approach, on the right-hand side of Figure 12, only 25 percent of the QS in Account X would count toward the gear switching limit for Individual A's qualifying permit. Another approach for situations where a particular QS account is only partially owned by the qualifying entity could be to use all the QS in the partially owned account to determine the gear switching limit. For example, if Individual B, on the right-hand side of Figure 12, does not qualify for a gear switching endorsement, all of the QS in QS Account X (partially owned by Individual A) plus the QS in QS Account Y (100 percent owned by Individual A) might be used to determine the gear switching limit for Individual A's permit (similar to the collective approach described for Alternative 1). This could address situations like that of a couple where one member of a couple is listed as part owner of the QS but not on the ownership of the qualifying permit or vessel. However, it could also allow much higher gear switching limits as some individuals are part owners of multiple accounts which in aggregate total in excess of 3 percent even though individual's can't control more than 3 percent across the accounts, based on their share of ownership of each account.

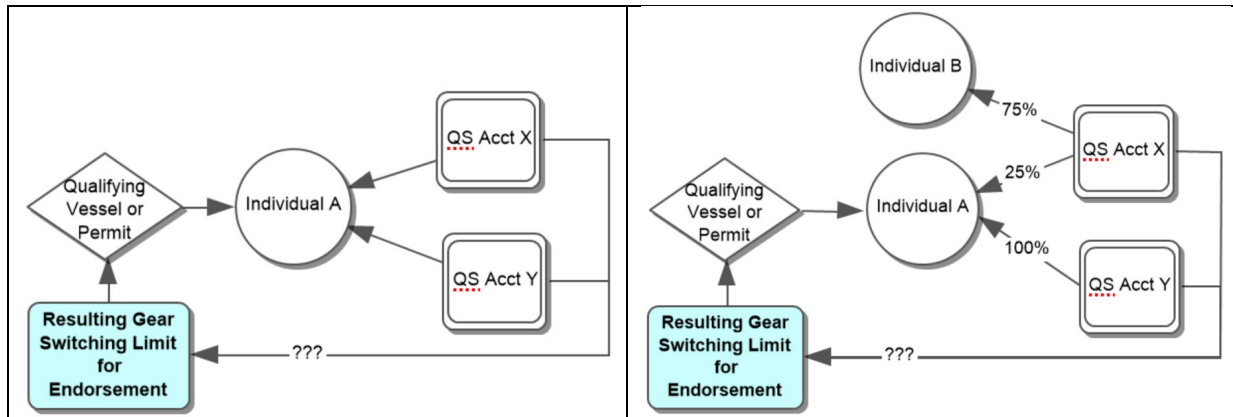


Figure 12. Determination of gear switch limits for situations where a single individual owns multiple QS accounts.

2. Strictly interpreted, the language of the current alternative could “double count” QS accounts: an entity (an individual or group of individuals) that has one QS account and two qualified permits or vessels might be provided with a gear switching limit for each qualified permit or vessel based on the all the QS over which they have an ownership interest (left-hand side of Figure 13). In the example illustrated on the left hand side of Figure 13, if the amount of QS in Account Y was 1 percent, then both qualifying permits could receive a 1 percent gear-switching limit (under Options L-P3 or L-V3). Alternatively, in such situations, the credit toward the gear switching limit that is based on the amount of QS held might be split among permits. QS owners could be given a choice on how the QS-based credit is split among permits. The same type of choice might be provided in situations where a partnership shares ownership of a qualifying vessel or permit but each owner has their own QS accounts. In the example provided in the right-hand side of Figure 13, where Individual A owns only a 50 percent share in the qualifying Permit or Vessel L, they could be given the choice of how much of their QS in Account Y is used to determine the limit for Permit or Vessel L and how much for Permit or Vessel M. .

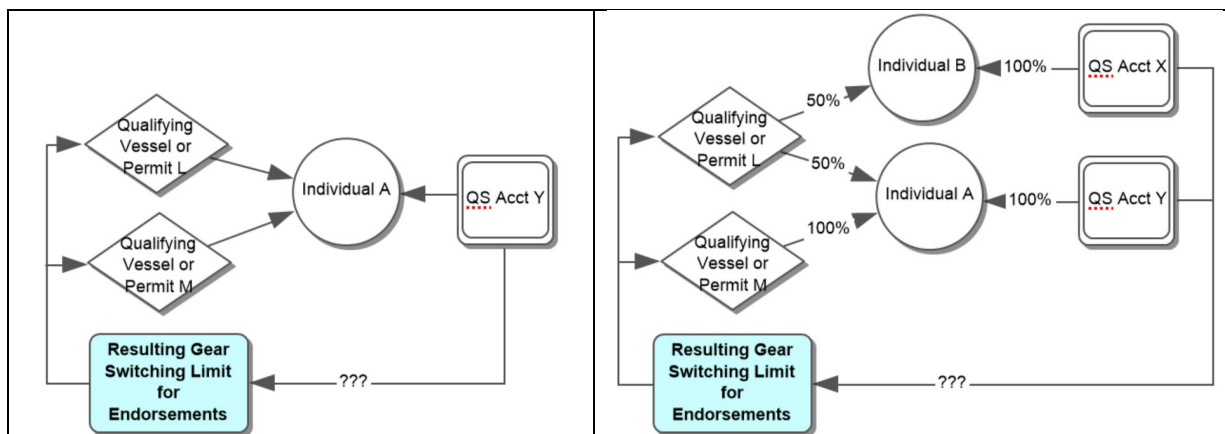


Figure 13. Determination of gear switch limits for situations where one entity owns multiple qualifying permits or vessels and a single QS account.

3. The final scenario provided here is that in which individuals share in the ownership of both vessels and QS accounts. In this circumstance, it might be that the individuals would have to jointly direct NMFS on how to distribute the resulting gears switching limits among the endorsed permits. In the example provided in Figure 14, Individual A might be able to direct the gear switching limit associated with QS account X to whichever permit they desired, but for the other QS accounts (Y and Z), Individual's A and B would have to come to a joint agreement. Alternatively, rules for distribution could be established and NMFS information (some of which might have to be gathered at the time of implementation) on shares of ownership of QS accounts combined with other records related to shares of ownership of qualifying permits or vessels could be used as the default basis for distributing the gear switching limits among qualifying permits or vessels.

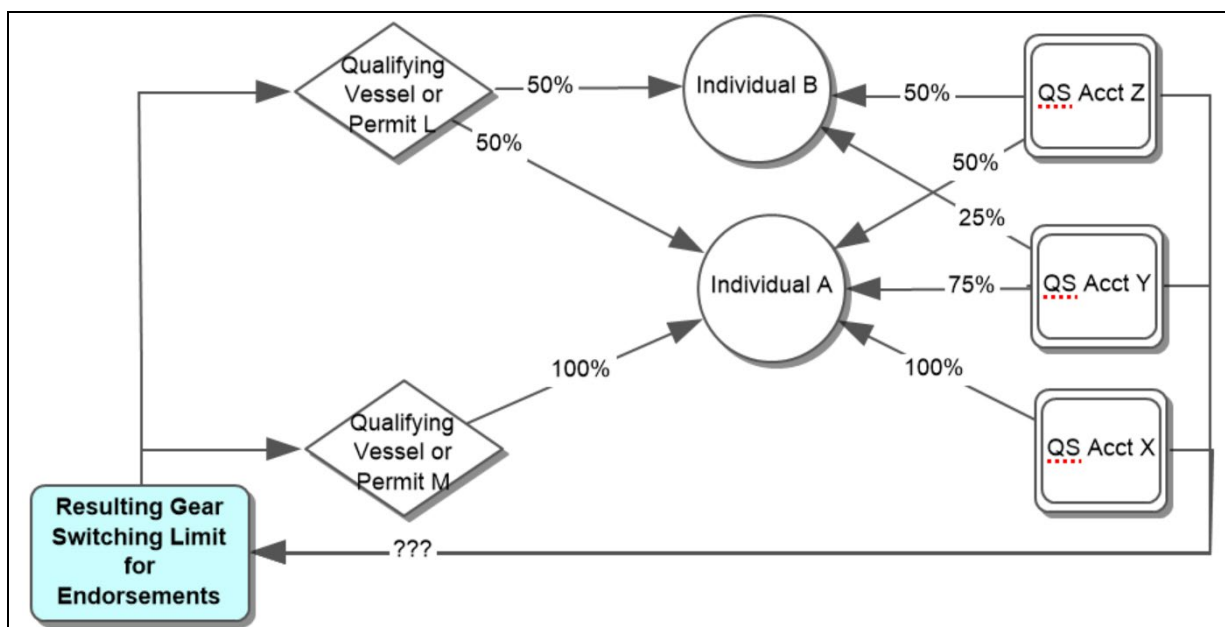


Figure 14. Determination of gear switch limits for situations where individuals share in both the ownership of vessels and QS accounts.

3.2.3(f) Trawl Vessels Without a Gear-Switching Endorsed Permit

- Should an adjustment to the gear switching limit for non-endorsed permits be specified for when ACLs change?

If ACLs decline substantially (e.g., if sablefish is declared overfished), it could be that the poundage based gear switching limit provided for trawl vessels without a gear switching endorsed permit could exceed the limit for vessels with such endorsements. The following is the current language in the alternative.

The annual sablefish north gear-switching allowance for a trawl permitted vessel, except when fishing under a permit endorsed for gear switching, is 10,000 lbs.

The Council might therefore want to consider whether some percentage based language is warranted, such as “the lesser of x percent or 10,000 lbs.” A 10,000 pound amount would be 0.17 percent of the 2020 trawl allocation and 0.14 percent of the 2021 trawl allocation.

4.0 MISCELLANEOUS NOTES RELATED TO BOTH ALTERNATIVES 1 AND 2

4.1 Difference in Application of QS Ownership as of Control Date

Council members should be aware of a difference between Alternatives 1 and 2 with respect to how evaluation of QS owned as of the control date is applied. For Alternative 1, QS is evaluated as of the control date to determine a maximum amount (percentage) of QS that will be converted to any gear or trawl only based on the formula that applies for the QS owner’s participation category. Between the control date and the date of implementation, the owner could divest of their QS in its entirety, then reacquire QS up to the amount held on the control date and still have that QS converted based on the owner’s participation category. Amounts over the amount owned on the control date would not qualify for conversion based on the owner’s participation category. In contrast, under the Alternative 2 Limit Options L-P2/L-V2 and L-P3/L-V3, if an owner divested themselves of QS after the control date, their new lower level of QS would determine the limit level they receive on implementation. They would not be able to buy back up to the amount they held on the control date and receive a limit based on that higher amount. This is similar to the approach that had been specified in SaMTAAC Alternative 3.

4.2 Consideration of Current Participations

As the Council moves forward with further specification of range of alternatives, it may want to address the issue of taking into account current participation—limited access programs are required to consider current/present participation under the Magnuson-Stevens Act. Both alternatives include options that might make entry and exit decisions more challenging while the program is under development and before implementation because they involve criteria which can only be met in the past (e.g., owning a vessel that gear switched prior to the control date or owning QS as of the control date). For the original license limitation program, the limited entry fixed gear sablefish endorsement and tiered permit system, and for the trawl catch share programs, all allocations went to the owners of the asset at the time of implementation. This allowed for entry and exit between the control date and the sometimes-long period between the

control date and implementation. When programs were challenged in court, the approach of allocating based on ownership at time of implementation was used to demonstrate consideration of current participation (e.g., allocating limited entry permits to the owners of the vessels in 1993 rather than the owners of the vessels when qualification criteria were met in 1984-1988). If an action alternative is adopted, it may be helpful for the Council members to have additional discussion how it considered current/present participation and reached the balance reflected in its final decision (if an action alternative is selected).

5.0 SEPTEMBER 2021 COUNCIL MOTIONS ON GEAR SWITCHING (AGENDA ITEM C.5)

1st Motion

I move that the following be added to the range of alternatives for analysis as the gear-based quota share alternative:

Creation of trawl-only Quota Share (QS): NMFS will create a new management unit from the existing Sablefish North IFQ management unit that will only be eligible to be fished by trawl gears. The existing IFQ management unit will continue to be eligible to be fished with any legal gear. For ease of reference, the resulting QS units are referred to as “trawl only” and “any gear.”

Split of the Sablefish North trawl allocation: After conversion both would be adjusted so that the total pool of QS for each is 90 percent (and 10 percent to the Adaptive Management Program). The QS conversion will achieve the Council’s specified split between the two QS types and then each will receive the specified percentage or amount of the trawl allocation of Sablefish North annually. The two options for analysis include:

- Option 1: 71% of the trawl allocation will go to trawl only QS and 29% any gear.
- Option 2: The any gear QS will receive the smaller of 29% of the trawl allocation or 1.8 million lbs with the trawl only QS receiving the remainder.

Procedure for converting QS holdings: NMFS will evaluate owners of Sablefish North QS against the fixed gear and IFQ participation criteria and then convert the QS using the following steps:

1. QS acquired by owners after the control date and in excess of what they held on the control date will be converted to trawl only QS.
2. QS owners that do not meet the fixed gear or IFQ participation criteria will have 100% of their QS converted to trawl only.
3. QS owners meeting the fixed gear participation criteria will have 0% of their QS converted to trawl only QS up to the QS they owned on the control date. QS acquired after the control date will be converted to trawl only QS.
4. QS owners meeting the IFQ participation criteria will have their QS converted at the rate that achieves the Council’s recommended allocation between the two QS units.

Participation Criteria: the criteria focus on QS owners with ownership tracked by the QS Permit. The term “vessel” refers to a vessel owned in full or part by the QS owner. Vessel ownership and fishing activity are evaluated based on the Vessel Account. And the term “fished” refers to landings of Sablefish North QP and activity that qualifies under the control date unless otherwise stated.

Fixed gear participation criteria options for analysis:

- Option 1: The vessel fished with fixed gear.
- Option 2: The vessel fished at least 30,000 QP in each of three or more years with fixed gear.

IFQ participation criteria options for analysis:

- Option 1: All Sablefish North QS owners not meeting the fixed gear participation criteria and irrespective of vessel ownership and fishing activity.
- Option 2: The vessel fished QP with bottom trawl gear in any of the two years prior to the year of QS conversion.

Moved by Corey Niles
Seconded by Phil Anderson
Motion carries
Marci Yaremko voted no

2nd Motion

I move the Council include the following alternatives in the range adopted for further analysis and review:

No Action Alternative

Gear-Switching Endorsement Alternative (Action Alternative 2)

Overview. In the area north of 36° N. lat., a vessel's gear-switching activity will be restricted based on limits applied to its trawl limited entry permit and the size of the limit will depend on whether or not the permit has a gear-switching endorsement. The amount of sablefish gear switching allowed will be larger for gear-switching endorsed permits than for non-endorsed trawl permits. Gear-switching endorsements will be attached to permits ~~that have~~ **and based on a permit or vessel meeting a history of gear switching that meet** minimum qualification criteria **that include gear switching history and, under some options, linkage between permit, quota share and, or vessel ownership.** The endorsement might or might not expire when the permit to which it is attached is transferred. If endorsements expire with permit transfer, the higher gear-switching limits would eventually phase out and all vessels would be restricted to the lower level gear-switching limit provided for permits without gear-switching endorsements.

Full Description

Gear-Switching Endorsement and Qualification. Gear-switching endorsements will be attached to trawl limited entry permits and will not be severable from the permit. The gear-switching endorsement on a permit (or the absence of such an endorsement) will determine the northern sablefish gear-switching limit associated with the permit.

To qualify for a gear-switching endorsement, between January 1, 2011 and September 15, 2017 (the control date) the limited entry trawl permit **(Option for further analysis: or VESSEL)** must have landed northern sablefish IFQ with fixed gear totaling at least:

Endorsement Qualification Option 1: 10,000 lbs per year in at least 3 years
~~Recent Participation Sub-Option: and participated in at least one year from 2016 through 2018.~~

Endorsement Qualification Option 2 1: **permit (option for vessel) has** 30,000 lbs per year in at least 3 years

~~Recent Participation Suboption: And participated in at least one year from 2016 through 2018.~~

Endorsement Qualification Option 3: 30,000 lbs per year in at least 3 years
~~and participated in at least one year from 2016 through 2018;~~

or caught 90,000 lbs of northern sablefish cumulatively across three years from 2014 to 2018, with at least one gear switched landing in each of the three years.

(NEW) Endorsement Qualification Option 2: permit (option for vessel) has 30,000 lbs per year in at least 3 years, AND quota share ownership (any amount) on the control date by the permit owner (option for vessel owner)

(NEW) Endorsement Qualification Option 3: permit (option for vessel) has 30,000 lbs per year in at least 3 years, AND quota share ownership (any amount) AND vessel ownership on the control date by the permit owner (for vessel owner option: “AND permit ownership on the control date by the vessel owner

IF VESSEL used as the qualifying entity, then at implementation, the vessel owner designates a LE trawl permit to carry the gear switching endorsement.

Sablefish Gear-Switching Limits.

Trawl permits with gear-switching endorsements. The annual sablefish north gear-switching limit for a gear-switching endorsed permits is:

Endorsement Limit Option 1: for each qualifying permit (option for vessel), the average percentage of the sablefish north trawl allocation caught with fixed gear for years fished between 2011 and the control date.

Endorsement Limit Option 2: the standard northern sablefish vessel QP limit (the current limit is 4.5 percent but this could change in the future).

(NEW) Endorsement Limit Option 2: Each qualifying permit owner (option for vessel) receives a gear switching limit equivalent to the percentage of quota share owned as of and since the control date; in addition, the difference between the amount thereby allocated and 29 percent will be allocated among all qualifying permits (option for vessel) proportionally to each permit’s (option for vessel) average annual gear switched landings (or the qualifying vessels landings) in years fished in the trawl IFQ program before the control date. This additional allocation will be operationalized as an addition to the permit specific limits (option for vessel).

(NEW) Endorsement Limit Option 3: the percent of sablefish north QS owned by the qualifying permit owner (option for vessel owner) as of and since the control date

Trawl permits without gear-switching endorsement. The annual sablefish north gear-switching allowance for a trawl vessel except when fishing under a permit not endorsed for gear switching is 10,000 lbs. 0.5 percent of the sablefish north trawl allocation.

Gear-Switching Limits and Permit Transfers. For both gear-switching endorsed and non-endorsed permits, the gear-switching limits are associated with the permit. If a permit is transferred midyear, fish caught prior to the transfer still count against the permit's limit for the year.

~~**Sequential Permit Registration.** A vessel gear switching under non-gear switch endorsed permits (non-endorsed permit) may not exceed the 0.5 percent/year gear-switching limit by sequentially registering different non-endorsed permits during the same year. A vessel gear switching under a gear-switching endorsed permit may not increase its gear-switching limit beyond that allowed under the endorsed permit by sequentially registering a non-endorsed permit during the same year.~~ FOR FURTHER DELIBERATION: Should a vessel be able to expand its gear-switching opportunity by sequentially fishing under multiple gear-switching endorsed permits? **Yes**

Combination of Trawl Permits. Current management measures allow vessels to combine to permits to create a single permit with a larger vessel length endorsement. If trawl permits are combined and if there is a gear-switching endorsement on either permit, the permit resulting from the combination will have a gear-switching endorsement. If both of the combined permits have a gear-switching endorsement, then the larger of the two limits will be included on the resulting permit.

Gear-Switching Limit Overages.

When a vessel reaches the gear-switching limit (as determined by the permit registered to the vessel), it may retain and sell any sablefish caught in excess of the limit but may not deploy non-trawl gear on any trawl IFQ sector trips taken during the remainder of the year. The gear-switching limits are specified as limits on the maximum amount of sablefish QP that can be used to cover fish caught under the IFQ Program with non-trawl gear. All gear-switching overages must be covered by QP. Any QP a vessel uses for gear switching in excess of its gear-switching limit will reduce the following year gear-switching limit for its permit by the amount of the excess QP used. This applies to the permit being used by the vessel at the time of the overage.

Suboption: Any QP a vessel uses for gear switching in excess of its gear-switching limit will not reduce the following year gear-switching limit (i.e. eliminate the last two sentences of the above paragraph).

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 QP landings).

Endorsement Expiration.

Expiration Option 1: Gear-switching endorsements will expire when the permit is transferred to a different owner or a new owner is added to the existing permit ownership (ownership-based phase-down of gear switching).

Expiration Option 2: Gear-switching endorsements do not expire when the permit is transferred.

Moved by Maggie Sommer

Seconded by Bob Dooley

Motion carries

Marci Yaremko voted no