

GEAR SWITCHING- PRELIMINARY PREFERRED ALTERNATIVE

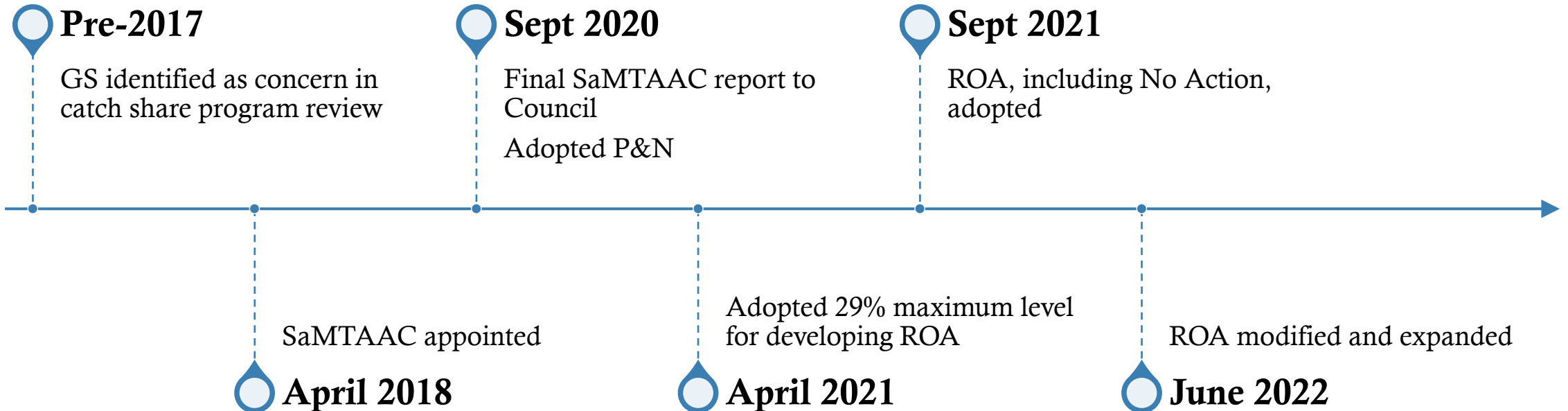
Agenda Item H.3.

November 2022

BRIEFING BOOK MATERIALS

- Attachment 1: Range of Alternatives
- Attachment 2: Gear Switching Alternatives and Option List
- Attachment 3: Initial Analysis of the Gear Switching Alternatives
- NMFS Report 1: NMFS Report on Implementation of Alternatives
- Supplemental NMFS Report 2: On Gear Switching Alternatives And Options Workload
- Supplemental GAP, GMT, EC Reports
- Public comment

QUICK REVIEW OF HISTORY OF DELIBERATIONS



COUNCIL ACTION

1. Review new Alternative 2 and provide guidance, as needed
2. Review the analysis of individual vs. collective approach and provide guidance, as needed.
3. Select PPA
4. Eliminate options that are not viable, if possible.
5. Provide other guidance, as needed.

PRESENTATION

- Analysis of Problem
 - Trawl Attainment History
 - Under Attainment Causes
 - Gear Switching – History
 - Gear Switching – Future Fluctuation
- Overview of Alternatives
 - Focus on Alternative 2
 - Individual v. Collective
- Initial Analysis of Impacts
 - “Performance” of Action Alternatives
 - Overall Fishery Impacts

ANALYSIS OF THE PROBLEM

TRAWL ATTAINMENT HISTORY

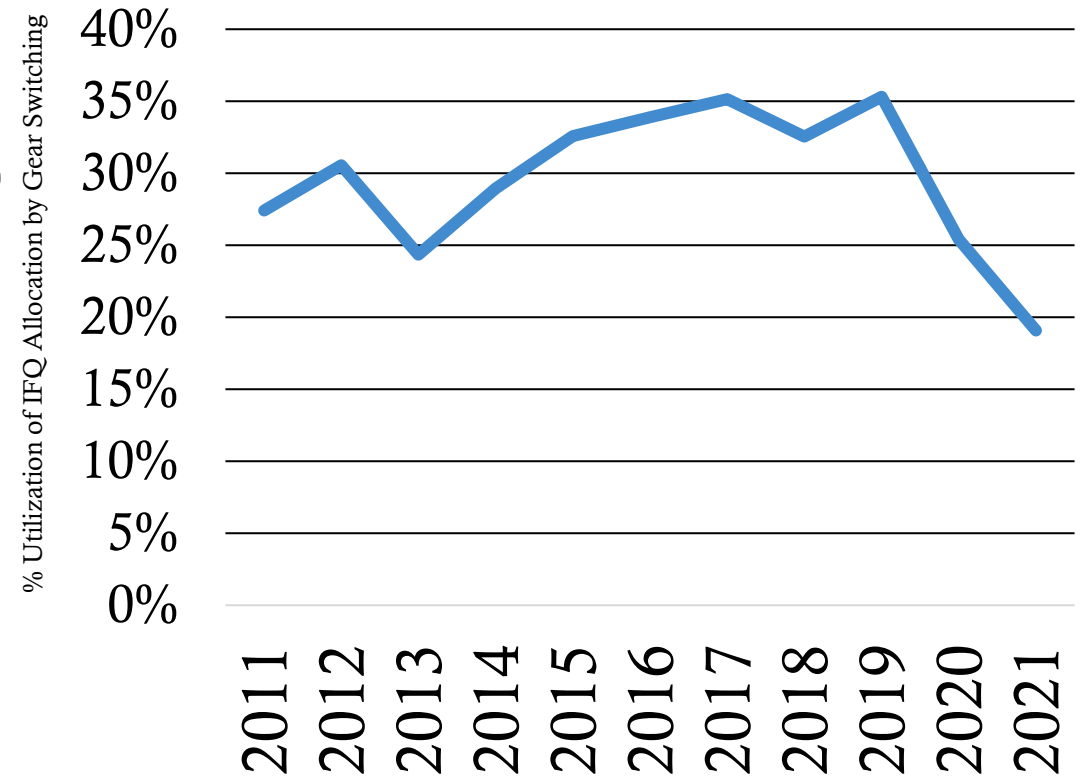
- Prior to IFQ Program – Difficult to Assess
 - Dover sole and lingcod – downward trend, continued with catch shares (1995-2015)
 - Dover sole and thornyheads – down (2009-2015)
- During IFQ Program
 - More fully attained: whiting, Petrale, sablefish (N), widow, yellowtail
 - Most species well under 50% attainment
- Predominant concern: Dover sole attainment
 - Attainment declined from around 80% to 20% during IFQ era (ACL increases)
 - Harvest declined from around 20 million lbs to about 15 million lbs

CAUSES OF TRAWL UNDER ATTAINMENT

- Vessel participation – (3.3.1)
- Markets – (3.3.2)
- Infrastructure – (3.3.3)
- Program design -- QS control limits – (3.3.4)
- Sablefish QP availability (gear switching) – (3.3.5)

HISTORY OF GEAR SWITCHING

- Virtually all sablefish
- Percent of allocation (around 20% - 35%)
- Number of Vessels/Permits (2011-2021)
 - 42 total vessels/permits
 - Avg = 14 per year



FACTORS THAT MIGHT ALTER FUTURE LEVELS OF GEAR SWITCHING

- Normal variation (3.4.1)
- Biomass & Mgmt. changes (3.4.2)
- Future exvessel prices, QP prices, & fishing costs (3.4.3).
- Opportunities in other fisheries (3.4.4)
- Latent or inactive trawl LEPs (3.4.5)
- Gear-switcher acquisition of QS (3.4.6)

OVERVIEW OF ALTERNATIVES

THE ALTERNATIVES

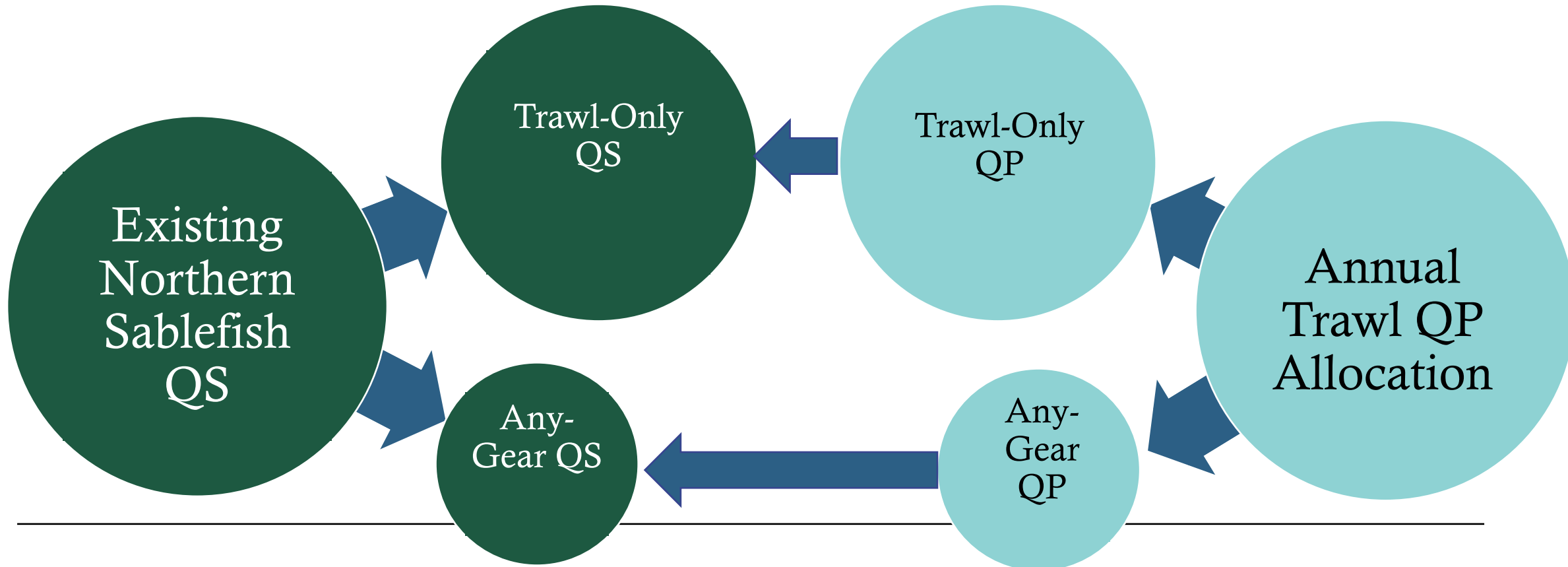
- No Action
- Action Alternatives
 - Alt 1 – Gear Specific QS
 - Alt 2 – Gear Specific QP (*developed based June 2022 Council direction*)
 - Alt 3 – GS Endorsement (Permit Qualifier)
 - Alt 4 – GS Endorsement (Vessel Qualifier)

ALTERNATIVE 1: GEAR SPECIFIC QS

Implementation (QS Conversion) & Annual QP Issuance

One-Time QS Conversion

ANNUALLY ISSUED QP

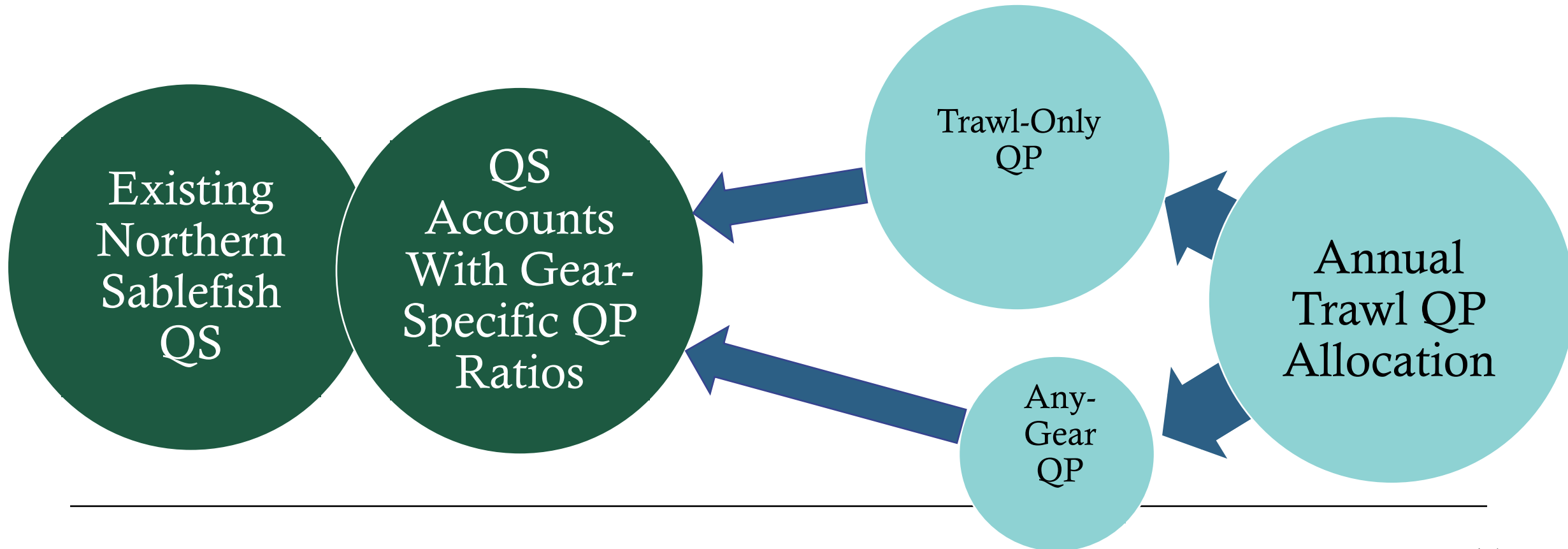


ALTERNATIVE 2: GEAR SPECIFIC QP

Implementation (QS Account Designations) & Annual QP Issuance

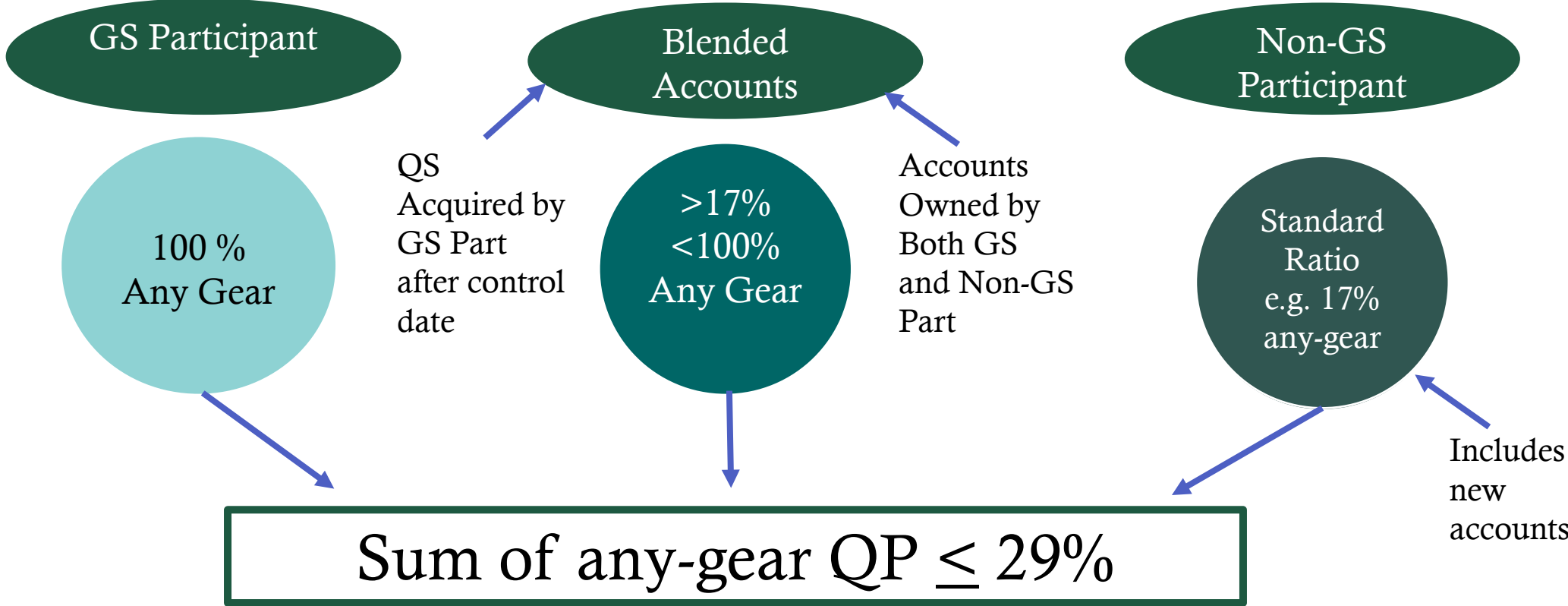
One-Time QS Account Designations

ANNUALLY ISSUED QP



Alternative 2: Quota Share Account Ratios

QS Accounts With Gear-Specific QP Ratios



Alternative 2: Interpretation & Choices

- Assumed that attrition was not desired—
 - history based ratios expire with QSA expiration.
- Two related Options
 - Expiration of QS Accounts Connection to Gear-switching History (p. 18)
 - Addition of a new owner
 - Expired QS Account Replacement (p. 18)
 - Allow accounts to be replaced as long as new owners are not added
 - Correction needed: delete “is identical or”

Alternative 1 & 2: QP Split Options

- QS Split Option 1:

29 percent any-gear QP and 71 percent trawl-only QP

- QS Split Option 2:

the lesser of 29 percent or 1.8 million lbs

Presentation: Option 1 used as the example

ALTERNATIVES 3 AND 4: GEAR SWITCHING ENDORSEMENTS



Endorsed Permits
Individualized Permit-Specific Annual Gear Switching Limits



Vessels Fishing With Non-Endorsed Permits
Standardized Annual Gear Switching Limit

Minor addition:

“under no circumstances will the endorsement limit be set above the annual vessel QP limit” (p. 25)

INDIVIDUAL VERSUS COLLECTIVE

- June 2022: Recommended individual approach, but wanted further analysis on impacts
- For group ownership situations → Evaluate each individual for qualification
 - Individual Approach: Apply result only to the individual and their share of ownership interest
 - Collective Approach: Apply result to the entire group and the group's ownership
- Collective Approach (Compared to Individual)
 - Alts 1 & 2: 3-7 QSAs up to 1.9% percentage points distributed among QSAs
 - Alt 3 & 4: 1 permit endorsement a slightly higher limit

INITIAL ANALYSIS OF IMPACTS

FRAMING THE IMPACT ANALYSIS

- Performance of the Action Alternatives
 - Regulatory Changes
 - Number of Qualifiers
 - Gear switching levels
- Overall Fishery Impacts
 - Trawl attainment under scenarios
 - QP Sellers (QP Prices)

PERFORMANCE OF ACTION ALTERNATIVES



29 PERCENT MAXIMUM

Is Maximum
Attainable?

- Alts 1 & 2 Yes
 - Option for smaller %
- Alts 3 & 4: Maybe
 - Depends on options

Is it Likely?

- Alts 1 & 2: Challenging to “sweep up” QPs
- Alts 3 & 4: Reasonably likely to attain end. limits

Phase out?

- Alts 1 & 2: No
- Alts 3 & 4: Option

HISTORY BASED OPPORTUNITIES EXPIRE OVER TIME

Alternative 1

No

QS Designation
Remains Any
Gear/Trawl Only

Alternative 2

Yes

As QSAs expire,
ratios change

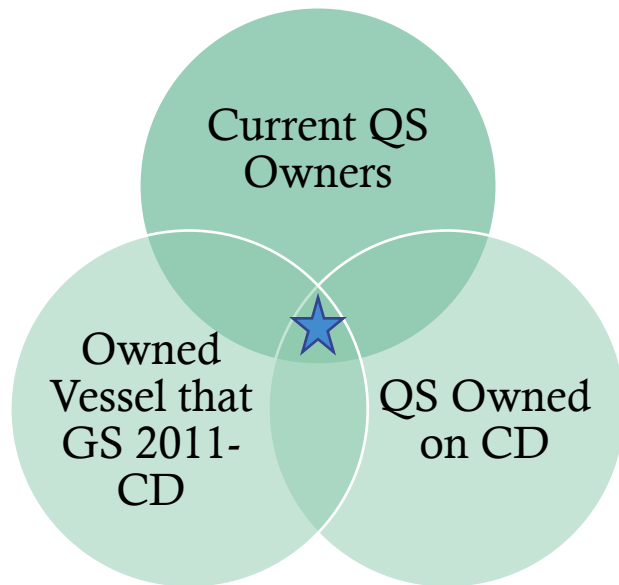
Alternatives 3 and 4

Option

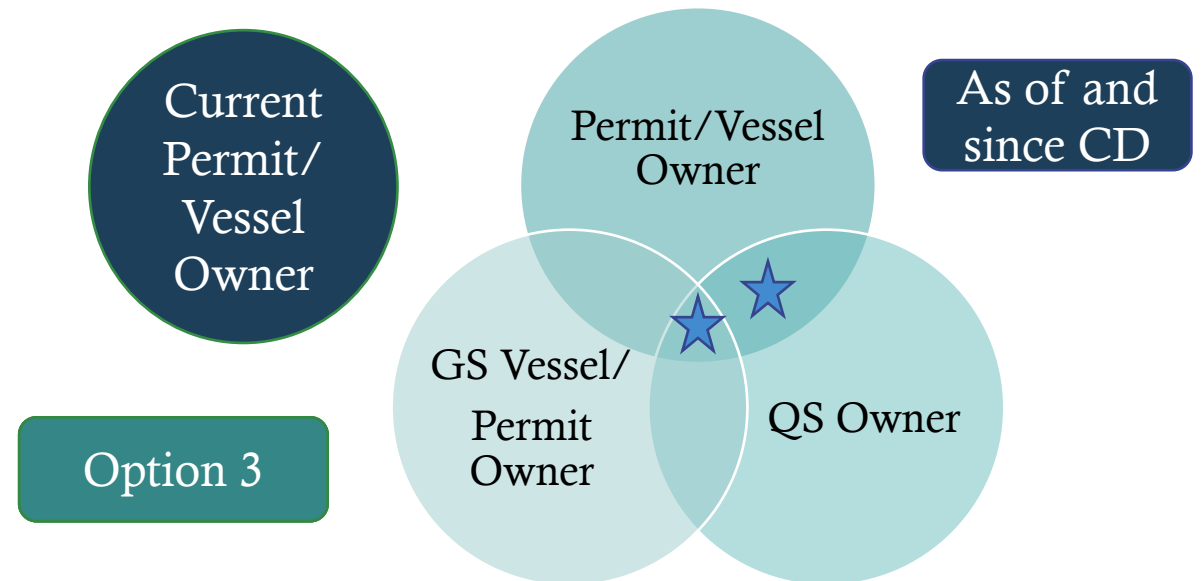
Phase opt option

RECEIVING GS HISTORY BASED OPPORTUNITY (QUALIFIERS)

Alternatives 1 and 2



Alternatives 3 and 4



OVERVIEW OF HISTORY BASED OPPORTUNITY

Alternative 1

9-24
QSAs

8.7-
17.4%

Alternative 2

9-24
QSAs

10.5-
17.3%

Alternative 3

6-11
Permits

6.5-29%

Alternative 4

4-11
Vessels

3.7-
28.4%

Options		Notes
QP Allocation Split Options		
	Option 1: 71/29	
	Option 2: 71/29 but not more than 1.8 million lbs.	
Gear-Switching Participation Criteria (2011-CD)		
	Option 1: Single landing	
	Option 2: 30,000 lbs in three years	
Non-Gear-Switching Participant Criteria		
	Option 1: Does not qualify as a gear switcher.	
	Option 2: Owned a vessel that made two years of bottom trawl landings prior to implementation.	



ALTERNATIVE 1 OPTIONS

ALTERNATIVE 1: GEAR SPECIFIC QS

- GS Participant amounts same under both QP Split Options
- Non-GS Participants affected by
 - Amount owned by GS Participants
 - QP Split Option
 - Non-GS Participation Option
- Fewer individuals qualify under non-GS participation option 2 → higher % of any gear QS for those QSAs
- See Section A-2.1.3 for summary tables of QS distribution

Participant Category	GS Participation Option 1		GS Participation Option 2	
	QS	QP	QS	QP
GS Participants	15.7	17.4	7.8	8.7
Non-GS Participants	10.4	11.6	18.3	20.3
Total	26.1	29	26.1	29

Non-GS Participation Option	Any Gear QS	QSAs	Any Gear Percentage	Trawl Only Percentage
Option 1	10.4	100	16.9	83.1
Option 2		44	34.9	65.1

Options		Notes
QP Allocation Split Options		
	Option 1: 71/29	
	Option 2: 71/29 but not more than 1.8 million lbs.	
QS Account Ownership Changes and Replacement		
	Option: Expiration of QS Account's Connection to Gear-Switching History	
	Option: Expired QS Account Replacement	
Gear-Switching Participation Criteria (2011-CD)		
	Option 1: Single landing	
	Option 2: 30,000 lbs in three years	



ALTERNATIVE 2 OPTIONS

ALTERNATIVE 2: GEAR SPECIFIC QP

- GS Participant criteria same as Alt 1
- Most QSAs would receive the standard ratio
- GS Participant QSAs- nearly half all any gear, half “blended”
 - Post-CD QS or ownership mix
- See Section A-3.1 for summary tables of QP distribution

Participant Category	Any Gear QPs	
	GS Participation Option 1	GS Participation Option 2
GS Participants	17.3	10.9
Non-GS Participants	11.7	18.1
Total	29	29

Types of QSAs	GS Part. Opt 1	GS Part. Opt 2
All Any Gear	14	4
All Standard Ratio	105	120
Blended	10	5

Options		Notes
Endorsement Qualification Options		
	Option 1: Permit with 30,000 lbs in three years (2011-CD)	
	Option 2: Option 1 plus ownership of the permit and QS as of and since the control date	
	Option 3: Option 2, plus ownership of a vessel that gear switched as of and since the control date.	
Endorsement Limit Option		
	Option 1: Permit's average gear switching for years fished. (2011-CD)	
	Option 2: QS owned plus an amount based on average gear switching for years fished (Option 1).	
	Option 3: QS owned	
Trawl Permit without a Gear Endorsement		
	Years to use in calculation a percent limit (TBD).	
Gear-Switching Limit Overages (Overage reduces following year's limit)		
	Option: Overages will not reduce following years limit.	
Endorsement Expiration		
	Option 1: Expire on transfer to new owner or owner added.	
	Option 2: No expiration.	

ALTERNATIVE 3 AND 4 OPTIONS

ALTERNATIVE 3 (PERMIT BASED QUALIFIER)

- Same results for Qualification Option 1 and 2
 - Qualifying permit owners own QS as of and since CD
- One permit's limit impacted by individual vs. collective approach
- Likely few vessels to utilize limit for non-endorsed permits

Endorsement Limit Option	Qualification Option		
	Option 1 (11 permits)	Option 2 (11 permits)	Option 3 (6 permits)
Option 1	26.4	26.4	14.8
Option 2	29	29	24.7
Option 3	12.2	12.2	6.5

ALTERNATIVE 4 (VESSEL BASED QUALIFIER)

- Similar patterns to Alternative 3
- Biggest difference related to QS ownership
 - Only 4/11 vessel owners qualify
- One permit's limit affected by individual vs. collective approach
- Likely few vessels to utilize limit for non-endorsed permits

Endorsement Limit Option	Qualification Option		
	Option 1 (11 vessels)	Option 2 (4 vessels)	Option 3 (4 vessels)
Option 1	27.2	11.0	11.0
Option 2	28.4	17.7	17.7
Option 3	3.7	3.7	3.7

REDISTRIBUTION OF HISTORY BASED OPPORTUNITY OVER TIME

- NS4 and 303A require consideration of accumulation of excessive shares
- No new limits proposed for
 - QS (3 %)
 - Annual Vessel Limit (4.5%)
 - Permit ownership (no limit)
- Substantial variation across alternatives

Alternative	Maximum Achievable Individual Share of GS Opportunity
Alternative 1	11.5-12.8%
Alternative 2	0.8-0.9%
Alternatives 3 & 4	100%

FLEXIBILITY TO MODIFY GEAR SWITCHING LEVELS

- Fishing operations scaling flexibility: Scale GS opportunity to optimal level
 - Alt 1: Any Gear QS or QP acquisition
 - Alt 2: Any Gear QP acquisition
 - Alt 3 and 4: Partial or multiple endorsement limit usage
- Fishery managers scaling flexibility: Increase or decrease maximum GS level
 - Alt 1: Provide more QP for one QS type, less for other type OR give one QS type owner QPs of opposite type
 - Alt 2: Change standard ratio
 - Alt 3 and 4: Change endorsement limits

DATA SYSTEM MODIFICATIONS NEEDED

- All alternatives would need some type of data system modification
- NMFS Report 1 and 2 discusses initial assessment of modifications and costs

OVERALL FISHERY IMPACTS

Section 4

APPROACH

- Considerable amount can be done, but some areas are challenging (see Section 4.1.1)
- Analytical Scenarios
 - GS Constraining/Not Constraining
 - Trawl responses to GS limits
 - Primarily considered for the short term
- Long term impacts discussed
- Some sections are to be completed after the November meeting

OVERALL TRAWL FISHERY HARVEST, EX-VESSEL REVENUE, AND ATTAINMENT (4.4)

- **GS is constraining and trawlers do not change their species mix**

- Positive net change in ex-vessel revenue and attainment for sector

- **GS is not constraining and trawlers do change species mix**

- Trawlers increase sablefish proportion within catch → increase in revenue per mt

- **GS is not constraining and trawlers do not change species mix**

- GS limitation = net loss to fishery.

Year	Revenue (millions)	Attainment (% Points of Trawl All)
2013	\$0.9-5.4	1.5-9.3%
2019	\$1.5-8.9	1.3-7.6%
2021	\$1.8-5.0	1.6-4.3%

QP SELLERS (QP PRICES, 4.6)

- Sablefish QP – Surplus Unlikely (On Average)
- Any-gear Sablefish QP (Alt 1 and Alt 2) – Price Increases
- Trawl-Only QP (Alt 1 and 2) and Status Quo Sablefish QP (Alt 3 and 4) – Price Decreases
 - Decrease depends mostly on trawl profitability with sablefish QP
 - Profit from sablefish alone – modest price impact
 - Loss from sablefish alone – QP prices drop until sablefish become profitable

COUNCIL ACTION

1. Review new Alternative 2 and provide guidance, as needed
2. Review the analysis of individual vs. collective approach and provide guidance, as needed.
- 3. Select PPA**
4. Eliminate options that are not viable, if possible.
5. Provide other guidance, as needed.

