

SYNOPSIS OF GEAR SWITCHING ALTERNATIVES, OPTIONS, COMPARISONS, AND ISSUES

This document provides a synopsis of the alternatives in Agenda Item G.3, Attachment 2, including a list of the options for each. Also included is a high-level comparison of the alternatives and identification of the specific issues that need attention if the Council wants a completely specified set of alternatives when it selects its preliminary preferred alternative (PPA).

1.0 NO ACTION

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, stock, economic, and social conditions, as well as other regulatory actions.

2.0 DESCRIPTION OF ACTION ALTERNATIVES AND LIST OF OPTIONS

2.1 Action Alternative 1: Gear-Specific Quota Shares (Wide Distribution/Vessels)

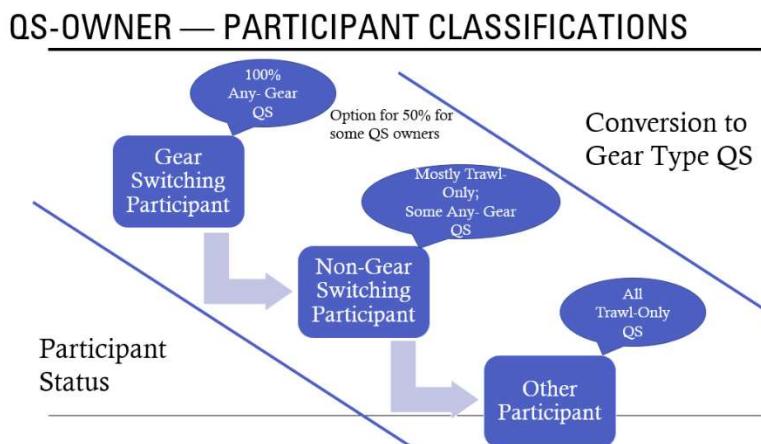
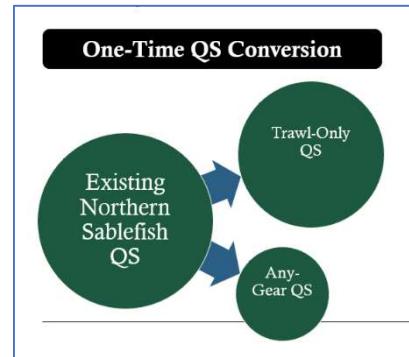
Gear-Specific Quota Shares (QS): Northern sablefish QS will be converted to trawl-only and any-gear QS; and, each year, trawl-only and any-gear quota pounds (QP) will be issued for each type of gear-specific QS, respectively.

QS would be converted to any-gear or trawl-only based on each QS owner's **participant status** and the amount of QS they own on September 15, 2017 (the control date).

QS owners will be classified as "gear-switching participants," "non-gear-switching participants," or (under one option) "other participants" based on their **history of vessel ownership**, membership in a group with someone who qualifies with vessel history, or as a first receiver (suboption). To qualify as a gear-switching participant based on history of vessel ownership, a QS owner must own a vessel when it gear switched to qualification levels, but does not need to maintain ownership of the vessel thereafter.

For the amounts of QS in an account as of the control date, owners classified

- as **gear switching participants** will have their QS converted 100 percent to any-gear QS (option for 50 percent for those that qualify at a lower level).
- as **non-gear-switching participants** will have a



portion of their QS converted to any-gear QS and most of their QS converted to trawl-only QS.

- as **other participants** will have 100 percent of their QS converted to trawl-only QS.

Amounts of QS in excess of control date holdings will be converted to trawl-only QS.

The total amount of QS designated as any-gear QS will be 26.1 percent or less (to which 29 percent or less of the QP would be allocated).

Table 1. Options included in Alternative 1.

Alternative 1 Options		Notes
QP Allocation Split Options		
	Option 1: 71/29	
	Option 2: 71/29 but not more than 1.8 million lbs.	
Conversion Procedure Options		
	Option 1: Qualified gear-switching participants have 100 percent of their qualified QS holdings converted to any-gear QS.	
	Option 2: Gear switchers that qualify under gear-switching vessel participant criteria Option 2 have 100 percent of their qualified QS holdings converted to any-gear Q and those qualifying under Option 1 have 50 percent of their QS converted to any-gear QS.	
Gear-Switching Participant Criteria (2011-9/15/2017)		
	Vessel Participation Own a vessel when it gear switched Option 1: A single landing Option 2: 30,000 lbs in each of three years	There are also provisions to allow members of QS ownership groups or fishermen's co-ops to qualify if one member qualifies based on vessel participant criteria—see full details in
	First Receiver Suboption: Own a first receiver that received 30,000 lbs in each of three years.	
Non-Gear-Switching Participant Criteria		
	Option 1: Does not qualify as a gear-switching participant.	
	Option 2: Owned a vessel that made bottom trawl landings of northern sablefish in the two years prior to implementation.	Other Participants are those not qualifying as gear-switching or non-gear-switching participants.

2.2 Action Alternative 2: Gear-Specific Quota Shares (Narrow Distribution/Permits)

Gear-Specific Quota Shares (QS): Northern sablefish QS will be converted to trawl-only and any-gear QS; and each year, trawl-only and any-gear quota pounds (QP) will be issued for each type of gear-specific QS, respectively.

QS would be converted to any-gear or trawl-only based on each QS owner's **participant status** and the amount of QS they own on September 15, 2017 (the control date).

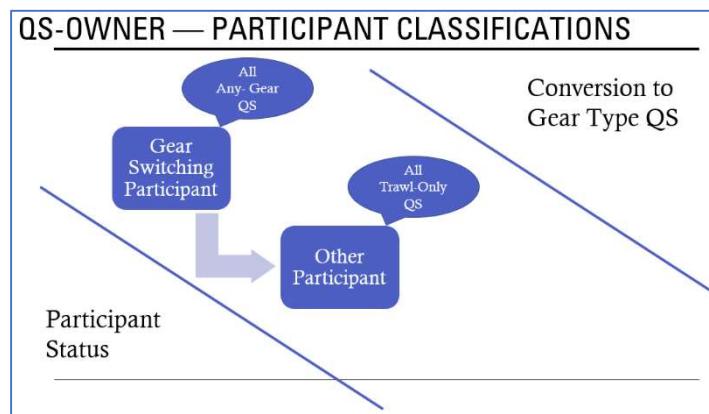
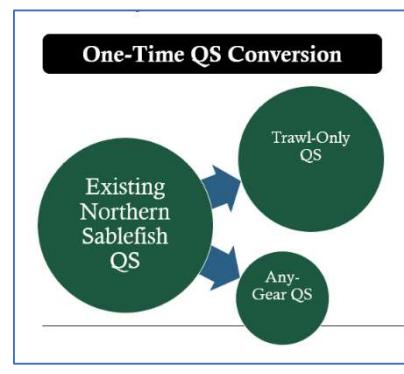
QS owners will be classified as "gear-switching participants," and anyone not classified a gear-switching participant will be an "other participant." To qualify as a gear-switching participant, as of and since the control date, in addition to QS, a QS owner would need to **own a permit that has qualifying gear switching history**. This is in contrast to the **vessel ownership history** required for Alternative 1, which does not include needing to maintain vessel ownership). Also, unlike Alternative 1, Alternative 2 does not include qualification opportunities based on membership in a group or being a First Receiver.

The total amount of QS designated as any-gear QS will likely be in the low teens but will depend on the amount of QS held by those qualifying as gear switchers at the time of implementation.

There are no options within the alternative. In order to qualify, the permit must have at least 30,000 lbs of gear-switched landings in each of three years prior to September 15, 2017 (the control date).

2.3 Action Alternative 3: Gear-Switching Endorsement—Permit Qualifier

In the area north of 36° N. lat., a vessel's gear-switching activity on vessels with gear-switching-endorsed trawl limited entry permits (LEP) will be allowed to retain sablefish caught while gear switching. Endorsements will be issued to permit owners based on the permit's history of gear switching. The limits for each permit will be individualized based on the permit's gear-switching history, the amount of QS



ALTERNATIVE 3: GEAR SWITCHING ENDORSEMENTS



owned by the permit owner, or a mix of the two. The total amount of gear switching for endorsed permits will not exceed 29 percent.

Table 2. Options included in Alternative 3.

Alternative 3 Options	
Endorsement Qualification Options	
	Option 1: Ownership of a permit with a history of 30,000 lbs of gear-switched landings in each of three years prior to the control date and ownership of QS (both must be owned as of and since the control date [CD]).
	Option 2: Option 1, plus ownership of a vessel that gear switched as of and since the CD.
Endorsement Limit Option	
	Option 1: Permit's average gear switching for years fished. (2011-CD).
	Option 2: QS owned as of and since CD plus an amount based on average gear switching for years fished (Option 1) totaling 29 percent.
	Option 3: QS owned as of and since CD.
Gear-Switching Limit Overages (Overage reduces following year's limit)	
	Discard/Retention Option 1: okay to retain and sell all fish caught in excess of the endorsement limit for the vessel's permit. Discard/Retention Option 2: must discard all fish caught in excess of a vessel's endorsement limit.
	Overage Allowance Option 1: 500 lbs without a violation. Overage Allowance Option 2: 10 percent of remaining without a violation. Overage Allowance Option 3: no limit, but it must be discarded. <i>(Allowance overages measured as amount of QP used. There is currently an 80 percent survival credit for discards)</i>
	Overage Payback Option 1: any QP a vessel uses for gear switching in excess of its gear-switching limit will reduce the permit's gear-switching limit in the following year.
	Overage Payback Option 2: any QP a vessel uses for gear switching in excess of its gear-switching limit will not reduce the permit's gear-switching limit in the following year.
Endorsement Expiration	
	Option 1: Expire on transfer to new owner or owner added.
	Option 2: No expiration.

3.0 MAIN CONTRASTS AMONG ALTERNATIVES

The following table provides some of the main contrasts among the alternatives. There are certain differences that are closely linked to and difficult to change independent of the gear-switching mechanism on which the alternative is based (gear-specific QS or gear-switching endorsements). There are some for which the alternatives could be changed to achieve similar effects regardless of the type of mechanism used to limit gear switching.

Table 3. Some of the main contrasts among the alternatives.

	Alt 1—Gear-Specific QS (Wide Distribution/Vessel)	Alt 2—Gear-Specific QS (Narrow Distribution/Permit)	Alt 3—Endorsement Limits-Permit
Gear Switching Limitation Mechanism Driven Differences			
Fisherman Flexibility	Quota divisible/ separately transferable. Easy to scale level of harvesting.	Same as Alt 1	Gear-switching limits lumped and not transferable separate from permit. Scaling requires fishing multiple permits and/or sharing permits.
Manager Flexibility— Responding to Changing Conditions	Adjust by: allocating more total QP to one type of QS OR allocating opposite type of QP to a particular QS type (e.g., issue trawl-only QP to any-gear QS holders in order to decrease gear switching.)	Same as Alt 1	Adjust by scaling permit endorsement limits up or down.
Impact on QS Value	Split QS/QP Market Differential between any-gear and trawl only QS/QP (split market)	Same as Alt 1	Single QS/QP Market Value reduction depending on degree of reduction in gear switching and demand by trawlers (at 29 percent change could be minimal)
Accumulation Limits	Limit using percentage of total QS (Continuous- 3 percent)	Same as Alt 1	Limit based on number of permits (Lumpy, concentration depends on size of endorsement on permits) Vessels still restricted to 4.5 percent vessel limit.
Costs—Implementation	See NMFS Report	See NMFS Report	See NMFS Report
Costs—Ongoing	See NMFS Report	See NMFS Report	See NMFS Report
Easier to Manipulate Independent of Mechanism			
Qualification			
Vessel/Permit/QS based qualification as gear-switching participant.			
Gear-Switching History Evaluated	Personal history as a vessel owner.	History of the permit a person owns on the control date.	History of the permit a person owns on the control date.
Requirement to hold qualifying permit or vessel	May divest of vessel after qualifying landings made.	Must hold permit continuously from control date until implementation.	Must hold permit continuously from control date until implementation.
Requirement to hold QS	Must hold QS on the control date and at the time of implementation (may divest between).	Must hold QS on the control date and at least some QS through to the time of implementation.	Must hold QS on the control date and continuously through to time of implementation.

	Alt 1—Gear-Specific QS (Wide Distribution/Vessel)	Alt 2—Gear-Specific QS (Narrow Distribution/Permit)	Alt 3—Endorsement Limits-Permit
Other bases for qualification as gear-switching participant.			
	Membership in a QS owner group ^a Membership in a FCMA Co-op ^b First Receiver	None	None
Breadth of Distribution of Gear Switching Opportunity			
Gear-switching opportunity initially provided for:	Gear-switching and non-gear-switching participants	Gear-switching participants only	Gear-switching endorsement holders only. ^c
Likelihood of Attaining Max Switching Allowed	Initially low, increasing over time as QS/QP transfers and consolidation occurs	High – Any-gear QS in hands of permit owns with a connection to gear-switching activity.	High—all gear-switching opportunity in hands of permit owners with a connection to gear-switching activity.
Expiration			
	None ^d	None	Options for No Expiration Expiration on transfer/addition of a new owner.

^a Requires at least one member to qualify based on vessel criteria.

^b Requires at least one member to qualify based on vessel criteria and for QP to be transferred to that member.

^c Prior to November 2022, every vessel was provided some low-level opportunities.

^d The presence or absence of options for expiration or any other provision under the “Easier to Manipulate Independent of Mechanism” should not be taken as a reason to accept or reject the alternative as a whole, since these provisions could be modified if needed to make the alternative more acceptable.

4.0 PRELIMINARY QUANTITATIVE ANALYSIS OF ALTERNATIVES

Based on information developed for the November 2022 Council meeting and additional information developed for this meeting, Table 4 below summarizes the preliminary quantitative impacts of each alternative in terms of number of gear-switching participants that would receive an initial allocation based on their gear-switching history, amount of gear switching opportunity allocated to those individuals, the maximum amounts of the total gear-switching opportunity that any one individual could accumulate, and the amounts that would be allocated to those who do not qualify based on their gear-switching history.

Table 4. Summary of a preliminary assessment of some of the allocation related quantitative impacts of each alternative.

	Alt 1—Gear-Specific QS (Wide Distribution/Vessel)	Alt 2—Gear-Specific QS (Narrow Distribution/Permit)	Alt 3—Endorsement Limits- Permit
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Number of GS Participants Receiving History-Based Opportunity	13-35 Individual Entities 9-37 QSAs Note: FR and FCMA options not included.	11 Permit Owners	6-11 Permit Owners
Amount of Opportunity (% of allocation) Initially Distributed to Gear-Switching Participants Based on History of:			
<i>Vessel</i>	8.7-17.4%	N/A	N/A
<i>Permit</i>	N/A	12.2%	6.5-29%
<i>QS ownership group</i>	0-4.1% ^a	N/A	N/A
<i>FCMA co-ops</i>	Not available until implementation	N/A	N/A
<i>First Receiver</i>	Need Council guidance	N/A	N/A
Maximum achievable individual share of gear-switching opportunity (over time)	11.5-12.8% of the any-gear quota (based on the 3% control limit)	27.3% of the any-gear quota (based on 3% control limit)	100% of the endorsement limits (no limit on permit ownership) ^a
Amount of Gear-Switching Opportunity Received by Non-Gear-Switching Participants	7.5-20.3% (to be reduced by the amount owned by qualifying FR/FCMA; dependent on QP Split Option) ^b	None	None

^a In November 2022, Council guidance included evaluating a potential gear-switching endorsement ownership limit.

^b Values assume QP Split Option 1 (71 percent trawl only, 29 percent any gear).

5.0 MAIN ISSUES TO BE ADDRESSED IN APRIL

The alternatives are fully described in Agenda Item G.5, Attachment 2, including interpretations that were made to implement the November motions. Those interpretations should be reviewed but no further action in those areas is necessarily required.

If the Council wants to completely refine the alternatives before selecting a PPA, then the issues covered in the table below are the main ones that need to be addressed. Alternatively, the Council could address only those issues which it feels need to be settled and analyzed before selecting a PPA. In that case, additional refinement of the PPA would need to be conducted after it is selected. Depending on the extent of the refinements needed, and the degree to which the refinements need to be completed in order for the analysis to be finalized and for NMFS to provide a complete review, the Council may need to take up gear switching at an additional Council meeting prior to selecting the final preferred alternative.

Table 5. Outstanding issues to be addressed if a completely refined set of alternatives is to be specified prior to the selection of a PPA.

Alternative 1—Gear-Specific QS (wide distribution/vessel-based)	
	First Receiver Gear-Switching Participants: What portion of a First Receiver must a QS owner own in order to qualify as a gear-switching participant?
	Post-Control Date Transfers: How should a family member be defined? Can provisions for post-control date transfers for QS accounts that expire for NMFS administrative reasons or business reorganizations be eliminated?
Alternative 2—Gear-Specific QS (narrow distribution/permit-based)	
	No issues identified.
Alternative 3—Gear-Switching Endorsement	
	Overages: Should a discard requirement option for overages be included? Are the staff developed options for minor overages adequate? Permit accumulation limits: What should be included in the permit accumulation limits? Amount of ownership required for a permit to count toward limit? Only ownership or also leasing? Other forms of control (as for the QS and QP)? Provision to accommodate pre-existing accumulation? Need for a control date on accumulation? Use a percentage limit instead of number of permits?

The **most important provision that may need to be resolved** prior to the selection of a PPA is the Alternative 1 First Receiver gear-switching participant criteria. Resolution will substantially impact the quantitative analysis of the initial allocations. The **provision which may take the most iterations to resolve** is Alternative 3 permit accumulation limits (the most rounds of guidance followed by analysis and then more guidance). The other groups of provisions listed in the above table (Alternative 1: post control date transfers and Alternative 3 overages) might be amenable to resolution after an initial PPA is selected. However, they would best be addressed before the FPA is selected, to allow for a complete analysis and NMFS review of the alternatives.

The other outstanding issue is the Council direction to continue analysis of differences between the individual and collective approaches. If this analysis is being continued in order to provide policy options for the Council to consider, those options would best be included in the alternatives to allow for efficient analysis and public comment.