

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

This document provides a synopsis of the alternatives, including the initial preliminary preferred alternatives (iPPA) in Agenda Item E.4, Attachment 2, including a list of the options for each. Also included is a high-level comparison of the alternatives and identification of the currently known issues that need attention to completely specify each alternative.

### 1.0 NO ACTION (IPPA)

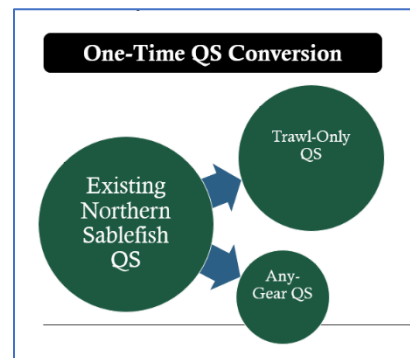
Under No Action, the regulatory regime would not change in connection with this deliberation. The fishery will continue to change in response to changing environmental, stock, economic, and social conditions, as well as other regulatory actions.

### 2.0 DESCRIPTION OF ACTION ALTERNATIVES AND LIST OF OPTIONS

#### 2.1 Action Alternative 1: Gear-Specific Quota Shares

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).



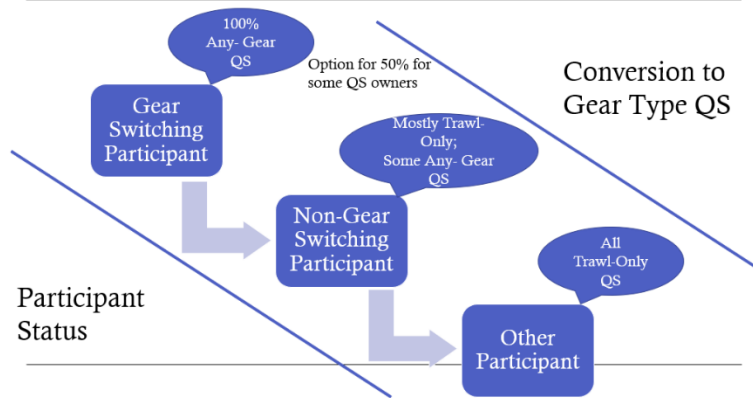
QS owners will be classified as “gear-switching participants,” “non-gear-switching participants,” or (under one option) “other participants” based on their **history of vessel ownership**, membership in a group with someone who qualifies with vessel history, or as a first receiver (suboption). To qualify as a gear-switching participant based on history of vessel ownership, a QS owner must have owned a vessel when it made the qualifying landings, 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** (if applicable) will have 100 percent of their QS converted to trawl-only QS.

## QS-OWNER — PARTICIPANT CLASSIFICATIONS



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

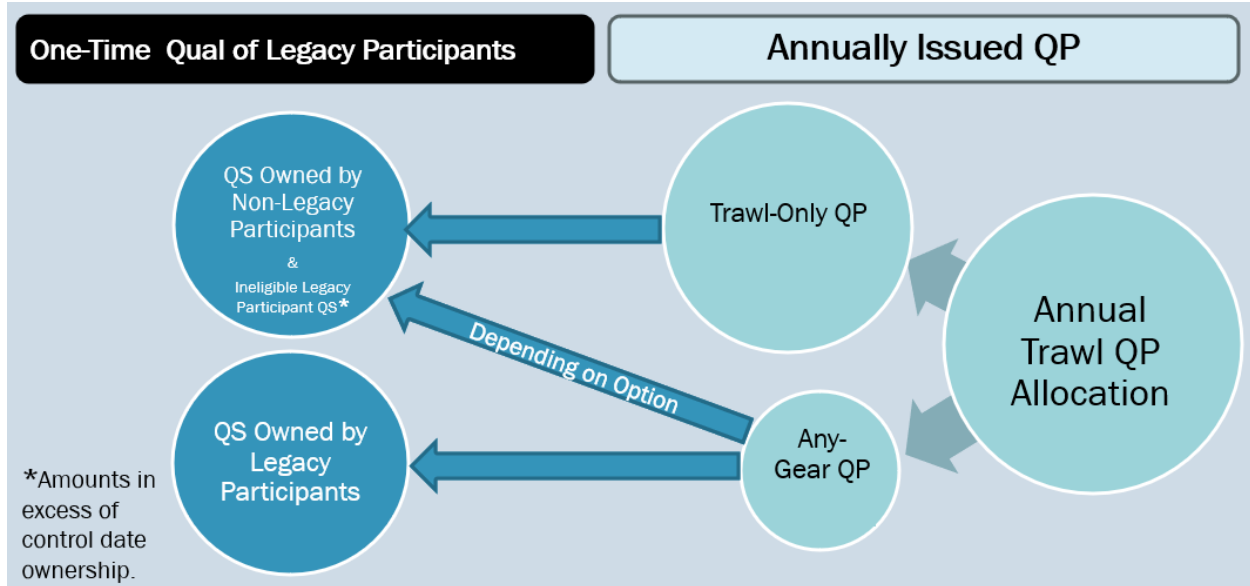
The total amount of QS designated as any-gear QS will be 26.1 percent or less (to which 29 percent or less of the QP would be allocated) depending on the QP split option.

Table 1. Options included in Alternative 1.

Alternative 1 Options		Notes
<b>QP Split Options</b>		
	Option 1: 71% trawl only/29% any gear	
	Option 2: 71/29 but not more than 1.8 million lbs.	
<b>Conversion Procedure Options</b>		
	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 Participation Vessel Option 2 have 100 percent of their qualified QS holdings converted to any-gear QS and those qualifying under Option 1 have 50 percent of their QS converted to any-gear QS.	
<b>Gear-Switching Participant Criteria (2011-9/15/2017)</b>		
	<b>Vessel Participation</b> Owned a vessel when it gear switched Option 1: A single landing Option 2: 30,000 lbs in each of three years	Also includes provisions to allow members of <b>QS ownership groups</b> or <b>fishermen's co-ops</b> to qualify if one member qualifies based on vessel participant criteria—see full details in Attachment 2.
	<b>First Receiver</b> Suboption: Own a first receiver that purchased a majority of its shorebased individual fishing quota (IFQ) landings from gear switchers (based on exvessel revenue).	
<b>Non-Gear-Switching Participant Criteria</b>		
	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.	<b>Other Participants</b> are those not qualifying as gear-switching or non-gear-switching participants.
	<b>First Receiver</b> Suboption: purchased Dover sole, thornyheads, and sablefish north from IFQ vessels using bottom trawl gear in the two years prior to implementation.	

## 2.2 Action Alternative 2: Gear-Specific Quota Pounds (iPPA)

Gear-Specific QP: Northern sablefish QP will be issued as any-gear and trawl-only QP and distributed among all QS accounts.



Eligible QS owned by qualified legacy participants would be issued as 100 percent any-gear QP, for QS up to the amount held by the legacy participant as of the control date. All other QS would receive a ratio of gear-specific QP that is dependent on the QP Distribution Option selected by the Council (see following two tables). That ratio may change over time, again depending on the option selected.

Table 2. Characteristics of the QP distribution options.

QP Distribution Option	Initial amount of any-gear QP	Initial Ratio for Non-Legacy Participants	Effect of Legacy Participant QS Divestiture on Non-Legacy Participant Ratios	Minimum amount of any-gear QP (after legacy participants divest)
Option 1	29 percent	Ratio needed to achieve 29 percent any-gear <sup>a/</sup> .	Changes to maintain 29 percent.	29 Percent
Option 2	29 percent	Ratio needed to achieve 29 percent any-gear <sup>a/</sup> .	Does not Change	29 percent minus the initial legacy participant amount

a/ After taking into account the amount of any-gear QP going to legacy owned eligible QS.

Owners with QS as of and since the control date will be classified as “legacy participants,” or “non-legacy participants,” based on their ownership of a permit with qualifying history. While under Alternative 1, the qualifying individual does not need to maintain ownership of the vessel after the qualifying landings have been made, for Alternative 2, the legacy qualifier does not

have to make the qualifying landings but must own the permit as of and since the control date. Also, unlike Alternative 1, Alternative 2 does not include qualification opportunities based on membership in a group or being a First Receiver.

Table 3. Options included in Alternative 2.

<b>Alternative 2 Options</b>	
<b>Legacy Participant Qualification</b>	
	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).
<b>QP Distribution Options</b>	
Qualified legacy participants receive 100 percent any-gear QP for their eligible QS (amounts up to what they owned on the control date). The following QP distribution options apply to all other QS.	
	<b>QP Distribution Option 1:</b> Increasing Proportion of Any-Gear QP <b>Each year</b> , any-gear and trawl-only QP will be issued in a ratio such that the total amount of any-gear QP will equal 29 percent. As legacy participants divest of their eligible QS, the any-gear/trawl-only QP ratio will increase to maintain 29 percent any-gear QP.
	<b>QP Distribution Option 2:</b> Constant Proportion of Any-Gear QP — In the <b>first year</b> of the program, any-gear and trawl-only QP will be issued in a ratio such that the total amount of any-gear QP will equal 29 percent. As legacy participants divest of their eligible QS, the any-gear/trawl-only QP ratio will not change, such that the total amount of any-gear QP declines to less than 29 percent.

### 2.3 Action Alternative 3: Seasonal Management of Gear Switching

Each year, participants in the shorebased IFQ fishery would be able to retain sablefish north while gear switching until 29 percent of the allocation was attained or projected to be attained, at which point retention would no longer be allowed. Attainment projections used to close the retention opportunity would need to take into account incomplete fishing trips, incomplete observer information, and QP needed to cover sablefish mortality which may occur on gear-switching trips targeted on non-sablefish IFQ species later in the year. There would be no change in the QS or QPs issued for sablefish north and no allocation to individuals, vessels, etc. The maximum amount of gear-switching allowed would not decline over time.

**There are no options** within the alternative.

### 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 (i.e., gear-specific QS or QPs). Some elements that are in one alternative could be included in a different alternative, and so don't provide a basis for determining the best gear-switching mechanism to use in achieving a

limitation. This information is also found in Section 4.1 from the analytical document (Agenda Item E.4, Attachment 3).

Table 4. Some of the main contrasts among the alternatives.

	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>
Gear Switching Control Mechanism	<b>Gear-Specific QS</b>	<b>Gear-Specific QP</b>	<b>Seasonal Management</b>
<b>Specific Design Elements</b>			
<b>Amount of GS Allowed</b>	Up to 29% in short and long term	29% in short term, 18.8-29% in long term	29% in short and long term
<b>Qualification</b>			
Gear-Switching History Evaluated	Personal history as a vessel owner.	History of the permit a person owns on the control date.	N/A
Requirement to hold qualifying permit or vessel	May divest of vessel after qualifying landings made.	Must hold permit continuously from control date until implementation.	N/A
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.	N/A
Other bases for qualification as gear-switcher	Membership in a QS owner group <sup>a</sup> Membership in a registered Co-op <sup>b</sup> First Receiver	None	N/A
Expiration of gear switching opportunity	No	Yes, for legacy participants.	N/A
<b>Breadth of Distribution of Gear Switching Opportunity</b>			
Gear-switching opportunity initially provided for:	Gear-switching and non-gear-switching participants	Legacy and non-legacy participants	Same as No Action
<b>Gear Switching Limitation Mechanism Driven Differences</b>			
Likelihood of Attaining Gear Switching Maximums	Initially high for any-gear QS owned by gear switching participants; lower for QS/QP owned by others but increasing over time as QS/QP transfers and consolidation occurs	High for any-gear QPs owned by legacy participants, lower for QP owned by others and decreasing over time as legacy participants exit fishery	Moderate (Under No Action, 29 percent was exceeded in 6 of 12 years—6 of 10 if COVID years are excluded)

	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>
Changes to Access Privileges	GS requires any-gear QP  Long-term access to any-gear QP available through any-gear QS acquisition.	GS requires any-gear QP  Only a portion will be issued for QS owned by non-legacy participants.  Legacy participant status is not transferable.	No new access privilege required to gear switch.
Fisherman Flexibility	Gear-specific QS and QP divisible/ separately transferable.  Easy to scale level of harvesting.	Generic QS (not gear-specific) and gear-specific QP.  Flexibility to acquire any-gear QP similar to Alt 1 but limited ability to secure long-term access to any-gear QP due to generic nature of the QS and distribution of a proportion of any-gear QP every non-legacy owned account.	Could become more constrained if seasonal measure becomes necessary.
Manager Flexibility— Responding to Changing Conditions by Changing Gear Switching Levels	Adjust by: allocating a greater portion of the total QP to QS of one gear-type (and less to the other) 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.)	Potentially comparable to Alt 1 but could be simpler, if adjustments are implemented by changing the ratio of QP gear-types going to non-legacy participant QS.	The analytic, rule-making, and administrative burdens would likely be lower than for the other action alternatives. Increases would be uncomplicated but substantial reductions in gear-switching could trigger other management concerns (e.g., short seasons and timing of season opening dates).
Impact on QS/QP Value	Split QS and QP Market with QS prices driven by QP values for the respective gear-specific quota.  Relative to No Action, any-gear QP prices will likely increase. A successful policy could also result in trawl-only QP prices increasing.	A single QS market in which QS prices will be driven by a mix in the value of trawl-only and any-gear QP.	N/A
Costs— Implementation	Relatively low.	Initial allocation costs likely somewhat lower than Alt 1, but programming costs likely somewhat higher.	Lowest.
Costs—Ongoing	Little new work required.	Some ongoing new tasks (many likely automated)	Some ongoing season modelling and closure notices.

	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>
Impacts to FRs/Processors	FRs considered in initial allocation. Opportunity to secure long-term access by acquiring any-gear QS.	FRs not explicitly included in initial allocations. Limited opportunity to secure long-term access by QS acquisition.	Same as No Action unless gear switching season is substantially shortened.
Impacts to Communities	Any-gear QS can be aggregated and, depending on who acquires, redistributed to match the existing distribution of gear-switching or among different communities.	Any-gear QP will be more dispersed and cannot be aggregated. Might be more likely to result in a redistribution of gear-switching activity among communities.	Season limitations, if substantial, could result in geographic redistribution.
Biological Impacts	For sablefish, similar to No Action. For non-sablefish groundfish, dependent on trawl response. May result in minor changes to protected species encounters, but likely within levels in the harvest specifications analysis.	Similar to Alternative 1.	Similar to Alternative 1, unless season shifts significantly.

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<sup>a</sup> Requires at least one member to qualify based on vessel criteria.

<sup>b</sup> Requires at least one member to qualify based on vessel criteria and for QP to be transferred to that member.

#### **4.0 PRELIMINARY ANALYSIS OF DIRECT ALLOCATIONS OF ALTERNATIVES**

Some preliminary impacts related to allocation and likely harvest levels are summarized in the following table. Alternative 3 is not included because it has no direct allocational effects. This information is also found in Section 4.1.1(b) of the analytical document (Agenda Item E.4, Attachment 3).

Table 5. Summary of a preliminary assessment of some of the allocation related quantitative impacts of Alternative 1 and 2.

	<b>Alt 1—Gear-Specific QS</b>	<b>Alt 2—Gear-Specific QP</b>
<b>Number of Qualified Gear Switchers</b>	16-38 Individual Entities Note: Co-op options not included.	19 Individual Entities
<b>Number of QSAs associated with Qualified Gear Switchers in 2022</b>	13-42	14
<b>Total Amount of GS Opportunity (% of allocation) Initially Distributed to Qualified Gear-Switchers Based on Qualification Avenue</b>	8.7-22.8%	12.6%
<i>Vessel History</i>	8.7-17.4%	N/A
<i>Permit History</i>	N/A	12.6%
<i>QS Ownership Group Membership</i>	0-4.1%	N/A
<i>Co-op Membership</i>	Not available until implementation	N/A
<i>First Receiver History</i>	1.3%	N/A
<b>Total Amount of GS Opportunity Initially Allocated (% of allocation) Received by Those Not Qualifying as Gear Switchers</b>	6.2-20.3% (to be reduced by the amount owned by qualifying co-ops; dependent on QP Split Option) <sup>a</sup>	16.4%
<b>Maximum Amount of Individual Gear Switching Opportunity</b>		
<b>Long-term (QS Control)</b>	11.5-12.8% of the any-gear quota  (based on the 3% control limit and depending on the total amount of gear-switching allowed)	Legacy Participants – varies depending on each individual’s control date ownership of QS,  (but no Legacy Participant is at the 3 percent control limit).
<b>Short-Term (QP Acquisition)</b>	15.5 percent for QP Split Option 1 and somewhat more for Split Option 2	15.5-23.9%  (based on 4.5 percent vessel limit and dependent on QP Distribution Option)

<sup>a</sup> Values assume QP Split Option 1 (71 percent trawl only, 29 percent any gear).

<sup>b</sup> Over time, under QP Distribution Option 1, non-legacy participants would receive 29 percent



## 5.0 MAIN ISSUES TO BE ADDRESSED

The alternatives are fully described in Agenda Item E.4, Attachment 2. The following are the issues thus far identified that will need to be addressed in order to fully specify each option.

Table 6. Outstanding issues to be addressed prior to the selection of a PPA.

<b>Alternative 1—Gear-Specific QS</b>	
	<p><b>Initial Allocation—Excessive Any-Gear QS Contingency:</b> Contingency in case qualified gear-switching participants qualify for an amount of any-gear QS in excess of what is allocated under the QS Split Option. <i>Option complexity uncertain, potentially significant policy implications in option specification. (This could be left to see what options the Council selects and the related degree of concern).</i></p> <p><b>Preserving AMP Option:</b> Specification of the alternative in a way that preserves Council flexibility to designate all AMP QP as any-gear QP. <i>(Option complexity uncertain, potentially significant policy implications in option specification.)</i></p> <p><b>Post-Control Date Transfers:</b></p> <p style="padding-left: 40px;">How should a family member be defined? <i>(Option development simple—a list of types of relations).</i></p> <p style="padding-left: 40px;">Can provisions for post-control date transfers for QS accounts that expire for NMFS administrative reasons or business reorganizations be eliminated? <i>(Determination needed).</i></p> <p><b>Estates:</b> Analysts have assumed that if a qualified individual died, their estate would be treated the same as that individual. With the concurrence of the Council, a provision to that effect will be added to the alternative.</p>
<b>Alternative 2—Gear-Specific QP</b>	
	<p><b>Divestment and reacquisition.</b></p> <ul style="list-style-type: none"> <li>• Regarding legacy qualifier divestment and reacquisition of QS, the current language functions as follows: <ul style="list-style-type: none"> <li>○ Prior to implementation, a legacy qualifier could divest themselves of most (but not all) of their QS, reacquire QS, and have all their QS not in excess of their control date holdings be considered eligible QS for 100 percent any-gear QP. <i>Staff seeks confirmation of this interpretation—possible need for options (options development simple).</i></li> <li>○ After implementation, should the cap on a legacy participant’s eligible QS be their control date holdings or, if the amount they own on implementation is lower than their control date holdings, should it be reduced to that lower level. Staff’s interpretation is that it remains their control date holdings. <i>Staff seeks confirmation—possible need for options (options development simple).</i></li> <li>○ After implementation, a legacy qualifier can divest and reacquire QS that could be issued as 100 percent any-gear, as was the case prior to implementation. <i>Staff seeks confirmation of this interpretation—possible need for options (options development simple).</i></li> <li>○ After implementation, a legacy qualifier can completely divest, reacquire QS later, and still have that QS count as eligible QS. <i>Staff seeks confirmation of this interpretation—possible need for options (options development simple).</i></li> </ul> </li> </ul> <p><b>Legacy Expiration for Certain Legal Entities</b></p> <ul style="list-style-type: none"> <li>• There is no provision by which the legacy status would expire for entities whose ownership cannot be assigned to individuals (e.g., trusts). If expiration of legacy status for these types of entities is desirable, options would need to be developed. <i>Option development may require some policy guidance).</i></li> </ul> <p><b>Vessel Replacement Provision</b></p> <ul style="list-style-type: none"> <li>• Legacy Qualification Option 2 requires ownership of a gear-switching vessel as of and since the control date. This provision was adapted from the gear switching endorsement alternative. The gear-switching endorsement alternative also included a provision to allow individuals to replace a vessel after the control date and still qualify. That provision has not been included in the current</li> </ul>

	<p>alternative. <i>Staff seeks confirmation of this interpretation—possible need for options (options development simple).</i></p> <ul style="list-style-type: none"> <li>• <b>Estates:</b> Analysts have assumed that if a qualified individual died, their estate would be treated the same as that individual. With the concurrence of the Council, a provision to that effect will be added to the alternative.</li> </ul>
<p><b>Alternative 3—Seasonal Management of Gear Switching</b></p>	
	<p><b>Closure on projected attainment of 29 percent</b> – modifications that could simplify and limit costs</p> <ul style="list-style-type: none"> <li>• Close on attainment of 29 percent. Closure on projection requires a modelling effort, as compared to closure on attainment. Closure on attainment would likely result in some degree of overage with respect to the 29 percent maximum specified. The trigger could be set slightly lower in anticipation of overshoot. <i>If desired, option development simple.</i></li> <li>• Disregard post closure discard mortality. If the projection approach is maintained, disregarding post-closure discard mortality might simplify such projections to some degree. <i>If desired, option development simple.</i></li> </ul>