

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

This document provides a synopsis of the alternatives described in detail in F.4, Attachment 2, including the options for each. Also included is a high-level comparison of the alternatives and identification of the issues that need attention to completely specify each alternative.

The alternatives provided in Attachment 2 include the **No Action Alternative**, under which the regulatory regime would not change in connection with this deliberation. The fishery would continue to change in response to changing environmental, stock, economic, and social conditions, as well as other regulatory actions.

### 1.0 PRELIMINARY PREFERRED ALTERNATIVE (PPA)

Under the PPA, gear-specific quota pounds (QP) will be issued as specified for Alternative 2, QP Distribution Option 2, except when the following criteria are met, in which case all northern sablefish will be issued as generic QP (i.e. status quo QP valid for use with any gear):

Annual Catch Limit (ACL) Criteria: Northern sablefish ACL is at or above X (*a single value between 5,000 to 10,000 mt to be chosen by the Council*)

Gear Switching (GS) Criteria Sub-Option (*not part of PPA but available for the Final Preferred Alternative, FPA*): Most recent three-year average gear-switching level at or below 29 percent of the trawl allocation.

The intent of the criteria would be to not restrict gear switching when there is a low probability that sablefish QP used by gear switchers might adversely impact the harvest of trawl complexes.

Table 1. Options included in PPA.

Alternative 1 Options		Notes
<b>Northern Sablefish ACL Trigger Criteria</b>		
	Value for the trigger: A single value between 5,000 and 10,000 mt	To be chosen by the Council if it selects this alternative as its FPA.
<b>Gear-Switching Level Trigger Criteria</b>		
	SubOption: If three-year average gear-switching is at or below 29 percent of the trawl allocation (regardless of the ACL level)	SubOption available for Council consideration if it selects this alternative as its FPA.

Other issues to be addressed before this alternative can be selected as an FPA.

- Should QS accounts not owned by individuals (e.g. owned by non-profits or trusts) have their legacy status terminated over time since accounts owned by individuals will eventually terminate?
- If an individual dies and their assets are passed to another person prior to implementation, which, if any, of the following should be treated as a continuation of the deceased individual's ownership for the purpose of determining qualification for legacy status and amount of eligible QS owned.
  - An estate or trust established in the name of the deceased.

- The recipient of the assets transferred from the deceased.

The PPA trigger criteria, as decision rules for the type of quota to be issued, are laid out in Table 2 and conceptual schematics of the application of the criteria are provided in Figure 1 and Figure 2.

Table 2. Gear-specific QP issuance decision rules, if the sub-option is included (also see Figure 2).

Issue <i>generic QP</i> when...	$ACL \geq X,XXX$ mt	OR	3-Yr Avg GS $\leq 29\%$
Issue <i>gear-specific QP</i> when...	$ACL < X,XXX$ mt	AND	3-Yr Avg GS $> 29\%$

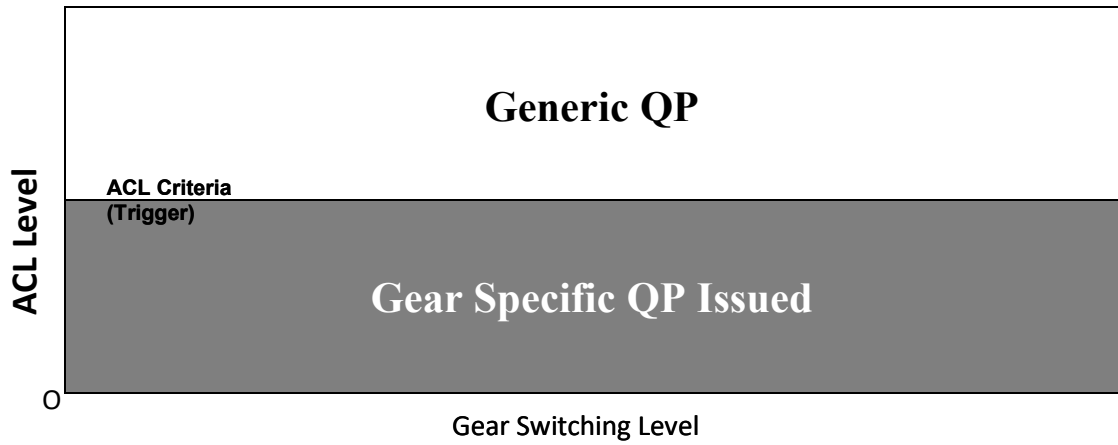


Figure 1. QP issuance based on ACL trigger only.

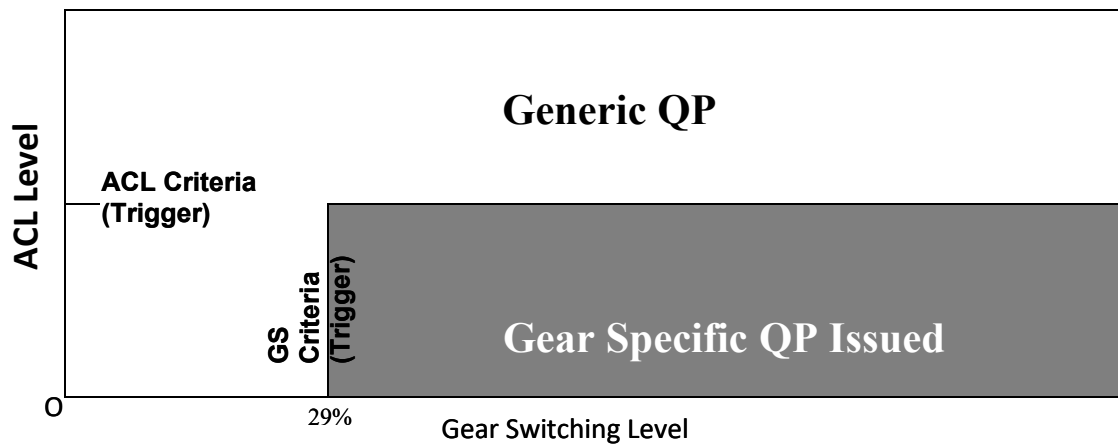


Figure 2. QP issuance based on ACL criteria and combined with the gear-switching level criteria.

## 2.0 DESCRIPTION OF OTHER ACTION ALTERNATIVES AND LISTS 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 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).
- **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.
- **other participants** (if applicable) 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 depending on the QP split option selected. Including the adaptive management program QP, 29 percent of the QP would be issued to the owners of any-gear QS as any-gear QP.

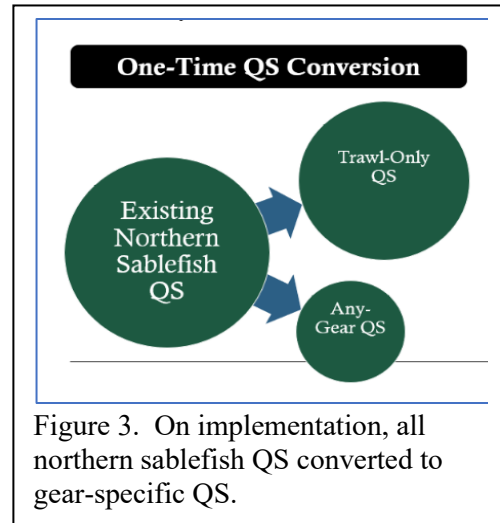


Figure 3. On implementation, all northern sablefish QS converted to gear-specific QS.

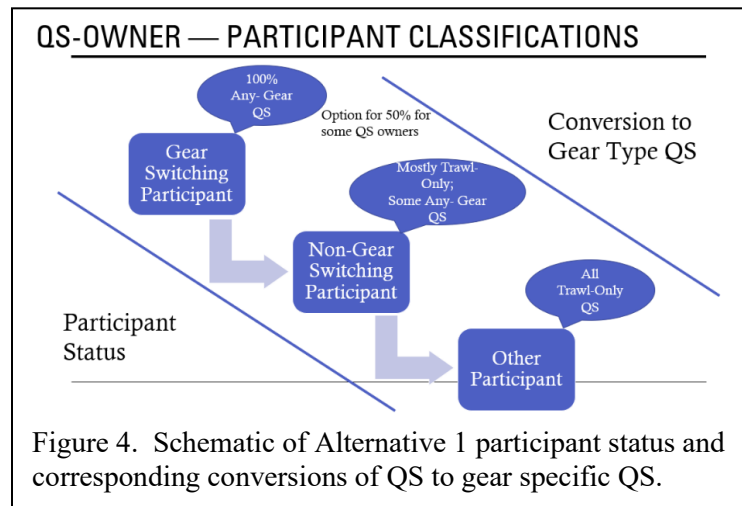


Figure 4. Schematic of Alternative 1 participant status and corresponding conversions of QS to gear specific QS.

Table 3. 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.	<b>Other Participants</b> are those not qualifying as gear-switching or non-gear-switching participants.
	Option 2: Owned a vessel that made bottom trawl landings of northern sablefish in the two years prior to implementation.	
	<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 and PPA: Gear-Specific Quota Pounds

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

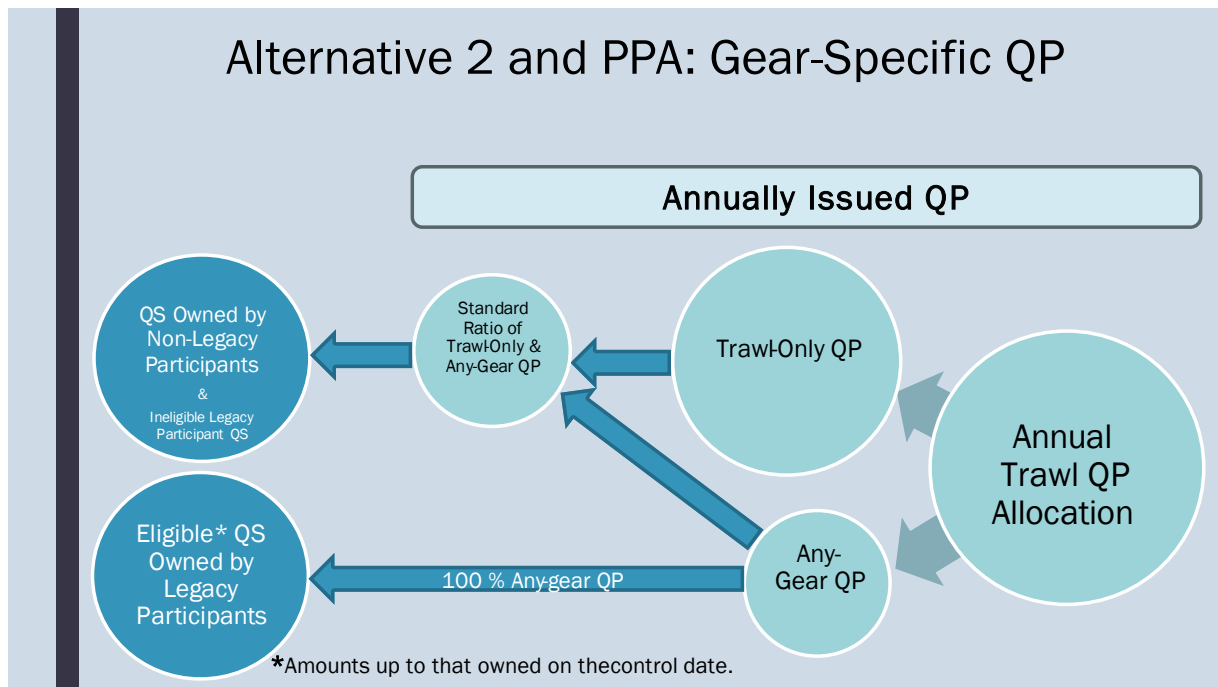


Figure 5. Schematic of Alternative 2 and PPA.

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).

Table 4. 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 (PPA)	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, as of and since the control date, a permit with qualifying landings. Also, unlike Alternative 1, Alternative 2 does not include qualification opportunities based on membership in a group with a qualifer or on activities as a First Receiver.

Table 5. Options included in Alternative 2.

Alternative 2 Options	
<b>Legacy Participant Qualification (no options)</b>	
	Ownership of a permit with a history of 30,000 lbs of gear-switched landings in each of 3 years prior to the control date & ownership of QS (both must be owned as of & 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.	
	<p><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.</p> <p><b>QP Distribution Option 2:</b> Constant Proportion of Any-Gear QP — <b>At implementation</b>, a standard any-gear to trawl-only QP ratio will be determined such that the total amount of any-gear QP issued will equal 29 percent (including that issued to legacy participants). <b>As legacy participants divest</b> of their eligible QS, the any-gear/trawl-only QP ratio for non-eligible QS will not change, such that the total amount of any-gear QP declines to less than 29 percent.</p>

### 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 F.4, Attachment 3).

Table 6. Summary of Impacts from Action Alternatives

	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>	<b>PPA</b>
Gear Switching Control Mechanism	<b>Gear-Specific QS</b>	<b>Gear-Specific QP</b>	<b>Seasonal Management</b>	<b>Gear-Specific QP Unless Trigger is Met</b>
<b>Specific Design Elements</b>				
<b>Amount of GS Allowed</b>	Up to 29% in short and long term	29% in short term, 19.4-29% in long term	29% in short and long term	29% in short term; 19.4% in long term (no restrictions in years trigger is met)
<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	Same as Alt 2
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	Same as Alt 2
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	Same as Alt 2

	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>	<b>PPA</b>
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> Suboption for First Receivers	None	N/A	Same as Alt 2
Expiration of gear switching opportunity	No	Yes, for legacy participants.	N/A	Same as Alt 2
<b>Breadth of Distribution of Gear Switching Opportunity</b>				
Gear-switching opportunity initially provided for:	Gear-switching and non-gear-switching participants (not for "Other Participants") <sup>c</sup>	Legacy and non-legacy participants	Same as No Action	Same as Alt 2
<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)	Same as Alt 2 for gear-specific QP years, otherwise, no maximum.
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 of any-gear QP will be issued for QS owned by non-legacy participants.  Legacy participant status is not transferable.	No new access privilege required to gear switch.	Same as Alt 2 for gear-specific QP years, otherwise, no new access privilege required to gear switch.

	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>	<b>PPA</b>
<b>Fisherman Flexibility</b>	<p>Gear-specific QS and QP divisible/ separately transferable.</p> <p>Easy to scale level of harvesting.</p>	<p>Generic QS (not gear-specific) and gear-specific QP.</p> <p>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.</p>	<p>Could become more constrained if seasonal measure becomes necessary.</p>	<p>Same as Alt 2 for gear-specific QP years, otherwise, no change.</p>
<b>Manager Flexibility— Responding to Changing Conditions by Changing Gear Switching Levels</b>	<p>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.)</p>	<p>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.</p>	<p>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).</p>	<p>Same as Alt 2, for gear-switching levels.</p> <p>Triggers for issuing generic QP may be changed by future Council action.</p>
<b>Impact on QS/QP Value</b>	<p>Split QS and QP Market with QS prices driven by QP values for the respective gear-specific quota.</p> <p>Relative to No Action, any-gear QP prices will likely increase. A successful policy could also result in trawl-only QP prices increasing.</p>	<p>A single QS market in which QS prices will be driven by a mix in the value of trawl-only and any-gear QP.</p>	<p>N/A</p>	<p>Similar to Alt 2. QS values may be somewhat higher because generic QP will be issued in some years.</p>



	<b>Alt 1</b>	<b>Alt 2</b>	<b>Alt 3</b>	<b>PPA</b>
Costs <sup>d</sup> — Implementation	Relatively low.	Initial allocation costs likely somewhat lower than Alt 1, but programming costs likely somewhat higher.	Lowest.	Somewhat higher than Alt 2—related regulations and programming for triggers and switching between gear-specific and generic QP.
Costs <sup>d</sup> — Ongoing	Little new work required.	Some ongoing new tasks (many likely automated)	Some ongoing season modelling and closure notices.	Somewhat higher than Alt 2—due to ongoing activities related to triggers and switching between gear-specific and generic QP.
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	Similar to Alt 2, plus for generic QP years: more opportunity for FRs receiving gear switched landings but less opportunity for FRs of trawl gear landings if QP are constraining.
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.	Similar to Alt 2, plus for generic QP years: more benefits for gear-switching dependent communities but less opportunity for trawl dependent communities (net effect depends on balance between the two).
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 Alt 1.	Similar to Alt 1, unless season shifts significantly.	Similar to Alt 1, but closer to no action (due to generic QP years)

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

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

<sup>c</sup> For one set of qualifying options, there would be a class of participants (“Other Participants”) that would receive no any-gear QS.

<sup>d</sup> Council staff assessment drawing on listing of tasks in Section 7.12.1 of Agenda Item F.4, Attachment 3, April 2024 and general statements from Agenda Item G.5.a, NMFS Report April 2023.

#### **4.0 SUMMARY 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 F.4, Attachment 3).

Table 7. Summary of a preliminary assessment of some of the allocation related quantitative impacts of Alternative 1 and 2 (PPA).

	<b>Alt 1—Gear-Specific QS</b>	<b>Alt 2—Gear-Specific QP and the PPA</b>
<b>Number of Qualified Gear Switchers</b>	15-37 Individual Entities Note: Co-op options not included.	18 Individual Entities
<b>Number of QSAs associated with Qualified Gear Switchers in 2023</b>	9-41	13
<b>Total Amount of GS Opportunity (% of trawl allocation) Initially Distributed to Qualified Gear-Switchers and Subtotals for Each Qualification Avenue</b>	<b>8.3--22.8%</b>	<b>11.9%</b>
<i>Vessel History</i>	8.3-17.3%	N/A
<i>Permit History</i>	N/A	11.9%
<i>QS Ownership Group Membership</i>	0-4.1%	N/A
<i>Co-op Membership</i>	Not available until implementation	N/A
<i>Additional Amount for First Receiver History Suboption</i>	1.4%	N/A
<b>Total Amount of GS Opportunity Initially Allocated (% of trawl allocation) Received by Those Not Qualifying as Gear Switchers</b>	0-22.7% (to be reduced by the amount owned by qualifying co-ops; dependent on QP Split Option) <sup>a</sup>	17.1%
<b>Maximum Amount of Gear Switching Opportunity an Entity Can Acquire</b>		
<b>Via QS Control</b>	11.5-17.6% 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>Via QP Acquisition</b>	15.5 percent for QP Split Option 1 and more for Split Option 2 (depending on the year) <sup>b/</sup>	15.5-23.2%  (based on 4.5 percent vessel limit and dependent on QP Distribution Option)

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

b/ When the ACLs are as high as they are anticipated to be in the near future, the 1.8 million lbs would be such a low percentage that two vessels could land all the QP under a 4.5 percent limit.

## 5.0 MAIN ISSUES TO BE ADDRESSED

The alternatives are fully described in Agenda Item F.4 Attachment 2. In order for the FPA to be fully specified:

- options need to be selected (see Section 1.0 of this document), and
- the issues identified in Section 1.0 will need to be addressed, with respect to the FPA (these issues are also addressed in the following Table 6).

Table 8. Outstanding issues to be addressed prior to the selection of a FPA.

<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>How should a family member be defined? <i>(Option development simple—a list of types of relations).</i></p> <p>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>	
	See PPA
<b>Alternative 3—Seasonal Management of Gear Switching</b>	
	<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>

**PPA: Gear-Specific QP in Threshold Years Only**

**Legacy Expiration for Certain Legal Entities:** 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. The following are some of the straw approaches identified for consideration in in Attachment 2 discussion of the PPA.

- a fixed period after the regulatory effectiveness date for the legacy status provision:
- 7 years (modified accelerated cost recovery system depreciation method for fishing vessels)
- 15 years (depreciation period for permits)
- ...some other number of years?
- when legacy participant status has expired for 50 percent of those individuals to whom it was originally provided.
- terminate when legacy participant status has expired for all individuals to whom it was originally provided.
- ...something else?

**Estates:** 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.

**Deceased Individuals:** The Council should consider what will happen with respect to qualification if an individual dies sometime before the implementation and their qualifying limited entry permit(s) and/or QS ownership are transferred to someone else. Will the recipient receive the qualification status that would otherwise have gone to the deceased individual? Consider requirements related to both ownership of a qualifying limited entry permit, as well as the amount of QS owned that is counted as “eligible” (i.e. QS as of and since the control date).