

# **TRAWL RATIONALIZATION TRAILING ACTIONS**

## **ISSUE: WIDOW ROCKFISH ALLOCATION**

### *Draft Council Decision Analysis Document*

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**NOVEMBER 2012**

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# CHAPTER 1 PURPOSE AND NEED FOR THE PROPOSED ACTION

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## 1.1 Introduction

This document provides background information about, and analyses for, modifications affecting regulations for the shore-based groundfish trawl fishery. The proposed action would require an amendment to the regulations implementing the Pacific Coast Groundfish Fishery Management Plan (FMP). The proposed action must conform to the Magnuson-Stevens Fishery Conservation and Management Act (MSA), the principal legal basis for fishery management within the Exclusive Economic Zone (EEZ), which extends from the outer boundary of the territorial sea to a distance of 200 nautical miles from shore.

In addition to addressing MSA mandates, this document may provide the analytical content for an environmental assessment (EA), pursuant to the National Environmental Policy Act (NEPA) of 1969, as amended. Assuming that an EA is required, the document will be organized so that it contains the analyses required under NEPA.

## 1.2 Description of the Proposed Action

The action considered under this issue is to amend the regulations governing the groundfish fishery by reallocating widow rockfish QS among QS holders.

## 1.3 Purpose and Need for the Proposed Action

The current allocation of widow rockfish was established when widow rockfish was overfished. A primary objective for the initial allocation of widow rockfish QS was to meet the needs that target fisheries had for widow rockfish QS to cover bycatch.

Prior to the stock becoming overfished, there was a significant target fishery for widow rockfish—primarily targeted with midwater trawl gear. The stock has now been rebuilt and the allocation to the shorebased trawl fishery has increased substantially, from 343 mt in 2012 to 994 mt in 2012. At this higher allocation level, it is possible for the sector to both meet the needs for widow rockfish QP to cover bycatch in target fisheries and prosecute a strategy targeted on widow rockfish. Therefore, it is likely that harvesters will renew targeting on widow rockfish. To ensure optimum yield from the resource is achieved, there is a need for QS/QP to be transferred to vessels willing and able to participate in this targeted fishery. Transferability of widow rockfish QS/QP ensures that the quota will move to vessels able to utilize this increased harvest opportunity.

The purpose of the reallocation would be to administratively redistribute the initial allocations among initial recipients (to date, no QS trading has occurred due to the QS moratorium). With the exception of the overfished species, such as widow rockfish, the trawl rationalization program allocated QS primarily to those who targeted on a particular stock from 1994-2003 (a portion of the QS was also allocated equally among all initial recipients). Section A-2.1.6 of the trawl rationalization program has a provision on reallocation with changed in overfished status:

**A-2.1.6. Reallocation With Change in Overfished Status:** When an overfished species is rebuilt or a species becomes overfished there may be a change in the QS allocation within a sector (allocation between sectors is addressed in the intersector allocation process). When a stock becomes rebuilt, the reallocation will be to facilitate the re-establishment of historic target fishing opportunities. When a stock becomes overfished, QS may be reallocated to maintain target fisheries to the degree possible. That change may be based on a person's holding of QS for target species associated with the rebuilt species or other approaches deemed appropriate by the Council.

This redistribution of the initial allocation would give consideration to those who historically targeted on widow rockfish, similar to the consideration that was given for non-overfished species at the time the program was initially established.

## **1.4 Background**

The Council is considering widow rockfish quota share (QS) reallocation in response to the stock's recent recovery to rebuilt status. The Council decided to extend the moratorium on widow QS trading through the completion of consideration and implementation of widow QS reallocation or December 31, 2014, whichever comes first.

# CHAPTER 2 DESCRIPTION OF THE ALTERNATIVES

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## 2.1 Alternatives

### 2.1.1 Description of Alternatives

The following alternatives to consider (Note: For simplicity, examples in the following alternatives reference 100 percent of the QS. In fact, 10 percent of the QS is in the adaptive management program. Therefore the percentages referenced would need to be adjusted to take into account the 10 percent set-aside for adaptive management):

**Status quo.** No reallocation. Allow reallocations to occur through QS trading among QS holders.

**Alternative 1:** Full Reallocation. Complete reallocation QS based on catch history using the same formulas used for the original allocation of target species QS (based on permit history from 1994 through 2003).

**Alternative 2:** Pounds neutral reallocation. Based on rebuilt status, the trawl allocation for widow will likely increase substantially in 2012. Determine the percentage of the total QS that would result in an individual holding QS in 2013 receiving the same amount of QP they received in 2012. In the 2012 trawl allocation was 343 mt and the new allocation will be 994 mt, if everyone keeps 34.5 percent of their QS ( $343/994$ ) then they will receive the same amount of nonAMP QP in 2013 that they did in 2012. This would leave 65.5 percent of the nonAMP QS for redistribution based on the allocation formula specified in Alternative 1.

**Alternative 3:** Split the Difference. Same as Alternative 2 but reallocate only one half the difference between full reallocation and pounds neutral reallocation ( $65.5$  percent divided by 2 equal 32.75 percent of the QS to be reallocated).

Note: Because Alternative 1 would reduce the annual amount of QP received by some individuals, as compared to the 2011 and 2012 fisheries, Alternative 1 might entail the need for more rigorous analysis than Alternatives 2 or 3.

#### 2.1.1.1 Issues to be addressed to develop the alternatives

**Equal Allocation.** Should an equal sharing component be included?

**Inclusion of years when widow rockfish was overfished.** Should 2003 (when widow rockfish were overfished) be included in the evaluation of permit history?

The purpose of considering this reallocation is to take into account fishery patterns during a time when there was targeting for widow rockfish (prior to the time it was declared overfished). The alternatives suggested below were developed based on the formulas used to allocate non-overfished species. These formulas evaluated catch history for 1994-2003.

Widow targeting effectively ended in 2002. In 2003 there were only 8000 total lbs of widow landed in the non-whiting fishery compared with an average of 8.8 million lbs during 1994-2002. The inclusion of year 2003 plus the use of relative pounds in the widow reallocation formula gives rise to an unintended result because only 15 non-buyback permits recorded widow landings in the nonwhiting fishery in 2003 and one of those permits landed 50% (4000 lbs) of all widow landed that year (the next largest historical landings, in terms of relative pounds, by any permit in any single year during the allocation period is less than 4%). Consequently while this permit ranks only about 95th out of 165 permits in terms of its share of widow landings during 1994-2002, under Alternatives 1 and 2 it receives a much higher allocation than any other permit, and under Alternative 3 it comes in 1<sup>st</sup>, assuming no equal sharing, and 9th with equal sharing. So the use of relative pounds and the inclusion of year 2003 in the allocation period appears to confer a large, unintended advantage on one permit over all others. For this reason, the Council may wish to exclude 2003 harvest from these allocation formulas. Also, because of this aberration, a baseline that runs from 1994 through 2002 is used rather than through 2003.

## 2.2 Alternatives Considered But Rejected from Detailed Analysis

## 2.3 Process for Taking Action

The allocation formulas are specified in Appendix E to the FMP, which is periodically updated to reflect regulations. This action would occur through a regulatory amendment.

# CHAPTER 3    **IMPACTS**

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## **3.1      Direct and Indirect Impacts to the Physical Environment, Including Habitat and Ecosystem, and Biological Environment**

No effect.

## **3.2      Direct and Indirect Impacts to the Socioeconomic Environment**

### **3.2.1    Fishery and Business Impacts**

Status Quo: Market determined effects – it is likely that reallocations will occur through the market place as necessary to ensure that harvest opportunity is not forgone.

Action Alternatives: Redistribution of wealth among initial recipients through administrative action. Widow rockfish QS is currently distributed based on a permit's catch of target species with which widow rockfish is an associated bycatch. Widow rockfish QS redistribution would be based on the same distributional criteria used for non-overfished species under status quo initial allocations (i.e. distributions of QS for a species is generally proportional to harvests of the species for the 1994-2003 allocation periods – with adjustments for equal allocations).

#### **3.2.1.1   Preliminary Distributional Results**

The following figures provide an initial view of the distributional effects of the alternatives. QS allocations are compared to 1994-2002 averages. The 2003 harvest year was omitted from the baseline comparison for the reasons described in Section 2.1.1.1. However, 2003 is still included in the action alternative allocation formulas. In these figures, the permits are arrayed along the horizontal axis in order from the least to the greatest initial allocations under status quo. Following the QS distribution figures, Figure 3-5 and Figure 3-6 shows the effect on QP comparing the application of the 2012 widow rockfish allowable harvests to status quo QS with the application of the 2013 widow rockfish allowable harvests to the action alternatives.

**Notes:**

- In Figure 3-1, the action alternatives pull the allocations toward the 1994-2002 averages.
- Permit P018’s allocations far exceed the 1994-2002 average because of the inclusion of 2003 harvest in the allocation formula (see discussion in Section 2.1.1.1).
- Permit P165’s status quo allocation of widow is extraordinarily high because of heavy targeting on other flatfish in a high bycatch area.
- An equal allocation component would provide a floor allocation level for the action alternatives (visible by comparing the lowest allocations in Figure 3-1 to the lowest allocations in Figure 3-2).
- There is one entity (QS account) that received a very strong allocation under status quo that would receive a very small allocation under Alternative 1 (point furthest to the right in Figure 3-3 and Figure 3-4).
- The accumulation limit for widow rockfish is 5.1%. Based on available information on QS account control, there may be up to one entity that receives an amount greater than the control limits depending on the alternative selected and whether or not equal sharing is included. The single entity affected is different with different options.
- In terms of QP issuance, under all action alternatives except Alternative 1 all permits would receive more QP under rebuilt conditions (applying 2013 allowable harvests) than they received under status quo (applying 2012 allowable harvests, Figure 3-5 and Figure 3-6).

The following table converts QS percents to an exvessel value equivalent using 2012 and 2013 widow rockfish allocations to the shorebased fishery. This information can be used to provide an initial sense of the economic effect of the changes in allocations reflected in the figures. In general, QS trades at a multiple of exvessel value.

Table 3-1. Exvessel value equivalent of hypothetical individual quota share allocations assuming \$0.50 per lb exvessel price under two different trawl sector allocations

		Hypothetical Widow Rockfish Individual Quota Share Allocations			
		0.10%	0.50%	1%	2%
Shorebased Sector Allocations	mt				
Exvessel value equivalent of QS Allocations (\$)					
2012 Shorebased Allocation	343	378	1,890	3,781	7,562
2013 Shorebased Allocation	994	1,096	5,478	10,957	21,914

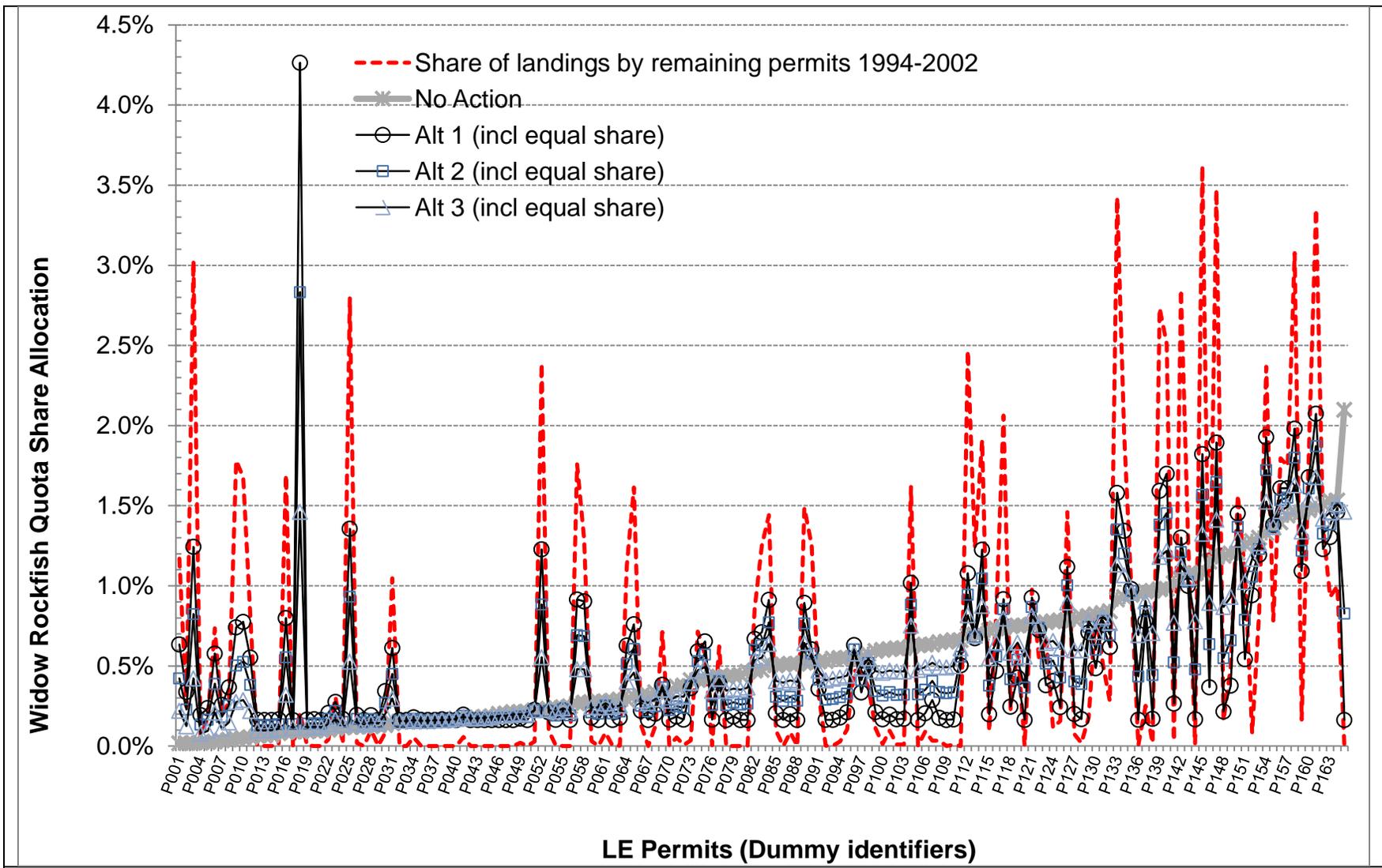


Figure 3-1. Widow rockfish **QS** distributions to **permits** under status quo (No Action) and the alternatives compared to 1994-2002 average share of harvest – alternatives **include an equal share component** (QS values sum to 90% due to 10% set aside for the Adaptive Management Program, historic shares of harvest sum to 100%).

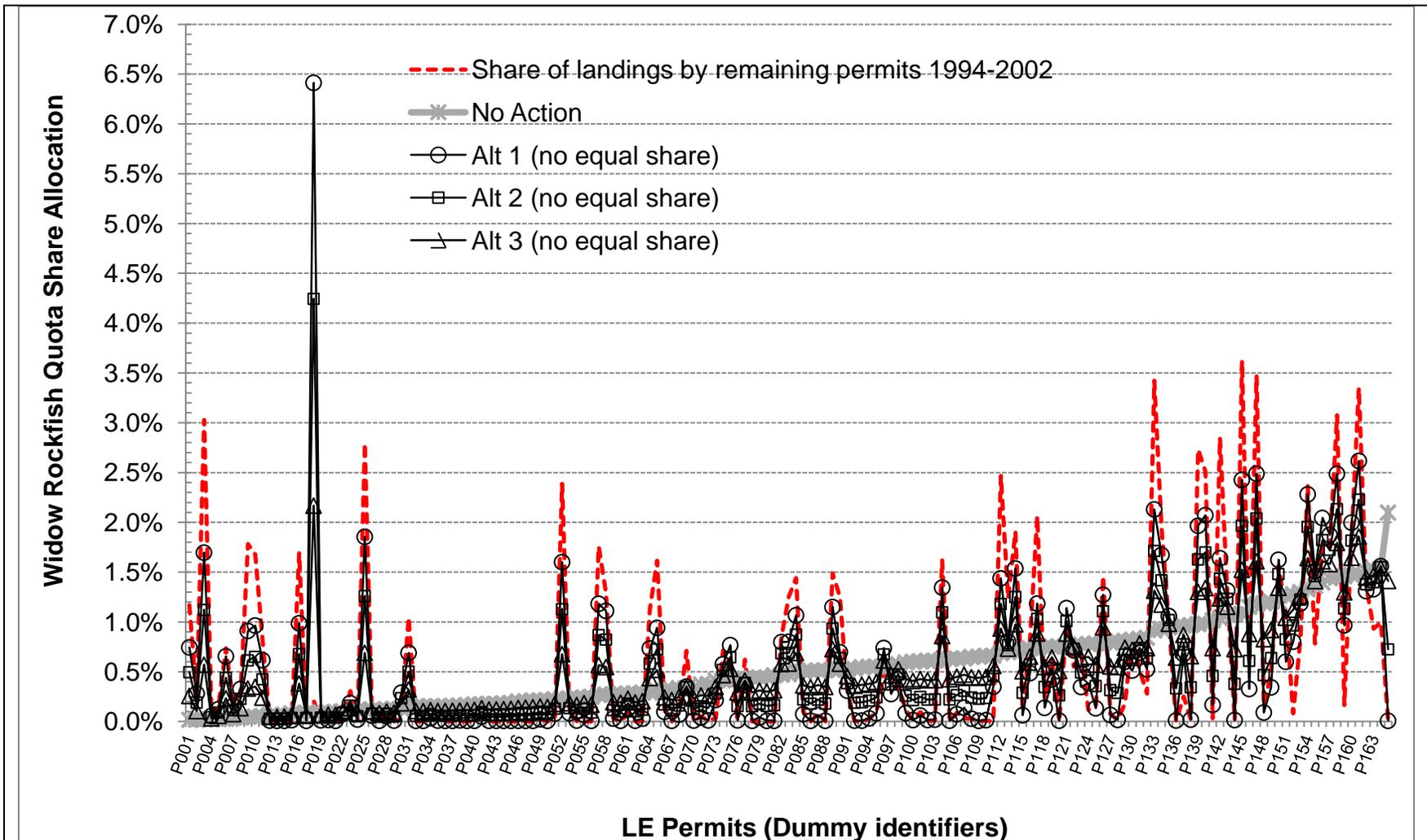


Figure 3-2. Widow rockfish QS distributions to permits under status quo (No Action) and the alternatives compared to 1994-2002 average share of harvest – alternatives **do not include an equal share component** (QS values sum to 90% due to 10% set aside for the Adaptive Management Program, historic shares of harvest sum to 100%).

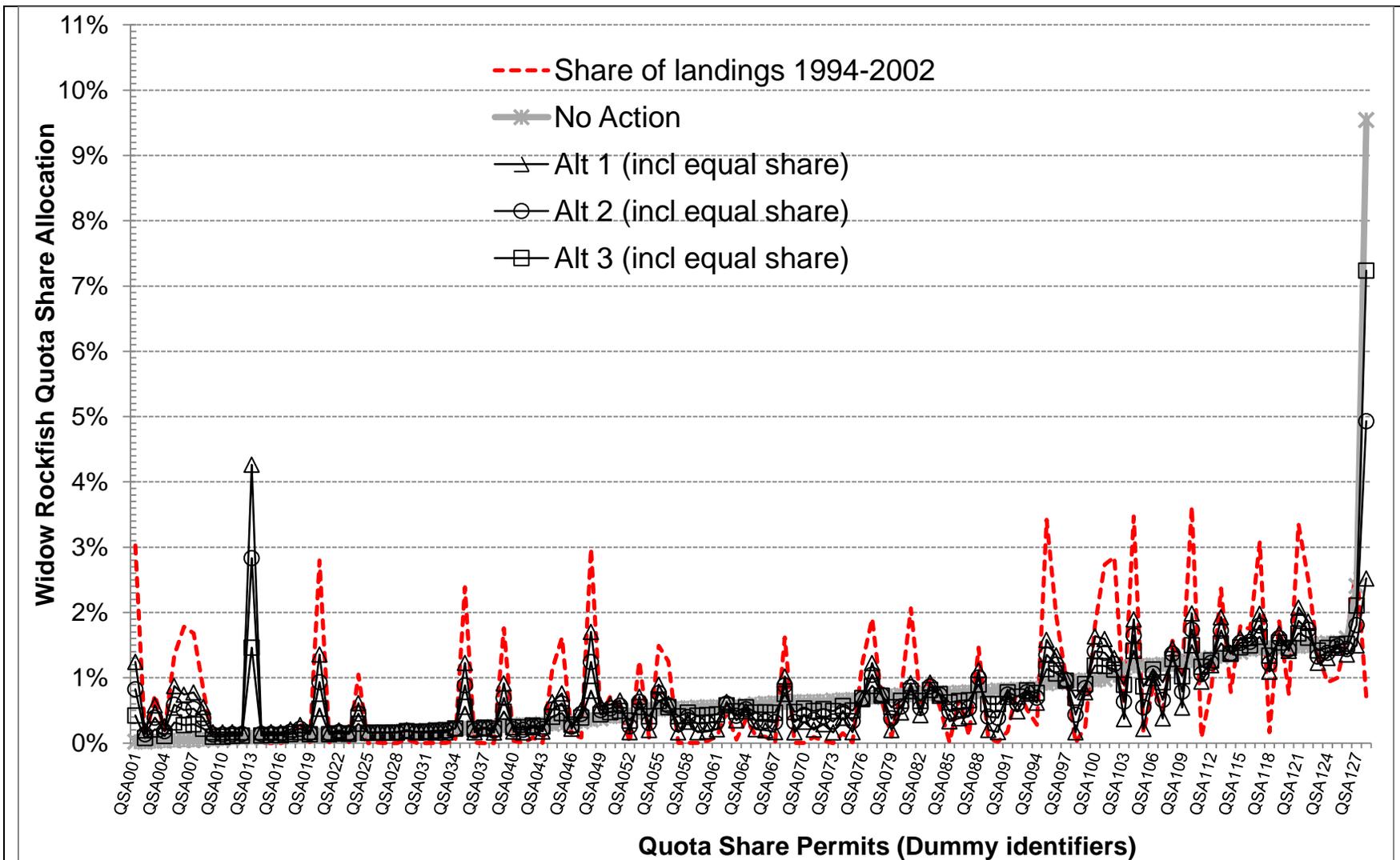


Figure 3-3. Widow rockfish **QS** distributions to **entities** under status quo (No Action) and the alternatives compared to 1994-2002 average share of harvest – alternatives **include an equal share component** (QS values sum to 90% due to 10% set aside for the Adaptive Management Program, historic shares of harvest sum to 100%).

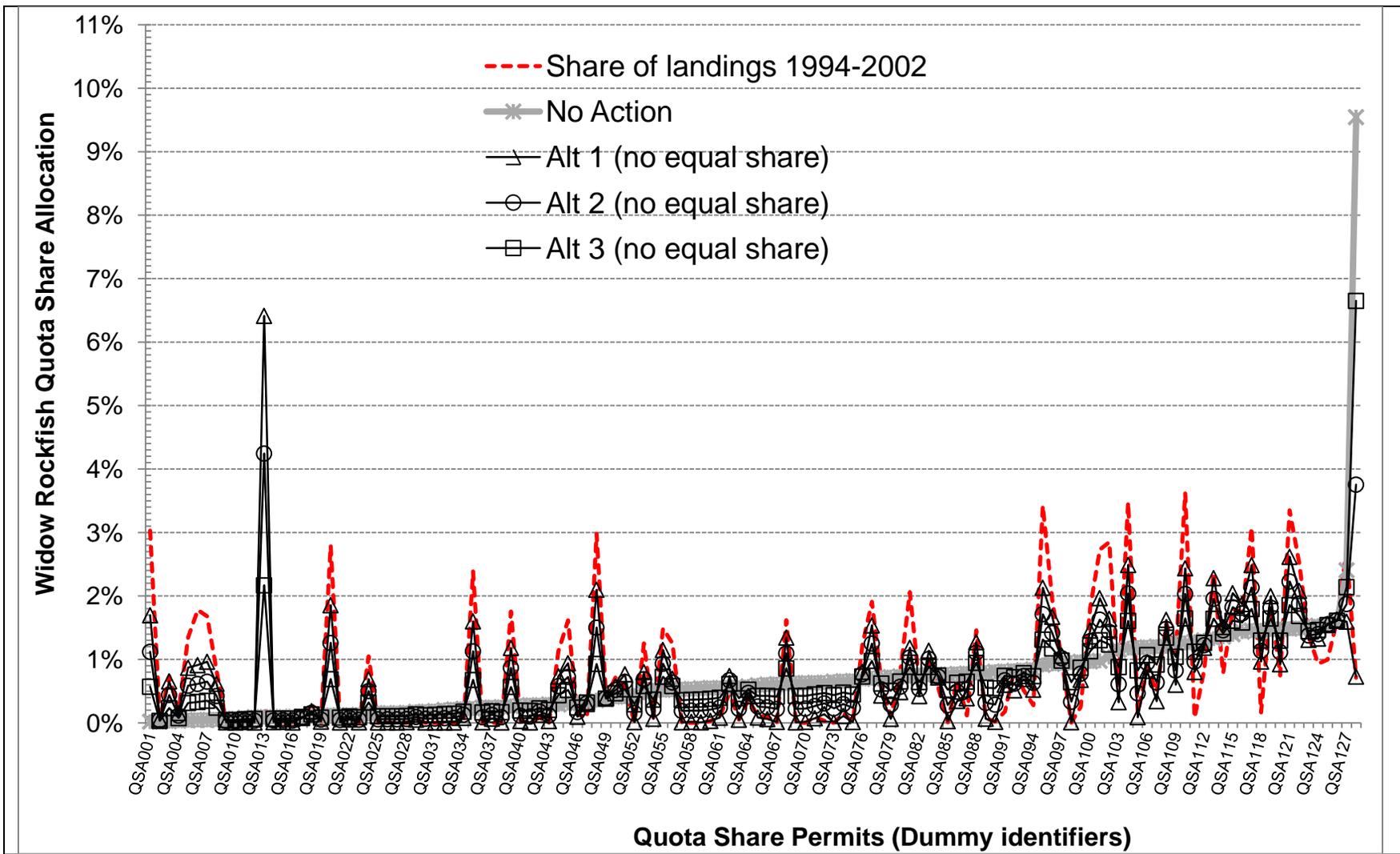


Figure 3-4. Widow rockfish **QS** distributions to **entities** under status quo (No Action) and the alternatives compared to 1994-2002 average share of harvest – alternatives **do not include an equal share component** (QS values sum to 90% due to 10% set aside for the Adaptive Management Program, historic shares of harvest sum to 100%).

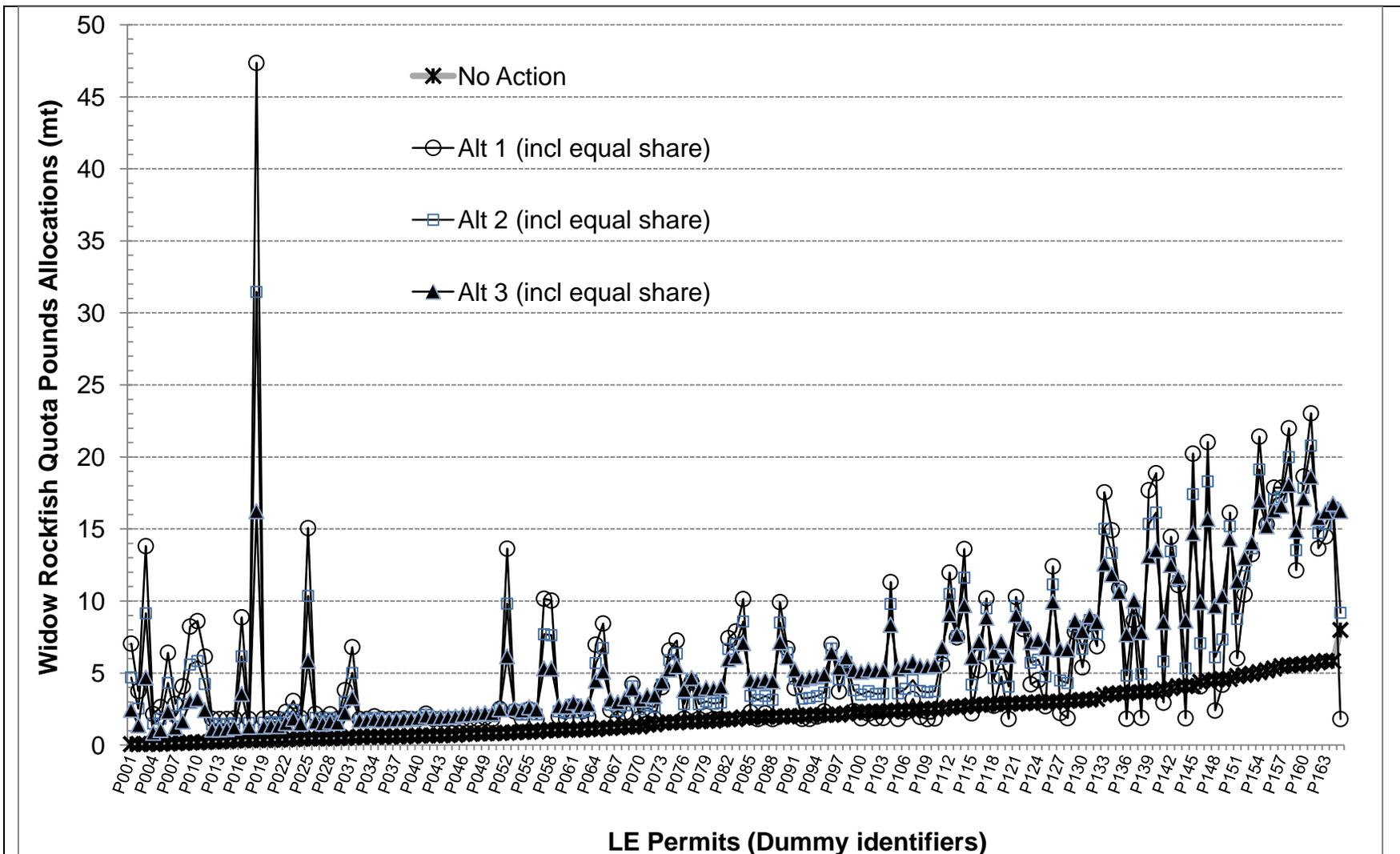


Figure 3-5. Widow rockfish QP distributions to permits under status quo (No Action using 2012 shorebased allocation) and the alternatives (using the 2013 shorebased allocations)– alternatives include an equal share component.

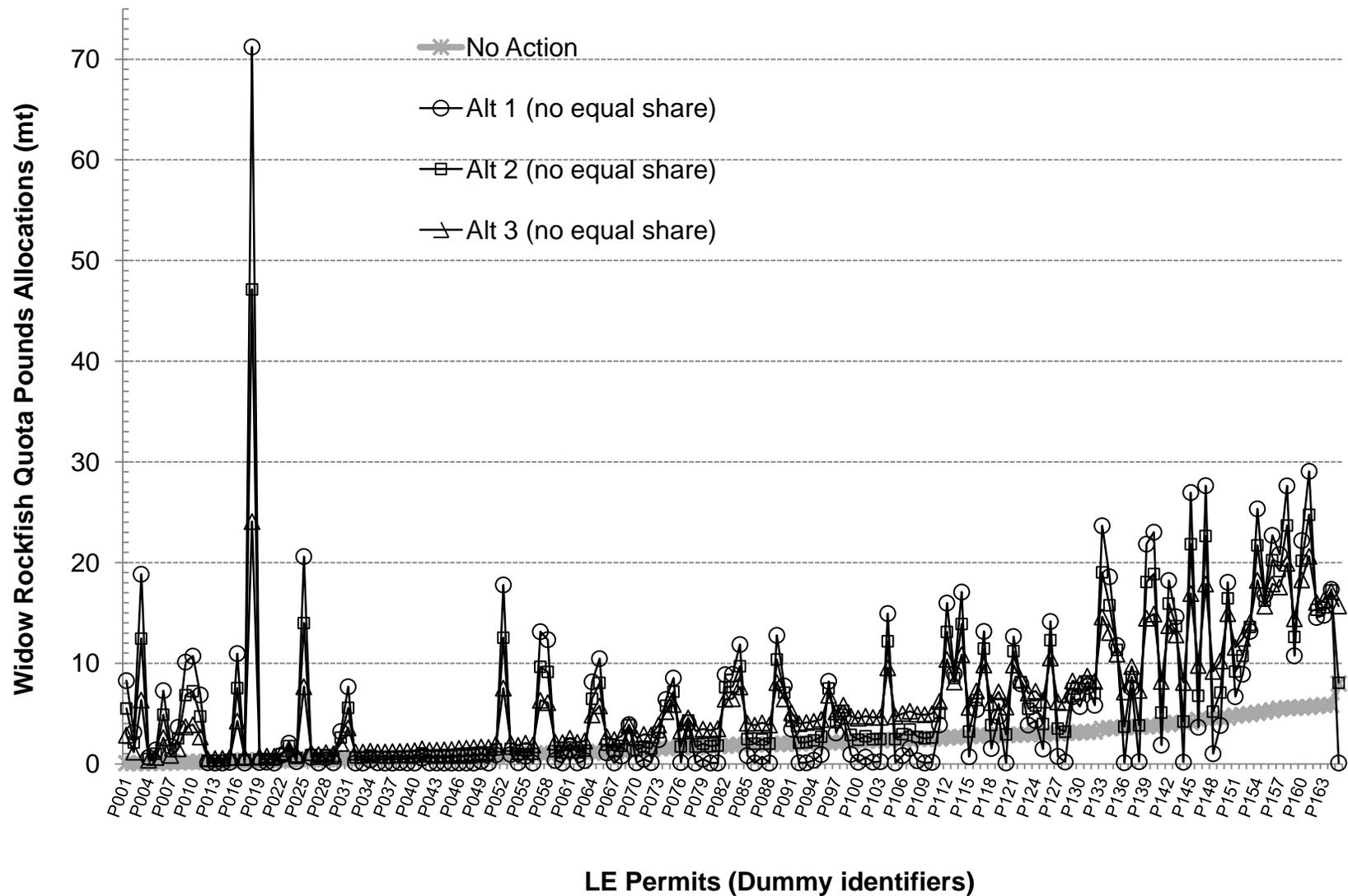


Figure 3-6. Widow rockfish QP distributions to **permits** under status quo (No Action using 2012 shorebased allocation) and the alternatives (using the 2013 shorebased allocations)– alternatives **do not include an equal share component**.

### **3.2.2 Impacts on Communities**

Some geographic redistribution is also likely.

### **3.3 Impacts on Agencies**

Outside of the Council process, the main impact on agencies will be administrative and legal costs for NMFS.