# Work-plan for the 10-year review of the Bering Sea/ Aleutian Island Crab Rationalization Program: Report to the SSC

April 2015

This work-plan is meant to aid in the development of the Bering Sea/ Aleutian Islands (BSAI) crab rationalization program 10-year review. A very similar document was provided to the Council and the Advisory Panel (AP) at the February 2015 Council meeting. The North Pacific Fishery Management Council (Council) and the AP provided feedback on the proposed scope and timing of the work-plan at that time (minutes are included as Appendix 1). Scientific and Statistical Committee (SSC) input is necessary in the development of appropriate methods and content within the scope of review established by the Council. The work-plan is modified from the version presented to the Council in February to include Council feedback. We place less emphasis on resources to guide policy scope and more emphasis on specific methods and types of information staff intends to rely on in the review of the crab program.

The work-plan is outlined as follows:

Section 1 explains the requirement for a 10-year program review to the Council. Section 2 highlights sources that the Council and staff considered in establishing the scope of the review. Section 3 is an annotated table of contents based off the outline from the 5-year review of the crab program. This section more specifically details the scope of the work intended to be done, the methods, and content expected to be produced. Section 4 lists the work-team.

There are 5 appendices to this document: Appendix 1: AP and Council minutes from the February Council meeting; Appendix 2: Five-Year Review of the Crab Rationalization Management Program for Bering Sea and Aleutian Island Crab Fisheries; Appendix 3: A Description of Action Taken or Considered, and Rules Implemented in the BSAI Crab Program Between 2010 to 2015; Appendix 4: Crab Rationalization 5-Year Program Review Social Impact Assessment: Executive Summary; and Appendix 5: AFSC report on community vulnerability indices.

## 1 Requirements for a 10-year program review

As a part of the initial development of the BSAI crab rationalization program, the Council requested a series of program reviews as a formal and comprehensive way to objectively evaluate how the program is working and identify areas that could be improved. The scheduled reviews also serve as an opportunity to assess the impacts of the program, and provide a means to highlight certain areas of interest or concern as the program develops.

This first program review occurred 18 months after implementation, when the Council directed staff to focus specifically on two aspects, a) the distribution of benefits between harvesters and processors arising

under the harvest share/processor share allocations and arbitration system and b) the distribution of landings of different harvest share types.[1]

In addition, the Council established a series of more standardized and comprehensive program reviews in the preferred alternative of the program in a motion from June 2002. This requirement was duplicated into the Fishery Management Plan (FMP) for BSAI King and Tanner Crab, Chapter 11, Section 7 entitled "Program Elements".

> *RAM Division in conjunction with State of Alaska will produce annual reports regarding data being gathered with a preliminary review of the program at 3 years.*
>
> > *Option 2. Formal program review at the first Council Meeting in the 5th year after implementation to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review shall include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. Subsequent reviews are required every 5 years.*

The 3-year preliminary review of the program was first available in 2008.[2] The more extensive 5-year review of the program was first available in 2010. Appendix 2 is the 5-Year Review of the Crab Management Program for the BSAI Crab Fisheries (not including its Appendices).[3]

By Council direction, a 10-year review of the BSAI crab rationalization program should be scheduled for 2015. However, with an interest in having fish ticket information available from the 2014-2015 winter seasons, as well as fully-audited 2014 Economic Data Reports (EDR), the Council determined it would be advantageous to schedule the review for February 2016.

Section 303A(c)(1)(G) of the Magnuson-Stevens Fishery Conservation and Management Act of 2006 (MSA) also requires a formal and detailed review of a limited access privilege program (LAPP), such as the BSAI crab rationalization program. MSA requires program review "5 years after the implementation of the program and thereafter to coincide with scheduled Council review of the relevant fishery management plan (but no less frequently than once every 7 years)." Since the Council stipulated a 5-year cycle of reviews for the crab program, this satisfies all MSA program review requirements. Under current requirements, the next review of the program would occur in 2020. It would not be necessary to conduct an additional review at 12 years of the program.

[1] The 18th month review is available at: http://www.npfmc.org/wp-content/PDFdocuments/catch_shares/Crab/18MonthRev.pdf.
[2] The 3-Year Review of the Crab Management Program for the BSAI Crab Fisheries is available at http://www.npfmc.org/wp-content/PDFdocuments/catch_shares/Crab/3yearreview1208.pdf.
[3] The Appendices to the 5-Year Review of the BSAI Crab Rationalization Program is available at: http://www.npfmc.org/crabrationalization/. The Executive Summary for "Appendix A" of the 5-year Review is Attachment 3 to this document.

## 2 Establishing a policy scope for review

Unless otherwise stipulated in program implementation, LAPP reviews do not currently have a check-list of required elements that must be included.[4] For the crab program, the Council has the flexibility to request whatever information they deem necessary to evaluate the objectives of the program as stated during program implementation and under the requirements of a LAPP as stated in the MSA. The National Standards of the MSA is also an authority on the management of a crab fishery under an FMP.

In addition, there are also a number of guidance documents to aid the Council in requesting appropriate, relevant information and discussion to address the goals of the program as well as the general requirements of a LAPP. First, NOAA has produced a Catch Share Policy document that provides policy recommendation for nine guiding principles in the development and evaluation of catch share plans. Secondly, as previously mentioned, there have been several other crab program reviews. These reviews already have extensive background information on the management of the program. They will serve as a useful starting point in establishing elements of the program to discuss and the type of information that can be assembled particularly from Catch Accounting System (CAS) and the Economic Data Reports (EDR), as well as other sources. Thirdly, there have also been other recent program reviews that could serve as examples;[5] suggesting ways to illustrate the impact of programs elements when these elements are also relevant to the crab program. Finally, public comment is another informative and important resource to influence the policy scope of issues highlighted in the 10-year review.

## 3 Annotated proposed table of contents

The amount of detail that could be put into a review has the potential to be extensive. While a review is aimed to be comprehensive, this review is not intended to be an exhaustive study of the issues currently present in the crab program. The majority of topics for discussion are expected to be broad, with an opportunity for the Council to focus on some issues more specifically. Should the Council become aware of the need for additional action through the review process, they may elect to continue with that issue through a separate analytical track. A rigorous evaluation of one issue may be better suited for a discussion paper or analysis.

The Council approved a policy focus that puts particular emphasis on changes and impacts within the past five years of the program. However, they acknowledged that in some cases it may be more appropriate have the perspective be over the life-time of the program, or pre- and post-rationalization of the fishery.

Based on the crab program 5-year review the following outline is proposed:

0. EXECUTIVE SUMMARY

[4] NOAA NMFS is currently developing a template of requirements for program reviews. It is not expected that this template will be completed before the review is brought back to the Council.

[5] For example, the Council recently conducted a 5-yr review of the Amendment 80 sector. Additionally the Central Gulf Rockfish Pilot Program and the AFA sector both had 1 year review after their implementation. Catch Share programs reviews to be referenced from out of the North Pacific area include a Red Snapper IFQ Program 5-Year Review from the Gulf of Mexico region and the Pacific Coast's 12 year review of their Groundfish Limited Entry Fixed Gear Sablefish Permit Stacking program.

The executive summary will be developed to be a stand-alone document. It will include summaries of the key findings of the crab program 10-year review.

## 1. INTRODUCTION

This section will include a description of the objective of the review. Similar to the work-plan it will detail the requirements to prepare a program review and available authoritative guidance. It will lay out the footprint of the analysis and describe the data sources that are used within the document. Primary data sources include CAS, EDRs, with a potential to use qualitative interview data collected by the AFSC in some sections. SSC input will be useful on if and how to include this information source in a program review.[6] If data are used from sources that are not traditionally relied on in Council analyses, a more detailed description of the methodology in data collection will be included in an appendix to the review.

## 2. DESCRIPTION OF MANAGEMENT

The 5-year review of the crab program includes a comprehensive description of the management elements implemented at the creation of the program. We intend to reiterate the description of these elements of management still consistent with the design of the program today. This is in part for completeness, and in part so that the document can reference these particular element when appropriate.

The review will also highlight the adaptive management process of the Council by describing recent management issues and amendments to the program within the past five years. The description of management section will include a description of Council activity related to the crab program that occurred since the 5-year review, including actions considered, but not taken by the Council since the 5-year review. The following table details these actions from the past five years.

| KTC FMP amendment number | Topic | Date of Council final action | Status |
|---|---|---|---|
| Amendment 44 | Modifications to Community Provisions and Trailing Amendment | February 2013; October 2014 Trailing Amendment | Under NMFS Regional Review |
| No Amendment number | RIR/IRFA Allocation of processor quota share to Aleutia Corporation | Last considered in October 2014 | No Council or NMFS action at this time |
| No Amendment number | Crew provisions discussion paper | Last considered in February 2013; This document was never moved to Final Action | No Council or NMFS action at this time |
| No Amendment number | RIR/IRFA Active Participation | Last considered in February 2013; This | No Council or NMFS action at this time |

[6] A presentation of this data source will be provided to the SSC subsequent to the work-plan presentation at this April 2015 Council meeting.

| | | | |
|---|---|---|---|
| | | document was never moved to Final Action | |
| Amendment 42 | Revision of the Economic Data Reports | October 2012 | Final Rule implemented June 17, 2013; effective July 17, 2013 |
| Amendment 41 | Emergency exemption from regional delivery requirements | December 2010 | Final Rule passed May 15, 2013; effective June 14, 2013 |
| Amendment 30 | Provisions Modifying the Arbitration System | April 2008 | Final Rule passed November 4, 2011; effective December 5, 2011 |
| Amendment 34 | Revise Crab Sideboard Exemptions for the Gulf of Alaska Pacific Cod and Pollock Fishery | October 2008 | Final Rule passed June 20, 2011; effective June 20, 2011 |
| Amendment 37 | Exempting Western Aleutian Islands Golden King Crab from regional delivery requirements | April 2010 | Final Rule passed June 20, 2011; effective June 20, 2011 |
| Amendment 31 | C-Share Active Participation and Crab Rationalization Application Deadline Modification | April 2008 | Final Rule pending, Decision date March 13, 2015 |

Short descriptions of each of these actions are detailed in Appendix 3.

Council members appeared to be in concurrence on the depth of scope for this section of the review. Based on Council feedback, we intend to keep the discussion to a brief description of what these actions were and a basic understanding of their effects on the fishery to the extent this information is available. Some of these rules have not been implemented yet; thus limited information may be available on the impacts of the new provisions, above what the impact analysis for the rule-making had stated. Some Council members indicated that they were not interested in the extent of an impact analysis being dropped into the program review, again highlighting their desire to keep the scope broad. Some of these packages were implemented within the last five years and we may be able to share some information on changes in the associated fisheries due to implementation. These amendments and recent Council action will be also be integrated into the relevant section of the review. For example, Amendment 31 may have an impact on harvest share holdings therefore a discussion may be include in the harvest sector section.

## 3. HARVEST SHARE HOLDINGS

In the 5-year review, this section was dedicated to describing the development of the harvest privilege including the preceding moratorium on vessel entry and the license limitation program (LLP). It described the initial allocation of quota share among harvesters and the transfers that have occurred since that time. Initial allocation information would of course be consistent with what was previously presented in the 5-year review, but the transfer statistics of owner and crew share, as well as current holding could be a

valuable update to understanding the market for different types of quota. The crab program has catcher vessel QS use caps established by share type and fishery that apply to catcher vessel QS transfers. This section will evaluate the number of entries at or near these caps.

## 4. HARVEST SECTOR

Goals for the harvest sector, based on the Council's problem statement include promoting economic stability and efficiency, in part by reducing excess harvesting capacity. Excess capacity reductions in the fishery over time (fitting with the goals of the program and MSA requirements), can be illustrated with a discussion of participation. There are many ways demonstrate what participation has looked like over time in the crab program. For example, participation can be illustrated by number of vessels, as well as by vessel length, share type, and region. Participation can be illustrated by percentage harvested by vessel or by sector, average harvest per vessel over time, or changes in other fleet characteristics of the harvest sector. These descriptions can be updated from the 5-year review of the crab program.

There has been continued interest in understanding levels of active participation in the crab program. Although there was an analysis conducted on the possibility of defining active participation requirements for the acquisition and use of owner shares, the Council did not take action to define what it means to be "active" at that time. Additionally, there is only a constrained scope of information available on which participants may be active in the fleet. What we do not have is ability to show if a QS holder was on board a vessel in the past year or set of years. We can provide the number of entities that lease quota at arm's length and the percent that the lease. We can also provide information on the crew QS allocation that is held by active licensed operators.

We intend for this section to continue to house information on short term transfers of IFQ (leasing) and the cooperative management structure. The cooperatives that formed at the onset of the program are not the same cooperatives that have existed in the most recent seasons. Based on the first year of cooperative reporting this section could be updated to include a current description of the cooperatives and how this management structure aligns with goals of the program.

More information is now documented on lease rates in the fishery. The 5-year review highlighted a concern over high rates being changed against the temporary transfer of quota. Based on the Council's interest in this topic, the first year of cooperative reports were expected to address the industry response to these concerns. Furthermore the EDRs were revised in an effort to better capture the quota shareholder's arm's length lease rate, among a sector of complex business relationships. This information can be used to provide an updated description of the leasing over time in the program.

Additionally, this section in the 5-year review outlined the program's impact on captains and crew. This section can be updated with information about crew size, harvest, wages for captain and crew, and percent of gross revenues paid to crew over time. It can include information about captain and crew compensation based on the productivity of their vessel (i.e. broken out into quartiles of harvest levels). This information is made available from the EDRs, but due to confidentially it is primarily available for the Bristol Bay red king crab fishery and the Bering Sea *C. opilio* fishery.

Within the scope of captain and crew impacts, the Council also has access to data from extensive interviews conducted by AFSC with stakeholders in the harvest sector of the fishery. Information was collected from quota share holders, cooperative representatives, captains, and crew. Information available includes public perception on active participation, crew compensation and the future of participation in the fishery. The SSC should provide guidance on the extent to which they would like to see this information incorporated into a discussion on impacts to captains and crews and what form they believe would derive the most utility.

## 5. PROCESSOR SHARE HOLDINGS

Similar to the section on harvest share holdings, this area of the review could detail initial allocations of Processor Quota Share (PQS), and regional distinctions (i.e. North versus South). PQS and IPQ have use cap that limit the pounds of crab which can be held (PQS) and processed (IPQ) based on the annual catch limits. The application of use caps and their levels will be described in this section.

This section will also highlight transfers of PQS that have occurred throughout the duration of the program. We will discuss the right of first refusal contract provisions that were put in place in an effort to protect community interests in crab processing and the recent package of modifications that is currently going through the rule-making process.

## 6. PROCESSING SECTOR

Similar to the harvest sector, the Council's goals for the processing sector include promoting economic stability, and eliminating excess capacity that promotes a system of low economic returns. In addition, the program aimed to promote equity between the harvesting and processing sectors with healthy, stable and competitive markets. These are broad objectives without an implied metric for evaluation. The SSC should be clear if they are anticipating specific metrics to evaluate the fulfillment of these objectives.

Using a general descriptive approach to consider these goals, changes in participation and historical processing amounts can inform stability in this sector. The intent is to update descriptive information about the count of active processors accepting certain species by quota share category, changes to the distribution of landings, and the processing labor sector force.

Additionally, public testimony requested the Council consider a suite of topics for analysis on the impact of custom processing and intra-company transfers of IPQ and ways to mitigate some of these impacts. Some Council members indicated they were not interested in using the program review as a tool to address specific amendments to the program, but rather it should provide enough basic information on the dynamics of the fishery that the Council could move forward with action on an issue if they deemed necessary. Therefore, while we do not intend to address every element in this list, it appears appropriate to include a description of the role of leasing and custom processing arrangements. Although somewhat limited by the lifetime of the EDRs, we have some information available on custom processing arrangements over time that can be included in this section. The community impacts of custom processing will also be discussed in Section 10 as well as the role of community protection measures.

## 7. CDQ, ADAK, AND OTHER COMMUNITY GROUP PARTICIPANTS IN PROGRAM

Based on historical participation in certain crab fisheries, Community Development Quota (CDQ) groups and the community group representing Adak annually receive 10 percent of the TAC of each the program fisheries prior to allocations being made under the program. This section will detail the extent of the CDQ and Adak holdings under the program and the integration of fishing CDQ and the Adak allocation with program allocations. The development of these programs is fitting with goals of the crab problem statement and National Standard 8.

## 8. CRAB MARKETS AND PRICES

Many of the goals of the program were a response to the high risk and the instability for individual participant's economic investments, as well as the instability and inefficiency of the production chain as a whole. This section intends to summarize the crab markets over the first ten years of the program, including new markets and market changes particularly in the past five years. The intent is to also include discussion on what has not changed in the demand for crab and the pre-established markets, given the nature of Alaskan fisheries in a global market context. As there have been some changes to the arbitration system, this section will highlight impacts to new provisions as well.

## 9. ENTRY OPPORTUNITES

Barriers to entry represent a trade-off fisheries management makes when seeking to mitigate over-capitalization in a fishery. This section compares entry opportunities before the program (which was illustrated in the 5-year review), to transfer opportunities of quota after the rationalization program was implemented, with a particular focus of the past five years. The intent for the 10-year review is to update information on QS as well as C share transfer and to estimate cost of these transfers.

Additionally, this section will highlight the pending regulatory changes to the C-share participation requirements and expected impacts from these changes. It also intends to discuss the Council's previous consideration of an active participation requirement for owner QS and the recent cooperative response to the Council's interest in a non-regulatory action. By the time the program review is expected to be available there will have been two rounds of cooperative reporting that specifically request the cooperatives to describe voluntary efforts they and their member have made to address active participation.

In this section AFSC data collection could provide a more robust understanding of entry opportunities. Entry into any market relies heavily on the public's knowledge and perception of available opportunity. Qualitative information collected in interviews can highlight the existing entry opportunities and perceived barriers to entry. The SSC should provide guidance on the extent to which they would like to see this information incorporated into a discussion.

## 10. SOCIAL AND ECONOMIC COMMUNITY IMPACTS

In the 5-year review social and community impacts were organized in a comprehensive Social Impact Assessment (SIA) that was an appendix to the analysis.[7] The SIA in the 5-year review adopted a two-pronged (2 chapter) approach in evaluating community or regional changes associated with the implementation of the crab program. The first chapter uses both quantitative and qualitative information to evaluate the community impacts of the crab program through a number of different methods. The second chapter identifies a set of four of the BSAI crab communities in order to characterize the social and community impacts associated with the rationalized crab fisheries in the form of a community profile. Community Profiles were included for Unalaska/ Dutch Harbor, St. Paul, King Cove, and Kodiak. The Community profiles in this section provide a detailed ethnographic study of the community's engagement and dependence of various sectors present in the community and the relationship of those sectors to the rest of the local social and economic context.

The Council has provided direction to *not* include comprehensive SIA for the crab 10-year review as was done for the 5-year review. Instead, the social and economic community impact component of the 10-year program review is focused on updating information that appeared in Chapter 1 of the 5-year review SIA that contains participation description by sector at either the community or region level (depending on data confidential). This section would include information pre- and post- implementation, but have a strong focus on what has changed (or not changed) in the past five years.

More specifically information in the 5-year review SIA that will be updated includes:

1) *Section 1.2 Quantitative Participation Description by Community*

This section of the document will update tables illustrating the patterns of participation in fisheries by community, to the extent possible. In most cases the quantitative information was previously presented and discussed by fishery sector (harvesters, catcher processors, and processors) because confidentiality limited the types of quantitative information that can illustrate community level characteristics. For example, if a community is home to only one processer, value, or volume of harvest would need to be aggregated to the regional level where there are data represented from at least three entities, depending on the data source. The descriptive analysis that will complement these tables will focuses on fishery sectors, and contrasts average annual participation indictors for pre- and post-rationalization implementation years, with a particular focus on the past five years.

2) *Section 1.3 Summary of Social Impacts of BSAI Crab Rationalization by Community*

This section previously provided a summary of the social impact of a selection of eight communities in a more succinct way than the Community Profiles. Information presented here was primarily qualitative and thus can operate at a community frame of reference. We intend to update this section for these eight communities, chosen for their characterization in pre-rationalization analysis: Unalaska/Dutch Harbor, Akutan, King Cove, Kodiak, Sand Point, Adak, St. Paul, and St. George.

[7] Appendix A to the 5-year review is available at: http://www.npfmc.org/wp-content/PDFdocuments/catch_shares/Crab/5YearRev1210_AppxA.pdf. An executive summary of this document is Appendix 4 of this work-plan.

This summary will rely on available existing secondary data as supplemented by telephone and/or email contact with relevant persons in the communities as feasible, in contrast to the extensive field efforts undertaken for the pre-implementation SIA and the 3-year and 5-year program review SIAs. Fieldwork is not planned under this scope of work, but a limited, tightly focused field effort could occur if (1) a specific need is identified that cannot be adequately addressed through other means and (2) budgetary constraints allow.

3) *Section 1.4 Summary of Other Issues*

This section, like the analogous section in the 5-year program review SIA, will continue to track issues initially identified as potential social impact issues in the pre-implementation SIA.

This section will also consider the social and economic community impacts, if any, of actions taken or considered, and rules implemented in the BSAI crab rationalization program between 2010 and 2015.

4) *Section 1.5 Summary of Larger Fishery and Economic Trends*

This section will include discussions of Alaska local fleet sizes, and season lengths and average days fished per vessel will be updated as available data allow. We also intend to include brief discussions of any other larger fishery or economic trends, if any, identified as relevant during the analysis will also be presented in this section.

In addition to the updates and expansions of the 5-year review SIA, the AFSC will provide a community vulnerability indices analysis, quantitatively summarizing community engagement and reliance on the crab fisheries managed under the rationalization program, the results of which will be incorporated into the 10-year review community and social impacts assessment. This analysis is intended to assist in quantitatively describing key trends of fishery/community changes experienced under the rationalization program.

## 11. MANAGEMENT AND ENFORCEMENT

LAPPs under the MSA are directed to include an effective system of enforcement, monitoring, and management. This section is intended to highlight changes in management and enforcement burden both since program implementation, as well as specifically in the past five years. Representatives from Alaska Enforcement Department, US Coast Guard, and NMFS will be consulted for descriptions of management and enforcement issues that have arisen, particularly over the past five years. For the 5-year review, this section was qualitative. Due to limited quantitative enforcement information, we intend to follow this model.

For example, one issue that was raised in the 5-year review was that the potential for delay in the issuance of IFQ and IPQ due to the prioritization of the appeals process. Particularly if holders of substantial portions of the owner QS or PQS, this delay in allocation could create a mismatch in processor and harvester quota available. When Amendment 31 is implemented it will change the application deadline to allow time creating a lower probability that this instance will occur.

## 12. MANAGEMENT COSTS AND COST RECOVERY

Under the creation of the program, and under the guidance of Section 303A(e) of the MSA, NOAA Fisheries collects fees to pay for the costs of management (including data collection and analysis, and enforcement activities) arising from the program. This cost recovery is charged as a percentage of the ex-vessel value of each landing. This section will update the table on management costs and cost recovery fees in order to determine if costs are being adequately recovered in the fishery.

## 13. FISHING VESSEL SAFETY

Concerns with the occupational life lost and injury in a competitive, derby style fishery was one of the primary reasons for the rationalization program. It is both a goal implied in the problem statement that established the program as well as a requirement of LAPPs under the MSA. With collaboration from NIOSH and US Coast Guard, this section will evaluate fatalities in the BSAI fishery overtime and to the extent possible examine the effects of the program on fishing vessel safety. Additionally, NIOSH will be developing an analysis of safety hazards in the BSAI crab fleet. They have collected data on personnel casualties and vessel casualties in the BSAI crab fleet from USCG reports covering the period 2006-2013. The hazard analysis will describe the most frequent safety problems during that time period and examine trends in various types of casualties.

## 14. BIOLOGICAL MANAGEMENT ISSUES

The program review will include a section on the current biological management issues for the crab fisheries of the rationalization program as well as the program's impact on the conservation efforts of the stock, to the extent practicable. The previous review details deadloss in the crab program fisheries. It also discussed bycatch and discard issues such as high-grading, rail dumping, handling mortality, soak times and catch per unit effort, lost pots and ghost fishing, and season length and temporal and spatial distribution. In addition to updates from the five year review, this section will discuss pot gear selectivity due to modifications in gear overtime and how this may impact the stock. Also, several of the crab stocks in the rationalization program have been subject to a rebuilding plan. This section will include a brief discussion of efforts made towards the rebuilding of these stocks.

## 15. SIDEBOARD LIMITS IN OTHER FISHERIES

This section will detail the harvester and processer sideboard limits that were based on historical practice. As previously mentioned, Amendment 34 revised the sideboards for some crab participants in the GOA Pollock and Pacific cod fisheries for a small number of participants. Staff intends to evaluate crab harvester diversification in other fisheries throughout the first ten years of the program, with a particular comparison to the past five years.

## 16. KEY FINDINGS AND CONCLUSION

The final section of review intends to summarize key areas that appear to be consistent with goals of the program, requirements of LAPPs under the MSA, and the National Standards. This section will also

highlight areas that appear to represent the largest challenges in reaching these objectives, as well as a discussion on the Council's authority relate to those challenges (i.e. is it something the Council should deal with or is it a market issue).

## 4 Contributors

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# Minutes from the February 2015 NPFMC Meeting

# D2 Workplan for the BSAI Crab Rationalization 10-Year Program Review

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## AP MINUTES

### D2 BSAI Crab 10-year Review

*The following motion, as amended, failed 14-4.*

The AP recommends the Council adopt the proposed (February 2015) Crab Rationalization 10-Year Review Work Plan in order to evaluate the Program and identify any potential areas of improvement. The AP recognizes that the commercial crab industry has engaged in several voluntary efforts to address issues raised during the 5-Year Review of the Crab Rationalization Program. As such, the AP recommends that the Council postpone completion of the 10-Year Crab Rationalization Program Review for two years to allow further collection of the economic data needed to adequately and effectively evaluate current industry efforts towards addressing previously raised Program concerns.

The following amendment to the motion passed 10-8.

The AP further recommends the Council examine as part of the 10-year review:

- The efficacy of the community protections trailing amendment
- Impacts of intra-company transfers and custom processing outside community of origin
- Impacts of crab rationalization on captains and crew
- Socio-economic impacts of loss of crew jobs to communities
- Discussion of active participation requirements & implementation.

<u>Rationale against the motion (majority)</u>

Members of the AP did not support the motion as amended for several different reasons, including:

- Including specific items for analysis is premature at this time and disruptive to the intent of the original motion put forward for consideration.

- The motion requests a delay to collect further data – specific requests for analysis should be included at that time and to do so now is contradictory to the intent of the delay.

- The program review should focus on changes that have occurred since the 5-Year Review, thus the review should be delayed to provide a full data set since finalization of the previous review, not based solely on a calendar year.

- Voluntary measures put in place by the crab industry in response to areas of concern highlighted as part of the 5-Year Review are only now being reflected each year in the Crab Economic SAFE and as part of the annual Cooperative Reports to the Council. Postponing review for an additional two years should allow for a full five years of data on these changes.

- Others opposed the motion because they did not feel a delay was appropriate:
    - The Council specified a 5 and 10 year review as part of the crab rationalization program.
    - These reviews were part of the "contract" for the program, and the timeline should be maintained.
    - There will always be additional data if we wait longer – that does not necessitate a delay in this case.

Rationale for the motion (minority)

Members of the AP supported the motion for some of the following reasons:

- Including specific items for analysis is appropriate - Council staff requested guidance from the AP as to what specific points might be included in the review and this motion provides specific areas of interest, including suggestions from public testimony.

- The timing of the review will be dependent on data availability as it is, and a specific timeline should be addressed by the Council under staff tasking.

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**COUNCIL MINUTES**

*Note: Council minutes no longer include a summary of discussion approved by the Council at a subsequent meeting. Council meetings are recorded and motions and amendments are written out. Because there were no motions for this agenda item, Staff provided this unofficial summary of the discussion*

Council staff, Sarah Marrinan, presented the work-plan for the 10-year review. There were several questions and points of clarifications throughout the presentation.

Amber Himes-Corrnell of the Alaska Fisheries Science Center presented a brief description of the AFSC survey research work and the changes made to the research plan based on Council feedback. She clarified that they intended to present the research methods to the SSC for review at the April Council meeting.

**AP REPORT**

As attached

**PUBLIC COMMENT**

Frank Kelty- City of Unalaska (out of order Sunday 2/8/15)
Lance Farr – PNCIAC
John Iani – North Pacific Crab Association
Mark Gleason – Alaska Bering Sea Crabbers

**COUNCIL DELIBERATION**

The Council provided several point of direction through discussion.

Nicole Kimball stated that pushing the review back to February 2016 in order to gather another year's worth of data makes sense to her. She likes the work-plan's approach to the Social Impact Assessment – simply to update chapter 1. She stated she was happy that they would be getting a review of the survey work that the SC is doing, in April, and that their SSC will get that as well. It will give the Council a better handle on whether and how that should be included.

Nicole stated that she likes the approach to the *broad* program review as is provided, as opposed to a very narrow – 'here is each issue that's we've tried to deal with, and here is how we've addressed it and here are the impacts'. She thinks the Council needs to mirror it on other program reviews that keep that broad scope.

Dr. Jim Balsiger agreed with Nicole Kimball's comments and added that he was not interested in a two year delay as has been proposed.

Duncan Fields concurred with the broad programmatic outline as the appropriate approach. He noted that issues in section 3 and 4 will be of particular interest to him. He was concerned about language in the work-plan like, 'the point is not to re-open discussions'. He believes that the basis for a review is to give the Council information for which the Council may act. He stated that actions of past Council should not be considered binding of future Councils. He commended staff on their efforts, and stated that he looks forward to this review when it's completed, perhaps next February.

Nicole stated that as one Council member, she would not consider it helpful to have the impact analysis from each one of the actions that was taken in the past year or two years.

Building on that point, John Henderschedt specified his view that these reviews are really the starting point for additional analysis of specific potential actions and not a critical juncture in actually taking action. So he would hope that the review provide the sort of information the Council needs to have a *basic* understanding of those dynamics as opposed to serving as an initial review or discussion paper on a these specific issues. That said, if one or more of those issues are particularly critical then he would encourage the industry to address the Council in staff tasking. This is what he believes we should expect of the 10 year reviews across the board, relative to particular issues.

Roy Hyder supported the comments of Nicole and John in terms of how to approach a 10-year review. Rather than building in specific objectives or interests, he believes the Council will get the 10 year review and then they'll talk about if there are things the Council needs to work on.

Dan Hull stated that he wasn't sure if there is a difference in opinion in approach, but so far it had been identified that taking a broad approach and looking at a draft first, to then identify specific what might be missing and then identifying where we might be going from there.

Duncan stated that he too agreed with Nicole in most respects. He did not intend to have an extensive review on any one issue. However, he feels the review needs to be balanced in that it's not so broad and general that it's not useful. He stated it is the analyst's decision to bring forth tables and new information to the Council that would be illustrative without digging in to the very details of an issue.

*No motion was made.*

# Five-Year Review
# of the
# Crab Rationalization Management Program
# for
# Bering Sea and Aleutian Islands Crab Fisheries

December 28, 2010

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# 1 INTRODUCTION

In 2001, Congress directed the Council to conduct an analysis of several different approaches to rationalizing the BSAI crab fisheries (see Consolidated Appropriations Act of 2001 (Pub. L. No. 106 554)). In response, the Council adopted the following purpose and need statement to guide it through the process of considering rationalization alternatives for the fisheries:

> *Vessel owners, processors and coastal communities have all made investments in the crab fisheries, and capacity in these fisheries far exceeds available resources. The BSAI crab stocks have also been highly variable and have suffered significant declines. Although three of these stocks are presently under rebuilding plans, the continuing race for fish frustrates conservation efforts. Additionally, the ability of crab harvesters and processors to diversify into other fisheries is severely limited and the economic viability of the crab industry is in jeopardy. Harvesting and processing capacity has expanded to accommodate highly abbreviated seasons, and presently, significant portions of that capacity operate in an economically inefficient manner or are idle between seasons. Many of the concerns identified by the NPFMC at the beginning of the comprehensive rationalization process in 1992 still exist for the BSAI crab fisheries. Problems facing the fishery include:*
>
> 1. *Resource conservation, utilization and management problems;*
> 2. *Bycatch and its' associated mortalities, and potential landing deadloss;*
> 3. *Excess harvesting and processing capacity, as well as low economic returns;*
> 4. *Lack of economic stability for harvesters, processors and coastal communities; and*
> 5. *High levels of occupational loss of life and injury.*
>
> *The problem facing the Council, in the continuing process of comprehensive rationalization, is to develop a management program which slows the race for fish, reduces bycatch and its associated mortalities, provides for conservation to increase the efficacy of crab rebuilding strategies, addresses the social and economic concerns of communities, maintains healthy harvesting and processing sectors and promotes efficiency and safety in the harvesting sector. Any such system should seek to achieve equity between the harvesting and processing sectors, including healthy, stable and competitive markets.*

In June of 2004, after deliberating at several meetings, the Council took final action adopting its preferred alternative for rationalizing the fisheries. As a part of that action, the Council requested a comprehensive review of the program five years after its implementation. At the October 2009 Council meeting, staff presented the Council with a workplan for the review. This paper (and its accompanying appendices) is the five-year review of the program. This paper examines most aspects of the management program and its effects, while separate appendices examine effects of the program social and community impacts (Appendix A) and safety (Appendix B).

The paper reviews the distribution of allocations to both harvesters and processors under the program and examines changes in those distributions to the extent feasible. The paper goes on to examine the participation patterns and distribution of activities of both sectors and changes in their operations. The paper also examines the effects of the program on crews in both sectors. Changes in ex vessel pricing brought on by the share structure of the program are also examined. Entry opportunities for both sectors are examined. Changes in management arising as a result of the change in management and changes in costs are also examined, as the effects of the program on the biological condition of crab stocks.

The analysis examines five years of fishing under the program. The change to any share-based management system requires participants to modify their behavior. Some changes evolve over time, as participants adapt to the program. For example, in the derby fisheries landings each participating vessel competed to achieve a share of the allowable catch. One of benefits expected to arise from the crab rationalization program is the organization of fishing in cooperatives to achieve harvesting efficiencies. Some aspects of this transition (such as fleet consolidation) occurred immediately on implementation of the program. Others, such as the joint fishing of allocations in cooperatives have occurred more gradually, as participants have developed stronger associations within the fleet. The program is a complex system that incorporates regulatory aspects intended to balance the interests of various stakeholders. As with any such system, participants are likely to develop a better understanding of the program over time. In addition, the operation of certain aspects of the program is likely to become more predictable as the program matures. Adequately assessing the performance of the program after only five seasons is difficult, since participants continue to learn to operate under the program and adapt to the changes it has brought on.

The paper does not attempt to be a comprehensive study of management of the crab fisheries. The paper is intended to address only changes brought on by the change in management to the rationalization program. For example, the paper examines changes in fishing behavior under the program that might affect stocks in the fisheries, but does not attempt to examine stock management in general.

The Fishery Management Plan (FMP) for the commercial king and Tanner crab fisheries in the Bering Sea/Aleutian Islands (BSAI) was approved by the Secretary of Commerce on June 2, 1989. The FMP establishes a State/Federal cooperative management regime that defers crab management to the State of Alaska with Federal oversight. State regulations are subject to the provisions of the FMP, including its goals and objectives, the Magnuson-Stevens Act national standards, and other applicable federal laws.

The FMP specifies three categories of management measures: (1) those that are fixed in the FMP under Council control, (2) those that are frameworked so that the State can change them according to criteria outlined in the FMP, and (3) those measures under complete discretion of the State (Table 1-1).

**Table 1-1 Management measures used to manage king and Tanner crabs in the BSAI management unit by category**

| **Category 1** (Fixed in the FMP) | **Category 2** (Frameworked in FMP) | **Category 3** (Discretion of State) |
|---|---|---|
| Legal Gear | Minimum Size Limits | Reporting Requirements |
| Permit Requirements | Guideline Harvest Levels/Total Allowable Catch | Gear Placement and Removal |
| Federal Observer Requirements | In-season Adjustments | Gear Storage |
| Limited Access | Districts, Subdistricts and Sections | Vessel Tank Inspections |
| Norton Sound Superexclusive Registration | Fishing Seasons | Gear Modifications |
| Essential fish habitat | Sex Restrictions | Bycatch Limits (in crab fisheries) |
| Status determination criteria | Pot Limits | State Observer Requirements |
| | Registration Areas | Other |
| | Closed Waters | |

In large part, this review examines the change in limits on access established under the FMP. Where relevant, the paper does, however, examine changes in other aspects of management that have resulted from the change in management of access.

# 2 DESCRIPTION OF MANAGEMENT

## 2.1 Pre-rationalization management

Prior to the rationalization program, the eight major Bering Sea and Aleutian Islands crab fisheries were managed under the License Limitation Program, a limited entry program under which licenses were allocated to harvesters based on historic participation. Licenses were endorsed for one or more area and species and were issued by operation type, catcher vessel or catcher processor.

Individual harvests were determined in competitive race for fish. Since the seasons in most of the BSAI crab fisheries do not conflict, most participants were active in several of the fisheries, moving from one fishery to another. However, stock declines in the Bristol Bay red king crab and the Bering Sea *C. opilio* led to seasons lasting only a few days or weeks. Consequently, equipment was often idle for several months of the year.

A guideline harvest level (GHL) for each fishery set target catch for the fishery. Initially, these GHLs were ranges, but later they became fixed amounts. Managers monitored harvests by in-season reports and attempted to time the closure of a fishery with completion of the harvest of the GHL. Harvests exceeded the GHLs in some years, however, because in-season monitoring could not keep pace with harvests during the short seasons. Over time, managers improved in their abilities to monitor catch in season, limiting the extent of these GHL overages in the years immediately preceding the implementation of the rationalization program.

## 2.2 Description of rationalization program

The program rationalizes the large crab fisheries in the BSAI, specifically the following:

- Bristol Bay red king crab
- Bering Sea *C. opilio* (snow crab)
- Eastern Bering Sea *C. bairdi* (Tanner crab) – East of 166º W
- Western Bering Sea *C. bairdi* (Tanner crab) – West of 166º W
- Pribilof blue and red king crab
- St. Matthew Island blue king crab
- Western Aleutian Islands (Adak) golden king crab – West of 174º W
- Eastern Aleutian Islands (Dutch Harbor) golden king crab – East of 174º W
- Western Aleutian Islands (Adak) red king crab – West of 174º W

To address the concerns of various stakeholders in these fisheries, the Council developed a “voluntary three pie cooperative” program intended to protect the interests of the harvest sector, the processing sector and defined regions and communities. Allocations under the program are based on historic participation to protect investment in and reliance on the program fisheries.

The primary elements of the program are:

- Total allowable catch
- Harvesting shares
- Processing shares
- Regional share designations
- C share allocation to protect captain and crew interests
- Catcher processor shares
- Binding arbitration system
- Cooperatives
- Community Development Quota and Adak community allocations

- Crew loan program
- Annual economic data collection (or Economic data reports)

The remainder of this section describes each of these program elements and their intended purpose.

## 2.2.1 Total allowable catch

Each program fishery is managed with a total allowable catch (TAC), which sets a specific catch limit, instead of a GHL. Although the change to a TAC may be largely semantic, it signifies a change to more precise catch management. To discourage harvesters from exceeding the TAC in a program fishery, any overharvest of an allocation is a violation. Although penalties are at the discretion of NOAA Office of Law Enforcement and NOAA General Counsel, the Council has recommended that all overages be subject to forfeiture and that additional penalties be imposed only for overages in excess of 3 percent of a harvester's shares at the time of landing.

## 2.2.2 Harvesting shares

Harvesting quota shares (QS) were created in each program fishery. QS are a revocable privilege that allow the holder to harvest a specific percentage of the annual TAC in a program fishery. The annual allocations, which are expressed in pounds, are referred to as individual fishing quota (IFQ). The size of each annual IFQ allocation is based on the amount of QS held in relation to the QS pool in a program fishery—a person holding one percent of the QS pool receives IFQ to harvest one percent of the annual TAC in the fishery. IFQ TACs do not include pounds that have been set aside for the Community Development Quota program. All crab that is sold or kept for personal use and all deadloss is debited against the IFQ account of the allocation holder. Discards, however, are not counted against an IFQ holder's account.

QS are designated as either catcher vessel QS or catcher processor QS, depending on whether the vessel that created the privilege to the shares processed the qualifying harvests on board. Approximately 97 percent of the QS (referred to as "owner QS") in each program fishery were initially allocated to license holders based on their catch histories in the fishery. The remaining 3 percent of the QS (referred to as "C shares" or "crew QS") were initially allocated to captains based on their catch histories in the fishery. Under an amendment to the program that is awaiting Secretary of Commerce approval, C share QS may be held only by persons who either demonstrate active participation in a program fishery or are recipients of an initial allocation of C share QS who demonstrate active participation in State or Federal fisheries in or off Alaska.

Catcher vessel owner IFQ are issued in two classes, Class A IFQ and Class B IFQ. Class A IFQ are issued for 90 percent of the catcher vessel owner IFQ in a program fishery. Crab harvested using these IFQ must be delivered to a processor holding unused individual processing quota (IPQ). In addition, Class A IFQ are subject to regional share designations, whereby harvests are required to be delivered within an identified region. The delivery restrictions of Class A IFQ are intended to add stability to the processing sector by protecting processor investment in program fisheries and to preserve the historic distribution of landings and processing between regions.

Class B IFQ are issued for the remaining 10 percent of the catcher vessel owner QS in a program fishery. Crab harvested using these IFQ can be delivered to any processor (except a catcher processor) regardless of whether the processor holds unused IPQ. In addition, Class B IFQ are not regionally designated. The absence of delivery restrictions on a portion of the catch is intended to provide harvesters with additional market leverage for negotiating prices for landings of crab. Consequently, Class B IFQ are allocated to a harvester only to the extent that the QS held by the harvester exceeds the amount of PQS held by the

harvester and its affiliates. The absence of an affiliation with a holder of processing shares is established by a QS holder filing an annual affidavit identifying any PQS holdings or affiliations with PQS holders.

Implementation of the program required the initial allocation of QS to eligible harvesters. To be eligible for an allocation of owner QS in a program fishery a harvester must have held a valid, permanent, fully transferable LLP license endorsed for the fishery. A harvester's allocation of QS in a fishery was based on landings in that fishery (excluding landings of deadloss). Specifically, each allocation was the harvester's average annual portion of the total qualified catch during a specific qualifying period. Qualifying periods were selected to balance historical participation and recent participation. Different periods were selected for different program fisheries to accommodate fishery closures and other circumstances in the fisheries in recent years. The most recent seasons were excluded in part to limit the effectiveness of efforts by participants to obtain a larger allocation by increasing participation in recent seasons when it was apparent that allocations would be based on historic harvest levels.

QS and IFQ are transferrable under the program, subject to limits on the amount of shares a person may own or use. Transferability of shares among eligible purchasers of QS and IFQ may promote production efficiency in the harvest sector and provides a means for compensated removal of excess harvesting capacity in the program fisheries. In addition, transferability may be used to avoid overages, in the event a harvester exceeds its available IFQ. The use of transfers to avoid overages could increase under a new amendment adopted by the Council that allows transfers after delivery to remedy an overage.

Leasing of QS (or equivalently, the sale of owner IFQ) will be prohibited, except by cooperatives, after the first five years of the program. Leasing is defined as the use of IFQ on a vessel in which the owner of the underlying QS holds less than a 10 percent ownership interest and on which the underlying QS holder is not present. The prohibition on leasing of QS (or sale of IFQ) by persons not in cooperatives is intended to create an incentive for cooperative membership. The interim period in which leasing is not constrained is intended to allow a period of adjustment during which harvesters can coordinate fishing activities and build relationships necessary for cooperative membership.

To be eligible to purchase owner QS or IFQ an individual is required to be a US citizen and to have at least 150 days of sea time in US commercial fisheries in a harvest capacity. An entity is eligible to purchase shares only if it is at least 20 percent owned by a US citizen with at least 150 days of sea time in US commercial fisheries in a harvest capacity and is at least 75 percent U.S. owned, allowing it to document a vessel. Initial recipients of QS and CDQ groups are exempt from these eligibility criteria. Sea time requirements are intended to ensure that the harvest sector does not evolve into a fishery owned by persons with no fishing background.

"Individual use caps" are imposed on the use and holdings of harvest shares by any person in order to prevent excessive consolidation of shares under the program. Different caps apply to owner share holdings and C share holdings. In addition, a higher cap applies to CDQ group holdings of owner shares, as those entities represent the interests of several communities. Individual use caps vary across program fisheries because of different fleet characteristics and the differences in historic dependency of participants on the different fisheries. In addition, CDQ groups, who each represent the interests of one or more Bering Sea and Aleutian Island communities, are subject to higher caps (see Table 2-1). A "grandfather" provision exempted persons who received an initial allocation of QS in excess of the cap. Individual use caps are applied individually and collectively. Under this approach, all of a person's direct QS holdings are credited toward the cap. In addition, a person's indirect QS holdings are also credited toward the cap in proportion to the person's ownership interest. For example, if a person owns a 20 percent interest in a company that holds 100 shares, that person is credited with holding 20 shares for purposes of determining compliance with the cap. "Vessel use caps" limit the amount of owner IFQ that

may be harvested by a single vessel. Vessel use caps do not apply to cooperatives, thereby providing an additional incentive for cooperative participation.

To protect independent vessel owners and processors that are not vertically integrated, processor harvest share holdings are also limited by caps on vertical integration. A PQS holder's harvest share holdings are limited to 5 percent of the share pool on a fishery basis. These caps are applied using a threshold rule for determining whether the shares are held by a processor, and then the individual and collective rule for determining the extent of share ownership. Under the threshold rule, any entity with 10 percent or more common ownership with a processor is considered to be a part of that processor. Any direct holdings of those entities are fully credited to the processor's holdings. Indirect holdings of an entity are credited toward the processor's cap in proportion to the entity's ownership.

**Table 2-1 Harvest share use caps as percent of the respective quota share pool.**

| Fishery | Owner share | | C share use cap** | Vessel use cap* |
|---|---|---|---|---|
| | Individual use cap* | CDQ group use cap* | | |
| Bristol Bay red king crab | 1 | 5 | 2 | 2 |
| Bering Sea *C. opilio* | 1 | 5 | 2 | 2 |
| Eastern Bering Sea *C. bairdi* | 1 | 5 | 2 | 2 |
| Western Bering Sea *C. bairdi* | 1 | 5 | 2 | 2 |
| Pribiolof red and blue king crab | 2 | 10 | 4 | 4 |
| St. Matthew Island blue king crab | 2 | 10 | 4 | 4 |
| Eastern Aleutian Islands golden king crab | 10 | 20 | 20 | 20 |
| Western Aleutian Islands golden king crab | 10 | 20 | 20 | 20 |
| Western Aleutian Islands red king crab | 10 | 20 | 20 | 20 |

* as a percentage of the owner share pool.

** as a percentage of the C share pool.

## 2.2.3 Processing shares

The program also created processing quota shares (PQS), which are allocated to processors and are analogous to the QS allocated to harvesters. PQS are a revocable privilege to receive deliveries of a fixed percentage of the annual TAC from a program fishery. These annual allocations are referred to as individual processing quota (IPQ). IPQ is issued for 90 percent of the owner IFQ pool, corresponding to the 90 percent allocation of owner IFQ issued as Class A IFQ. As with owner QS and Class A IFQ, PQS and IPQ are designated for processing in a region. These processing shares are intended to protect processor investment in program fisheries and preserve regional interests in the fisheries.

IPQ landing requirements do not apply to the remaining 10 percent of the owner IFQ, corresponding to the 10 percent of the owner IFQ allocated as Class B IFQ, as these Class B IFQ are intended to provide harvesters with additional bargaining power. In addition, Class B IFQ may provide an opportunity for the entry of new processors in the program fisheries. Alternatively, new processors can enter a fishery by purchasing PQS or IPQ or by purchasing landings of CDQ crab. To ensure harvesters of the latitude to use their Class B IFQ to pursue the best markets, processors are not permitted to leverage their IPQ to acquire crab harvested using Class B IFQ; the penalty is forfeiture of all of the processor's IPQ.

As in the harvest sector, processors received initial allocations of PQS based on processing history during a specified qualifying period for each fishery. A processor's PQS allocation, as a percentage of the pool,

in a program fishery was equal to its share of all qualified processing in the qualifying period (i.e., pounds processed by the processor divided by pounds processed by all qualified processors).

Processing shares are transferable, including leasing of PQS (or equivalently, the sale of IPQ) subject to use caps. As with harvesting shares, transferability of processing shares is intended to promote efficiency and facilitate compensated reduction of excess capacity. In addition, IPQ transfers may aid in the coordination of deliveries from the fisheries. To provide a period of general stability for processors and communities to adjust to the program a two-year ''cooling off period'' was established during which processing shares could not be relocated from the community where the historical processing occurred that led to the allocation (the community of origin).[1] In addition, a right of first refusal was granted to community groups and CDQ groups from communities with significant crab processing history on the sale of any processing shares for use outside of the community of origin. Exceptions to the right allow a company to consolidate operations among several commonly owned plants to achieve intra-company efficiencies and the temporary lease of shares outside of the community of origin.

A processing share cap prevents any person from holding or using in excess of 30 percent of the outstanding processing shares in any program fishery. In general, all share holdings of an entity and any custom processing by a plant owned by an entity is counted toward that entities cap. An exception that exempts custom processing in certain fisheries and regions from the plant owners share cap was implemented recently. That exemption allows consolidation beyond the caps in fisheries and regions that pose particular economic challenges to processors.[2] As with vertical integration caps, processor share caps are applied using a threshold rule for determining whether the shares are held by a processor and then the individual and collective rule for determining the extent of share ownership. Under the threshold rule, any entity with 10 percent or more common ownership with a processor is considered to be a part of that processor. Any direct holdings of those entities are fully credited to the processor's holdings. Indirect holdings of those entities are credited toward the processor's cap in proportion to the entities ownership. A "grandfather" provision exempted initial allocations of PQS in excess of the cap. In the *C. opilio* fishery, in addition to the PQS ownership cap, no processor is permitted to use in excess of 60 percent of the IPQ issued in the North region.

## 2.2.4 Regional share designations

The allocation to regions is accomplished by regionally designating all Class A (delivery restricted) harvest shares and all corresponding processing shares. In most program fisheries, regionalized shares are either North or South, with North shares designated for delivery in areas on the Bering Sea north of 56º 20´ north latitude and South shares designated for any other areas, including Kodiak and other areas on the Gulf of Alaska. In the Western Aleutian Islands (Adak) golden king crab fishery, the designation is based on an east/west line to accommodate a different distribution of activity in that fishery. Share designations are based on the historic location of the landings and processing that gave rise to the shares.

[1] The 'cooling off' limitation applied to most processing shares, but shares allocated based on processing history in communities with minor amounts of crab were not subject to the provision. In addition, each processing share holder was permitted to move small amounts of IPQ out of the 'community of origin' during the cooling off period to allow for some coordination of landings and more complete use of Class A IFQ and IPQ allocations.

[2] The exemption applies to custom processing in the North region of the *C. opilio*, Pribilof red and blue king crab, the St. Matthew Island blue king crab, the Western Aleutian Islands red king crab, the Western Aleutian Islands golden king crab, and the Eastern Aleutian Islands golden king crab fisheries. The exemption is limited to processing that occurs in communities to protect community interests. Along with the exemption, a provision limits the processing in any facility to 60 percent of the IPQ in the Western Aleutian Islands red king crab and Eastern Aleutian Islands golden king crab fisheries.

A recent amendment allows for an exemption from the regional landing requirement in the West region of the Western Aleutian Islands golden king crab fishery on the agreement of all holders of more than 20 percent of the QS pool, all holders of more than 20 percent of the PQS pool, and the communities of Adak and Atka. The amendment is intended to allow for the movement of deliveries in the event that processing capacity is unavailable in the West region. In addition, the Council is considering an amendment to create a more general exemption from regional landing requirements, on the agreement of IFQ holders, IPQ holders, and certain affected regional or community interests. The specific amendment is under consideration at this meeting.

### 2.2.5 Catcher processor shares

Catcher processors participate in both the harvest and processing sectors and therefore have a unique position in the program. Catcher processors are allocated catcher processor QS and issued corresponding catcher processor IFQ. These shares carry both a harvest privilege and an accompanying onboard processing privilege. To be eligible for the initial allocation of catcher processor QS, a person must have been eligible for a harvest allocation by holding a permanent, fully transferable catcher processor LLP license. In addition, the catcher processor must have processed crab in either 1998 or 1999. These requirements parallel the harvester QS and processor PQS eligibility requirements, respectively. Persons meeting these eligibility requirements were allocated catcher processor QS in accordance with the allocation rules for harvest shares for all qualified catch that was processed onboard.

Since catcher processor IFQ provide both harvesting and on board processing privileges, a person holding those shares may harvest and process crab onboard under the allocation. In addition, holders of catcher processor IFQ may choose not to process harvested crab, instead delivering their catch to any other processor. Use of catcher processor IFQ in this manner is akin to the use of Class B IFQ, which do not require the receiving processor to hold unused IPQ. Catcher/processor shares do not have regional designations.

Holders of catcher processor QS may also sever the harvesting and processing privileges, thereby creating separate QS and PQS. These newly severed interests create a privilege to annual IFQ allocations and IPQ allocations, which can be held by different persons. When severed, the resulting QS and PQS must be designated for a region with both shares taking the same regional designation. Allowing the conversion of shares permits a catcher processor shareholder to realize the maximum value of shares and provides greater flexibility in using the privileges.

Some catcher processors historically accept delivery of crab from catcher vessels for processing. PQS are allocated based on this activity to the extent that processing vessels met processor eligibility requirements and had qualifying processing history. In addition, catcher processors are permitted to purchase and use additional IPQ. All processing of deliveries by catcher processors is required to take place within three miles of shore in the applicable region. The requirement of processing within three miles of shore is intended to ensure that the regional benefits of processing activity occur. Catcher processors may not purchase for processing crab harvested with Class B shares.

### 2.2.6 Crew shares

To protect captains' historical interests in the program fisheries, 3 percent of the initial allocation of QS were issued to eligible captains. These "C shares" are to be held only by active captains and crew and are intended to provide additional leverage to those captains and crew when negotiating contracts with vessel owners. The Council chose to exempt C shares from all IPQ and regional landing requirements, as it recognized the logistical complications that would likely arise under the program as a result of the

interaction of active participation requirements, fleet contraction, and the IPQ and regional landing requirements.[3]

To be eligible for the initial allocation of C share QS, a captain was required to demonstrate both historical dependence on a program fishery and recent participation. Allocations to captains were based on participation in landings during the same qualifying years applicable to owner QS allocations. To ensure C share holders are an integral part of the program, C share holders are permitted to join cooperatives. IFQ attributable to C share QS of cooperative members are allocated directly to the cooperative and are harvested in accordance with the applicable cooperative agreement.

To ensure that C shares benefit active participants in the program fisheries, C share QS and IFQ may be acquired by transfer only by persons who are active in one of the program fisheries in the 365 days prior to the application for transfer.[4] Under current rules, individuals who hold C share IFQ are required to be on board the vessel harvesting those IFQ. However, C share holders who choose to join a cooperative are effectively exempted from the 'owner on board' rule, since the IFQ are held by the cooperative.

Under the amendment recently adopted by the Council, which is pending Secretarial approval, annual C share IFQ are issued only to C share QS held by persons who meet an active participation requirement of being on board a vessel for one landing in the three years preceding the IFQ allocation. In addition, C share QS is revoked from persons who are not active in at least one of the fisheries for four consecutive years.[5] The Council also included a transition period for persons who would be deprived of IFQ or QS by these active participation requirements. Under this transition period, no IFQ would be withheld until 3 years after implementation of the amendment and no QS would be revoked until 5 years after the implementation of the amendment. Although the Council took this action in the spring of 2008, the action is pending approval by the Secretary of Commerce.

Individual C share holdings and use are capped at the same level as the vessel use caps applicable to owner IFQ (i.e., twice the owner QS cap level). A "grandfather" provision exempted initial allocations of Class C shares in excess of the cap. C share IFQ are not considered in determining a vessel's compliance with the vessel use caps applicable to owner IFQ.

Catcher processor captains are allocated catcher processor C share QS that include both a harvesting and onboard processing privilege. Harvests with catcher processor C share IFQ may also be delivered to shoreside or stationary floating processors. Harvests with catcher vessel C share IFQ must be delivered to shoreside or stationary floating processors (i.e., they cannot be delivered to catcher processors).

[3] The initial exemption from these requirements applied only for the first three years of the program. The Council extended this exemption indefinitely under an amendment to the program, which was implemented by NOAA Fisheries for the 2008-2009 season.

[4] The Council recently adopted a provision that would allow initial recipients of C share QS and persons who fished in Bering Sea and Aleutian Islands crab fisheries in 3 of the 5 seasons preceding implementation of the rationalization program to acquire C shares. This provision is intended to address concerns of crews displaced by fleet consolidation who are interested in acquiring C shares to maintain an interest in the fisheries.

[5] An alternative active participation requirement can be met by recipients of an initial allocation of C share QS. Initial recipients of C share QS allocations, who are active in a fishery in or off Alaska for a total of at least 30 days during three crab seasons preceding the annual IFQ allocation would receive that allocation (regardless of whether they are active in the crab fisheries. In addition, C share QS would not be revoked from initial recipients who have at least 30 days of participation in a fishery in or off Alaska.

## 2.2.7 Binding arbitration system

The arbitration system serves several important purposes in the program, including dissemination of market information to facilitate negotiations, the coordination of matching Class A IFQ held by harvesters to IPQ held by processors, and a binding arbitration process to resolve terms of delivery.

A "market analyst" and a "formula arbitrator," jointly selected by the harvesting and processing sectors, develop a market report and price formula, which specifies an ex vessel price as a portion of the first wholesale price, to be used by participants to guide their delivery negotiations. The market report nor the formula price are non-binding, but are intended to provide information concerning the market and a reasonable price that might be generated by the arbitration system.

Matching of Class A IFQ with IPQ is facilitated through a process of share commitments and dissemination of information concerning available shares. Once shares are matched, the parties unable to negotiate terms of delivery may use the arbitration system to resolve those terms.

To ensure predictability and fairness, the arbitration system sets forth standards to be followed by formula arbitrators and contract arbitrators. Although different standards apply to the formula arbitrator and the contract arbitrator, the differences between the standards are very limited and do not substantively change the general approach to be applied. The regulations state that both the non-binding price formula and contract arbitrator's decision must "(A) Be based on the historical distribution of first wholesale revenues between fishermen and processors in the aggregate based on arm's length first wholesale prices and ex-vessel prices, taking into consideration the size of the harvest in each year; and (B) Establish a price that preserves the historical division of revenues in the fishery while considering" several listed factors.[6]

A detailed description of the arbitration system is contained in the section of this review that examines the performance of that system.

## 2.2.8 Cooperatives

The program allows harvesters to form voluntary cooperatives associated with one or more processors holding PQS. Cooperatives receive the annual IFQ allocated to their members. Formation of cooperatives is intended to facilitate production efficiency by aiding harvesters in coordinating harvest activities among members and deliveries to processors. In addition, the cooperative relationship can facilitate the trading of IFQ under prearranged terms and conditions. Such trades help harvesters consolidate small portions of their allocations on a single vessel when a small portion of each vessel's allocation is remaining. In addition, processors can benefit by associating with a cooperative; for example, coordinated deliveries can result in less down time for processing crews and equipment and decrease deadloss by reducing queuing of harvesters waiting to offload their catches. Scheduling of deliveries is especially important under the program because the allocation of harvest shares can result in the extension of fishing over a longer period.

A minimum membership of four unique QS holders is required for cooperative formation. Cooperatives must file a cooperative agreement with NOAA Fisheries annually. Once the filing is made, the cooperative receives the annual allocation of its members in the applicable program fisheries. Cooperative members are permitted to leave a cooperative at any time after a season retaining their QS and associated

[6] Listed factors in both standards include current ex vessel prices for all IFQ types, consumer and wholesale product prices, innovations and developments of both sectors, efficiency and productivity of both sectors, quality, the interest of maintaining financially healthy and stable harvesting and processing sectors, safety and expenditures for ensuring adequate safety, timing and location of deliveries, and cost of harvesting and processing less than the full IFQ or IPQ allocation (underages) to avoid penalties for overharvesting IFQ and reasonable deadloss.

IFQ. Harvesters within a cooperative may transfer IFQ freely since those IFQ are directly allocated to the cooperative and are counted against the cooperative's allocation. Vessels on which cooperative shares are fished are not subject to use caps. IFQ are also freely transferable between cooperatives, but these transfers require filing with NOAA Fisheries before they can be fished.

### 2.2.9 Community Development Quota and Adak community allocations

The program made changes in the allocations under the Community Development Quota (CDQ) program. The CDQ program was broadened to include the Eastern Aleutian Islands (Dutch Harbor) golden king crab fishery and the Western Aleutian Islands (Adak) red king crab fishery. In addition, the allocations in all crab fisheries covered by the CDQ program were increased from 7.5 to 10 percent of the TAC. These changes in the CDQ allocations are intended to further facilitate fishing activity and economic development in rural Western Alaska communities. The CDQ allocations are managed independently from the program and are not subject to IPQ and regional landing requirements. However, CDQ groups are required to deliver at least 25 percent of the allocations to shoreside processors.

Sea time eligibility requirements for the purchase of owner QS are waived for CDQ and community groups in eligible communities allowing those communities to build and maintain local interests in harvesting. CDQ and community groups are not permitted to purchase C shares.

The program also made an allocation to the community of Adak from the Western Aleutian Islands (Adak) golden king crab fishery in an amount equal to the unused resource during the qualifying period. This allocation is capped at 10 percent of the total allocation in that fishery. This allocation to Adak is thought to be appropriate because that community was excluded from the CDQ program because of its history as a military community.

### 2.2.10 Crew loan program

The rationalization program includes a low interest loan program to assist eligible captains and crew in purchasing QS. Implementation of the loan program was delayed because of the absence of a Congressional appropriation to authorize loans, which was provided in early 2008. In February of 2008, the Council passed a motion recommending that loan funds be available exclusively to licensed crew who are U.S. citizens with at least 150 days sea time as part of a harvesting crew in any U.S. commercial fishery, and who have made at least one delivery in a fishery subject to the crab rationalization program in two of the three years prior to application for the loan. The Council recommended that loan funds for QS purchase in a fishery be available only to persons holding below a threshold amount of QS in that fishery (varying by fishery from 0.1 percent to 1.0 percent of the QS pool) after completing the purchase. In addition, the Council proposed that a borrowing limit be established so that no person could borrow more than 10 percent of the available funds in any year. These recommendations were incorporated into the proposed rule that will establish the loan program. The final rule is forthcoming.

### 2.2.11 Sideboards to protect participants in other fisheries

Sideboards limit the activity of crab vessels in other fisheries to protect participants in those fisheries from a possible influx of activity that could arise from vessels that exit the program fisheries or are able to time activities in the program fisheries to increase participation in other fisheries. In the development of the program, the Council included sideboards to protect harvesters in the Gulf of Alaska groundfish fisheries from possible increase in effort from participants in the crab fisheries.

## 2.2.12 Economic data collection program

The program includes a comprehensive economic data collection requirement to help the Council and NMFS assess the success of the program and develop amendments to the program. The data collection requirement includes two variations of Economic Data Reports (EDRs): a historic EDR and an annual EDR. The first requires submission of historical-based economic data from 1998, 2001 and 2004. Historical EDRs capture pre-program implementation data for comparison to the economics of harvesting and processing before and after program implementation. The annual EDRs capture economic data on an annual basis at the conclusion of each calendar year's crab fisheries. Historical EDRs were collected in June and July 2005; the first annual EDRs were collected in 2006 for the 2005 calendar year.

Participation in the data collection program is mandatory for all participants in the program fisheries, including catcher vessel, catcher processor, stationary floating crab processors and shoreside crab processors. Should a submitter fail to submit an annual EDR by the due date, NMFS is authorized to withhold issuance or transfer of shares. Persons submitting the data have an opportunity to correct errors before enforcement action is taken.

EDRs contain cost, revenue, ownership and employment data. These data are collected and held the Pacific States Marine Fisheries Commission (PSMFC). PSMFC abides by all statutory and regulatory data confidentiality requirements, and will only release the data to NMFS, Council staff, and any other authorized users in a "blind" format. Specifically, all identifiers associated with data submitters will be eliminated and replaced with fictitious vessel and processor identifiers for purposes of analyses. However, in cases where the data are requested by NMFS Alaska Region Restricted Access Management, NMFS Office of Enforcement, NOAA General Counsel, the U.S. Department of Justice or the Federal Trade Commission for a purpose connected to law enforcement or qualification for quota and other Federal permits, PSMFC will provide the data and the identity of the submitter.

At its October 2010 meeting, the Council adopted a purpose and need statement to guide revisions to the crab economic data reporting program. Based on reviews of the data collection program, development of the metadata, and review of the data by the Pacific Northwest Crab Industry Advisory Committee and testimony from the industry, the Council concluded that substantial portions of the data that are inaccurate or wholly (or partially) redundant with other existing data collection requirements. In addition, the Council noted that the costs of the program greatly exceed estimates provided in the development of the data collection program. To address these problems, the Council intends to amend the data collection program to improve accuracy and informativeness of the data and remove redundancies with other existing reporting requirements, and reduce industry and administrative costs. The Council has requested that staff develop draft alternatives that could be used for this purpose. Those draft alternatives will be provided at a future meeting.

# 3 HARVEST SHARE HOLDINGS

## 3.1 Harvest sector privileges

Prior to implementation of the rationalization program, NOAA Fisheries managed the Bering Sea and Aleutian Island crab fisheries under the License Limitation Program (LLP), whereby vessels assigned a LLP license could participate in those fisheries designated by the license. With the implementation of the rationalization program, participation in program fisheries is limited by QS and the IFQ allocation yielded annually by those IFQ. This section of the paper summarizes the distribution of harvest privileges under the LLP and rationalization program.

### 3.1.1 LLP licenses

The LLP was a limited entry program which allocated licenses based on historic participation. Licenses were issued with species-area (fishery) endorsements (see Table 3-1). Licenses were issued by vessel type (catcher vessel or catcher processor) and specified a maximum vessel length (MLOA). Since licenses could carry multiple species-area endorsements, the total number of licenses was not additive.[7]

**Table 3-1 LLP licenses in the Bering Sea and Aleutian Islands crab fisheries (2005).**

| LLPs<br>Licenses endorsed for / also endorsed for | Bristol Bay red king crab | Bering Sea *C. opilio* and *C. bairdi* | Pribilof red and blue king crab | St. Matthew Island blue king crab | Aleutian Island red king crab | Aleutian Island golden king crab | Catcher processor |
|---|---|---|---|---|---|---|---|
| Bristol Bay red king crab | **270** | 264 | 110 | 168 | 28 | 25 | 26 |
| Bering Sea *C. opilio* and *C. bairdi* | | **273** | 109 | 169 | 30 | 27 | 27 |
| Pribilof red and blue king crab | | | **118** | 77 | 15 | 8 | 2 |
| St. Matthew Island blue king crab | | | | **170** | 26 | 19 | 13 |
| Aleutian Island red king crab | | | | | **30** | 8 | 4 |
| Aleutian Island golden king crab | | | | | | **28** | 9 |
| Source: NMFS RAM Division. | | | | | | | |

The moratorium, established in 1995, limited speculative entry into the fisheries while the LLP was being developed and approved. Nevertheless, the fisheries remained heavily overcapitalized. Further, the limited access management increased the incentive for all license holders to participate in the fisheries because a person could not receive a return without participating. Some participants allege that financial pressures of boat payments ensured their participation, as revenues from the fisheries were their primary source of income from their vessels. Participants also likely remained in the fisheries to reinforce their stake in any future history-based allocation.

Entry into the fisheries occurred in different ways. Crew members worked their way up to become skippers and used their crew compensation to purchase interests in vessels. Alternatively, persons entered the fisheries as an investment. These persons, who in some cases had no other interest or involvement in the fishery, typically used capital from other sources to purchase vessel interests in the fisheries.

As shown in Table 3-2, the transfer of LLP licenses to new entrants following implementation of the LLP was limited.[8] There were a number of reasons for the small volume of transfers. First, entry to the crab fisheries was costly because it required the purchase of an LLP permit and a properly configured vessel from which to fish. Secondly, the continuing overcapitalization situation, together with the historically

[7] . Exceptions to the LLP license requirement included vessels that do not exceed 32 feet LOA in the BSAI and certain vessels constructed for, and used exclusively in, CDQ fisheries.

[8] The reported volume of LLP license transfers may be an underestimate because NOAA Fisheries Restricted Access Management recorded only those transfers in which the named license holder changed.

low GHLs for the Bering Sea *C. opilio* fishery, made the crab fisheries economically unattractive for potential new entrants. Moreover, as the economic benefits derived from the fisheries declined, it became more difficult to acquire financing for the purchase of licenses and vessels.

**Table 3-2 Volume of license transfers under the LLP.**

| Year | Number of transfers | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Bristol Bay red king crab | Bering Sea *C. opilio* and *C. bairdi* | Pribilof red and blue king crab | St. Matthew Island blue king crab | Aleutian Island red king crab | Aleutian Island golden king crab | Catcher processor |
| 2002 | 1 | 1 | 1 | 0 | 1 | 0 | 0 | 0 |
| 2003 | 3 | 3 | 3 | 1 | 0 | 1 | 2 | 2 |
| 2004 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: NMFS RAM LLP license file.

Includes only transfers with change of named license holder.

## 3.2 Initial allocations of QS by sector and region

When the program was implemented, NOAA Fisheries made initial allocations of owner QS to persons holding LLP licenses. Since most licenses were held by corporations, aggregation by owner name typically will not reflect actual common control of QS holdings. Complex corporate ownership patterns prevented a complete assessment of the level of concentration of ownership beyond relying on the named owner for this report. Consequently, levels of consolidation of owner shares exceed those represented in the following tables and discussion.

Table 3-3 shows a summary of the initial owner quota share allocations to harvesters in the different program fisheries. The Aleutian Islands fisheries, which have the least participants, were the most concentrated. In all fisheries, the largest initial allocation exceeded the individual use cap. In the Western Aleutian Island golden king crab and Western Aleutian Islands red king crab fisheries the largest initial allocation was in excess of 4 times the share cap; in the Bristol Bay red king crab, Bering Sea *C. opilio*, Bering Sea *C. bairdi*, Eastern Aleutian Islands golden king crab, and St. Matthew Island blue king crab fisheries, the largest initial allocation was more than double the individual use cap. Notwithstanding these large allocations, the median allocation in all fisheries, except the Eastern Aleutian Islands golden king crab fishery, was less than half the individual use cap. The regional distribution of shares differed with landing patterns that arose from the geographic distribution of fishing grounds and processing activities. In the Bering Sea *C. opilio* fishery, almost half of the catcher vessel owner QS are designated for landing in the North region, while in excess of two-thirds of the catcher vessel owner pool is designated for landing in the North region in both the St. Matthew Island blue king crab and Pribilof red and blue king crab fisheries.

**Table 3-3 Initial allocation of owner quota shares.**

| Fishery | Share holdings by region | | | | | | Across regions | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Region | Percent of Pool | QS holders | Mean holdings | Median holdings | Maximum holding | QS holders | Mean holdings | Median holdings | Maximum holding |
| Bristol Bay red king crab | North | 2.4 | 28 | 0.1 | 0.1 | 0.2 | 251 | 0.4 | 0.4 | 2.2 |
| | South | 93.0 | 241 | 0.4 | 0.3 | 2.1 | | | | |
| | Catcher processor | 4.5 | 13 | 0.3 | 0.4 | 1.0 | | | | |
| Bering Sea *C. opilio* | North | 42.6 | 205 | 0.2 | 0.2 | 1.2 | 241 | 0.4 | 0.4 | 2.4 |
| | South | 48.4 | 214 | 0.2 | 0.2 | 2.1 | | | | |
| | Catcher processor | 9.1 | 14 | 0.6 | 0.7 | 1.2 | | | | |
| Bering Sea *C. bairdi* | Undesignated | 93.3 | 248 | 0.4 | 0.3 | 2.4 | 258 | 0.4 | 0.3 | 2.4 |
| | Catcher processor | 6.7 | 14 | 0.5 | 0.4 | 1.0 | | | | |
| Eastern Aleutian Island golden king crab | South | 95.2 | 13 | 7.3 | 6.6 | 20.4 | 15 | 6.7 | 6.0 | 20.4 |
| | Catcher processor | 4.8 | 2 | 2.4 | 2.4 | 4.1 | | | | |
| Western Aleutian Island golden king crab | Undesignated | 26.9 | 13 | 2.1 | 1.0 | 11.0 | 15 | 6.7 | 1.8 | 45.7 |
| | West | 26.9 | 9 | 3.0 | 1.3 | 13.5 | | | | |
| | Catcher processor | 46.2 | 2 | 23.1 | 23.1 | 45.7 | | | | |
| Western Aleutian Island red king crab | South | 61.0 | 29 | 2.1 | 0.6 | 13.5 | 30 | 3.3 | 0.6 | 45.2 |
| | Catcher processor | 39.0 | 2 | 19.5 | 19.5 | 37.8 | | | | |
| St. Matthew Island blue king crab | North | 76.7 | 121 | 0.6 | 0.6 | 3.4 | 135 | 0.7 | 0.6 | 4.4 |
| | South | 21.3 | 83 | 0.3 | 0.1 | 3.8 | | | | |
| | Catcher processor | 2.0 | 5 | 0.4 | 0.3 | 0.9 | | | | |
| Pribilof red and blue king crab | North | 67.1 | 84 | 0.8 | 0.6 | 3.1 | 112 | 0.9 | 0.5 | 3.4 |
| | South | 32.4 | 76 | 0.4 | 0.3 | 2.8 | | | | |
| | Catcher processor | 0.5 | 1 | 0.5 | 0.5 | 0.5 | | | | |

Source: NMFS Restricted Access Management QS database, initial allocation.
Note: These share holdings data are publicly available and non-confidential.

Crew quota share were allocated to captains based on their individual catch histories. In addition, only individuals are permitted to acquire and hold C shares. Consequently, concentration of C share holdings is accurately reflected in the following discussion and tables.

The initial crew quota share allocations showed a similar pattern across the program fisheries (see Table 3-4). Since fewer persons qualified for initial allocations, the initial C share QS holdings were more concentrated than initial owner QS holdings. Yet, in most cases, the initial allocations of C share QS were more evenly distributed among initial recipients. In most fisheries, the largest initial allocations of C share QS are a smaller percentage of the C share QS pool. Also, since C share use caps are double owner share caps, few initial allocations of C share QS exceeded the applicable use cap. Initial allocations of C share QS exceeded the use cap in only the Western Aleutian Island golden king crab and Western Aleutian Islands red king crab fisheries, where very few persons qualified for an allocation. With the exception of the Bering Sea *C. bairdi* fishery, in each fishery catcher vessel QS is a larger share of the pool of C share QS than catcher vessel owner QS. No catcher processor C share QS exists in the Eastern Aleutian Island golden king crab, St. Matthew Island blue king crab, and the Pribilof red and blue king crab fisheries.

**Table 3-4 Initial allocation of crew quota shares.**

| Fishery | Share holdings by operation type | | | | | | Share holdings across operation types | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Operation type | Percent of pool | QS holders | Mean holding | Median holding | Maximum holding | QS holders | Mean holding | Median holding | Maximum holding |
| Bristol Bay red king crab | Catcher vessel | 96.5 | 178 | 0.5 | 0.5 | 1.1 | 181 | 0.6 | 0.5 | 1.2 |
| | Catcher processor | 3.5 | 8 | 0.4 | 0.4 | 1.2 | | | | |
| Bering Sea *C. opilio* | Catcher vessel | 94.1 | 152 | 0.6 | 0.6 | 1.3 | 155 | 0.6 | 0.6 | 1.6 |
| | Catcher processor | 5.9 | 8 | 0.7 | 0.7 | 1.6 | | | | |
| Bering Sea *C. bairdi* | Catcher vessel | 91.8 | 170 | 0.5 | 0.5 | 1.7 | 176 | 0.6 | 0.5 | 1.7 |
| | Catcher processor | 8.2 | 15 | 0.5 | 0.4 | 1.5 | | | | |
| Eastern Aleutian Island golden king crab | Catcher vessel | 100.0 | 13 | 7.7 | 8.2 | 12.8 | 13 | 7.7 | 8.2 | 12.8 |
| Western Aleutian Island golden king crab | Catcher vessel | 57.5 | 8 | 7.2 | 5.6 | 21.7 | 9 | 11.1 | 6.2 | 41.7 |
| | Catcher processor | 42.5 | 2 | 21.3 | 21.3 | 41.7 | | | | |
| Western Aleutian Island red king crab | Catcher vessel | 86.4 | 4 | 21.6 | 14.3 | 49.5 | 4 | 25.0 | 20.8 | 49.5 |
| | Catcher processor | 13.6 | 1 | 13.6 | 13.6 | 13.6 | | | | |
| St. Matthew Island blue king crab | Catcher vessel | 100.0 | 72 | 1.4 | 1.4 | 3.1 | 72 | 1.4 | 1.4 | 3.1 |
| Pribilof red and blue king crab | Catcher vessel | 100.0 | 40 | 2.5 | 2.4 | 4.8 | 40 | 2.5 | 2.4 | 4.8 |

Source: NMFS Restricted Access Management QS database, initial allocation.

## 3.3 Transfers of quota share

Transfers are administered by NOAA Fisheries Restricted Access Management (RAM) Office. In the first three years of the program, all transfers were by written application. These paper transfers are usually processed by RAM within two or three days of receipt of a complete application, but can take up to 10

days. A newly developed system of electronic transfers now allows for real time transfers through the internet.

Table 3-5 shows the number of QS transferred by operation type, share type, and fishery. In the first five years of the program, substantial portions of the harvesting QS pools have been transferred. Transfers of shares in the Eastern Aleutian Islands golden king crab fishery sum to over 50 percent of the QS pool, while transfers sum to in excess of 20 percent of the respective QS pools in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries.[9] In addition, transfers summing at approximately 50 percent of the C share pool in the Bristol Bay red king crab and over 75 percent of the C share pool in the Bering Sea *C. opilio* fisheries have occurred in the first five years of the program. Some portion of these totals likely include shares that have traded more than once. The transfers of C shares may be a reflection of persons who are no longer employed in the fisheries divesting of their shares. As with other data concerning owner share holdings, transfer data can be misleading. In some cases, transfers are changes in the name of the holder. In other cases, the transfer might reflect a change in structure of the share holding entity (such as the addition of a new partner or a change in corporate ownership). Yet, if ownership structure changes while the entity holding shares remains unchanged, it is possible that no transfer will be reflected in the data.

**Table 3-5 Transfers of harvesting QS by share type and fishery (2005 through 2010).**

| Fishery | Sector | 2005 | | 2006 | | 2007 | |
|---|---|---|---|---|---|---|---|
| | | Number of units | Percentage of QS pool | Number of units | Percentage of QS pool | Number of units | Percentage of QS pool |
| Bristol Bay red king crab | Catcher processor crew | | | | | | |
| | Catcher processor owner | 1,569,702 | 0.39 | | | 1,095,593 | 0.27 |
| | Catcher vessel crew | 1,394,428 | 0.35 | 1,226,094 | 0.31 | 570,569 | 0.14 |
| | Catcher vessel owner | 9,519,319 | 2.37 | 25,903,537 | 6.45 | 15,714,819 | 3.91 |
| Bering Sea *C. opilio* | Catcher processor crew | | | 222,842 | 0.02 | | |
| | Catcher processor owner | 11,997,148 | 1.19 | | | 9,972,035 | 0.99 |
| | Catcher vessel crew | 2,995,884 | 0.30 | 3,049,661 | 0.30 | 821,969 | 0.08 |
| | Catcher vessel owner | 36,952,703 | 3.68 | 51,615,892 | 5.14 | 49,652,053 | 4.94 |
| Bering Sea *C. bairdi* | Catcher processor crew | 19,854 | 0.01 | | | | |
| | Catcher processor owner | 1,570,469 | 0.78 | | | | |
| | Catcher vessel crew | 528,329 | 0.26 | 181,990 | 0.09 | | |
| | Catcher vessel owner | 9,930,491 | 4.95 | 3 | 0.00 | | |
| Eastern Aleutian Islands golden king crab | Catcher processor owner | | | | | 396,848 | 3.97 |
| | Catcher vessel crew | 43,372 | 0.43 | | | 35,191 | 0.35 |
| | Catcher vessel owner | 1,021,237 | 10.21 | | | 3,034,034 | 30.34 |
| Eastern Bering Sea *C. bairdi* | Catcher processor owner | | | 460,039 | 0.23 | 911,106 | 0.45 |
| | Catcher vessel crew | | | 491,486 | 0.25 | 178,143 | 0.09 |
| | Catcher vessel owner | | | 14,485,599 | 7.22 | 7,397,444 | 3.69 |
| Pribilof red and blue king crab | Catcher vessel crew | | | 48,351 | 0.16 | | |
| | Catcher vessel owner | 382,973 | 1.27 | 960,391 | 3.20 | 637,488 | 2.12 |
| St. Matthew Island blue king crab | Catcher vessel crew | 49,745 | 0.16 | 60,004 | 0.20 | 35,644 | 0.12 |
| | Catcher vessel owner | 766,644 | 2.53 | 1,160,704 | 3.84 | 2,058,705 | 6.80 |
| Western Aleutian Island golden king crab | Catcher processor crew | | | | | | |
| | Catcher processor owner | | | 1,646 | 0.00 | 190,857 | 0.48 |
| | Catcher vessel crew | 75,643 | 0.19 | | | 74,001 | 0.19 |
| | Catcher vessel owner | 878,114 | 2.20 | | | 4,008,216 | 10.02 |
| Western Aleutian Island red king crab | Catcher vessel owner | | | 1,232,580 | 2.05 | 797,165 | 1.33 |
| Western Bering Sea *C. bairdi* | Catcher processor owner | | | 460,039 | 0.23 | 911,106 | 0.45 |
| | Catcher vessel crew | | | 469,861 | 0.23 | 178,143 | 0.09 |
| | Catcher vessel owner | | | 14,485,599 | 7.22 | 6,086,453 | 3.03 |

Source: RAM transfer data.
* Total includes transfers of Bering Sea C.bairdi from 2005 and 2006.
Note: Percentages are of total QS pool of which owner shares are 97 percent and crew shares are 3 percent.

[9] It should be noted that some shares may have been transferred multiple times, so sums may not represent the portion of the pool transferred from their initial holder.

| Fishery | Sector | 2008 | | 2009 | | 2010 | | Total across all years (as percentage of QS pool) |
|---|---|---|---|---|---|---|---|---|
| | | Number of units | Percentage of QS pool | Number of units | Percentage of QS pool | Number of units | Percentage of QS pool | |
| Bristol Bay red king crab | Catcher processor crew | | | 16,141 | 0.00 | | | 0.00 |
| | Catcher processor owner | 2,047,730 | 0.51 | 771,900 | 0.19 | 622,435 | 0.16 | 1.52 |
| | Catcher vessel crew | 567,719 | 0.14 | 427,846 | 0.11 | 45,874 | 0.01 | 1.05 |
| | Catcher vessel owner | 21,506,925 | 5.36 | 13,403,897 | 3.34 | 1,304,924 | 0.32 | 21.75 |
| Bering Sea *C. opilio* | Catcher processor crew | | | 71,261 | 0.01 | | | 0.03 |
| | Catcher processor owner | 8,593,014 | 0.86 | 11,217,492 | 1.12 | | | 4.16 |
| | Catcher vessel crew | 1,056,848 | 0.11 | 1,121,203 | 0.11 | 191,093 | 0.02 | 0.92 |
| | Catcher vessel owner | 21,731,910 | 2.16 | 24,397,671 | 2.43 | 2,392,908 | 0.24 | 18.59 |
| Eastern Aleutian Islands golden king crab | Catcher processor owner | | | | | | | 3.97 |
| | Catcher vessel crew | 59,908 | 0.60 | 15,789 | 0.16 | | | 1.54 |
| | Catcher vessel owner | 47,819 | 0.48 | 804,355 | 8.04 | | | 49.07 |
| Eastern Bering Sea *C. bairdi* | Catcher processor owner | 1,371,158 | 0.68 | 1,311,988 | 0.65 | | | 2.02 |
| | Catcher vessel crew | 242,855 | 0.12 | 29,223 | 0.01 | 33,887 | 0.02 | 0.49 |
| | Catcher vessel owner | 7,697,362 | 3.84 | 4,367,051 | 2.18 | | | 16.93 |
| Pribilof red and blue king crab | Catcher vessel crew | 36,000 | 0.12 | | | | | 0.28 |
| | Catcher vessel owner | 242,664 | 0.81 | | | | | 7.40 |
| St. Matthew Island blue king crab | Catcher vessel crew | 24,951 | 0.08 | 9,320 | 0.03 | | | 0.59 |
| | Catcher vessel owner | 476,273 | 1.57 | 885,520 | 2.93 | | | 17.67 |
| Western Aleutian Island golden king crab | Catcher processor crew | 9,257 | 0.02 | | | | | 0.02 |
| | Catcher processor owner | | | | | | | 0.48 |
| | Catcher vessel crew | 59,446 | 0.15 | | | | | 0.52 |
| | Catcher vessel owner | | | | | | | 12.22 |
| Western Aleutian Island red king crab | Catcher vessel owner | 395,110 | 0.66 | | | | | 4.04 |
| Western Bering Sea *C. bairdi** | Catcher processor owner | 1,371,158 | 0.68 | 1,311,988 | 0.65 | | | 2.02 |
| | Catcher vessel crew | 242,855 | 0.12 | 20,608 | 0.01 | 33,887 | 0.02 | 0.47 |
| | Catcher vessel owner | 7,697,361 | 3.84 | 4,367,051 | 2.18 | | | 16.27 |

Source: RAM transfer data.

* Total includes transfers of Bering Sea *C.bairdi* from 2005 and 2006.

Note: Percentages are of total QS pool of which owner shares are 97 percent and crew shares are 3 percent.

## 3.4 Current holdings

Share holdings distribution data in the Bristol Bay red king crab, Bering Sea *C. opilio*, and both Bering Sea *C. bairdi* fisheries suggest that owner quota share have become slightly more concentrated since the initial allocation (see Table 3-6). In each of these fisheries, the maximum holding increased to a level that exceeds the individual cap applicable to most holders. CDQ groups, who are subject to separate higher share holdings caps, are permitted to acquire shares over the cap level that applies to all other persons. In each case, one of those groups has acquired shares beyond the individual cap applicable to persons other than CDQ groups. Although these data suggest substantial consolidation in the fisheries, the number of owner quota share holders increased or has stayed close to constant since the initial allocation.

**Table 3-6 Current owner quota share holdings by region.**

cvpo qs

| Fishery | Share holdings by region | | | | | | Across regions | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Region/Catcher processor | QS holders | Percent of pool | Mean holding | Median holding | Maximum holding | QS holders | Mean holding | Median holding | Maximum holding |
| Bristol Bay red king crab | North | 33 | 2.42 | 0.1 | 0.0 | 0.2 | 257 | 0.39 | 0.31 | 4.79 |
| | South | 248 | 93.04 | 0.4 | 0.3 | 4.5 | | | | |
| | Catcher processor | 12 | 4.54 | 0.4 | 0.3 | 1.0 | | | | |
| Bering Sea *C. opilio* | North | 219 | 42.55 | 0.2 | 0.1 | 1.2 | 246 | 0.41 | 0.34 | 4.92 |
| | South | 218 | 48.37 | 0.2 | 0.1 | 3.2 | | | | |
| | Catcher processor | 14 | 9.08 | 0.6 | 0.6 | 2.2 | | | | |
| Eastern Bering Sea *C. bairdi* | Undesignated | 237 | 93.28 | 0.4 | 0.3 | 4.2 | 245 | 0.41 | 0.28 | 4.96 |
| | Catcher processor | 13 | 6.72 | 0.5 | 0.4 | 1.1 | | | | |
| Western Bering Sea *C. bairdi* | Undesignated | 238 | 93.28 | 0.4 | 0.3 | 4.2 | 246 | 0.41 | 0.28 | 4.96 |
| | Catcher processor | 13 | 6.72 | 0.5 | 0.4 | 1.1 | | | | |
| Eastern Aleutian Island golden king crab | South | 15 | 95.16 | 6.3 | 5.0 | 20.0 | 17 | 5.88 | 4.45 | 20.00 |
| | Catcher processor | 2 | 4.84 | 2.4 | 2.4 | 4.1 | | | | |
| Western Aleutian Island golden king crab | Undesignated | 12 | 26.86 | 2.2 | 1.0 | 11.0 | 15 | 6.67 | 1.78 | 45.73 |
| | West | 8 | 26.91 | 3.4 | 1.2 | 13.5 | | | | |
| | Catcher processor | 3 | 46.22 | 15.4 | 0.5 | 45.7 | | | | |
| Western Aleutian Island red king crab | South | 32 | 60.97 | 1.9 | 0.5 | 13.5 | 33 | 3.03 | 0.62 | 45.16 |
| | Catcher processor | 2 | 39.03 | 19.5 | 19.5 | 37.8 | | | | |
| St. Matthew Island blue king crab | North | 132 | 76.72 | 0.6 | 0.5 | 3.4 | 147 | 0.68 | 0.52 | 4.95 |
| | South | 95 | 21.31 | 0.2 | 0.1 | 2.5 | | | | |
| | Catcher processor | 5 | 1.97 | 0.4 | 0.3 | 0.9 | | | | |
| Pribilof red and blue king crab | North | 90 | 66.62 | 0.7 | 0.5 | 3.1 | 119 | 0.84 | 0.49 | 3.41 |
| | South | 81 | 32.86 | 0.4 | 0.2 | 2.8 | | | | |
| | Catcher processor | 1 | 0.52 | 0.5 | 0.5 | 0.5 | | | | |

Source: NMFS Restricted Access Management IFQ database, crab fishing year 2010-2011.
Note: These share holdings data are publicly available and non-confidential.

The current distribution of C share quota share holdings shows larger changes from the initial allocation than that of owner shares (see Table 3-7). Persons have consolidated holdings, acquiring shares to the individual cap in the Bristol Bay red king crab, Bering Sea *C. opilio*, and both Bering Sea *C. bairdi* fisheries. Approximately 20 and 40 fewer persons hold shares in each of these fisheries than held shares at the initial allocation. Although active participation requirements did not apply for the first three years of the program and the exemption of cooperative members from the requirements continues to apply, these people may have divested as they lost their connection to the fisheries. C share holders might also be more likely to divest of their share holdings, since those holdings are a relatively small portion of the overall QS pool, limiting the annual income that might be derived from those shares. Holders of owner QS who no longer enter a vessel into the fishery may be more likely to maintain their share holdings, as the flow of income from those shares is likely to be substantially greater, since those shares make up a much larger share of the QS pool.

**Table 3-7 Current C share quota share holdings by operation type.**

cvpcstats

| Fishery | Share holdings by operation type | | | | | | Share holdings across operation types | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Operation type | Percent of pool | QS holders | Mean holding | Median holding | Maximum holding | QS holders | Mean holding | Median holding | Maximum holding |
| Bristol Bay red king crab | Catcher vessel | 96.5 | 138 | 0.7 | 0.5 | 2.0 | 141 | 0.7 | 0.6 | 2.0 |
| | Catcher processor | 3.5 | 8 | 0.4 | 0.4 | 1.2 | | | | |
| Bering Sea *C. opilio* | Catcher vessel | 94.1 | 125 | 0.8 | 0.7 | 2.0 | 127 | 0.8 | 0.7 | 2.0 |
| | Catcher processor | 5.9 | 7 | 0.8 | 0.7 | 2.0 | | | | |
| Eastern Bering Sea *C. bairdi* | Catcher vessel | 91.8 | 144 | 0.6 | 0.6 | 2.0 | 150 | 0.7 | 0.6 | 2.0 |
| | Catcher processor | 8.2 | 15 | 0.5 | 0.4 | 1.5 | | | | |
| Western Bering Sea *C. bairdi* | Catcher vessel | 91.8 | 144 | 0.6 | 0.6 | 2.0 | 150 | 0.7 | 0.6 | 2.0 |
| | Catcher processor | 8.2 | 15 | 0.5 | 0.4 | 1.5 | | | | |
| Eastern Aleutian Island golden king crab | Catcher vessel | 100.0 | 11 | 9.1 | 6.3 | 20.0 | 11 | 9.1 | 6.3 | 20.0 |
| Western Aleutian Island golden king crab | Catcher vessel | 57.5 | 7 | 8.2 | 6.3 | 21.7 | 8 | 12.5 | 7.5 | 41.7 |
| | Catcher processor | 42.5 | 2 | 21.3 | 21.3 | 41.7 | | | | |
| Western Aleutian Island red king crab | Catcher vessel | 86.4 | 4 | 21.6 | 14.3 | 49.5 | 4 | 25.0 | 20.8 | 49.5 |
| | Catcher processor | 13.6 | 1 | 13.6 | 13.6 | 13.6 | | | | |
| St. Matthew Island blue king crab | Catcher vessel | 100.0 | 68 | 1.5 | 1.4 | 3.3 | 68 | 1.5 | 1.4 | 3.3 |
| Pribilof red and blue king crab | Catcher vessel | 100.0 | 39 | 2.6 | 2.6 | 4.8 | 39 | 2.6 | 2.6 | 4.8 |

Source: NMFS Restricted Access Management QS database.
Note: These share holdings data are publicly available and non-confidential.

## 3.5 Processor holdings of catcher vessel owner QS

Under the program, a holder of PQS and its affiliates who hold catcher vessel owner QS do not receive allocations of Class B IFQ, up to the PQS holder's annual IPQ allocation. These persons receive Class A IFQ exclusively to offset their allocations of IPQ, and, for any remaining catcher vessel owner QS, receive a split of Class A IFQ and Class B IFQ in the same proportion as catcher vessel owner QS holders with no PQS holder affiliation. This split Class A IFQ/Class B IFQ allocation is determined such that the overall share of Class B IFQ in the fishery is 10 percent of the catcher vessel owner IFQ allocation. In the Bristol Bay red king crab 2009-2010 season, QS holders with no processor affiliation received approximately 11.3 percent of their annual IFQ allocation as Class B IFQ, suggesting that slightly less than 20 percent of the QS pool is held by persons with affiliations with PQS holders. A similar portion of the Bering Sea *C. bairdi* catcher vessel owner pool is subject to PQS affiliation, while slightly less of the Bering Sea *C. opilio* catcher vessel owner pool is subject to PQS affiliation. In the two Aleutian Island golden king crab fisheries almost no QS are held by persons with affiliations with PQS holders in that fishery (although a few of the QS holders have affiliations with holders of PQS in other fisheries).

**Table 3-8 Allocations of Class A IFQ and Class B IFQ by processor affiliation (2009-2010)**

| Fishery | QS holders with a processor affiliation | | | QS holders without processor affilation | | | |
|---|---|---|---|---|---|---|---|
| | Number of QS holders | Percent of Class A IFQ pool received | Percent of Class B IFQ pool received | Number of QS holders | Percent of Class A IFQ pool received | Percent of Class B IFQ pool received | Percent of allocation as B shares |
| Bristol Bay red king crab | 23 | 18.2 | 5.8 | 257 | 81.8 | 94.2 | 11.3 |
| Bering Sea *C. opilio* | 21 | 15.9 | 7.8 | 242 | 84.1 | 92.2 | 10.9 |
| Eastern Aleutian Islands golden king crab | 4 | 21.3 | 20.3 | 15 | 78.7 | 79.7 | 10.1 |
| Eastern Bering Sea *C. bairdi* | 21 | 17.4 | 5.5 | 237 | 82.6 | 94.5 | 11.3 |
| St. Matthew Island blue king crab | 12 | 16.1 | 9.1 | 143 | 83.9 | 90.9 | 10.8 |
| Western Aleutian islands golden king crab | 4 | 9.8 | 9.8 | 12 | 90.2 | 90.2 | 10.0 |

Source: RAM IFQ database (2009-2010).

Note: Processor affiliates may receive Class B IFQ for IFQ allocations in excess of IPQ holdings. A QS holder is considered affiliated, if it is affiliated with a holder of PQS in any fishery.

# 4 HARVEST SECTOR

This section reviews harvest sector IFQ use and participation in the fisheries in the first five years of the program. The section begins with a brief discussion of participation levels before and after implementation of the program and the overall harvest of IFQ. The section goes on to discuss cooperative fishing and leasing, to the extent that those practices are known. The section concludes with a discussion of vessel operations and the distribution of catch among the participating fleet.

Annual IFQ allocations are issued in pounds of allowable catch and are classified based on operation type, holder, and share class (see Table 4-1). Approximately 97 percent of the annual allocation is owner shares, while the remaining 3 percent are allocated as captain/crew shares (or C shares). The division of shares by operation type is based on catch histories of eligible participants in the qualifying years. In addition, 90 percent of the annual IFQ allocation of catcher vessel owner shares is Class A IFQ, which must be delivered to a processor holding unused IPQ, while the remaining 10 percent are issued as Class B IFQ, which may be delivered to any processor.

**Table 4-1 IFQ allocation by share type (2009-2010).**

| | Catcher vessel | | | Catcher processor | | Total |
|---|---|---|---|---|---|---|
| | Owner | | Captain/ | Owner | Captain/ | |
| Fishery | Class A | Class B | crew | | crew | |
| Bristol Bay red king crab | 12,008,706 | 1,334,304 | 415,245 | 634,726 | 15,125 | 14,408,106 |
| Bering Sea *C. opilio* | 34,302,929 | 3,811,430 | 1,219,957 | 3,804,875 | 76,117 | 43,215,308 |
| Eastern Aleutian Islands golden king crab | 2,355,354 | 261,707 | 84,934 | 133,003 | | 2,834,998 |
| Eastern Bering Sea *C. bairdi* | 989,502 | 109,951 | 33,376 | 79,189 | 2,986 | 1,215,004 |
| St. Matthew Island blue king crab | 899,128 | 99,901 | 31,196 | 20,073 | | 1,050,298 |
| Western Aleutian Islands golden king crab | 1,197,824 | 133,091 | 44,009 | 1,144,038 | 32,538 | 2,551,500 |
| Source: NMFS Restricted Access Management IFQ database, crab fishing year 2009-2010. | | | | | | |

## 4.1 Vessel participation

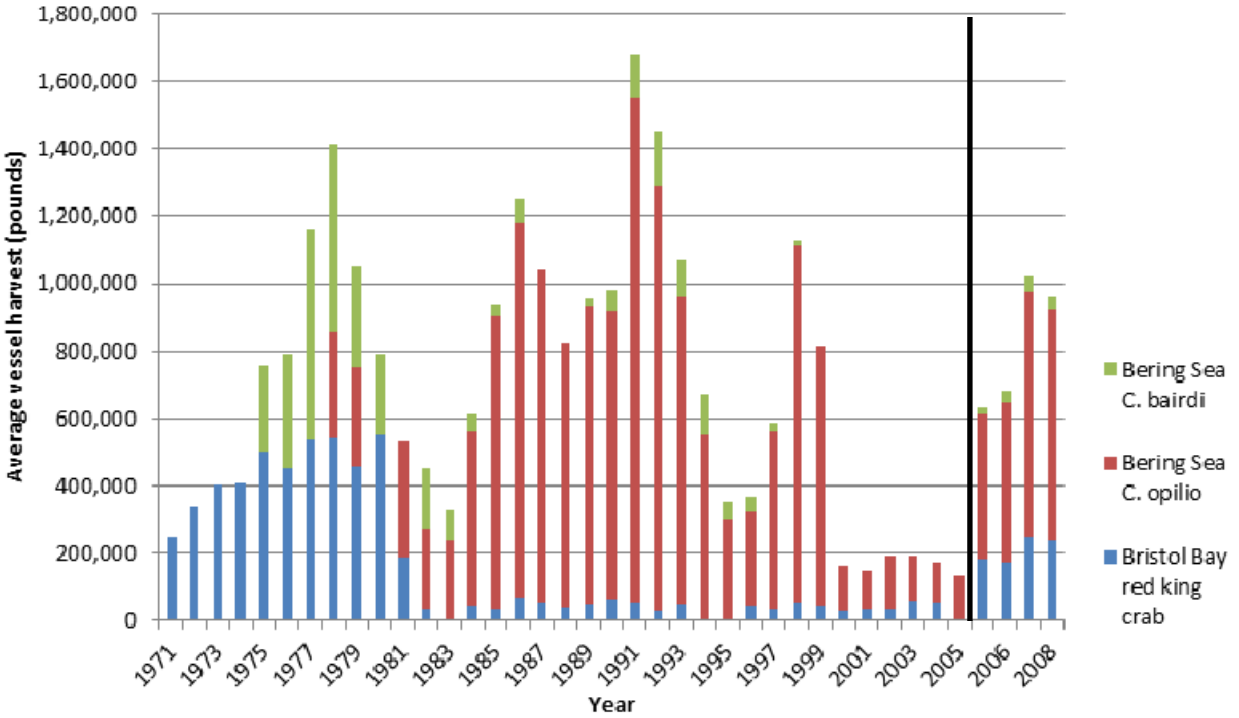
Table 4-2 displays changes in the numbers of vessels participating in fisheries under the program, compared with years just prior to program implementation. A precipitous decline in the fleets in all fisheries occurred on implementation of the program. In the Bristol Bay red king crab fishery, the fleet contracted to less than one-third its pre-rationalization size. In the Bering Sea *C. opilio* fishery, the contraction was of smaller magnitude because this fleet had contracted to some degree prior to implementation of the program, as GHLs in the fishery were at historic lows in the years preceding the program. The table shows that, as a percent of historic participation, catcher processor participation in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries dropped slightly less than participation of catcher vessels. Substantial fleet consolidation also occurred in the smaller Aleutian Islands golden king crab fisheries, while the Bering Sea *C. bairdi* fisheries were reopened under the program after being closed for nearly a decade. Despite the fleet consolidation, average vessel catches in the fishery currently parallel those of seasons prior to 2000, when either fewer vessels were participating in the crab fisheries or one or more of the major fisheries had a relatively high harvest (see Figure 4-1).

**Table 4-2 Catch and number of vessels by operation type.**

| Fishery | Season | Catch | Catch (as percent of total) by | | Number of vessels participating | | |
|---|---|---|---|---|---|---|---|
| | | | catcher vessels | catcher processors | catcher vessels | catcher processors | all unique vessels |
| **Bering Sea *C. opilio*** | 2001 | 22,940,704 | 86.5 | 13.5 | 201 | 8 | 207 |
| | 2002 | 29,609,702 | 94.4 | 5.6 | 182 | 9 | 190 |
| | 2003 | 25,410,122 | 96.8 | 3.2 | 185 | 5 | 190 |
| | 2004 | 21,939,493 | 97.0 | 3.0 | 183 | 6 | 189 |
| | 2005 | 22,655,777 | 97.1 | 2.9 | 161 | 6 | 167 |
| | 2005 - 2006 | 33,248,009 | 92.2 | 7.2 | 76 | 4 | 78 |
| | 2006 - 2007 | 32,699,911 | 90.9 | 8.4 | 66 | 4 | 70 |
| | 2007 - 2008 | 56,722,400 | 92.4 | 7.6 | 74 | 4 | 78 |
| | 2008 - 2009 | 52,687,374 | 92.8 | 7.1 | 73 | 4 | 77 |
| | 2009 - 2010 | 43,193,971 | 100.0 | | 67 | 2 | 69 |
| **Bristol Bay red king crab** | 2001 | 7,681,106 | 96.6 | 3.4 | 224 | 8 | 230 |
| | 2002 | 8,770,348 | 95.2 | 4.8 | 234 | 9 | 241 |
| | 2003 | 14,237,375 | 95.7 | 4.3 | 242 | 8 | 250 |
| | 2004 | 13,889,047 | 96.7 | 3.3 | 243 | 8 | 251 |
| | 2005 - 2006 | 16,472,400 | 96.5 | 2.8 | 88 | 4 | 89 |
| | 2006 - 2007 | 13,877,870 | 97.0 | 2.9 | 79 | 3 | 81 |
| | 2007 - 2008 | 18,324,046 | 97.0 | 2.8 | 72 | 3 | 74 |
| | 2008 - 2009 | 18,288,881 | 97.1 | 2.4 | 75 | 3 | 77 |
| | 2009 - 2010 | 14,337,782 | 99.5 | | 69 | 2 | 70 |
| **Eastern Bering Sea *C. bairdi*** | 2006 - 2007 | 1,267,106 | 72.7 | 2.2 | 33 | 3 | 36 |
| | 2007 - 2008 | 1,439,435 | 46.4 | | 19 | 1 | 20 |
| | 2008 - 2009 | 1,553,584 | 62.5 | | 20 | 1 | 21 |
| | 2009 - 2010 | 1,189,573 | 97.9 | | 16 | 1 | 17 |
| **Western Bering Sea *C. bairdi*** | 2005 - 2006 | 791,025 | 54.3 | | 42 | 2 | 43 |
| | 2006 - 2007 | 633,910 | 64.4 | | 34 | 2 | 36 |
| | 2007 - 2008 | 467,136 | 23.9 | | 26 | 1 | 27 |
| | 2008 - 2009 | 108,368 | 7.8 | | 27 | 0 | 27 |
| **St. Matthew Island blue king** | 2009 - 2010 | 460,859 | 43.9 | | 7 | 0 | 7 |
| **Eastern Aleutian Islands golden king crab** | 2001 - 2002 | 3,128,409 | 100.0 | | 19 | 0 | 19 |
| | 2002 - 2003 | 2,765,436 | 100.0 | | 19 | 0 | 19 |
| | 2003 - 2004 | 2,900,247 | 100.0 | | 18 | 0 | 18 |
| | 2004 - 2005 | 2,846,273 | 100.0 | | 20 | 0 | 20 |
| | 2005 - 2006 | 2,569,209 | 95.2 | | 6 | 1 | 7 |
| | 2006 - 2007 | 2,692,009 | 99.7 | | 5 | 1 | 6 |
| | 2007 - 2008 | 2,690,377 | 99.6 | | 3 | 1 | 4 |
| | 2008 - 2009 | 2,823,773 | 99.6 | | 3 | 0 | 3 |
| | 2009 - 2010 | 2,832,932 | 99.9 | | 3 | 0 | 3 |
| **Western Aleutian Islands golden king crab** | 2001 - 2002 | 2,693,221 | 100.0 | | 8 | 1 | 9 |
| | 2002 - 2003 | 2,605,237 | 100.0 | | 5 | 1 | 6 |
| | 2003 - 2004 | 2,637,161 | 100.0 | | 5 | 1 | 6 |
| | 2004 - 2005 | 2,639,862 | 100.0 | | 5 | 1 | 6 |
| | 2005 - 2006 | 2,382,468 | 98.0 | | 2 | 1 | 3 |
| | 2006 - 2007 | 2,002,186 | 82.3 | | 2 | 1 | 3 |
| | 2007 - 2008 | 2,246,040 | 92.4 | | 2 | 1 | 3 |
| | 2008 - 2009 | 2,252,111 | 88.3 | | 2 | 1 | 3 |
| | 2009 - 2010 | 2,478,313 | 97.1 | | 2 | 1 | 3 |
| **All fisheries** | 2001 - 2002 | | | | 235 | 11 | 243 |
| | 2002 - 2003 | | | | 238 | 11 | 247 |
| | 2003 - 2004 | | | | 245 | 9 | 254 |
| | 2004 - 2005 | | | | 247 | 9 | 256 |
| | 2005 - 2006 | | | | 100 | 5 | 101 |
| | 2006 - 2007 | | | | 87 | 5 | 91 |
| | 2007 - 2008 | | | | 83 | 5 | 87 |
| | 2008 - 2009 | | | | 84 | 5 | 88 |
| | 2009 - 2010 | | | | 76 | 3 | 78 |

Sources: ADFG fishtickets prior to 2005 and NMFS RAM catch data (for 2005-2006 through 2009-2010)
Notes: Catch as a percent of IFQ allocations for 2005-2006 through 2009-2010 seasons.
"All fishery" participation in a season includes all fisheries prosecuted between July 1 and June 30.
For 2005-2006 through 2009-2010, catcher processor vessel counts include all vessels harvesting catcher processor shares.

Fleet consolidation in the program fisheries was the result of owners and operators making business decisions to idle boats in order to remove excess capacity from the fisheries. Leasing of quota, and the accompanying retirement or sidelining of excess capital, has taken place to the degree but more quickly than most predicted. A few factors likely contributed to the substantial consolidation that occurred in the first years of the program. Consolidation was stimulated by the cooperative structure under the program. Cooperatives created the framework for and led to the development of harvesting associations. These strengthening relationships, in turn, created an environment ripe for leasing. The cooperative structure also reduces administrative burdens for in-season quota exchanges among members, which are not reported to NOAA Fisheries administrators, since each cooperative manages the aggregated allocation of IFQ of its members. In addition, it is likely that a portion of the fleet active prior to implementation of the program only remained in the fishery because of the impending rationalization program. Owners of these vessels quickly removed their vessels once the program was implemented.




Source: ADFG Annual Management Report 2008-2009.
Notes: Harvests for seasons overlapping two calendar years are attributed to one of the two years, to avoid double counting catches from a single fishery in the same year. Harvest per vessel is sum of average vessel's harvest in each fishery.

**Figure 4-1 Approximate annual average vessel harvests in the Bristol Bay red king crab, Bering Sea C. opilio, and Bering Sea C. opilio fisheries (1971 through 2008-2009).**

In the first five years of the program, participants have harvested most of the issued IFQ (Table 4-3). The percentage of shares harvested is relatively consistent across regions in most fisheries. The exceptions are the Western Bering Sea *C. bairdi* and Eastern Bering Sea *C. bairdi*, the Western Aleutian Islands golden king crab and the St. Matthew Island blue king crab fisheries. The *C. bairdi* fisheries, as well as the St. Matthew Island blue king crab fishery, are reported by participants to be particularly difficult to prosecute because of low catch rates. This complication seems to have been resolved in the Eastern *C. bairdi* fishery as most of the TAC was harvested in the 2009-2010 season. The St. Matthew Island fishery opens in October, one month later than its historical September opening. Some participants attribute low catch rates in the fishery to the later opening under current regulations. Crab are thought to migrate offshore and be more dispersed in October which may contribute to lower catches. Reduced fleet size due to

consolidation may also have contributed to low total catch relative to the TAC during the 2009-2010 season. Harvest of the Western Aleutian Islands golden king crab fishery in some years has been reported to be economically challenging because of low market prices for golden king crab and limited processing capacity in the West region (where 50 percent of the catcher vessel owner IFQ is required to be landed). The 2009-2010 harvests suggest that the recent amendment creating an exemption to the regional landing requirement (by agreement of QS holders, PQS holders and the communities of Atka and Adak) will resolve the processing capacity issue in the fishery. Success of that amendment in the long run will depend on the parties developing a consistent position on when the exemption is merited.

Although little can be disclosed concerning catcher processor catches, a comparison of the number of vessels by operation type and the number of vessels harvesting IFQ by share type shows that catcher vessels are harvesting a portion of the catcher processor allocation for delivery to shore-based processors. The use of catcher processor shares by catcher vessels likely arises from two types of activities. Some share holders may transfer their shares to catcher vessels as a part of planned consolidation of operations; others may make transfers of small amounts after harvesting most of their holdings to avoid stranding the remaining portions of their allocations.

**Table 4-3 Percentage of IFQ harvested by operation type, share type, and region.**

pct ifq harv

| Season | Fishery | Catcher vessel | | | | | | | | | | | | Catcher processor | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Owner | | | | | | | | | | Crew | | Owner | | Crew | |
| | | Class A North | | Class A South | | Class A West | | Class A Undesignated | | Class B | | | | | | | |
| | | Number of vessels | Percent of IFQ harvested | Number of vessels | Percent of IFQ harvested | Number of vessels | Percent of IFQ harvested | Number of vessels | Percent of IFQ harvested | Number of vessels | Percent of IFQ harvested | Number of vessels | Percent of IFQ harvested | Number of vessels | Percent of IFQ harvested | Number of vessels | Percent of IFQ harvested |
| 2005 - 2006 | Bristol Bay red king crab | 9 | 100.0 | 84 | 99.9 | | | | | 68 | 99.7 | 65 | 95.6 | 8 | 100.0 | 6 | 99.8 |
| | Bering Sea *C. opilio* | 59 | 99.3 | 69 | 99.6 | | | | | 55 | 99.2 | 50 | 93.6 | 7 | 99.9 | 7 | 87.4 |
| | Eastern Aleutian Islands golden king crab | | | 6 | 95.1 | | | | | 6 | 92.6 | 4 | 95.9 | 3 | 100.0 | | |
| | Western Aleutian Island golden king crab | | | | | 2 | * | 2 | * | 2 | * | 2 | * | 2 | * | 2 | * |
| | Western Bering Sea *C. bairdi* | | | | | | | 32 | 58.4 | 18 | 41.5 | 10 | 27.9 | 2 | * | 2 | * |
| 2006 - 2007 | Bristol Bay red king crab | 6 | 100.0 | 75 | 100.0 | | | | | 61 | 99.2 | 58 | 96.1 | 8 | 99.9 | 7 | 100.0 |
| | Bering Sea *C. opilio* | 43 | 100.0 | 54 | 100.0 | | | | | 50 | 99.9 | 44 | 96.8 | 7 | 100.0 | 5 | 86.8 |
| | Eastern Aleutian Islands golden king crab | | | 5 | 100.0 | | | | | 4 | 100.0 | 3 | 88.4 | 2 | * | | |
| | Eastern Bering Sea *C. bairdi* | | | | | | | 27 | 79.0 | 11 | 68.5 | 13 | 55.5 | 5 | 42.5 | 4 | 55.0 |
| | Western Aleutian Island golden king crab | | | | | 1 | * | 2 | * | 2 | * | 2 | * | 2 | * | 1 | * |
| | Western Bering Sea *C. bairdi* | | | | | | | 28 | 69.0 | 11 | 56.0 | 10 | * | 3 | 33.4 | 2 | * |
| 2007 - 2008 | Bristol Bay red king crab | 6 | 100.0 | 71 | 100.0 | | | | | 45 | 99.8 | 41 | 99.4 | 10 | 99.9 | 7 | 100.0 |
| | Bering Sea *C. opilio* | 67 | 100.0 | 69 | 100.0 | | | | | 50 | 99.9 | 37 | 100.0 | 8 | 100.0 | 6 | 100.0 |
| | Eastern Aleutian Islands golden king crab | | | 3 | 99.9 | | | | | 3 | 98.2 | 2 | * | 1 | * | | |
| | Eastern Bering Sea *C. bairdi* | | | | | | | 18 | 47.0 | 6 | 52.2 | 4 | 38.7 | 3 | 36.4 | | |
| | Western Aleutian Island golden king crab | | | | | 1 | * | 2 | * | 2 | * | 1 | * | 2 | * | 1 | * |
| | Western Bering Sea *C. bairdi* | | | | | | | 25 | 26.4 | 4 | 14.7 | 4 | * | 1 | * | | |
| 2008 - 2009 | Bristol Bay red king crab | 5 | 100.0 | 74 | 100.0 | | | | | 42 | 98.5 | 32 | 98.9 | 10 | 100.0 | 8 | 100.0 |
| | Bering Sea *C. opilio* | 62 | 100.0 | 67 | 100.0 | | | | | 55 | 100.0 | 39 | 100.0 | 14 | 99.9 | 6 | 100.0 |
| | Eastern Aleutian Islands golden king crab | | | 3 | 100.0 | | | | | 3 | 98.6 | 3 | * | 1 | * | | |
| | Eastern Bering Sea *C. bairdi* | | | | | | | 18 | 64.2 | 6 | 67.2 | 10 | * | 2 | * | 2 | * |
| | Western Aleutian Island golden king crab | | | | | 2 | * | 2 | * | 1 | * | 1 | * | 1 | * | 1 | * |
| | Western Bering Sea *C. bairdi* | | | | | | | 19 | 8.2 | 8 | 10.1 | 5 | * | 1 | * | 1 | * |
| 2009 - 2010 | Bristol Bay red king crab | 6 | 99.7 | 68 | 99.6 | | | | | 45 | 98.3 | 36 | 99.4 | 8 | 100.0 | 9 | 100.0 |
| | Bering Sea *C. opilio* | 54 | 100.0 | 61 | 100.0 | | | | | 46 | 100.0 | 33 | 100.0 | 14 | 99.5 | 8 | 99.9 |
| | Eastern Aleutian Islands golden king crab | | | 3 | 99.9 | | | | | 3 | 100.0 | 3 | * | 1 | * | | |
| | Eastern Bering Sea *C. bairdi* | | | | | | | 13 | 98.8 | 10 | 100.0 | 9 | 86.3 | 5 | 89.0 | 3 | 83.2 |
| | Western Aleutian Island golden king crab | | | | | 2 | * | 2 | * | 2 | * | 2 | * | 1 | * | 2 | * |
| | St. Matthew Island blue king crab | 7 | 58.1978 | 1 | * | | | | | 1 | * | 1 | * | 0 | 0.0 | | |

Source: RAM IFQ database, 2005-2006 through 2009-2010.
* withheld for confidentiality.
Note: blanks are inapplicable.

While most participants have managed to harvest close to their full allocations, a few overages have occurred in the first five years of the program (Table 4-4). Overages have averaged approximately 30,000 pounds per year aggregated across all fisheries (or less than 5,000 pounds per fishery each year). These overages average slightly more than 4 one-hundredths of a percent of the TAC. Although 22 overages occurred in the second year of the program, overages have since declined to a total of 6 in the most recent season. Although the amounts of the overages in the most recent season cannot be reported due to confidentiality limitations, they are inconsequential and did not lead to any violations. Cooperative membership likely plays a role in reducing the number of overages, since IFQ attributable to QS of several different holders are aggregated at the cooperative level. Cooperative held IFQ is fished as a pool by members with no overage until the entire cooperative allocation is fully harvested. Consequently, individual harvesters in the cooperative may exceed their intended catch without an overage, provided the

cooperative holds unused shares. Any consequence of these overharvests are internal to the cooperative (i.e., addressed under the terms of the cooperative agreement).[10]

The ability of harvesters to avoid overages is also aided by permissible discarding. Under the program, harvesters are permitted to discard crab without charge against IFQ. So, when a harvester estimates that available IFQ are fully used, any catch in remaining deployed gear may be discarded. Under this system, overages are effectively dependent on the ability of a harvester to estimate the quantity of crab harvested and in the tanks. In addition, the amendment allowing for post-delivery transfer of IFQ and IPQ to cover overages also may contribute to the decline in overages in the two most recent years of the program.

Lastly, in the most recent season, harvesters are permitted to engage in post-delivery transfers to avoid overages. Under the system, an overage may be covered by a post-delivery transfer prior to June 30th, the end of the crab fishing year. Although few overages are believed to have required transfers under the provision, allowing overages to be addressed in this manner is believed to further limit the potential for overages under the system.

**Table 4-4 Overages by fishery**

| Season | Fishery | Number of participating vessels | Number of landings | Number of overages | Number of overages exceeding 3 percent | Weight of overages | Percent of landings with overage |
|---|---|---|---|---|---|---|---|
| 2005-2006 | Bristol Bay red king crab | 89 | 238 | 8 | 4 | 10,912 | 3.36 |
| | Bering Sea *C. opilio* | 78 | 270 | 6 | 2 | 8,294 | 2.22 |
| | Western Bering Sea *C. bairdi* | 43 | 68 | 0 | 0 | 0 | 0.00 |
| | Eastern Aleutian Islands golden king crab | 7 | 30 | 1 | * | * | 3.33 |
| | Western Aleutian Islands golden king crab | 3 | 21 | 1 | * | * | 4.76 |
| 2006-2007 | Bristol Bay red king crab | 81 | 175 | 9 | * | 9,661 | 5.14 |
| | Bering Sea *C. opilio* | 70 | 246 | 9 | 5 | 40,763 | 3.66 |
| | Eastern Bering Sea *C. bairdi* | 36 | 29 | 2 | * | * | 6.90 |
| | Western Bering Sea *C. bairdi* | 36 | 53 | 0 | 0 | 0 | 0.00 |
| | Eastern Aleutian Islands golden king crab | 6 | 56 | 1 | * | * | 1.79 |
| | Western Aleutian Islands golden king crab | 3 | 11 | 1 | * | * | 9.09 |
| 2007-2008 | Bristol Bay red king crab | 74 | 237 | 5 | 2 | 3,854 | 2.11 |
| | Bering Sea *C. opilio* | 78 | 427 | 8 | 3 | 9,320 | 1.87 |
| | Eastern Bering Sea *C. bairdi* | 20 | 50 | 0 | 0 | 0 | 0.00 |
| | Western Bering Sea *C. bairdi* | 27 | 43 | 0 | 0 | 0 | 0.00 |
| | Eastern Aleutian Islands golden king crab | 4 | 29 | 0 | 0 | 0 | 0.00 |
| | Western Aleutian Islands golden king crab | 3 | 17 | 1 | * | * | 5.88 |
| 2008-2009 | Bristol Bay red king crab | 77 | 241 | 7 | 0 | 4,959 | 2.90 |
| | Bering Sea *C. opilio* | 77 | 396 | 5 | 1 | 5,627 | 1.26 |
| | Eastern Bering Sea *C. bairdi* | 21 | 53 | 1 | 0 | 189 | 1.89 |
| | Western Bering Sea *C. bairdi* | 27 | 50 | 0 | 0 | 0 | 0.00 |
| | Eastern Aleutian Islands golden king crab | 3 | 29 | 1 | * | * | 3.45 |
| | Western Aleutian Islands golden king crab | 3 | 17 | 1 | 0 | * | 5.88 |
| 2009-2010 | Bristol Bay red king crab | 70 | 205 | 2 | * | * | 0.98 |
| | Bering Sea *C. opilio* | 69 | 309 | 2 | * | * | 0.65 |
| | Eastern Bering Sea *C. bairdi* | 17 | 41 | 0 | 0 | 0 | 0.00 |
| | Eastern Aleutian Islands golden king crab | 3 | 32 | 2 | * | * | 6.25 |
| | Western Aleutian Islands golden king crab | 3 | 20 | 0 | 0 | 0 | 0.00 |
| | St. Matthew Island blue king crab | 7 | 30 | 0 | 0 | 0 | 0.00 |

Source: NMFS RAM IFQ database, crab fishing years 2005-2006, 2006-2007, 2007-2008, 2008-2009, and 2009-2010.

* withheld for confidentiality.

Note: Six overages during the 2005-2006 though 2009-2010 period were catcher processor overages.

Overall, fleet consolidation in the fisheries has tended to distribute catch to larger vessels. The fleet consolidation has led to all but two vessels less than 85 feet in length dropping out of the fisheries. In

[10] Although an overage may not occur when a person makes a landing in excess of the intended delivery, the excess catch must be covered by some share holdings. At times, these excesses may be covered by A shares intended to be harvested by another cooperative member (provided those A shares are (or may be)) committed to processor receiving the delivery; other times, B shares must be used for these excesses.

addition, vessels less than 100 feet in length have disproportionately left the fleet, with catches being consolidated on larger vessels. While vessels greater than 125 make up slightly less of the fleet than vessels greater than 100 feet and less than 125 feet, catches of the larger vessels have increased. This pattern has occurred consistently across all fisheries in the program. The resulting fleet is generally made up of larger vessels than the prerationalization fleet, while continuing to maintain diversity.

**Table 4-5 Catch by vessel length in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries (2001 through 2007-2008)**

| Fishery | Season | Vessels less than 85 feet LOA | | | Vessels greater than or equal to 85 feet LOA and less than 100 feet LOA | | | Vessels greater than or equal to 100 feet LOA and less than 125 feet LOA | | | Vessels greater than or equal to 125 feet LOA | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Harvests | | | Harvests | | | Harvests | | | Harvests | |
| | | Number of vessels | in pounds | as a percent of total harvests | Number of vessels | in pounds | as a percent of total harvests | Number of vessels | in pounds | as a percent of total harvests | Number of vessels | in pounds | as a percent of total harvests |
| Bristol Bay red king crab | 2001 | 10 | 160,491 | 2.1 | 45 | 1,114,990 | 14.5 | 107 | 3,382,283 | 44.0 | 68 | 3,023,342 | 39.4 |
| | 2002 | 12 | 274,123 | 3.1 | 47 | 1,520,342 | 17.3 | 111 | 3,914,558 | 44.6 | 71 | 3,061,325 | 34.9 |
| | 2003 | 14 | 382,110 | 2.7 | 50 | 2,277,265 | 16.0 | 112 | 5,848,643 | 41.1 | 74 | 5,729,357 | 40.2 |
| | 2004 | 15 | 366,134 | 2.6 | 49 | 2,208,933 | 15.9 | 115 | 6,366,532 | 45.8 | 72 | 4,947,448 | 35.6 |
| | 2005-2006 | 1 | * | * | 12 | * | * | 45 | 6,471,954 | 39.3 | 31 | 8,378,643 | 50.9 |
| | 2006-2007 | 2 | * | * | 13 | * | * | 39 | 5,553,331 | 40.0 | 27 | 6,627,815 | 47.8 |
| | 2007-2008 | 1 | * | * | 11 | * | * | 36 | 7,786,012 | 42.5 | 26 | 8,569,799 | 46.8 |
| | 2008-2009 | 1 | * | * | 10 | * | * | 39 | 7,640,165 | 41.8 | 27 | 8,405,474 | 46.0 |
| | 2009-2010 | 2 | * | * | 9 | * | * | 33 | 5,659,956 | 39.5 | 26 | 6,710,378 | 46.8 |
| Bering Sea *C. opilio* | 2001 | 6 | 356,254 | 1.6 | 38 | 2,547,796 | 11.1 | 94 | 8,648,476 | 37.7 | 69 | 11,388,178 | 49.6 |
| | 2002 | 4 | 302,559 | 1.0 | 35 | 3,730,703 | 12.6 | 87 | 12,529,356 | 42.3 | 64 | 13,047,084 | 44.1 |
| | 2003 | 3 | 394,264 | 1.6 | 42 | 4,333,115 | 17.1 | 84 | 10,859,325 | 42.7 | 61 | 9,823,418 | 38.7 |
| | 2004 | 5 | 279,963 | 1.3 | 32 | 2,852,864 | 13.0 | 88 | 9,320,915 | 42.5 | 64 | 9,485,751 | 43.2 |
| | 2005 | 4 | 263,500 | 1.2 | 28 | 3,555,960 | 15.7 | 83 | 10,735,190 | 47.4 | 52 | 8,101,127 | 35.8 |
| | 2005-2006 | | | | 9 | 2,546,765 | 7.7 | 37 | 11,811,936 | 35.5 | 32 | 18,889,308 | 56.8 |
| | 2006-2007 | | | | 10 | 4,025,321 | 12.3 | 32 | 10,598,626 | 32.5 | 28 | 18,035,201 | 55.2 |
| | 2007-2008 | | | | 10 | 6,073,006 | 10.7 | 39 | 24,301,061 | 42.8 | 29 | 26,348,333 | 46.5 |
| | 2008-2009 | | | | 9 | 5,153,064 | 9.8 | 37 | 19,358,721 | 36.7 | 31 | 28,175,589 | 53.5 |
| | 2009-2010 | 1 | * | * | 10 | * | * | 31 | 16,355,645 | 37.9 | 27 | 22,914,964 | 53.1 |

Sources: ADFG fishtickets and NMFS RAM catch data (for 2005-2006 through 2009-2010)

**Table 4-6 Participation by vessel length in the Aleutian Island golden king crab and Bering Sea *C. bairdi* fisheries (2001-2002 through 2007-2008)**

| Fishery | Season | Vessels less than 85 feet LOA | Vessels greater than or equal to 85 feet LOA and less than 100 feet LOA | Vessels greater than or equal to 100 feet LOA and less than 125 feet LOA | Vessels greater than or equal to 125 feet LOA |
|---|---|---|---|---|---|
| Eastern Aleutian Island golden king crab | 2001-2002 | | 3 | 9 | 7 |
| | 2002-2003 | | 3 | 9 | 7 |
| | 2003-2004 | | 3 | 8 | 7 |
| | 2004-2005 | | 3 | 9 | 8 |
| | 2005-2006 | | | 3 | 4 |
| | 2006-2007 | | | 2 | 4 |
| | 2007-2008 | | | 2 | 2 |
| | 2008-2009 | | | 2 | 1 |
| | 2009-2010 | | | 2 | 1 |
| Eastern Bering Sea *C. bairdi* | 2006-2007 | | 5 | 17 | 14 |
| | 2007-2008 | 1 | 3 | 10 | 6 |
| | 2008-2009 | | 2 | 11 | 8 |
| | 2009-2010 | 1 | 2 | 9 | 5 |
| Western Aleutian Island golden king crab | 2001-2002 | | | 3 | 6 |
| | 2002-2003 | | | 3 | 3 |
| | 2003-2004 | | | 3 | 3 |
| | 2004-2005 | | | 3 | 3 |
| | 2005-2006 | | | 1 | 2 |
| | 2006-2007 | | | 1 | 2 |
| | 2007-2008 | | | 1 | 2 |
| | 2008-2009 | | | 1 | 2 |
| | 2009-2010 | | | 1 | 2 |
| Western Bering Sea *C. bairdi* | 2005-2006 | | 5 | 20 | 18 |
| | 2006-2007 | | 5 | 15 | 16 |
| | 2007-2008 | | 6 | 14 | 7 |
| | 2008-2009 | | 4 | 15 | 8 |

Sources: ADFG fishtickets and NMFS RAM catch data (for 2005-2006, 2006-2007, and 2007-2008)

## 4.2 Summary of leasing and cooperative fishing

Short term transfers under leases and cooperative fishing arrangements are the primary means by which QS holders in the crab fisheries have achieved fleet consolidation under the rationalization program. This section examines the use of cooperative fishing and leasing in the fisheries under the rationalization program.

Favorable lease rates have made quota leasing (inside and outside of cooperatives) particularly attractive under the rationalization program. High lease rates have likely contributed greatly to consolidation under the program. Lease rates fluctuate across seasons and are believed to vary across the fleet. Currently lease data are poor and do not support analysis. Anecdotal evidence suggest that lease rates in the Bristol Bay red king crab fishery have been as high as 70 percent of the ex vessel price, while Bering Sea *C. opilio* lease rates have exceeded 50 percent of the ex vessel price in some cases. In the Bering Sea *C. bairdi* fisheries lease rates are said to have fluctuated from approximately 20 percent to 35 percent of the ex vessel price. The lower rate in this fishery is likely a reflection of the fact that these fisheries have had relatively lower catch rates and low TACs. Lease rates in the Eastern Aleutian Islands golden king crab fishery are said to be approximately 50 percent of the ex vessel prices, while lease rates in the Western Aleutian Islands golden king crab fishery are said to be approximately 20 percent to 25 percent of the ex vessel price. The low lese rate in the Western Aleutian Islands fishery likely has resulted from the high operating costs and low ex vessel price in that remote fishery. In the one year of fishing in the St.

Matthew Island blue king crab fishery, lease rates are said to have been approximately 30 percent to 35 percent of the ex vessel price.[11]

The cooperative arrangements and the complexity of ownership patterns in the fisheries prevent any reliable estimates of the extent of leasing in the fisheries. Intra-cooperative transfers of IFQ are not administered or tracked by managers, limiting available information concerning these transfers.[12] Vessel ownership data are limited. QS ownership information reveal complex, overlapping individual, partnership, and corporate holdings of QS. This array of QS ownership arrangements, together with the absence of vessel ownership information, limits any ability to develop a full understanding of the scope of leasing in the fisheries.[13]

Cooperative membership appeals to QS holders for several reasons. Cooperative shares are more easily consolidated because transfers among cooperative members are administered by the cooperative rather than by NOAA Fisheries, with NOAA Fisheries monitoring catch of the cooperative, as a whole. Since NOAA Fisheries monitors a cooperative's fishing in the aggregate, share transactions among members may not be directly reported. Liberal rules exempt vessels fishing cooperative allocations from vessel IFQ use caps. In addition, the inability of non-cooperative IFQ holders to engage in IFQ transfers with cooperatives increases the incentive for cooperative membership as the share of IFQ held outside of cooperatives (which may be available for coordinating harvest activity among non-cooperative IFQ holders) decreases. Because of these attributes, most QS holders have elected to join cooperatives, with almost all IFQ held by cooperatives by the third year (Table 4-7). The degree of consolidation of harvest activity is also shown by the relatively large share of the IFQ held by a relatively small number of cooperatives in the fisheries. By the 2007-2008 (the third year of the program), Bristol Bay red king crab and Bering Sea *C. opilio* fisheries, fewer than 20 cooperatives held in excess of 98 percent of the IFQ, with a single cooperative holding in excess of 20 percent of the IFQ in the Bristol Bay fishery. Although these cooperatives may allow each large QS holder to fish their contribution to the cooperative's IFQ, the cooperative management provides a framework that simplifies consolidation in the harvest sector. In the fifth year of the program, independent harvesters consolidated several cooperatives that had previously participated collectively in the arbitration system into a single cooperative. This cooperative held in almost three-quarters of the IFQ pool in the all fisheries except the Western Aleutian Island golden king crab fishery.

[11] These lease rates, together with ex vessel prices (less landing fees), are likely the best source of information for establishing the value of QS and IFQ in the fisheries. Annual IFQ are simply valued at the competitive market lease rates. QS can be valued based on the discounted stream of lease revenues that would be yielded annual IFQs. The potential production efficiency benefits of the program to harvesters in the Bristol Bay red king crab fisheries were explored by Matulich (2008). In that paper, a simulation of pre and post rationalization harvests (based on 2004 operating costs, TACs, and prices) suggested trades of quota among different vessel owners based on efficiency differences across vessel classes would result in substantial benefits to harvesters under the program. Although harvest by vessel class in the simulation varies substantially from fleet composition in the fishery, the simulation findings are reinforced by lease rates observed in the program.

[12] Although leasing information is collected in the economic data reports, the reliability of those data are uncertain because the leasing definition may not be consistently interpreted across the fleet and some transactions may be between affiliates.

[13] Determining the scope of leasing also requires the development of a definition of leasing. Depending on the definition, two very similar arrangements could be characterized differently. In addition, under any definition, minor changes in a relationship may result in the recharacterization of the relationship as a lease. For example, under most definitions of leasing if two persons have equal QS holdings and one independently owns a vessel that harvests all of the yielded IFQ, half of the IFQ would be viewed as leased. If these persons formed a partnership that held all of the QS, it is possible that none of the IFQ would be viewed as leased.

The extent to which harvests of allocations are managed by the collectively varied within and across cooperatives, but has increased substantially over time. The consolidation of several cooperatives into a single cooperative has resulted in fewer than 20 IFQ holders (including cooperative IFQ holders) in all but one fishery. Catches of the largest cooperative's harvests are coordinated within and among subgroups (or districts), which are effectively the separate cooperatives that merged, to varying degrees. These subgroups each manage their own portions of the cooperatives allocation and to a varying degree activities are coordinated between the subgroups. Some of these subgroups have relatively central management of harvest activities, while others leave members to determine the harvest of their own allocations. In addition, some subgroups communicate extensively during the season. Although most cooperatives (and subgroups of the largest cooperative) have continued to allow individual members to arrange the harvest of their shares, management of harvests at the cooperative (and subgroup) level has increased. This relinquishing of individual management of the harvest of shares not only contributes to consolidation of IFQ harvests, but also has allowed for better coordination, to reduce the disruption of unanticipated circumstances.

**Table 4-7 Percent of IFQ held by cooperatives.**

| Fishery | Number of IFQ holders (including cooperatives) | Number of cooperatives | Number of cooperative members (all cooperatives) | Percent of IFQ allocated to cooperatives | Maximum cooperative allocation (as percent of IFQ pool) | Maximum number of members in a cooperative |
|---|---|---|---|---|---|---|
| 2005 - 2006 | | | | | | |
| Bristol Bay red king crab | 90 | 13 | 306 | 83.3 | 16.9 | 74 |
| Bering Sea *C. opilio* | 82 | 13 | 285 | 83.6 | 15.2 | 64 |
| Bering Sea *C. bairdi* | 111 | 13 | 291 | 82.5 | 14.3 | 69 |
| Eastern Aleutian Island golden king crab | 7 | 3 | 22 | 91.2 | 59.9 | 12 |
| Western Aleutian Island golden king crab | 3 | 3 | 18 | 100.0 | 47.3 | 12 |
| 2006 - 2007 | | | | | | |
| Bristol Bay red king crab | 37 | 16 | 350 | 98.2 | 21.7 | 87 |
| Bering Sea *C. opilio* | 31 | 16 | 318 | 98.5 | 19.4 | 74 |
| Eastern Bering Sea *C. bairdi* | 54 | 15 | 327 | 96.9 | 17.2 | 75 |
| Western Bering Sea *C. bairdi* | 55 | 16 | 338 | 96.9 | 17.9 | 75 |
| Eastern Aleutian Island golden king crab | 5 | 4 | 23 | 99.9 | 45.9 | 12 |
| Western Aleutian Island golden king crab | 4 | 3 | 17 | 99.8 | 45.6 | 10 |
| 2007 - 2008 | | | | | | |
| Bristol Bay red king crab | 28 | 17 | 361 | 98.7 | 20.5 | 85 |
| Bering Sea *C. opilio* | 25 | 18 | 347 | 99.4 | 18.8 | 73 |
| Eastern Bering Sea *C. bairdi* | 29 | 13 | 313 | 99.0 | 17.9 | 74 |
| Western Bering Sea *C. bairdi* | 32 | 16 | 336 | 99.0 | 14.8 | 74 |
| Eastern Aleutian Island golden king crab | 5 | 4 | 23 | 99.9 | 53.3 | 11 |
| Western Aleutian Island golden king crab | 4 | 3 | 15 | 99.8 | 48.1 | 9 |
| 2008 - 2009 | | | | | | |
| Bristol Bay red king crab | 25 | 18 | 377 | 99.6 | 19.9 | 80 |
| Bering Sea *C. opilio* | 24 | 18 | 349 | 99.9 | 17.2 | 70 |
| Eastern Bering Sea *C. bairdi* | 26 | 16 | 329 | 99.8 | 25.1 | 70 |
| Western Bering Sea *C. bairdi* | 27 | 17 | 345 | 99.8 | 16.7 | 70 |
| Eastern Aleutian Island golden king crab | 4 | 3 | 20 | 99.9 | 47.8 | 8 |
| Western Aleutian Island golden king crab | 5 | 4 | 22 | 99.8 | 46.1 | 10 |
| 2009 - 2010 | | | | | | |
| Bristol Bay red king crab | 14 | 9 | 378 | 99.9 | 73.2 | 295 |
| Bering Sea *C. opilio* | 13 | 9 | 350 | 99.9 | 74.4 | 274 |
| Eastern Bering Sea *C. bairdi* | 21 | 8 | 324 | 99.8 | 74.2 | 225 |
| Eastern Aleutian Island golden king crab | 3 | 3 | 17 | 100.0 | 84.3 | 13 |
| Western Aleutian Island golden king crab | 2 | 2 | 19 | 100.0 | 53.9 | 14 |
| St. Matthew blue king crab | 11 | 4 | 176 | 99.7 | 87.5 | 159 |

Source: NMFS RAM IFQ data.

High operating costs in the first few years of the program also contributed to the high amount of leasing (and rapid consolidation of fishing). Fuel prices increased greatly during the 2005-2006 season, increasing by more than 50 percent. Several participants also reported increases in insurance costs, in part, because many now purchase cargo insurance to cover the quota landings committed to IPQ holders and lease payments committed to other quota holders. In the face of exceptionally favorable quota lease rates and high operational costs many participants elected to lease their quota holdings. Although fuel costs have stabilized, they have remained high.

In addition, consolidation within cooperatives continued as cooperative members become more comfortable with cooperative management of their quota. The result of these factors has been greater consolidation of IFQ harvests. During the 2007-2008 season, the number of vessels participating in the Bristol Bay red king crab fishery fell to 74 despite a TAC increase of 31 percent from the previous year. In the Bering Sea *C. opilio* fishery, an increase in the TAC in the third year of approximately 70 percent stimulated the reentry of vessels. This increase, however, only returned the fleet to a size of 78 vessels, its size in the first year of the program. As a result, the average vessel harvest in the fishery increased by more than 50 percent, despite the increase in the number of vessels.

Comparing the harvests of vessels fishing in cooperatives with the harvests of vessels fishing outside of cooperatives provides some insight into the contribution of cooperatives to consolidation. Table 4-8 through Table 4-14 show the number of vessels fishing inside and outside of cooperatives, as well as the average vessel's catch in pounds and as a percentage of the IFQ pool, and the median vessel's catch as a percentage of the IFQ pool for each fishery. In the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries, since first year of the program between 15 percent and 20 percent of the vessels fishing cooperative held IFQ exceeded the vessel use cap that applies only to vessels fishing individual IFQ. Although the average cooperative vessel harvest has fluctuated, the median vessel harvest rose each of the first three years in both of these fisheries, leveling at approximately 200,000 pounds in the Bristol Bay red king crab fishery and slight more than 600,000 pounds in the Bering Sea *C. opilio* fishery. As notable as the concentration of harvest activity by cooperative vessels is the decline in harvests and average vessel harvests of individually held IFQ. The low median vessel harvest of individual IFQ in the third year suggests that by that time, only a few vessels in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries continued to make full trips to harvest individually held IFQ.

**Table 4-8 Number of vessels fishing and catch inside and outside of cooperatives in the Bristol Bay red king crab fishery.**

| BBR | Fishing inside cooperatives | | | | | Fishing outside cooperatives | | |
|---|---|---|---|---|---|---|---|---|
| Season | Number of vessels | Average vessel's catch of cooperative held IFQ | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool | Cooperative vessels fishing over the non-cooperative cap | Number of vessels | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool |
| 2005-2006 | 71 | 193,671 | 1.2 | 0.9 | 10 | 37 | 0.4 | 0.3 |
| 2006-2007 | 77 | 177,108 | 1.3 | 1.2 | 15 | 16 | 0.1 | 0.0 |
| 2007-2008 | 72 | 251,226 | 1.4 | 1.2 | 13 | 7 | 0.2 | 0.0 |
| 2008-2009 | 76 | 239,849 | 1.3 | 1.1 | 13 | 6 | 0.1 | 0.0 |
| 2009-2010 | 70 | 204,591 | 1.4 | 1.4 | 14 | 4 | 0.0 | 0.0 |
| Source: RAM IFQ landings data | | | | | | | | |

**Table 4-9 Number of vessels fishing and catch inside and outside of cooperatives in the Bering Sea *C. opilio* fishery.**

| BBS | Fishing inside cooperatives | | | | | Fishing outside cooperatives | | |
|---|---|---|---|---|---|---|---|---|
| Season | Number of vessels | Average vessel's catch of cooperative held IFQ | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool | Cooperative vessels fishing over the non-cooperative cap | Number of vessels | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool |
| 2005-2006 | 63 | 443,474 | 1.3 | 1.0 | 13 | 34 | 0.5 | 0.2 |
| 2006-2007 | 69 | 466,406 | 1.4 | 1.3 | 13 | 12 | 0.1 | 0.0 |
| 2007-2008 | 78 | 722,911 | 1.3 | 1.1 | 12 | 7 | 0.1 | 0.0 |
| 2008-2009 | 77 | 683,270 | 1.3 | 1.1 | 12 | 5 | 0.0 | 0.0 |
| 2009-2010 | 69 | 625,402 | 1.4 | 1.4 | 14 | 3 | 0.0 | 0.0 |
| Source: RAM IFQ landings data | | | | | | | | |

The consolidation of catch across vessels fishing cooperative held IFQ in the *C. bairdi* fisheries differs from that in the two larger fisheries. In these fisheries, the average catch is substantially less than the median suggesting that most vessels have minor amounts *C. bairdi* catch. These catch amounts suggest that few vessels (inside or outside of cooperatives) target *C. bairdi*, which is likely the case because of the relatively low TACs and reported low catch rates in the fisheries.

**Table 4-10 Number of vessels fishing and catch inside and outside of cooperatives in the Eastern Bering Sea *C. bairdi* fishery.**

| EBT | Fishing inside cooperatives | | | | | Fishing outside cooperatives | | |
|---|---|---|---|---|---|---|---|---|
| Season | Number of vessels | Average vessel's catch of cooperative held IFQ | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool | Cooperative vessels fishing over the non-cooperative cap | Number of vessels | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool |
| 2006-2007 | 34 | 36,246 | 2.1 | 0.2 | 12 | 4 | 0.5 | 0.0 |
| 2007-2008 | 20 | 71,972 | 2.3 | 1.1 | 5 | 0 | | |
| 2008-2009 | 20 | * | * | 1.2 | 8 | 1 | * | * |
| 2009-2010 | 16 | * | * | 3.5 | 10 | 1 | * | * |
| Source: RAM IFQ landings data | | | | | | | | |

**Table 4-11 Number of vessels fishing and catch inside and outside of cooperatives in the Western Bering Sea *C. bairdi* fishery.**

| WBT | Fishing inside cooperatives | | | | | Fishing outside cooperatives | | |
|---|---|---|---|---|---|---|---|---|
| Season | Number of vessels | Average vessel's catch of cooperative held IFQ | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool | Cooperative vessels fishing over the non-cooperative cap | Number of vessels | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool |
| 2005-2006 | 31 | 21,484 | 1.5 | 0.2 | 7 | 14 | 0.6 | 0.5 |
| 2006-2007 | 36 | 17,609 | 1.8 | 0.0 | 12 | 0 | | |
| 2007-2008 | 27 | 17,301 | 0.9 | 0.5 | 4 | 0 | | |
| 2008-2009 | 26 | * | * | 0.0 | * | 1 | * | * |
| Source: RAM IFQ landings data | | | | | | | | |

The two Aleutian Islands golden king crab fisheries have experienced substantial consolidation through cooperatives, as well. In the last three seasons the average catch of vessels harvesting cooperative IFQ has exceeded the 20 percent cap that applies only to non-cooperative IFQ harvests. The relatively small TACs, remoteness, and specialized nature of these fisheries likely contributed to their consolidation. In addition, in only the first year of the program did any vessels harvest any individually held IFQ in these fisheries.

**Table 4-12 Number of vessels fishing and catch inside and outside of cooperatives in the Eastern Aleutian Islands golden king crab fishery.**

| EAG | Fishing inside cooperatives | | | | | Fishing outside cooperatives | | |
|---|---|---|---|---|---|---|---|---|
| Season | Number of vessels | Average vessel's catch of cooperative held IFQ | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool | Cooperative vessels fishing over the non-cooperative cap | Number of vessels | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool |
| 2005-2006 | 6 | 389,408 | 14.4 | 12.9 | * | 3 | 2.9 | 0.2 |
| 2006-2007 | 6 | 448,444 | 16.6 | 12.5 | * | 0 | | |
| 2007-2008 | 4 | 672,594 | 24.9 | * | * | 0 | | |
| 2008-2009 | 3 | 941,258 | 33.2 | * | * | 0 | | |
| 2009-2010 | 3 | 944,311 | 33.3 | * | * | 0 | | |
| Source: RAM IFQ landings data | | | | | | | | |
| * Withheld for confidentiality. | | | | | | | | |

**Table 4-13 Number of vessels fishing and catch inside and outside of cooperatives in the Western Aleutian Islands golden king crab fishery.**

| WAG | Fishing inside cooperatives | | | | | Fishing outside cooperatives | | |
|---|---|---|---|---|---|---|---|---|
| Season | Number of vessels | Average vessel's catch of cooperative held IFQ | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool | Cooperative vessels fishing over the non-cooperative cap | Number of vessels | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool |
| 2005-2006 | 3 | 794,156 | 32.7 | * | * | 0 | | |
| 2006-2007 | 3 | 666,759 | 27.4 | * | * | 0 | | |
| 2007-2008 | 3 | 748,680 | 30.8 | * | * | 0 | | |
| 2008-2009 | 3 | 750,704 | 29.4 | * | * | 0 | | |
| 2009-2010 | 3 | 826,104 | 32.4 | * | * | 0 | | |
| Source: RAM IFQ landings data | | | | | | | | |
| * Withheld for confidentiality. | | | | | | | | |

The St. Matthew blue king crab opened for the 2009-2010 season for the first time in ten years. Few vessels participated in the fishery, with no vessels fishing individually held IFQ.

**Table 4-14 Number of vessels fishing and catch inside and outside of cooperatives in the St. Matthew Island blue king crab fishery.**

| SMB | Fishing inside cooperatives | | | | | Fishing outside cooperatives | | |
|---|---|---|---|---|---|---|---|---|
| Season | Number of vessels | Average vessel's catch of cooperative held IFQ | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool | Cooperative vessels fishing over the non-cooperative cap | Number of vessels | Average vessel's catch as percentage of IFQ pool | Median vessel's catch as percentage of IFQ pool |
| 2009-2010 | 7 | 65,837 | 6.3 | 3.7 | 3 | 0 | | |
| Source: RAM IFQ landings data | | | | | | | | |

The degree to which IFQ held by a cooperative are managed as a pool varies across cooperatives (and districts within the largest cooperative). Cooperatives (and districts) managing their IFQ as a pool typically distribute underages (or unused IFQ) among members in proportion to members' QS holdings in the program fishery. This method of distributing IFQ ensures that cooperative members share in both the benefits and costs of the cooperative's ability to precisely manage the use of its IFQ.

In addition to altering the relationship among harvesters, cooperatives altered the relationship between harvesters and processors. Former competitors are now in the same cooperative structure, and deliveries (and harvester efforts) may be structured to increase efficiencies in processing. Cooperatives have tended to hire business managers that work with processors to coordinate the fleet, and this has increased information flow between catcher vessels and processors to a level that did not occur in the past due to competitive/business information tensions between the two sectors.

## 4.3 Vessel operations

Comparing vessel activities before and after implementation of the program brings to light further changes in the fleet dynamics in the fisheries. Table 4-16 shows some simple statistics of the fleet participating in the Bristol Bay red king crab fishery during the years immediately prior to program implementation and the first five years of the program. Figure 4-2 shows the distribution of catch across the fleet during those years, with each point showing the average catch of four vessels to protect confidentiality. The table and histogram show the considerable consolidation that occurred in the first year of the program. In the Bristol Bay red king crab fishery, the fleet contracted to slightly more than one-third its pre-rationalization size. Since many of the vessels that remained active in the program fisheries fished for more than the QS allocation attributed to the vessel (while other vessels sat idle and owners collected lease royalties), most active vessels substantially increased their catch after rationalization. Under the rationalization program, both the median and largest vessel harvests have been more than double the levels in pounds (and as a percent of the total catch) of the years immediately preceding implementation of the program. The mean and median vessel harvest in the fishery grew consistently in the first three years of the program, before declining in the two most recent years. The largest harvests have fluctuated, both in pounds and as a percent of the total harvests. The histogram of harvests shows an overall consistent pattern of consolidation since implementation.

**Table 4-15 Simple statistics of the fleet participating in the Bristol Bay red king crab fishery.**

BBR

| Season | Number of vessels in the fishery | Total Catch | Average vessel harvest | | Median vessel harvest | | Average of highest four vessel harvests | |
|---|---|---|---|---|---|---|---|---|
| | | | as percent of total allocation | in pounds | as percent of total allocation | in pounds | as percent of total allocation | in pounds |
| 2001 | 230 | 7,681,106 | 0.43 | 33,396 | 0.37 | 28,747 | 1.28 | 98,202 |
| 2002 | 241 | 8,770,348 | 0.41 | 36,391 | 0.40 | 35,316 | 0.82 | 71,911 |
| 2003 | 250 | 14,237,375 | 0.40 | 56,950 | 0.33 | 47,540 | 1.40 | 198,892 |
| 2004 | 251 | 13,889,047 | 0.40 | 55,335 | 0.38 | 52,780 | 0.86 | 119,599 |
| 2005-2006 | 89 | 16,472,400 | 1.12 | 185,120 | 0.85 | 140,698 | 3.90 | 643,007 |
| 2006-2007 | 81 | 13,877,870 | 1.23 | 170,149 | 1.05 | 146,273 | 3.27 | 453,161 |
| 2007-2008 | 74 | 18,324,046 | 1.35 | 247,343 | 1.22 | 222,838 | 3.57 | 654,402 |
| 2008-2009 | 77 | 18,288,881 | 1.30 | 237,016 | 1.10 | 200,548 | 2.91 | 532,475 |
| 2009-2010 | 70 | 14,337,782 | 1.42 | 203,826 | 1.40 | 200,502 | 2.86 | 410,199 |

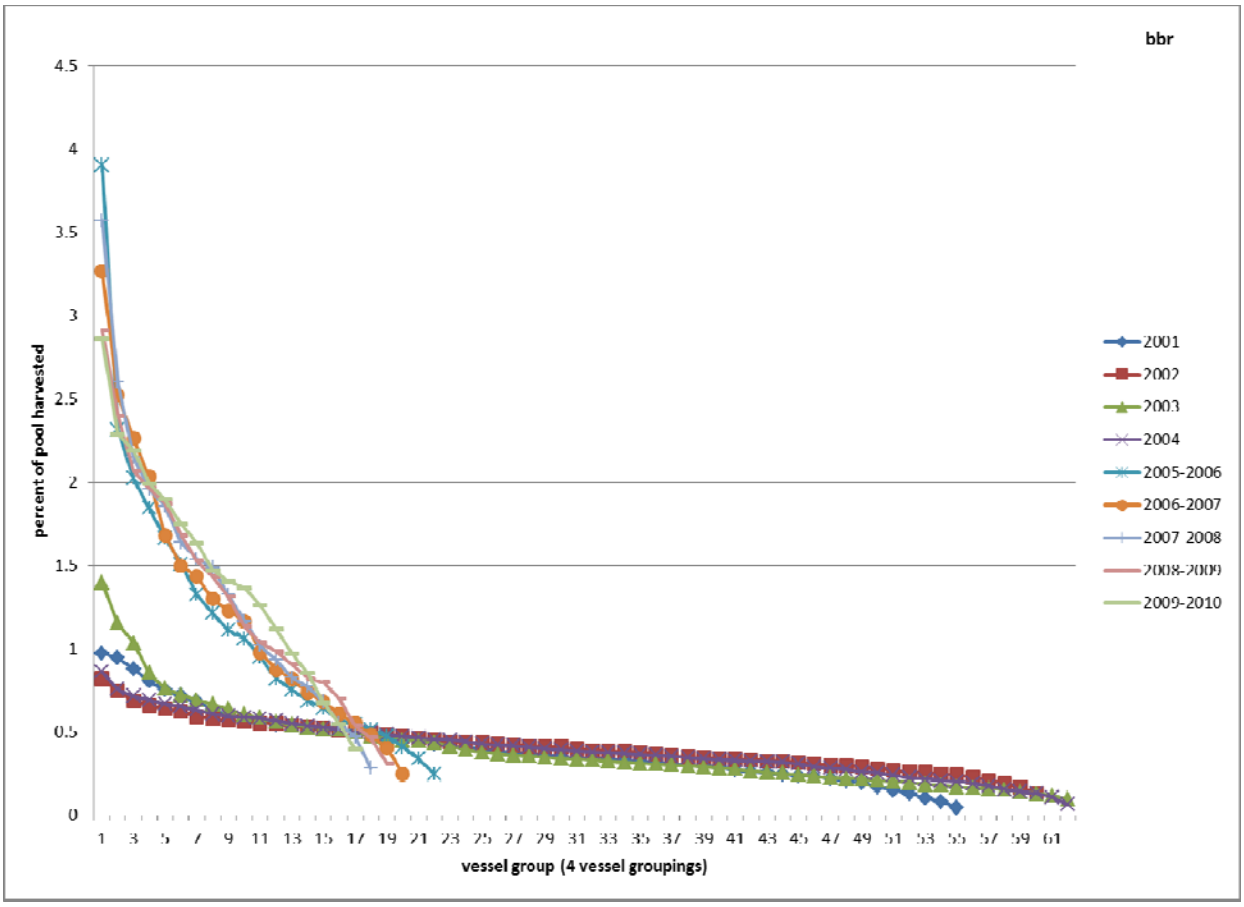



**Figure 4-2 Catch by vessel as a percent of the total allocation in the Bristol Bay red king crab fishery**

Table 4-16 shows simple catch statistics of the fleet participating in the Bering Sea *C. opilio* fishery during the years immediately prior to program implementation and the first five years of the program. Figure 4-3 is a histogram showing the distribution of catch across the fleet during those years, with vessels grouped in fours to protect confidentiality. In the first year of the program in Bering Sea *C. opilio* fishery, the fleet contracted to levels similar to those in the Bristol Bay red king crab fishery, but the contraction was of smaller magnitude because this fleet had contracted to some degree prior to implementation of the program. The relatively fewer vessels in the Bering Sea *C. opilio* fishery prior to the 2005-2006 season likely occurred because GHLs in that fishery were at historic lows leading up to implementation of the program. From 1997 through 1999, the average vessel harvest was approximately 617,000, substantially higher than the average vessel harvest in the 2005-2006 season. In the first year of the program, the harvests of the largest vessels in the fleet greatly exceeded the largest harvests in years immediately preceding rationalization.[14] Since the 2005-2006 season, average vessel harvests have increased considerably, largely from higher TACs beginning in the third year of the program. Unlike the Bristol Bay red king crab fishery, the fleet size fluctuated across the five years, with lows in the 2006-2007 and 2009-2010 seasons, and highs each of the other seasons.

[14] The four largest vessels in the fishery in 2001 harvested a substantially greater share than the four largest harvests in any other prerationalization year. This likely occurred because some catcher processors did not acknowledge a catcher vessel strike in the fishery that year.

**Table 4-16 Simple statistics of the fleet participating in the Bering Sea *C. opilio* fishery.**

BSS

| Season | Number of vessels in the fishery | Total Catch | Average vessel harvest | | Median vessel harvest | | Average of highest four vessel harvests | |
|---|---|---|---|---|---|---|---|---|
| | | | as percent of total allocation | in pounds | as percent of total allocation | in pounds | as percent of total allocation | in pounds |
| 2001 | 207 | 22,940,704 | 0.48 | 110,825 | 0.38 | 86,479 | 2.59 | 593,306 |
| 2002 | 190 | 29,609,702 | 0.53 | 155,841 | 0.50 | 147,730 | 1.44 | 425,538 |
| 2003 | 190 | 25,410,122 | 0.53 | 133,737 | 0.49 | 125,655 | 1.07 | 271,901 |
| 2004 | 189 | 21,939,493 | 0.53 | 116,082 | 0.49 | 106,791 | 1.30 | 284,844 |
| 2005 | 167 | 22,655,777 | 0.60 | 135,663 | 0.57 | 128,122 | 1.21 | 273,237 |
| 2005-2006 | 78 | 33,248,009 | 1.27 | 423,485 | 1.05 | 349,851 | 3.59 | 1,192,020 |
| 2006-2007 | 70 | 32,699,911 | 1.42 | 463,589 | 1.19 | 389,008 | 4.14 | 1,352,638 |
| 2007-2008 | 78 | 56,722,400 | 1.28 | 727,105 | 1.08 | 611,366 | 3.27 | 1,853,105 |
| 2008-2009 | 77 | 52,687,374 | 1.30 | 684,153 | 1.12 | 587,842 | 3.24 | 1,709,247 |
| 2009-2010 | 69 | 56,722,400 | 1.45 | 821,658 | 1.39 | 788,013 | 3.65 | 2,070,602 |

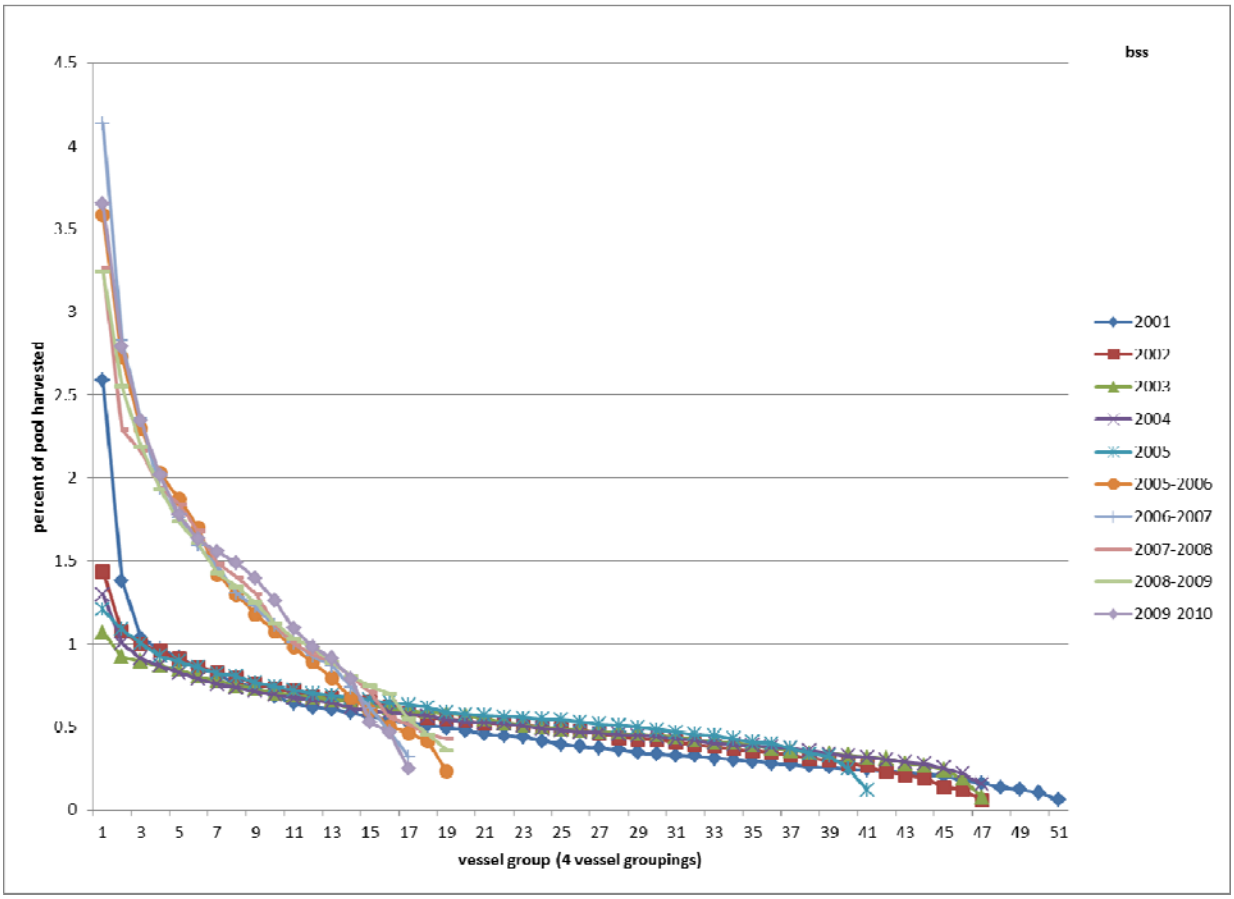



**Figure 4-3 Catch by vessel as a percent of the total allocation in the Bering Sea *C. opilio* fishery.**

Table 4-17 and Table 4-18 show simple catch statistics of the fleets participating in the Western and Eastern Bering Sea *C. bairdi* fisheries during the first five years of the program. These fisheries were reopened under the program after being closed for nearly a decade. Figure 4-4 and Figure 4-5 are histograms showing the distribution of catch across the fleets during the first five years of the program, with vessels grouped in fours to protect confidentiality. Participants initially intended to harvest these fisheries incidentally to the Bering Sea *C. opilio* and Bristol Bay red king crab fisheries, but have found it

necessary to target *C. bairdi* to catch a reasonable portion of the quota. The relatively low median vessel catch and high average of the high four vessel catches is a reflection of the tendency of few vessels to actively target *C. bairdi*.

**Table 4-17 Simple statistics of the fleet participating in the Western Bering Sea *C. bairdi* fishery.**

| WBT | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Season | Number of vessels in the fishery | Total Catch | Average vessel harvest | | Median vessel harvest | | Average of highest four vessel harvests | |
| | | | as percent of total allocation | in pounds | as percent of total allocation | in pounds | as percent of total allocation | in pounds |
| 2005-2006 | 43 | 791,025 | 1.26 | 9,981 | 0.26 | 2,051 | 6.97 | 55,151 |
| 2006-2007 | 36 | 633,910 | 1.79 | 11,337 | 0.04 | 255 | 8.32 | 52,724 |
| 2007-2008 | 27 | 467,136 | 0.88 | 4,127 | 0.51 | 2,372 | 2.70 | 12,635 |
| 2008-2009 | 27 | 108,368 | 0.29 | 314 | 0.01 | 9 | 1.82 | 1,978 |

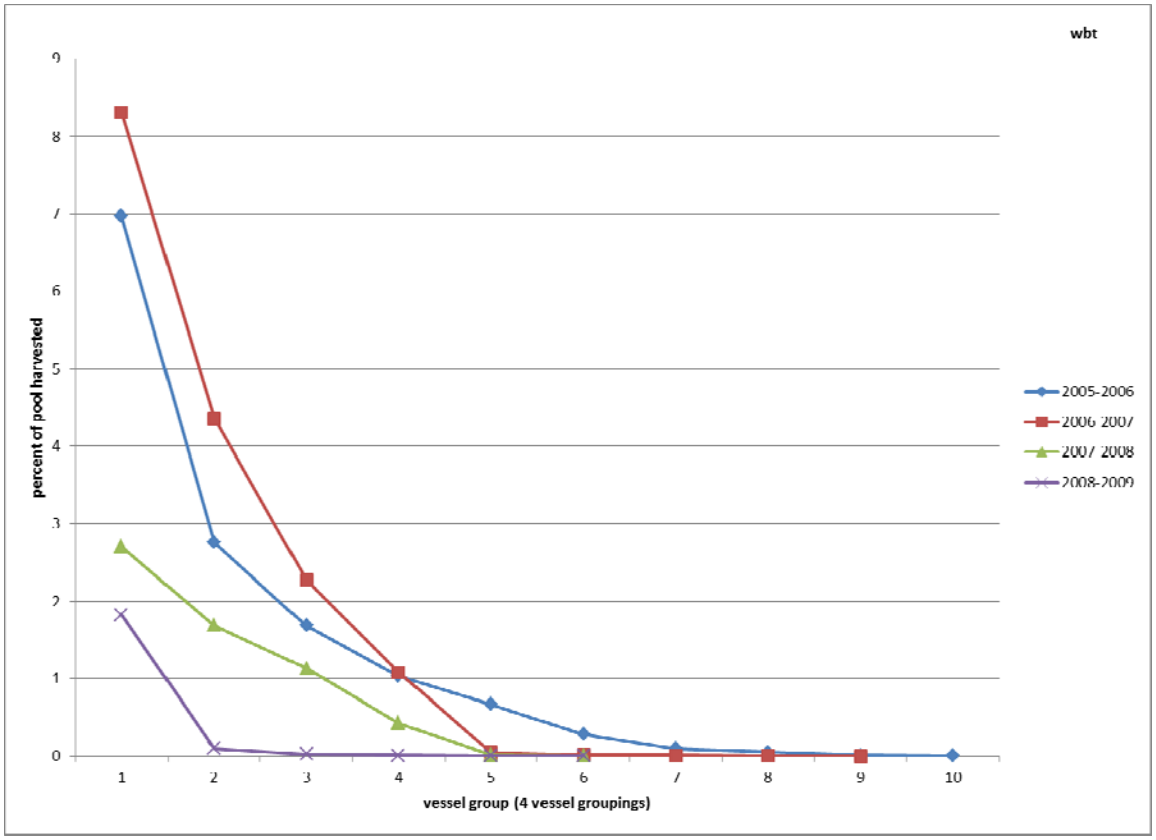



**Figure 4-4 Catch by vessel as a percent of the total allocation in the Western Bering Sea *C. bairdi* fishery.**

**Table 4-18 Simple statistics of the fleet participating in the Eastern Bering Sea *C. bairdi* fishery.**

EBT

| Season | Number of vessels in the fishery | Total Catch | Average vessel harvest | | Median vessel harvest | | Average of highest four vessel harvests | |
|---|---|---|---|---|---|---|---|---|
| | | | as percent of total allocation | in pounds | as percent of total allocation | in pounds | as percent of total allocation | in pounds |
| 2006-2007 | 36 | 1,267,106 | 2.08 | 26,365 | 0.23 | 2,878 | 9.58 | 121,423 |
| 2007-2008 | 20 | 1,439,435 | 2.32 | 33,414 | 1.09 | 15,695 | 7.81 | 112,409 |
| 2008-2009 | 21 | 1,553,584 | 2.98 | 46,220 | 0.90 | 14,057 | 10.64 | 165,351 |
| 2009-2010 | 17 | 1,189,573 | 5.76 | 68,510 | 2.73 | 32,488 | 15.62 | 185,871 |

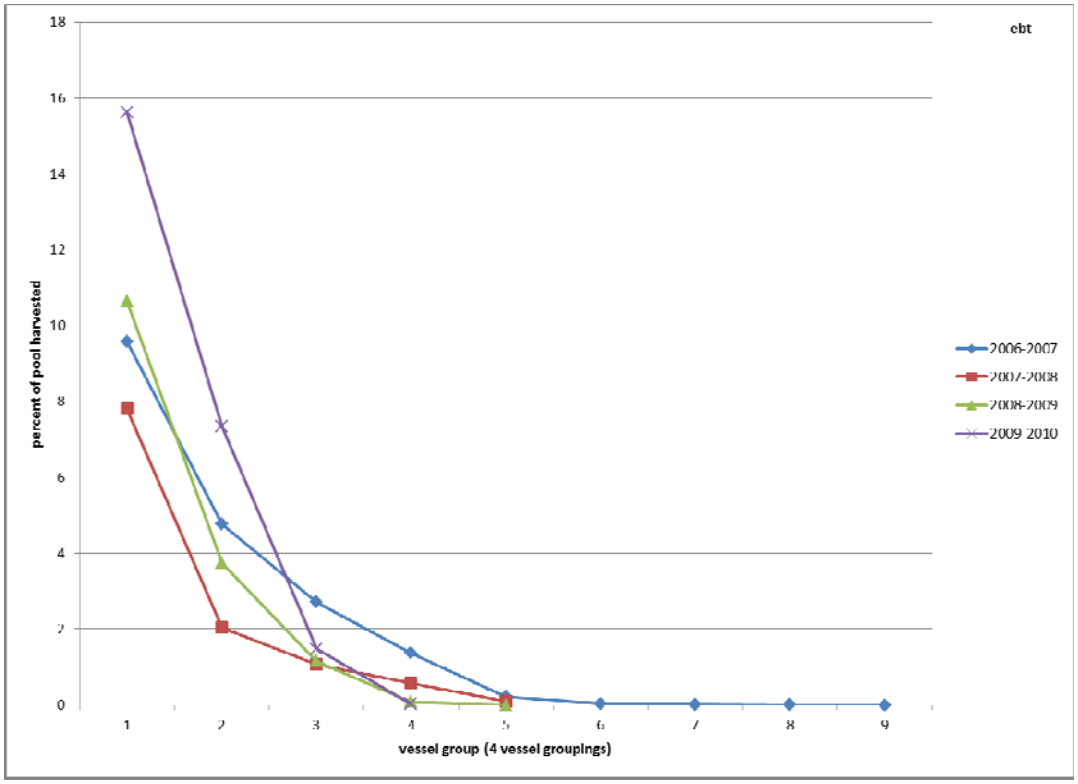



**Figure 4-5 Catch by vessel as a percent of the total allocation in the Eastern Bering Sea *C. bairdi* fishery.**

Table 4-19 and Table 4-20 show simple catch statistics of the fleets participating in the Eastern and Western Aleutian Islands golden king fisheries during the first five years of the program. Data confidentiality restrictions preclude the distribution of catch across the fleets from being shown. Substantial fleet consolidation occurred in these smaller fisheries. Both fisheries' fleets consolidated to half or fewer vessels than pre-rationalization levels. The harvest amounts of the average vessel in the rationalized fisheries are substantially greater than harvests in the rationalized Bristol Bay red king crab fishery. The average vessel's harvests in the Eastern fishery are comparable to the average harvests in the *C. opilio* fishery, which are half of the harvests of the average vessel in the Western fishery. These high harvest levels are not surprising given the relative catch rates, manner of prosecution (i.e., longline pots), limited grounds, and relative price. These factors all contribute to greater levels of concentration than in the Bristol Bay red king crab fishery, while all except price contribute to greater consolidation than in Bering Sea *C. opilio* fishery. The substantially greater concentration in the Western fishery results from

the remoteness of those grounds, which together with high fuel prices and low crab prices (particularly in the first year of the program) substantially reduced economic returns in that fishery.

**Table 4-19 Simple statistics of the fleet participating in the Eastern Aleutian Islands golden king crab fishery.**

EAG

| Season | Number of vessels in the fishery | Total Catch | Average vessel harvest | | Median vessel harvest | | Average of highest four vessel harvests | |
|---|---|---|---|---|---|---|---|---|
| | | | as percent of total allocation | in pounds | as percent of total allocation | in pounds | as percent of total allocation | in pounds |
| 2001-2002 | 19 | 3,128,409 | 5.26 | 164,653 | 5.19 | 162,353 | 9.65 | 302,015 |
| 2002-2003 | 19 | 2,765,436 | 5.26 | 145,549 | 5.05 | 139,601 | 8.90 | 246,047 |
| 2003-2004 | 18 | 2,900,247 | 5.56 | 161,125 | 5.28 | 153,039 | 8.76 | 254,082 |
| 2004-2005 | 20 | 2,846,273 | 5.00 | 142,314 | 5.47 | 155,654 | 7.97 | 226,772 |
| 2005-2006 | 7 | 2,569,209 | 13.59 | 349,251 | | | | |
| 2006-2007 | 6 | 2,692,009 | 16.61 | 447,116 | | | | |
| 2007-2008 | 4 | 2,690,377 | 24.91 | 670,197 | | | | |
| 2008-2009 | 3 | 2,823,773 | 33.20 | 937,530 | | | | |
| 2009-2010 | 3 | 2,832,932 | 33.31 | 943,622 | | | | |

**Table 4-20 Simple statistics of the fleet participating in the Western Aleutian Islands golden king crab fishery.**

WAG

| Season | Number of vessels in the fishery | Total Catch | Average vessel harvest | | Median vessel harvest | | Average of highest four vessel harvests | |
|---|---|---|---|---|---|---|---|---|
| | | | as percent of total allocation | in pounds | as percent of total allocation | in pounds | as percent of total allocation | in pounds |
| 2001-2002 | 9 | 2,693,221 | 11.11 | 299,247 | 4.46 | 120,155 | 21.70 | 584,538 |
| 2002-2003 | 6 | 2,605,237 | 16.67 | 434,206 | 13.59 | 354,129 | 24.50 | 638,228 |
| 2003-2004 | 6 | 2,637,161 | 16.67 | 439,527 | 13.99 | 368,959 | 23.80 | 627,711 |
| 2004-2005 | 6 | 2,639,862 | 16.67 | 439,977 | 14.17 | 374,012 | 24.18 | 638,314 |
| 2005-2006 | 3 | 2,382,468 | 32.68 | 778,622 | | | | |
| 2006-2007 | 3 | 2,002,186 | 27.44 | 549,372 | | | | |
| 2007-2008 | 3 | 2,246,040 | 30.81 | 692,002 | | | | |
| 2008-2009 | 3 | 2,252,111 | 29.42 | 662,617 | | | | |
| 2009-2010 | 3 | 2,478,313 | 32.38 | 802,408 | | | | |

The St. Matthew Island blue king crab opened for a single season since implementation of the rationalization program. With only seven vessels participating in the fishery, catches were relatively concentrated, but a substantial portion of the IFQ were left unharvested.

**Table 4-21 Simple statistics of the fleet participating in the St. Matthew Island blue king crab fishery.**

SMB

| Season | Number of vessels in the fishery | Total Catch | Average vessel harvest | | Median vessel harvest | | Average of highest four vessel harvests | |
|---|---|---|---|---|---|---|---|---|
| | | | as percent of total allocation | in pounds | as percent of total allocation | in pounds | as percent of total allocation | in pounds |
| 2009-2010 | 7 | 460,859 | 6.27 | 28,888 | 3.69 | 16,991 | 9.11 | 42,003 |

Prior to the rationalization program, seasons in all of the program fisheries, except the Western Aleutian Islands golden king crab fishery, were typically less than one month long. In the Bristol Bay red king crab fishery, which drew the most participants, seasons lasted less than one week in the years immediately preceding implementation of the rationalization program. Both the Bering Sea *C. opilio* and the Eastern Aleutian Islands golden king crab fisheries lasted for less than one month, both of which had progressively shorter seasons leading up to implementation of the program. Although the Western Aleutian Islands golden king crab fishery lasted several months, its seasons also shortened progressively leading up to implementation of the program.

**Table 4-22 Season openings and closings in four years prior to August 2005 implementation of the rationalization program.**

| Fishery | Season | Season opening | Season closing |
|---|---|---|---|
| Bristol Bay red king crab | 2001 | October 15 | October 18 |
| | 2002 | | October 18 |
| | 2003 | | October 20 |
| | 2004 | | October 18 |
| Bering Sea *C. opilio* | 2002 | January 15 | February 8 |
| | 2003 | | January 25 |
| | 2004 | | January 23 |
| | 2005 | | January 20 |
| Eastern Aleutian Islands golden king crab | 2001-2002 | August 15 | September 10 |
| | 2002-2003 | | September 7 |
| | 2003-2004 | | September 8 |
| | 2004-2005 | | August 29 |
| Western Aleutian Islands golden king crab | 2001-2002 | August 15 | March 30 |
| | 2002-2003 | | March 8 |
| | 2003-2004 | | February 2 |
| | 2004-2005 | | January 3 |

Source: ADFG Annual Management Report.

The allocation of exclusive harvest shares allowed the seasons in the fisheries to be extended substantially. Currently season limits are imposed for biological reasons. With this new latitude to schedule harvest activity, participants have dispersed catch substantially across the allowable seasons (see Table 4-23).[15] For example, the 2005-2006 Bristol Bay red king crab season was prosecuted towards the over the 3-month period following the October 15, 2005 season opening date; the first delivery was made on October 20, 2005; and the last delivery was made on the day after the regulatory closure date of January 15, 2006. In all of the fisheries, deliveries have been distributed over a period of several months; however, deliveries remain most concentrated in the Bristol Bay red king crab fishery (and the St. Matthew Island blue king crab fishery). The season in those fisheries are only four months and four and one-half months, respectively, substantially shorter than the season in other fisheries, and markets tend to be strongest near the year's end leading up to the holidays.

[15] The following tables concerning deliveries include only catcher vessel activity.

**Table 4-23 Post-rationalization pattern of deliveries by fishery.**

| Fishery | Season | Season opening | Date of first delivery | Week of most deliveries (in pounds) | | Date of last delivery | Season closing |
|---|---|---|---|---|---|---|---|
| | | | | Weekending date | Percent of quota delivered | | |
| Bristol Bay red king crab | 2005-2006 | October 15 | October 20 | November 5 | 28.6 | January 16 | January 15 |
| | 2006-2007 | | October 19 | November 5 | 44.0 | November 28 | |
| | 2007-2008 | | October 18 | November 5 | 31.1 | January 15 | |
| | 2008-2009 | | October 18 | November 5 | 28.7 | January 17 | |
| | 2009-2010 | | October 17 | November 5 | 41.0 | January 16 | |
| Bering Sea *C. opilio* | 2005-2006 | October 15 | October 27 | February 4 | 11.0 | May 27 | May 15 (east) May 31 (west)* |
| | 2006-2007 | | November 7 | February 25 | 11.1 | May 5 | |
| | 2007-2008 | | November 18 | February 25 | 13.0 | May 10 | |
| | 2008-2009 | | November 30 | February 11 | 10.7 | May 16 | |
| | 2009-2010 | | October 25 | March 4 | 15.5 | May 6 | |
| Eastern Aleutian Islands golden king crab | 2005-2006 | August 15 | August 30 | September 19 | 14.1 | March 28 | May 15 |
| | 2006-2007 | | August 31 | ** | ** | January 13 | |
| | 2007-2008 | | August 30 | ** | ** | February 9 | |
| | 2008-2009 | | September 7 | October 3 | 14.8 | December 22 | |
| | 2009-2010 | | August 31 | September 12 | 17.1 | January 10 | |
| Eastern Bering Sea *C. bairdi* | 2006-2007 | October 15 | October 23 | March 11 | 18.1 | March 27 | March 31 |
| | 2007-2008 | | October 20 | March 24 | 7.0 | April 2 | |
| | 2008-2009 | | October 19 | ** | ** | March 11 | |
| | 2009-2010 | | October 17 | November 19 | 22.7 | March 1 | |
| Western Aleutian Islands golden king crab | 2005-2006 | August 15 | September 6 | October 24 | 11.4 | March 25 | May 15 |
| | 2006-2007 | | September 10 | ** | ** | May 6 | |
| | 2007-2008 | | September 14 | ** | ** | May 21 | |
| | 2008-2009 | | September 13 | ** | ** | May 12 | |
| | 2009-2010 | | September 5 | ** | ** | May 18 | |
| Western Bering Sea *C. bairdi* | 2005-2006 | October 15 | October 27 | March 25 | 7.9 | May 3 | March 31 |
| | 2006-2007 | | November 4 | March 11 | 16.3 | April 5 | |
| | 2007-2008 | | November 16 | March 3 | 5.5 | March 31 | |
| | 2008-2009 | | January 11 | March 11 | 4.0 | April 6 | |
| St. Matthew Island blue king crab | 2009-2010 | October 15 | October 23 | November 19 | 14.4 | December 7 | February 1 |

Source: RAM IFQ landings data

* The boundary between the Eastern and Western Subdistricts is 173° W longitude.

** withheld for confidentiality.

The concentration of deliveries in the Bristol Bay red king crab fishery is also demonstrated by examining the cumulative catch by week throughout the season (see Figure 4-6).[16] In all five years of the program, approximately 50 percent of the catch was landed in the first two weeks of November. The number of vessels making deliveries also peaked during this period, with between approximately 40 and 60 vessels making deliveries (see Figure 4-7). Participation in the first week of the fishery and after the sixth week were substantially lower – approximately 10 vessels or fewer.

[16] In weeks with fewer than 3 vessels with landings, catch is aggregated with the most proximate week with landings to protect confidentiality.

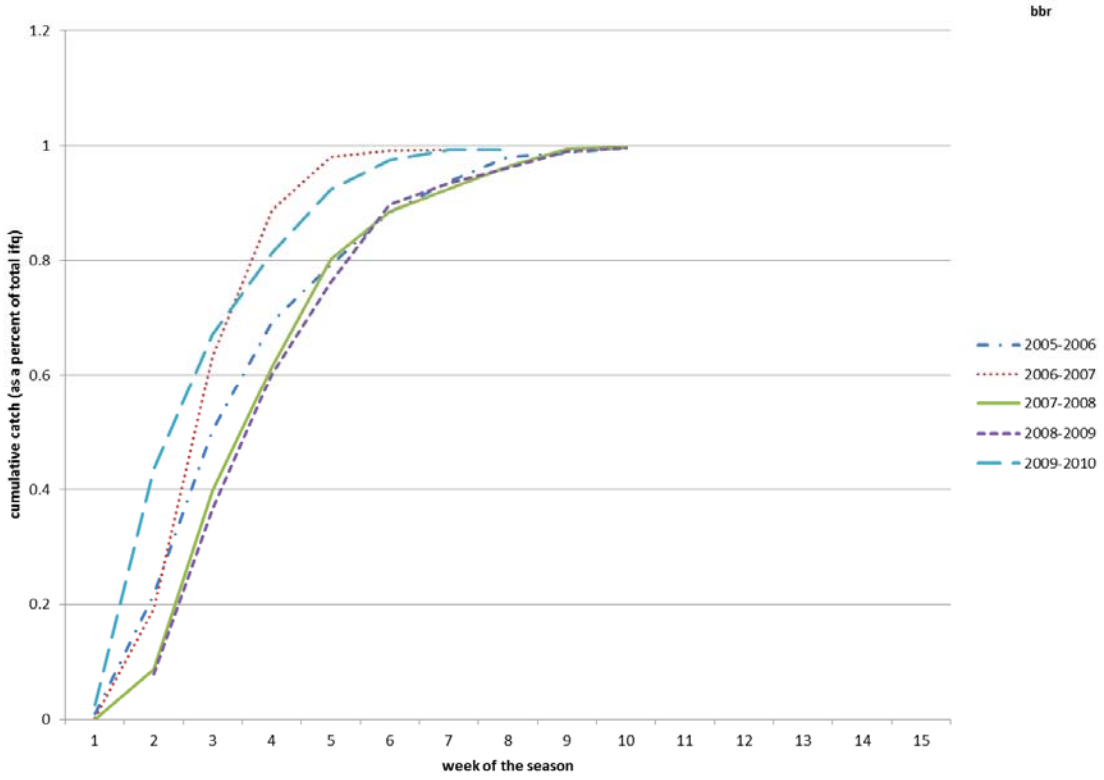



**Figure 4-6 Post-rationalization cumulative deliveries in the Bristol Bay red king crab fishery.**

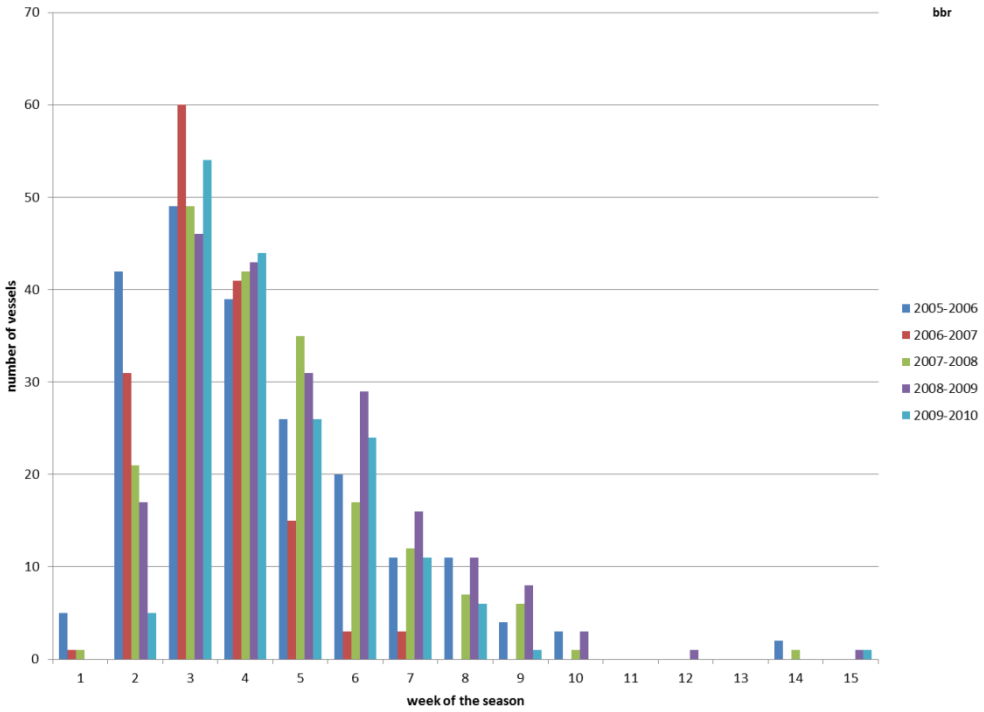



**Figure 4-7 Vessels making deliveries by week in the Bristol Bay red king crab fishery (2005-2006 through 2009-2010).**

The distribution of landings across the Bering Sea *C. opilio* season under the rationalization program is much more disperse than in the Bristol Bay red king crab fishery (see Figure 4-8). Less than 10 percent of the total catch is landed prior to the New Year. Shortly after the New Year, activity in the fishery has increased, with more than 5 percent of the total catch landed each week for several consecutive weeks. Vessel participation is consistently strongest during this period, but has varied across years (see Figure 4-9). Although vessel participation appears weak at times during the period (e.g., less than 10 vessels making landings during a week in 2006–2007 in the sixteenth week of the season), some vessels are likely fishing on extended trips, not making a delivery each week.

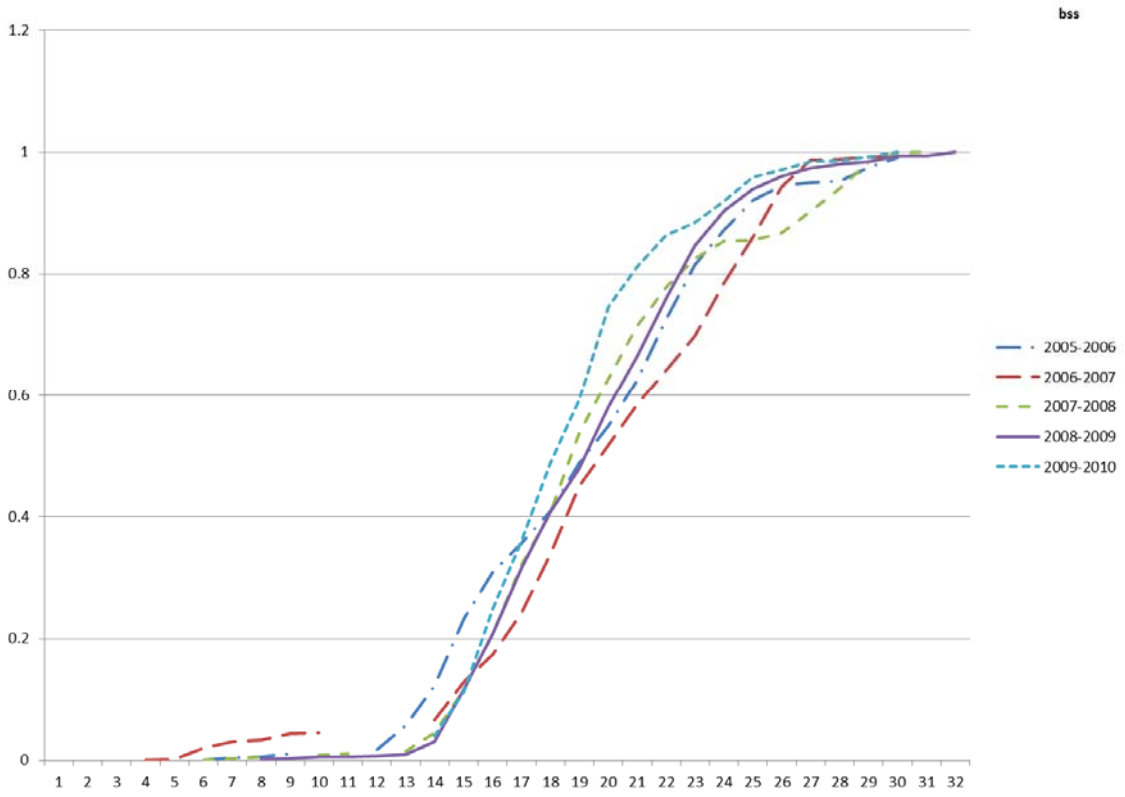



**Figure 4-8 Post-rationalization cumulative deliveries in the Bering Sea *C. opilio* fishery.**

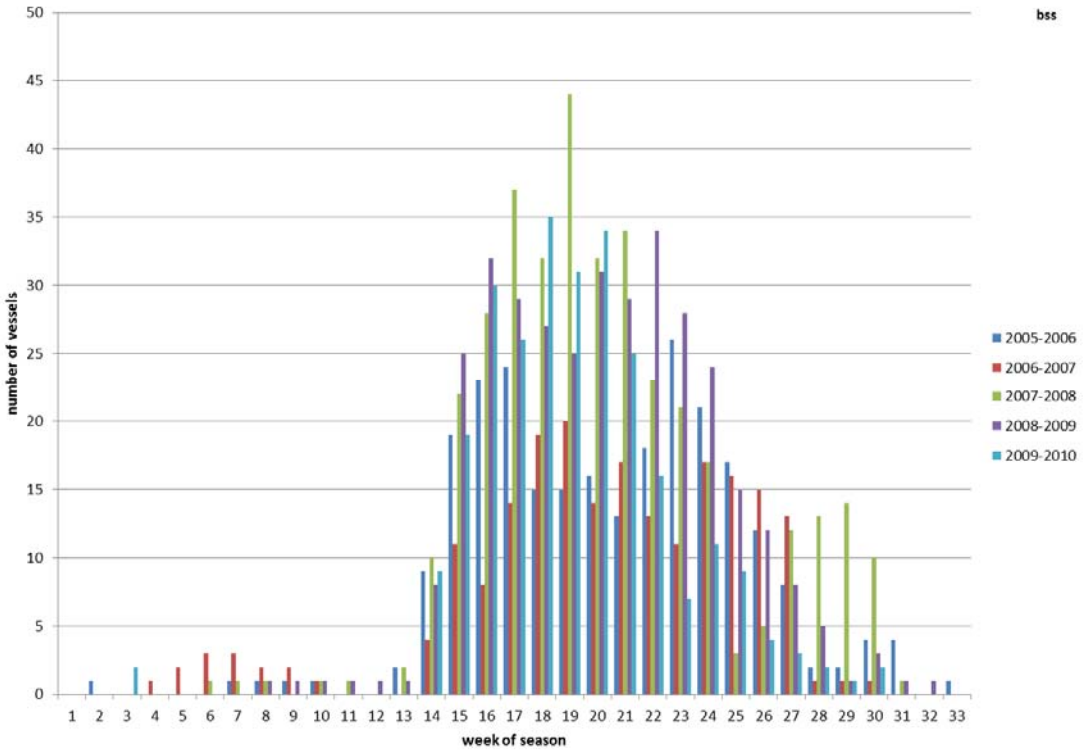



**Figure 4-9 Vessels making deliveries by week in the Bering Sea *C. opilio* fishery (2005-2006 through 2007-2008).**

The extension of fishing over a longer period after program implementation has substantially changed the number and volume of deliveries. If a delivery is defined as a set of fish tickets with a single processor on a single day, a comparison of pre-rationalization deliveries (Table 4-24) with post-rationalization deliveries (Table 4-25) shows that the average number of deliveries per vessel has doubled in most program fisheries.[17] In addition, the average amount of crab delivered has increased. Prior to the rationalization program, in most fisheries vessels made a single delivery after a fishery closing. Under the rationalization program, almost all vessels make multiple deliveries in a season, fishing closer to the vessel's capacity prior to making deliveries. In general, deliveries average near or more than 100,000 pounds in each fishery, with the exceptions of the Bering Sea *C. bairdi* and St. Matthew Island blue king crab fisheries, which have had relatively low catch rates.

[17] In some instances, multiple deliveries are suggested by multiple fish tickets across multiple days in a single delivery.

**Table 4-24 Pre-rationalization number and volume of deliveries by fishery.**

| Fishery | Season | Number of vessels | Number of deliveries | Average number of deliveries per vessel | Maximum number of deliveries by a vessel | Average delivery | Median delivery | Average delivery of 3 vessels with largest average delivery |
|---|---|---|---|---|---|---|---|---|
| Bristol Bay red king crab | 2001 | 224 | 228 | 1.0 | 3 | 32,302 | 28,285 | 94,055 |
| | 2002 | 234 | 234 | 1.0 | 1 | 36,204 | 34,580 | 71,911 |
| | 2003 | 242 | 246 | 1.0 | 2 | 55,111 | 46,587 | 198,892 |
| | 2004 | 243 | 246 | 1.0 | 2 | 54,009 | 52,105 | 114,212 |
| Bering Sea *C. opilio* | 2001 | 201 | 255 | 1.3 | 3 | 77,805 | 64,396 | 253,970 |
| | 2002 | 182 | 373 | 2.0 | 4 | 74,902 | 64,402 | 332,877 |
| | 2003 | 185 | 222 | 1.2 | 3 | 110,841 | 103,624 | 260,376 |
| | 2004 | 183 | 209 | 1.1 | 2 | 101,793 | 96,305 | 284,844 |
| | 2005 | 161 | 184 | 1.1 | 3 | 119,602 | 116,459 | 260,055 |
| Eastern Aleutian Islands golden king crab | 2001 | 19 | 45 | 2.4 | 4 | 69,520 | 64,270 | 135,157 |
| | 2002 | 19 | 43 | 2.3 | 3 | 64,312 | 52,732 | 112,656 |
| | 2003 | 18 | 37 | 2.1 | 3 | 78,385 | 74,116 | 127,041 |
| | 2004 | 20 | 33 | 1.7 | 2 | 86,251 | 78,443 | 178,952 |
| Western Aleutian Islands golden king crab | 2001-2002 | 8 | 63 | 7.9 | 17 | 29,354 | 28,809 | 33,362 |
| | 2002-2003 | 5 | 44 | 8.8 | 15 | 40,082 | 40,490 | |
| | 2003-2004 | 5 | 38 | 7.6 | 12 | 52,510 | 50,265 | |
| | 2004-2005 | 5 | 32 | 6.4 | 10 | 58,517 | 51,801 | |

Source: ADFG Fish tickets.

Note: Blanks are withheld for confidentiality. Deliveries include all offloads in a single day. A delivery may be divided between two processors.

**Table 4-25 Post-rationalization number and volume of deliveries by fishery.**

dlvdata

| Fishery | Season | Number of vessels | Number of deliveries | Average number of deliveries per vessel | Maximum number of deliveries by a vessel | Average delivery | Median delivery | Average delivery of 3 vessels with largest average delivery |
|---|---|---|---|---|---|---|---|---|
| Bristol Bay red king crab | 2005-2006 | 88 | 233 | 2.6 | 6 | 68,366 | 60,713 | 217,511 |
| | 2006-2007 | 79 | 170 | 2.2 | 5 | 79,355 | 66,544 | 211,753 |
| | 2007-2008 | 72 | 222 | 3.1 | 7 | 80,186 | 72,728 | 180,477 |
| | 2008-2009 | 75 | 226 | 3.0 | 8 | 78,658 | 73,026 | 189,599 |
| | 2009-2010 | 69 | 192 | 2.8 | 6 | 72,860 | 66,658 | 171,501 |
| Bering Sea *C. opilio* | 2005-2006 | 76 | 260 | 3.4 | 10 | 118,621 | 112,076 | 283,254 |
| | 2006-2007 | 66 | 228 | 3.5 | 11 | 131,165 | 120,434 | 253,611 |
| | 2007-2008 | 74 | 399 | 5.4 | 14 | 131,400 | 115,892 | 278,541 |
| | 2008-2009 | 73 | 370 | 5.1 | 12 | 132,234 | 123,752 | 274,397 |
| | 2009-2010 | 67 | 285 | 4.3 | 9 | 146,444 | 138,469 | 295,371 |
| Eastern Aleutian Islands golden king crab | 2005-2006 | 6 | 28 | 4.7 | 6 | 91,060 | 100,547 | 107,370 |
| | 2006-2007 | 5 | 24 | 4.8 | 12 | 111,307 | 113,598 | |
| | 2007-2008 | 3 | 27 | 9.0 | 10 | 94,973 | 87,652 | |
| | 2008-2009 | 3 | 26 | 8.7 | 12 | 108,607 | 107,607 | |
| | 2009-2010 | 3 | 27 | 9.0 | 11 | 104,923 | 110,646 | |
| Eastern Bering Sea *C. bairdi* | 2006-2007 | 33 | 51 | 1.5 | 4 | 24,061 | 5,824 | 94,443 |
| | 2007-2008 | 19 | 50 | 2.6 | 7 | 28,033 | 16,991 | 54,225 |
| | 2008-2009 | 20 | 50 | 2.5 | 11 | 30,622 | 24,124 | 95,910 |
| | 2009-2010 | 16 | 32 | 2.0 | 5 | 36,872 | 29,437 | 86,694 |
| Western Aleutian Islands golden king crab | 2005-2006 | 2 | 19 | 9.5 | 10 | | | |
| | 2006-2007 | 2 | 9 | 4.5 | 5 | | | |
| | 2007-2008 | 2 | 16 | 8.0 | 13 | | | |
| | 2008-2009 | 2 | 14 | 7.0 | 13 | | | |
| | 2009-2010 | 2 | 13 | 6.5 | 11 | | | |
| Western Bering Sea *C. bairdi* | 2005-2006 | 42 | 69 | 1.6 | 5 | 11,042 | 1,662 | 44,006 |
| | 2006-2007 | 34 | 55 | 1.6 | 4 | 11,150 | 419 | 41,657 |
| | 2007-2008 | 26 | 43 | 1.7 | 5 | 10,632 | 6,596 | 38,752 |
| | 2008-2009 | 27 | 50 | 1.9 | 5 | 2,167 | 39 | 28,293 |
| St. Matthew Island blue king crab | 2008-2009 | 7 | 16 | 2.3 | 5 | 28,804 | 26,386 | 34,622 |

Source: RAM IFQ database, 2005-2006, 2006-2007, and 2007-2008.

Note: Blanks are withheld for confidentiality. Deliveries include all offloads in a single day. A delivery may be divided between

Under the rationalization program, since allocations are exclusive, participants do not need to race to prevent others from preempting their catch. To improve returns from the fisheries, participants have an incentive to reduce costs. The most obvious means of reducing costs is fleet consolidation, which is demonstrated by the removal of vessels from the fisheries. Stacking quota on fewer vessels can save on costs not only of capital, but also on maintenance, insurance, crew, fuel, and other variable input costs. Stimulated by fuel price increases that occurred in the first two years of the program, several participants in the fisheries have reported that the exclusive allocations have allowed them to reduce vessel speed to conserve fuel without risking loss of catch.

The pot usage and pot catches in the fisheries suggest vessels are using the flexibility provided by exclusive allocations and extended seasons, as well as more liberal regulations on pot sharing, to save on operating costs in the fisheries (see Table 4-26). In the first five years of the program, the number of registered pots per vessel remained constant or increased in all fisheries, while the total number of registered pots in each fishery declined or remained constant. Prior to implementation of the program, pot limits constrained pot usage in some fisheries. Those limits were relaxed under the rationalization program, allowing vessels to choose the number of pots to use to increase operational efficiency. Some vessels are reported to have increased their pot holdings through acquisitions of used post, which are reported to be readily available in the market.[18] With fewer vessels in the fisheries, participants report that used pots are readily available. In addition, pot sharing arrangements are reported to be common. In most fisheries, these practices have led to the pulling of pots more times each season. Vessels are believed to have increased soak times through slowing the pace of fishing and allowing pots to fish during periods when deliveries are made. These increased soak times are believed to have contributed to the increased catch per unit effort observed in most fisheries in the first five years of the program. A different effect has arisen in the Aleutian Islands fisheries where increased soak times (and an accompanying increase in catch per unit effort) has reduced the number of pulls per pot.

[18] Although the crab EDR collects information on pot purchases, that collection provides no information on the condition of pots acquired or whether all pots were, in fact, used in the fisheries. According to some fishery participants, purchases have included pots in a variety of conditions (and often unknown conditions). In addition, pots in the golden king crab fisheries are less expensive than pots used in other fisheries and may skew data that does not distinguish pots by fishery.

**Table 4-26 Pots usage and catches by fishery**

| Fishery | Season | Catch (in pounds) | Number of pots registered | Number of pot lifts | Lifts per registered pot | Average catch per unit effort (crabs per pot lift) | Pots per vessel |
|---|---|---|---|---|---|---|---|
| Bristol Bay red king crab | 2000 | 7,468,240 | 26,352 | 98,694 | 3.7 | 12 | 108 |
| | 2001 | 7,681,106 | 24,571 | 63,242 | 2.6 | 19 | 107 |
| | 2002 | 8,770,348 | 25,833 | 68,328 | 2.6 | 20 | 107 |
| | 2003 | 14,237,375 | 46,964 | 128,430 | 2.7 | 18 | 188 |
| | 2004 | 13,889,047 | 49,506 | 90,976 | 1.8 | 23 | 197 |
| | 2005 - 2006 | 16,472,400 | 15,713 | 99,573 | 6.3 | 25 | 177 |
| | 2006 - 2007 | 13,887,531 | 14,685 | 64,325 | 4.4 | 34 | 181 |
| | 2007 - 2008 | 18,324,046 | 11,885 | 101,734 | 8.6 | 28 | 161 |
| | 2008-2009 | 18,288,881 | 15,098 | 124,739 | 8.3 | 22 | 196 |
| | 2009-2010 | 14,337,782 | 14,977 | 107,058 | 7.1 | 21 | 214 |
| Bering Sea *C. opilio* | 2001 | 22,940,704 | 40,379 | 176,930 | 4.4 | 97 | 195 |
| | 2002 | 29,609,702 | 37,807 | 308,132 | 8.2 | 76 | 199 |
| | 2003 | 25,410,122 | 20,452 | 139,279 | 6.8 | 154 | 108 |
| | 2004 | 21,939,493 | 14,444 | 110,087 | 7.6 | 157 | 76 |
| | 2005 | 22,655,777 | 12,840 | 69,863 | 5.4 | 239 | 77 |
| | 2005 - 2006 | 33,248,009 | 13,734 | 108,320 | 7.9 | 204 | 176 |
| | 2006 - 2007 | 32,699,911 | 10,851 | 80,112 | 7.4 | 332 | 155 |
| | 2007-2008 | 56,722,400 | 13,647 | 129,457 | 9.5 | 352 | 175 |
| | 2008-2009 | 52,687,374 | 12,549 | 148,220 | 11.8 | 279 | 163 |
| | 2009-2010 | 43,193,971 | 11,804 | 124,661 | 10.6 | 255 | 171 |
| Eastern Aleutian Islands golden king crab | 2000 - 2001 | 3,086,890 | 10,598 | 71,551 | 6.8 | 10 | 707 |
| | 2001 - 2002 | 3,128,409 | 12,927 | 62,639 | 4.8 | 12 | 680 |
| | 2002 - 2003 | 2,765,436 | 11,834 | 52,042 | 4.4 | 12 | 623 |
| | 2003 - 2004 | 2,900,247 | 12,518 | 58,883 | 4.7 | 11 | 695 |
| | 2004 - 2005 | 2,846,273 | 13,165 | 34,848 | 2.6 | 18 | 658 |
| | 2005 - 2006 | 2,569,209 | 8,833 | 21,898 | 2.5 | 25 | 1,262 |
| | 2006 - 2007 | 2,692,009 | 8,150 | 23,839 | 2.9 | 24 | 1,358 |
| | 2007 - 2008 | 2,690,377 | 4,200 | 20,496 | 4.9 | 28 | 1,050 |
| | 2008-2009 | 2,823,773 | 4,200 | 21,855 | 5.2 | 27 | 1,400 |
| | 2009-2010 | 2,832,932 | 4,600 | 23,442 | 5.1 | 26 | 1,533 |
| Western Aleutian Islands golden king crab | 2000 - 2001 | 2,902,518 | 8,910 | 101,239 | 11.4 | 7 | 743 |
| | 2001 - 2002 | 2,693,221 | 8,491 | 105,512 | 12.4 | 7 | 943 |
| | 2002 - 2003 | 2,605,237 | 6,225 | 78,979 | 12.7 | 8 | 1,038 |
| | 2003 - 2004 | 2,637,161 | 7,140 | 66,236 | 9.3 | 10 | 1,190 |
| | 2004 - 2005 | 2,639,862 | 7,240 | 56,846 | 7.9 | 12 | 1,207 |
| | 2005 - 2006 | 2,382,468 | 4,800 | 27,503 | 5.7 | 21 | 1,600 |
| | 2006 - 2007 | 2,002,186 | 6,000 | 22,694 | 3.8 | 20 | 2,000 |
| | 2007-2008 | 2,246,040 | 4,800 | 25,287 | 5.3 | 21 | 1,600 |
| | 2008-2009 | 2,252,111 | 4,900 | 22,351 | 4.6 | 23 | 1,633 |
| | 2009-2010 | 2,478,313 | 5,050 | 22,746 | 4.5 | 25 | 1,683 |
| Bering Sea *C. bairdi** | 2005 - 2006 | 791,025 | 545 | 29,693 | 54.5 | 12 | 13 |
| | 2006 - 2007 | 1,901,016 | 4,140 | 49,192 | 11.9 | 17 | 115 |
| | 2007 - 2008 | 1,906,571 | 3,102 | 49,901 | 16.1 | 17 | 115 |
| Eastern Bering Sea *C. bairdi* | 2008-2009 | 1,553,584 | 2,034 | 20,862 | 10.3 | 20 | 97 |
| | 2009-2010 | 1,189,573 | 1,771 | 8,529 | 4.8 | 28 | 104 |
| Western Bering Sea *C. bairdi* | 2008-2009 | 108,368 | 1,307 | 4,414 | 3.4 | 2 | 48 |
| St. Matthew Island blue king crab | 2009-2010 | 460,859 | 1,022 | 10,697 | 10.5 | 10 | 146 |

Sources: ADFG Annual Management Report and fishtickets and NMFS RAM catch data

*Note - Registration for the two *C. bairdi* fisheries was separated in the 2008-2009 season.

Many of the changes that occurred in the catcher vessel fleet have also similarly affected the catcher processor fleet. Catcher processors have consolidated catch on fewer vessels improving production efficiencies and allowing for better product quality. Very little data from the catcher processor fleet can be released because of confidentiality protections.

## 4.4 Captains and crew

Prior to implementation of the rationalization program, a holder of a License Limitation Program license endorsed for one or more of the crab fisheries needed to enter a vessel into a fishery to realize any return. As a consequence, license holders (particularly those who had invested in a vessel to use in the fisheries and carried mortgage obligations) are reported to have been compelled to participate in the fisheries, regardless of whether returns were expected to be substantial (or even cover the full costs of participation). With relatively high participation rates, crew positions were readily available particularly for good, experienced crew. Although financial pressures might have otherwise limited the ability of vessel owners to compensate crew, the large number of vessels simultaneously participating in the fisheries provided persons willing to work on vessels with some leverage in any negotiation for a position.

This leverage was likely manifest in two ways. First, crew shares likely reflected some of this additional leverage. Most crew were paid on a share system, under which payment is a percentage of vessel revenues after deduction of specified costs (most frequently food, fuel and bait). In individual cases, some crew may have been able to negotiate a more senior position and higher share for themselves, if a vessel needed to fill that more senior position. In addition, crewmembers on average might have received a higher share percentage for their work, than would have been paid in a more competitive labor market. This market power may be evident as share percentages and deductions in the crab fisheries were similar to those in other fisheries (such as pot fishing for Pacific cod) despite substantially higher daily revenues from the crab fisheries. Admittedly, crab fishing introduces greater risks than cod fishing, which should provide for a premium for crab fishing. Yet, it is unlikely that any vessel owner who attempted to reduce crew shares in the fishery to a level that would compensate crew at a daily rate similar to that in other pot fisheries would have been able to retain a good crew. The magnitude of the difference in daily revenues between fisheries suggests that crew may have received extraordinary shares (and pay) in the crab fisheries under the LLP.

The leverage of crew in these negotiations also shows in the payment of late (or last minute) hires in the fisheries. It was not uncommon for some vessel owners to make hires to fill out their crews in the last few days before the season opened. Crew hired for these positions were typically hired at the same share they would have received had they been hired earlier, a few weeks or a month prior to the opening. These late hires would have done little gear and boat work prior to the opening, but received a share comparable to other crew, as they were needed by both the vessel owner and the other crew for the vessel to participate in the fishery. These late hires clearly exploited their leverage with both vessel owners and other crew.

The greatest effect on crew arising from the rationalization program was the loss of crew positions brought on by consolidation in the fisheries. Crew sizes are generally unchanged since implementation of the program, so vessel participation provides a direct estimate of the number of crew that have left the fisheries. Data from Crab Economic Data Reports (see Table 4-27), as well as anecdotal reports, indicate that crew sizes have changed minimally (at most one person per vessel) since implementation of the program. In some instances, vessels are reported to have added crew to reduce the burden of deck labor in the fisheries. Absent improved data, the removal of vessels from the fisheries provides a direct estimate of the number of crew jobs lost. Assuming six crew members per vessel, approximately 975 fewer crew (including captains) were employed in the Bristol Bay red king crab fishery on average in the each of the first five years of the rationalization program, in comparison to the 2000 to 2004 season average;

approximately 675 fewer crew were employed in the Bering Sea *C. opilio* fishery on average in each of the first five years of the program, when compared to the 2001 to 2005 season average.[19]

Although these job losses are substantial, one must also consider the terms of employment in the prerationalization fisheries in assessing the magnitude of the loss. Prior to implementation of the program, few crab deck jobs, fully supported a crewmember. Because of the low total catches and high number of vessels in the fisheries in years leading up to the rationalization program, most crew worked only a month or so in the crab fisheries. Crew typically worked other jobs (including crew jobs in other fisheries) throughout the remainder of the year. In addition, since pay was a share of the vessel's net revenues in the derby, pay was subject to risk. The relatively short tenure of crab crew jobs was attractive to many crew who were able to negotiate (or take) short periods away from other employment to fish crab. Notwithstanding the relatively short term of these jobs, for many deck crew, their crab fishing jobs were reported to have provided important contributions to annual income. Particularly in the case of crew from remote communities with few job opportunities, replacing income from lost crab crew jobs is reported to be problematic.

Crab Economic Data Reports provide some indication of crew pay effects arising from the rationalization program. These data, particularly prior to 2007, should be interpreted as only providing a general reflection of conditions, as many respondents are believed to have misinterpreted some of the questions concerning crew compensation. Despite any shortcomings, it is believed that these data provide a general understanding of the direction and gross scale of changes in crew compensation under the program.[20]

Crew shares and payments reflect the course of changes that arose in the crab fisheries under the rationalization program, including these changes in deductions and charges. Except in 1998 in the Bering Sea *C. opilio* fishery (when the TAC in that fishery greatly exceeded the TAC in any subsequent year), fleet consolidation (together with some contribution from generally higher TACs) increased the average vessel harvest substantially from the years immediately preceding the program. In years with comparable TACs, average vessel catches in the rationalized fishery were approximately triple the pre-rationalization levels. This consolidation, and the means by which it occurred, greatly increased the catches the revenues from which are the basis for crew shares.

Since crew compensation arrangements vary across the fleet, changes in crew share payments can be best assessed by examining the change in payment amounts and change the percentage of gross vessel revenues paid to crew before and after the implementation of the program. Available data suggest that

[19] Note that these estimates are based on an assumption of 6 persons per crew (including captain). Crab Economic Data Reports suggest that average crews are approximately 5 persons; however, these surveys may have some biases. For years prior to implementation of the program, the surveys requested average crew size. Subsequent to the implementation the survey requests the number of paid crew per fishery. Both suggest that average crews are slightly less than 6 persons.

[20] Specifically, captain and crew payment questions requested the actual amount paid to crew, not their payment before "shared expenses" (such as food, fuel, or bait) were "deducted". The subsequent question distinguishes "deductions," which are shared expenses subtracted from vessel revenues prior to calculation of the crew share, from "charges," which are crew borne expenses removed after the calculation of crew shares. Most respondents are believed to have included the amount paid to crew in settlement checks without distinguishing whether "charges" might be removed before making that payment. As a result, it is uncertain whether charges were removed by respondents, although the instructions direct a respondent to remove only deductions (not charges). The discrepancy could be significant, particularly in pre-rationalization years, when crew payments were substantially lower dollar amounts. For example, a $1,000 plane ticket to Dutch Harbor may be the difference between a $5,000 payment and a $6,000 payment for a crewmember in the Bering Sea *C. opilio* 2001 season. In addition, although data are collected for most of the items deducted or charged, much of those data are of poor quality. In combination, these issues limit the ability to fully and accurately understand crew or captain pay.

mean and median crew payments as a percentage of gross vessel revenues declined by approximately one-third under the rationalization program (see Table 4-27). Although this decline is substantial, on average, the increase in revenues from consolidation (i.e., increase in average vessel harvest) more than compensated for additional deductions, charges, and decrease share percentages. In general, this additional compensation came at the cost of greater crew efforts harvesting those additional pounds.

In reviewing crew compensation on a fishery basis, two seasons in the Bering Sea *C. opilio* fishery stand out. In 1998, the extremely large total catch supported a very high average vessel harvest – more than twice the average vessel harvest any other year for which Economic Data Reporting data are available. This high vessel harvest level supported very high average crew compensation. Despite the high vessel catches in 1998, in 2007 (the second year of the rationalization program), average crew compensation in the fishery approached the 1998 level. This level of average crew compensation arose because of a relatively high price for crab in 2007 ($1.71 per pound based on Economic Data Reporting data) compared to 1998 ($0.57 per pound based on Economic Data Reporting data) and despite the lower percent of gross vessel revenues paid to crew. The 2006 year in the fishery shows an opposite price effect. In that year, mean crew compensation increased only slightly from levels seen in the years immediately preceding implementation of the program. In that year, crab prices dropped by more than one-third (to $1.11 in 2006 from $2.03 in 2004 and $1.80 in 2005 based on Economic Data Reporting data). As a result of this price drop (and the changes in deductions, charges, and crew shares), average crew compensation increased only slightly, despite a substantial increase in average vessel harvests. Also notable (and perhaps more concerning) is a consistent decline in average crew compensation as a percentage of ex vessel revenues in the Bristol Bay red king crab fishery since implementation of the program. In addition to the large drop in average crew compensation from approximately 35 percent of gross vessel revenues to approximately 23 percent of gross vessel revenues in the first year, that percentage has dropped to slightly less than 20 percent in the most recent year. This continuing drop may reflect additional leasing or QS transfers that are charged or deducted prior to applying crew share percentages, but also may be affected by an increasing tendency of participants to charge royalties against shares received in the initial allocation prior to applying crew share percentages, as data reflecting leasing are not available.

**Table 4-27 Crew size, harvest, captain pay, crew pay, and percentage of gross vessel revenues paid to crew in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries by fishery (1998, 2001, 2004-2009).**

| Fishery | Year | Number of vessels | Mean crew size | Mean vessel harvest (pounds) | Captain pay ($) | | Mean crew pay (excluding captain) ($) | Crewmember pay ($) | | Percent of gross vessel revenues paid to crew (including captain) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Mean | Median | | Mean | Median | Mean | Median |
| Bristol Bay red king crab | 1998 | 190 | 5.2 | 56,289 | 23,086 | 21,782 | 47,220 | 9,132 | 8,128 | 35.3 | 35.1 |
| | 2001 | 182 | 4.7 | 36,195 | 25,954 | 22,610 | 48,856 | 10,199 | 8,473 | 35.7 | 35.3 |
| | 2004 | 220 | 5.3 | 58,802 | 35,753 | 33,912 | 75,381 | 14,104 | 13,196 | 35.7 | 35.9 |
| | 2005 | 83 | 4.9 | 194,812 | 69,596 | 59,210 | 131,947 | 26,500 | 23,476 | 25.0 | 22.7 |
| | 2006 | 76 | 4.9 | 201,666 | 53,276 | 49,728 | 104,701 | 21,089 | 20,384 | 23.4 | 22.7 |
| | 2007 | 70 | 5.0 | 269,194 | 78,257 | 70,522 | 156,998 | 31,027 | 27,956 | 22.6 | 21.1 |
| | 2008 | 75 | 5.2 | 246,932 | 79,547 | 72,616 | 174,486 | 33,660 | 28,108 | 22.8 | 20.9 |
| | 2009 | 67 | 5.1 | 223,270 | 60,633 | 59,258 | 128,753 | 24,861 | 22,618 | 20.4 | 19.7 |
| Bering Sea *C. opilio* | 1998 | 162 | 6.0 | 1,098,577 | 98,098 | 92,472 | 197,756 | 33,551 | 30,988 | 36.2 | 35.3 |
| | 2001 | 158 | 5.4 | 112,589 | 22,614 | 19,295 | 45,793 | 8,224 | 6,894 | 31.4 | 31.8 |
| | 2004 | 167 | 4.9 | 123,606 | 33,509 | 30,280 | 66,533 | 13,433 | 12,009 | 35.1 | 35.0 |
| | 2005 | 147 | 4.7 | 158,943 | 34,929 | 34,578 | 66,965 | 14,296 | 13,529 | 34.6 | 35.5 |
| | 2006 | 73 | 5.1 | 453,455 | 38,585 | 34,281 | 76,575 | 14,840 | 13,514 | 23.6 | 22.0 |
| | 2007 | 63 | 5.2 | 496,195 | 62,640 | 57,413 | 130,322 | 24,584 | 23,508 | 24.4 | 22.7 |
| | 2008 | 72 | 5.6 | 780,820 | 94,467 | 94,408 | 194,336 | 34,599 | 32,440 | 23.3 | 22.8 |
| | 2009 | 71 | 5.5 | 721,180 | 69,881 | 67,970 | 154,837 | 27,442 | 25,667 | 23.1 | 23.0 |

Source: Crab Economic Data Reporting.

Notes: Mean crew size is a count of all crew paid shares excluding the captain. Excludes any vessels on which crew were paid in excess of 75 percent of the vessel's gross revenues. Adjusted for inflation using the CPI-U to 2009 dollars.

Examining compensation on vessels that participate in both the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries provides a more complete view of compensation of crew active in both fisheries (Table 4-28). Even in 2006, when Bering Sea *C. opilio* prices were particularly low, the average crew earned substantially greater compensation than in the years preceding rationalization, with the exception of 1998, when harvests from the Bering Sea *C. opilio* fishery were substantially greater than for any other year for which data are available. Despite these reinforcing factors, the average crew on a vessel that participated in both fisheries received comparable compensation in 1998 and 2006. Notably, data for these vessels also suggest a possible progressive decline in the crew share percentages from approximately 24 percent of gross revenues in the first full calendar year of the program to slightly less than 21 percent in the fourth calendar year.

**Table 4-28 Harvest, captain pay, crew pay, and percentage of gross vessel revenues paid to crew by vessels participating in both the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries (1998, 2001, 2004, 2006-2009).**

| Year | Number of vessels | Vessel revenues | | Captain pay | | Crew pay (excluding captain) | | Percent of gross to crew (including captain) | |
|---|---|---|---|---|---|---|---|---|---|
| | | Mean | Median | Mean | Median | Mean | Median | Mean | Median |
| 1998 | 151 | 1,034,471 | 983,861 | 123,019 | 116,947 | 249,953 | 232,979 | 35.9 | 35.3 |
| 2001 | 143 | 435,583 | 369,474 | 50,310 | 43,426 | 97,279 | 87,042 | 34.1 | 34.3 |
| 2004 | 162 | 620,513 | 583,453 | 72,301 | 69,625 | 148,010 | 135,224 | 35.7 | 35.5 |
| 2006 | 56 | 1,367,208 | 1,244,964 | 98,025 | 96,090 | 195,317 | 185,298 | 24.0 | 24.2 |
| 2007 | 55 | 2,210,463 | 1,958,662 | 144,081 | 145,564 | 300,238 | 283,862 | 23.0 | 22.4 |
| 2008 | 61 | 2,729,428 | 2,646,745 | 179,973 | 176,911 | 385,464 | 365,392 | 22.6 | 22.4 |
| 2009 | 57 | 2,256,501 | 2,090,932 | 141,269 | 138,993 | 308,668 | 272,565 | 21.5 | 20.9 |

Source: Crab Economic Data Reporting.

Notes: 2005 omitted, as Bering Sea *C. opilio* fishery prosecuted as limited entry derby and Bristol Bay red king crab prosecuted as share-based fishery. Excludes any vessels on which crew were paid in excess of 75 percent of the vessel's gross revenues. Adjusted for inflation using CPI-U to 2009 dollars.

Although catch consolidation has benefited remaining crew, a competing effect arose from deductions or charges against crew shares or direct reductions in crew share percentages, through which the quota costs of consolidation are effectively shared with crew. One potential means of changing crew compensation under the rationalization program is a change in deductions and charges. Although the amounts any of deductions and charges may be inaccurate in the Economic Data Reports, whether an item is deducted or charged to crew is believed to be accurately captured. These data suggest that with respect to vessel operating expenses, the percentage of the fleet imposing deductions and charges has remained relatively constant through the transition to the rationalization program.

**Table 4-29 Number of vessels deducting or charging vessel operating expenses from crew compensation (1998, 2001, 2004-2009).**

| Year | Fuel | | | | Food | | | | Bait | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Deducted | Charged | Neither | Unreported | Deducted | Charged | Neither | Unreported | Deducted | Charged | Neither | Unreported |
| 1998 | 171 | 12 | 37 | 1 | 67 | 138 | 15 | 1 | 176 | 10 | 37 | 1 |
| 2001 | 176 | 11 | 32 | 1 | 63 | 140 | 15 | 1 | 180 | 9 | 34 | 1 |
| 2004 | 193 | 8 | 38 | 1 | 72 | 152 | 18 | 1 | 200 | 6 | 37 | 1 |
| 2006 | 80 | 4 | 18 | 0 | 21 | 69 | 12 | 0 | 80 | 4 | 18 | 0 |
| 2007 | 69 | 4 | 13 | 1 | 20 | 60 | 7 | 0 | 69 | 4 | 13 | 1 |
| 2008 | 80 | 5 | 10 | 1 | 17 | 73 | 6 | 0 | 78 | 4 | 12 | 1 |
| 2009 | 70 | 2 | 11 | 1 | 25 | 54 | 5 | 0 | 71 | 2 | 11 | 0 |

| Year | Observers | | | | Gear | | | | Fish taxes | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Deducted | Charged | Neither | Unreported | Deducted | Charged | Neither | Unreported | Deducted | Charged | Neither | Unreported |
| 1998 | 48 | 0 | 97 | 61 | 38 | 8 | 160 | 5 | 199 | 6 | 15 | 3 |
| 2001 | 57 | 0 | 91 | 51 | 31 | 8 | 164 | 3 | 203 | 6 | 9 | 2 |
| 2004 | 65 | 0 | 92 | 56 | 40 | 10 | 169 | 6 | 216 | 9 | 13 | 2 |
| 2006 | 28 | 0 | 41 | 29 | 10 | 3 | 74 | 13 | 96 | 1 | 5 | 0 |
| 2007 | 22 | 0 | 17 | 48 | 6 | 2 | 57 | 22 | 82 | 2 | 2 | 1 |
| 2008 | 18 | 0 | 20 | 58 | 10 | 3 | 62 | 21 | 92 | 2 | 1 | 1 |
| 2009 | 13 | 0 | 11 | 60 | 11 | 1 | 50 | 22 | 80 | 1 | 1 | 2 |

Source: Crab EDR data

Notes: Travel costs are omitted as those data were not collected prior to implementation of the program. Freight costs are omitted, as few vessels have deducted or charged those costs in any year.

Unreported includes responses of unapplicable, uncertain, and multiple responses suggesting different treatment in different fisheries.

While the treatment of most vessel operating expenses has remained relatively constant, a notable change in deductions and charges since program implementation is the additional deduction of quota expenses. Prior to program implementation, a small portion of the fleet deducted CDQ quota expenses prior to the

payment of crew compensation. Since implementation of the program, most of the fleet deducts IFQ quota expenses. In addition, the number of vessels and percentage of the fleet deducting CDQ quota expenses has increased substantially. It is not known at this time whether this change has arisen from the redistribution of CDQ quota among more vessels, or if the change is caused by shifting of additional expenses to crew. These additional charges (particularly IFQ quota charges and deductions) are believed to be largely responsible for the decrease in the percentage of gross vessel revenues paid to crew under the program.

**Table 4-30 Number of vessels deducting or charging expenses for acquired quota from crew compensation (1998, 2001, 2004-2009).**

| Year | CDQ | | | | IFQ | | | |
|---|---|---|---|---|---|---|---|---|
| | Deducted | Charged | Neither | Unreported | Deducted | Charged | Neither | Unreported |
| 1998 | 18 | 0 | 88 | 84 | | | | |
| 2001 | 19 | 0 | 83 | 73 | | | | |
| 2004 | 24 | 0 | 89 | 83 | | | | |
| 2006 | 34 | 0 | 18 | 46 | 78 | 1 | 15 | 8 |
| 2007 | 28 | 0 | 7 | 52 | 67 | 1 | 12 | 7 |
| 2008 | 28 | 0 | 8 | 60 | 74 | 2 | 11 | 9 |
| 2009 | 22 | 0 | 1 | 61 | 66 | 1 | 4 | 13 |

Source: Crab EDR data

Unreported includes responses of unapplicable, uncertain, and multiple responses suggesting different treatment in different fisheries. One vessel is reported to have deducted IPQ costs in both years, but the nature of that cost is unknown.

Anecdotal reports reinforce this conclusion. Most vessel owners assert that these changes are applied simply to reflect the change in vessel owner revenues arising from the costly acquisition of shares to harvest. Many crew are said to have received full crew share on IFQ initially allocated to the vessel owner; however, in some cases vessel owners are reported to deduct IFQ value from revenues prior to paying crew, even for shares received in the initial allocation. The propensity to charge or deduct IFQ costs for shares received in the initial allocation is said to be increasing over time. In addition, shares paid on leased IFQ fished by a vessel are universally said to be computed after deduction of any lease payments to the IFQ owner. Consequently, the base revenues used to compute a crew payment for catch of leased IFQ were reduced by as much as 65 to 70 percent in the Bristol Bay red king crab fishery and as much as 45 to 50 percent in the Bering Sea *C. opilio* fishery. Likewise, royalties are also reported to be deducted prior to computing crew settlements on IFQ yielded by purchased QS in most cases. As a result, sellers of quota (either through leases or sales of QS) receive a large portion of the revenues from their shares. In the transfer of quota received in the initial allocation, these revenues may be used to pay outstanding vessel mortgages or other vessel related costs (if the vessel is maintained for use in other fisheries). Any remaining amounts are profits to the share holder. A vessel owner's revenues from acquisitions after the initial allocation would be used, in part, to cover the holder's cost of acquiring that quota. Although most changes in deductions, charges, and crew share percentages are to cover quota costs, anecdotal reports suggest that in some cases these changes have arisen from opportunistic vessel owners exerting negotiating leverage on crew. In these later cases, vessel owners have been able to exploit fleet contraction (and the surplus of available crew) to reduce crew compensation. Although these practices have been reported anecdotally and are suggested by the declining crew share percentages in the fisheries, data to directly assess the extent of these practices are not available.

Examining changes in crew compensation relative to pounds harvested by a vessel reinforces the conclusion that quota costs are a major contributor to declines in the percentage of gross vessel revenues paid to crew (see Table 4-31). It may be expected that vessels that harvest greater amounts of crab will incur greater quota costs (through leases of IFQ and QS purchases). The deduction of these costs prior to payment of crew will effectively reduce the percentage of gross vessel revenues paid to crew. Prior to implementation of the rationalization program, crews on all vessels appear to have received a relatively

similar share of gross vessel revenues regardless of a vessel's catch. Vessel harvests varied greatly, with crew on vessels harvesting in the highest quartile harvesting and earning between two and three times the amount harvested and earned by crew on vessels in the lowest quartile.[21]

Since implementation of the program, two changes in the distributions of vessel harvest amounts and crew payments are notable. First, vessel harvests vary more greatly across the fleet. In the Bristol Bay red king crab fishery, average harvests of vessels in the highest quartile are now between four and five times the average harvest of vessels in the lowest quartile, while in the Bering Sea *C. opilio* fishery, average harvests of vessels in the highest quartile are between five and six times the average harvests of vessels in the lowest quartile. While catch is more consolidated in all quartiles, vessels in the highest quartile are able to amass a substantially greater portion of the total catch through quota transfers (than could be amassed under the competition of the pre-rationalization derby fisheries).

The second change is in the percentage of gross vessel revenues paid to crew. In the quartile with the lowest harvests, crews have received between 3 and 4 percent less of the gross vessel revenues of the vessel on average after implementation of the rationalization program. The magnitude of this drop suggests that a substantial share of the quota harvested on these vessels is fished without deduction or charge of quota fees or any other substantial adjustment in crew share payments. In the second quartile of harvests in both fisheries, vessel harvests are approximately double those in the first quartile. Crews on these vessels are paid a lower percentage of gross vessel revenues than crews in the lowest harvesting quartile (or approximately 10 percent less than prior to the rationalization program). The effect of the additional harvests on average crew compensation, however, is greater than the lower percentage of gross vessel revenues, resulting in an increase in compensation of approximately one-third over the lowest quartile. In general, this relationship continues in the two larger harvesting quartiles. Vessel harvests generally increase by between 50 percent and 100 percent with each successive quartile. In addition, average crewmember compensation generally increases by approximately one-third on average (with a few notable and possibly important exceptions). As a result, average crewmember pay on vessels in the highest harvesting quartile are more than double that of crew in the lowest quartile, while harvests in the highest quartile are between three and five times the harvests in the lowest quartile. Crew pay as a percentage of gross vessel revenues generally declines in each successive quartile, suggesting that quota fees take an increasing share of vessel revenues as a vessel acquires additional quota to harvest. These declines result in pay to crew being over 30 percent of gross vessel revenues on vessels in the quartile harvesting the least crab and 20 percent or less of gross vessel revenues on the vessels in the quartile harvesting the most crab. Overall, these data suggest that as a vessel consolidates catch, a greater share of its harvests is subject to quota fees. The increase in catch supplements crew incomes, but at a lower rate than the vessel's initial allocation quota, which are often fished with no (or lower) quota fees.

Beyond this general trend, a few particular exceptions should be noted. In the two most recent years in the Bristol Bay red king crab fishery, vessels in the highest harvesting quartile have paid crew on average less than vessels in the third quartile, despite harvesting substantially more crab. In the most recent year, these vessels on average have paid crews less than 15 percent of gross revenues – decreasing the crew's percentage of gross revenues to less than half the prerationalization level. The specific reason for this difference is not known, but it likely arises from these vessels charging royalties or lease fee on substantially greater amounts of their catch (possibly including the any initial allocation fished by the vessel). It is possible that some of these vessels entered the fishery without the owner having access to an initial allocation, in which case, the owner may have substantially greater quota costs.

[21] It should be noted that in some instances, owners of multiple vessels are reported to have structured transfers among their own vessels as leases, charging or deducting lease fees prior to computing crew shares, in a manner similar to leases between unrelated entities.

**Table 4-31 Crewmember pay and percent of gross vessel revenues paid to crew by quartile of pounds harvested in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries (1998, 2001, 2004-2009).**

| Fishery | Year | Number of vessels per quartile | First quartile of pounds harvested | | | Second quartile of pounds harvested | | |
|---|---|---|---|---|---|---|---|---|
| | | | Mean pounds harvested | Mean to single crewmember | Percent of gross to crew (including captain) | Mean pounds harvested | Mean to single crewmember | Percent of gross to crew (including captain) |
| Bristol Bay red king crab | 1998 | 47/48 | 32,057 | 4,260 | 33.5 | 55,779 | 7,196 | 36.4 |
| | 2001 | 45/46 | 17,209 | 4,318 | 33.2 | 30,548 | 7,589 | 36.5 |
| | 2004 | 55 | 31,614 | 6,973 | 35.2 | 53,948 | 12,063 | 34.5 |
| | 2005 | 20/21 | 67,192 | 14,665 | 32.8 | 122,533 | 22,937 | 28.6 |
| | 2006 | 19 | 72,298 | 12,256 | 29.2 | 134,887 | 18,956 | 26.6 |
| | 2007 | 17/18 | 102,044 | 21,087 | 32.9 | 199,686 | 27,126 | 22.7 |
| | 2008 | 19 | 85,136 | 18,803 | 29.0 | 172,348 | 30,214 | 25.0 |
| | 2009 | 16/17 | 92,251 | 16,038 | 27.7 | 184,818 | 22,221 | 20.0 |
| Bering Sea *C. opilio* | 1998 | 40/41 | 710,320 | 19,567 | 37.3 | 1,229,896 | 28,437 | 36.0 |
| | 2001 | 39/40 | 55,000 | 3,040 | 27.4 | 94,065 | 5,857 | 30.7 |
| | 2004 | 41/42 | 73,679 | 7,121 | 33.9 | 108,465 | 10,836 | 34.7 |
| | 2005 | 36/37 | 93,280 | 8,239 | 32.4 | 134,285 | 12,444 | 36.1 |
| | 2006 | 18/19 | 163,023 | 8,052 | 30.2 | 328,713 | 11,465 | 22.4 |
| | 2007 | 15/16 | 192,282 | 15,270 | 32.4 | 358,559 | 20,854 | 24.5 |
| | 2008 | 18 | 307,686 | 19,499 | 27.8 | 555,737 | 32,402 | 24.6 |
| | 2009 | 17/18 | 300,835 | 15,661 | 27.8 | 512,418 | 23,795 | 24.4 |

| Fishery | Year | Third quartile of pounds harvested | | | Fourth quartile of pounds harvested | | |
|---|---|---|---|---|---|---|---|
| | | Mean pounds harvested | Mean to single crewmember | Percent of gross to crew (including captain) | Mean pounds harvested | Mean to single crewmember | Percent of gross to crew (including captain) |
| Bristol Bay red king crab | 1998 | 80,269 | 9,625 | 35.1 | 127,442 | 15,356 | 36.0 |
| | 2001 | 43,060 | 10,429 | 37.3 | 83,940 | 18,336 | 35.6 |
| | 2004 | 71,054 | 15,159 | 36.7 | 110,466 | 22,220 | 36.3 |
| | 2005 | 229,772 | 29,033 | 21.5 | 429,370 | 38,801 | 17.3 |
| | 2006 | 225,650 | 23,541 | 20.5 | 425,448 | 29,601 | 17.1 |
| | 2007 | 304,404 | 34,184 | 19.3 | 499,673 | 41,332 | 16.0 |
| | 2008 | 281,259 | 45,426 | 21.8 | 436,847 | 39,414 | 15.6 |
| | 2009 | 249,735 | 31,528 | 19.7 | 358,570 | 29,137 | 14.7 |
| Bering Sea *C. opilio* | 1998 | 1,609,405 | 36,349 | 34.7 | 2,219,132 | 49,580 | 36.8 |
| | 2001 | 140,113 | 8,639 | 34.0 | 254,340 | 15,239 | 33.5 |
| | 2004 | 145,814 | 14,884 | 36.4 | 231,883 | 20,741 | 35.4 |
| | 2005 | 171,446 | 15,616 | 35.8 | 297,069 | 20,721 | 34.0 |
| | 2006 | 511,024 | 16,375 | 21.8 | 903,721 | 23,013 | 20.3 |
| | 2007 | 519,289 | 25,133 | 21.3 | 963,512 | 36,495 | 19.9 |
| | 2008 | 815,865 | 35,964 | 21.8 | 1,432,385 | 50,529 | 19.2 |
| | 2009 | 736,305 | 28,703 | 21.0 | 1,311,810 | 40,955 | 19.5 |

Source: Crab Economic Data Reporting.
Notes: Pay to single crewmember is based on count of all crew paid shares excluding the captain. Excludes any vessels on which crew were paid in excess of 75 percent of the vessel's gross revenues. Adjusted for inflation using CPI-U to 2009 dollars.

While generally, the effects of the change to the rationalization program on crew have been driven by consolidation and related quota charges, it is important to recognize the effects differ across the fleet. In the most common case, crew are reported to have received historic share payments for quota received in the initial allocation by the vessel owner, supplemented with shares from the discounted base revenues on

acquired quota; however, other circumstances are said to exist, which are not directly revealed by aggregated (or available) data. In some instances, vessel owners received little quota in the initial allocation. In these instances, crew are reported to receive virtually all share payments from the discounted revenue base (i.e., after deduction of quota fees). In addition, in some instances vessel owners are reported to have charged quota fees on quota received in the initial allocation, lowering the base on which shares are calculated for all quota fished on the vessel. Depending on the level of quota fees, crew could receive substantially reduced payments from the historic shares, despite a vessel fishing mostly quota received in the initial allocation. Although some instances of crew compensation moving away from a traditional crew share format to a wage labor or salary format were reported in the first year of the program, it is believe that the most (if not all) crew in the fisheries are currently paid on a traditional crew share basis. It remains to be seen whether the trend of declining crew shares will continue as recipients of initial allocations depart from the fishery (or if those share holders actively fishing their quota, attempt to charge crew for the harvest of shares received in the initial allocation).

An additional factor to consider in assessing crew compensation under the rationalization program is the change in daily compensation. If only fishing, transiting, and offloading days are considered, crew appear to suffered a decline in daily compensation under the rationalization program; however, such an approach assumes that crew work no additional days in preparation for a season or at the end of a season. If each crewmember is assumed to work an additional 10 days on the vessel and gear, the conclusion is far less clear, with crew daily compensation in a similar range to prerationalization daily pay.[22] This relative equivalence (or ambiguity) arises from several competing effects. Prior to the program, crews spent few days fishing, so days spent on vessel and gear work made up a greater share of their time. Since the program was implemented, vessels have stacked substantially greater catches on the remaining active vessels increasing the revenue base on the average vessel. These two factors, on average, counterbalance the effect of quota royalties (or the reduced share of gross revenues paid to crew) that has diminished crew pay.[23]

[22] The number of days working on a vessel outside of the fishing days is not known; however, Coast Guard safety studies have assumed approximately 10 days per season working on a vessel and gear work, plus additional time transiting to and from ports prior and after the season.

[23] Another study using EDR data concluded unequivocally that the majority of remaining crew received greater daily pay during the first three years of the program, when compared to the three reported prerationalization years (Abbott, Wilen, and Garber Yonts, forthcoming). This result seems to be driven by the estimates of time working outside of the reported time fishing, transiting, and offloading; however, the paper's description of the methodology for that estimation is not specific. In addition, the conclusion is sensitive to crab prices, but adjusting for prices does not resolve the ambiguity of the outcome in this analysis, as daily returns remain within the historic range after the adjustment. Otherwise, the paper's conclusions are generally not inconsistent with the discussion in this paper.

**Table 4-32 Daily crew compensation in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries (1998, 2001, 2004, and 2005-2009)**

| Fishery | Year | Number of vessels | Fishing, transiting and offloading | | | Fishing, transiting and offloading plus 10 days boat and gear work | | |
|---|---|---|---|---|---|---|---|---|
| | | | Mean number of days | Mean daily captain pay ($) | Mean daily crew member pay ($) | Mean number of days | Mean daily captain pay ($) | Mean daily crew member pay ($) |
| Bristol Bay red king crab | 1998 | 190 | 8.0 | 3,019 | 1,190 | 18.0 | 1,293 | 511 |
| | 2001 | 182 | 6.1 | 4,555 | 1,799 | 16.1 | 1,634 | 643 |
| | 2004 | 220 | 7.0 | 5,441 | 2,134 | 17.0 | 2,116 | 833 |
| | 2005 | 82 | 26.4 | 2,927 | 1,148 | 36.4 | 1,948 | 755 |
| | 2006 | 76 | 22.3 | 2,669 | 1,060 | 32.3 | 1,703 | 673 |
| | 2007 | 69 | 32.4 | 2,647 | 1,057 | 42.4 | 1,922 | 766 |
| | 2008 | 75 | 32.6 | 2,673 | 1,149 | 42.6 | 1,935 | 831 |
| | 2009 | 66 | 31.0 | 2,220 | 926 | 41.0 | 1,557 | 646 |
| Bering Sea *C. opilio* | 1998 | 162 | 66.1 | 1,483 | 507 | 76.1 | 1,288 | 440 |
| | 2001 | 158 | 33.4 | 671 | 244 | 43.4 | 517 | 188 |
| | 2004 | 167 | 13.9 | 2,512 | 998 | 23.9 | 1,420 | 566 |
| | 2005 | 147 | 11.1 | 3,509 | 1,450 | 21.1 | 1,707 | 702 |
| | 2006 | 73 | 39.7 | 1,095 | 416 | 49.7 | 809 | 308 |
| | 2007 | 62 | 36.8 | 1,867 | 726 | 46.8 | 1,379 | 537 |
| | 2008 | 72 | 48.8 | 2,028 | 772 | 58.8 | 1,622 | 611 |
| | 2009 | 69 | 50.5 | 1,501 | 594 | 60.5 | 1,199 | 474 |

Source: Crab Economic Data Reporting.

Notes: Mean crew size is a count of all crew paid shares excluding the captain. Prerationalization fishing, transiting, and offloading days are from fishery opening until last vessel offload. Excludes any vessels on which crew were paid in excess of 75 percent of the vessel's gross revenues. Payments are adjusted for inflation using CPI-U to 2009 dollars.

Overall, data and anecdotal reports suggest that remaining crew positions in the fisheries are more stable and are generally greater total pay under the rationalization program. Crew typically know the amount of quota that will be harvested and terms of payment prior to beginning fishing, allowing them to project income for a season. Prior to implementation of the rationalization program, compensation hinged entirely on success in the limited access derby fishery. The consolidation of catch under the rationalization program has reportedly allowed some crew to rely exclusively on crab fishing for their incomes. Other crew are reported to work on the crab vessel in other fisheries or tendering, relying on employment from their crab fishing vessels for all of their income. Vessel owners hiring crew generally give priority to crew willing to work in all crab fisheries in which the vessel participates (and non-crab fisheries or tendering, if the vessel engages in those activities). These preferences have led to changes in crew composition, as some former participants are unwilling to give up other employment to work exclusively for a crab vessel. Maintaining a steady crew, however, can greatly simplify vessel management, reduce hiring costs arising from high turnover, and improve efficiency and safety, as crew become more familiar with the vessel's operation and fellow crew. Although these benefits arise for crew remaining in the fishery, many crew have lost the relatively high paying, short term work in the crab fisheries since implementation of the program.

The share of gross revenues paid to crews in the fishery has declined under the program substantially from quota leasing (and charging of royalties against revenues for quota fished on a vessel). To date, for individual active crew, the decrease is largely offset by consolidation of catch on fewer vessels. This consolidation has extended the season for crews, resulting in greater annual pay and comparable daily pay, when compared to crew pay prior to implementation of the program. Although pay has remained higher in the fishery, a steady downward trend in the percentage of gross revenues paid to crew (particularly in the Bristol Bay red king crab fishery) is suggested by crew compensation data. The trend

is most prevalent in vessels with the greatest harvests in the fishery (which also are likely to have the greatest quota acquisition costs).

## 4.5 Effects of the buyback

In December of 2004, eight months before fishing began under the rationalization program, NOAA Fisheries tendered payments to 25 successful bidders under a $100 million fishing capacity reduction program in the Bering Sea and Aleutian Islands crab fisheries included in the rationalization program. Each bid offered to remove a vessel from all fisheries and relinquish all associated fishing privileges (including the assigned LLP licenses) and any future privileges arising out of the fishing history of the vessel. The capacity reduction program sought to obtain the maximum sustained reduction in crab fishing capacity at the least cost by establishing a bidding procedure that would remove vessels considered to have the highest value as crab harvesting vessels per dollar bid for their removal. A bid was valued by dividing the bid by the total value of the crab caught aboard the vessel during the period specified by the program. The resulting bids were then ranked from smallest to largest bid value, with bids accepted so that the cumulative value of accepted bids would use as much of the $100 million loan as possible. The effect was to remove vessels with the greatest amount of fishing history (as specified by the buyback program) using the $100 million loan funding.

After the winning bids were announced, NMFS conducted a post bidding referendum to determine whether eligible voters authorized an industry fee system to repay the loan. The referendum succeed by receiving the required favorable votes of in excess of two-thirds of the LLP holders in the now rationalized fisheries.

Since the qualifying years under the buyback differed from those specified by the rationalization program, bids may have been valued differently under the buyback than they would have had the rationalization qualifying years been used to specify their values. At the time of the referendum, LLP holders requested that Council staff prepare revised estimates of denominators that could be used for calculating individual allocations under the rationalization program removing catch histories of the buyback vessels. Since the rationalization program was fully defined at the time of the buyback referendum, these estimates could be used by persons participating in the referendum to estimate the effects of the buyback on their initial allocations of QS. Based on the information concerning histories of the vessels included in successful bids contain in the referendum letter and the revised rationalization program denominators, LLP holders passed a referendum approving the buyback of vessels and the accompanying fees that would be imposed on landings in the crab fisheries. The result was the removal of the 25 vessels and accompanying LLPs from the crab fisheries (see Table 4-33).

**Table 4-33 Licenses purchased by the capacity reduction program by fishery endorsement.**

| Total | Bristol Bay red king crab | Bering Sea *C. opilio* and *C. bairdi* | Pribilof red and blue king crab | St. Matthew Island blue king crab | Aleutian Island red king crab | Aleutian Island golden king crab |
|---|---|---|---|---|---|---|
| 25 | 24 | 25 | 13 | 22 | 1 | 3 |

Source: Federal Register Vol. 96 No. 226, November 24, 2004.

Assessing the effects of the buyback on consolidation of fishing and QS holdings in the fisheries is not without complication. Although initial QS allocations, including and excluding the licenses removed by the buyback were calculated at the time the program was implemented, these estimates are known to have contained error. In addition, the effects of the buyback on the initial allocation to a license varied

depending on the specific annual history associated with the license. Yet, examining the evolution of the fisheries under the rationalization program provides insight into the effects of the buyback on consolidation. Since the rationalization program was implemented, QS holdings have consolidated beyond that attributable to the buyback. Similarly, fleet consolidation has removed between half and two-thirds of the vessels from each of the crab fisheries (including the 25 vessels removed by the buyback). In every fishery included in the rationalization program, fleet and quota consolidation has occurred well beyond that attributable to the buyback. In other words, persons remaining in the fisheries, who had already removed vessels and effectively acquired additional QS through the buyback, have chosen to remove additional vessels by leasing IFQ and further consolidating QS holdings, through the markets for those shares. Given that the buyback was a voluntary program, under which owners and holders voluntarily removed their vessels and licenses from the fisheries on receipt of voluntary payments of owners and holders of remaining vessels and licenses, it is likely that these person would have used the flexibility of transferable allocations to consolidate the fleet and quota holdings in the absence of the buyback. In other words, buyback vessels, likely would have been retired from the fisheries in the absence of the buyback. In addition, given the additional consolidation of the fleet and quota holdings that has occurred since the buyback, the buyback likely has had a very limited (if any) effect on the current level of consolidation in the fisheries.

Two aspects of the buyback may have led the buyback to have had minor effects on the rate of consolidation in the fisheries; however, these effects are likely to have been minor and short-lived. First, the buyback provided substantial capital at a favorable interest rate to participants wishing to buy out a portion of the fleet and remain in the fishery. Given the success of these remaining participants to secure additional capital for further consolidation, it is unlikely that this effect is great. Second, the buyback provided an organized means of removing future quota holders and capital from the fisheries. This structured removal of capital and interests from the fisheries may have accelerated the consolidation process.

The buyback may be argued to have contributed to consolidation under the rationalization program, since the buyback removed 25 vessels and licenses from the fisheries. Yet, given the substantial consolidation that occurred subsequent to the buyback in all fisheries affected by the buyback, it is unlikely that the buyback has had a notable effect on consolidation under the program.

# 5 PROCESSOR SHARE HOLDINGS

Prior to implementation of the rationalization program, processor entry to the crab fisheries was not subject to limit. With the implementation of the rationalization program, participation in program fisheries by processors is limited by PQS and IPQ allocations yielded annually by those PQS. Under the program, IPQ are issued annually in an amount equal to 90 percent of the annual allocation of catcher vessel owner IFQ (or approximately 87.3 percent of the catcher vessel IFQ allocation in each fishery). This section of the paper summarizes the distribution of those processing privileges under the rationalization program.

## 5.1 Initial allocations by region

Initial allocations of processor quota shares were substantially more concentrated than harvester quota share allocations under the program because fewer processors than vessels were active in the fisheries during the qualifying period (see Table 5-1). As in the harvest sector, concentration of initial allocations of processing privileges varied across fisheries. The Aleutian Islands fisheries, which had the least participation during the qualifying period, were the most concentrated. The Bristol Bay red king crab, Bering Sea *C. opilio*, and Bering Sea *C. bairdi* fisheries, which had the most participants during the qualifying period, were the least concentrated. The regional distribution of shares differed with landing

patterns that arose from the geographic distribution of fishing grounds and processing activities. In the Pribilof red and blue king crab fisheries, most historic processing occurred in the Pribilofs, resulting in over two-thirds of the processing allocations in those fisheries being designated for processing in the North region. Most processing in the St. Matthew Island blue king crab fishery occurred on floating processors near the fishing grounds in the North region. The Bering Sea *C. opilio* fishery allocations are split almost evenly between the North and South regions; while less than 5 percent of the Bristol Bay red king crab PQS is designated for North processing. All qualifying processing in the Eastern Aleutian Island golden king crab fishery occurred in the South region, resulting in all processing shares in that fishery (and in the Western Aleutian Islands red king crab fishery, which was based on the same history) being designated for processing in the South region. All processing allocations Western Aleutian Islands golden king crab fishery were split evenly with half required to be processed in the West region and half undesignated, which can be processed anywhere. Bering Sea *C. bairdi* processing shares are also undesignated.

The relatively low median share holding at initial allocation suggests that a large portion of the historic processing was concentrated among fewer than 10 processors in the large fisheries (the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries). In the smaller fisheries, fewer than 5 processors received a large majority of the initial allocation. The maximum allocation in each fishery was in excess of twenty percent of the pool. In the Western Aleutian Islands golden king fishery, the maximum allocation was in excess of 60 percent of the pool, double the share holdings cap. In the Eastern Aleutian Islands fishery, one allocation of approximately 45 percent of the pool was in excess of one and one-half times the cap. In only one other fishery, the St. Matthews Island blue king crab fishery, did an initial allocation exceed the cap. In that fishery, slightly greater than 30 percent of the quota was allocated to one processor.

**Table 5-1 Initial allocation of processing quota shares.**

| Fishery | Share holdings by region | | | | | | Across regions | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Region | Percent of total allocation | QS holders | Mean holding | Median holding | Maximum holding | QS holders | Mean holding | Median holding | Maximum holding |
| Bristol Bay red king crab | North | 2.6 | 3 | 0.85 | 0.23 | 2.31 | 17 | 5.88 | 1.64 | 22.98 |
| | South | 97.4 | 17 | 5.73 | 1.64 | 20.68 | | | | |
| Bering Sea *C. opilio* | North | 47.0 | 9 | 5.22 | 5.42 | 15.46 | 20 | 5.00 | 2.08 | 25.18 |
| | South | 53.0 | 17 | 3.12 | 0.38 | 9.72 | | | | |
| Bering Sea *C. bairdi** | Undesignated | 100.0 | 23 | 4.35 | 0.83 | 24.26 | 23 | 4.35 | 0.83 | 24.26 |
| Eastern Aleutian Island golden king crab | South | 100.0 | 8 | 12.50 | 6.04 | 45.91 | 8 | 12.50 | 6.04 | 45.91 |
| Western Aleutian Island golden king crab | Undesignated | 50.0 | 8 | 6.25 | 0.41 | 33.29 | 9 | 11.11 | 1.03 | 62.98 |
| | West | 50.0 | 9 | 5.56 | 0.49 | 29.69 | | | | |
| Western Aleutian Island red king crab | South | 100.0 | 9 | 11.11 | 1.03 | 62.98 | 9 | 11.11 | 1.03 | 62.98 |
| St. Matthew Island blue king crab | North | 78.3 | 6 | 13.06 | 8.92 | 29.94 | 12 | 8.33 | 5.06 | 32.67 |
| | South | 21.7 | 9 | 2.41 | 1.76 | 7.81 | | | | |
| Pribilof red and blue king crab | North | 67.5 | 6 | 11.26 | 12.01 | 23.28 | 14 | 7.14 | 3.17 | 24.49 |
| | South | 32.5 | 11 | 2.95 | 0.98 | 13.50 | | | | |

Source: NMFS Restricted Access Management IFQ database, initial allocation of PQS.
Note: These share holdings data are publicly available and non-confidential.
* After the first year of the program the allocation in the Bering Sea *C. bairdi* fishery was divided between the Eastern and Western fisheries

## 5.2 Transfers

During the first five years of the program, a substantial portion of the processor quota share pools were transferred. As with harvester shares, the extent to which these transfers represent actual market transfers is uncertain, as some restructuring of processing interests occurred. In two instances, merging of significant processing interests has consolidated interests in that sector. In one case, the consolidation did not result in share transfers, but only affects the interests underlying share holdings, so that is not reflected in these data.[24] In the other case, certain shares did change named holder, which explains a large

[24] This merger did result in a processor exceeding the cap in certain fisheries. The divestiture of shares required to comply with use caps was not completed until the summer of 2008 and is not reflected in these data. Since the

part of the transfer of processing share interests shown in these data. This consolidation, however, also resulted in the transfer of a substantial interest in Eastern Aleutian Island golden king crab PQS to a new entrant, as the merged entity was required to divest of shares in that fishery to comply with the processor share holding cap. Although a substantial quantity of shares transferred in the first three years of the program, in the last two years, few shares have transferred.

**Table 5-2 Processor quota share transfers (2005 through 2010).**

| Fishery | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | | Total (as a percentage of the PQS pool) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of units | Percentage of QS pool | Number of units | Percentage of QS pool | Number of units | Percentage of QS pool | Number of units | Percentage of QS pool | Number of units | Percentage of QS pool | Number of units | Percentage of QS pool | |
| Bristol Bay red king crab | 37,557,492 | 9.4 | 14,199,170 | 3.6 | 2,111,314 | 0.5 | 37,476,122 | 9.4 | 76,888 | 0.0 | | | 22.9 |
| Bering Sea *C. opilio* | 83,536,499 | 8.3 | 1,470,884 | 0.1 | 1,187,339 | 0.1 | 111,614,288 | 11.1 | 3,854,430 | 0.4 | | | 20.1 |
| Bering Sea *C. bairdi* | 17,743,023 | 8.9 | 20,876 | 0.0 | | | | | | | | | 8.9 |
| Eastern Aleutian Islands golden king crab | 1,149,483 | 11.5 | | | 92,700 | 0.9 | 826,359 | 8.3 | | | | | 20.7 |
| Eastern Bering Sea C. bairdi | | | 3,676,006 | 1.8 | 646,562 | 0.3 | 12,152,783 | 6.1 | | | | | 17.2 |
| Pribilof red and blue king crab | 4,050,738 | 13.5 | | | 104,270 | 0.3 | | | | | | | 13.9 |
| St. Matthew Island blue king crab | 2,342,552 | 7.8 | 12,955 | 0.0 | 42,074 | 0.1 | 468,519 | 1.6 | | | | | 9.6 |
| Western Aleutian Island golden king crab | | | | | 2,269,884 | 5.7 | 18,921,690 | 47.3 | | | | | 53.0 |
| Western Aleutian Island red king crab | 16,011,075 | 26.7 | | | 3,404,827 | 5.7 | 76,485 | 0.1 | | | | | 32.5 |
| Western Bering Sea C. bairdi | | | 3,676,006 | 1.8 | 646,562 | 0.3 | 12,152,783 | 6.1 | | | | | 17.2 |

Source: RAM data
* Total includes Bering Sea *C. bairdi* transfers

In addition to the transfers of processor quota shares, substantial leases of annual quota (IPQ transfers) occurred in the first five years of the program. As with PQS transfers, in some cases, these leases represent shifting of shares within a corporate structure that may not reflect a true lease; yet, true leasing of interests did occur in cases. Leases are reported to have occurred for a variety of reasons. In some instances, processors elected to exchange shares (without an exchange of money) to realize production efficiencies. In other cases, processors acquired shares to increase production or to serve specific markets. As a result, the extent of leasing is not apparent, but transfer data should be considered an upper limit on leasing (as opposed to a reflection of the amount of leasing that has occurred).

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merger did not change the named holder of shares, the consolidation resulting from the merger is also not reflected in the share holdings data from the current year.

**Table 5-3. Transfers of individual processing quota (2005-2006 through 2009-2010).**

| Fishery | 2005-6 | | 2006-7 | | 2007-8 | | 2008-9 | | 2009-10 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of units | Percentage of IPQ pool | Number of units | Percentage of IPQ pool | Number of units | Percentage of IPQ pool | Number of units | Percentage of IPQ pool | Number of units | Percentage of IPQ pool |
| Bristol Bay red king crab | 2,638,857 | 19.2 | 3,000,003* | 25.7 | 4,415,037 | 27.5 | 4,548,131* | 29.9 | 3,364,702 | 28.2 |
| Bering Sea *C. opilio* | 5,870,736 | 22.0 | 8,168,240* | 31.3 | 8,533,173 | 18.9 | 13,045,755* | 31.2 | 6,764,782 | 19.7 |
| Bering Sea *C. bairdi* | 230,903 | 19.4 | Separated into Eastern and Western fisheries | | | | | | | |
| Eastern Aleutian Islands golden king crab | 410,565* | 18.3 | 129,703 | 5.8 | 769,462 | 18.2 | 756,808* | 32.5 | 76,953 | 3.2 |
| Eastern Bering Sea *C. bairdi* | Managed as a single fishery with Western *C. bairdi* | | 327,962* | 23.8 | 587,924 | 23.2 | 699,439* | 34.4 | 250,273 | 25.2 |
| St. Matthew Island blue king crab | fishery closed | | | | | | | | 159,656 | 17.1 |
| Western Aleutian Island golden king crab | 50,290 | 4.4 | 198,240 | 17.4 | 407,101 | 24.9 | 246,344* | 20.6 | 31,543 | 2.6 |
| Western Bering Sea *C. bairdi* | Managed as a single fishery with Eastern *C. bairdi* | | 186,748* | 23.2 | 371,356 | 23.2 | 376,151* | 33.3 | fishery closed | |
| Source: RAM data | | | | | | | | | | |
| * Includes transfer of PQS. | | | | | | | | | | |

## 5.3 Current holdings

As in the initial allocation, PQS holdings are currently substantially more concentrated than either catcher vessel owner or catcher vessel crew QS holdings (Table 5-4). Comparing current holdings with the initial allocations suggests that some consolidation of PQS holdings has occurred since implementation of the program. Since these data do not show changes in ownership at the individual level, they do not completely describe existing holdings of processor share interests. At least one large merger occurred that is not reflected in these data, since share holdings did not change under the terms of that agreement (and divestiture required to comply with share holding caps were not completed until after these data were produced). As a consequence, consolidation may be underreported by these data. In addition, the absence of a change in ownership patterns in all fisheries except the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries suggest that changes in holdings in other fisheries were as a result of changes in the named holder of shares (which may or may not reflect a change in ownership).

**Table 5-4 Current processing quota share holdings by region**

| pqs | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Fishery | Share holdings by region | | | | | Across regions | | | |
| | Region | QS holders | Mean holding | Median holding | Maximum holding | QS holders | Mean holding | Median holding | Maximum holding |
| Bristol Bay red king crab | North | 3 | 0.85 | 0.23 | 2.31 | 16 | 6.25 | 4.39 | 22.98 |
| | South | 16 | 6.09 | 4.39 | 20.68 | | | | |
| Bering Sea *C. opilio* | North | 8 | 5.87 | 5.51 | 15.46 | 19 | 5.26 | 3.42 | 25.18 |
| | South | 17 | 3.12 | 0.38 | 9.72 | | | | |
| Eastern Bering Sea *C. bairdi* | Undesignated | 21 | 4.76 | 1.85 | 24.26 | 21 | 4.76 | 1.85 | 24.26 |
| Western Bering Sea *C. bairdi* | Undesignated | 21 | 4.76 | 1.85 | 24.26 | 21 | 4.76 | 1.85 | 24.26 |
| Eastern Aleutian Island golden king crab | South | 10 | 10.00 | 5.24 | 45.36 | 10 | 10.00 | 5.24 | 45.36 |
| Western Aleutian Island golden king crab | Undesignated | 8 | 6.25 | 0.97 | 29.64 | 10 | 10.00 | 3.41 | 29.98 |
| | West | 7 | 7.14 | 0.49 | 26.34 | | | | |
| Western Aleutian Island red king crab | South | 8 | 12.50 | 4.03 | 32.99 | 8 | 12.50 | 4.03 | 32.99 |
| St. Matthew Island blue king crab | North | 6 | 13.06 | 8.92 | 29.94 | 10 | 10.00 | 6.87 | 32.67 |
| | South | 7 | 3.09 | 2.08 | 7.96 | | | | |
| Pribilof red and blue king crab | North | 6 | 11.26 | 12.01 | 23.28 | 13 | 7.69 | 3.87 | 24.49 |
| | South | 10 | 3.25 | 1.09 | 13.85 | | | | |
| Source: NMFS Restricted Access Management IFQ database, crab fishing year 2009-2010. | | | | | | | | | |
| Note: These share holdings data are publicly available and non-confidential. | | | | | | | | | |

In the second year of the program a processor elected not to apply of its annual allocation of IPQ in a fishery. Under regulation, IPQ were then allocated based on PQS holdings of those PQS holders who

applied for their annual allocations. Although not a transfer of shares, this regulatory issuance has the effect of consolidating IPQ in a fishery. Since no PQS transfer occurred, share caps are not imposed on IPQ allocations. As a result, the allocation of IPQ to one PQS holder exceeded the share cap in the fishery. The Council could question whether this allocation of IPQ is consistent with the intent of the processor share allocations under the program. To the extent that a PQS holder elects not to apply for an allocation (or alternatively to transfer its shares to another person), it is unclear whether the IPQ that would have been issued for the unused PQS are protecting a processor interest as intended by the program.

# 6 PROCESSING SECTOR

This section reviews processing sector participation in the fisheries (including IPQ use) in the first five years of the program. The section begins with a brief discussion of participation levels before and after implementation of the program and the overall processing. The section goes on to discuss IPQ use and custom processing arrangements, to the extent that those practices are known. The section concludes with a discussion of processing operations and the distribution of processing among the participating plants.

## 6.1 Processor participation

In the years leading up to the rationalization program, 20 or fewer processors participated in the largest crab fisheries (see Table 4-2).[25] The largest three processors in these fisheries processed less than 15 percent of the fisheries' landings in each year (or between 2 and 3 times the mean). Processing by the median processor was approximately equal to the mean suggesting that processing in the fisheries was dominated by approximately 10 or fewer processors. Between 2 and 6 processors were active in the Aleutian Islands golden king crab fisheries in the years leading up to implementation of the program, limiting the information that may be released concerning processing in those fisheries.

[25] In the early 1990s processor participation was as much as three times higher, but waned with declines in TACs in the two major fisheries.

**Table 6-1 Processing in the Bristol Bay red king crab, Bering Sea *C. opilio*, Eastern Aleutian Island golden king crab, and Western Aleutian Island golden king crab fisheries in the years leading up the implementation of the rationalization program**

| Fishery | Season | Plants processing | Mean | | Median | | Average processing of top 3 plants | |
|---|---|---|---|---|---|---|---|---|
| | | | pounds processed | as a percent of fishery | pounds processed | as a percent of fishery | in pounds | as a percent of fishery |
| Bristol Bay red king crab | 2001 | 17 | 433,230 | 5.9 | 381,096 | 5.2 | 1,113,502 | 15.1 |
| | 2002 | 17 | 498,344 | 5.9 | 463,363 | 5.5 | 1,169,863 | 13.8 |
| | 2003 | 20 | 677,865 | 5.0 | 372,667 | 2.7 | 1,862,769 | 13.7 |
| | 2004 | 17 | 781,547 | 5.9 | 513,753 | 3.9 | 1,942,253 | 14.6 |
| Bering Sea *C. opilio* | 2002 | 17 | 1,643,446 | 5.9 | 1,422,515 | 5.1 | 4,147,694 | 14.8 |
| | 2003 | 17 | 1,447,451 | 5.9 | 1,438,688 | 5.8 | 3,022,202 | 12.3 |
| | 2004 | 18 | 1,181,935 | 5.6 | 1,025,185 | 4.8 | 2,564,168 | 12.1 |
| | 2005 | 14 | 1,571,915 | 7.1 | 1,525,714 | 6.9 | 3,136,110 | 14.3 |
| Eastern Aleutian Islands golden king crab | 2001 - 2002 | 4 | 782,102 | 25.0 | * | * | * | * |
| | 2002 - 2003 | 4 | 691,359 | 25.0 | * | * | * | * |
| | 2003 - 2004 | 4 | 725,062 | 25.0 | * | * | * | * |
| | 2004 - 2005 | 4 | 711,568 | 25.0 | * | * | * | * |
| Western Aleutian Islands golden king crab | 2001 - 2002 | 6 | 308,220 | 16.7 | 253,814 | 13.7 | 592,502 | 32.0 |
| | 2002 - 2003 | 2 | 881,793 | 50.0 | * | * | NA | NA |
| | 2003 - 2004 | 4 | 498,842 | 25.0 | * | * | * | * |
| | 2004 - 2005 | 3 | 624,186 | 33.3 | * | * | NA | NA |

Source: ADFG Fish tickets.
* withheld for confidentiality.

Processing distributions by community shows that Dutch Harbor shore plants attracted a majority of landings in the Bristol Bay red king crab fishery and slightly less than a majority in the Bering Sea *C. oplio*. The remainder of landings was divided primarily among Akutan and St. Paul and floaters in the Bering Sea and King Cove and Kodiak on the Gulf. In the two Aleutian Islands golden king crab fisheries, participation fluctuated between 2 and 7 processors during the years leading up to implementation of the program. Dutch Harbor and Adak supported virtually all of the processing in those fisheries (see Table 6-3).

**Table 6-2 Number of processors and amounts processed by fishery and community (2001-2004/5)**

| Fishery | Season | Communities | Number of processors | Pounds processed | Percent of pounds processed |
|---|---|---|---|---|---|
| Bristol Bay red king crab | 2001 | Adak, Akutan, Floaters, King Cove | 6 | 2,663,437 | 36.2 |
| | | Dutch Harbor | 5 | 3,902,545 | 53.0 |
| | | Kodiak | 6 | 798,932 | 10.8 |
| | 2002 | Akutan, Floaters, King Cove | 7 | 3,374,438 | 39.8 |
| | | Dutch Harbor | 6 | 4,276,910 | 50.5 |
| | | Kodiak, St. Paul | 4 | 820,497 | 9.7 |
| | 2003 | Akutan, Floaters, King Cove, Sand Point | 10 | 5,207,419 | 38.4 |
| | | Dutch Harbor | 7 | 7,131,382 | 52.6 |
| | | Kodiak, St. Paul | 5 | 1,218,494 | 9.0 |
| | 2004 | Akutan, King Cove, Floaters, St. Paul, Sand Point | 7 | 5,932,888 | 44.7 |
| | | Dutch Harbor | 6 | 6,504,531 | 49.0 |
| | | Kodiak | 4 | 848,879 | 6.4 |
| Bering Sea *C. opilio* | 2001 | Akutan, King Cove, Kodiak | 3 | 1,889,513 | 9.5 |
| | | Dutch Harbor | 5 | 7,916,618 | 39.9 |
| | | Floaters, St. Paul | 8 | 10,034,268 | 50.6 |
| | 2002 | Dutch Harbor, King Cove | 6 | 13,008,117 | 46.6 |
| | | Floaters, St. Paul | 8 | 14,292,205 | 51.2 |
| | | Kodiak | 3 | 638,264 | 2.3 |
| | 2003 | Akutan, King Cove, Kodiak | 3 | 2,162,245 | 8.8 |
| | | Dutch Harbor | 6 | 10,308,648 | 41.9 |
| | | Floaters, St. Paul | 8 | 12,135,777 | 49.3 |
| | 2004 | Akutan, King Cove, Kodiak | 4 | 2,287,481 | 10.8 |
| | | Dutch Harbor | 6 | 8,714,351 | 41.0 |
| | | Floaters, St. Paul | 8 | 10,273,001 | 48.3 |
| | 2005 | Akutan, King Cove, Kodiak | 3 | 2,206,008 | 10.0 |
| | | Dutch Harbor | 6 | 9,759,358 | 44.3 |
| | | Floaters, St. Paul | 5 | 10,041,444 | 45.6 |

Source: ADFG Fishtickets.

**Table 6-3 Processor participation in the Eastern Aleutian Islands golden king crab and Western Aleutian Islands golden king crab fisheries (2001-2002 through 2004-2005)**

| Fishery | Season | Communities | Number of processors |
|---|---|---|---|
| Eastern Aleutian Islands golden king crab | 2001-2002 | Adak | 1 |
| | | Dutch Harbor | 3 |
| | 2002-2003 | Adak | 1 |
| | | Dutch Harbor | 3 |
| | 2003-2004 | Adak | 2 |
| | | Dutch Harbor | 3 |
| | 2004-2005 | Adak | 2 |
| | | Dutch Harbor | 3 |
| Western Aleutian Islands golden king crab | 2001-2002 | Adak | 3 |
| | | Dutch Harbor | 3 |
| | | Floater | 1 |
| | 2002-2003 | Adak | 1 |
| | | Dutch Harbor | 1 |
| | 2003-2004 | Adak | 3 |
| | | Dutch Harbor | 2 |
| | 2004-2005 | Adak | 2 |
| | | Dutch Harbor | 2 |

Source: ADFG Fishtickets.

Under the rationalization program, a large portion of the processing (and raw crab purchasing) is vested in the holders of processing shares. To achieve efficiencies in processing, holders of processor shares have used custom processing arrangements to process substantial portions of the landings in the fisheries. Under these arrangements, a share holder contracts for the processing of landings of crab, while retaining all interests and obligations associated with the landed and processed crab. The processor of the crab provides processing services passing on the finished product to the buyer of the crab. The buyer is obligated to pay both the fisherman for the landing, as well as taxes on the landing. Because of the prevalence of these arrangements, this section assesses both plant activities and buyer activities.

Since the rationalization program, the number of processing plants participating in the Bristol Bay red king crab fisheries declined to 11. The average processing by the top 3 plants in fishery increased to approximately 20 percent of the fishery, with the concentration of the different share types slightly higher (suggesting that the largest processors of the different share types differ). In most years, the median amount of Class A IFQ processed (as a percent of the share type) exceeded the median amounts of Class B IFQ and C share IFQ processed suggesting that a few plants dominated the Class B and C share IFQ processing.

**Table 6-4 Processing by plants in the Bristol Bay red king crab fishery (2005-2006 through 2009-2010)**

BBR

| IFQ type | Season | Plants processing | Mean | | Median | | Average processing of top 3 plants | |
|---|---|---|---|---|---|---|---|---|
| | | | pounds processed | as a percent of type | pounds processed | as a percent of type | in pounds | as a percent of type |
| Class A | 2005 - 2006 | 10 | 1,375,757 | 10.0 | 1,130,961 | 8.2 | 2,931,557 | 21.3 |
| | 2006 - 2007 | 10 | 1,158,447 | 10.0 | 949,379 | 8.2 | 2,485,826 | 21.5 |
| | 2007 - 2008 | 10 | 1,527,741 | 10.0 | 1,255,323 | 8.2 | 3,313,186 | 21.7 |
| | 2008 - 2009 | 11 | 1,387,959 | 9.1 | 1,067,273 | 7.0 | 3,101,270 | 20.3 |
| | 2009 - 2010 | 9 | 1,329,295 | 11.1 | 1,164,614 | 9.7 | 2,556,534 | 21.4 |
| Class B | 2005 - 2006 | 11 | 137,180 | 9.1 | 59,062 | 3.9 | 371,057 | 24.6 |
| | 2006 - 2007 | 11 | 116,034 | 9.1 | 118,436 | 9.3 | 210,795 | 16.5 |
| | 2007 - 2008 | 12 | 141,257 | 8.3 | 47,155 | 2.8 | 431,982 | 25.5 |
| | 2008 - 2009 | 11 | 152,048 | 9.1 | 90,189 | 5.4 | 411,921 | 24.6 |
| | 2009 - 2010 | 11 | 119,221 | 9.1 | 72,947 | 5.6 | 313,015 | 23.9 |
| C share | 2005 - 2006 | 12 | 38,265 | 8.3 | 22,649 | 4.9 | 103,619 | 22.6 |
| | 2006 - 2007 | 11 | 35,033 | 9.1 | 26,734 | 6.9 | 70,515 | 18.3 |
| | 2007 - 2008 | 11 | 47,749 | 9.1 | 29,198 | 5.6 | 125,408 | 23.9 |
| | 2008 - 2009 | 10 | 52,217 | 10.0 | 23,759 | 4.6 | 139,184 | 26.7 |
| | 2009 - 2010 | 9 | 45,872 | 11.1 | 33,065 | 8.0 | 91,859 | 22.3 |
| All types | 2005 - 2006 | 12 | 1,310,477 | 8.3 | 827,587 | 5.3 | 3,100,353 | 19.7 |
| | 2006 - 2007 | 12 | 1,103,850 | 8.3 | 783,650 | 5.9 | 2,760,604 | 20.8 |
| | 2007 - 2008 | 12 | 1,458,145 | 8.3 | 1,193,875 | 6.8 | 3,372,689 | 19.3 |
| | 2008 - 2009 | 11 | 1,587,477 | 9.1 | 1,314,644 | 7.5 | 3,212,444 | 18.4 |
| | 2009 - 2010 | 11 | 1,244,358 | 9.1 | 1,334,479 | 9.7 | 2,681,956 | 19.6 |

Source: RAM IFQ database.

In the first four years of the program, between 10 and 12 processors participated in the Bering Sea *C. opilio* fishery, a decline of almost 5 processors from prior to the program (see Table 6-5). While in the most recent season only 9 processing plant participated in the fishery. In general processing is concentrated to a similar level as in the Bristol Bay red king crab fishery, with the leading three plants processing approximately 60 percent of all landings.

**Table 6-5 Processing by plants in the Bering Sea *C. opilio* fishery (2005-2006 through 2009-2010)**

BSS

| IFQ type | Season | Plants processing | Mean | | Median | | Average processing of top 3 plants | |
|---|---|---|---|---|---|---|---|---|
| | | | pounds processed | as a percent of type | pounds processed | as a percent of type | in pounds | as a percent of type |
| Class A | 2005 - 2006 | 11 | 2,400,246 | 9.1 | 2,372,329 | 9.0 | 3,924,617 | 14.9 |
| | 2006 - 2007 | 9 | 2,881,633 | 11.1 | 2,331,253 | 9.0 | 6,074,034 | 23.4 |
| | 2007 - 2008 | 9 | 5,002,827 | 11.1 | 4,163,969 | 9.2 | 10,068,852 | 22.4 |
| | 2008 - 2009 | 9 | 4,625,702 | 11.1 | 3,860,179 | 9.3 | 8,998,056 | 21.6 |
| | 2009 - 2010 | 8 | 4,287,759 | 12.5 | 3,144,438 | 9.2 | 7,013,718 | 20.4 |
| Class B | 2005 - 2006 | 12 | 243,747 | 8.3 | 192,240 | 6.6 | 555,989 | 19.0 |
| | 2006 - 2007 | 10 | 287,619 | 10.0 | 254,839 | 8.9 | 595,039 | 20.7 |
| | 2007 - 2008 | 12 | 416,730 | 8.3 | 141,278 | 2.8 | 1,155,638 | 23.1 |
| | 2008 - 2009 | 10 | 462,971 | 10.0 | 238,350 | 5.1 | 1,109,841 | 24.0 |
| | 2009 - 2010 | 9 | 423,344 | 11.1 | 320,663 | 8.4 | 818,067 | 21.5 |
| C share | 2005 - 2006 | 12 | 75,449 | 8.3 | 63,174 | 7.0 | 166,724 | 18.4 |
| | 2006 - 2007 | 10 | 89,613 | 10.0 | 51,791 | 5.8 | 214,125 | 23.9 |
| | 2007 - 2008 | 10 | 160,149 | 10.0 | 63,573 | 4.0 | 411,866 | 25.7 |
| | 2008 - 2009 | 9 | 165,277 | 11.1 | 50,095 | 3.4 | 383,359 | 25.8 |
| | 2009 - 2010 | 9 | 135,496 | 11.1 | 95,322 | 7.8 | 291,013 | 23.9 |
| All types | 2005 - 2006 | 12 | 2,519,421 | 8.3 | 2,698,056 | 8.9 | 4,347,366 | 14.4 |
| | 2006 - 2007 | 11 | 2,700,638 | 9.1 | 2,115,634 | 7.1 | 6,210,576 | 20.9 |
| | 2007 - 2008 | 12 | 4,302,308 | 8.3 | 3,384,599 | 6.6 | 10,298,816 | 19.9 |
| | 2008 - 2009 | 11 | 4,340,775 | 9.1 | 3,965,391 | 8.3 | 9,231,757 | 19.3 |
| | 2009 - 2010 | 9 | 4,370,182 | 11.1 | 3,587,060 | 9.1 | 7,765,843 | 19.7 |

Source: RAM IFQ database.

Ten or fewer plants participated in processing in the Bering Sea *C. bairdi* fisheries in each year of the program (see Table 6-6 and Table 6-7). Since these fisheries are directly prosecuted by few vessels, the processing is slightly more concentrated than in the two largest fisheries.

**Table 6-6 Processing by plants in the Western Bering Sea *C. bairdi* fishery (2005-2006 through 2009-2010)**

WBT

| IFQ type | Season | Plants processing | Mean | | Median | | Average processing of top 3 plants | |
|---|---|---|---|---|---|---|---|---|
| | | | pounds processed | as a percent of type | pounds processed | as a percent of type | in pounds | as a percent of type |
| Class A | 2005 - 2006 | 10 | 69,321 | 10.0 | 45,337 | 6.5 | 154,448 | 22.3 |
| | 2006 - 2007 | 6 | 91,470 | 16.7 | 62,614 | 11.4 | 154,396 | 28.1 |
| | 2007 - 2008 | 6 | 70,090 | 16.7 | 78,316 | 18.6 | 90,131 | 21.4 |
| | 2008 - 2009 | 6 | 15,359 | 16.7 | 7,337 | 8.0 | 27,064 | 29.4 |
| Class B | 2005 - 2006 | 7 | 7,815 | 14.3 | 8,122 | 14.8 | 11,633 | 21.3 |
| | 2006 - 2007 | 4 | 12,366 | 25.0 | 11,917 | 24.1 | 14,007 | 28.3 |
| | 2007 - 2008 | 3 | 8,674 | 33.3 | * | * | 8,674 | 33.3 |
| | 2008 - 2009 | 4 | 3,160 | 25.0 | 946 | 7.5 | 4,203 | 33.3 |
| C share | 2005 - 2006 | 6 | 1,859 | 16.7 | 2,133 | 19.1 | 3,086 | 27.7 |
| | 2006 - 2007 | 4 | 3,283 | 25.0 | 3,148 | 24.0 | 4,069 | 31.0 |
| | 2007 - 2008 | 3 | 3,544 | 33.3 | * | * | 3,544 | 33.3 |
| | 2008 - 2009 | 5 | 665 | 20.0 | 71 | 2.1 | 1,088 | 32.7 |
| All types | 2005 - 2006 | 10 | 75,907 | 10.0 | 49,436 | 6.5 | 165,797 | 21.8 |
| | 2006 - 2007 | 6 | 101,903 | 16.7 | 72,172 | 11.8 | 166,025 | 27.2 |
| | 2007 - 2008 | 6 | 76,199 | 16.7 | 78,316 | 17.1 | 102,194 | 22.4 |
| | 2008 - 2009 | 9 | 12,013 | 11.1 | 3,211 | 3.0 | 31,701 | 29.3 |

Source: RAM IFQ database.
* withheld for confidentiality

**Table 6-7 Processing by plants in the Eastern Bering Sea *C. bairdi* fishery (2005-2006 through 2009-2010)**

EBT

| IFQ type | Season | Plants processing | Mean | | Median | | Average processing of top 3 plants | |
|---|---|---|---|---|---|---|---|---|
| | | | pounds processed | as a percent of type | pounds processed | as a percent of type | in pounds | as a percent of type |
| Class A | 2006 - 2007 | 6 | 180,952 | 16.7 | 151,177 | 13.9 | 290,613 | 26.8 |
| | 2007 - 2008 | 7 | 169,461 | 14.3 | 129,131 | 10.9 | 272,961 | 23.0 |
| | 2008 - 2009 | 8 | 162,556 | 12.5 | 149,117 | 11.5 | 283,518 | 21.8 |
| | 2009 - 2010 | 6 | 162,973 | 16.7 | 160,037 | 16.4 | 199,285 | 20.4 |
| Class B | 2006 - 2007 | 6 | 17,263 | 16.7 | 14,769 | 14.3 | 20,543 | 19.8 |
| | 2007 - 2008 | 3 | 48,861 | 33.3 | * | * | 48,861 | 33.3 |
| | 2008 - 2009 | 6 | 25,281 | 16.7 | 15,841 | 10.4 | 44,786 | 29.5 |
| | 2009 - 2010 | 6 | 18,325 | 16.7 | 10,889 | 9.9 | 29,661 | 27.0 |
| C share | 2006 - 2007 | 7 | 3,673 | 14.3 | 3,983 | 15.5 | 6,265 | 24.4 |
| | 2007 - 2008 | 4 | 8,246 | 25.0 | 7,874 | 23.9 | 10,696 | 32.4 |
| | 2008 - 2009 | 7 | 5,672 | 14.3 | 3,298 | 8.3 | 11,436 | 28.8 |
| | 2009 - 2010 | 6 | 4,802 | 16.7 | 3,151 | 10.9 | 8,403 | 29.2 |
| All types | 2006 - 2007 | 7 | 173,571 | 14.3 | 132,478 | 10.9 | 316,038 | 26.0 |
| | 2007 - 2008 | 8 | 170,725 | 12.5 | 134,287 | 9.8 | 300,502 | 22.0 |
| | 2008 - 2009 | 10 | 149,184 | 10.0 | 150,921 | 10.1 | 296,496 | 19.9 |
| | 2009 - 2010 | 7 | 159,514 | 14.3 | 165,744 | 14.8 | 215,930 | 19.3 |

Source: RAM IFQ database.
* withheld for confidentiality

Five or fewer processors participated in the Eastern Aleutian Island golden king crab and Western Aleutian Island golden king crab fisheries in the first five years of the program, limiting the information that may be released concerning processing in those fisheries (see Table 6-8). In all cases, fewer plants processed deliveries of Class B IFQ and C share IFQ than deliveries of Class A IFQ. Only two plants participated in the St. Matthew Island blue king crab fishery in the one year that fishery was open since implementation of the program. All of these fisheries have relatively small TACs which limit processing opportunities.

**Table 6-8 Number of plants active in the Eastern Aleutian Islands golden king crab, Western Aleutian Islands golden king crab, and St. Matthew Island blue king crab fisheries (2005-2006 through 2009-2010)**

AG

| IFQ type | Season | Plants processing the IFQ type in the | | |
|---|---|---|---|---|
| | | Eastern Aleutian Islands golden king crab fishery | Western Aleutian Islands golden king crab fishery | St. Matthew Island blue king crab fishery |
| Class A | 2005 - 2006 | 4 | 5 | |
| | 2006 - 2007 | 5 | 3 | |
| | 2007 - 2008 | 4 | 3 | |
| | 2008 - 2009 | 5 | 5 | |
| | 2009 - 2010 | 3 | 2 | 2 |
| Class B | 2005 - 2006 | 2 | 3 | |
| | 2006 - 2007 | 2 | 2 | |
| | 2007 - 2008 | 3 | 2 | |
| | 2008 - 2009 | 4 | 2 | |
| | 2009 - 2010 | 3 | 2 | 1 |
| C share | 2005 - 2006 | 3 | 3 | |
| | 2006 - 2007 | 3 | 2 | |
| | 2007 - 2008 | 2 | 1 | |
| | 2008 - 2009 | 2 | 2 | |
| | 2009 - 2010 | 3 | 2 | 1 |
| All types | 2005 - 2006 | 4 | 5 | |
| | 2006 - 2007 | 5 | 3 | |
| | 2007 - 2008 | 4 | 3 | |
| | 2008 - 2009 | 5 | 5 | |
| | 2009 - 2010 | 3 | 2 | 2 |

Source: RAM IFQ database.

In the first two years of the program, a large portion of the IPQ pool was subject to the "cooling off" provision, which required processing to occur in the community of the processing history that led to the allocation of the underlying PQS. Consequently, few changes in the distribution of processing of Class A IFQ/IPQ landings occurred in the first two years of the program. Also, entities representing the community of origin hold a right of first refusal on any transfer of the PQS and IPQ for use outside the community (see Table 6-9). This right is relatively weak because intra-company transfers are exempt from the right and the right lapses, if the IPQ are used outside of the community of origin for a period of years.

Limited information is available concerning the lapse of rights of first refusal, as no obligation to report a lapse exists. To date, rights of first refusal on PQS are believed to have lapsed in only a few instances (see

Table 6-10). Most notably, the right has lapsed with respect to the shares arising from historic processing in St. George. The St. George harbor and its entrance were damaged by a storm in 2004. In the first two years of the program, that damage was found to have prevented processing in St. George. As a consequence, under the terms specified by the rationalization program the rights of first refusal would have lapsed. However, representatives of Aleutian Pribilof Island Community Development Association, the holder of the right, reached agreements with holders of these PQS to protect the interests of St. George. In one case, PQS were acquired by the right holder. In addition, the holder of the rights on behalf of the City of Kodiak and Kodiak Island borough has also acquired PQS through a negotiated arrangement with original holder of those PQS. In at least one other case, a right holder has consented to an acquisition of PQS by another entity despite its right.

Monitoring of the lapse of community rights of first refusal is complicated by not only the absence of a reporting requirement, but also because electronic landings data do not include the location of processing, for deliveries that are made to floating processors. Instead these landings are reported as "at sea". As a result, it is possible that rights could lapse without knowledge of the community. Once the lapse of the right is established, a community would have no standing to intervene in any subsequent sales of the PQS. The Council is currently considering amendments to the right, including a possible amendment to establish the right indefinitely. Such a provision would obviate the need for information concerning lapses. The amendment, however, does not include provision for information concerning the existence of rights, in the event the Council chooses not to make rights last indefinitely. The information need could be addressed in several ways. Modification of reporting requirements would be the most comprehensive means of ensuring that locational information is available for all landings (not only those in the crab fisheries or those subject to the right of first refusal).[26] Alternatively, a regulation change could be included in any package modifying the rights of first refusal that would require any right of first refusal contract to include a provision for processors to keep communities informed of the location of any processing of IPQ covered by the right. A weak (and likely ineffective approach) could be to rely on communities to negotiate for the requirement that the PQS holder provide this information to the processor.

[26] To effectively provide this information to affected communities might require consideration of confidentiality limitations.

**Table 6-9 Initial and current distribution of rights of first refusal by community.**

| Fishery | Region | Right of first refusal boundary | Percentage of initial PQS pool | Percentage of current PQS pool |
|---|---|---|---|---|
| Bristol Bay red king crab | North | None | 0.0 | 0.0 |
| | | St. Paul | 2.5 | 2.5 |
| | South | Akutan | 19.7 | 19.7 |
| | | False Pass | 3.7 | 3.7 |
| | | King Cove | 12.7 | 7.4 |
| | | Kodiak | 3.8 | 0.2 |
| | | None | 3.4 | 12.2 |
| | | Port Moller | 3.5 | 3.5 |
| | | Unalaska | 50.7 | 50.7 |
| Bering Sea *C. opilio* | North | None | 1.0 | 16.0 |
| | | St. George | 9.7 | 0.0 |
| | | St. Paul | 36.3 | 30.9 |
| | South | Akutan | 9.7 | 9.7 |
| | | King Cove | 6.3 | 6.3 |
| | | Kodiak | 0.1 | 0.0 |
| | | None | 1.8 | 2.0 |
| | | Unalaska | 35.0 | 35.0 |
| Eastern Aleutian Island golden king crab | South | Akutan | 1.0 | 1.0 |
| | | None | 0.9 | 7.8 |
| | | Unalaska | 98.1 | 91.2 |
| Pribilof red and blue king crab | North | None | 0.3 | 0.3 |
| | | St. George | 2.5 | 0.0 |
| | | St. Paul | 64.8 | 67.3 |
| | South | Akutan | 1.2 | 1.2 |
| | | King Cove | 3.8 | 3.8 |
| | | Kodiak | 2.9 | 2.9 |
| | | Unalaska | 24.6 | 24.6 |
| St. Matthew Island blue king crab | North | None | 64.6 | 64.6 |
| | | St. Paul | 13.8 | 13.8 |
| | South | Akutan | 2.7 | 2.7 |
| | | King Cove | 1.3 | 1.3 |
| | | None | 0.0 | 0.0 |
| | | Unalaska | 17.6 | 17.6 |

Source: RAM PQS data, 2009-2010

Despite the end of the cooling off period and the ease with which the right of first refusal may be avoided, a large share of the processing of IPQ landings are believed to have continued to be made in the community of origin. Three factors likely contribute to this distribution of processing. First, in many cases, shore-based processing capital was used to develop the history leading the PQS allocation. That capital continues to be used for processing in most of the fisheries by the initial recipient of the PQS allocation. The regionalization of PQS strictly limits the movement of processing across regional boundaries. In addition, to date, most processors have acknowledged a community interest in processing of landings using their IPQ, and report that they have continued to process those landings in the community of origin. Whether this acknowledgement of community interests will persist is not known. In the case of IPQ designated for processing in the North region, processing has effectively been required to occur in St. Paul, the only available location for processing in the North region to date. Further discussion of community effects are contained in the Social Impact Assessment, attached as Appendix A. In addition, the analysis of potential amendments to rights of first refusal currently being considered by the Council contains additional information on rights of first refusal and those possible changes.

**Table 6-10. Reported discontinued rights of first refusal (2009-2010).**

| Fishery | Former beneficiary of the right | Percentage of PQS pool |
|---|---|---|
| Bristol Bay red king crab | King Cove* | 5.3 |
| | Kodiak* | 3.5 |
| Bering Sea *C. opilio* | St. George** | 9.7 |
| | St. Paul* | 5.4 |
| | Kodiak* | 0.1 |
| Eastern Aleutian Islands golden king crab | Unalaska*** | 6.9 |
| Pribilof Island blue king crab | St. George** | 2.5 |
| St. Matthew Island blue king crab | Kodiak* | 0.0 |
| Source: RAM PQS data, 2009-2010 | | |
| * PQS held by former right holder. | | |
| ** Portion of the PQS held by former right holder. | | |
| *** PQS transfer occurred with consent of the former right holder. | | |

Little information concerning the extent of processing in specific communities can be released because of the limited number of processors that participate in the crab fisheries. By aggregating across communities, some information can be gleaned concerning the distribution of processing across communities. In the first year of the program, approximately equal percentages of Class A IFQ, Class B IFQ, and C share IFQ deliveries were processed in Dutch Harbor and Akutan, collectively, and King Cove and Kodiak, collectively; however, in the Bering Sea *C. opilio* fishery, Dutch Harbor and Akutan, collectively, received a substantially greater percentage of Class B IFQ and C share IFQ deliveries than Class A IFQ deliveries. Since deliveries of Bering Sea *C. bairdi* were not subject to the 'cooling off' period landing requirements, the distribution of Class A IFQ/IPQ landings in the first year were not largely predictable. Approximately one-third of the Class A IFQ/IPQ landings in the fishery were processed in Dutch Harbor. A substantially greater share of Class B IFQ and C share IFQ were processed in that community (see Table 6-11).

**Table 6-11 Processing by share type and community (2005-2006)**

| Fishery | Community | Class A IFQ | | | Class B IFQ | | | C share IFQ | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Number of active plants | Pounds of share type processed | Percent of share type processed | Number of active plants | Pounds of IPQ landings processed | Percent of IPQ pool processed | Number of active plants | Pounds of IPQ landings processed | Percent of IPQ pool processed |
| Bristol Bay red king crab | Akutan | 1 | 8,548,391 | 62.2 | 1 | 958,658 | 63.5 | 1 | 296,099 | 64.5 |
| | Dutch Harbor | 3 | | | 3 | | | 3 | | |
| | Floater | 2 | * | * | 2 | * | * | 2 | * | * |
| | King Cove | 1 | 3,242,970 | 23.6 | 1 | 370,538 | 24.6 | 1 | 102,567 | 22.3 |
| | Kodiak | 2 | | | 2 | | | 2 | | |
| | Sitka | | | | | | | 1 | * | * |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |
| Bering Sea *C. opilio* | Akutan | 1 | 12,186,788 | 45.9 | 1 | 1,964,551 | 67.2 | 1 | 688,401 | 76.0 |
| | Dutch Harbor | 4 | | | 4 | | | 4 | | |
| | Floater | 4 | * | * | 3 | * | * | 3 | * | * |
| | King Cove | 1 | * | * | 1 | 355,650 | 12.2 | 1 | 116,054 | 12.8 |
| | Kodiak | 1 | * | * | 2 | | | 2 | | |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |
| E. Aleutian Islands golden king crab | Dutch Harbor | 3 | * | * | 2 | * | * | 3 | * | * |
| | Floater | 1 | * | * | | | | | | |
| W. Aleutian Islands golden king crab | Adak | 1 | * | * | 1 | * | * | 1 | * | * |
| | Dutch Harbor | 2 | * | * | 2 | * | * | 2 | * | * |
| | Floater | 2 | * | * | | | | | | |
| Western Bering Sea *C. bairdi* | Akutan | 1 | * | * | 1 | * | * | 1 | * | * |
| | Dutch Harbor | 4 | 329,999 | 27.8 | 3 | 32,967 | 60.3 | 3 | 5,016 | 45.0 |
| | Floater | 2 | * | * | 1 | * | * | 1 | * | * |
| | King Cove | 1 | * | * | | | | | | |
| | Kodiak | 1 | * | * | 1 | * | * | | | |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |

Source: RAM IFQ data and RCR permit file.
* withheld for confidentiality.
Note: For Class A IFQ shows percentage of IPQ pool.

In Bristol Bay red king crab fishery in the second year of the program, the percent of deliveries processing of Class B and C share IFQ was slightly lower than the percentage of Class A IFQ deliveries processed in Dutch Harbor and Akutan (see Table 6-12). In addition, the percentage of Class B IFQ and C share IFQ processing in these communities dropped from the previous year. The percentage of Class B and C share IFQ deliveries processed in King Cove and Kodiak exceeded the percent of Class A IFQ deliveries processed in those communities in that year. King Cove and Kodiak appear to have processed Class B and C share IFQ landings lost to Dutch Harbor and Akutan. In the Bering Sea *C. opilio* fishery, processing of Class B IFQ and C share IFQ deliveries exceeded the percentage of Class A IFQ deliveries processed in Dutch Harbor and Akutan, collectively, by approximately one-third. In the Eastern Bering Sea *C. bairdi* fishery, more than one-half of the Class A IFQ/IPQ processing occurred in Dutch Harbor. That community also drew approximately 60 percent of the Class B IFQ processing and approximately 70 percent of the C share IFQ processing. In the Western Bering Sea *C. bairdi* fishery, Dutch Harbor also attracted approximately one-half of the processing of Class A IFQ/IPQ landings.

**Table 6-12 Processing by share type and community (2006-2007)**

| Fishery | Community | Class A IFQ | | | Class B IFQ | | | C share IFQ | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Number of active plants | Pounds of share type processed | Percent of share type processed | Number of active plants | Pounds of IPQ landings processed | Percent of IPQ pool processed | Number of active plants | Pounds of IPQ landings processed | Percent of IPQ pool processed |
| Bristol Bay red king crab | Akutan | 1 | 7,316,578 | 62.8 | 1 | 740,833 | 58.0 | 1 | 226,044 | 58.7 |
| | Dutch Harbor | 3 | | | 4 | | | 4 | | |
| | Floater | 2 | * | * | 1 | * | * | 1 | * | * |
| | King Cove | 1 | 2,726,317 | 23.4 | 1 | 421,251 | 33.0 | 1 | 133,047 | 34.5 |
| | Kodiak | 2 | | | 3 | | | 3 | | |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |
| Bering Sea *C. opilio* | Akutan | 1 | 12,055,242 | 46.2 | 1 | 2,159,053 | 75.1 | 1 | 629,685 | 70.3 |
| | Dutch Harbor | 3 | | | 4 | | | 4 | | |
| | Floater | 2 | * | * | 2 | * | * | 2 | * | * |
| | King Cove | 1 | * | * | 1 | * | * | 1 | * | * |
| | Kodiak | 1 | * | * | 2 | * | * | 2 | * | * |
| | St. Paul | 1 | * | * | | | | | | |
| E. Aleutian Islands golden king crab | Akutan | 1 | * | * | | | | | | |
| | Dutch Harbor | 4 | * | * | 2 | * | 100.0 | 3 | * | 100.0 |
| W. Aleutian Islands golden king crab | Adak | 1 | * | * | | | | | | |
| | Dutch Harbor | 2 | * | * | 2 | * | 100.0 | 2 | * | 100.0 |
| Western Bering Sea *C. bairdi* | Akutan | 1 | * | * | 1 | * | * | 1 | * | * |
| | Dutch Harbor | 3 | 280,116 | 34.9 | 3 | * | * | 3 | * | * |
| | Floater | 1 | * | * | | | | | | |
| | King Cove | 1 | * | * | | | | | | |
| Eastern Bering Sea *C. bairdi* | Akutan | 1 | * | * | 1 | * | * | 1 | * | * |
| | Dutch Harbor | 3 | 615,168 | 44.8 | 3 | 61,085 | 59.0 | 4 | 19,000 | 73.9 |
| | Floater | 1 | * | * | 1 | * | * | 1 | * | * |
| | King Cove | 1 | * | * | 1 | * | * | 1 | * | * |

Source: RAM IFQ data and RCR permit file.
* withheld for confidentiality.
Note: For Class A IFQ shows percentage of IPQ pool.

In the third year of the program, with the lapse of the 'cooling off' provision requirements, some redistribution of processing of Class A IFQ landings is apparent. Dutch Harbor and Akutan, collectively, attracted slightly more Class A IFQ landings and a substantially larger majority of the Class B and C share IFQ landings than in the two preceding years (see Table 6-13). These landings returned King Cove and Kodiak, collectively, to a percentage of C share IFQ processing observed in the first year of the program, but reduced their processing of Class B IFQ crab to a level lower than the first year level. Akutan and Dutch Harbor also drew a substantial percentage of Class B and C share IFQ in the Bering Sea *C. opilio* fishery in the third year of the program; however, processing of A share IFQ in those communities dropped substantially (by approximately 25 percent) from the previous two years. In the Eastern Bering Sea *C. bairdi* fishery, Dutch Harbor attracted slightly less than one-half of the Class A IFQ/IPQ processing and processed all Class B IFQ and C share IFQ landings.

**Table 6-13 Processing by share type and community (2007-2008)**

| 2007-2008 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Class A IFQ | | | Class B IFQ | | | C share IFQ | | |
| Fishery | Community | Number of active plants | Pounds of share type processed | Percent of issued shares processed | Number of active plants | Pounds of share type processed | Percent of landings of share type | Number of active plants | Pounds of share type processed | Percent of landings of share type |
| Bristol Bay red king crab | Akutan | 1 | 10,141,102 | 66.4 | 1 | 1,395,927 | 82.4 | 1 | 359,073 | 68.4 |
| | Dutch Harbor | 4 | | | 4 | | | 4 | | |
| | Floater | 1 | * | * | 1 | * | * | 1 | * | * |
| | King Cove | 1 | 2,931,636 | 19.2 | 1 | 204,118 | 12.0 | 1 | 118,397 | 22.5 |
| | Kodiak | 2 | | | 3 | | | 3 | | |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |
| Bering Sea *C. opilio* | Akutan | 1 | 15,364,728 | 34.1 | 1 | 4,466,230 | 89.3 | 1 | 1,400,046 | 87.4 |
| | Dutch Harbor | 3 | | | 4 | | | 4 | | |
| | Floater | 2 | * | * | 2 | * | * | 2 | * | * |
| | King Cove | 1 | * | * | 1 | 378,219 | 7.6 | | | |
| | Kodiak | 1 | * | * | 3 | | | 2 | * | * |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |
| E. Aleutian Islands golden king crab | Dutch Harbor | 4 | 2,241,690 | 99.9 | 3 | * | * | 2 | * | * |
| W. Aleutian Islands golden king crab | Adak | 1 | * | * | 1 | * | * | | | |
| | Dutch Harbor | 2 | * | * | 1 | * | * | 1 | * | * |
| Western Bering Sea *C. bairdi* | Dutch Harbor | 2 | * | * | 2 | * | * | 2 | * | * |
| | Floater | 2 | * | * | 1 | * | * | | | |
| | King Cove | 1 | * | * | | | | | | |
| | St. Paul | 1 | * | * | | | | 1 | * | * |
| Eastern Bering Sea *C. bairdi* | Akutan | 1 | * | * | | | | | | |
| | Dutch Harbor | 3 | 695,543 | 27.5 | 3 | 146,584 | 100.0 | 4 | 32,984 | 100.0 |
| | Floater | 2 | * | * | | | | | | |
| | King Cove | 1 | * | * | | | | | | |
| Source: RAM IFQ data and RCR permit file. | | | | | | | | | | |
| * withheld for confidentiality. | | | | | | | | | | |
| Note: For Class A IFQ shows percentage of IPQ pool. | | | | | | | | | | |

To the extent that data may be released, the distribution of landings from the Bristol Bay red king crab fishery among communities remained largely unchanged in the 2008-2009 season, with the exception of an increase in C share landings in Dutch Harbor and Akutan (see Table 6-14). Those two communities also attracted a slightly larger share of the landings in the Bering Sea *C. opilio* fishery in the 2008-2009 season.

**Table 6-14 Processing by share type and community (2008-2009)**

| 2008-2009 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Class A IFQ | | | Class B IFQ | | | C share IFQ | | |
| Fishery | Community | Number of active plants | Pounds of share type processed | Percent of issued shares processed | Number of active plants | Pounds of share type processed | Percent of landings of share type | Number of active plants | Pounds of share type processed | Percent of landings of share type |
| Bristol Bay red king crab | Akutan | 1 | 10,167,245 | 66.6 | 1 | 1,409,783 | 84.3 | 1 | 460,873 | 88.3 |
| | Dutch Harbor | 4 | | | 4 | | | 4 | | |
| | Floater | 1 | * | * | 1 | * | * | 1 | * | * |
| | King Cove | 1 | * | * | 1 | * | * | 1 | * | * |
| | Kodiak | 2 | * | * | 2 | * | * | 1 | * | * |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |
| Bering Sea *C. opilio* | Akutan | 1 | 12,650,952 | 30.4 | 1 | 3,995,669 | 86.3 | 1 | 1,341,384 | 90.2 |
| | Dutch Harbor | 3 | | | 4 | | | 4 | | |
| | Floater | 2 | * | * | 2 | * | * | 2 | * | * |
| | King Cove | 1 | * | * | 1 | * | * | 1 | * | * |
| | Kodiak | 1 | * | * | 1 | * | * | | | |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |
| E. Aleutian Islands golden king crab | Akutan | 1 | * | * | | | | | | |
| | Dutch Harbor | 4 | * | * | 4 | 258,137 | 100.0 | 2 | * | * |
| W. Aleutian Islands golden king crab | Adak | 1 | * | * | 1 | * | * | | | |
| | Dutch Harbor | 3 | * | * | 1 | * | * | 2 | * | * |
| | Floater | 1 | * | * | | | | | | |
| Western Bering Sea *C. bairdi* | Akutan | | | | | | | 1 | * | * |
| | Dutch Harbor | 3 | 17,537 | 1.6 | 3 | * | * | 2 | * | * |
| | Floater | 2 | * | * | | | | 1 | * | * |
| | King Cove | 1 | * | * | | | | | | |
| | St. Paul | | | | 1 | * | * | 1 | * | * |
| Source: RAM IFQ data and RCR permit file. | | | | | | | | | | |
| * withheld for confidentiality. | | | | | | | | | | |
| Note: For Class A IFQ shows percentage of IPQ pool. | | | | | | | | | | |

In the 2009-2010 season, Dutch Harbor and Akutan maintained a similar portion of landings in the Bristol Bay red king crab fishery as in the previous seasons (see Table 6-15). The share of the fishery landed in Kodiak and King Cove declined relative to preceding years for which data could be released. In the Bering Sea *C. opilio* fishery, the share of the fishery landed in Dutch Harbor and Akutan decline slightly.

**Table 6-15 Processing by share type and community (2009-2010)**

| 2009-2010 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Class A IFQ | | | Class B IFQ | | | C share IFQ | | |
| Fishery | Community | Number of active plants | Pounds of share type processed | Percent of issued shares processed | Number of active plants | Pounds of share type processed | Percent of landings of share type | Number of active plants | Pounds of share type processed | Percent of landings of share type |
| Bristol Bay red king crab | Akutan | 1 | 7,925,342 | 66.0 | 1 | 1,040,198 | 79.3 | 1 | 284,719 | 69.0 |
| | Dutch Harbor | 3 | | | 3 | | | 3 | | |
| | Floater | 1 | * | * | 1 | * | * | 1 | * | * |
| | King Cove | 1 | 2,569,847 | 21.4 | 1 | 135,009 | 10.3 | 1 | 85,747 | 20.8 |
| | Kodiak | 2 | | | 4 | | | 2 | | |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |
| Bering Sea *C. opilio* | Akutan | 1 | 11,960,763 | 34.9 | 1 | 2,758,259 | 72.4 | 1 | 872,194 | 71.5 |
| | Dutch Harbor | 3 | | | 3 | | | 3 | | |
| | Floater | 2 | * | * | 2 | * | * | 2 | * | * |
| | King Cove | 1 | * | * | 1 | * | * | 1 | * | * |
| | Kodiak | | | | 1 | * | * | 1 | * | * |
| | St. Paul | 1 | * | * | 1 | * | * | 1 | * | * |
| E. Aleutian Islands golden king crab | Dutch Harbor | 3 | 2,353,325 | 99.9 | 3 | 261,701 | 100.0 | 3 | 83,934 | 100.0 |
| W. Aleutian Islands golden king crab | Dutch Harbor | 3 | 1,134,366 | 94.7 | 2 | * | * | 2 | * | * |
| St. Matthew Island blue king crab | Dutch Harbor | 1 | * | * | 1 | * | * | 1 | * | * |
| | St. Paul | 1 | * | * | | | | | | |
| Eastern Bering Sea *C. bairdi* | Akutan | 1 | * | * | 1 | * | * | 1 | * | * |
| | Dutch Harbor | 3 | 437,788 | 44.2 | 3 | 83,414 | 75.9 | 3 | 12,311 | 42.7 |
| | Floater | 1 | * | * | 1 | * | * | 1 | * | * |
| | King Cove | 1 | * | * | | | | | | |
| | Kodiak | | | | 1 | * | * | 1 | * | * |
| Source: RAM IFQ data and RCR permit file. | | | | | | | | | | |
| * withheld for confidentiality. | | | | | | | | | | |
| Note: For Class A IFQ shows percentage of IPQ pool. | | | | | | | | | | |

## 6.2 Summary of leasing and custom processing arrangements

Short term transfers under leases and custom processing arrangements are the primary means by which PQS holders in the crab fisheries have achieved consolidation under the rationalization program. This section examines the use of leasing and custom processing in the fisheries under the rationalization program.

In each of the first five years of the program, as much as 20 to 30 percent of the IPQ pools in some fisheries were leased (see Table 5-2). The extent of these leases suggests that some holders of PQS chose not to be active in processing in a given year, instead leasing their IPQ to realize benefits of consolidation. In addition to those more traditional leasing transactions, some portion of these leases is believed to be movement of shares to achieve efficiencies among active processors. For example, an IPQ holder operating a plant in the North may choose to exchange its South IPQ for another IPQ holder's North IPQ to achieve efficiencies and consolidate processing of its holdings. Leasing arrangements, however, are not the only means to achieving consolidation in the fisheries.

Custom processing arrangements are particularly attractive to IPQ holders who have identified markets for sales, but wish to achieve efficiencies in processing. Under these arrangements, the IPQ holder can contract for processing services, maintaining its interest in the crab and processed products. Custom processing is particularly appealing for processing in remote regions, where an IPQ holder may have an obligation to process and few fully operational shore plants exist. In these areas, a cost effective means of processing is for IPQ holders to consolidate processing in one or two plants reducing the cost of capital and labor (including the costs of moving crews and supplies to the remote location).

The prevalence of custom processing relationships is evident in comparing the number of active IPQ accounts with the number of active processing plants. In the first year of the program, custom processing of IPQ occurred most prominently in North region of the Bering Sea *C. opilio* fishery (see Table 6-16). Custom processing arrangements in that fishery expanded in the second year of the program and appear to have declined in the third year and remained constant since. The decline may have occurred as relationships between plants and share holders stabilized, with fewer share holders having relationships with more than one plant. Few custom processing arrangements existed in the Bristol Bay red king crab fishery until the third year of the program, when Dutch Harbor plants entered relationships with several buyers. Few custom processing arrangements exist in other fisheries; however, it is possible that extensive custom processing may have occurred under any of those arrangements. Data cannot be revealed on these processing arrangements because of the relatively few processing participants in the fisheries.

**Table 6-16 Number of active IPQ holder (buyer) accounts and IPQ processing plants by fishery (2005-2006 though 2009-2010)**

| Fishery | Region | Community of Plant | 2005 - 2006 | | 2006 - 2007 | | 2007 - 2008 | | 2008 - 2009 | | 2009 - 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Number of active IPQ holder accounts | Number of active plants | Number of active IPQ holder accounts | Number of active plants | Number of active IPQ holder accounts | Number of active plants | Number of active IPQ holder accounts | Number of active plants | Number of active IPQ holder accounts | Number of active plants |
| Bristol Bay red king crab | North | St. Paul | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 2 | 1 |
| | South | Akutan | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 2 | 1 |
| | | Dutch Harbor | 3 | 3 | 3 | 3 | 7 | 4 | 7 | 4 | 4 | 3 |
| | | King Cove | 1 | 1 | 3 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| | | Kodiak | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| | | Floater | 2 | 2 | 2 | 2 | 2 | 1 | 2 | 1 | 1 | 1 |
| Bering Sea *C. opilio* | North | St. Paul | 1 | 1 | 1 | 1 | 5 | 1 | 5 | 1 | 5 | 1 |
| | | Floater | 6 | 3 | 14 | 2 | 3 | 1 | 2 | 1 | 2 | 1 |
| | South | Akutan | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | | Dutch Harbor | 5 | 4 | 7 | 3 | 4 | 3 | 3 | 3 | 4 | 3 |
| | | King Cove | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | | Kodiak | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | |
| | | Floater | 1 | 1 | | | 3 | 1 | 2 | 1 | 2 | 1 |
| E. Aleutian Islands golden king crab | South | Akutan | | | 1 | 1 | | | 1 | 1 | | |
| | | Dutch Harbor | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 6 | 3 |
| | | Floater | 1 | 1 | | | | | | | | |
| W. Aleutian Islands golden king crab | Undesignated | Adak | 1 | 1 | | | | | | | | |
| | | Dutch Harbor | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 3 | 4 | 2 |
| | | Floater | | | | | | | 1 | 1 | | |
| | West | Adak | 2 | 1 | 2 | 1 | 1 | 1 | 2 | 1 | | |
| | | Dutch Harbor* | | | | | | | | | 2 | 1 |
| | | Floater | 3 | 2 | | | | | | | | |
| Eastern Bering Sea *C. bairdi* | Undesignated | Akutan | Fishery closed | | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| | | Dutch Harbor | | | 5 | 3 | 4 | 3 | 3 | 3 | 5 | 3 |
| | | King Cove | | | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| | | Floater | | | 1 | 1 | 2 | 2 | 4 | 2 | 2 | 1 |
| Western Bering Sea *C. bairdi* | Undesignated | Akutan | 1 | 1 | 1 | 1 | | | | | Fishery closed | |
| | | Dutch Harbor | 4 | 4 | 5 | 3 | 3 | 2 | 3 | 3 | | |
| | | King Cove | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | |
| | | Kodiak | 1 | 1 | | | | | | | | |
| | | St. Paul | 1 | 1 | | | 3 | 1 | | | | |
| | | Floater | 4 | 2 | 1 | 1 | 3 | 2 | 3 | 2 | | |
| St. Matthew Island blue king crab | North | St. Paul | Fishery closed | | | | | | | | 5 | 1 |
| | South | Dutch Harbor | | | | | | | | | 1 | 1 |

Source: RAM IFQ data and RCR permit file.

* Processed under the exemption from regional delivery requirements.

## 6.3 Processor operations

As with harvesters one of the primary changes in operations under the rationalization program is the distribution of landings among processors and throughout the season. Prior to the rationalization program in the two largest fisheries, deliveries were concentrated in a very short period (see Table 6-17). In the Bristol Bay red king crab fishery, all deliveries were received in a period of one week or less, except in 2003, when a processor received its last delivery approximately 15 days after its first delivery under a special authorization. In four of five seasons leading up to the rationalization program in the Bering Sea *C. opilio* fishery, all landings were completed in fewer than 20 days. In the Eastern Aleutian Islands golden king crab fishery, all landings were completed in less than one month in the seasons leading up to implementation of the program. In the Western Aleutian Islands golden king crab fishery, landings were spread over a substantially longer period in the seasons prior to implementation of the program. In that fishery, the average time between first and last landings for processors was approximately 3 months or more.

**Table 6-17 Days between first and last delivery by processor prior to implementation of the rationalization program**

| Fishery | Season | Number of plants receiving one delivery | Number of plants receiving multiple deliveries | Average days between first and last delivery | Median days between first and last delivery | Maximum days between first and last delivery |
|---|---|---|---|---|---|---|
| Bristol Bay red king crab | 2001 | 3 | 14 | 3.2 | 3.0 | 7 |
| | 2002 | 2 | 15 | 2.9 | 3.0 | 5 |
| | 2003 | 0 | 20 | 4.3 | 4.0 | 15 |
| | 2004 | 1 | 16 | 4.6 | 5.0 | 7 |
| Bering Sea *C. opilio* | 2001 | 0 | 16 | 8.9 | 7.5 | 16 |
| | 2002 | 1 | 16 | 17.9 | 20.5 | 38 |
| | 2003 | 1 | 16 | 10.6 | 9.5 | 17 |
| | 2004 | 2 | 16 | 8.9 | 8.0 | 16 |
| | 2005 | 1 | 13 | 9.0 | 10.0 | 14 |
| Eastern Aleutian Islands golden king crab | 2001-2002 | 1 | 3 | 24.0 | 22.0 | 28 |
| | 2002-2003 | 0 | 4 | 17.3 | 17.0 | 24 |
| | 2003-2004 | 0 | 4 | 19.5 | 20.0 | 22 |
| | 2004-2005 | 0 | 4 | 12.8 | 9.5 | 25 |
| Western Aleutian Island golden king crab | 2001-2002 | 2 | 4 | 91.8 | 83.5 | 179 |
| | 2002-2003 | 0 | 2 | 173.0 | 173.0 | 191 |
| | 2003-2004 | 1 | 3 | 85.3 | 92.0 | 154 |
| | 2004-2005 | 1 | 2 | 97.5 | 97.5 | 122 |

Source: ADFG Fish tickets.
Note: Mean and medians exclude processors receiving a single delivery.

The distribution of landings across a longer time period under the rationalization program is apparent, when considering the number of days between first and last deliveries in each fishery on a processor basis (see Table 6-18). In the Bristol Bay red king crab fishery, most landings continue to be concentrated in a relatively short period in the fall; however, the processing season is considerably longer than prior to the rationalization program. In the North region, the average number of days between first and last deliveries in the first year was approximately one month, but has shortened to less than two weeks in all subsequent years. Given the small allocation required to be landed in the North, this concentration of landings is important to maintaining processing efficiencies in the North. To support that processing crews need to be brought to the Pribilofs specifically to process these landings. Spreading these few landings over an extended period could be costly to the processor that must maintain crews and the plant while waiting to receive deliveries. In the South region, processing occurs over a longer period, with the average processor receiving all deliveries within five weeks. This concentration of landings benefits processors, since lines are not required to be kept sanitized for deliveries for an extended period. Crews in the South also typically work in several groundfish fisheries, aiding processors in achieving efficiencies by using crews in processing activities for the different fisheries (including groundfish and crab) as demands arise.

In the North region of the Bering Sea *C. opilio* fishery, the days between a processor's first and last deliveries has fluctuated since implementation of the program. From the outset, processors operating in the North expressed a strong preference for concentrating deliveries in a short period of time, but several factors, including general lack of familiarity with use of cooperative fishing practices may have contributed to extending processing over a period of between two and three months, in the three of the first five years of the program. In the second year of the program, a processor fire delayed the start of deliveries to the North region. By the time processing capacity came available, a substantial portion of the fleet was ready to make deliveries resulting in processing being concentrated in a relatively short period (less than one month for the average processor and less than two months for the longest operating processor). In the third and fourth years of the program, (when the TAC was substantially larger, processing was concentrated in two plants, and ice conditions delayed fishing and deliveries), the average

time between the first and last landing was between two and three months. Although the larger TACs and the concentration of processing in two plants contributed to the extended processing season, icing delayed operations requiring plants to incur the costs of maintaining inactive crews for a period of time. In the fifth year, harvesters made a coordinated effort to complete landings in the North region early in the season. The result is that processing was completed in one and one-half months. Both sectors likely benefited from this coordination of landings, as harvesters avoided ice conditions that arose later in the season and processors were able to keep crews consistently active for a shorter period. In the South region in the Bering Sea *C. opilio* fishery for the average processor, landings were distributed across a noticeably longer period, when compared to prerationalization years. This distribution of landings over time is less costly to South region processors, which process landings from groundfish fisheries (i.e., pollock and cod) during the early part of the year, when the *C. opilio* fishery is primarily prosecuted.

In the Eastern Aleutian Islands golden king crab fishery in the first five years of the program, processors generally distributed their processing over a period of between two and three months. Since most of the processors in this fishery also participate in the groundfish fisheries, the distribution of landings across a greater period of time is of less importance, as crews need not be transported to the plants exclusively for crab processing.

The average days between first and last delivery in the Western Aleutian Islands golden king crab fishery differs year to year since the rationalization program was implemented. To large extent, this extended period has arisen circumstances related to operations at the Adak plant. With the exception of the first year, that plant has been the only processing capacity in the West region. Yet, the Adak plant operator holds little of the West region PQS pool. Protracted negotiations of custom processing and leasing arrangements between PQS holders and the Adak plant operator are reported to have delayed landings in the first four years of the program. In the fifth year, the operator of the plant declared bankruptcy and was unable to process any landings from the fishery. NOAA Fisheries adopted an emergency rule (after receiving a recommendation from the Council) allowing an exemption from the West region landing requirement for all shares in the fishery. Subsequently, the Council adopted an amendment that would allow for an exemption on the agreement of QS holders, PQS holders, and the communities of Adak and Atka. That amendment should be implemented early in 2012, when the emergency rule is not longer applicable.

**Table 6-18 Days between first and last delivery by processor (2005-2006 through 2007-2008)**

procdelspd

| Season | Fishery | Region | Number of plants receiving deliveries | Number of plants receiving multiple deliveries | Average days between first and last delivery | Median days between first and last delivery | Maximum days between first and last delivery |
|---|---|---|---|---|---|---|---|
| 2005-2006 | Bristol Bay red king crab | North | 1 | 1 | 32.0 | 32 | 32 |
| | | South | 10 | 9 | 52.6 | 43 | 88 |
| | Bering Sea *C. opilio* | North | 3 | 3 | 72.3 | 77 | 88 |
| | | South | 9 | 7 | 103.1 | 90 | 202 |
| | Eastern Aleutian Islands golden king crab | South | 4 | 4 | 80.5 | 65 | 182 |
| | Western Aleutian Island golden king crab | None | 2 | 2 | 162.0 | 162 | 174 |
| | | West | 3 | 2 | 77.5 | 77.5 | 116 |
| | Western Bering Sea *C. bairdi* | None | 10 | 9 | 84.1 | 71 | 167 |
| 2006-2007 | Bristol Bay red king crab | North | 1 | 1 | 13.0 | 13 | 13 |
| | | South | 11 | 10 | 17.0 | 15 | 32 |
| | Bering Sea *C. opilio* | North | 3 | 3 | 29.0 | 25 | 60 |
| | | South | 8 | 7 | 86.6 | 84 | 144 |
| | Eastern Aleutian Islands golden king crab | South | 5 | 4 | 59.0 | 72 | 82 |
| | Eastern Bering Sea *C. bairdi* | None | 7 | 5 | 95.4 | 151 | 154 |
| | Western Aleutian Island golden king crab | None | 2 | 2 | 76.5 | 76.5 | 78 |
| | | West | 1 | 1 | 18.0 | 18 | 18 |
| | Western Bering Sea *C. bairdi* | None | 6 | 5 | 61.2 | 45 | 141 |
| 2007-2008 | Bristol Bay red king crab | North | 1 | 1 | 10.0 | 10 | 10 |
| | | South | 10 | 10 | 36.3 | 29 | 84 |
| | Bering Sea *C. opilio* | North | 2 | 2 | 107.0 | 107 | 108 |
| | | South | 10 | 9 | 81.9 | 82 | 119 |
| | Eastern Aleutian Islands golden king crab | South | 4 | 4 | 56.5 | 60 | 94 |
| | Eastern Bering Sea *C. bairdi* | None | 8 | 8 | 91.5 | 122.5 | 150 |
| | Western Aleutian Island golden king crab | None | 2 | 2 | 146.5 | 146.5 | 232 |
| | | West | 1 | 1 | 172.0 | 172 | 172 |
| | Western Bering Sea *C. bairdi* | None | 6 | 6 | 67.7 | 59.5 | 115 |
| 2008-2009 | Bristol Bay red king crab | North | 1 | 1 | 12.0 | 12 | 12 |
| | | South | 9 | 9 | 48.2 | 38 | 90 |
| | Bering Sea *C. opilio* | North | 2 | 2 | 84.5 | 84.5 | 108 |
| | | South | 9 | 8 | 76.1 | 77 | 121 |
| | Eastern Aleutian Islands golden king crab | South | 5 | 5 | 66.4 | 78 | 106 |
| | Eastern Bering Sea *C. bairdi* | None | 9 | 8 | 87.4 | 105 | 136 |
| | Western Aleutian Island golden king crab | None | 4 | 3 | 190.3 | 201 | 238 |
| | | West | 1 | 1 | 130.0 | 130 | 130 |
| | Western Bering Sea *C. bairdi* | None | 9 | 6 | 42.2 | 43.5 | 83 |
| 2009-2010 | Bristol Bay red king crab | North | 1 | 1 | 8.0 | 8 | 8 |
| | | South | 10 | 9 | 35.2 | 30 | 91 |
| | Bering Sea *C. opilio* | North | 2 | 2 | 45.0 | 45 | 46 |
| | | South | 7 | 7 | 78.3 | 84 | 149 |
| | Eastern Aleutian Islands golden king crab | South | 3 | 3 | 74.0 | 95 | 104 |
| | Eastern Bering Sea *C. bairdi* | None | 7 | 6 | 57.3 | 33 | 118 |
| | St. Matthew Island blue king crab | North | 1 | 1 | 31.0 | 31 | 31 |
| | | South | 1 | | | | |
| | Western Aleutian Island golden king crab | None | 2 | 2 | 181.5 | 181.5 | 232 |

Source: RAM IFQ database.

Note: Region is region of operation of the plant in the fishery. A delivery is all offloads from a vessel on a single day.

The number of deliveries received by each processor during each season also affects efficiencies in the processing sector. Receiving more, smaller deliveries may provide efficiency, if those deliveries are well-timed and spread over a longer period. Using this approach, a processor may operate at a lower level of throughput for a longer period, possibly operating fewer lines or slowing the rate of processing on a line. Yet, poorly timed deliveries over an extended period can cost a processor that must keep crews on hand and ready to receive those deliveries. Consequently, care must be taken in interpreting data concerning the effects of deliveries on processors.

In the years leading up to the program, the average processor received between 10 and 15 deliveries in the Bristol Bay red king crab fishery (see Table 6-19). The processors receiving the most deliveries received between 34 and 40 deliveries. Since the implementation of the rationalization program, deliveries per plant have changed in some fisheries. Since regional processing requirements apply to IPQ, examining the processing by region is important. With the exception of the second year of the program, processors in the South region in the Bristol Bay red king crab fishery took slightly more deliveries on average almost 20 or more deliveries. The single processor operating in the North region in this fishery received at most 10 deliveries each season.

**Table 6-19 Deliveries per processor in the Bristol Bay red king crab fishery (2001 through 2009-2010)**

| BBR | | | | | |
|---|---|---|---|---|---|
| Season | Region | Number of plants | Average number of deliveries | Median number of deliveries | Maximum number of deliveries |
| 2001 | NA | 17 | 13.5 | 8.0 | 39 |
| 2002 | | 17 | 14.2 | 11.0 | 41 |
| 2003 | | 20 | 13.1 | 8.0 | 34 |
| 2004 | | 17 | 15.0 | 9.0 | 40 |
| 2005-2006 | North | 1 | 10.0 | 10.0 | 10 |
| | South | 10 | 22.7 | 23.0 | 50 |
| 2006-2007 | North | 1 | 7.0 | 7.0 | 7 |
| | South | 11 | 14.8 | 12.0 | 35 |
| 2007-2008 | North | 1 | 9.0 | 9.0 | 9 |
| | South | 10 | 21.7 | 21.0 | 54 |
| 2008-2009 | North | 1 | 7.0 | 7.0 | 7 |
| | South | 9 | 25.6 | 25.0 | 45 |
| 2009-2010 | North | 1 | 7.0 | 7.0 | 7 |
| | South | 10 | 19.0 | 23.0 | 38 |
| Sources: ADFG Fish tickets and RAM IFQ database. | | | | | |
| Note: Region is region of operation of the plant in the fishery. A delivery is all | | | | | |

In the years leading up to implementation of the program in Bering Sea *C. opilio* fishery, the average processor received between 10 and slightly more than 20 deliveries (see Table 6-20). The processors receiving the most deliveries received between 26 and 66 deliveries. Since implementation of the program, the average number of landings at each facility in the North was more than twice the average number of deliveries in the South and substantially exceeded the number of deliveries in years prior to implementation of the program. Since the IPQ in that fishery are split near 50/50 North/South, these numbers of deliveries reflect efforts on the part of processors to consolidate processing activity to achieve efficiencies in the North. In the North, little groundfish processing occurs in the winter. To achieve efficiencies, processors have consolidated processing in few plants, who receive all deliveries designated for that region. In addition, the average number of deliveries at each plant in the South is slightly higher than the average prior to the rationalization program.

**Table 6-20 Deliveries per processor in the Bering Sea *C. opilio* fishery (2001 through 2009-2010)**

| BSS | | | | | |
|---|---|---|---|---|---|
| Season | Region | Number of plants | Average number of deliveries | Median number of deliveries | Maximum number of deliveries |
| 2001 | NA | 16 | 16.1 | 19 | 40 |
| 2002 | | 17 | 22.1 | 25.0 | 66 |
| 2003 | | 17 | 14.3 | 17.0 | 31 |
| 2004 | | 18 | 12.7 | 14.5 | 26 |
| 2005 | | 14 | 13.3 | 13.5 | 27 |
| 2005-2006 | North | 3 | 37.0 | 37.0 | 39 |
| | South | 9 | 17.1 | 17.0 | 37 |
| 2006-2007 | North | 3 | 30.0 | 35.0 | 53 |
| | South | 8 | 17.6 | 13.0 | 44 |
| 2007-2008 | North | 2 | 80.0 | 80.0 | 101 |
| | South | 10 | 24.0 | 24.0 | 69 |
| 2008-2009 | North | 2 | 82.0 | 82.0 | 132 |
| | South | 9 | 23.3 | 26.0 | 41 |
| 2009-2010 | North | 2 | 54.5 | 54.5 | 82 |
| | South | 7 | 24.1 | 24.0 | 40 |
| Sources: ADFG Fish tickets and RAM IFQ database. | | | | | |
| Note: Region is region of operation of the plant in the fishery. A delivery is all | | | | | |

In the two Bering Sea *C. bairdi* fisheries, plants received fewer deliveries on average than in the Bering Sea *C. opilio* or Bristol Bay red king crab fisheries (see Table 6-21). This lower number of average deliveries likely arises from the relatively low TACs in these two fisheries.

**Table 6-21 Deliveries per processor in the Eastern and Western Bering Sea *C. bairdi* fishery (2005-2006 through 2009-2010)**

| Fishery | Season | Number of plants | Average number of deliveries | Median number of deliveries | Maximum number of deliveries |
|---|---|---|---|---|---|
| Eastern Bering Sea *C. bairdi* | 2006-2007 | 7 | 7.4 | 5.0 | 21 |
| | 2007-2008 | 8 | 6.3 | 5.5 | 14 |
| | 2008-2009 | 9 | 5.8 | 5.0 | 11 |
| | 2009-2010 | 7 | 5.0 | 6.0 | 8 |
| Western Bering Sea *C. bairdi* | 2005-2006 | 10 | 6.8 | 7.0 | 13 |
| | 2006-2007 | 6 | 9.2 | 6.5 | 27 |
| | 2007-2008 | 6 | 7.2 | 7.0 | 13 |
| | 2008-2009 | 9 | 5.4 | 2.0 | 22 |
| Sources: RAM IFQ database. | | | | | |
| Note: A delivery is all offloads from a vessel on a single day. | | | | | |

The St. Matthew Island blue king crab fishery has opened only a single season in the past 10 years. Few processors participated in this fishery—one in the North and one in the South (see Table 6-22). The plants received few deliveries as the fishery had a small TAC that was not fully harvested.

**Table 6-22 Deliveries per processor in the St. Matthew Island blue king crab fishery (2009-2010)**

| SMB | | | | | |
|---|---|---|---|---|---|
| Season | Region | Number of plants | Average number of deliveries | Median number of deliveries | Maximum number of deliveries |
| 2009-2010 | North | 1 | 14.0 | 14.0 | 14 |
| | South | 1 | 2.0 | 2.0 | 2 |
| Sources: RAM IFQ database. | | | | | |
| Note: A delivery is all offloads from a vessel on a single day. | | | | | |

In the years leading up to implementation of the program in the two Aleutian Islands golden king crab fisheries, the average processor received approximately 10 deliveries, except in the Western Aleutian Island golden king crab fishery in 2002-2003, when only 2 processors were active (see Table 6-23 and Table 6-24). In the Eastern Aleutian Islands golden king crab fishery and in plants outside the West region in the Western Aleutian Islands golden king crab fishery, the number of deliveries per plant has declined, likely representing consolidation of catch in fewer deliveries in the harvest sector. In the 2009-2010 season, landings were consolidated slightly in the Western Aleutian Islands golden king crab fishery, likely as a result of the emergency exemption allowing all landings to take place outside of the West region.

**Table 6-23 Deliveries per processor in the Eastern Aleutian Islands golden king crab fishery (2001-2002 through 2009-2010)**

| EAG | | | | |
|---|---|---|---|---|
| Season | Number of plants | Average number of deliveries | Median number of deliveries | Maximum number of deliveries |
| 2001-2002 | 4 | 11.3 | 12.5 | 19 |
| 2002-2003 | 4 | 10.8 | 7.0 | 27 |
| 2003-2004 | 4 | 9.3 | 9.0 | 16 |
| 2004-2005 | 4 | 8.3 | 8.5 | 12 |
| 2005-2006 | 4 | 7.5 | 6.5 | 15 |
| 2006-2007 | 5 | 5.8 | 7.0 | 11 |
| 2007-2008 | 4 | 7.3 | 8.0 | 11 |
| 2008-2009 | 5 | 5.8 | 5.0 | 10 |
| 2009-2010 | 3 | 9.3 | 10.0 | 13 |
| Sources: ADFG Fish tickets and RAM IFQ database. | | | | |
| Note: A delivery is all offloads from a vessel on a single day. | | | | |

**Table 6-24 Deliveries per processor in the Western Aleutian Islands golden king crab fishery (2001-2002 through 2009-2010)**

| WAG | | | | | |
|---|---|---|---|---|---|
| Season | Region | Number of plants | Average number of deliveries | Median number of deliveries | Maximum number of deliveries |
| 2001-2002 | NA | 6 | 10.5 | 7.0 | 31 |
| 2002-2003 | | 2 | 22.0 | 22.0 | 36 |
| 2003-2004 | | 4 | 9.5 | 6.0 | 25 |
| 2004-2005 | | 3 | 10.7 | 13.0 | 18 |
| 2005-2006 | None | 2 | 5.0 | 5.0 | 6 |
| | West | 3 | 3.7 | 4.0 | 6 |
| 2006-2007 | None | 2 | 4.0 | 4.0 | 5 |
| | West | 1 | 2.0 | 2.0 | 2 |
| 2007-2008 | None | 2 | 6.0 | 6.0 | 6 |
| | West | 1 | 5.0 | 5.0 | 5 |
| 2008-2009 | None | 4 | 3.0 | 3.0 | 5 |
| | West | 1 | 4.0 | 4.0 | 4 |
| 2009-2010 | None | 2 | 7.0 | 7.0 | 10 |
| Sources: ADFG Fish tickets and RAM IFQ database. | | | | | |
| Note: Region is region of operation of the plant in the fishery. A delivery is all | | | | | |

Clearly, the largest effect of the program on processing operations has arisen from the extended seasons in the fisheries. In some cases (particularly in the South region), processors have operated fewer crab lines and reduced peak operating crews. Use of fewer lines reduces both labor and capital costs associated with opening, configuring, and maintaining lines. Reductions in peak crews allow processors to save on transportation costs associated with bringing in crew for the short crab seasons. In some instances, savings on overtime labor may also be realized. In the North region, these savings are less available as plants in that area typically process only crab during the periods when the crab fisheries are open. In North plants, concentrating processing activity into a short period is needed to achieve efficiencies. With processing consolidated in fewer plants, the processing season is substantially longer, but operations are conducted in a manner similar to before implementation of the program.

Scheduling deliveries around available processing windows is critical to processor efficiencies. The importance and the success of processors in scheduling deliveries have varied across time, location, and fisheries. At times in the first year of the program, harvester/processor relationships were particularly strained by attempts of both sectors to dictate scheduling of deliveries. Although some conflicts have continued to arise, most delivery scheduling issues have been resolved to the satisfaction of both parties. In the case of processors in the North region, scheduling of deliveries is critical to maintaining processing efficiencies under the program. Harvesters are generally sensitive to these circumstances and put some effort into cooperating with processors' operational schedules. In the 2009-2010 season, harvesters put substantial effort into coordinating landings in the North region soon after the New Year. Although this effort was primarily motivated by a desire to use the North region IFQ prior to ice conditions developing in vicinity of St. Paul, North region processors benefited from the consolidation of landings that reduced down times for processing crews. Processors in the South have more latitude to move labor among crab and groundfish species production. Despite this greater flexibility, delivery scheduling occasionally causes tension between the sectors.

Processor efforts to achieve efficiencies in scheduling deliveries may conflict at times with custom processing arrangements. Although custom processing arrangements aid processors through

consolidation, the matching of shares and buyer/cooperative relationships have at times complicated delivery arrangements at plants receiving deliveries for multiple buyers.

## 6.4 Processing labor

Little information concerning the effects of the program on processing labor is available. The lengthening of seasons and greater distribution of landings across those seasons has reduced peak staff levels in plants in the South during the Bristol Bay red king crab and Bering Sea *C. opilio* processing seasons. Although these changes in delivery patterns, at times, mean less overtime for staff, in some instances, they may allow longer term employment, particularly for crews that work in both groundfish and crab fisheries. In addition, processors may be able to secure better trained or more suitable crews, as short term employment requirements decline. These changes can improve safety and performance in plants.

In the North region of the Bering Sea *C. opilio* fishery, processing patterns have changed under the extended seasons, but processing labor works under terms and conditions similar to those prior to rationalization. Processors attempt to concentrate deliveries to achieve efficiencies. This scheduling means plants operate at set capacity for a period of time with employees working relatively long hours and earning substantial overtime pay. Fewer persons are employed, as processing is consolidated into fewer plants, but those plants tend to operate for an extended period. Although the seasons last a few months (as opposed to a few weeks) work is short term with all employees brought in exclusively for the crab season.[27] In some cases, these employees are relatively long term employees of the processor who work in other plants. In others, they are short term employees hired exclusively for crab processing.

In the other program fisheries, most processing is done by crews that work in both groundfish and crab fisheries, with crews shifting among different species production as demands arise. These crews tend to be longer term employees, working several months for the processor. The change to rationalization has had little affect on processing workers active in these fisheries, but to the extent that rationalization has allowed fisheries to be prosecuted that might otherwise have been closed (e.g., the two Bering Sea *C. bairdi* fisheries) processing workers have benefited from additional employment.

# 7 CDQ GROUP AND ADAK COMMUNITY GROUP PARTICIPATION IN PROGRAM FISHERIES

Community development quota (CDQ) groups and the community group representing Adak annually receive 10 percent of the TAC of each of the program fisheries prior to allocations being made under the program. The Adak group receives 10 percent of the Western Aleutian Islands golden king crab TAC, while the CDQ groups divide 10 percent of the TAC in the other fisheries. These CDQ and Adak allocations are exempt from the crab rationalization program management and are fished under separate CDQ regulations. In addition, CDQ groups hold interests in shares issued under the program. This section examines the extent of CDQ and Adak holdings under the program and the integration of fishing of CDQ and the Adak allocations with program allocations.

## 7.1 CDQ and Adak community group share holdings

Both before and after implementation of the rationalization program, CDQ groups made substantial investments in the program fisheries. Three CDQ groups hold PQS directly (see Table 7-1). CDQ groups and the Adak community group have acquired PQS interests recently and may also have indirect holdings

[27] In the case of floaters used in the North region *C. opilio* fishery, some employees may remain with the plant to work in other fisheries in other areas.

of PQS. Share holdings of these groups vary by fishery, with the most substantial holding in the Western Aleutian Island golden king crab fishery, where a single group holds almost 30 percent of the PQS.

**Table 7-1 CDQ group direct holdings of PQS**

| Fishery | CDQ groups holding PQS | PQS units | Percentage of the PQS pool |
|---|---|---|---|
| Bristol Bay red king crab | 2 | 15,754,205 | 3.9 |
| Bering Sea *C. opilio* | 3 | 115,300,302 | 11.5 |
| Eastern Aleutian Islands golden king crab | 2 | 826,359 | 8.2 |
| Eastern Bering Sea *C. bairdi* | 2 | 15,428,486 | 7.7 |
| Pribilof red and blue king crab | 2 | 738,827 | 2.5 |
| St. Matthew Island blue king crab | 2 | 1,769,081 | 5.9 |
| Western Aleutian Island golden king crab | 1 | 12,000,000 | 30.0 |
| Western Aleutian Island red king crab | 0 | 0 | 0.0 |
| Western Bering Sea *C. bairdi* | 2 | 15,428,486 | 7.7 |
| Source: RAM PQS database (2010) | | | |

Five of the six CDQ groups had direct holdings of QS during the 2009-2010 season and the sixth has indirect holdings through partnerships and joint ventures. Others are also known to have some indirect holdings. Direct holdings alone show that CDQ groups have substantial interests in most program fisheries. The Adak community group has no direct QS holdings in the program fisheries. CDQ holdings are greatest in the Eastern Aleutian Islands golden king crab fisheries, in which CDQ interests are approximately 30 percent of the QS. CDQ groups also directly hold in excess of 10 percent of the QS in both of the major fisheries (the Bristol Bay red king crab and the Bering Sea *C. opilio* fishery).

**Table 7-2 CDQ group direct holdings of QS**

| Fishery | CDQ group holdings of catcher processor QS | | | CDQ group holdings of catcher vessel QS | | | CDQ group holdings of all QS | | |
|---|---|---|---|---|---|---|---|---|---|
| | in units | as percent of operation type | as percent of fishery quota | in units | as percent of operation type | as percent of fishery quota | Number of groups holding QS | in units | as percent of fishery quota |
| Bristol Bay red king crab | 3,905,664 | 22.1 | 1.0 | 35,051,013 | 9.4 | 9.3 | 5 | 38,956,677 | 10.3 |
| Bering Sea C. opilio | 24,764,449 | 27.9 | 2.6 | 85,840,632 | 9.7 | 9.1 | 5 | 110,605,081 | 11.7 |
| Eastern Aleutian Islands golden king crab | 0 | 0.0 | 0.0 | 2,780,392 | 30.1 | 29.5 | 3 | 2,780,392 | 29.5 |
| Eastern Bering Sea C. bairdi | 3,598,738 | 27.5 | 1.9 | 15,971,780 | 8.8 | 8.5 | 5 | 19,570,518 | 10.4 |
| Pribilof red and blue king crab | 0 | 0.0 | 0.0 | 1,570,592 | 5.4 | 5.5 | 4 | 1,570,592 | 5.5 |
| St. Matthew Island blue king crab | 0 | 0.0 | 0.0 | 2,566,537 | 8.9 | 9.0 | 4 | 2,566,537 | 9.0 |
| Western Aleutian Islands golden king crab | 0 | 0.0 | 0.0 | 5,132,960 | 24.6 | 13.6 | 3 | 5,132,960 | 13.6 |
| Western Aleutian Islands red king crab | 0 | 0.0 | 0.0 | 1,412,120 | 4.0 | 2.5 | 4 | 1,412,120 | 2.5 |
| Western Bering Sea C. bairdi | 3,598,738 | 27.5 | 1.9 | 15,971,779 | 8.8 | 8.5 | 5 | 19,570,517 | 10.4 |
| Source: RAM QS database (2010). | | | | | | | | | |
| Note: Includes only direct holdings of CDQ groups and wholly owned subsidiaries. | | | | | | | | | |

## 7.2 Harvest of CDQ and Adak allocations

CDQ groups may, and do, harvest their allocations using vessels of both operation types (catcher vessel and catcher processor). The distribution of catch between the operation types, however, cannot be shown

because confidentiality limits prevent disclosure of catch information of the few catcher processors that harvest CDQ allocations. The number of vessels of each operation type may be shown (see Table 7-3). As in the program fisheries, few catcher processors have actively harvested CDQ allocations, with some fisheries having no catcher processor participation in some years. In the Western Aleutian Islands golden king crab fishery, the Adak allocation is harvested exclusively by catcher vessels.

In addition, it should be noted that although an allocation of St. Matthew Island blue king crab was made to CDQ groups in 2009-2010, those allocations went unharvested. A large portion of the general allocation in that fishery also was not harvested.

**Table 7-3 Participation in program and CDQ fisheries by operation type (2005-2006 through 2007-2008)**

cvcdq

| Fishery | Season | Participation in program fisheries | | Participation in CDQ fisheries | |
|---|---|---|---|---|---|
| | | by catcher vessels | by catcher processors | by catcher vessels | by catcher processors |
| Bristol Bay red king crab | 2005-2006 | 88 | 4 | 11 | 2 |
| | 2006-2007 | 79 | 3 | 12 | 1 |
| | 2007-2008 | 72 | 3 | 8 | 2 |
| | 2008-2009 | 75 | 3 | 13 | 2 |
| | 2009-2010 | 69 | 2 | 10 | 1 |
| Bering Sea *C. opilio* | 2005-2006 | 76 | 4 | 13 | 2 |
| | 2006-2007 | 66 | 4 | 10 | 2 |
| | 2007-2008 | 74 | 4 | 13 | 2 |
| | 2008-2009 | 73 | 4 | 13 | 2 |
| | 2009-2010 | 67 | 2 | 11 | 0 |
| Eastern Aleutian Islands golden king crab | 2005-2006 | 6 | 1 | 3 | 0 |
| | 2006-2007 | 5 | 1 | 3 | 0 |
| | 2007-2008 | 3 | 1 | 3 | 0 |
| | 2008-2009 | 3 | 0 | 3 | 0 |
| | 2009-2010 | 3 | 0 | 3 | 0 |
| Eastern Bering Sea *C. bairdi* | 2006-2007 | 33 | 3 | 3 | 1 |
| | 2007-2008 | 19 | 1 | 2 | 1 |
| | 2008-2009 | 20 | 1 | 3 | 0 |
| | 2009-2010 | 16 | 1 | 5 | 0 |
| Western Aleutian Islands golden king crab* | 2005-2006 | 2 | 1 | 1 | 0 |
| | 2006-2007 | 2 | 1 | 2 | 0 |
| | 2007-2008 | 2 | 1 | 1 | 0 |
| | 2008-2009 | 2 | 1 | 1 | 0 |
| | 2009-2010 | 2 | 1 | 1 | 0 |
| Western Bering Sea *C. bairdi* | 2005-2006 | 42 | 2 | 6 | 0 |
| | 2006-2007 | 34 | 2 | 7 | 1 |
| | 2007-2008 | 26 | 1 | 5 | 1 |
| | 2008-2009 | 27 | 0 | 4 | 0 |

Source: RAM IFQ database.

* Adak allocation.

The integration of the harvest of CDQ allocations with program fishery allocations can be shown by examining the number and quantities of landings that include both program and CDQ allocations. In the

Bristol Bay red king crab fishery, the portion of the annual CDQ harvests landed with harvests from the program fishery allocations has fluctuated between approximately 15 percent and almost 70 percent. In the Bering Sea *C. opilio* fishery, between 25 and 40 percent of the annual CDQ harvests are landed with harvests from the program fisheries. In the other program fisheries, much of the CDQ landings data cannot be revealed because of confidentiality limitations. In most years in those fisheries, more landings comprised of exclusively CDQ harvests have been made than landings that include both CDQ and program fishery harvests. An exception is the most recent season in the Eastern Aleutian golden king crab fishery, in which all landings of CDQ allocations were integrated with program catches. Although the effects of these combined activities do not show the marketing of these landings, they suggest that CDQ groups have actively integrated fishing of their allocations with harvest of program allocations.

**Table 7-4 Landings of CDQ group and Adak community group allocations (2005-2006 through 2009-2010)**

cvcdq

| Fishery | Season | Deliveries of combined CDQ and program harvests | | | | Deliveries of exclusively CDQ harvests | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of vessels | Number of deliveries | CDQ pounds | Percent of CDQ catcher vessel catch | Number of vessels | Number of deliveries | CDQ pounds | Percent of CDQ catcher vessel catch |
| Bristol Bay red king crab | 2005-2006 | 8 | 11 | 601,781 | 47.3 | 8 | 12 | 671,790 | 52.7 |
| | 2006-2007 | 11 | 14 | 851,690 | 68.1 | 5 | 8 | 398,629 | 31.9 |
| | 2007-2008 | 7 | 13 | 799,806 | 51.8 | 6 | 11 | 743,129 | 48.2 |
| | 2008-2009 | 5 | 5 | 278,229 | 16.4 | 13 | 23 | 1,413,763 | 83.6 |
| | 2009-2010 | 7 | 9 | 566,272 | 40.2 | 7 | 9 | 841,526 | 59.8 |
| Bering Sea *C. opilio* | 2005-2006 | 8 | 10 | 1,119,106 | 40.7 | 8 | 14 | 1,631,838 | 59.3 |
| | 2006-2007 | 8 | 10 | 878,973 | 38.3 | 6 | 13 | 1,416,500 | 61.7 |
| | 2007-2008 | 8 | 13 | 1,122,248 | 22.9 | 12 | 27 | 3,779,872 | 77.1 |
| | 2008-2009 | 11 | 16 | 1,064,057 | 22.8 | 12 | 28 | 3,599,349 | 77.2 |
| | 2009-2010 | 7 | 12 | 1,660,258 | 35.1 | 10 | 17 | 3,073,831 | 64.9 |
| Eastern Aleutian Islands golden king crab | 2005-2006 | 2 | 2 | * | * | 3 | 4 | * | * |
| | 2006-2007 | 3 | 5 | * | * | 1 | 1 | * | * |
| | 2007-2008 | 2 | 2 | * | * | 2 | 2 | * | * |
| | 2008-2009 | 3 | 6 | * | * | 2 | 2 | * | * |
| | 2009-2010 | 3 | 7 | 291,800 | 100.0 | 0 | 0 | 0 | 0.0 |
| Eastern Bering Sea *C. bairdi* | 2006-2007 | 2 | 2 | * | * | 1 | 1 | * | * |
| | 2007-2008 | 1 | 2 | * | * | 1 | 2 | * | * |
| | 2008-2009 | 2 | 2 | * | * | 2 | 3 | * | * |
| | 2009-2010 | 4 | 4 | * | * | 1 | 1 | * | * |
| Western Aleutian Islands golden king crab** | 2005-2006 | 1 | 1 | * | * | 1 | 3 | * | * |
| | 2006-2007 | 1 | 1 | * | * | 2 | 4 | * | * |
| | 2007-2008 | 1 | 2 | * | * | 1 | 2 | * | * |
| | 2008-2009 | 1 | 1 | * | * | 1 | 3 | * | * |
| | 2009-2010 | 1 | 1 | * | * | 1 | 2 | * | * |
| Western Bering Sea *C. bairdi* | 2005-2006 | 5 | 6 | 94,475 | 60.1 | 4 | 4 | 62,768 | 39.9 |
| | 2006-2007 | 3 | 3 | 36,376 | 64.6 | 4 | 6 | 19,901 | 35.4 |
| | 2007-2008 | 0 | 0 | 0 | 0.0 | 5 | 7 | 21,692 | 100.0 |
| | 2008-2009 | 0 | 0 | 0 | 0.0 | 4 | 10 | 363 | 100.0 |

Source: RAM IFQ database; * withheld for confidentiality; ** Adak allocation.

# 8 CRAB MARKETS AND PRICES

This section briefly summarizes market conditions in the first five years of the program. A short summary of recent first wholesale prices is also included. Crab harvested in program fisheries is sold in an international market in which landings from high-volume crab producing countries such as Canada and Russia largely determine world prices. Program fisheries have accounted for only a small percentage of the overall supply in their primary markets, Japan and the United States. Consequently, the Alaska crab industry has very limited ability to influence prices for Alaska product (Herrmann and Greenberg 2006).

## 8.1 Red king crab markets

For the past several years the market and prices for Bristol Bay red king crab have been especially affected by Russian king crab production. In the first season of the program (2005-2006), the Russian supply of red king crab increased substantially, pushing prices for Bristol Bay red king crab down. Prices declined steadily, bottoming out in 2006 as the increase in the crab supply caused by the expansion of Russian crab exports continued. A price increase that started in late 2006 was stimulated by a sharp drop in Russian production, together with a more aggressive Japanese market and growth of king crab as a promotion item by high volume U.S. retailers (Sackton, 2007a). That recovery in prices continued in 2008 due to a persistent lack of Russian product (Urner Barry, 2008). In 2009, prices declined slightly as the effects of the financial crisis affected markets. Prices were bid up at the start of 2010 as demand began to improve and supplies (particularly supplies from Russian fisheries) remained low (Sackton, 2010).

## 8.2 *C. opilio* markets

In the first season of the program, the demand for Bering Sea *C. opilio* was poor in both the Japanese and U.S. markets, as buyers cut back purchases in response to high prices in 2005. Large inventories of unsold product from 2005 caused prices to plummet in 2006. Disruptions in important tourist markets in late 2004 and early 2005 (such as the unusually destructive hurricanes in the southern United States) contributed to this inventory buildup (Department of Fisheries and Oceans, Canada, 2007). Moreover, increased Canadian shipments of *C. opilio* to the United States from the Gulf of St. Lawrence and Newfoundland and record catches of Dungeness crab on the West Coast added to the downward pressure on Bering Sea *C. opilio* prices. In early 2007, Bering Sea *C. opilio* prices rebounded, stimulated in part by strong demand from U.S. and Japanese retail buyers drawn to the snow crab market by the low prices in the preceding year. In addition, the steadily declining exchange rate between the U.S. and Canadian dollar prompted many Newfoundland *C. opilio* producers to place a portion of their harvests in inventory, in hopes of higher prices in the U.S. market (Sackton, 2007c). Bering Sea *C. opilio* prices remained high in early 2008 as a result of drop in West Coast Dungeness crab production and the cut back on exports of king crab from Russia; however, by the end of that year, prices declined as inventories developed. Prices remained low throughout most of 2009. By the start of the 2010, inventories had declined and continued weak supplies from other areas led to a price increase shortly after the New Year.

## 8.3 *C. bairdi* markets

The 2005-2006 *C. bairdi* fishery was the first since 1996, causing some uncertainty over whether *C. bairdi* would draw a substantial premium over *C. opilio*, as it had historically. In the first few years of the program, *C. bairdi* prices have generally tracked closely with *C. opilio* prices. Inconsistent quality has likely contributed to most *C. bairdi* drawing a price similar to large *C. opilio* (Sackton, 2007c). In addition, the relatively small TACs of *C. bairdi*, have limited the extent to which its products can develop greater independence from the *C. opilio* market. . Although efforts are made to serve a specialty market, little of the recent catch from the Bering Sea fisheries is large enough to serve that market (Sackton, 2010).

## 8.4 Golden king crab markets

In the first season of the program, Aleutian Islands golden king crab prices declined substantially, tracking the price for red king crab products. This trend continued into the second season, as an abundance of competing small sized red king crab imports further weakened prices. In the third season, prices for golden king crab recovered, in part because of a decline in the availability of small red king crab from Russia, which competes with golden king crab. This increase in demand for golden king crab continued through the third season of the program (Sackton, 2007b). In 2008, the rise in golden king crab prices, paralleling red king crab prices, persisted. By the end of that year, sales slowed, as the primary

buyer in the market curtailed purchases due to the high price. The subsequent price drop led to increase demand, which has been maintained into the current season Sackton, 2010).

## 8.5 New market development/changes in existing markets

For many years, the majority of king and snow crab products from Alaska has been brine frozen and blast/plate frozen "sections" or "clusters", e.g. a group of legs and a claw from one side of a crab with the connecting shoulder still attached. Depending on the market, prior to final sale the sections may be separated into individual legs, sized, and graded.

One of the goals of the crab rationalization program is to increase the value of production from the fisheries. Some product development has occurred since the program began. A few processors and brokers have attempted to develop live and fresh crab markets in the U.S. and abroad. Processors, including catcher processors, have also produced more whole frozen crab, a small but possibly growing market. In addition, at least one processor has processed crab by breaking down sections into single legs prior to cooking to increase value and recovery. These market developments have generally focused on red king crab, the crab that is best suitable for development of new high-end markets. While these attempts to develop new markets are encouraging to some observers, overall the progress in market development has been slower than in most fisheries undergoing rationalization.

A few characteristics of the Bering Sea and Aleutian Islands crab fisheries have likely slowed product innovation. First, the requirement that all crab harvested in BSAI fisheries be processed live was in effect before the rationalization program began; consequently, the opportunities to make product quality improvements were less than those commonly observed in the transition to share-based management in other fisheries. Secondly, the distance to markets and less reliable air service in remote processing locations pose challenges to processors attempting to innovate with products with relatively short shelf lives, such as live crab and fresh crab. Thirdly, development of new product forms, such as more heavily processed products, may require significant outlay of capital or increases in labor, which may be more costly in remote Alaska communities where most of the crab from program fisheries is processed. Finally, the recent market price for shellfish sections has been so high that processors may have little incentive to produce anything else. The higher price received for value added products, such as meat, may not offset the yield loss of those products.[28] In addition to fishery-specific factors that may hinder product developments, those developments may be constrained by certain aspects of the arbitration program. These factors are discussed in the section on the arbitration system below.

[28] Product improvement may occur not only through processing practices, but also through more selective harvests or retention. Under the program, allocations are exclusive and discards are not counted against that allocation; therefore, harvesters can discard less desirable crab without risking loss of catch. In the first year of the program, the Bristol Bay red king crab fishery showed high discard rates for legal male crab (Barnard and Pengilly, 2006). It is believed that most of these discards were crab with "old" or "dirty" shells (i.e., shells that are barnacled or show other discoloration). These crab can bring substantially lower market prices, as they are less visually appealing (Sackton, 2007a). Processors, in turn, may pay harvesters less for old shell crab, particularly when this crab exceeds a certain percentage of a delivery. In response to these incentives, discard rates in the first Bristol Bay red king crab fishery under the program were substantially greater than historic discard rates for legal size male crab (Barnard and Pengilly, 2006). In the following year, ADF&G reduced the TAC in the fishery to take into account the bycatch mortality during the previous season. Since that time, discard rates have returned to levels observed prior to rationalization. This reduction in discards is believed to have arisen from processors removing price differentials based on quantities of old shell crab in a delivery and the disincentive created by the downward adjustment of the TAC to account for discards in the second year of the program.

## 8.6 Ex vessel prices and terms of delivery

Ex vessel pricing structures have changed under the rationalization program. To assess how changes in pricing structure have affected negotiations and pricing, the section begins with a brief discussion of pre-rationalization delivery terms (including ex vessel pricing). After that discussion, this section describes delivery terms under the rationalization program, including those terms for Class A IFQ landings and Class B and C share IFQ landings.

### 8.6.1 Delivery terms under the LLP

Prior to the rationalization program, harvests in most Bering Sea and Aleutian Islands crab fisheries were consolidated over a short season. Pricing practices differed somewhat between fisheries with relatively short seasons and a relatively high number of participants (such as the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries) and fisheries with fewer participants and longer seasons (such as the Aleutian Islands golden king crab fisheries). These differences in ex vessel pricing across fisheries are highlighted below.

#### *Pricing in the Bristol Bay red king crab and Bering Sea C. opilio fisheries*

In the years leading up to implementation of the rationalization program, harvesters in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries coordinated most price negotiations. Since the early 1990s, the Alaska Marketing Association (AMA) represented a substantial share of harvesters in price negotiations in the largest crab fisheries—the Bristol Bay red king crab, the Bering Sea *C. opilio*, and the Bering Sea *C. bairdi* fisheries. Informal discussions indicate that AMA membership has ranged from 25 to 95 percent of all catcher vessel owners participating in these fisheries.

Approximately one month prior to each season opening, AMA representatives met with each of the major crab processors to informally discuss the markets for crab products. Based on these discussions and information gathered through its own market research, AMA representatives would determine an expected price for crab, which it would communicate to the processors. The AMA would then solicit price offers from each processor and submit those offers to its members for a vote. This process of soliciting prices would continue until a price offer acceptable to AMA members was received. Since deliveries were unrestricted, once an acceptable offer was received from a processor all other processors usually matched that offer in order to maintain market share. Prices generally remained constant over the short seasons. In 2001, AMA members created an incentive for higher price offers in the Bristol Bay red king crab fishery by informally agreeing to reward the processor that offered the accepted price with additional deliveries. AMA members made a similar agreement for the 2002 Bering Sea *C. opilio* fishery.

If an acceptable price was not received prior to the seasoning opening, catcher vessels would not begin fishing. For example, in both the 2000 and 2001 Bering Sea *C. opilio* seasons harvesters did not begin fishing until several days after the announced opening because no processor had offered an acceptable price during pre-season price negotiations. Although not all vessel owners were members of the AMA, the entire catcher vessel fleet remained at port until an acceptable price was received by the AMA. Catcher processors, on the other hand, did not abide by these “stand downs” but began fishing at the opening of the season. These boats were unaffected by the price negotiations because they process their own crab. Fishing by catcher processors, however, had the potential to weaken the negotiating position of catcher vessels by reducing the amount of fish available for harvest after a price agreement was reached.

The pricing process in the fisheries typically established two prices—the main price applied to higher value, new shell crab (grade 1) and a secondary, lower price was established for lower value, old shell crab (grade 2). The price differential reflected the differences in prices the two grades brought in wholesale and retail markets. The ex vessel price difference between grades often varied substantially across processors. In general, the price difference averaged approximately 25 percent of the grade 1 price

($1.00 per pound for red king crab and $0.25 for *C. opilio*), but in some instances the price difference was much greater.

Although this informal system established a single price for each grade of crab, price competition among processors existed on a minor scale. Occasionally, some processors offered small bonuses (e.g., $0.05 per pound) or used different grading practices to attract additional vessels. In addition, a few harvesters preferred to handle their own price negotiations rather than be represented by the AMA.

Ex vessel pricing could also vary regionally for a number of reasons. In fisheries where vessels made several deliveries, the availability of goods and services in a delivery location can be important to harvesters. Food, bait, fuel, and good port facilities could make a processor more attractive to vessels wishing to offload harvests. Processors in locations that offer fewer goods and services were at times compelled to pay a price premium to induce harvesters to sell their catch. Processors more distant from grounds might also be required to pay a higher price to compensate harvesters for increased transiting time and costs and higher risk of deadloss (and possibly for time away from the grounds if harvesters made midseason deliveries). Proximity to markets could also influence ex vessel prices. Processors with less access to markets sometimes paid slightly less for crab because they were required to bear a higher cost to transport the crab to markets.

### *Pricing in the Aleutian Islands golden king crab fisheries*

Historically, the Aleutian Island golden king crab fisheries had far fewer participants than the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries. Seasons in these golden king crab fisheries also lasted several months, in contrast to seasons shorter than one month in the Bristol Bay red king and Bering Sea *C. opilio* fisheries. As a result, ex vessel pricing practices differed substantially in the Aleutian Islands golden king crab fisheries.

Longer seasons in the Aleutian Islands golden king crab fisheries allow for substantial in-season price fluctuations, which are uncommon in the short season fisheries. The long seasons with fluctuating prices complicate collective negotiation of ex vessel prices by participants in the Aleutian Islands golden king crab fisheries. Traditionally, harvesters in these fisheries negotiated prices independently. Only in the last few years of LLP management recently did some harvesters use collective action to negotiate ex vessel prices for a portion of the fleet.

## 8.6.2 Delivery terms under the rationalization program

Several aspects of the structure of the program have affected delivery terms and pricing under the program. The different catcher vessel IFQ types (Class A IFQ v. Class B and C share IFQ) may bring different prices because of the different limitations on use of those shares and the effects of the arbitration program on Class A IFQ landing prices. Class A IFQ must be delivered to a holder of unused IPQ and are subject to the arbitration system, which guides both delivery negotiations and price formation. Class B and C share IFQ may be marketed and sold freely. Moreover, negotiations of prices and terms of delivery are likely to occur independently for the different share types to avoid potential infractions of the statute that prohibits processors from using IPQ to leverage Class B IFQ deliveries. That statute specifically provides:

> *If the Secretary determines that a processor has leveraged its Individual Processing Quota shares to acquire a harvester[']s open-delivery 'B shares', the processor's Individual Processor Quota shares shall be forfeited.*

For these reasons, the price setting and delivery terms for Class A IFQ are discussed separately from those for Class B and C share IFQ. This section begins with a detailed discussion of pricing of Class A

IFQ landings (including the arbitration system). The section concludes with a discussion of landings of Class B and C share IFQ and distributional issues related to the use of those shares. Where relevant, the interactive effects of the IFQ types on the distribution of benefits between harvesters and processors are discussed. Beginning in 2006, NOAA Fisheries collected data that show price by share type. These data, and input from fishery participants, are used to examine differences in ex vessel price by share type.

During the first five years of the rationalization program a number of outside factors created significant challenges for program fishery participants. In the first two years of the program, prices for red king crab, *C. opilio* crab, and golden king crab products were considerably lower than in the preceding years. The relatively poor market for crab economically stressed all participants in the fisheries, contributing to contentious price negotiations and lowering the financial returns of all participants. Although prices have recovered, overall economic conditions have continued to be challenging for crab markets. Shortly after the program's implementation, marine fuel prices escalated sharply, thereby substantially driving up vessel operating costs. In addition, the Bering Sea *C. opilio* fishery experienced a few specific difficulties: heavy ice at times in seasons since implementation have disrupted fishing and deliveries of landings to the Pribilofs, and a fire on a processing platform in January of 2007 disabled the facility for approximately one month. In assessing the performance of the program, these various events should be kept in mind, as they significantly affected negotiations between the fleet and processors during the initial years of the program.

## 8.7 Pricing and terms of Class A IFQ/IPQ deliveries

This section describes the pricing and terms of delivery of Class A IFQ landings in the first five years of the program. The arbitration system defines a procedure for matching Class A IFQ to IPQ, and the binding arbitration procedure that is available to IFQ holders who are unable to negotiate terms of delivery (including prices) for Class A IFQ/IPQ deliveries. As such, the arbitration system effectively defines the ex vessel prices of Class A IFQ landings (and has a great influence on other delivery terms). Consequently, this section largely focuses on the workings of the arbitration system.

### 8.7.1 Description of the arbitration system

The arbitration system serves several important purposes in the program, including dissemination of market information to facilitate negotiations, the coordination of matching Class A IFQ held by harvesters to IPQ held by processors, and a binding arbitration process to resolve terms of delivery.

The arbitration process begins with the two sectors (harvesters and processors) jointly selecting a "market analyst," who produces a market report, a "formula arbitrator," who develops a price formula specifying an ex vessel price as a portion of the first wholesale price, and a pool of "contract arbitrators," who preside over any binding arbitration proceedings. The market report and formula price are required to be released at least 50 days prior to the season opening. The market analyst and formula arbitrator (who may be the same person) generate the market report and formula price, respectively, based on any relevant information.[29] Neither the market report nor the formula price has any binding effect. Rather, they are intended to provide baseline information concerning the market and a signal of a reasonable price.

[29] The Council adopted an amendment that, if approved by the Secretary of Commerce, will allow the arbitration organizations to determine the timing and content of the market report. The amendment will allow the report and any supplements to be prepared mid-season to provide current market information. The report may rely only on publicly available information to ensure that it is not used for anticompetitive purposes. Under the current rule, private information may be used provided the information is at least three months old at the time the report is published and is aggregated from at least five independent entities.

Matching of Class A IFQ with IPQ is facilitated through a process of share commitments and dissemination of information concerning available shares. For a 5-day period starting when IFQ and IPQ are issued, shares are matched only by mutual agreement of share holders. After that period has expired, shares may be matched either by agreement or by unilateral commitment of the IFQ holder. Throughout, holders of uncommitted IPQ are required to report the amount of uncommitted shares held to holders of uncommitted IFQ (updating that report within 24 hours of any change). Although this share matching process may aid in establishing commitments to deliver and receive Class A IFQ landings, the terms of those transactions may be disputed (i.e., the commitments need not define the terms of the delivery). If the parties are unable to negotiate terms, the binding arbitration procedure may be used to resolve those terms.

An IFQ holder that is not able to resolve all terms of delivery with a processor to whom it has committed deliveries may unilaterally initiate an arbitration proceeding. Once a proceeding is initiated, harvesters that are party to the proceeding select an arbitrator to preside over the specific proceeding from the pool of arbitrators jointly selected earlier. The window for initiating arbitration is 10 days long, beginning 5 days after the allocation of IFQ and IPQ. The starting point for initiating arbitration coincides with the start of the period during which harvesters may unilaterally commit IFQ to a processor. Once an arbitration proceeding is initiated with an IPQ holder, any holder of IFQ that has committed shares to that IPQ holder may join the arbitration proceeding. This ability to join is critical because the system limits each processor to a single arbitration proceeding. A last opportunity to make use of arbitration is available for harvesters that choose not to join a proceeding. After arbitration is completed, any holder of uncommitted IFQ can bind the IPQ holder to the terms of the proceeding by committing deliveries to the IPQ holder.

Binding arbitration proceedings are conducted on a “last best offer” basis. Under this system, each party to the proceeding submits a “last best offer”. The role of the arbitrator is to select one offer from each of the two competing offers. In binding arbitration involving two or more harvesters, each harvester may either submit an independent offer or join a collective offer (as part of a Fishery Collective Marketing Act (FCMA) cooperative). The processor submits a single offer. For each harvester offer, the arbitrator’s role is to select either that harvester’s offer or the processor’s offer (which applies to all harvesters).

Since the full effects of the program on the timing of fishing and marketing activities were not predictable, the arbitration system allows participants to modify the arbitration timeline. This “lengthy season” approach allows IFQ and IPQ holders that have committed deliveries to negotiate a modified schedule for arbitration. If the parties are unable to agree on the lengthy season approach, they may arbitrate whether to adopt that approach and the timing of the proceeding. Agreements to use the lengthy season approach to arbitration must be entered into prior to the opening of a program fishery.

An important aspect of the arbitration system is the flow of information among the parties. To effectively participate in the program, holders of uncommitted IFQ need timely updates on the availability of uncommitted IPQ, the initiation of arbitration proceedings, and the outcome of these proceedings. Equally (or more) important are limitations placed on the flow of information in order to prevent potential collusive behavior. Allowing price and share holdings information, which is necessary for IFQ holders to participate in the system, to flow to IPQ holders could enable some IPQ holders to unfairly leverage their position in the limited landings market.

The arbitration program is administered through a series of contracts among share holders and arbitration organizations formed by share holders in the fisheries. These organizations are responsible for establishing the administrative aspects of the arbitration system, including selecting arbitrators, coordinating the dissemination of information concerning uncommitted shares among the participants, ensuring confidentiality of sensitive information, and collecting payments that are disbursed to cover

program costs. All share holders from both sectors are required to join an arbitration organization by May 1st of each year.[30] NOAA Fisheries will not issue IFQ or IPQ in a program fishery until arbitration organizations representing enough QS and PQS holders to account for at least 50 percent of the QS and 50 percent of the PQS issued for a fishery select the market analyst, formula arbitrator and a pool of contract arbitrators, and notify NOAA Fisheries of their selection. This requirement is intended to ensure that the arbitration system is in place prior to the start of the fishery. Separate organizations are required for harvest share holders and processing share holders. Holders of harvest shares that are affiliated with holders of processing shares are required to join an arbitration organization for purposes of facilitating share matching and administration. Due to antitrust concerns, these "affiliated harvesters" are not permitted to join an organization that includes unaffiliated harvesters and are not permitted to use a binding arbitration proceeding to settle terms of delivery.

To ensure predictability and fairness, the arbitration system sets forth standards to be followed by formula arbitrators and contract arbitrators. The specific standards applicable to the two different arbitrators follow (with substantive differences bolded):[31]

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(2) **The contract with the Formula Arbitrator must specify that:**

**(i) The Formula Arbitrator will conduct a single annual fleet-wide analysis of the markets for crab to establish a Non-Binding Price Formula under which a fraction of the weighted average first wholesale prices for crab products from the fishery may be used to set an ex-vessel price; and**

(ii) The Non-Binding Price Formula shall:

(A) Be based on the historical distribution of first wholesale revenues between fishermen and processors in the aggregate based on arm's length first wholesale prices and ex-vessel prices, taking into consideration the size of the harvest in each year; and

(B) Establish a price that preserves the historical division of revenues in the fishery while considering the following:

(1) Current ex-vessel prices, including ex-vessel prices received for crab harvested under Class A, Class B, and CVC IFQ permits;

(2) Consumer and wholesale product prices for the processing sector and the participants in arbitrations (recognizing the impact of sales to affiliates on wholesale pricing);

(3) Innovations and developments of the harvesting and processing sectors and the participants in arbitrations (including new product forms);

(4) Efficiency and productivity of the harvesting and processing sectors (recognizing the limitations on efficiency and productivity arising out of the management program structure);

(5) Quality (including quality standards of markets served by the fishery and recognizing the influence of harvest strategies on the quality of landings);

(6) The interest of maintaining financially healthy and stable harvesting and processing sectors;

(7) Safety and expenditures for ensuring adequate safety;

(8) Timing and location of deliveries; and

(9) The cost of harvesting and processing less than the full IFQ or IPQ allocation (underages) to avoid penalties for overharvesting IFQ and a mechanism for reasonably accounting for deadloss.

**(C) Include identification of various relevant factors such as product form, delivery time, and delivery location.**

**(D) Consider the "highest arbitrated price" for the fishery from the previous crab fishing season, where the "highest arbitrated price" means the highest arbitrated price for arbitrations of IPQ and Arbitration IFQ which represent a minimum of at least 7 percent of the IPQ resulting from the PQS in that fishery. For purposes of this process, the Formula Arbitrator may aggregate up to three arbitration findings to collectively equal a minimum of 7 percent of the IPQ. When arbitration findings are aggregated with 2 or more entities, the lesser of the arbitrated prices of**

[30] Holders of exclusively catcher processor shares are exempt from the requirement of arbitration organization membership because they are not subject to the processor landing requirements. In addition, C share holders are exempt from the requirement because the IPQ landing requirements do not apply to C shares.

[31] In the regulation, "Arbitration IFQ" refers to Class A IFQ held by harvesters that are not affiliated with a PQS holder. These "Arbitration IFQ" are the only IFQ for which delivery terms may be arbitrated.

**the arbitrated entities included to attain the 7 percent minimum be considered for the highest arbitrated price.** 80 CFR 680.20(g)(2)

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(4) Basis for the Arbitration Decision.

**The contract with the Contract Arbitrator shall specify that the Contract Arbitrator will be subject to the following provisions when deciding which last best offer to select.**

(i) The Contract Arbitrator's decision shall:

(A) Be based on the historical distribution of first wholesale revenues between fishermen and processors in the aggregate based on arm's length first wholesale prices and ex-vessel prices, taking into consideration the size of the harvest in each year; and

(B) Establish a price that preserves the historical division of revenues in the fishery while considering the following:

(1) Current ex-vessel prices, including ex-vessel prices received for crab harvested under Class A IFQ, Class B IFQ, and CVC IFQ permits;

(2) Consumer and wholesale product prices for the processing sector and the participants in the arbitration (recognizing the impact of sales to affiliates on wholesale pricing);

(3) Innovations and developments of the harvesting and processing sectors and the participants in the arbitration (including new product forms);

(4) Efficiency and productivity of the harvesting and processing sectors (recognizing the limitations on efficiency and productivity arising out of the management program structure);

(5) Quality (including quality standards of markets served by the fishery and recognizing the influence of harvest strategies on the quality of landings);

(6) The interest of maintaining financially healthy and stable harvesting and processing sectors;

(7) Safety and expenditures for ensuring adequate safety;

(8) Timing and location of deliveries; and

(9) The cost of harvesting and processing less than the full IFQ or IPQ allocation (underages) to avoid penalties for overharvesting IFQ and a mechanism for reasonably accounting for deadloss.

**(C) Consider the Non-Binding Price Formula established in the fishery by the Formula Arbitrator.** 80 CFR 680.21(h)(4)

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As set out, the standards applicable to the two different arbitrators are both intended to "establish a price that preserves the historical division of revenues in the fishery" while considering several factors. The findings of both arbitrators should be based on the historical division of "first wholesale revenues between fishermen and processors in the aggregate based on arm's length first wholesale prices and ex-vessel prices, taking into consideration the size of the harvest each year." Within the context of this primary standard, the arbitrator is directed to take into account the listed factors.

The differences between the standards applicable to the formula arbitrator's non-binding formula and the contract arbitrator's last best offer finding do not appear to substantively change the general approach to be applied. Both arbitrators must consider a number of common factors. In addition, the formula arbitrator is required to identify relevant factors, such as product form, delivery time, and location. This direction suggests that the arbitrator has the latitude to distinguish among product forms, delivery locations, and delivery times in the pricing formula, if appropriate. The formula arbitrator is required to consider the "highest arbitrated price" from the previous season. To ensure that the price is generally applicable, it must apply to at least 7 percent of the IPQ in the fishery. In turn, the contract arbitrator is required to consider the non-binding price formula produced by the formula arbitrator in deciding a contract in a last best offer proceeding. These two requirements effectively create a feedback between the non-binding arbitration of the formula arbitrator and the binding arbitration of the contract arbitrator. By providing the formula arbitrator with the submissions from the binding proceedings, the formula arbitrator can provide some guidance on factors at issue in the prior year's binding proceedings. Less structured than a formal record of opinion from a binding process, this informal feedback creates a flexible system under which the application of the standard is both adaptive and predictable.

Both formula and contract arbitrators are instructed to consider any relevant information presented by the parties. In this context, the standards appear to direct the arbitrators to establish a price that preserves the historical division of first wholesale revenues, while at the same time allowing them to consider other relevant information, including information relevant to the listed considerations.

## 8.7.2 The market report and non-binding formula arbitration

Certain aspects of the arbitration system operate regardless of whether participants in the fisheries use the system to directly resolve terms of delivery. All share holders are required to join an arbitration organization. These organizations are parties to the contracts that define and govern the share matching and arbitration system. Since the arbitration organizations serve primarily an administrative function, share holders are able to achieve efficiencies through joining a common organization without compromising their competitive position or operational aspects of their businesses. In the first year of the program, two unaffiliated organizations formed. One organization consisted mostly of Aleutian Islands golden king crab harvest share holders; the other organization represented most share holders in the Bristol Bay red king crab, Bering Sea *C. opilio*, and Western Bering Sea *C. bairdi* fisheries. After this first year all unaffiliated harvesters joined a single organization. In each of the first five years of the program, a single organization formed for processor share holders and a single organization formed for processor-affiliated harvester share holders.

## 8.7.3 The market report and formula price

An annual market report and pricing formula are required to be generated for each program fishery at least 50 days prior to the opening of the season. The market analyst and formula arbitrator who prepare these documents are selected by mutual agreement of arbitration organizations representing at least 50 percent of the non-affiliated QS holders and at least 50 percent of the PQS holders in a fishery. To ensure that market report information is timely, an amendment to the program will allow the market report and supplements to be produced at any time agreed by the arbitration organizations, including in-season. The amendment, approved by the Council in February 2008, will take effect on approval of the Secretary of Commerce.

In the first five years of the program, the person (or team) that prepared the market report for a fishery also prepared the non-binding price formula. Participants in the program fisheries generally believe that using a single source for both reports has reduced both the direct costs of the report and the time costs of providing information to the analysts. In the first year of the program, the market report and price formula for the Aleutian Island golden king crab fisheries were prepared by one team of analysts, while the market report and price formula for the Bristol Bay red king crab, Bering Sea *C. opilio* and the Bering Sea *C. bairdi* fisheries were prepared by a different analyst. After the first year, a single analyst prepared all market reports and price formulas.

The relatively late issuance of QS and PQS during the first year of the program, together with the need for participants to organize into arbitration organizations and select an analyst, contributed to the market reports and price formulas for the various fisheries being prepared on a short timeline.[32] Participants and analysts have since been able to follow the regulatory schedule for developing these reports. To the extent

[32] The Council amended two aspects of the arbitration system that concern the non-binding formula. First, the Council adopted a procedure that would allow arbitration organizations to forgo the production of the non-binding formula for fisheries that are unlikely to open (provided the organizations have an agreement for the production of the formula, in the event that the fishery does open). Second, it modified the timeline for producing the formula for the Aleutian Islands golden king crab fisheries, so that the formula is due 30 days prior to the season opening. By postponing the due date for this report by 20 days, the revised timeline ensures that the formula arbitrator will have access to the price information in the preceding year's Commercial Operators Annual Reports.

that the market report and price formula have served as the starting point for price negotiations, these reports have met the expectations of the Council (NPFMC, 2004).

### *The market report*

To some extent, crab price volatility has prevented a preseason market report from being an ideal tool for setting ex vessel prices. For example, by the time fishing typically begins in the Bering Sea *C. opilio* fishery, the market report is four months old, while the information it contains is approximately seven months old. To address the staleness of the market report, the Council approved an amendment to the program (currently under Secretarial review) that would allow arbitration organizations to time the preparation of the market report as they deem appropriate. In addition, the amendment would allow the report to be supplemented throughout the season by agreement of the organizations. The report (and any supplements) would be based only on publicly available market information, including information from subscription services, in order to prevent information in the report from being used for anticompetitive purposes.[33]

The added flexibility provided by the amendment should improve the usefulness of the market reports to participants. In general, past reports have identified market volatility as a major impediment to forecasting prices. As a consequence, the reports have chosen to identify factors most likely to influence prices and gauge the possible effects of those factors in the coming year. With expanded authority to supplement the market report under the amendment, the arbitration organizations could agree to provide participants with current, publicly available market information, in addition to the market analysis contained in past reports. Given the contentious price negotiations in the crab fisheries in recent years, the opportunity for unbiased, up to date market information may be beneficial to negotiations.

Use of this market information in negotiations will require some care. Under the arbitration standard (which establishes ex vessel prices as a share of first wholesale revenues while considering several factors), the relevance of periodic market information to an appropriate ex vessel price is nuanced. No single price reported in these market reports should determine the ex vessel price (unless specifically agreed to by the parties to that transaction). Instead, periodic price information, along with other relevant information concerning market prices, should be interpreted in the broad scope of the markets to arrive at an appropriate ex vessel price. The application of the arbitration standard is further discussed later in this section.

### *The price formula*

The price formula is the most important of the preseason reports because this formula is intended to inform negotiations and the binding arbitration process by a general application of the arbitration standard. Many participants view the formula as not only the starting point for negotiations, but the driver of delivery terms for Class A IFQ landings in the program fisheries. As might be expected given its importance, at times, the development of the price formula has been contentious; however, in more recent years, the price formula has become settled in most fisheries.

In the first year of the program, the price formula report for Aleutian Islands golden king crab recommended a staged price setting process. Under this approach, harvesters receive an advance, guaranteed minimum price at the time of landing based on prevailing market prices at the time of the report. At the end of the season, a price adjustment is made based on average first wholesale prices for the year. This formulation was suggested to put market risk on processors, who were said to be more capable of absorbing that risk than harvesters because of the relative scales of their operations. The report

[33] Under the original provision defining the market report requirement, the reports were limited to historical information to prevent the distribution of market data that could be used in an anticompetitive manner (Arnold & Porter, 21-22). This risk is avoided by using only publicly available information.

suggested that this starting price would present a risk of loss to processors only in years of very steeply declining market conditions. This approach to pricing has been followed in negotiations in most program fisheries to date, but has not been suggested in any of the other non-binding price formulas. The approach has also not been part of any binding arbitration proceeding. Instead, harvesters have negotiated for a minimum price paid at landing prior to beginning fishing.

The formulas in the different fisheries generally attempt to derive the average historic division of first wholesale revenues from price information from 1990 until the season preceding the implementation of the rationalization program (2004 in all fisheries except the Bering Sea *C. opilio* fishery which had a 2005 season under the LLP management). The formulas generally define a historic ex vessel price as a percentage of the historic first wholesale value after consideration of certain criteria. In each of the formulas, the analyst has included a discussion of relevant criteria under the standard (e.g., efficiency and financial stability). The discussion of these criteria is at times intertwined with the discussion of the more mechanical generation of the formula based on available data.

The methodology for development of the formula has evolved over time and is now generally settled in all fisheries, with the exception of the golden king crab fisheries. In the first year of the program, the non-binding price formula for both Bristol Bay red king crab and Bering Sea *C. opilio* noted that the ex vessel price as a percentage of first wholesale price varied over time. The analyst noted, however, that the change in the percentage from year to year was related to the direction of the market. The analyst used the preceding year's relationship, but applied an adjustment based on the direction of the market. Using this adjusted relationship (together with a minor adjustment for rising fuel costs), the analyst generated an ex vessel price as a percent of the first wholesale price for the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries. The analyst noted that the closure of the Bering Sea *C. bairdi* fishery in recent years created uncertainty about the market for this species and the appropriate formula. To overcome this uncertainty, the *C. bairdi* formula was based on the *C. opilio* formula, with adjustments that could be applied in the event of unexpectedly low first wholesale prices or lower than expected price premiums relative to *C. opilio*.

In the second year of the program (with considerably more time available to develop the formula), the analyst focused on demonstrating a relationship between the historic average first wholesale prices and average ex vessel prices. To overcome data shortcomings in the Bristol Bay red king crab fishery, the market analyst relied on November and December Japanese wholesale price data to generate first wholesale prices. These data were perceived to be more reliable than Commercial Operator Annual Report (COAR) data, which are collected on a calendar year basis and include winter sales after the New Year in the data for the subsequent year. A simple linear regression was adopted with ex vessel price as a function of first wholesale price. In the third year of the program, Japanese wholesale price data represented first wholesale prices, while Alaska Business Tax data was used to generate some ex vessel prices. These data were used in a regression to establish the relationship between these historic first wholesale prices and ex vessel prices. As both sectors have generally consented to this methodology, the formula has been unchanged since the third year.

In the *C. opilio* fishery, similar formulas were developed in the second and third years; however, separate formulas were developed for North region deliveries, South region deliveries, and all deliveries combined. The generated ex vessel prices in the North differed from those in the South by as much as $0.09. The basis for different regional estimations is controversial within industry, as there is debate over whether prices have historically differed across the two regions. At relatively low ex vessel prices, prices in the North have tended to be lower than South prices and vice versa. This pattern is consistent with the observation in the formula report that TACs can affect the price differential, as prices in the North may be lower than South prices in low TAC years, when the harvester operational advantage of delivering to the North is greater. As expected, the price generated by combining landings from both regions falls between

the two region-based estimates, but is typically closer to the North estimate. An additional consideration in the price formulation was the arbitrated prices from the preceding season. Under the arbitration standard, the arbitrator is required to consider the highest arbitrated price that applies to greater than 7 percent of the fleet. Because harvesters prevailed in an arbitration proceeding in the first year of the program, the arbitrated price increased the ex vessel price generated by the price formula in the second year. How the arbitrated price was considered is unclear in the report. In the third year of the program, the same methodology was used for generating the formula. The arbitrator elected to use Alaska Business Tax data for some ex vessel prices, as was done in the Bristol Bay red king crab formula. As in the Bristol Bay king red king crab fishery, both sectors have generally agreed to the formula, leaving it unchanged to date.

In the second and third year of the program, the *C. bairdi* formula relied on data from the Bering Sea *C. bairdi* fishery from 1990 to 1996 and the Kodiak *C. bairdi* fishery from 2001 to 2004. Because the Bering Sea fishery was closed for several years leading up to the rationalization program, the arbitrator looked beyond the fishery for establishing the historic relationship between ex vessel prices and first wholesale prices. These fisheries also have retained the same formula, since the third year of the program.

The pricing formula in the Aleutian Islands golden king crab fishery is slightly less settled than the pricing formula in other fisheries. The most recent formula relies on both data from the golden king crab fishery and the Bristol Bay red king crab fishery, citing the use of red king crab data as need to overcome some anomalies that arise, if only golden king crab COAR data are used. In particular, the report notes that, at certain first wholesale prices, a formula based solely on golden king crab data would result in higher prices for golden king crab, than red king crab. This result is said to run counter to experiences of fishery participants and market characteristics. The formula that draws on both golden king crab COAR data and the settled red king crab formula has not achieved acceptance from industry to date. It is likely that a few more iterations will be needed before both sectors come to accept a formula.

Table 8-1 through Table 8-3 show the first wholesale prices and ex vessel prices in the Bristol Bay red king crab, Bering Sea *C. opilio*, and Aleutian Islands golden king crab fisheries from 1997 to 2009. Ex vessel prices were obtained from Commercial Operator's Annual Reports and fish tickets. Fish tickets typically show payments at the time of landing, while COAR data generally include post-landing bonuses. In the COAR database, the location of the processor that purchased the fish is recorded by ADFG regulatory area, but harvest location is not reported. Crab harvested in one regulatory area may be sold to a processor in another area. Consequently, data for the Aleutian Islands golden king crab and red king crab include deliveries from the Norton Sound red king crab fishery and relatively small fisheries in southeast Alaska. The Bering Sea *C. opilio* fishery is the only *C. opilio* fishery in the state; therefore, those data are solely from the Bering Sea fishery. The tables also show the ex vessel price as a percentage of first wholesale price generated by the formula arbitrator. The tables display only first wholesale prices for shellfish sections, which is consistent with the methodology followed by the formula arbitrator. Focusing on shellfish sections simplifies the analysis, as the prices of other products would have to take into account differences in recovery rates. In addition, shellfish sections represent a large majority of the production from program fisheries (both historically and currently) and generally provide a good overall measure of the change in markets for crab. A future change in product types could require a change in application of the price formula.

**Table 8-1 First wholesale prices and ex vessel prices in the Bristol Bay red king crab fishery (1997-2009)**

| Fishery | Season | GHL/TAC[a] | First wholesale price[b] | COAR ex vessel price[c] | COAR ex vessel percentage of first wholesale price | Percentage from formula arbitrator's report |
|---|---|---|---|---|---|---|
| Bristol Bay | 1997 | 7.0 | 6.18 | 3.27 | 53.0% | 53.1% |
| Red King Crab | 1998 | 15.8 | 5.52 | 2.63 | 47.7% | 47.6% |
| | 1999 | 10.1 | 11.25 | 6.25 | 55.6% | 55.7% |
| | 2000 | 7.7 | 9.11 | 4.74 | 52.0% | 52.7% |
| | 2001 | 6.6 | 8.93 | 4.83 | 54.0% | 55.1% |
| | 2002 | 8.6 | 11.58 | 6.21 | 54.0% | 53.5% |
| | 2003 | 14.5 | 9.82 | 5.14 | 52.0% | 52.5% |
| | 2004 | 14.3 | 9.25 | 4.69 | 50.7% | 51.4% |
| | 2005 | 16.5 | 8.52 | 4.50 | 53.0% | |
| | 2006 | 15.5 | 7.49 | 3.85 | 51.4% | |
| | 2007 | 18.3 | 8.60 | 4.42 | 51.4% | |
| | 2008 | 18.4 | 9.77 | 5.11 | 52.3% | |
| | 2009 | 14.4 | 8.96 | 4.67 | 52.1% | |

[a] Guideline Harvest Level (Total Allowable Catch from 2005 forward) in millions of pounds for Bristol Bay fishery only.

[b] Source: ADFG Commercial Operator's Annual Reports. Wholesale price is reported for shellfish sections and includes all Red King Crab fisheries because COAR reports do not indicate harvest location.

[c] Source: ADFG Commercial Operator's Annual Reports. Prices are for all RKC fisheries combined because COAR reports do not indicate harvest location.

**Table 8-2 First wholesale prices and ex vessel prices in the Bering Sea *C. opilio* fishery (1997-2009)**

| Fishery | Season | GHL/TAC[a] | First wholesale price[b] | COAR ex vessel price[c] | COAR ex vessel percentage of first wholesale price | Percentage from formula arbitrator's report |
|---|---|---|---|---|---|---|
| Bering Sea | 1997 | 117.0 | 2.13 | 0.79 | 37.2% | 37.1% |
| *C. opilio* | 1998 | 225.9 | 2.03 | 0.57 | 27.9% | 28.1% |
| | 1999 | 186.2 | 2.92 | 0.98 | 33.7% | 33.6% |
| | 2000 | 26.4 | 4.16 | 1.85 | 44.5% | 44.5% |
| | 2001 | 25.3 | 3.73 | 1.55 | 41.6% | 41.3% |
| | 2002 | 28.5 | 3.58 | 1.39 | 38.9% | 38.6% |
| | 2003 | 23.7 | 4.40 | 1.85 | 42.0% | 42.0% |
| | 2004 | 19.3 | 4.79 | 2.07 | 43.1% | 43.2% |
| | 2005 | 19.4 | 3.85 | 1.81 | 47.0% | 47.0% |
| | 2006 | 36.6 | 2.89 | 1.15 | 39.8% | |
| | 2007 | 56.7 | 3.83 | 1.74 | 45.4% | |
| | 2008 | 52.8 | 4.05 | 1.77 | 43.6% | |
| | 2009 | 43.2 | 3.43 | 1.45 | 42.2% | |

[a] Guideline Harvest Level (Total Allowable Catch from 2005 forward) in millions of pounds.

[b] Source: ADFG Commercial Operator's Annual Reports. Wholesale price is reported for shellfish sections.

[c] Source: ADFG Commercial Operator's Annual Reports.

**Table 8-3 First wholesale prices and ex vessel prices in the Aleutian Islands golden king crab fisheries (1997-2009)**

| Fishery | Season | GHL/TAC[a] | First wholesale price[b] | COAR ex vessel price[c] | COAR ex vessel percentage of first wholesale price | Percentage from formula arbitrator's report |
|---|---|---|---|---|---|---|
| AI Golden | 1997 | 5.9 | 4.79 | 2.26 | 47.1% | 46.9% |
| King Crab | 1998 | 5.7 | 4.24 | 1.97 | 46.5% | 45.0% |
| | 1999 | 5.7 | 6.89 | 3.15 | 45.8% | 46.6% |
| | 2000 | 5.7 | 7.20[e] | 3.31 | 46.0% | 58.9% |
| | 2001 | 5.7 | 6.95 | 3.37 | 48.4% | 48.1% |
| | 2002 | 5.7 | 7.58 | 3.46 | 45.6% | 46.2% |
| | 2003 | 5.7 | 7.89 | 3.62 | 45.9% | 45.7% |
| | 2004 | 5.7 | 6.02 | 3.15 | 52.3% | 52.2% |
| | 2005 | 5.7 | 6.00 | 2.89 | 48.2% | 46.4% |
| | 2006 | 5.1 | 4.35 | 2.18 | 50.1% | |
| | 2007 | 5.1 | 5.55 | 2.43 | 43.8% | |
| | 2008 | 5.4 | 6.94 | 3.70 | 53.3% | |
| | 2009 | 5.4 | 5.37 | 2.68 | 49.9% | |

[a] Guideline Harvest Level (Total Allowable Catch from 2005 forward) in millions of pounds for E. and W. Aleutian Islands.
[b] Source: ADFG Commercial Operator's Annual Reports. Wholesale price is reported for shellfish sections and includes all Golden King Crab fisheries, because COAR Reports do not indicate harvest location.
[c] Source: ADFG Commercial Operator's Annual Reports. Includes all GKC fisheries, because COAR reports do not indicate harvest location.

Table 8-4 and Table 8-5 show the first wholesale prices and ex vessel prices in the Bering Sea *C. opilio* North and South regions from 1997 to 2005. The data show some variation across the two regions, with South region prices slightly higher in some years. Whether these price variations are significant enough to differentiate prices in the formula is a matter that may be considered by the arbitrator. Data since the program was implemented are not available because of confidentiality limitations.

**Table 8-4 First wholesale prices and ex vessel prices in the North region of the Bering Sea *C. opilio* fishery (1997-2005)**

| Fishery | Season | GHL/TAC[a] | First wholesale price[b] | Ex vessel price[c] | COAR ex vessel percentage of first wholesale price | Percentage from formula arbitrator's report |
|---|---|---|---|---|---|---|
| Bering Sea | 1997 | 117.0 | 2.24 | 0.78 | 34.8% | 34.8% |
| *C. opilio* | 1998 | 225.9 | 2.01 | 0.56 | 27.9% | 27.9% |
| Northern[d] Region | 1999 | 186.2 | 2.94 | 0.97 | 33.1% | 33.0% |
| | 2000 | 26.4 | 4.29 | 1.85 | 43.0% | 43.1% |
| | 2001 | 25.3 | 3.68 | 1.55 | 42.0% | 42.1% |
| | 2002 | 28.5 | 3.79 | 1.40 | 37.0% | 36.9% |
| | 2003 | 23.7 | 4.48 | 1.84 | 41.1% | 41.1% |
| | 2004 | 19.3 | 4.84 | 2.05 | 42.5% | 42.4% |
| | 2005 | 19.4 | 3.85 | 1.81 | 47.0% | 47.0% |

[a] Guideline Harvest Level (Total Allowable Catch from 2005 forward) in millions of pounds.
[b] Source: ADFG Commercial Operator's Annual Reports. Wholesale price is reported for shellfish sections.
[c] Source: ADFG Commercial Operator's Annual Reports.
[d] For purposes of price calculations, Northern District includes COAR processor areas Q, T, and W (Pribilof Islands, St. Matthew's Island, Bristol Bay, Kuskokwim).

**Table 8-5 First wholesale prices and ex vessel prices in the Southern region of the Bering Sea *C. opilio* fishery (1997-2005)**

| Fishery | Season | GHL/TAC[a] | First wholesale price[b] | Ex vessel price[c] | COAR ex vessel percentage of first wholesale price | Percentage from formula arbitrator's report |
|---|---|---|---|---|---|---|
| Bering Sea | 1997 | 117.0 | 2.11 | 0.82 | 38.7% | 38.9% |
| *C. opilio* | 1998 | 225.9 | 2.04 | 0.57 | 28.1% | 27.9% |
| Southern[d] Region | 1999 | 186.2 | 2.89 | 1.00 | 34.7% | 34.6% |
| | 2000 | 26.4 | 4.10 | 1.86 | 45.3% | 45.4% |
| | 2001 | 25.3 | 3.75 | 1.54 | 41.1% | 41.1% |
| | 2002 | 28.5 | 3.47 | 1.38 | 39.9% | 39.8% |
| | 2003 | 23.7 | 4.36 | 1.85 | 42.5% | 42.4% |
| | 2004 | 19.3 | 4.77 | 2.07 | 43.5% | 43.4% |
| | 2005 | 19.4 | 3.85 | 1.81 | 47.0% | 47.0% |

[a] Guideline Harvest Level (Total Allowable Catch from 2005 forward) in millions of pounds.

[b] Source: ADFG Commercial Operator's Annual Reports. Wholesale price is reported for shellfish sections.

[c] Source: ADFG Commercial Operator's Annual Reports.

[d] For purposes of price calculations, Southern District includes COAR processor areas E, F, H, K, L, M, and O (Gulf of Alaska from Prince William Sound west).

### *Application of the arbitration standard in development of the price formula*[34]

The arbitration standard applicable to the development of the price formula has four general components to it. First, the formula arbitrator is required to establish a price that preserves the historic division of first wholesale revenues between harvesters and processors. Second, in developing this price, the arbitrator must consider several factors, including current ex vessel, consumer, and wholesale prices, innovations and developments, efficiency and productivity, quality, and financial health and stability. Third, the arbitrator must identify factors relevant to price determination, including delivery timing and location; however, the arbitrator is not required to consider these factors in setting the price. Fourth, the arbitrator is required to consider the "highest arbitrated price" from the previous season.

Given the array of directions that an arbitrator is given in establishing a price formula, it is not surprising that some confusion arose in the early interpretation and application of the standard. However, a review of the record of the standard's development indicates that establishing a price that preserves the historical division of revenues was a primary consideration. At the time the Council was formulating the standard, it considered allowing an arbitrator to identify a price based on all relevant factors, including historic ex vessel prices and division of first wholesale revenues. Instead, the Council identified the principal role of the arbitrator as determining a price that preserves the historic division of first wholesale revenues in program fisheries (see options in NMFS/NPFMC, 2004b). The primacy of preserving this historic division is also suggested by the EIS, which states that:

[34] As noted above, the differences between the standards applicable to the formula arbitrator's non-binding formula and the contract arbitrator's last best offer finding do not appear to substantively change the general approach to be applied by both arbitrators. Consequently, much of this discussion also applies to the application of the standard by the contract arbitrator.

> *Assuming no change in the total benefits derived from the fishery, this standard would preserve the historic distribution of benefits for A share landings* (NPFMC/NMFS, 2004a, p. 4-162).

The EIS also suggests that, under the standard, improvements in returns from program fisheries should be shared according to the contribution to those changes:

> *If processed product revenues are improved through product improvements or developments (capturing greater rents), both sectors could share those additional rents. The arbitration standard would likely provide for the sharing of these revenues between the sectors with the division influenced by the contribution of the parties to the product developments and improvements* (NPFMC/NMFS, (2004a) at 4-162).

The report of the workgroup that developed the arbitration program also supports interpreting the standard as preserving the historic division of revenues, while considering other relevant factors. The report states:

> *[The preferred standard] provides additional definition by directing the arbitrator to decide a price that maintains the historical division of revenues in the fishery, while considering other relevant factors. These additional factors would include product developments and efficiency gains, the benefits of which should generally be distributed to each sector based on the contribution of the sector to those benefits. The committee favors [the preferred standard] because of the additional guidance the historical division of revenues provides to the arbitrator. Retaining the historical division of revenues is thought to be a fair method of preserving the balance of interests of the two sectors in the fisheries* (Workgroup on Binding Arbitration, 2002a).

The workgroup report suggests that adjustments to the price that preserve the historic division of revenues would allow the different sectors to receive the benefit of their respective contributions to improvements in the fisheries. This interpretation of the standard suggests that future changes in program fisheries cannot be predicted, but that the arbitrator might be justified in adjusting the price on equity grounds as changes in the fisheries and their production occur after implementation of the program. Over the first few years of the program, the price formula has evolved, and little confusion over interpretation of the arbitration standard remains.

Application of the last component to be considered by the arbitrator—the "highest arbitrated price" from the previous season—also requires some interpretation. This "highest arbitrated price" will have been derived from binding arbitration proceeding between a specific harvester (or group of harvesters) and a specific processor in the previous season. The arbitrated price will likely depend on several factors, including not only the historic division of revenues, but also the specific circumstances and terms of delivery. As such, the price should not necessarily be viewed as a reflection of the overall conditions in the fishery and markets.

Perhaps the greatest concern with the application of the arbitration standard to price setting is the potential disincentive for processors to aggressively market their products. As the formula arbitrator has observed, if the formula is applied by solely dividing the first wholesale revenues between harvesters and processors the incentive for a processor to take risks associated with more costly market opportunities (such as developing new markets or holding product to time sales most advantageously) will be diminished greatly, and possibly fully removed. For example, if a formula returns only 30 percent of the first wholesale revenues to a processor, a processor would realize no additional return from a product that costs 30 additional cents to produce and sells for an additional dollar. At the extreme, a processor could pre-sell all of its production (i.e., contract for its sale prior to the season) to remove all risk. Although this

practice may seem inappropriate, in some circumstances it may benefit all parties (i.e., if market prices fall, a pre-season sale could bring the best price). Yet, the potential distortion of market incentives displayed by these types of sales may be problematic in some circumstances. Given the uncertainty concerning the application of the standard to these and similar circumstances, a processor may be deterred from making additional investments to serve higher risk or cost markets, in the absence of an agreement with a harvester concerning the division of any revenues from sales.[35] Consequently, in the absence of agreements of the participants in both sectors concerning efforts to serve new markets or take market risks they developments may not take place. While participants in both sectors have expressed a willingness to consider these types of arrangements, none are known to have developed to date.[36]

Overall, the arbitration workgroup intended the standard as contributing to economic stability in the program fisheries by effectively "preserving the balance of interests" between the harvesting and processing sectors (Workgroup on Binding Arbitration, 2002). It is reassuring that in the first five years of the program, the formula has stabilized, as both the method and result of the arbitrator's application of the standard become acceptable to the parties. Yet, it is unclear whether the formula (as driven by the standard) can (or should) be adapted to address variability of prices across processors, inventory holding times, and product and market development and whether an adaptation would be accepted by participants in the fisheries.

### *Procedure for development of the price formula*

A second aspect of the price formula that was problematic at the outset was the process by which it is developed. To produce the formula, the arbitrator considers information submitted by participants in both sectors. However, the process by which these submissions should be conducted is not specified in regulation (although certain limitations on the sharing of information are specified).[37] Beginning in the second year of the program, the formula arbitrator followed a process for submission of comments and interactions with the arbitrator. This process has evolved somewhat over time. For example, the arbitrator now responds in writing to each written comment to convey the rationale behind the formula and has developed a process for the consideration of any new data proposed to be considered in establishing the historic division of first wholesale revenues. Despite continuing concerns of each sector that the other may derive a competitive advantage, the process largely satisfies participants.

## 8.7.4 Share matching and initiation of binding arbitration

A critical aspect of the program is the process by which Class A IFQ/IPQ are matched and binding arbitration proceedings are initiated. The one-to-one relationship between Class A IFQ and IPQ raises the importance of making available information concerning uncommitted shares and establishing an efficient

[35] It is possible that an arbitrator may, in light of the circumstances, make a determination that provides the processor with its costs associated with the market development prior to dividing first wholesale revenues. Yet, with no certainty concerning an arbitrator's application of the standard to the circumstance, processors are far less likely to take risks in the market. In the long run, as the fisheries evolve the formula arbitrator may be able to give additional attention be given to other factors, beyond the historic division of first wholesale revenues, such as product developments. At this stage, whether such evolution of the formula will occur is not certain. The distribution of the benefits from these developments is important, in and of itself, but also for its effect on incentives and disincentives for innovation.

[36] It should be noted that the cooperative structure of the harvest sector under the program could be either beneficial or detrimental to the development of these arrangements. The cooperative structure allows for better coordination, which could be used to facilitate better landings arrangements, if needed to serve the markets. On the other hand, the cooperative structure that involves a large share of the fleet (including deliveries to several processors) could have some resistance to developments that might only benefit a few members.

[37] For example, the arbitrator/analyst is not permitted to disclose non-public information or the source of that information. In addition, information must be on activities that occurred at least 3 months prior to submission 80 CFR 680.20(e) and (f).

system for matching those shares and initiating arbitration, in the event a negotiated settlement of delivery terms cannot be reached. This section evaluates the operation of the system for matching shares and initiating arbitration under the program.

The system of negotiated and unilateral matching of shares is intended to facilitate the orderly commitment of Class A IFQ deliveries to processors holding IPQ. The process for initiating a binding arbitration proceeding is coordinated with share matching. The regulatory process for matching Class A IFQ to IPQ begins on the issuance of those shares. For the first 5 days after shares are received, holders of Class A IFQ can, by negotiated agreement, commit their shares to holders of unused IPQ. A commitment need not settle all terms of delivery, but prevents either share holder from committing their shares to a different person. After this period of negotiated commitments, holders of Class A IFQ may unilaterally commit their shares to the holder of uncommitted IPQ. In addition, at any time during the first 10 days after the period of negotiated commitments, a holder of Class A IFQ that has committed those shares to an IPQ holder may unilaterally initiate an arbitration proceeding to settle outstanding terms of delivery.[38] Alternatively, the parties may agree to take a 'lengthy season approach' to arbitration, under which any arbitration proceeding is delayed until a specific time during the season. The lengthy season approach must be adopted prior to the season opening (which under the current timelines for some fisheries occurs prior to the end of the period for initiating arbitration). If the parties disagree on whether to adopt the lengthy season approach (or on the timing of arbitration under that approach) the parties may arbitrate either of those issues. By the end of the 10-day period, if a holder of Class A IFQ has not either initiated a proceeding or adopted the 'lengthy season approach,' the ability to access the arbitration system is effectively forfeited.[39] To date, arbitration has been used twice to resolve issues related to the use of the lengthy season approach. These procedural actions have involved eligibility for arbitration under the lengthy season approach and the timing of arbitration under the lengthy season approach.

The short time period during which shares must be matched and arbitration actions initiated has raised concerns among some participants. Table 8-6 shows the compressed time frame under which share holders are required to either negotiate terms of deliveries or arbitrate those terms under the current TAC setting schedule.[40] Within this time frame, harvesters and processors must match shares and either settle

[38] This structure, under which a harvester may unilaterally commit deliveries and initiate arbitration, effectively allows a Class A IFQ holder to compel an IPQ holder to accept deliveries at the arbitrated price. IPQ holders cannot either compel an IFQ holder to commit to deliveries or initiate arbitration. Some processing sector participants contend that this unilateral structure is inequitable, particularly in light of the harvesters' use of a large collective entity for negotiations and arbitration. On the other hand, it is likely that a processor could compel a harvester to initiate arbitration by simply not agreeing to terms or not making payment. Such an approach comes with some risk and may affect a processor's negotiating position.

[39] During the first year of the program, an inconsistency between the allocation of IFQ and IPQ and the timeline in the regulations for share matching and initiation of arbitration prevented participants in the program fisheries from using the arbitration system as intended. In the original regulation, the timeline for share matching and initiation of arbitration proceedings was relative to the season opening in a fishery. Holders of Class A share IFQ could unilaterally commit landings to a holder of uncommitted IPQ any time less than 25 days prior to the season opening. In addition, IFQ holders were required to initiate binding arbitration between 25 days and 15 days before the season opening. To allow the incorporation of annual survey data to be incorporated into the annual stock assessment and TAC setting processes, the TAC announcements in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries were made fewer than 15 days prior to the season opening. This late issuance of IFQ and IPQ prevented participants from share matching and initiating arbitration within the specified time periods. IFQ holders and IPQ holders addressed this shortcoming by agreeing to delay the arbitration process under the "lengthy season approach". By the end of the first year, the Council had amended the timeline to allow unilateral share matching any time more than 5 days after the issuance of IFQ and IPQ and to permit initiation of arbitration any time more than 5 days and less than 15 days after the issuance of IFQ and IPQ.

[40] It should be noted that due date for the market report and formula in the golden king crab fisheries will be moved to 30 days prior to the season opening under an amendment that has yet to be implemented.

terms of delivery for those landings or commence arbitration for all Class A IFQ and IPQ in the two primary fisheries (the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries) and several small secondary fisheries (the Western and Eastern Bering Sea *C. bairdi* fisheries and the St. Matthew Island blue king crab and Pribilof red and blue king crab fisheries).[41] In considering these time pressures, it should be borne in mind that most of the fishing and processing activity in the king crab fisheries occurs in late October and November. Consequently, not only must participants concern themselves with share matching and negotiations, but they also must prepare facilities, vessels, gear, processing lines and position vessels and crews for those fisheries.

**Table 8-6 Approximate schedule for share matching and arbitration.**

| Fishery | Due Date for Market Report and Price Formula | TAC Announcement | IFQ/IPQ Issuance/Start - negotiated commitment period | End - negotiated commitments/Start - unilateral IFQ commitments/Start - initiation of arbitration actions | Season opening - End period to agree to lengthy season approach | End - arbitration initiation period |
|---|---|---|---|---|---|---|
| Bristol Bay red king crab | August 26 | September 29 | October 6 | October 11 | October 15 | October 21 |
| Bering Sea *C. opilio* | August 26 | September 29 | October 6 | October 11 | October 15 | October 21 |
| Eastern Bering Sea *C. bairdi* | August 26 | September 29 | October 6 | October 11 | October 15 | October 21 |
| Western Bering Sea *C. bairdi* | August 26 | September 29 | October 6 | October 11 | October 15 | October 21 |
| Aleutian Islands golden king crab | June 26 | July 18 | August 6 | August 11 | August 15 | August 21 |

To aid in meeting the share matching timeline, the harvester arbitration organization has developed an internet-based system for matching shares—sharematch.com—to facilitate real time commitment of shares and the timely exchange of information concerning uncommitted shares. This system has benefited participants by creating a single forum for commitment of shares.

In the first five years of the program, all participants who have used the binding arbitration process have relied on the lengthy season approach, whereby arbitration proceedings are delayed until a time during the the crab fishing year. To date, all proceedings have occurred at the earliest in the late spring or summer, more than 6 months after the original deadline for initiation of arbitration proceedings in these fisheries. In two cases, the proceeding was delayed well into the following season. Use of this approach has relieved the time pressure under the standard arbitration timeline and has allowed participants to negotiate with more complete market information. On the other hand, some processors contend that the reliance on the lengthy season approach (particularly, if arbitration is delayed beyond the season end) unduly burdens processors by preventing them from timely reconciling their books.

## 8.7.5 Contract Arbitration

During the first year of the program, two binding arbitration proceedings occurred. Both concerned deliveries in the Bering Sea *C. opilio* fishery, with one proceeding also resolving terms for landings in the Bering Sea *C. bairdi* fishery. In the second year of the program, three arbitration proceedings were brought to resolve terms for landings in the Bering Sea *C. opilio*, Bering Sea *C. bairdi* and Bristol Bay red king crab fisheries. In the third and fourth years of the program, no proceedings were brought. In the fifth year three proceedings were brought, two in the Western Aleutian Island golden king crab fishery and one in the Bering Sea *C. opilio* fishery.

[41] The Bering Sea *C. bairdi* fishery is divided into two fisheries, one east of 166° W longitude (the Eastern Bering Sea *C.bairdi* fishery) and one west of 166° W longitude (the Western Bering Sea *C. bairdi* fishery).

In all the proceedings, harvesters were represented by the Inter-Cooperative Exchange.[42] Processors participating in arbitration must act independently. Results of arbitration proceedings cannot be reported, but it can be reported that harvesters have prevailed in most (but not all) arbitration proceedings concerning ex vessel prices.

### *Application of the arbitration standard in binding arbitration*

As discussed above, the arbitration standard delineates the principal objective of both the formula arbitrator and contract arbitrator as establishing an ex vessel price that preserves the historic division of revenues in the fishery; however, the respective roles of the arbitrators in meeting that common objective differ. The formula arbitrator's role is to apply the standard to the overall relationship between harvesters and processors in the fishery; the contract arbitrator's role is to apply the standard to a delivery or set of deliveries from one or more specific harvesters to a specific processor.

As with the formula arbitrator, the contract arbitrator is directed to consider other relevant factors when establishing a price that preserves the historic division of revenues. The complexity (and multidimensionality) of delivery terms and negotiations together with the broad list of considerations in the standard create some uncertainty in the application of the standard. In the first five years of the program, participants in both sectors and arbitrators have worked to interpret the standard and its application to their circumstances. The novelty of the arbitration system and the absence of information from the few binding proceedings that have occurred have contributed to this anxiety.[43] Over time, representatives of participants in both sectors have been nonplussed by outcomes. The uncertainties arising from both multidimensional delivery terms and a relatively inclusive arbitration standard contribute to the uncertainty in outcomes. For example, most participants continue to question the wholesale price to which the historical division of revenues should be applied. Arguments can be made that the price should be applied to an average first wholesale price from the entire fishery or to the average first wholesale price of the specific processor. Others question the degree to which costs associated with production should be considered in making an arbitration finding. Although the arbitration standard provides for consideration of these issues, it does not prescriptively weight their effects on an outcome. Notwithstanding this situation, the arbitration system provides a great degree of stability and certainty to participants in both sectors.

### *Process for binding arbitration*

This section describes the process used once an IFQ holder has initiated a binding arbitration proceeding. The first step in that process occurs simultaneously with the initiation of the arbitration proceeding. At that time, the IFQ holder that initiated the proceeding selects a contract arbitrator to preside over the arbitration from the pool of jointly selected contract arbitrators.[44]

The regulation provides that the arbitrator should meet with the participants as soon as possible after the arbitration is initiated to schedule the proceeding (50 CFR 680.20(h)(3)(vii)). In addition, the regulation directs the contract arbitrator to meet with the parties to determine the terms that must be included in the last best offer submissions, which may be collectively submitted by harvesters that are members of an

[42] Under the rationalization program, IFQ holders may form "harvest cooperatives" that serve the exclusive purpose of coordinating catch of the allocations of their members. Under antitrust law, harvesters that intend to negotiate ex vessel prices collectively must comply with the requirements of the FCMA. Because of their different purposes, the limitations on and requirements for forming cooperatives under the FCMA differ from those of the rationalization program. As a result, IFQ holders in different harvest cooperatives have been able to organize under the FCMA to collectively negotiate prices by meeting the requirements of the FCMA.

[43] Under the arbitration system no information from the arbitration proceedings can be shared among non-participants.

[44] As noted earlier, only IFQ holders are permitted to initiate arbitration proceedings.

FCMA cooperative (50 CFR 680.20(h)(3)(viii) and (xi)).[45] The arbitrator is limited to selecting from the two last best offers (50 CFR 680.20(h)(3)(viii) and (xi)). The arbitrator's finding must be delivered to the parties within 5 days of submission of the offers (or within 10 days of submission, if the arbitration takes place at least 15 days prior to the season opening, which is an impossibility under the current timelines) (50 CFR 680.20(h)(3)(xi)). Beyond these specific requirements, the arbitration procedure is undefined by the regulation. In development of the arbitration system, the Council sought to provide industry with a flexible system that could be efficiently administered by participants (through the arbitration organizations who represent them). The Council reinforced this principle in a recent action to amend the regulations to specifically provide the arbitration administrators (i.e., arbitration organizations, arbitrators, and third party data providers) with the authority to adopt procedures and make administrative decisions in addition to those specified in the regulations, provided those procedures and decisions are not inconsistent with any regulations. With the exception of quality and performance disputes, which may be arbitrated, participants in the fishery are expected to seek remedies only through civil law. Furthermore, the regulations do not provide a process for appealing an arbitration decision.

Although many of the participants in the program share the opinion that the arbitration has effectively resolved pricing issues, some participants in each sector have expressed reservations. Some harvesters believe that the system cannot achieve the results (either in ex vessel price payments or in competition in product markets) that would be achieved by a competitive market for landings. Some processors believe the rules of the arbitration (including the unilateral authority of harvesters to initiate arbitration unfairly disadvantage processors). While these concerns may be worth considering, it is not clear that adjustments to the arbitration system (even minor ones) are possible without disrupting the stability that it provides.

## 8.7.6 Additional Delivery Negotiation Issues

This section reviews issues related to price negotiations under the program that do not fall clearly into one of the above sections that should be considered in assessing whether the program is meeting expectations.

### *Delivery Timing*

During the first five years of the program, participants have generally resolved delivery schedule issues without resorting to the arbitration system. The resolution of these issues has occurred despite contentious negotiations concerning delivery timing. Timing of deliveries (particularly in remote locations) and its effects on processing and fishing operations has caused great concern among the fleet and processors. With the expansion of the fishing season from a few days or weeks to several months, timing of deliveries has become critical to realizing production efficiencies for both sectors. Positioning vessels and crews for harvesting and processing in the fisheries, who then may be required to sit idle, can add substantially to the operational costs. Particularly in the first year or two of the program, some processors adopted negotiation positions that would penalize deliveries outside of identified windows (or, from another perspective, reward harvesters for deliveries within those identified windows) to control production efficiency losses. Although in some instances these positions have been thought to be heavy-handed, they are a reflection of the reality that extending operations over a longer period of time can add substantially to costs, particularly in plants in the North region with little opportunity to process catch from non-crab fisheries during the crab season. More recently, the parties have generally resolved these issues through improved coordination between those working on the grounds and in the plants.

[45] The regulation identifies several price structures that may be included in the terms of last best offers (see 80 CFR 680.20(h)(3)(viii)). The rule also refers to the last best offers as defining the "terms of delivery" (see 80 CFR 680.20(h)(3)(ix)). This statement that the last best offers define the terms of delivery, together with the breadth of factors that must be considered under the standard, clearly imply that any and all terms of delivery may be specified in an offer and decided in an arbitration proceeding.

Complicating delivery schedules is the dependence of harvesters and processors on other fisheries. Many of the large processors in the crab fisheries also have interests in the Bering Sea pollock fisheries. Since the roe season in that fishery coincides with the Bering Sea *C. opilio* fishery, processors have had to juggle production across the two fisheries. In some instances, crab fishermen have been less than satisfied with the priority given crab landings. On the other side, many crab fishermen also participate in Pacific cod fisheries. At times of high cod prices, these crab fishery participants have used the flexibility offered by the share allocations in the rationalization program to increase participation in the fall and winter Pacific cod fisheries, to the frustration of some processors.[46] Although these conflicts with other fisheries may persist, both sectors are reported to have worked to reduce conflicts.[47]

In the each of the first five years of the program, the challenge of achieving coordination has been exacerbated because of uncontrollable events. In all years of the program, unanticipated ice conditions slowed fishing in the Bering Sea *C. opilio* fishery. Both sectors were burdened by the costs of standing by until conditions improved. In the second year, a fire that disabled one processing platform intended to operate in the North region caused substantial rescheduling of landings. Although the fire affected only a single platform, almost all processors were affected because of custom processing arrangements and attempts to move landings at other platforms in both the North and South to mitigate added operational costs. These processing capacity problems were compounded by ice conditions in the fishery. Difficulties redistributing deliveries have been compounded by the rigidity of the regionalized Class A IFQ/IPQ matching requirements and the application of those limitations to such a large portion of the harvest share pool. Given the share matching structure, movement of a landing between regions requires the vessel operator (in conjunction with the intended processor) to access both available Class A IFQ and available IPQ with the appropriate regional designations or the harvester to use Class B IFQ. Given that the system requires full share matching in the preseason to accommodate the arbitration structure, redistributing deliveries using Class A IFQ must involve both the holder of the substituting Class A IFQ and the holder of the substituting IPQ. Greater consolidation of harvest shares in cooperatives provides greater opportunities for harvesters to achieve this coordination. In the absence of access Class A IFQ and matching IPQ, Class B IFQ could be used to resolve these delivery coordination conflicts; however, use of Class B IFQ for this purpose could obviate their use by harvesters for additional negotiating leverage or to achieve operational efficiencies.

To help alleviate the complications arising from unforeseen circumstances preventing deliveries in a region, the Council is considering alternatives allowing an exemption from the regional delivery requirements. The alternatives use civil contracts between harvesters, processors, and regional or community representatives to define the terms of the exemption from the regional landing requirement. The civil contracts are intended to facilitate, clarify and streamline the process that may result from NOAA Fisheries administration of the exemption.

### *Complexity, Cooperatives, and the Inter-Cooperative Exchange*

In the first few years after implementation, some participants (particularly harvesters) expressed concern with the complexity of the program. The extent to which this complexity is attributable to any particular aspects of the program is uncertain. The information needs for effective price negotiations in the fisheries would increase under any rationalization program, as participants resolve delivery and market timing issues, which are absent in limited entry derby fishery. Some participants perceive that the arbitration system adds to these information demands through an arbitration standard dependent on first wholesale

[46] At times, some harvesters who do not participate in the cod fisheries have questioned whether delays in completing crab negotiations were used strategically to allow other harvesters time to complete cod harvests prior to the fleet beginning crab fishing.

[47] In at least one instance, a processor has expressed some concern that the harvester was able to control the delivery schedule, since the processor could not initiate arbitration (or performance arbitration) to resolve a dispute.

market pricing, as well as a variety of other delivery characteristics. In the first few years of the program, many harvesters addressed these complexities by organizing their harvest activities in cooperatives, with much of the communications concerning fishing schedules and price negotiation being undertaken by the cooperative leadership.[48] In addition, most independent harvesters have participated in the Inter-Cooperative Exchange.[49] Information sharing is one of the primary roles served by these coordinated efforts. Participants in the Inter-Cooperative Exchange are permitted to exchange information obtained from negotiations with each individual processor. Consequently, the Inter-Cooperative Exchange is likely to have more comprehensive information about competing processors' activities than the processor with whom it is negotiating. Costs of acquiring information and negotiation are also reduced by consolidation of this activity in a single entity. In addition, it is likely that most harvesters have more information available to them through this coordinated system than they might have under a less structured program (i.e., one that did not include such an arbitration system).

### *Costs of Cooperatives and Arbitration*

Some participants have expressed concern that the costs of participation in the arbitration system are excessive. Arbitration administration costs, cooperative membership fees, costs associated with the Inter-Cooperative Exchange, and arbitration organization fees all add costs to participants in program fisheries.

Over the first five years of the program, the annual costs of the arbitration organizations and arbitration administration have declined as the administrative aspects of the arbitration system have become more established and consolidated. The arbitration organization for harvesters that have no processor affiliation (i.e., independent harvesters) charges each member $500.[50] Costs of membership for the processor and affiliated harvester organization are not known, but are likely to be greater on a per member basis because the sector has fewer share holders over which to disburse costs.

By regulation, arbitration administrative expenses are split evenly between the harvester and processing sectors. Processors advance the costs, recouping the harvesters' half of the expenses through an assessment on landings. In the first year of the program, harvesters were assessed a penny per pound to cover their half of the expenses (approximately $225,000), which combined with an equal contribution by processors resulted in approximately $450,000 to cover the arbitration administration costs. These charges greatly exceeded the first year actual arbitration administration costs (approximately $162,000). The remainder was applied to the second year's arbitration administration costs; therefore, no fee for arbitration administrative expenses was collected that year. In the third year, a landing charge of one-half penny per pound was assessed on all harvests. This amount (together with excess funds from previous seasons) was adequate to cover the costs of the arbitration system in the third year. In the fourth and fifth years no charges on lands were charged as the fees collected exceeded costs. Considering the first five years' experiences, it is likely that administrative costs of the arbitration program will remain below one cent per pound (including processor contributions) in the future.[51]

[48] Some harvesters have expressed concern that delivery scheduling within the fleet is complicated by efforts of some harvesters (and cooperatives) to use scheduling to gain a competitive advantage over other members of the fleet.

[49] For the first four years of the program, the Inter-Cooperative Exchange acted exclusively as a marketing and price negotiating entity for its member cooperatives. In the fifth year of the program, the Inter-Cooperative Exchange modified its structure, becoming a cooperative under the program. This new structure allows the Inter-Cooperative Exchange to directly administer the IFQ harvests of its members (including any intra-cooperative exchanges of shares).

[50] Because of the different information needs of non-affiliated harvesters and the need to limit flow of that information to affiliated harvesters, separate arbitration organizations are mandated by regulation.

[51] Processors are not permitted to participate collectively in arbitration. Consequently, each processor must fully fund its own participation in arbitration.

Cooperative memberships have also increased costs for a large portion of the fleet. These groups are likely beneficial under any rationalization for coordination of harvest activity. Yet, a portion of the activities (and costs) of cooperatives in this program arise from the added need to match Class A IFQ to IPQ. Information concerning these costs are currently unavailable on the magnitude of these costs is available at this time.[52]

In addition to harvest cooperatives, many harvesters bear indirect costs through their cooperative's memberships in the Inter-Cooperative Exchange. Many harvesters view participation in the Inter-Cooperative Exchange as necessary and beneficial at this time. Membership is reported to be stimulated by both the complexity of the arbitration system and the relatively large portion of the harvest allocation that is subject to the IPQ landing requirements and arbitration. Many fishermen believe that accountants and lawyers are necessary to guide negotiations due to the complexity of the system and the expense of gathering market information needed for effective negotiation. The structure of the Inter-Cooperative Exchange has helped distribute its costs through general membership dues based on share holdings. Members are charged these dues regardless of whether their shares are subject to specific negotiation disputes or arbitration.[53] The exact level of these charges is confidential; however, considering the relatively small landing fees that fund the arbitration system's administration, it seems reasonable for harvesters to join the Inter-Cooperative Exchange (at its current membership level) if they believe the organization increases ex vessel prices by even a few cents per pound.

## 8.8 Pricing and terms of Class B IFQ and C share IFQ deliveries

Since 90 percent of the annual IFQ allocation is made up of A shares, the distribution of benefits between harvesters and processors under the rationalization program has in large part depended on the distribution of benefits from landings of Class A IFQ. In developing the program, however, the Council included 10 percent of the annual catcher vessel owner IFQ allocation as B shares, which may be landed with any processor. To ensure that the benefit of the B share allocation to independent harvesters is not diminished by vertical integration, B shares are issued only to QS holders to the extent of their independence of processor affiliation.[54] In addition, C share IFQ, available to be held by active crew in the fisheries, are free from processor share landing requirements.

In the first year of the program, harvesters had some difficulty adjusting to the IPQ landing requirements on Class A IFQ. These complications led many harvesters to use Class B IFQ to address logistical complications arising because of the landing limitations on Class A IFQ.[55] Since that time, many

[52] Economic data reports include information on cooperative costs. Once issues concerning the quality and confidentiality of data in those reports have been adequately addressed, information concerning cooperative costs may be available.

[53] Given the negotiation strategy of using one processor's offer to induce other processors to match the price, this distribution of charges is generally perceived as fair and beneficial by Inter-Cooperative Exchange members. The incentive to arbitrate, in turn, is likely affected if costs are shared by persons who are not party to the arbitration. To the extent that success in arbitration boosts prices from other processors (either through the feedback of the price formula in the following year or through the cooperative's reputation for successful negotiation), non-parties who are members of the Inter-Cooperative Exchange likely benefit from those proceedings.

[54] Affiliation under the regulation exists in the case of either functional control of the QS holder or common ownership in excess of 10 percent (50 CFR 680.2). QS holders receive Class A IFQ in an amount equal to the IPQ allocation of their affiliates, with any remainder subject to the Class A IFQ/Class B IFQ split.

[55] In some cases, harvesters landed small amounts of Class B IFQ with deliveries of Class A IFQ, effectively rounding out the trip. These harvesters believed that it is more efficient to fully harvest and deliver their Class A IFQ allocations with a minor overage that is covered by Class B IFQ, rather than risk an minor underage that might require an additional delivery to a processor. Harvesters clearly gain some efficiencies from this practice, but it does limit their ability to competitively market Class B IFQ landings. In other cases, harvesters used almost exclusively

harvesters have adapted to the program and used their cooperative associations to pool Class B IFQ to be marketed separately from Class A IFQ. As a result, it is believed that most harvesters have been able to develop some competition for their Class B IFQ landings.

Data distinguishing ex vessel prices by IFQ type, as well as anecdotal evidence, suggest that harvesters have been able to gain a premium on landings of Class B and C share IFQ catch over landings Class A IFQ catch (see Table 8-7). [56] These premiums vary across participants and time, averaging between 5 cents and 10 cents.[57] Premiums are thought to fluctuate with market conditions, which vary within and across years. When crab product markets are particularly weak, processors are thought to be generally less willing to buy crab to add to existing inventories. Although price data do not show noticeable differences, competition for Class B and C share IFQ is believed to have been at its lowest in the first year of the program, when harvesters were least prepared to market landings and crab prices were particularly low. Harvesters, who have since become more familiar with the program, were less prepared to coordinate activities to generate competition for Class B and C share IFQ catches. Since that time, harvesters are said to have become better organized, stimulating more competition for Class B and C share IFQ landings. Premiums are thought follow a few patterns. Specifically, premiums are thought to be raised when a processor has identified a specific market for its product.

**Table 8-7 Average landings prices by share type in the Bristol Bay red king crab, Bering Sea C. opilio, and Bering Sea C. bairdi fisheries (2006 through 2009 - annual data).**

| Fishery | Year | Class A IFQ landings | | | Class B IFQ landings | | | C share IFQ landings | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Revenue | Pounds | Price | Revenue | Pounds | Price | Revenue | Pounds | Price |
| Bristol Bay red king crab | 2006 | 43,204,549 | 11,330,881 | 3.813 | 11,066,488 | 2,855,527 | 3.875 | 2,003,144 | 528,689 | 3.789 |
| | 2007 | 65,323,237 | 14,730,496 | 4.435 | 15,766,650 | 3,502,205 | 4.502 | 2,232,231 | 487,674 | 4.577 |
| | 2008 | 70,197,669 | 13,796,804 | 5.088 | 21,098,077 | 4,100,529 | 5.145 | 1,719,372 | 332,681 | 5.168 |
| | 2009 | 53,856,252 | 11,615,840 | 4.636 | 14,229,047 | 3,022,906 | 4.707 | 2,148,870 | 451,832 | 4.756 |
| Bering Sea *C. opilio* | 2006 | 29,383,117 | 26,346,823 | 1.115 | 6,582,021 | 5,757,362 | 1.143 | 984,460 | 858,784 | 1.146 |
| | 2007 | 42,982,091 | 25,149,087 | 1.709 | 9,522,130 | 5,442,174 | 1.750 | 1,409,742 | 837,659 | 1.683 |
| | 2008 | 73,364,358 | 42,596,568 | 1.722 | 20,729,104 | 11,513,265 | 1.800 | 2,888,953 | 1,559,611 | 1.852 |
| | 2009 | 58,563,857 | 40,284,632 | 1.454 | 14,426,795 | 9,931,193 | 1.453 | 1,987,301 | 1,261,385 | 1.575 |
| Bering Sea *C. bairdi* | 2006 | 952,885 | 633,227 | 1.505 | 347,285 | 215,946 | 1.608 | 22,391 | 15,466 | 1.448 |
| | 2007 | 3,122,336 | 1,784,579 | 1.750 | 466,261 | 255,640 | 1.824 | 42,002 | 24,708 | 1.700 |
| | 2008 | 2,890,985 | 1,558,198 | 1.855 | 1,078,376 | 553,377 | 1.949 | 70,074 | 36,233 | 1.934 |
| | 2009 | 2,955,173 | 1,548,135 | 1.909 | 854,372 | 460,747 | 1.854 | 109,361 | 59,051 | 1.852 |

Source: EDR data

In addition to anecdotal and collected price information, other sources of evidence suggest that harvesters have developed competition for Class B and C share IFQ landings. In many cases, harvesters have been able to make deliveries of crab harvested exclusively with Class B and C share IFQ (see Table 8-8 and Table 8-9). The data suggest that, through the first four years of the program, harvesters increased their coordination of the harvest of allocations to allow deliveries of Class B and C share IFQ harvests

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Class B IFQ to cover deadloss. Both of these practices are believed to have declined since the first year of the program.

[56] Care should be taken in interpreting data concerning price differences across share type. Since these data are annual, vessel level data, substantial premiums received by a vessel for a landing may be obscured, if that same vessel made landings without any premium. Similarly, examining price fluctuations in relationship to the market is not possible for two reasons. First, price data are reported on an annual basis. Second, the pricing agreements often do not coincide with deliveries and may be reached before, during, or even after the season.

[57] The difference between ex vessel prices for Class A IFQ landings and Class B and C share IFQ landings are likely the best available information for valuing IPQ and PQS. The value of an annual IPQ pound is the difference between the Class A IFQ/IPQ landings price and Class B and C share IFQ landings price. The value of PQS is the discounted stream of savings on the yielded IPQ ex vessel price payments as compared to price payments for the same quantity of Class B or C share IFQ landings. As with QS, PQS values may be discounted from these levels to accommodate TAC and market uncertainties.

independent of harvests of Class A IFQ in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries, as approximately two-thirds of the pool of those shares were landed independent of Class A IFQ in the third and fourth years of the program. In the fifth year of the program, the portion of the Class B and C share IFQ pools landed independently of Class A IFQ declined to between 45 percent and 50 percent of the pool of Class B and C share IFQ in those two fisheries. Yet, it is notable that the average delivery of exclusively B and C share IFQ increased to approximately 90,000 pounds. The increase in the size of these deliveries suggest that harvesters are achieving greater efficiency in the harvest of these shares and that harvesters have been able to negotiate separate delivery terms for these shares in some cases.

**Table 8-8 Deliveries of crab harvested exclusively with Class B and C share IFQ in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries (2005-2006 through 2009-2010).**

| Fishery | Season | Total number of deliveries | Total pounds landed | Total B/C IFQ* landed | Deliveries of B/C IFQ exclusively | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of deliveries | Percent of deliveries | Total pounds delivered | Percent of B/C IFQ pool | Average delivery | Median delivery |
| Bristol Bay red king crab | 2005-2006 | 228 | 15,725,723 | 1,968,154 | 25 | 11.0 | 593,484 | 30.2 | 23,739 | 15,282 |
| | 2006-2007 | 168 | 13,248,036 | 1,663,571 | 22 | 13.1 | 488,638 | 29.4 | 22,211 | 6,109 |
| | 2007-2008 | 219 | 17,497,740 | 2,220,327 | 33 | 15.1 | 1,360,461 | 61.3 | 41,226 | 38,209 |
| | 1008-2009 | 224 | 17,462,247 | 2,194,695 | 39 | 17.4 | 1,483,396 | 67.6 | 38,036 | 36,363 |
| | 2009-2010 | 191 | 13,687,936 | 1,724,281 | 22 | 11.5 | 762,311 | 44.2 | 34,651 | 19,494 |
| Bering Sea *C. opilio* | 2005-2006 | 257 | 30,233,056 | 3,830,350 | 19 | 7.4 | 1,202,393 | 31.4 | 63,284 | 31,301 |
| | 2006-2007 | 228 | 29,710,449 | 3,775,748 | 33 | 14.5 | 2,345,567 | 62.1 | 71,078 | 57,299 |
| | 2007-2008 | 392 | 51,627,697 | 6,602,252 | 59 | 15.1 | 4,693,859 | 71.1 | 79,557 | 69,718 |
| | 1008-2009 | 363 | 47,748,526 | 6,117,206 | 54 | 14.9 | 4,008,860 | 65.5 | 74,238 | 64,252 |
| | 2009-2010 | 276 | 39,331,636 | 5,029,562 | 28 | 10.1 | 2,539,847 | 50.5 | 90,709 | 75,255 |

Source: RAM IFQ landings database.
* includes Class B IFQ and C share IFQ landings.

In the other fisheries, data cannot be released showing the poundage of landings of Class B and C share IFQ that were landed separately from Class A IFQ. The data in these fisheries, however, suggest that harvesters have managed to segregate the harvest of Class B and C share IFQ to some degree.

**Table 8-9 Deliveries of crab harvested exclusively with Class B and C share IFQ in the Bering Sea *C. bairdi,* Aleutian Island golden king crab, and St. Matthew Island blue king crab fisheries (2005-2006 through 2009-2010).**

| Fishery | Season | Total number of deliveries | Number of deliveries of B and C shares exclusively | Percent of deliveries that were deliveries of B and C shares exclusively |
|---|---|---|---|---|
| Eastern Aleutian Islands golden king crab | 2005-2006 | 28 | 2 | 7.1 |
| | 2006-2007 | 24 | 2 | 8.3 |
| | 2007-2008 | 27 | 1 | 3.7 |
| | 1008-2009 | 26 | 3 | 11.5 |
| | 2009-2010 | 26 | 6 | 23.1 |
| Eastern Bering Sea *C. bairdi* | 2006-2007 | 51 | 8 | 15.7 |
| | 2007-2008 | 50 | 7 | 14.0 |
| | 1008-2009 | 50 | 9 | 18.0 |
| | 2009-2010 | 32 | 6 | 18.8 |
| Western Aleutian Islands golden king crab | 2005-2006 | 19 | 2 | 10.5 |
| | 2006-2007 | 9 | 0 | 0.0 |
| | 2007-2008 | 16 | 3 | 18.8 |
| | 1008-2009 | 14 | 1 | 7.1 |
| | 2009-2010 | 13 | 1 | 7.7 |
| Western Bering Sea *C. bairdi* | 2005-2006 | 68 | 17 | 25.0 |
| | 2006-2007 | 55 | 12 | 21.8 |
| | 2007-2008 | 43 | 5 | 11.6 |
| | 2008-2009 | 49 | 14 | 28.6 |
| St. Matthew Island blue king crab | 2009-2010 | 16 | 1 | 6.3 |

Source: RAM IFQ landings database.

Examining buyers of Class B and C share IFQ catches and the extent to which buyers purchase larger portions of the Class B and C share IFQ catches than Class A IFQ catches suggest that some processors are competing for landings of Class B and C share IFQ catch (see Table 8-10). In the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries, more persons have purchased Class B and C share IFQ catches than Class A IFQ catches. This difference suggests both competition for Class B and C share IFQ landing and the entry to the fisheries of persons through purchases of Class B and C share IFQ landings. Examining processors who purchased a greater share of the Class B and C share IFQ landings than Class A IFQ landings also suggests that a few buyers have competed for these landings. In both the Bristol Bay red king crab and the Bering Sea *C. opilio* fisheries, a large portion of the Class B and C share IFQ catches have been purchased by a few buyers who have purchased a small share of the Class A IFQ catches. Only in the 2008-2009 Bristol Bay red king crab season has the poundage of Class B and C share IFQ landings exceeded the purchases of Class A IFQ landings by these buyers. Also, it is notable that in the most recent Bering Sea *C. opilio* season landings with processors that purchased more of the Class B and C share IFQ catches that Class A IFQ catches appears to have decreased suggesting a decrease in competition for these landings (which is also suggested by relative absence of a price differential for these shares); however, overall, the differential in the distribution of landings suggests that harvesters have been able to stimulate competition for these Class B and C share IFQ catches.

**Table 8-10 Purchases of IFQ landings by share type in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries (2005-2006 through 2009-2010).**

| Fishery | Season | Class A IFQ landings | | B/C* IFQ landings | | Buyers purchasing a greater percent of B/C IFQ pool than of the Class A pool | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Number of buyers | Total pounds landed | Number of buyers | Total pounds landed | Number of buyers | Pounds of Class A IFQ landings purchased | Percent of Class A IFQ pool purchased | Pounds of B/C IFQ landings purchased | Percent of B/C IFQ pool purchased |
| Bristol Bay red king crab | 2005 - 2006 | 9 | 13,757,569 | 10 | 1,968,154 | 4 | 2,505,097 | 18.2 | 1,226,332 | 62.3 |
| | 2006 - 2007 | 10 | 11,584,465 | 12 | 1,661,730 | 5 | 3,200,529 | 27.6 | 902,304 | 54.3 |
| | 2007-2008 | 13 | 15,277,413 | 15 | 2,220,327 | 6 | 2,838,886 | 18.6 | 1,928,226 | 86.8 |
| | 2008-2009 | 12 | 15,267,552 | 14 | 2,194,695 | 6 | 1,456,709 | 9.5 | 1,668,013 | 76.0 |
| | 2009-2010 | 11 | 11,963,655 | 13 | 1,724,281 | 6 | 3,494,991 | 29.2 | 1,338,976 | 77.7 |
| Bering Sea *C. opilio* | 2005 - 2006 | 9 | 26,402,706 | 10 | 3,830,350 | 5 | 8,579,616 | 32.5 | 2,281,550 | 59.6 |
| | 2006 - 2007 | 12 | 25,934,701 | 14 | 3,772,320 | 5 | 3,454,996 | 13.3 | 2,782,536 | 73.8 |
| | 2007-2008 | 11 | 45,025,445 | 15 | 6,602,252 | 7 | 5,914,751 | 13.1 | 4,699,000 | 71.2 |
| | 2008-2009 | 10 | 41,631,320 | 12 | 6,117,206 | 4 | 5,436,982 | 13.1 | 4,645,602 | 75.9 |
| | 2009-2010 | 9 | 34,302,074 | 10 | 5,029,562 | 3 | 4,446,019 | 13.0 | 2,930,986 | 58.3 |

Source: RAM IFQ database.
* includes Class B IFQ and C share IFQ.

In the smaller fisheries, data concerning the differences in purchases of Class B and C share IFQ catches and Class A IFQ catches cannot be revealed because of confidentiality protections; however, the number of buyers of catches by share type can be revealed. With few exceptions, the same number of persons have purchased catches of the different share types. The absence of buyers of only Class B and C share IFQ catches does not mean that harvesters have not generated competition for these landings, but raises the question of whether persons who do not have IPQ will have the ability to enter these small TAC fisheries. In all of these fisheries, a few buyers have purchased a greater percentage of the Class B and C share IFQ catches than Class A IFQ catches. These numbers suggest that to some extent harvesters have directed landings to persons willing to pay the most for those catches in these fisheries.

**Table 8-11 Buyers of catches by share type and fishery in the Bering Sea *C. bairdi,* Aleutian Island golden king crab, and St. Matthew Island blue king crab fisheries (2005-2006 through 2009-2010).**

| Fishery | Season | Class A IFQ | | B/C* IFQ | |
|---|---|---|---|---|---|
| | | Number of buyers | Total pounds landed | Number of buyers | Total pounds landed |
| Eastern Aleutian Island golden king crab | 2005-2006 | 4 | 2,134,076 | 4 | 308,474 |
| | 2006-2007 | 5 | 2,245,212 | 5 | 320,223 |
| | 2007-2008 | 3 | 2,241,690 | 3 | 322,581 |
| | 2008-2009 | 5 | 2,355,260 | 5 | 339,649 |
| | 2009-2010 | 6 | 2,353,325 | 6 | 346,635 |
| Eastern Bering Sea *C. bairdi* | 2006-2007 | 7 | 1,085,709 | 8 | 129,288 |
| | 2007-2008 | 6 | 1,186,228 | 7 | 179,568 |
| | 2008-2009 | 7 | 1,300,447 | 9 | 191,389 |
| | 2009-2010 | 10 | 977,839 | 11 | 138,761 |
| Western Aleutian Island golden king crab | 2005-2006 | 4 | 1,102,941 | 4 | 163,226 |
| | 2006-2007 | 4 | 718,180 | 4 | 162,106 |
| | 2007-2008 | 3 | 962,837 | 3 | 163,214 |
| | 2008-2009 | 6 | 910,312 | 6 | 165,820 |
| | 2009-2010 | 4 | 1,134,366 | 4 | 167,374 |
| Western Bering Sea *C. bairdi* | 2005-2006 | 7 | 693,212 | 7 | 65,861 |
| | 2006-2007 | 8 | 548,820 | 8 | 62,597 |
| | 2007-2008 | 7 | 420,540 | 7 | 36,653 |
| | 2008-2009 | 5 | 92,153 | 7 | 15,964 |
| St. Matthew Island blue king crab | 2009-2010 | 6 | 439,512 | 6 | 21,347 |

Source: RAM IFQ database.
* includes Class B IFQ and C share IFQ.

In addition to data shortcomings, several other factors complicate any consideration of the degree to which the 10 percent Class B IFQ and 3 percent C share IFQ allocations create a competitive market. In considering the extent of competition for Class B and C share IFQ landings, it is important to recognize that the predominance of Class A IFQ/IPQ landings in the fisheries. As should be anticipated, with a large majority of the catch subject to the IPQ landing limitations (and potentially the arbitration system), it is possible that available markets for landings of Class B and C share IFQ are limited. Three factors could contribute to this reduction in competition: choices of IFQ holders to use Class B and C share IFQ to achieve harvester production efficiencies (instead of attempting to market those IFQ competitively), any loss of incentive to pursue product market opportunities arising from the Class A IFQ/IPQ allocations and arbitration system, and any disincentive for entry arising from the magnitude of the Class A IFQ/IPQ allocation.

Although less prevalent since the first year of the program, some harvesters are believed to have elected to use Class B and C share IFQ to improve harvesting production efficiencies, making those IFQ unavailable for competitive marketing. Driven by IFQ holders' decisions, this use of shares will limit the extent of competition for landings of Class B and C share IFQ. Harvesters may realize efficiencies in harvesting by using Class B and C IFQ harvests to supplement a partial delivery of Class A IFQ harvests, reducing the need for an additional trip to harvest (and independently market) the Class B and C IFQ catch. Also, when making Class A IFQ harvests, some harvesters use Class B and C share IFQ to avoid underages that would require an additional trip, knowing that Class B and C shares can be used to cover any Class A IFQ harvest overage. These uses of Class B and C share IFQ clearly benefit harvesters, but

detract from the use of Class B and C shares to pursue competitive markets. Yet, harvesters adopting this practice may be better off, particularly with Class A IFQ landings bringing prices relatively close to Class B and C share landings.

The Class A IFQ/IPQ share allocations effects on processor entry could also reduce competition for Class B and C share IFQ landings. To enter a fishery at all a processor likely must purchase some minimum level of landings. With the large share of the TAC committed to IPQ holders as Class A IFQ, it is possible that some potential entrants view the Class B and C share IFQ pool as too small to support their entry. In other words, although some processors have entered the fishery through purchase of Class B and C share IFQ landings, that pool of landings may be too small to support entry by all processors that wish to enter. So, it is possible that Class B and C share IFQ ex vessel prices are somewhat dampened by the election of potential processors not to enter the market for these landings. It is important to consider that this reduction in entry and competition is an expected effect that arises from the Class A IFQ/IPQ allocations. The Class A IFQ/IPQ pool is intended to protect investments of existing processors, in a manner similar to the protection of harvester investments by IFQ. In addition, entry to processing in the crab fisheries is challenging in any case and is likely limited by the nature of the fisheries. The remote processing locations and limited TACs require that a processor have processing activities in other fisheries (including groundfish fisheries) to support processing investments. So, reductions in competition for Class B and C share IFQ landings arise not only from the Class A IFQ allocations in the fishery, but also from the characteristics of the fisheries themselves.

Competition for Class B and C share IFQ landings may also be inhibited to the extent that the allocations under the program inhibit product developments. A few competing factors shed light on whether the program's share allocations have inhibited product developments. In the second and third years of the program, one processor that holds no PQS has been active in the processing sector through the purchase of Class B and C share IFQ landings and has leased IPQ. This processor developed relatively high quality red and golden king products, choosing to separate legs during primary production, rather than producing bulk packs of sections that are later separated during secondary processing. The development of these products exclusively by a processor without PQS could be interpreted to suggest that PQS may be inhibiting product development. On the other hand, these production developments might be most efficiently adopted by an entering processor; and the advantage of an entering processor may be greatest when the market is relatively small. The entering processor may be able to have all of its production go to this small market, whereas an existing processor with larger production amounts may need to maintain two lines of production to adapt to a small niche market. Juggling production and personnel across two lines by an existing processor could increase production costs. An entering processor may be able to configure its production line from scratch. Modification of existing lines may be more costly and may not be worth the tradeoff for a larger processor with an existing line and larger scale production, particularly for development of a small niche market. In addition, examining world markets sheds light on whether the product developments are lagging in the program fisheries. If products are being developed elsewhere that are neglected here, the share allocations under the program may be creating a disincentive for innovation. To date, no evidence of such a lag has been suggested. In addition, after the third year, the entering processor failed, closing its operations. This failure likely resulted from a drop in cod prices, as the processor had been very active in that market. Consequently, the failure may not suggest an absence of potential for new markets and crab production. On the other hand, the company's departure demonstrates the importance of having a relatively stable, broad-based operation that includes products from outside of the crab fisheries.

# 9 ENTRY OPPORTUNITIES

This section examines entry opportunities to the crab fisheries and how those opportunities changed under the rationalization program. The section begins with a brief discussion of harvester entry opportunities under the License Limitation Program, which preceded the rationalization program, which is followed by a discussion of entry opportunities under the rationalization program. The section then goes on to discuss entry to the processing sector under the LLP and the rationalization program.

## 9.1 Entry to the harvest sector under the LLP

Entry into the fisheries under the LLP occurred primarily in two ways. Some persons with access to considerable capital were able to enter through the purchase of an LLP license and vessel. Since the fisheries were greatly overcapitalized, some lenders were reluctant to extend financing for entry to the fisheries. In addition, historically low GHLs in the early 2000s, made investments to the fishery less attractive. The nature of the fisheries also increase the risk associated with entry. In brief derby seasons of a few days or weeks, poor catch rates and vessel breakdowns could result in no or little revenues for the season. New entrants dependent on revenues from the fisheries for their vessel payments faced greater risks under this derby management as they competed with others for a share of the GHL.

In the years leading up to the rationalization program, the cost of full scale entry of this sort was generally dependent on the history associated with the license and vessel purchase. Most persons anticipated the history-based harvest allocations under the rationalization program (and under the buyback), so prices of licenses and vessels were typically dependent on catch histories. Few transactions occurred in the years leading up to the program, as many persons sought to retain holdings until the rationalization program was implemented (see Table 9-1).

**Table 9-1 Transfers of crab LLP licenses (2002-2004).**

| Year | Number of transfers | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Bristol Bay red king crab | Bering Sea *C. opilio* and *C. bairdi* | Pribilof red and blue king crab | St. Matthew Island blue king crab | Aleutian Island red king crab | Aleutian Island golden king crab | Catcher processor |
| 2002 | 1 | 1 | 1 | 0 | 1 | 0 | 0 | 0 |
| 2003 | 3 | 3 | 3 | 1 | 0 | 1 | 2 | 2 |
| 2004 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: NMFS RAM LLP license file.
Includes only transfers with change of named license holder.

An alternative method of entry was open to some captains and crew in the fisheries. The typical progression in the fisheries was for crewmembers to work their way up to become skippers. With most vessels employing approximately 5 deck crew, the opportunity for advancement to skipper was limited. Some long term captains who sought to enter the fisheries were able to convince the vessel owner/license holders they worked for to sell them an interest in the operation. Persons entering the fishery in this manner, typically had strong long term relationships with their employers (i.e., the vessel owners) and shared in the oversight of annual maintenance and upkeep of the vessel. This progression from skipper to vessel owner was also available only to a few skippers, who had strong relationships with a vessel owner who was interested in sharing an interest in the vessel. Some vessel owners were unwilling to accept investments in the years leading up to the rationalization program, anticipating history based allocations under the program. As a consequence of the distribution of harvest privileges and stock conditions in the fisheries, entry opportunities were limited under the LLP.

## 9.2 Entry to the harvest sector under the rationalization program

Since the crab fisheries were greatly overcapitalized on implementation of the rationalization program, any absence of entry to the fisheries to date should be fully expected. The restructuring of harvest privileges under the rationalization program has changed the nature of entry opportunities substantially. Entry can occur through the purchase of harvesting QS without ownership of an interest in a vessel or a supporting license. Annual IFQs can then be fished liberally through leasing arrangements. Since QS are divisible, gradual entry into the program fisheries is permitted. The cost of entry is determined by QS prices, which depend on TACs, crab markets and other factors.

QS can be purchased directly from QS owners or through brokers. The market for crab QS has tended to be less fluid than that for sablefish or halibut QS because crab QS holdings are more concentrated with a relatively smaller number of known participants in the market. Since much of the share concentration resulted from the initial allocation of QS, the thin market is largely a reflection of the historic distribution of interests in the fisheries. The more industrial nature of the fishery, with larger investments in vessels, has also contributed to concentration of interests. With this concentration, few transactions take place and most transactions for owner QS have tended to be large, requiring substantial access to capital (see Table 9-2). Until the most recent year, the annual average priced transaction for owner QS (based on available price information and the average transfer size) exceeded $300,000 in the Bering Sea *C. opilio* fishery and the Bristol Bay red king crab fishery. At the extreme, in the second year of the program, the average owner QS transaction in the Bristol Bay red king crab fishery was approximately $1 million. In these fisheries, the average owner share transaction has been for nearly one-tenth of one percent of the QS in the fishery (an amount substantially less than the average annual vessel harvest). Although these large QS purchases are subject to risks associated with TAC fluctuations, they have substantially less risk than the purchase of licenses and vessels under the derby-style LLP fishery.

Full scale entry requires ownership of a vessel in addition to this quota acquisition. Yet, cooperative harvest of IFQ and leasing create an opportunity for a more gradual entry without a vessel. A person can lease IFQ yielded by held QS over a period of years, then acquire a vessel to achieve full scale entry. This method of entry has created greater entry opportunities than existed under LLP management.

Alternatively, the separation of accessible harvest privileges from vessel ownership allows persons to enter by purchasing a vessel without QS. Through the leasing market such a person can access IFQ without substantial QS holdings; however, such an approach to entry to the fishery is relatively high risk and may have little return. The entering vessel owner comes to the lease market with relatively high demand for IFQ and must lease enough IFQ to support the vessel's operation and mortgage payments. Given the prerationalization overcapacity in the fishery, it is not surprising that persons choosing to enter the fishery in this manner have had difficulty. Because of this glut of vessels (most of which are owned by persons who received substantial initial allocations of QS), those entering the fisheries by purchasing a vessel without access to substantial amount of QS will face a costly lease market. In such a circumstance, the entering vessel owner is likely to find small margins on leases. The specific circumstances of a vessel owner may determine whether entry is successful. If the vessel is engaged in other activities outside of the crab fisheries (such as cod fisheries or tendering), the potential for success is likely greater. As under the LLP, full scale entry opportunities to the fisheries are limited and remain costly. Yet, the divisibility of interests in the rationalization program allows more paths of entry and may reduce risk depending on the method of entry chosen.

**Table 9-2 QS transfers and estimated transfer costs (2005 to 2010)**

| Fishery | Sector | Year | Number of priced transfers | Total number of priced shares transferred | Average share price | Average cost of a transfer | Average portion of quota share pool transferred |
|---|---|---|---|---|---|---|---|
| Bristol Bay red king crab | Catcher vessel crew | 2005 | 20 | 1,167,992 | 0.75 | 43,686 | 0.015 |
| | | 2006 | 24 | 1,130,330 | 0.68 | 32,257 | 0.012 |
| | | 2007 | 10 | 525,490 | 0.65 | 34,303 | 0.013 |
| | | 2008 | 10 | 522,640 | 0.81 | 42,408 | 0.013 |
| | | 2009 | 9 | 427,846 | 0.75 | 35,879 | 0.012 |
| | Catcher vessel owner | 2005 | 12 | 5,109,609 | 0.78 | 330,542 | 0.106 |
| | | 2006 | 27 | 24,420,200 | 1.20 | 1,084,922 | 0.225 |
| | | 2007 | 21 | 7,144,784 | 1.17 | 399,207 | 0.085 |
| | | 2008 | 29 | 15,859,554 | 1.10 | 601,410 | 0.136 |
| | | 2009 | 12 | 4,525,837 | 0.90 | 339,745 | 0.094 |
| | | 2010 | 14 | 1,304,924 | 0.87 | 81,286 | 0.023 |
| Bering Sea *C. opilio* | Catcher vessel crew | 2005 | 25 | 2,793,091 | 0.24 | 27,341 | 0.011 |
| | | 2006 | 33 | 2,589,187 | 0.19 | 15,100 | 0.008 |
| | | 2007 | 12 | 821,969 | 0.26 | 17,753 | 0.007 |
| | | 2008 | 10 | 757,824 | 0.42 | 31,589 | 0.008 |
| | | 2009 | 15 | 1,121,203 | 0.28 | 20,804 | 0.007 |
| | Catcher vessel owner | 2005 | 23 | 25,473,247 | 0.38 | 419,732 | 0.110 |
| | | 2006 | 36 | 48,984,237 | 0.26 | 350,501 | 0.135 |
| | | 2007 | 26 | 24,751,778 | 0.47 | 445,936 | 0.095 |
| | | 2008 | 21 | 19,426,276 | 0.56 | 518,192 | 0.092 |
| | | 2009 | 14 | 6,452,415 | 0.34 | 155,133 | 0.046 |
| Bering Sea *C. bairdi* | Catcher vessel crew | 2005 | 14 | 400,790 | 0.19 | 5,545 | 0.014 |
| | Catcher vessel owner | 2005 | 10 | 5,403,408 | 0.31 | 169,137 | 0.269 |
| Eastern Bering Sea *C. bairdi* | Catcher vessel crew | 2006 | 17 | 394,012 | 0.05 | 1,117 | 0.012 |
| | | 2007 | 5 | 178,143 | 0.07 | 2,662 | 0.018 |
| | Catcher vessel owner | 2006 | 17 | 6,577,526 | 0.07 | 25,414 | 0.193 |
| | | 2007 | 9 | 3,030,918 | 0.26 | 86,601 | 0.168 |
| | | 2008 | 17 | 7,206,331 | 0.21 | 88,902 | 0.211 |
| | | 2009 | 5 | 832,229 | 0.06 | 9,888 | 0.083 |
| Western Bering Sea *C. bairdi* | Catcher vessel crew | 2006 | 15 | 349,891 | 0.04 | 817 | 0.012 |
| | | 2007 | 5 | 178,143 | 0.04 | 1,585 | 0.018 |
| | Catcher vessel owner | 2006 | 22 | 8,511,781 | 0.08 | 31,788 | 0.193 |
| | | 2007 | 8 | 2,948,045 | 0.08 | 31,294 | 0.184 |
| | | 2008 | 18 | 7,264,683 | 0.08 | 33,549 | 0.201 |
| | | 2009 | 5 | 832,229 | 0.03 | 5,809 | 0.083 |

Notes: Includes only priced transfers for share types of which 5 or more non-nominally priced transactions occurred in a years. All transfers of Bering Sea *C. bairdi* occurred prior to division of those allocations into two areas and therefore include transfers of both Eastern and Western Bering Sea *C.bairdi*. A portion of these transfers included accompanying IFQ for the current season.

Source: Restricted Access Management, NOAA Fisheries.

While large scale entry is challenging, C share QS have opened new avenues for small scale entry by eligible crew. C share QS typically sell for less than owner QS, in part, because of the active participant requirements applicable to C shares. The relatively low caps on C share QS holdings and the small percentage of the total harvest share allocation made up of C shares limit the ability of persons to

consolidate large C share QS holdings. As a result, C shares transfers must be of relatively small amounts of QS, which are likely to be more affordable, particularly to crew, who may have less access to capital. Available transfer information from the first five years of the program suggests that the average transfer in each fishery is for approximately one-hundredth of the QS pool and is valued at less than $50,000. Notwithstanding these relatively small scale transactions, some crew report that access to capital remains problematic, as the planned federal loan program has yet to be launched.

One way to examine entry to the harvest sector is to estimate the acquisition of QS by persons who did not receive an initial allocation. Two types of entrants could be considered: entrants who acquired shares in a fishery in which they hold no shares and entrants who acquired shares who hold shares in none of the program fisheries. Considering owner QS first, data suggest that entrants of either type have acquired over 10 percent of the owner QS in all fisheries, over 20 percent in the two major fisheries, and over 40 percent in the Eastern Aleutian Islands golden king crab fishery (see Table 9-3). Almost 60 new holders, who did not receive an initial allocation in any fishery, have acquired QS in the first five years of the program. Yet, given that many persons hold owner QS indirectly, through corporations or partnerships, it is likely that a portion of this suggested entry is simply restructuring of holdings of persons who received allocations.

**Table 9-3 New holders of owner QS since the initial allocation**

owner qs

| Fishery | New QS holder in the fishery | | | New QS holder in all fisheries | | |
|---|---|---|---|---|---|---|
| | Number of entrants | QS units acquired | Percent of QS pool acquired | Number of entrants | QS units acquired | Percent of QS pool acquired |
| Bristol Bay red king crab | 71 | 88,775,336 | 22.8 | 59 | 76,583,985 | 19.6 |
| Bering Sea *C. opilio* | 64 | 215,880,299 | 22.1 | 53 | 193,046,536 | 19.8 |
| Eastern Aleutian Islands golden king crab | 7 | 4,036,693 | 41.6 | 4 | 3,768,575 | 38.9 |
| Eastern Bering Sea *C. bairdi* | 46 | 37,165,677 | 19.1 | 46 | 37,165,677 | 19.1 |
| Pribililof red and blue king crab | 31 | 5,885,636 | 20.1 | 22 | 4,972,631 | 17.0 |
| St. Matthew Island blue king crab | 43 | 7,540,301 | 25.6 | 33 | 5,569,191 | 18.9 |
| Western Aleutian Islands golden king crab | 4 | 4,856,969 | 12.5 | 4 | 4,856,969 | 12.5 |
| Western Aleutian Islands red king crab | 9 | 10,246,983 | 17.6 | 5 | 9,619,962 | 16.5 |
| Western Bering Sea *C. bairdi* | 46 | 37,165,679 | 19.1 | 46 | 37,165,679 | 19.1 |

Source: RAM QS database.

Since C share QS may only be held by individuals, C share data may better illustrate the extent of new entry (see Table 9-4). Yet, since some entering C share holders may hold owner QS indirectly, estimates of entry may be misleading. Although C shares improve the opportunity for entry, few persons have entered the fisheries through C share acquisition since the initial allocation. Those few that have entered have acquired relatively large holdings of C shares, with the average entrant in most fisheries exceeding one-half of one percent of the C share QS pool. In the two Aleutian Islands golden king crab fisheries, the new entrants have on average acquired in excess of 7 percent of the C share QS pool. Given that only a few vessels participate in that fishery, the relatively large share acquisitions are not surprising.

**Table 9-4 New holders of C share QS since the initial allocation**

C qs

| Fishery | New C share QS holder in the fishery | | | New C share QS holder | | |
|---|---|---|---|---|---|---|
| | Number of entrants | QS units acquired | Percent of QS pool acquired | Number of entrants | QS units acquired | Percent of QS pool acquired |
| Bristol Bay red king crab | 20 | 1,836,311 | 15.3 | 12 | 1,091,400 | 9.1 |
| Bering Sea *C. opilio* | 18 | 3,958,427 | 13.1 | 12 | 2,595,125 | 8.6 |
| Eastern Aleutian Islands golden king crab | 3 | 62,155 | 20.7 | 1 | 39,591 | 13.2 |
| Eastern Bering Sea *C. bairdi* | 11 | 371,695 | 6.2 | 10 | 363,080 | 6.0 |
| Pribililof red and blue king crab | 2 | 63,116 | 7.0 | 0 | 0 | 0.0 |
| St. Matthew Island blue king crab | 12 | 166,438 | 18.3 | 4 | 59,101 | 6.5 |
| Western Aleutian Islands golden king crab | 2 | 218,347 | 18.2 | 1 | 142,704 | 11.9 |
| Western Aleutian Islands red king crab | 0 | 0 | 0.0 | 0 | 0 | 0.0 |
| Western Bering Sea *C. bairdi* | 11 | 371,695 | 6.2 | 10 | 363,080 | 6.0 |

Source: RAM QS database.

## 9.3 Entry to the processing sector

Unlike the harvest sector, entry to the processing sector was not limited under the LLP. As a result, processor participation fluctuated greatly in the years leading up to the implementation of the rationalization program. In the early 1990s more than 50 processors operated in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries. Under lower GHLs in the late 1990s and early 2000s, processing participation dropped to fewer than 20 plants in those fisheries.

Both prior to and since implementation of the rationalization program, entry to the processing sector as only a crab processor was very challenging. Processors that also process groundfish are able to keep plants operating for a greater period of time, spreading capital costs across larger scale production. Consequently, entry to the processing sector is affected by a processor's potential to enter groundfish fisheries and secure a portion of that production. With groundfish processing fully capitalized, entry opportunities in the crab processing sector are also limited. In addition, to the extent that other management programs (such as the AFA Bering Sea pollock cooperative program, Bering Sea and Aleutian Island cod sector allocations, and the Amendment 80 cooperative program) directly or indirectly limit the ability of processors to enter those fisheries, entry to the crab fisheries is more constrained, regardless of the limits on entry created by the crab management program.

Share holdings data suggest that a few processors have entered the fisheries, since implementation of the program, in some cases with development of substantial holdings. In the Western Aleutian Islands golden king crab fishery, a majority of PQS is now held by entering processors, while over 20 percent of the PQS in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries are held by entering processors. In some instances, this suggested entry has arisen from simple changes in the structure of holdings. In at least one case, however, a substantial interest has been acquired by a new entrant. Although that entrant has not processed landings directly, the lease of those shares has supported processing by an entering processing platform.

**Table 9-5 New holders of PQS since the initial allocation**

pqs

| Fishery | New PQS holder in the fishery | | | New PQS holder in all fisheries | | |
|---|---|---|---|---|---|---|
| | Number of entrants | QS units acquired | Percent of QS pool acquired | Number of entrants | QS units acquired | Percent of QS pool acquired |
| Bristol Bay red king crab | 6 | 91,420,986 | 22.7 | 5 | 88,647,884 | 22.1 |
| Bering Sea *C. opilio* | 6 | 201,703,287 | 20.1 | 5 | 200,098,929 | 20.0 |
| Eastern Aleutian Islands golden king crab | 5 | 2,191,667 | 21.7 | 4 | 2,098,967 | 20.7 |
| Eastern Bering Sea *C. bairdi* | 5 | 22,898,503 | 11.5 | 4 | 22,877,627 | 11.5 |
| Pribililof red and blue king crab | 2 | 4,893,835 | 16.3 | 1 | 738,827 | 2.5 |
| St. Matthew Island blue king crab | 4 | 4,169,060 | 13.9 | 3 | 1,782,036 | 5.9 |
| Western Aleutian Islands golden king crab | 4 | 21,191,574 | 53.0 | 3 | 21,036,411 | 52.6 |
| Western Aleutian Islands red king crab | 3 | 37,492,387 | 62.5 | 2 | 21,248,567 | 35.4 |
| Western Bering Sea *C. bairdi* | 5 | 22,898,503 | 11.5 | 4 | 22,877,627 | 11.5 |

Source: RAM PQS database.

In addition to entry as PQS or IPQ holders, processors may also enter the fishery through purchases of landings of Class B or C share IFQ crab. Entry as a processor acquiring IPQ annually or purchasing landings of Class B or C share IFQ crab can reduce risk, since acquisitions are annual (representing no longer term investment as PQS). These annual purchases will not subject the new entrant to risks such as annual TAC changes or long term changes in product markets.

In a few instances, processors are believed to have entered the fishery through purchases of Class B and C share IFQ landings (see Table 8-11). This entry has been relatively small scale, as Class B and C share IFQ represent a relatively small portion of the IFQ pool. In some cases, these entering processors are known to have been active in other fisheries, supplementing those activities with processing of crab. The potential of any of these entrants to expand operations depends on their willingness to continue to compete for Class B and C share IFQ landings and to acquire PQS to sustain that participation.

# 10 MANAGEMENT AND ENFORCEMENT

The system of share-based fishing established by the program includes several fishing privileges and obligations that must be overseen by NOAA Fisheries managers and enforcement agents. Several aspects of participation in the program must be administered and monitored to ensure compliance with the regulatory requirements. These requirements present extensive and unique challenges to NOAA Fisheries Restricted Access Management and Office of Law Enforcement.

Two structural aspects of the program have created issues with annual allocations since the program was implemented. First, in two recent seasons the timeliness of applications for annual allocations by holders of substantial portions of the owner QS and PQS pools have been uncertain. In both cases, participants were ultimately issued their respective IFQ and IPQ allocations, but not until appeals were processed. In the event that any finding is not finalized (i.e., the finding is under appeal with agency administers or in courts), administrators are required to set aside a portion of the IFQ or IPQ pool to satisfy a possible judgment in favor of the applicant. In a traditional IFQ program, such a set aside would affect other fishery participants indirectly by decreasing their annual harvest share allocations proportionally and could result in the reserved allocation remaining unharvested. Under the crab program's processing share structure, reserving the allocation creates an additional effect – a mismatch between the Class A IFQ and IPQ pools. This mismatch effectively prevents a share holder (either Class A IFQ holder or IPQ holder) from using shares, as equal amounts of both share types are required for the harvest and landing of crab. In other words, if IPQ are withheld, a portion of the Class A IFQ (equal to the amount of unissued IPQ)

will be stranded. If Class A IFQ are withheld, the holder of an equal amount of IPQ will be unusable. The specific person whose IFQ or IPQ are stranded will depend on matches made by participants after the issuance of IFQ and IPQ.

Resolution of any such matching issue is dependent on the finalization of all application findings. Although making the deadline for application earlier may provide additional time for resolution of administrative findings, changing the application date will not solve the problem entirely, as administrative and judicial appeals often require substantial amounts of time. Another suggestion (which may be implemented without Council action) would be to provide improved information to participants to monitor applications. It is suggested that providing up-to-date information showing applications received by RAM would allow cooperative managers and organizations to monitor applications of members to ensure that deadlines are not neglected. Although, on its face, such a change may seem simple, the tendency of most participants in the fisheries to file in the last day or two before the deadline may make the provision of the information very difficult and the effort ineffective. Currently, applications are entered in the order submitted. With most applications submitted very close to the deadline, a backlog develops that would prevent RAM from maintaining current information for participants; consequently, without substantially restructuring the system for submission of applications, it is unlikely that this additional information could be provided. A system of electronic submissions might address this backlog, but development of such a program may not be possible as a result of the procedural and administrative issues that must be addressed.[58] In the harvest sector, it is possible that cooperatives could internally monitor their own members' applications. It is possible that processors could be included in some of these communications, as share matching is commonly discussed prior to the season opening. Better self-policing of the application process in this manner may allow better tracking of applications, without regulatory or governmental administrative actions (or costs).

An additional issue arises from the limitation on the issuance of Class B IFQ to PQS holders and their affiliates. Since affiliation information is included in annual applications, administrators do not receive information needed to apply these administrative rules until all IFQ applications are received. In addition, correction of any errors in issuances requires reissuance of all IFQ in the fishery (effectively requiring all participants in the fishery to reinitiate matching of Class A IFQ to IPQ). A fixed ratio of Class A and Class B allocations to all participants in the fisheries (including processors and their affiliates) would remove this complication, but would alter the distribution of Class B IFQ to unaffiliated QS holders. Some participants believe that the balance of interests established by the current distribution mechanism is critically important and outweigh any associated administrative burden.

In addition to the specific issues cited above, some other aspects of the program create substantial management and enforcement burdens. Several sets of accounts authorizing fishing and processing activities must be monitored. Using plant observers and electronic reporting, landings can be attributed to the appropriate accounts. To date, only a few, minor overages have occurred under the program (see Table 4-4). Overall, managers and enforcement believe that fishing and processing activities are in compliance with the allocation of privileges for those activities as intended by the program.

Beyond oversight of fishing and processing activities, several other aspects of the program and its allocations must be monitored by NOAA Fisheries. Limits are imposed on harvester share holdings, the amount of shares that may harvested by a single vessel, and the amount of shares that may be held by or

[58] For example, electronic submissions may not be possible with a prior paper submission establishing the authority of the submitter to use the electronic system. Such a system would entail a new application process, with its own deadlines and requirements (for both the initial authority and reauthorization for future periods). It is clear that such a system would create new administrative burdens for both program administrators and users of the system. Yet, it is not clear that the system would provide a substantial improvement over the current system of paper applications.

processed by a processor. Overseeing these limitations can pose several challenges to managers and enforcement personnel. Correctly applying limits on owner QS and PQS requires full knowledge of all indirect holdings of those shares. Ownership of interests in the crab fisheries is often indirect with many persons holding overlapping interests in a variety of different fisheries. These overlapping indirect interests create a complex web that must be fully assessed to ensure compliance with limits on share holdings. Similarly, to fully ensure compliance with limits on processing activity and processing share holdings requires that use of shares and plant level processing activity be fully monitored. With the prevalence of custom processing in the fisheries, full monitoring requires tracking of production, as well as knowledge of indirect ownership of both shares and plants. These interests in share holdings and use (which includes ownership of processed products), and processing plants require a multifaceted approach to monitoring use caps in the processing sector. Monitoring of activities and share holdings in a relatively static environment is extremely challenging; periodic changes in interests of persons, adds to the task of maintaining currency in the monitoring of accounts requiring ever greater time and staffing investments. Although the limited number of participants in the crab fisheries helps reduce the burden of these tasks, monitoring of the different limitations on ownership interests is a formidable challenge for NOAA Fisheries. C share IFQ active participation requirements also present a monitoring challenge. These requirements are monitored through a system of affidavits. Verification of affidavits could be problematic, in the event that assertions in those affidavits are questioned.

The program also contains spatial limitations on landing of catch and processing. Current record keeping requirement for floating processors may not adequately track locations for purposes of ensuring complete monitoring of these requirements. Regional processing requirements limit processing of certain IPQ to designated geographic areas. On a finer scale, community rights of first refusal are triggered by the use of IPQ outside the community protected by that right. Although no controversies or disputes have arisen over whether processing of IPQ has complied with regional requirements or has triggered the right of first refusal, no formal record of processing location is made that could be used to establish the location of processing. In the absence of these records, monitoring compliance with the requirements is more challenging.

Some aspects of the program have effectively created systems of self monitoring that have relieved monitoring and enforcement burdens. The arbitration system is administered through a series of contracts that are subject to civil enforcement by the participants in that system. Participants and their representatives are required to comply with application, record keeping, and record submission requirements under the arbitration system. Despite the complexity of the system, to date, participants have generally complied with these various requirements, allowing those aspects of the program to function as intended. The system of harvest cooperatives has also reduced monitoring burdens by consolidating annual IFQ allocations into fewer accounts, effectively shifting a portion of the oversight of those accounts to harvest sector share holders. Cooperative allocations also reduce NOAA Fisheries' transfer administration burden since intra-cooperative transfers are managed within the cooperative. to the extent that these systems are intended to relieve monitoring burdens, they have largely been effective. Yet, the program continues to pose many management and oversight challenges.

# 11 MANAGEMENT COSTS AND COST RECOVERY

Under the Council motion adopting the program, NOAA Fisheries collects fees to pay for the costs of management (including enforcement) arising out of the program. These costs are the incremental costs that are incurred due to the implementation of the program. The fee is charged as a percentage of the ex vessel value of each landing. The fee is split equally between harvesters and processors, with processors responsible for collecting the fee and making payment to NOAA Fisheries. Catcher processors, who catch and process their catch, do not split the fee, but pay the full amount directly to NOAA Fisheries.

Fees are limited to no more than 3 percent of the ex vessel value of the fishery in a crab fishing year. At the start of each season, NOAA Fisheries publishes a fee percentage in the Federal Register, based on the previous year's ex vessel prices and management and enforcement costs. NOAA Fisheries typically publishes the fee percentage in July or early August, in time for participants in the Aleutian Islands golden king crab fishery to collect fees on their first landing.

Market and stock uncertainties, as well as variation in management costs, mean that the fees may not precisely cover management costs. TAC announcements for the largest fisheries (Bristol Bay red king crab, and Bering Sea *C. opilio*) are not made until after the fee percentage is set. In addition, ex vessel prices will fluctuate with market conditions, so the basis that the fee percentage is applied to will change throughout the season. Further uncertainty arises because the fee percentage must be set before fees have been fully paid for the prior season. Fees are due by June 30 (the end of the crab fishing year) but many processors delay payment for at least one month. NOAA Fisheries cannot assess penalties until at least 30 days after a payment is due. For example, although NOAA Fisheries collected more than the amount required to cover program costs for the 2007-2008 season, the specific amount of fees collected was not fully known prior to the publication of the fee percentage notice for the 2008-2009 season. Because of these uncertainties, a formulaic approach to setting the fee percentage is used. Regulations require that NOAA Fisheries establish the fee percentage based on the prior year's costs and ex vessel values, instead of projections which can be highly subjective.

Although NOAA Fisheries cannot adjust the fee percentage at the end of a season, regulations require that any debit or credit to the fee collection account must be carried forward and applied toward the fee percentage calculations for future years. Because fee collection for the 2007-2008 and 2008-2009 seasons exceeded the respective seasonal costs, NOAA Fisheries subtracted the remaining balances from the estimated costs for the subsequent season, prior to calculating the fee percentage. These resulted in the lowering of the fee percentage for the 2008-2009 season to 1.05 percent of ex vessel value and the removal of the fee in its entirety in the 2009-2010 season. Lower costs were realized through staffing vacancies, multi-year contracts included in prior year costs, and more efficient use of staff time as NOAA Fisheries staff developed familiarity with the program. Although some program costs have fluctuated in the first five years of the program, most categories of management costs have declined (see Table 11-1).

**Table 11-1 Management costs and cost recovery fees (2005-2006 through 2009-2010).**

| Office | Restricted Access Management | Sustainable Fisheries | Operations Management and Information | General Counsel | Appeals | Office of Law Enforcement | Office of Law Enforcement and Joint Enforcement Agreement | ADF&G (State) | Alaska Fisheries Science Center | Pacific States Marine Fisheries Commission | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Primary source of expenditures | Quota management | Regulations | Cost accounting | Legal guidance | Appeals | General Enforcement | Joint enforcement (with State of Alaska) | Extended Jurisdiction/ Observers/ CDQ | Economic Data Reporting | Economic Data Reporting/Joint Electronic Reporting | |
| **2005/2006** | $ 945,969 | $ 912,615 | $ 8,580 | $ 89,077 | $ 6,800 | $ 398,502 | $ 516,519 | $ 864,614 | $ 83,703 | $ 444,500 | $ 4,270,881 |
| Percent of total costs | 22.15% | 21.37% | 0.20% | 2.09% | 0.16% | 9.33% | 12.09% | 20.24% | 1.96% | 10.41% | 100.00% |
| Fees for cost recovery (3% fee) | | | | | | | | | | | $ 3,124,999 |
| % of costs recovered | | | | | | | | | | | 73% |
| **2006/2007** | $ 541,158 | $ 189,519 | $ 35,848 | $ 34,536 | $ 122,547 | $1,602,073 | $ 162,608 | $ 824,008 | $ 106,397 | $ 321,148 | $ 3,939,841 |
| % of total costs | 13.74% | 4.81% | 0.91% | 0.88% | 3.11% | 40.66% | 4.13% | 20.91% | 2.70% | 8.15% | 100.00% |
| recovery (3% fee) | | | | | | | | | | | $ 3,045,344 |
| % of costs recovered | | | | | | | | | | | 77% |
| **2007/2008** | $ 233,146 | $ 94,310 | $ 34,117 | $ 30,642 | $ 47,466 | $ 568,647 | $ - | $ 725,405 | $ 111,725 | $ 288,300 | $ 2,133,758 |
| % of total costs | 10.93% | 4.42% | 1.60% | 1.44% | 2.22% | 26.65% | 0.00% | 34.00% | 5.24% | 13.51% | 100.00% |
| Fees for cost recovery (3% fee) | | | | | | | | | | | $ 6,517,204 |
| % of costs recovered | | | | | | | | | | | 305% |
| **2008/2009** | $ 177,671 | $ 132,869 | $ 44,225 | $ 23,537 | $ 34,488 | $ 661,136 | $ 647,256 | $ 958,650 | $ 188,276 | $ 231,883 | $ 3,099,991 |
| % of total costs | 5.73% | 4.29% | 1.43% | 0.76% | 1.11% | 21.33% | 20.88% | 30.92% | 6.07% | 7.48% | 100.00% |
| Fees for cost recovery (1.05% fee) | | | | | | | | | | | $ 2,028,968 |
| % of costs recovered | | | | | | | | | | | 100 % (Past & current collections) |
| **2009/2010** | $ 225,454 | $ 147,037 | $ 49,851 | $ 15,616 | $ 36,334 | $ 705,519 | $ 203,912 | $ 705,428 | $ 164,303 | $ 128,955 | $ 2,382,409 |
| % of total costs | 9.46% | 6.17% | 2.09% | 0.66% | 1.53% | 29.61% | 8.56% | 29.61% | 6.90% | 5.41% | 100.00% |
| Fees for cost recovery (0 % fee) Covered by past years | | | | | | | | | | | N/A |
| % of costs recovered | | | | | | | | | | | N/A |

# 12 FISHING VESSEL SAFETY

The Council cited the need for safety improvements in the crab fisheries as a prime motivation for adoption of the rationalization program in its purpose and need statement used in the development of the program. This review assesses the effect of the program on safety in a separate appendix to this document (see Appendix B).

# 13 BIOLOGICAL MANAGEMENT ISSUES

This section discusses the effects of the crab rationalization program and resulting changes in fishing patterns on crab mortality and population sustainability, and the biological management of the crab stocks.

## 13.1 Crab fishery harvest

Catch in excess of the harvest targets was difficult to prevent in the derby-style fisheries that predated the crab rationalization program. Even with good in-season assessment and catch reporting, catches can change rapidly. A large efficient fleet can quickly surpass a harvest target when they locate high concentrations of crab. Between 2000 and 2004, the guideline harvest level for Bristol Bay red king crab was exceeded in two out of five years; the GHL for Bering Sea *C. opilio* was exceeded in five out of six

years; and the GHL for Aleutian Islands golden king crab was exceeded in two out of five years (NPFMC 2007). Since the implementation of the crab rationalization program, the total allowable catch (TAC) for these target fisheries has never been exceeded (Table 13-1). The Bering Sea *C. bairdi* fishery has not been open for directed fishing since 1996, and the fishery was under a rebuilding plan from 1999 through the 2005 season. Only the western portion of the fishery opened in 2005-2006, as the TAC calculated under the harvest strategy was below the minimum threshold TAC for the eastern portion. Since then, IFQs have been separately allocated to the Eastern and Western *C. bairdi* fisheries. Both fisheries were open, except in 2009-2010 when the Western fishery remained closed. The St. Matthew Island blue king crab fishery was closed all recent seasons until the most recent season, when the fishery reopened for the first time in 12 years.

**Table 13-1 Guideline harvest level, or total allowable catch, and harvest, for crab fisheries, 2000 through 2009-2010, in millions of pounds**

| Season | Bristol Bay red king crab | | Bering Sea *C. opilio* | | Aleutian Islands golden king crab | | Bering Sea *C. bairdi* | | St. Matthew Island blue king crab | |
|---|---|---|---|---|---|---|---|---|---|---|
| | GHL/TAC | Harvest | GHL/TAC | Harvest | GHL/TAC | Harvest | GHL/TAC | Harvest | GHL/TAC | Harvest |
| 2000 | 7.7 | 7.5 | 26.4 | 30.8 | 5.7 | 6.0 | Closed | | Closed | |
| 2001 | 6.6 | 7.8 | 25.3 | 23.4 | 5.7 | 5.9 | | | | |
| 2002 | 8.6 | 8.9 | 28.5 | 30.2 | 5.7 | 5.5 | | | | |
| 2003 | 14.5 | 14.5 | 23.7 | 26.2 | 5.7 | 5.7 | | | | |
| 2004 | 14.3 | 14.1 | 19.3 | 22.2 | 5.7 | 5.6 | | | | |
| 2005 | no season | | 19.4 | 23 | no season | | | | | |
| 2005 - 2006 | 16.5 | 16.5 | 33.5 | 33.3 | 5.1 | 5.0 | 1.6 | 1.0 | Closed | |
| 2006 - 2007 | 13.9 | 13.9 | 32.9 | 32.7 | 5.1 | 4.7 | 3.0 | 2.1 | | |
| 2007 - 2008 | 18.3 | 18.3 | 56.7 | 56.7 | 5.1 | 4.9 | 5.1 | 1.9 | | |
| 2008-2009 | 18.4 | 18.3 | 52.8 | 52.7 | 5.4 | 5.1 | 3.9 | 1.7 | | |
| 2009-2010 | 14.4 | 14.3 | 43.2 | 43.2 | 5.4 | 5.3 | 1.2 | 1.2 | 1.1 | 0.5 |

For seasons prior to 2005-2006, seasons are designated by the year in which they opened prior to rationalization.
All GHL/TACs and harvests are for general fishery, excluding CDQ.
Source: NPFMC 2010.

## 13.2 Deadloss

Deadloss is the amount of dead crab landed at the dock. All deadloss is discarded, because it cannot be sold. As long as all deadloss is landed, it is an economic problem rather than a biological problem, because deadloss is deducted from the TAC. Deadloss is exacerbated when vessels are not able to off-load quickly, due to longer trips or backups at the dock, and fewer crab survive the wait in the tank.

Deadloss in the Bristol Bay red king crab and the Aleutian Islands golden king crab fisheries has decreased post-rationalization, compared to the seasons immediately preceding implementation of the program (Table 13-2). In the Bering Sea *C. opilio* fishery, the rate of deadloss is comparable to that which occurred in the two most recent years before rationalization. In the first year of fishing after being closed for more than 10 years, deadloss in the St. Matthew Island blue king crab was slightly more than 2 percent of catch. Since deadloss is counted against IFQ allocations, this deadloss presents no biological risk, but is high relative to the other fisheries.

**Table 13-2 Deadloss in the crab fisheries, 2000 through 2009-2010.**

| Fishery | Season | Catch** (in pounds) | Deadloss* (in pounds) | Deadloss per pound of catch |
|---|---|---|---|---|
| **Bristol Bay red king crab** | 2000 | 7,468,240 | 32,118 | 0.004 |
| | 2001 | 7,681,106 | 57,294 | 0.007 |
| | 2002 | 8,770,348 | 32,177 | 0.004 |
| | 2003 | 14,237,375 | 228,270 | 0.016 |
| | 2004 | 13,889,047 | 160,563 | 0.012 |
| | 2005 - 2006 | 16,472,400 | 77,507 | 0.005 |
| | 2006 - 2007 | 13,887,531 | 98,720 | 0.007 |
| | 2007 - 2008 | 18,324,046 | 131,954 | 0.007 |
| | 2008-2009 | 18,288,881 | 160,812 | 0.009 |
| | 2009-2010 | 14,337,782 | 111,467 | 0.008 |
| **Bering Sea *C. opilio*** | 2001 | 22,940,704 | 429,884 | 0.019 |
| | 2002 | 29,609,702 | 585,288 | 0.020 |
| | 2003 | 25,410,122 | 662,409 | 0.026 |
| | 2004 | 21,939,493 | 224,377 | 0.010 |
| | 2005 | 22,655,777 | 224,139 | 0.010 |
| | 2005 - 2006 | 33,248,009 | 322,594 | 0.010 |
| | 2006 - 2007 | 32,699,911 | 379,132 | 0.012 |
| | 2007 - 2008 | 56,722,400 | 500,156 | 0.009 |
| | 2008-2009 | 52,687,374 | 402,679 | 0.008 |
| | 2009-2010 | 43,193,971 | 500,049 | 0.012 |
| **Bering Sea *C. bairdi*** | 2005-2006 | 791,315 | 14,563 | 0.018 |
| | 2006 - 2007 | 1,900,183 | 27,449 | 0.014 |
| | 2007 - 2008 | 1,906,711 | 19,796 | 0.010 |
| | 2008-2009 | 1,662,884 | 15,231 | 0.009 |
| | 2009-2010 | 1,189,573 | 7,122 | 0.006 |
| **Eastern Aleutian Islands golden king crab** | 2000 - 2001 | 3,086,890 | 55,999 | 0.018 |
| | 2001 - 2002 | 3,128,409 | 50,030 | 0.016 |
| | 2002 - 2003 | 2,765,436 | 55,425 | 0.020 |
| | 2003 - 2004 | 2,900,247 | 76,006 | 0.026 |
| | 2004 - 2005 | 2,846,273 | 43,576 | 0.015 |
| | 2005 - 2006 | 2,569,209 | 23,791 | 0.009 |
| | 2006 - 2007 | 2,692,009 | 31,311 | 0.012 |
| | 2007 - 2008 | 2,690,377 | 21,042 | 0.008 |
| | 2008-2009 | 2,823,773 | 24,117 | 0.009 |
| | 2009-2010 | 2,832,932 | 31,622 | 0.011 |
| **Western Aleutian Islands golden king crab** | 2000 - 2001 | 2,902,518 | 53,158 | 0.018 |
| | 2001 - 2002 | 2,693,221 | 43,519 | 0.016 |
| | 2002 - 2003 | 2,605,237 | 32,101 | 0.012 |
| | 2003 - 2004 | 2,637,161 | 49,321 | 0.019 |
| | 2004 - 2005 | 2,639,862 | 43,560 | 0.017 |
| | 2005 - 2006 | 2,382,468 | 26,500 | 0.011 |
| | 2006 - 2007 | 2,002,186 | 19,768 | 0.010 |
| | 2007 - 2008 | 2,246,040 | 23,183 | 0.010 |
| | 2008-2009 | 2,252,111 | 22,802 | 0.010 |
| | 2009-2010 | 2,478,313 | 33,069 | 0.013 |
| **St. Matthew Island blue king crab** | 2009-2010 | 460,859 | 10,484 | 0.023 |

Sources: *ADFG Annual Management Report and **fishtickets and **NMFS RAM catch data (for 2005-2006 through 2009-2010)

## 13.3 Crab bycatch and discards

The rationalization program has had a few effects on bycatch and discards in the crab fisheries.

### 13.3.1 High grading

High grading is the sorting through legal crab for the most valuable (typically the largest and cleanest) crab, and discard of the remaining legal crab to ensure that only the highest-priced portion of the catch is landed and counted against the IFQ. Some of this discarded crab dies. This can lead to additional fishing mortality of legal males in excess of IFQ allocations. Highgrading is an environmental concern because it may alter stock composition and hinder the reproductive capabilities by removing only the largest, cleanest crab. The large, clean crab are thought to be the most successful at mating. High grading may also affect mortality of female and sublegal crab, if more pot lifts are required to catch the TAC. High grading is driven by market forces and preferences for clean-shelled crab, as processors may pay less for or refuse to accept dirty crab. Also, fishermen discard damaged crab that may die in the tank, because the dead crab decrease the survival rate of the live crab around them.

During the first year under rationalization in the Bristol Bay red king crab fishery, the number of legal male crabs captured during the fishery and subsequently discarded was dramatically higher than discard rates in previous years (Table 13-3), and represented approximately 20 percent of legal male red king crab caught. ADF&G identified concerns about resource sustainability under their harvest strategy, given these levels of discards. The discards were linked to the shell condition of the crab (Barnard and Pengilly 2006); the 2005 NOAA Fisheries survey found a notably higher proportion of old shell condition crab (40 percent) than had occurred in previous years. A high incidence of old shell crab in the catch (and the lower price that crab would fetch) was likely a key contributor to the widespread high grading.

In an effort to address the biological concerns raised by ADF&G, industry instituted a number of voluntary proposals to address the issue of discards. Under the organization of the Pacific Northwest Crab Industry Advisory Committee (PNCIAC), a number of proposed solutions were offered in a discussion paper, and subsequently adopted by PNCIAC members (PNCIAC 2006). Crab industry harvesters, processors, and cooperative members agreed to improve retention of legal size crab to the level of the pre-rationalized fishery in the years 1999-2004, and to reduce bycatch of females and sublegal males. In addition, beginning in the 2006-2007 season, most harvesters and processors changed their pricing structure to reflect their support for a full retention policy, and moved to a single price that does not distinguish for shell condition, in order to remove the incentive to high grade.

ADF&G reacted to the 2005-2006 discard issue by downwardly adjusting the TAC determination for the 2006-2007 season, thus resulting in an economic penalty for the share holders in that season. As discarding of legal males did not occur on a similar scale in 2006-2007, no further downward adjustment was made for the 2007-2008 season (Vining and Zheng 2008). No adjustment has been made since.

High grading and discard rates have not been an issue, other than the 2005-2006 Bristol Bay red king crab season (Table 13-3). Discard rates for legal males has been slightly higher in the *C. opilio* fishery in some years under the program, but have not increased to level that has required adjustments in the TAC setting process. New shell condition is particularly important in the Bering Sea *C bairdi* and Bering Sea *C. opilio* fisheries, and in addition the *C. opilio* fishery has a strong selectivity for males with a 4 inch or greater carapace width, due to processors standards for delivered crab, although the legal size is 3.1 inch carapace width. However, the harvest strategies for both fisheries account for these selectivities and the resulting bycatch in setting the harvest rate (NMFS 2004).

**Table 13-3 Bycatch in the crab fisheries, 2000 through 2010-2009 (Bristol Bay red king crab, Bering Sea *C. opilio*) and 2005-2006 though 2009-2010 (Aleutian Islands golden king crab, Bering Sea *C. bairdi*)**

| Fishery | Season | Total bycatch (in pounds) | | |
|---|---|---|---|---|
| | | Legal, non-retained | Sublegal | Female |
| Bristol Bay red king crab | 2000 | 24,773 | 3,985,628 | 439,745 |
| | 2001 | 67,022 | 3,759,015 | 1,190,144 |
| | 2002 | 138,355 | 4,707,986 | 71,016 |
| | 2003 | 247,602 | 9,393,910 | 3,377,311 |
| | 2004 | 160,724 | 4,033,506 | 1,373,949 |
| | 2005 - 2006 | 4,602,011 | 8,543,364 | 3,543,455 |
| | 2006 - 2007 | 94,905 | 1,853,035 | 221,506 |
| | 2007 - 2008 | 45,651 | 3,554,052 | 830,882 |
| | 2008-2009 | 56,000 | 4,100,000 | 812,000 |
| | 2009-2010 | 77,960 | 2,691,438 | 332,154 |
| Bering Sea *C. opilio* | 2001 | 6,248,154 | 112,440 | 5,546 |
| | 2002 | 7,473,653 | 99,376 | 3,742 |
| | 2003 | 15,923,087 | 297,104 | 32,580 |
| | 2004 | 19,989,353 | 384,528 | 9,670 |
| | 2005 | 5,398,033 | 85,558 | 3,475 |
| | 2005 - 2006 | 10,434,115 | 196,584 | 12,826 |
| | 2006 - 2007 | 17,777,807 | 507,809 | 10,272 |
| | 2007 - 2008 | 21,820,036 | 549,861 | 157,270 |
| | 2008-2009 | 18,234,000 | 245,000 | 164,000 |
| | 2009-2010 | 9,545,655 | 240,915 | 97,548 |
| Eastern Aleutian Islands golden king crab | 2005 - 2006 | 17,691 | 202,329 | 118,969 |
| | 2006 - 2007 | 19,210 | 219,463 | 202,924 |
| | 2007 - 2008 | 20,697 | 199,897 | 127,616 |
| | 2008-2009 | 32,000 | 205,000 | 142,000 |
| | 2009-2010 | 27,194 | 252,678 | 173,464 |
| Western Aleutian Islands golden king crab | 2005 - 2006 | 11,881 | 301,343 | 257,468 |
| | 2006 - 2007 | 6,012 | 256,059 | 281,018 |
| | 2007 - 2008 | 4,614 | 335,255 | 414,134 |
| | 2008-2009 | 3,000 | 299,000 | 330,000 |
| | 2009-2010 | 10,072 | 193,186 | 210,708 |
| Bering Sea *C. bairdi* | 2005 - 2006 | 3,926 | 540,582 | 69,206 |
| | 2006 - 2007 | 22,225 | 1,348,877 | 392,236 |
| | 2007 - 2008 | 39,517 | 5,270,165 | 370,532 |
| | 2008-2009 | 14,700 | 1,950,000 | 185,000 |
| | 2009-2010 | 4,854 | 104,998 | 8,472 |
| St. Matthew Island blue king crab | 2007 - 2008 | 39,517 | 5,270,165 | 370,532 |

Sources: NPFMC 2007 (2000-2005); Barnard and Burt 2007 (2005/2006); Barnard and Burt 2008 (2006/2007); ADFG (2007/2008 through 2009/2010)

### 13.3.2 Rail dumping

Rail dumping is the practice of emptying captured pots at the rail before they can be brought on deck and sorted. Because the catch is not brought on deck, it is not possible to track the contents of rail dumped pots in terms of the number, size, and sex of the captured crab. Pre-rationalization, rail dumping would occur when vessels were left with pots soaking after the season had ended, which was legally permitted only if fewer than 24 hours notice of a closure was provided. These short notices occurred occasionally in the Bristol Bay red king crab fishery prior to implementation of the program. On those occasions, it is believed that the number of fishing pots left on the grounds that were rail dumped were at least comparable to current rail dumping levels. Under the rationalization program, rail dumping has been practiced by some vessels when retrieving their pots in order to avoid the risk of exceeding their available IFQ, and the penalties that would result from such overages.

Rail dumping has occurred in all of the crab fisheries. Observers attempt to estimate the number of rail dumped pots, although they cannot directly track their contents. The proportion of rail dumped pots, as compared to total harvested pot lifts, ranges from 0.3 percent to 2.6 percent, and is variable by season within each fishery (Table 13-4). Although it is not possible to know the contents of the emptied pots, as they are not observed, an estimate could be made using the average annual catch per unit effort and crab weight for the fishery. For the Bristol Bay red king crab fishery in 2006-2007, if an average catch per unit effort (34 crab per pot) and crab weight (6.3 pounds) is applied to each pot, the total amount of legal male crab dumped would equal approximately 375,000 pounds. For legal male crab that are brought on deck and then discarded, a 20 percent mortality rate is assumed for purposes of assessment and calculated in the TAC setting process. The mortality rate for rail dumped crab could well be lower, however, as the crab are not subject to additional handling on deck. Because rail dumped crab are not brought on deck and accounted for, any mortality associated with the practice is not currently considered in the stock assessment or TAC setting process. The large amount of gear used in the Aleutian Islands golden king crab fisheries likely contributes to the relatively high incidence of rail dumping of pots in that fishery.

**Table 13-4 Estimated rail dumped pots in the crab fisheries, 2005-2006 through 2009-2010**

| Fishery | Season | Rail dumped pots* | Rail dumped pots as a percent of total pot lifts | Average CPUE** | Average weight (pounds)*** | Estimate of legal males rail dumped (pounds) |
|---|---|---|---|---|---|---|
| Bristol Bay red king crab | 2005 - 2006 | NA | NA | 25 | 6.6 | NA |
| | 2006 - 2007 | 1,745 | 2.6 | 34 | 6.3 | 376,739 |
| | 2007-2008 | 813 | 1.2 | 28 | 6.4 | 146,435 |
| | 2008-2009 | 424 | 0.3 | 22 | 6.6 | 61,565 |
| | 2009-2010 | 591 | 0.6 | 21 | 6.3 | 78,189 |
| Bering Sea *C. opilio* | 2005 - 2006 | 600 | 0.9 | 204 | 1.5 | 184,165 |
| | 2006 - 2007 | 1,581 | 2.4 | 332 | 1.2 | 645,329 |
| | 2007-2008 | 1,057 | 1.6 | 352 | 1.3 | 467,112 |
| | 2008-2009 | 1,381 | 0.9 | 279 | 1.3 | 500,889 |
| | 2009-2010 | 1,269 | 1.0 | 255 | 1.4 | 453,033 |
| Aleutian Islands golden king crab | 2005 - 2006 | 243 | 0.4 | 23 | 4.4 | 24,357 |
| | 2006 - 2007 | 1,193 | 1.8 | 23 | 4.5 | 123,476 |
| | 2007-2008 | 527 | 0.8 | 24 | 4.5 | 56,822 |
| | 2008-2009 | 741 | 1.7 | 25 | 4.5 | 83,363 |
| | 2009-2010 | 1,066 | 2.3 | 26 | 4.5 | 124,722 |
| Bering Sea *C. bairdi* | 2005 - 2006 | NA | NA | 12 | 2.2 | NA |
| | 2006 - 2007 | 216 | 0.3 | 17 | 2.3 | 8,347 |
| | 2007-2008 | 142 | 0.2 | 17 | 2.3 | 5,552 |
| | 2008-2009 | 176 | 5.3 | 17 | 2.3 | 6,882 |
| | 2009-2010 | 308 | 3.6 | 28 | 2.8 | 24,147 |
| St. Matthew Island blue king crab | 2009-2010 | 22 | 0.7 | 10 | 4.5 | 990 |

Source: ADFG.

## 13.3.3 Handling mortality

In addition to the direct loss from retained catch, harvesting also reduces stock abundance due to bycatch mortality. Large numbers of crabs are handled and discarded during crab fisheries due to restrictions on size, sex, season, and target species. Handling mortality reduces future recruitment to the fishery by reducing both survival of pre-recruits and effective spawning biomass due to deaths of mature females and sublegal males (NMFS 2004). The time of year when crab are harvested affects the crab survival rate. Fishing seasons are designed to close during seasons of molting or mating of crab to avoid additional mortality during these biologically-sensitive periods. Additionally, evidence indicates that crabs captured in extremely cold and windy weather suffer higher rates of handling mortality (NMFS 2004). Estimates of total catch for TAC determination include a calculation for mortality of crab that is brought on deck, sorted, and then discarded. The mortality calculation is based on experimental studies of crab survival, and for Bristol Bay red king crab, the mortality rate is assumed to be 20 percent; for *C. opilio*, 50 percent.

Under rationalization, the season length has extended considerably, thereby slowing the pace of fishing and allowing fishermen to improve fishing methods, including sorting of catch by the gear and sorting on deck. Some vessels are reported to be installing conveyors and chutes that discard bycatch without handling. Although yet to be documented, these changes may affect handling mortality to some extent. Under rationalization, fishermen have more flexibility about when to fish, and for safety reasons are more likely to choose not to fish in the extreme weather conditions that may have been necessary before rationalization. It is possible that some of these considerations may have affected handling mortality. The crab plan team annually reevaluates handling mortality and could modify estimates in the future, as several studies are currently underway.

## 13.3.4 Soak times and catch per unit effort

Experimental studies have shown that longer soak times, in conjunction with the required pot escape mechanisms, are likely to increase the proportion of legal versus non-legal crabs caught in the fishery (Barnard and Pengilly 2006). Catch per unit effort is also dependent on other factors as well: the size-sex distribution of the crab population, where fishing is conducted relative to the spatial distribution of non-legal and legal crabs, and the sorting of legal crabs for retention or non-retention.

Soak times in the Bristol Bay red king crab fishery have lengthened in the years leading up to implementation of the program from an average of 18 hours in 1999 to an average of approximately 30 hours in 2003 and 2004 (see Table 13-5). Soak times have increase further since the program was implemented, averaging in excess of 50 hours in each of the first five seasons of the program. Over this same period, catch per unit effort has increased from an average of 18 legal male crab per pot lift (2000-2005) to an average of 25, 34, and 28 legal crab per pot lift, respectively, in the first three seasons of the program, before declining to slightly more than 20 crab per pot in the two most recent seasons. For the *C. opilio* fishery, the average soak time in the 2004 and 2005 season was 21 hours, and increased to in excess of 60 in each of the first five seasons of the program. Catch per unit effort averaged 144 legal male crab per pot lift in the five season preceding implementation of the program, increasing to approximately 285 crab per lift in the first five seasons of the program. Anecdotal reports note that the catch per unit effort has likely been affected by the extent of sea ice (particularly in 2005-2006) which, at times, has kept fishermen off the most productive grounds.

While data suggest a correlation between extended soak times and legal male catch, Table 13-3 appears to indicate that the levels of sublegal and female catch under the rationalization program remain within the range of bycatch levels from previous years.

**Table 13-5 Soak times in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries (2001 through 2008-2009).**

| soak times - hours | | |
|---|---|---|
| Season | Bristol bay red king crab | Bering Sea *C. opilio* |
| 2001 | 24 | 44.2 |
| 2002 | 18 | 39.7 |
| 2003 | 31 | 27.4 |
| 2004 | 28 | 21.1 |
| 2005 | NA | 20.9 |
| 2005-6 | 65 | 65 |
| 2006-7 | 51 | 63 |
| 2007-8 | 56.9 | 76.8 |
| 2008-9 | 56.8 | 61.1 |

Source: ADFG Summary of the Mandatory shellfish observer program database. (2001 through 2008-9)

## 13.3.5 Lost pots and ghost fishing

Mortality is also caused by ghost fishing of lost crab pots. Mortality of crab caused by ghost fishing is difficult to estimate with precision given existing information, but studies have shown that unbaited crab

pots continue to catch crabs, and pots are subject to rebaiting due to capture of other fish and crab. The impact of ghost fishing on crab stocks remains unknown. Pre-rationalization, it has been estimated that 10 percent to 20 percent of crab pots were lost each year (NPFMC 2007), although lack of observer coverage precluded accurate recording. All pots currently fished in Bering Sea crab fisheries contain degradable escape mechanisms allow catch to escape after an extended period of time to reduce ghost fishing.

Although pot limits have been removed under the rationalization program, in practice, the average number of pots fished per vessel remains less than that allowed pre-rationalization (see Table 4-26) Combined with the decrease in the number of vessels participating in the crab fisheries, this means that overall there is less gear on the fishing grounds post-rationalization. Although the pots are used more frequently during a fishing season, the higher catch per unit effort under rationalization still results in an overall reduction in gear.

In the first five years of the program, estimates of lost pots indicate that they have represented between approximately 1 percent and 1.4 percent of total registered pots in the Bristol Bay red king crab fishery, between 1 and 4 percent of total registered pots in the Bering Sea *C. opilio* fishery, and between approximately 6 percent and 14 percent of registered pots in the *C. bairdi* fishery (Table 13-6). In addition, approximately 1.5 percent of the registered pots were estimated to be lost in the St. Matthew Island blue king crab fishery, the one year that the fishery was open since the program was implemented. One factor that may affect the rate of lost gear in these latter fisheries is the longer fishing season. Longer soak times mean that the time between setting and retrieving the gear is extended, and combined with the three to four month season, increase the risk of a change in the weather and unforeseen encroachment of sea ice preventing the vessel from successfully retrieving its gear. The unusually high number of lost pots is the 2009-2010 *C. bairdi* fishery likely arose from the prevalence of ice on the grounds.

In the Aleutian Islands golden king crab fishery, the depths and steep bottom topography of the inter-island passes necessitate the use of longline pot gear, which is the only legal gear type. There are fewer participants in these fisheries as a result of rationalization, and fewer pots overall are registered in the fishery, although the number of pots per vessel has increased substantially. ADFG records of lost pots represent 1 percent or less of the total registered pots annually in the fishery, since the program was implemented.

**Table 13-6 Lost pots by fishery (2006-2007 through 2009-2010)**

| Fishery | Season | Lost pots |
|---|---|---|
| **Bristol Bay red king crab** | 2006 - 2007 | 154 |
| | 2007 - 2008 | 167 |
| | 2008-2009 | 198 |
| | 2009-2010 | 147 |
| **Bering Sea *C. opilio*** | 2006 - 2007 | 228 |
| | 2007 - 2008 | 599 |
| | 2008-2009 | 391 |
| | 2009-2010 | 229 |
| **Aleutian Islands golden king crab** | 2006 - 2007 | 135 |
| | 2007 - 2008 | 37 |
| | 2008-2009 | 62 |
| | 2009-2010 | 68 |
| **Bering Sea *C. bairdi*** | 2006 - 2007 | 88 |
| | 2007 - 2008 | 175 |
| | 2008-2009 | 394 |
| | 2009-2010 | 229 |
| **St. Matthew Island blue king crab** | 2009-2010 | 15 |

Sources: ADFG

## 13.3.6 Season length and temporal and spatial dispersion

Under the program, the seasons for the fisheries have lengthened considerably (see Table 4-22 and Table 4-23). In the years leading up to the implementation of the program, the Bristol Bay red king crab fishery lasted at most 3 to 4 days, opening on October 15. Under the program, the fishery opens on the same date, but closes on January 15th. Despite the extended season, most of the harvest in the fishery is completed within a month (i.e., by mid-November), as the best market opportunities are available prior to the New Year. The Bering Sea *C. opilio* fishery, which prior to rationalization frequently lasted less than one month, is now open for seven months beginning in October. Yet, much of the harvest is still made during the traditional period of the fishery in late January and early February. Catches are delayed until after the New Year to wait until meatfill improves and to avoid conflicts with the Bristol Bay harvest. Once fishing begins, the fleet concentrates its harvests in a short period, in an attempt to avoid ice that most often occurs in the early spring months. The Eastern Aleutian Islands golden king crab fishery is primarily prosecuted between August and December, while the western Aleutian Islands fishery extends through the May 15 closure. Longer seasons can benefit the crab stocks by reducing the pressure associated with derby-style fishing, and allowing time for improving handling methods and sorting of crab at sea which should improve the survivability of crab bycatch. Overall, the temporal distribution of catches has increased under the program, this expansion has been somewhat limited.

Under the program, the spatial distribution of catch in the Bristol Bay red king crab fishery has diversified somewhat. In 2003, while landings were reported in 15 statistical areas (plus some miscellaneous landings), but the vast majority of catch came from only four areas (ADFG 2004). In 2006-2007, catch was reported in 12 statistical areas (plus some miscellaneous landings), with 90 percent of total pot lifts

and total harvest occurring in seven statistical areas (extending out from the popular fishing grounds of 2003). This trend has continued into the 2008-2009 season (Bowers et al. 2010; Bowers et al., 2008).

In past years, most of the Bering Sea *C. opilio* fishery catch occurred in the southern portion of that crab's range possibly due to ice cover and proximity to port and practical constraints of meeting delivery schedules. In 2003 and 2004, two-thirds or more of the catch was made south of 58.5° N. Yet, in both of those years, the ice edge was farther north than in past years, allowing some fishing to occur as far north as 60-61°N. Since implementation of the program, catch distribution is similar to years prior to the program with catch made south of 58°N. and west of the Pribilof Islands between about 171° W and 173°W; however, in the 2008-2009 season in excess of 6 million pound of catch was made east and south of the Pribilof Islands between 168° and 167° longitude and 55.5° and 56.6° latitude. The distribution of catch has drawn the concern of the SSC and the Plan Team, which have noted that the concentration of catches in the southern portion of the range of the fishery could add pressure to the northward migration of the stock (NPFMC, 2010).

Fishing effort in the eastern Aleutian Islands golden king crab fishery focuses primarily around Yunaska Island, and the Islands of Four Mountains, and in Seguam and Amukta Passes. In the western Aleutian Islands, the golden king crab fishery was prosecuted around the Delarof Islands, Amchitka Pass, and the Petrel Bank. Because of the small number of vessels participating in these fisheries, most of the landings information is confidential, both pre- and post-rationalization.

# 14 SIDEBOARD LIMITS IN OTHER FISHERIES

Recognizing that a change to a share-based management program may provide opportunities for participants to alter their behavior to increase participation in other fisheries, the Council typically considers sideboards to limit participants in the share-based fishery to their historic participation levels in other fisheries. In adopting the rationalization program, the Council imposed sideboards on harvesters receiving QS allocations. The Council is currently considering revisions to these sideboards, as well as new sideboards on the processing of Pacific cod by processors that received PQS allocations.

## 14.1 Harvester sideboards

Knowing that the harvesters in the crab fisheries may alter fishing patterns to increase catch in other fisheries, the Council included sideboard limits on catches of Gulf of Alaska groundfish and Gulf of Alaska Pacific cod for vessels and licenses with Bering Sea *C. opilio* history that contributed to an initial QS allocation. Sideboards under the program also prohibit participation in the Pacific cod fisheries by vessels with Bering Sea *C. opilio* history that contributed to a quota allocation and that landed less than 50 metric tons of groundfish harvested in the Gulf during the Bering Sea *C. opilio* qualifying period (January 1, 1996 and December 31, 2000). In addition, vessels with limited Bering Sea *C. opilio* catch (i.e., less than 100,000 qualifying pounds) and sufficient Gulf Pacific cod dependence (i.e., more than 500 metric tons of Gulf Pacific cod during *C. opilio* qualifying period) are exempt from the Gulf Pacific cod sideboard limits. Sideboard limits are based on Gulf groundfish and Gulf Pacific cod retained catch of crab vessels subject to the limits during the *C. opilio* qualifying period. The sideboard restrictions apply in the State of Alaska parallel groundfish fisheries to vessels with a Federal Fisheries Permit or LLP license. Since LLPs can move among vessels, it is possible that the sideboard limits on a vessel could differ from those associated with the license assigned to that vessel. In these cases, the more restrictive sideboard is applied.

Figure 14-1 provides a diagram of the structure of the Gulf groundfish sideboard limits. Since vessels participating in the American Fisheries Act are already subject to sideboards in Gulf groundfish fisheries, those vessels are exempt from these crab program sideboards.

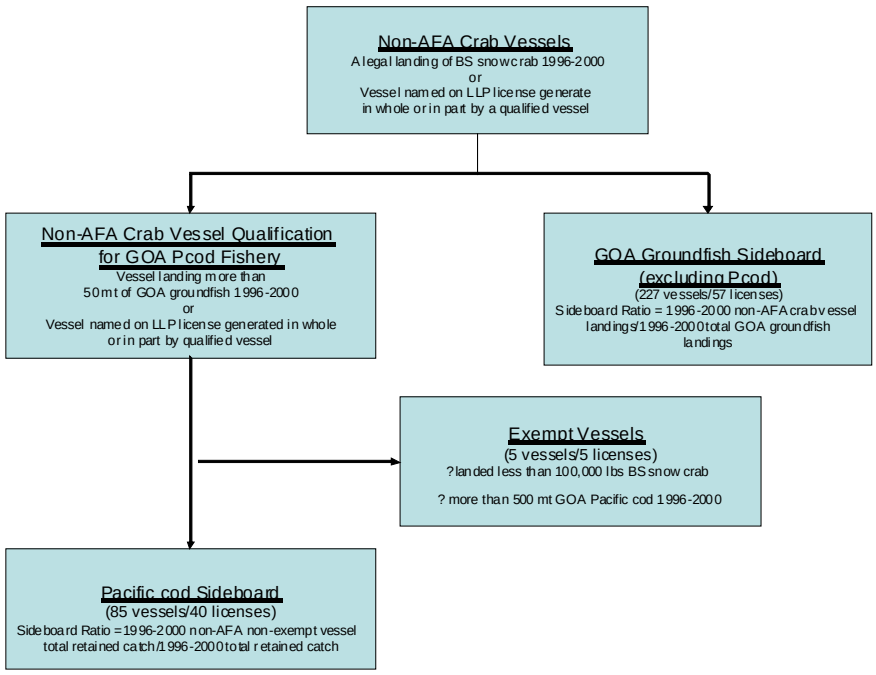


**Figure 14-1 Diagram of non-AFA crab vessel sideboard program for the GOA**

Under the program, 227 non-AFA crab vessels contributed to an initial allocation of Bering Sea *C. opilio* QS and are subject to the Gulf groundfish sideboard limits; 137 of these vessels are prohibited from fishing for Gulf Pacific cod; 85 vessels are subject to the Gulf Pacific cod sideboard limits; and 5 vessels are exempt from the Gulf Pacific cod sideboard limits. Also, 57 groundfish LLP licenses originated on non-AFA crab vessels and are subject to the Gulf groundfish sideboard limits; 12 of these licenses are prohibited from use for directed fishing in the Gulf Pacific cod fisheries; 40 licenses are subject to the Gulf Pacific cod sideboard limits; and 5 licenses are exempt from the Gulf Pacific cod sideboard limits.

In October 2008, the Council took action, which when implemented, would extend the Gulf Pacific cod sideboard exemption to three additional vessels. The action exempted vessels with Bering Sea *C. opilio* catch history of less than 750,000 pounds during the period from 1996 through 2000 provided the vessel landed more than 680 metric tons of Gulf Pacific cod during the period from 1996 through 2000. At that same time, the Council also extended the exemption of non-AFA crab vessels from Gulf pollock sideboards. Specifically, the exemption was extended to vessels with Bering Sea *C. opilio* catch history of less than 0.22 percent of the total catch from 1996 through 2000 and with 20 or more pollock deliveries from 1996 through 2000. It is estimated that, when implemented, a single vessel will be determined to meet these qualifying criteria.

NOAA Fisheries manages the sideboard limits by setting a single sideboard cap for each Gulf groundfish species (including Pacific cod). That amount is then available to all qualified vessels subject to the cap, on a seasonal basis (see Table 14-1) All targeted or incidental catch of sideboard species made by a vessel subject to the limits is deducted from the sideboard limit. NOAA Fisheries closes directed fisheries to vessels subject to the limit when it deems that sideboard amounts are inadequate to support directed fishing and projected incidental catch in other directed fisheries. NOAA Fisheries has prohibited directed fishing by vessels subject to the sideboard in all fisheries except the Western Gulf pollock fishery and the

Central Gulf and Western Gulf Pacific cod fisheries because the sideboard limits are deemed inadequate to support directed fishing.

**Table 14-1 Gulf of Alaska non-AFA crab vessel groundfish harvest sideboard limits for Pacific cod**

| Species | Apportions and allocations by area/processor/gear | Ratio of 1996-2000 non-AFA crab vessel catch to 1996-2000 total harvest | 2009 TAC (mt) | 2009 non-AFA crab vessel sideboard limit (mt) |
|---|---|---|---|---|
| Pacific cod | **A Season** | | | |
| | **January 1 - June 10** | | | |
| | W inshore | 0.0902 | 8,735 | 788 |
| | W offshore | 0.2046 | 970 | 198 |
| | C inshore | 0.0383 | 12,767 | 489 |
| | C offshore | 0.2074 | 1,418 | 294 |
| | **B Season** | | | |
| | **September 1 - December 31** | | | |
| | W inshore | 0.0902 | 5,823 | 525 |
| | W offshore | 0.2046 | 647 | 132 |
| | C inshore | 0.0383 | 8,510 | 326 |
| | C offshore | 0.2074 | 946 | 196 |
| | **Annual** | | | |
| | E inshore | 0.011 | 1,792 | 20 |
| | E offshore | 0 | 199 | 0 |

Table 14-2 provides annual total catch of GOA Pacific cod and other groundfish from 1995 to 2009 for non-AFA crab vessels excluding those vessels that are currently exempt from GOA Pacific cod sideboard limits. Prior to implementation of the crab sideboard limits, total catch of GOA Pacific cod by the non-AFA crab vessels ranged from 2,434 mt to 11,153 mt. During the 2006 fishing year, the GOA Pacific cod sideboard catch was 5,037 mt, while the limit was 3,615 mt. In 2006, the sideboard catch exceeded the sideboard limit due to a sideboard regulation being implemented in August 2006, which was after the A season was completed.

**Table 14-2 Total catch (mt) of non-AFA crab vessels from 1995–2009 minus the 5 vessels exempt from Pacific cod sideboards**

| Year | Pacific cod | Other Groundfish |
|---|---|---|
| 1995 | 3,651 | 127 |
| 1996 | 2,618 | 763 |
| 1997 | 2,434 | 590 |
| 1998 | 3,430 | 1,597 |
| 1999 | 7,651 | 1,375 |
| 2000 | 11,153 | 1,424 |
| 2001 | 3,464 | 2,660 |
| 2002 | 4,215 | 2,035 |
| 2003 | 4,953 | 1,477 |
| 2004 | 5,876 | 1,033 |
| 2005 | 6,760 | 2,629 |
| 2006 | 6,471 | 2,462 |
| 2007 | 6,760 | 2,629 |
| 2008 | 3,276 | 719 |
| 2009 | 2,520 | 853 |

Source: Table is from RIR Tables.xls, while raw data is from non_afa_snow_crab_cvs.xls and non_afa_snow_crab_cp5.xls which originated from ADF&G fish tickets for catcher vessels and blend data/catch accounting for catcher processors. Data does not include State water Pacific cod catch and sablefish and halibut IFQ bycatch of Pacific cod IFQ fisheries.

Table 14-3 provides a brief summary of the western and central GOA Pacific cod sideboard fishery closures during 2006 to 2009. The important point of this table is that it shows that, with the exception of 2009 in the western GOA, Pacific cod in both areas during the A season closed prematurely, as a result of the sideboard limit being reached during the early February period. The B season inshore sideboard fishery also closed prior to the end of the fishing season as a result of the sideboard limit being reached, again with the exception of 2009.

**Table 14-3 Sideboard fishery closure dates for Western and Central GOA Pacific cod during 2006 - 2009**

| | | Inshore | | | | Offshore | | | |
|---|---|---|---|---|---|---|---|---|---|
| Area | Season | 2006 | 2007 | 2008 | 2009 | 2006 | 2007 | 2008 | 2009 |
| Western GOA | A | 2 Mar (TAC) | 16 Feb (TAC) | 4 Feb (TAC) | 22 Feb (TAC) | 19 Feb (TAC) | 14 Feb (TAC) | 27 Feb (TAC) | 10-Jun |
| | B | 21 Aug (TAC) | 14 Oct (TAC) | 3 Oct (TAC) | 31-Dec | 12 Oct (TAC) | 31-Dec | 31-Dec | 31-Dec |
| Central GOA | A | 28 Feb (TAC) | 24 Jan (TAC) | 9 Feb (TAC) | 13 Jan (TAC) | 19 Feb (TAC) | 14 Feb (TAC) | 26 Feb (TAC) | 19 Feb (TAC) |
| | B | 21 Aug (TAC) | 11 Oct (TAC) | 26 Sep (TAC) | 31-Dec | 31-Dec | 31-Dec | 31-Dec | 31-Dec |

Source: NMFS Status of Fisheries/Closure Summary.

Table 14-4 provides an annual vessel count of the non-AFA crab vessels, by sideboard category in the GOA Pacific cod fishery from 1995 to 2009 that caught GOA Pacific cod. The number of Pacific cod exempt non-AFA crab vessels ranged between 4 and 5 during this period. For Pacific cod prohibited non-AFA crab vessels, the numbers ranged from 15 vessels in 1995, to 2 vessels in 1997. For Pacific cod sideboard non-AFA crab vessels, the vessel numbers ranged from 15 in 1997 to 60 in 2000. Since implementation of the sideboards on the non-AFA crab vessels, only 22 vessels recorded GOA Pacific cod catch. Finally, the number of other vessels that caught GOA Pacific cod has ranged from 476 in 1995, to 258 in 2006.

**Table 14-4 Number of vessels fishing in the GOA Pacific cod fishery by sideboard category**

| Year | Pacific cod exempt vessels | Pacific cod prohibited vessels | Pacific cod sideboard vessels | Other Pacific cod vessels |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| 1995 | 4 | 15 | 42 | 476 |
| 1996 | 5 | 8 | 28 | 414 |
| 1997 | 4 | 2 | 15 | 419 |
| 1998 | 4 | 6 | 26 | 412 |
| 1999 | 5 | 8 | 35 | 383 |
| 2000 | 5 | 11 | 60 | 399 |
| 2001 | 5 | 3 | 25 | 348 |
| 2002 | 4 | 7 | 20 | 287 |
| 2003 | 4 | 3 | 20 | 265 |
| 2004 | 4 | 6 | 21 | 281 |
| 2005 | 4 | 8 | 18 | 260 |
| 2006 | 4 | 6 | 22 | 258 |
| 2007 | 4 | 2 | 22 | 276 |
| 2008 | 4 | 2 | 27 | 306 |
| 2009 | 5 | 2 | 15 | 294 |

Source: non_afa_snow_crab_cvs.xls and non_afa_snow_crab_cp5.xls from ADF&G fish tickets for catcher vessels and blend data/catch accounting for catcher processors.

Table 14-5 provides GOA Pacific cod catch for non-AFA crab vessels by sideboard category, while Table 14-6 provides annual percent of GOA Pacific cod caught by each vessel group. Overall, the total catch of GOA Pacific cod has declined during the 1995 to 2009 period. In 1995, the combined catch of GOA Pacific cod by all vessels was 68,182 mt, while the combined catch in 2005 was 34,353 mt. For the Pacific cod exempt non-AFA crab vessels, on average their percent of the total GOA Pacific cod catch is 3.4 percent, with a catch range of 2,762 mt in 1996 to 1,016 mt in 2001. For non-AFA crab vessels prohibited from targeting GOA Pacific cod, on average their percent of the total GOA Pacific cod catch is 1.1 percent. Note that the sideboard regulations were not implemented until March 2006, which may explain the 2006 sideboard catch of 1,434 mt for this group of vessels. For the non-AFA crab vessels that are restricted by Pacific cod sideboards, on average their percent of the total GOA Pacific cod catch is 8.7 percent. Finally, GOA Pacific cod for other Pacific cod vessels on average account for 86.8 percent of all GOA Pacific cod catch.

**Table 14-5 GOA Pacific cod catch (mt) of non-AFA crab vessels by sideboard category from 1995 - 2009**

| Year | Pacific Cod Exempt Vessel Catch | Pacific Cod Prohibited Vessel Catch | Pacific Cod Sideboard Vessel Catch | Other Pacific Cod Vessel Catch | Total Catch |
|---|---|---|---|---|---|
| 1995 | 2,141 | 358 | 3,293 | 62,389 | 68,182 |
| 1996 | 2,762 | 62 | 2,556 | 63,447 | 68,827 |
| 1997 | 1,710 | * | * | 65,214 | 69,357 |
| 1998 | 2,508 | 53 | 3,377 | 57,470 | 63,409 |
| 1999 | 2,488 | 689 | 6,962 | 57,624 | 67,764 |
| 2000 | 1,388 | 429 | 10,724 | 41,456 | 53,997 |
| 2001 | 1,016 | 1,163 | 2,301 | 37,255 | 41,735 |
| 2002 | 1,077 | 1,142 | 3,073 | 35,429 | 40,721 |
| 2003 | 1,317 | 570 | 4,384 | 33,884 | 40,154 |
| 2004 | 1,080 | 563 | 5,313 | 34,768 | 41,724 |
| 2005 | 2,210 | 1,632 | 5,128 | 25,383 | 34,353 |
| 2006 | 1,807 | 1,434 | 5,037 | 28,186 | 36,464 |
| 2007 | 1,567 | * | * | 33,107 | 38,144 |
| 2008 | 949 | * | * | 31,339 | 35,564 |
| 2009 | 812 | * | * | 28,770 | 32,103 |

Source: non_afa_snow_crab_cvs.xls and non_afa_snow_crab_cp5.xls from ADF&G fish tickets for catcher vessels and blend data/catch accounting for catcher processors. Data does not include State water Pacific cod catch and sablefish and halibut IFQ bycatch of Pacific cod.

*Concealed for confidentiality

**Table 14-6 Percent of GOA Pacific cod catch by sideboard category from 1995 - 2009**

| Year | Pacific Cod Exempt Vessel Percent of Total Catch | Pacific Cod Prohibited Vessel Percent of Total Catch | Pacific Cod Sideboard Vessel Percent of Total Catch | Other Pacific Cod Vessels Percent of Total Catch |
|---|---|---|---|---|
| 1995 | 3.1% | 0.5% | 4.8% | 91.5% |
| 1996 | 4.0% | 0.1% | 3.7% | 92.2% |
| 1997 | 2.5% | * | * | 94.0% |
| 1998 | 4.0% | 0.1% | 5.3% | 90.6% |
| 1999 | 3.7% | 1.0% | 10.3% | 85.0% |
| 2000 | 2.6% | 0.8% | 19.9% | 76.8% |
| 2001 | 2.4% | 2.8% | 5.5% | 89.3% |
| 2002 | 2.6% | 2.8% | 7.5% | 87.0% |
| 2003 | 3.3% | 1.4% | 10.9% | 84.4% |
| 2004 | 2.6% | 1.3% | 12.7% | 83.3% |
| 2005 | 6.4% | 4.8% | 14.9% | 73.9% |
| 2006 | 5.0% | 3.9% | 13.8% | 77.3% |
| 2007 | 4.1% | * | * | 86.8% |
| 2008 | 2.7% | * | * | 88.1% |
| 2009 | 2.5% | * | * | 89.6% |
| **Average** | **3.4%** | **1.1%** | **8.7%** | **86.8%** |

Source: non_afa_snow_crab_cvs.xls and non_afa_snow_crab_cp5.xls from ADF&G fish tickets for catcher vessels and blend data/catch accounting for catcher processors. Data does not include State water Pacific cod catch and sablefish and halibut IFQ bycatch of Pacific cod.

*Concealed for confidentiality

## 14.2 Processor sideboard limitations

At the time of adopting the program, the Council elected not to adopt any processor sideboard limitations. Since that time, the Council has received public testimony suggesting that floating processors freed up as a result of the crab program could encroach on processor participants in the Aleutian Island Pacific cod fisheries. The Council is currently considering alternatives that would limit processors that contributed to allocations of PQS in the Bering Sea *C. opilio* fishery to their historic processing participation levels with the intent of protecting processors in the Aleutian Island Pacific cod fisheries. The Council is scheduled to revisit this issue in a separate agenda item at this meeting.

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**Description of Action Taken or Considered, and Rules Implemented in the BSAI Crab Rationalization Program Between 2010 to 2015**

1. Amendment 44 (KTC FMP): Modifications to Community Provisions and Trailing Amendment
   Date of Council Final Action: February 2013; October 2014 Trailing Amendment
   Status: Under NMFS Regional Review

Amendment 44 includes five actions that will modify right of first refusal (ROFR) provisions that provide eligible crab community entities with the opportunity to purchase processor quota shares and other associated assets proposed for sale. This action will 1) extend the amount of time allowed for eligible crab community entities to exercise and perform a ROFR contract; 2) remove or modify provisions that allow the ROFR to lapse under specific conditions; 3) provide flexibility for eligible crab community entities and processor quota shareholders to apply a ROFR only to mutually-agreed upon assets; and 4) revise reporting requirements to eligible crab community entities and NMFS of any pending transfers of processor quota shares. The final addition to this package was action taken to include in a trailing amendment to separate the annual individual fishing quota/individual processor quota application into two separate applications, and revise reporting requirements for cooperatives.

The Council elected to maintain the status quo with respect to two additional ROFR issues considered in the package. Under the status quo, the rights of first refusal apply to all assets in a transaction that includes the subject processor shares. The Council considered (and rejected) alternatives that would have applied the right to either 1) the processor shares only or 2) the processor shares and assets based in the protected community. The second of these actions would have required community entity consent for any use of processor shares outside of the community that is protected by the right. Under the status quo, processor shares may be used in any location (subject to any applicable regional use restrictions).

2. Aleutia ROFR PQS
   Date of Council Final Action: October 2014; This document was never moved to Final Action
   Status: No Council or NMFS action at this time

The Council bifurcated this action from the Modifications to Community Provisions package. The Council chose to adopt the status quo of no action on an item which would have allocated up to 0.55 percent of the Bristol Bay red king crab processing quota share pool to Aleutia Corporation (a right holding entity) to address a grievance concerning a ROFR that it formerly held on shares in that fishery.

3. Crew provisions discussion paper
   Date of Council Final Action: Last considered in February 2013; This document was never moved to Final Action
   Status: No Council or NMFS action at this time

The 5 year review highlighted several concerns regarding active participation and equitable crew provisions in the program. Particularly, the Council became interested in: 1) the transfer of QS among non-active participants, 2) high lease rates for IFQ, 3) the amount of lease rate that is charged against crew compensation, 4) decline in the percent of gross vessel revenue attributed to crew compensation. A

discussion paper informed the Council on the potential role of cooperatives in addressing these issues. After receiving the discussion paper, the Council requested that each cooperative in the program submit a voluntary report annually describing measures taken by the cooperative to facilitate share acquisitions by active participants and affecting high lease rates and crew compensation.

The Council received their first round of industry reports in December 2014. Council members remain interested in industry progress in these particular areas.

4. RIR/IRFA Active Participation
   Date of Council Final Action: Last considered in February 2013; This document was never moved to Final Action
   Status: No Council or NMFS action at this time

Currently, owner quota shares (QS), which makes up approximately 97 percent of the QS pool, may be acquired and held by an individual (or an entity owned in part by an individual) who has demonstrated 150 days of sea time in U.S. commercial fisheries. On receiving the 5-year review of the crab program, the Council considered action that would require ongoing crab fishery participation on the part of persons wishing to acquire and hold owner QS. The Council considered this issue to be intertwined with those highlighted in the Crew Provisions discussion paper which was presented at the same meeting. The Council elected to maintain regulatory status quo and instead allow the cooperative the opportunity to address active participation among the other issues underscored in the discussion paper.

5. Amendment 42 (KTC FMP): Revision of the Economic Data Reports
   Date of Council Final Action: October 2012
   Status: Final Rule implemented June 17, 2013

Amendment 42 revised the annual economic data reports (EDRs) currently required of participants in the crab fisheries of the rationalization program. The EDRs include cost, revenue, ownership, and employment data the Council, NMFS, and the AFSC use to study the economic impacts of the program on harvesters, processors, and affected communities. This action eliminated redundant reporting requirements, standardized reporting across participants, and reduced costs associated with the data collection.

6. Amendment 41 (KTC FMP): Emergency exemption from regional delivery requirements
   Date of Council Final Action: December 2010
   Status: Final Rule passed May 15, 2013; effective June 14, 2013

Amendment 41 amended the crab program by establishing a process whereby holders of regionally designated IFQ and IPQ in six crab program fisheries may receive an exemption from regional delivery requirements in the North or South Region. The six CR Program fisheries are Bristol Bay red king crab, Bering Sea snow crab, Saint Matthew Island blue king crab, Eastern Aleutian Islands golden king crab, Western Aleutian Islands red king crab, and Pribilof Islands red and blue king crab. Regulations previously required that a portion of crab harvested in these fisheries be delivered and processed within

the boundaries of the North or South Region. This action is necessary to mitigate disruptions in a crab rationalization fishery that prevent participants from complying with regional delivery requirements.

7. Amendment 30 (KTC FMP): Provisions Modifying the Arbitration System
   Date of Council Final Action: April 2008
   Status: Final Rule passed November 4, 2011; effective December 5, 2011

Amendment 30 amended the crab program to modify procedures for producing and submitting documents that are required under the Arbitration System to resolve price, delivery, and other disputes between harvesters and processors. This action improved the quality and timeliness of market information used to conduct arbitration proceedings.

8. Amendment 34 (KTC FMP): Revise Crab Sideboard Exemptions for the Gulf of Alaska Pacific Cod and Pollock Fishery
   Date of Council Final Action: October 2008
   Status: Final Rule passed June 20, 2011; effective 20, 2011

Amendment 34 amended the crab program to exempt additional recipients of crab quota share from Gulf of Alaska Pacific cod and pollock harvest limits, called sideboards, which apply to some vessels and license limitation program licenses that are used to participate in these fisheries. The Council determined that these recipients demonstrated a sufficient level of historical participation in GOA Pacific cod or pollock fisheries and should be exempt from the GOA Pacific cod and pollock sideboards. This action gave these recipients an opportunity to participate in the GOA Pacific cod and pollock fisheries at historical levels.

9. Action Item: Amendment 37 (KTC FMP): Exempting Western Aleutian Islands Golden King Crab from regional delivery requirements
   Date of Council Final Action: April 2010
   Status: Final Rule passed June 20, 2011; effective June 20, 2011

Amendment 37 amended the crab program by establishing a process for eligible contract signatories to request that NMFS exempt holders of West-designated IFQ and IPQ in the Western Aleutian Islands golden king crab fishery from the West regional delivery requirements. Federal regulations required West-designated golden king crab IFQ to be delivered to a processor in the West region of the Aleutian Islands with an exact amount of unused West-designated IPQ. However, processing capacity may not be available each season. Amendment 37 prevented disruption to the Western Aleutian Islands golden king crab fishery, while providing for the sustained participation of municipalities in the region.

10. Amendment 31 (KTC FMP): C-Share Active Participation and Crab Rationalization Application Deadline Modification
    Date of Council Final Action: April 2008
    Status: Final Rule pending, Decision date March 13, 2015

Amendment 31 is intended to relax participation requirements for captains and crew in the crab program, and to modify the timing and preparation of specific documents that are currently required under the program. This action is necessary to fulfill the Council's intent that captain and crew quota shares are held by individuals who are actively participating in the crab program fisheries, to provide quota share acquisition opportunity to captains and crew who may have been displaced from employment in the crab program and were not initial recipients of quota shares, and to make the quota shares available to captains and crew who are new entrants into the crab program fisheries.

In addition, Amendment 31 includes an issue that was addressed separately in analysis, which will change the date of the cooperative, IFQ, and IPQ application deadline from August 1st to June 15$^{th}$. The change would be intended to increase the likelihood that any dispute concerning an application could be resolved prior to issuance of IFQ and IPQ. The action would also shorten the timeline for appealing any initial determination concerning an application from 60 days to 30 days. Lastly, the action also includes a provision that an applicant who presents a copy of proof of timely filing would be presumed to have applied in a timely manner.

# CRAB RATIONALIZATION 5-YEAR PROGRAM REVIEW SOCIAL IMPACT ASSESSMENT: EXECUTIVE SUMMARY

## INTRODUCTION

A two-pronged approach to analyzing the community and regional components of changes associated with the implementation of Bering Sea and Aleutian Islands (BSAI) crab rationalization was utilized. First, tables based on existing quantitative fishery information were developed to identify patterns of participation in the various components of the fishery on an annual average basis from pre- and post-rationalization from 1998 through 2009. There are, however, substantial limitations on the data that can be utilized for these purposes, based on confidentiality restrictions. Quantitative information was also developed to examine the redistribution of quota shares that has occurred following implementation of the rationalization program, contrasting initial allocation patterns with those seen at the time of the 2010/2011 seasonal allocation process. While quota redistribution indicators cannot inform pre- versus post-implementation analysis, they do provide insight into changes that have occurred over the first 5 years of the program.

The second approach involved selecting a subset of BSAI crab communities for characterization to describe the range, direction, and order of magnitude of social- and community-level impacts associated with the relevant crab fisheries. This approach then qualitatively explores the social and community impacts that have resulted from the rationalization-associated changes to the locally present sectors in combination with other community-specific attributes and socioeconomic characteristics. Chosen for this community-level analysis were those Alaskan communities characterized in the pre-implementation BSAI crab rationalization social impact assessment: Unalaska/Dutch Harbor, Akutan, King Cove, Kodiak, Sand Point, Adak, St. Paul, and St. George. Updated, detailed profiles with a focus on crab dependence and BSAI crab rationalization impacts are provided in this document for four of these communities: Unalaska/Dutch Harbor, St. Paul, King Cove, and Kodiak.

## PRE- AND POST-RATIONALIZATION CHANGES: QUANTITATIVE MEASURES OF VESSEL AND PROCESSOR ACTIVITY

Vessel activity by community was examined pre- and post-rationalization based on location of vessel ownership. Processing activity by community was characterized based on the physical location of processing facilities.

### Vessel Activity

Fleet consolidation accompanying rationalization was substantial. In both the Bristol Bay red king crab and Bering Sea snow crab fisheries, the annual average post-rationalization fleet was roughly one-third of the size of the pre-rationalization fleet. While virtually all participating Alaska communities lost vessels, the remaining vessel ownership has tended to aggregate in fewer and larger communities. Data from 1998 through 2009 show vessels owned by residents or entities in 19 different Alaska communities participated in at least one of the now-rationalized fisheries for at least one season. By the 2009/2010 season, communities with more than one vessel listed as locally owned fishing in any of the rationalized crab fisheries were limited to

Anchorage, Kodiak, and Homer; Seldovia and Wasilla each had a single vessel participate in the rationalized fisheries. No vessels with ownership listed in any other Alaska communities participated in any of the rationalized crab fisheries that year.

Confidentiality restrictions preclude an analysis of gains or losses in average annual harvest value by community of vessel ownership for all Alaska communities except Kodiak. While annual volume and value percentages of the overall fisheries tended to increase for Alaska-owned vessels post-rationalization compared to pre-rationalization conditions, this was not the case for Kodiak, although the relative change has been small for both Alaska in general and Kodiak in particular.

**Processing Activity**

Community-by-community changes in volumes and values of landings and associated processing levels cannot be disclosed due to confidentiality restrictions for all Alaska communities except Unalaska/Dutch Harbor. Even in this case, data disclosure is further limited by a share type analysis elsewhere in the main body of the document. It can be stated, however, that Unalaska/Dutch Harbor is apparently successfully competing for B and C share deliveries beyond its proportion of A share deliveries.

Processors of crab species included in the rationalization program are relatively concentrated in a few communities, but community data for processing are known to be less than complete due to a lack of processing location data for a number of floating catcher processors and inshore stationary floating processors. A total of 11 communities are shown in the data as having participated in processing of at least a minimal volume of one or more rationalized crab species for one or more seasons during the period 1998 through 2010. Only Unalaska/Dutch Harbor, Akutan, King Cove, and Kodiak, however, show an annual average of one or more than one processor pre- and post-rationalization for both Bristol Bay red king crab and Bering Sea snow crab. St. Paul shows an annual average of more than one processor pre- and post-rationalization for Bering Sea snow crab, but not for Bristol Bay red king crab. These same five communities show a continuous history of annual processing of rationalized species 1998 through 2010 (and all have processed additional rationalized species); Adak processed rationalized crab species annually from 2000 through 2009 (but not in 2010 following closure of the local plant, the reopening of which is planned for 2011), and narrowed its focus among rationalized species exclusively to Western Aleutian golden king crab following rationalization. Processor counts for at least some years for some communities are higher than the number of physical entities in the communities due to custom processing arrangements. Prior to rationalization, at least some relevant processing occurred in Cordova, Ninilchik, and Wasilla in South-Central Alaska and Sand Point in the Aleutians; no processing has occurred in any of these communities since the implementation of rationalization.

## POST-RATIONALIZATION QUOTA SHARE REDISTRIBUTION

Quota share redistribution data from initial allocation through the most recent annual individual fishing quota assignment process (2010/2011) is not subject to the same confidentiality restrictions as other quantitative information. The following subsections describe patterns of change for catcher vessel owner quota, catcher vessel crew quota, catcher processor owner quota, catcher processor crew quota, and processor quota shares. This summary focuses on the Bristol

Bay red king crab and Bering Sea snow crab fisheries as the two economically dominant fisheries within the rationalization program.

## Catcher Vessel Owner Shares

Alaska communities as a group, between initial allocation and 2010/2011, went from 39 to 54 unique catcher vessel owner quota holders in the Bristol Bay red king crab fishery; they also went from owning 16.1 percent to 25.5 percent of the total catcher vessel owner quota units in the Bristol Bay red king crab fishery. Patterns of redistribution, however, varied by region and community. Relatively few (nine) Alaska communities had residents receive initial allocations for Bristol Bay red king crab catcher vessel owner shares. These include Anchorage, Dillingham, Homer, and Seldovia in the South-Central region; Petersburg and Yakutat in the Southeast region; Unalaska/Dutch Harbor and King Cove in the Aleutians region; and Kodiak in its own region. By the time of the 2010/2011 allocation process, all of these communities either maintained or increased their number of unique quota holders, with the exception of Petersburg. Additionally, while not receiving any initial allocation, residents of Soldotna and Wasilla in the South-Central region and St. Paul in the Aleutian region held at least some catcher vessel owner quota by the time of the 2010/2011 quota allocation process. Residents of Petersburg, Yakutat, and King Cove held fewer quota units by the time of the 2010/2011 allocation process compared to quota units held at initial allocation; all other Alaska communities listed gained quota units over this time period.

Alaska communities as a group, between initial allocation and 2010/2011, went from 38 to 57 unique catcher vessel owner quota holders in the Bering Sea snow crab fishery; they also went from owning 16.4 percent to 27.6 percent of the total catcher vessel owner quota units in the Bering Sea snow crab fishery. The same patterns of change for catcher vessel owner quota occur for Alaska communities for the Bering Sea snow crab fishery as were seen for the Bristol Bay red king crab fishery, with a few exceptions. For the Bering Sea snow crab fishery, the number of unique quota holders in Petersburg has increased and both Petersburg and Yakutat have retained the same amount of quota units held from initial allocation through 2010/2011. Ultimately, no Alaska community has seen a decrease in unique holders of catcher vessel owner quota and King Cove is the only Alaska community that has seen a decrease in locally held catcher vessel owner quota units from the time of initial allocation to 2010/2011 for the Bering Sea snow crab fishery. (Only one other Alaska community, Sand Point, did not receive catcher vessel owner quota in Bristol Bay red king crab and Bering Sea snow crab but did receive catcher vessel owner quota in another rationalized species; when this community is included, a total of 10 Alaska communities received initial allocations of catcher vessel owner quota in at least one rationalized fishery.)

The number of Washington unique holders of catcher vessel owner quota increased for the Bristol Bay red king crab fishery (from 158 to 165) between initial allocation and 2010/2011; however, amount of quota share units held declined (from 69.3 percent to 62.6 percent) over this same period. In the case of Oregon, both the number of unique holders of catcher vessel owner shares and the amount of quota share units held declined in the Bristol Bay red king crab fishery between initial allocation and 2010/2011. In the case of states other than Alaska, Washington, or Oregon, both the number of unique holders of catcher vessel owner shares and the amount of quota share units held increased in the Bristol Bay red king crab fishery between initial allocation and 2010/2011.

For Washington, the number of unique quota holders in Bering Sea snow crab fishery remained constant (149), while the amount of quota share units held decreased (from 67.7 percent to 60.9 percent of the total quota units in the fishery). For all other states besides Alaska and Washington, the same patterns described for the Bristol Bay red king crab fishery also apply to the Bering Sea snow crab fishery.

**Catcher Vessel Crew Shares**

For Alaska communities as a group, between initial allocation and 2010/2011, the number of unique catcher vessel crew quota holders in the Bristol Bay red king crab declined from 45 to 34. Alaska communities as a group also went from owning 20.8 percent to 22.6 percent of the catcher vessel crew quota units in the Bristol Bay red king crab fishery. As was the case with catcher vessel owner shares, however, patterns of redistribution varied by region and community. Relatively few (11) Alaska communities had residents receive initial allocations for Bristol Bay red king crab catcher vessel crew shares. These include Anchorage, Homer, Kenai, Soldotna, Valdez, and Wasilla in the South-Central region; Petersburg in the Southeast region; Unalaska/Dutch Harbor, King Cove, and Sand Point in the Aleutians region; and Kodiak in its own region. Only two of these communities, Homer and Petersburg, saw an increase in the number of unique catcher vessel crew quota holders in the Bristol Bay red king crab fishery over the course of the first 5 years of the crab rationalization program; Anchorage, Kenai, Valdez, King Cove, and Kodiak saw declines in unique quota holders over this same period. Additionally, while not receiving any initial allocation, residents of Cordova in the South-Central region held at least some catcher vessel crew quota by the time of the 2010/2011 quota allocation process. Declines in the number of catcher vessel crew quota units over the time period between initial allocation and 2010/2011 were seen in Anchorage, King Cove, Kenai, and Valdez. Wasilla, Unalaska/Dutch Harbor, and Sand Point retained the same number of quota units over this time period, while there were gains in catcher vessel crew quota units by Homer, Soldotna, Petersburg, Kodiak, and Cordova residents over this same time period.

Alaska communities as a group, between initial allocation and 2010/2011, decreased from 37 to 28 unique catcher vessel crew quota holders in the Bering Sea snow crab fishery; Alaska communities as a group also went from owning 22.0 percent to 21.5 percent of the catcher vessel crew quota units in the Bering Sea snow crab fishery over this same time period. Like the other categories of quota, patterns of redistribution varied by region and community, and relatively few (8) Alaska communities had residents receive initial allocations for Bering Sea snow crab catcher vessel crew shares. These include Anchorage, Homer, Kenai, and Seldovia in the South-Central region; Petersburg in the Southeast region; Unalaska/Dutch Harbor and King Cove in the Aleutians region; and Kodiak in its own region. By the time of the 2010/2011 allocation process, half of these communities either maintained (Homer, Soldotna, and Unalaska/Dutch Harbor) or increased (Petersburg) their number of unique quota holders. Anchorage, Kenai, King Cove, and Kodiak saw declines in the number of unique catcher vessel crew quota holders. Additionally, while not receiving any initial allocation, residents of Cordova in the South-Central region held at least some catcher vessel crew quota by the time of the 2010/2011 quota allocation process. Within the Bering Sea snow crab fishery, declines in the number of catcher vessel crew quota units over the time period between initial allocation and 2010/2011 were seen in Soldotna, King Cove, Kodiak, and Kenai. Unalaska/Dutch Harbor retained the same number of quota units over this time period, while there were gains in catcher vessel crew quota units by Anchorage, Cordova, Homer, and Petersburg residents over this same time period. (Only one other Alaska

community, Sitka, did not receive catcher vessel crew quota in Bristol Bay red king crab and Bering Sea snow crab but did receive catcher vessel crew quota in another rationalized species; when this community is included, a total of 12 Alaska communities received initial allocations of catcher vessel crew quota in at least one rationalized fishery.)

The number of Washington unique holders of catcher vessel crew quota decreased for the Bristol Bay red king crab fishery (from 105 to 80) between initial allocation and 2010/2011, with the percentage of crew share quota units held also decreasing (from 63.2 percent to 61.7 percent) over this same period. In the case of Oregon, the number of unique holders of catcher vessel crew shares decreased (from 14 to 11) in the Bristol Bay red king crab fishery between initial allocation and 2010/2011; the amount of quota units held also decreased (from 7.8 percent to 7.6 percent) over this same time. In the case of states other than Alaska, Washington, or Oregon, the number of unique holders of catcher vessel crew shares in the Bristol Bay red king crab fishery decreased by one (from 13 to 12) between initial allocation and 2010/2011; the amount of quota units declined (from 8.2 percent to 8.1 percent) at this same time.

The number of Washington unique holders of catcher vessel crew quota decreased (from 89 to 71) for the Bering Sea snow crab fishery between initial allocation and 2010/2011; the amount of quota units held in the fishery also decreased (from 63.1 to 62.4 percent of all quota units) over this same period. In the case of Oregon, the number of unique holders of catcher vessel crew shares decreased in the Bering Sea snow crab fishery (from 13 to 10) between initial allocation and 2010/2011; the amount of quota units held, however, increased (from 7.3 percent to 8.0 percent of all quota units) over this same time. In the case of states other than Alaska, Washington, or Oregon, the number of unique holders of catcher vessel crew shares increased in the Bering Sea snow crab fishery between initial allocation and 2010/2011; the amount of quota units held also increased over this same time period.

## Catcher Processor Owner Shares

Within Alaska, initial allocation of catcher processor owner shares was limited to one unique quota holder with an Anchorage address in each of the Bristol Bay red king crab and Bering Sea snow crab fisheries. All other catcher processor owner shares in these two fisheries were held by residents of Washington. By the time of the 2010/2011 annual quota allocation process, however, this picture had changed substantially. While quota continues to be concentrated in exclusively Alaska and Washington, Alaska residents had markedly increased their holdings. While the number of Anchorage resident unique quota holders only increased by one (from one to two) in each of the fisheries, the amount of quota share units held increased from 4.4 percent to 11.4 percent in the Bristol Bay red king crab fishery and from 3.9 percent to 18.2 percent in the Bering Sea snow crab fishery. Additionally, one unique quota holder in St. Paul was added to each of these fisheries, holding 10.6 and 9.7 percent, respectively, of the Bristol Bay red king crab and Bering Sea snow crab fisheries. Overall, Alaska increased catcher processor owner quota units from 4.4 percent to 22.1 percent in the Bristol Bay red king crab fishery and from 3.9 percent to 27.9 percent in the Bering Sea snow crab fishery over the first 5 years of the BSAI crab rationalization program (with accompanying declines in Washington holdings).

## Catcher Processor Crew Shares

Within Alaska, initial allocation of catcher processor crew shares in either the Bristol Bay red king crab fishery or the Bering Sea snow crab fishery was limited to two unique quota holders with Kodiak addresses in the Bristol Bay red king crab fishery, who together held 0.3 percent of the total catcher processor crew quota units in the fishery. As of the 2010/2011 quota allocation process, these figures were unchanged. Other initial allocation catcher processor crew share recipients in the Bristol Bay red king crab fishery included four unique quota holders in Washington (together holding 50.0 percent of the total catcher processor crew quota units) and two unique quota holders in states other than Alaska, Washington, and Oregon (together holding 49.7 percent of the total catcher processor crew quota units). As of the 2010/2011 quota allocation process, these figures were also unchanged.

## Processor Quota Shares

Little movement of processor quota share between communities has occurred since the implementation of the crab rationalization program. There have been a number of processor ownership changes that have precipitated the movement of processor quota between entities based directly or indirectly on provisions incorporated into the rationalization program itself, but to date the processing associated with this quota has largely occurred within the communities where the relevant processing history was accrued. This has occurred with changes of ownership structure of individual plants operating in Kodiak and King Cove, and multiple plants in Unalaska/Dutch Harbor, where all associated processing activity has remained in the community of origin. In a separate case in Unalaska/Dutch Harbor, processor quota necessarily divested from one entity as a result of ownership changes was acquired by an entity that did cause processing of that quota to occur in Adak for 1 year (2008/2009). However, in 2009/2010 that quota was again processed in Unalaska/Dutch Harbor (following the closure of the Adak plant).

A unique case of processor quota movement has occurred in the community of St. George. Crab processing occurred in St. George during the rationalization allocation qualifying period but had exited the community prior to the implementation of the crab rationalization. At present, the St. George harbor, damaged earlier in storms, is not considered adequate to support ongoing crab processing operations. The regionalization feature of the rationalization program that created the northern region has ensured that processing originally associated with St. George has occurred in nearby St. Paul, and for several of the early years of the program the City of St. Paul voluntarily and unilaterally rebated local landing taxes associated with that quota to the City of St. George. More recently, however, the Community Development Quota (CDQ) group of which St. George is a part has acquired those processing quota shares and St. George no longer derives taxes from landings occurring in St. Paul. While St. George, with the rest of the communities in the CDQ group of which St. George is a part, presumably benefits from the CDQ ownership of those shares, the processing of those shares still does not occur in St. George. As a result, the municipality does not benefit from taxes collected on the landing of that quota and the local community does not benefit from the secondary and indirect economic effects of having processing occur locally.

Another unique case of processor quota movement involves the community of False Pass. An incorporated municipality with the Aleutians East Borough, prior to rationalization False Pass benefited from local crab processing occurring on floating processors through collection of local

fish taxes as well as through secondary and indirect business activity that accompanied being an active processing location. While False Pass was determined to be a community eligible for community protection measures under the rationalization program, the boundary for the unencumbered movement of processing shares under the community protection measures was designated as the borough, not the individual municipality. No processing of rationalized crab species has occurred in False Pass since the implementation of the rationalization program. While False Pass, with the rest of the communities in the Aleutians East Borough, presumably benefits from borough revenues derived from the landings of that quota elsewhere within the borough, the processing of those shares does not occur in False Pass. As a result, the municipality does not benefit from local municipal taxes collected on the landing of that quota and the local community does not benefit from the secondary and indirect economic effects of having processing occur locally.

## SUMMARY OF SOCIAL IMPACTS BY COMMUNITY: INCORPORATION OF QUALITATIVE INFORMATION

Social impacts attributable to the crab rationalization program are not evenly distributed among communities for a variety of reasons described below. While a number of particularly salient issues exist in at least some communities, the number of communities affected by any particular issue tends to be small. For example, among Alaska communities, disruptions or adverse impacts to support sector businesses, outside of basic fuel sales and gear storage activities, are largely confined to Unalaska/Dutch Harbor, King Cove, and Kodiak. Among Alaska communities, crew employment opportunity losses as a salient issue are sharply focused on King Cove and Kodiak. Local governance and revenue considerations among Alaska communities, in terms of the efficacy of community protection measures compared to other communities, are issues primarily in St. George and False Pass. The following sections summarize impacts across sectors on a community-by-community basis.

### Alaska Primary Study Communities

This section summarizes salient social impacts in the areas of harvesting, processing, support services, and local governance and revenue for the eight communities that have been tracked over the course of the pre-implementation social impact assessment, the 3-year post-implementation program review/social impact assessment, and the 5-year post-implementation program review/social impact assessment (Unalaska/Dutch Harbor, Akutan, King Cove, Kodiak, Sand Point, Adak, St. Paul, and St. George). In general, the changes associated with rationalization have not been occurring in a vacuum. While crab fleet consolidation has been an issue for a number of different direct and indirect reasons, this consolidation has occurred during a time when Alaska community fleets in general have been getting smaller. While rationalization has not largely been seen as resulting in adverse social impacts regarding processing and local governance and revenue considerations (with few exceptions as noted below), support service businesses in a number of communities have also reported a longer term trend of decline, variously attributed to rationalization in other fisheries or changes in fishery market demands, among other factors. The degree of development of local support service sectors varies widely by community, as noted below, with some communities having virtually no vessel support capacity outside of marine fuel sales and gear storage, while at least a few have relatively broad support capabilities. The specific social impacts attributed to crab rationalization in each community are largely a function of the size and structure of the specific community, the nature and intensity of

the community engagement in the crab fishery, and the relative level of dependence of the particular community on the crab fishery.

**Unalaska/Dutch Harbor.** Local fleet and crew issues are not as salient in Unalaska/Dutch Harbor as in several other communities due to relatively little historic direct engagement in the crab harvest sector. As the largest center of crab processing, the community remains substantially dependent on the rationalized fisheries, with apparently little change occurring with respect to relative proportions of local landings, despite some changes of ownership of processing quota shares. Processing operations at the individual plants have changed to varying degrees as a result of rationalization, but several reported being essentially pre-adapted by the earlier rationalization of the pollock fishery, and following the sale and exit of a large crab processing entity on the eve of the implementation of the program, the most obvious changes seen in processing entities in the community since implementation of the program have been attributed to a number of factors other than crab rationalization. Unalaska/Dutch Harbor is the primary regional support service hub for the crab fishery, and this has not changed with rationalization, but different subsectors and individual businesses were affected by rationalization in a variety of ways. Overall, field data would indicate that, in general, support sector employment levels for a number of direct vessel support businesses were declining prior to the implementation of rationalization, and that rationalization itself has reinforced that trend for at least some individual businesses, especially with regard to seasonal employment (and seasonal earning potential in the form of overtime for remaining employees). Individual businesses have varied widely in both their vulnerability to rationalization-related disruptions, if any (typically based on relative dependence on the crab fleet versus the pollock or cod fleets and/or non-fleet-related business), and in their resilience/ability to successfully adapt to changed circumstances when applicable. Co-occurring changes in local business conditions, including shifts in market share among local entities in some subsectors, complicate attributions of causality to crab rationalization in particular. No adverse impacts to local governance and revenues are apparent.

**Akutan.** Historically, no crab vessels have been owned by Akutan residents. While relatively few community members previously crewed on crab vessels, at least some residents did so in the past, so loss of these opportunities have been noted in this and other studies as a social impact in the community. Unlike other communities where crew job loss has surfaced as an issue, however, Akutan is a CDQ community and, as such, residents have access to crew positions on vessels owned by their particular CDQ group. For some, remaining crew positions are not considered as attractive as pre-rationalization crew positions, even when available, due to the changed nature of the positions being perceived as fitting less well into an integrated, multisource approach to employment and income generation in a local socioeconomic context where natural resource and economic opportunity fluctuations are relatively common over both the short and long term. Such an employment or income plurality approach may combine several different opportunities over the course of a given year or span of years that may include participation in smaller scale local commercial fisheries and non-fishing-related enterprises that may be lucrative but temporary, such as local construction jobs, combined with socially important pursuits outside the wage economy, such as subsistence activities. Prior to rationalization, and particularly in the years immediately prior to rationalization, crab crew positions were ideal for integrating into a suite of employment and income opportunities, as time commitment away from the community was relatively minimal and the economic returns were relatively high. Akutan remains an important center of processing for rationalized crab species,

and there is no indication that rationalization has had adverse impacts on processing in the community. Whatever temporary disruption may have occurred in the very small local support service sector early in the rationalization program reportedly had evened out by the time of the 3-year program review. No adverse impacts to local governance and revenues are apparent.

**King Cove.** Historically, at least a few locally owned vessels participated in BSAI crab fisheries that have come under the rationalization program, but none do so at present. In addition, a number of crab vessels owned outside of the community would typically spend a portion of the year in the community and consistently hire crew from King Cove prior to rationalization, but this pattern has not been seen since rationalization either. With consolidation of the fleet, King Cove residents lost a locally significant number of crew opportunities through vessels with local ties exiting these fisheries, and these losses of crew positions are considered by many to be the primary social impact of rationalization in the community. King Cove residents also reported that the remaining crew positions that may be available are less attractive than pre-rationalization crew positions, for the same reasons noted in the Akutan summary. Unlike Akutan, however, King Cove is not a CDQ community and thus does not enjoy the additional fishery access that accompanies CDQ status. King Cove is unique among Alaska communities in the combination of all local vessels exiting the crab fisheries, the shift from local residents holding multiple crew positions on multiple crab vessels from outside of the community to no crew positions held by any local residents on any crab vessel, the decline of the number of locally held catcher vessel owner quota units since initial allocations, and a decline in the number of unique catcher vessel crew quota holders and the number of catcher vessel crew quota units held in all crab fisheries for which initial allocations were issued. These conditions are perceived by at least some in the community, including some community and borough leadership, as adversely affecting a type of economic plurality strategy on the community level, as the community as a whole is subject to both short- and long-term economic opportunity fluctuations, both in terms of fluctuations in the local and regional natural resource base and episodic economic opportunities that depend on fluctuating state and federal budgets and variable larger scale economic conditions. King Cove was and remains a processing center for BSAI crab. While some ownership of processing quota shares has changed since the implementation of the program, all King Cove affiliated shares are still processed in the community and no major changes to processing operations are apparent. In terms of support service businesses, an earlier local government-sponsored study based on confidential sales tax information concluded that it was difficult to see any clear negative effect of crab rationalization on sales (with one exception). However, time series interviews would suggest that there is a perception of declines in local support businesses related to loss of local crew jobs and subsequent re-spending of local crew wages in the community and declines in support businesses related to fewer vessels to service and fewer people coming into King Cove from outside of the community (and spending money in the community) as a result of rationalization. Support businesses in King Cove tend to be very small and, over the course of the 5 years of the rationalization program, owners have tended to adapt in a variety of ways that make documenting business disruption and assigning causality of that disruption to crab rationalization difficult, particularly as there has been an increase in local fishery-related economic vitality that has accompanied relatively favorable conditions in other locally important fisheries. Despite some apparent short-term disruptions to some specific harbor revenues in the initial years following the implementation of the rationalization program, no adverse impacts to local governance and revenues are apparent, such that local leadership has characterized the financial situation of the community as being as strong and healthy as it has ever been.

**Kodiak.** Among Alaska communities, Kodiak has the largest locally owned BSAI crab fleet, as it did prior to rationalization, accounting for more than half of all Alaska vessels both pre- and post-rationalization. With fleet consolidation under the program, however, Kodiak also saw the largest number of locally owned vessels exit the fishery of any Alaska community. The percentage of total fishery harvest attributed to Kodiak vessels was about the same for pre- and post-rationalization for both Bristol Bay red king crab and Bering Sea snow crab, while the number of Kodiak residents holding catcher vessel owner quota shares and the number of quota units held have increased since initial allocation. Crew job loss associated with the fleet consolidation is the main direct social impact issue for Kodiak and, just as it lost more vessels than any other community, so did it lose the most local crew opportunities. While some of these vessels have remained in the community and continue to generate some economic activity for support service businesses and, in some cases, for crew in other fisheries (and the local vessels remaining in the BSAI crab fisheries have increased the Kodiak fleet harvest share of those fisheries), this has not benefited a number of former crew members. Kodiak, with one of the largest residential commercial fishing fleets in the state, arguably has more alternate crew opportunities for ex-crab crew members in other fisheries than does any other community, and with the remaining largest BSAI crab fleet in the state arguably has more ongoing opportunities for those individuals looking to continue participation in the fishery than is the case in any other Alaska community. However, interviews suggest that these post-rationalization crew jobs may well be less attractive to local residents than pre-rationalization crew jobs for the same reasons noted in the Akutan discussion. In the years leading up to rationalization, between one and eight Kodiak plants processed Bristol Bay red king crab and between one and four Kodiak plants processed Bering Sea snow crab in any given year. Post-rationalization, only three plants are actually processing BSAI rationalized crab as a targeted activity. Due to confidentiality restrictions, processing volumes and values for these species cannot be disclosed, but given the lack of processor quota movement from the community, it is assumed that net processing volumes as a percentage of total fishery quota processed have not changed substantially. Further, according to interview data, processing employment levels at the processors were not adversely affected by BSAI crab rationalization and, unlike other communities profiled, Kodiak processors mainly utilize a local resident processing workforce. Quantitative sales tax information would suggest that no obvious major decline has occurred in local marine supply and service companies since the implementation of rationalization, but time series interviews with business owners suggest that there have been disruptions to at least a few operations, with individual businesses more or less quickly and successfully adapting to changed circumstances. Assigning causality of disruptions specifically to crab rationalization is particularly challenging, however, given that there was a longer term trend of support business decline, and especially support service employment decline, identified in the pre-implementation social impact assessment. No adverse impacts to local governance and revenues are apparent.

**Sand Point.** While Sand Point was among the original eight primary study communities tracked pre- and post-program implementation for rationalization related social impacts, it, unlike the other communities noted in this section, did not qualify as an "eligible crab community" for the purposes of applicability of community protection measures under the rationalization program (as it was not the site of 3 percent or more of qualified landings in any fishery included in the program). In general, according to community as well as borough leadership, Sand Point has been minimally affected by crab rationalization, especially compared to King Cove, its neighboring community within the Aleutians East Borough. While there has historically been some local ownership of crab vessels in Sand Point, and a number of local ties to the crab fleet

remain, vessel consolidation, crew displacement, and support service sector business disruptions are not particularly salient issues in the community, consistent with a relatively low degree of dependency on the fishery and a lack of local processing of rationalized species. No adverse impacts to local governance and revenues are apparent.

**Adak.** Historically, Adak has not been home to a local crab fleet and, while processing of crab has taken place in the past, no Adak-based operation qualified for processor quota shares under the rationalization program. Adak is unique, however, in that a locally significant amount of crab was processed there following the close of the quota qualification period but prior to the implementation of the rationalization program itself, such that the program, from the community processing perspective, has functioned to reverse gains in local development of an important regional fishery. Further, an indirect effect of the program, according to local sources, has been to increase the competitive advantage of floating processors relative to the Adak plant within the local cod fishery. Adak has seen relatively little development of a vessel support service sector. The community does benefit from a rationalization program regional landing requirement in the western Aleutian Island golden king crab fishery and a direct allocation of quota to the community in that same fishery, the latter of which typically generates annual royalty revenues for the local municipal government, but the efficacy of those two community protection measures were limited by the local processing plant closure in 2009/2010. Local municipal revenues have been on the decline in Adak for several years due to multiple factors.

**St. Paul.** Historically, St. Paul has not been directly engaged in the BSAI crab fisheries as home to a local fleet or through local residents being employed as crew, nor is there a well-developed vessel support service sector in the community. The community has, however, been heavily engaged in the fishery as a site of crab processing and has benefited from a rationalization program regionalization community protection measure, which has ensured a continued level of landings in the north region that may not have otherwise occurred after the end of the race for fish. With the exit of processing from nearby St. George prior to the implementation of rationalization, St. Paul is currently the only community in the northern region where shore processing has taken place since program inception. St. Paul has also benefited from the rationalization program through its CDQ group, which, like other CDQ groups, saw an increase in crab allocations under the program. The local CDQ group has also made investments in crab harvesting and processing sectors that clearly were more attractive as a result of the rationalization program, and returns on those investments have benefited the community through reinvestment in local fisheries and fishing-related infrastructure, among other ways. No adverse impacts to local governance and revenues are apparent.

**St. George.** Like St. Paul, its neighboring community in the Pribilof Islands, St. George has not been directly engaged in the BSAI crab fisheries as home to a local fleet or through crew employment, nor is there a well-developed vessel support service sector in the community. During the rationalization program qualifying years, processing did occur in St. George, such that processing quota shares linked to St. George were issued, but actual processing had exited the community prior to implementation of the program due to storm damage to the St. George harbor in 2004. Processing has not returned to St. George in more recent years and landings of quota linked to St. George-affiliated processing shares have occurred primarily in St. Paul. In 2006, 2007, and 2008 the City of St. George benefited from voluntary transfers from the City of St. Paul of nearly all of the revenue that came from taxes collected on those landings. More recently, the CDQ group of which St. George is a part acquired some of the processing quota

shares originally linked to St. George and reached contractual agreements with the entities holding the remaining processing quota shares, such that St. George, along with other member communities of the CDQ group, does presumably derive benefits from ownership of those shares. The rationalization program has not served to return processing to St. George, and thus the community does not derive benefits from local economic activities that typically accompany an operating plant and a delivering fleet, nor does it derive municipal revenues from taxes on local landings. It has benefited the community, however, as without the program it is unlikely that St. George would have received any continuing benefit from the processing that took place there prior to 2004.

**Other Alaska Communities**

**False Pass and Port Moller.** False Pass and Port Moller, both within the Aleutians East Borough, qualified as eligible crab communities for applicability of community protection measures under the rationalization program. Prior to rationalization, False Pass derived economic benefits through local crab processing and fishery-associated activities, such as local gear storage, ancillary sales, and municipal revenues from pot movement and local landing taxes. Following rationalization, however, crab processing has not taken place in the community, resulting in substantial decreases in community public and private revenues. False Pass is unique with respect to being a year-round community determined to be eligible for right of first refusal and cooling-off period community protection measures, but effectively not receiving the same individual community level of protection as occurred with other year-round eligible crab communities, for a number of reasons. False Pass crab processing history was exclusively accrued through floating processing, and this history was essentially consolidated within the Aleutians East Borough, which did not trigger cooling-off provisions, such that post-rationalization processing of the processor quota that otherwise would have been associated with False Pass has apparently taken place elsewhere in the borough. Port Moller is unique among eligible crab communities on two accounts: it is not a year-round community and it is not an incorporated municipality. As with False Pass, following rationalization no local crab processing has taken place with processor quota associated with history originally accrued in Port Moller apparently being processed elsewhere in the borough. Unlike False Pass, however, as a seasonal industrial enclave, Port Moller is not considered to have experienced any adverse community/social impacts as a result of BSAI crab rationalization.

**Other CDQ Communities.** In general, CDQ entities benefited from the implementation of crab rationalization due to the increase in CDQ quota share in the initial allocations. Beyond direct CDQ allocations, a number of CDQ groups have obtained processor quota shares, catcher processor owner shares, and catcher vessel owner shares over the course of the rationalization program.

**Other Communities.** In addition to communities directly participating in the rationalized crab fisheries through being the site of processing, vessel ownership, catcher vessel owner quota ownership, catcher vessel crew quota ownership, and support service provision, communities also participate in a variety of less direct ways, including through crew employment. It is known that catcher vessel crab crew members were and are dispersed among multiple Alaska communities. Given the lack of reliable crew information, however, it is not possible to say whether the patterns directly mirror those for vessel participation, catcher vessel owner quota distribution, or catcher vessel crew quota distribution, or follow their own pattern. Similarly,

some communities function as homeports for vessels that are not locally owned, but no systematic information exists on expenditure patterns of these vessels or other information to quantify local dependency on these vessels.

## Communities Outside of Alaska

**Washington.** Seattle is the community most engaged in the BSAI crab fisheries, within Washington or any other state, if gauged by the sheer number of locally owned vessels participating in the fisheries as a whole. Post-rationalization volume or value harvest data for the Seattle-Tacoma Consolidated Metropolitan Statistical Area cannot be broken out separately from the data for the communities in the rest of the state of Washington due to confidentiality restrictions. The Seattle fleet did, however, experience consolidation similar in proportion to that seen for the crab fleet as a whole, and annual average harvest values, as a proportion of the total harvest values for Washington vessels in the Bristol Bay red king crab fishery declined from 65.9 percent pre-rationalization to 62.8 percent post-rationalization. For the Bering Sea snow crab fishery, Washington vessels harvested approximately 64.5 percent of the total annual average harvest pre-rationalization and about 59.7 percent post-rationalization.
Seattle is also the location of regional if not company headquarters for a number of the processing firms engaged in the BSAI crab fisheries. Further, it is a major support service center for the fleet, both in terms of providing services directly and as the headquarters for a number of firms that provide support services out of Alaskan ports. While no adverse social impacts related to changes in processing firms under rationalization are known, the consolidation of the fleet likely affected a range of Seattle-based support businesses. Crab fishery support activity takes a variety of forms and does not appear to be heavily concentrated in any one area of Seattle. As a result, no localized social impacts resulting from BSAI crab rationalization are thought to have occurred, although clearly fewer crab crew jobs formerly filled by Seattle residents are available and at least some volume of Seattle-based or Seattle-managed support service work associated with the crab fleet has been lost.

**Oregon.** Communities in Oregon participated in the pre-rationalization BSAI crab fisheries primarily through ownership of catcher vessels. Following the implementation of rationalization, the number of Oregon vessels participating declined sharply. While data confidentiality restrictions limit the analysis specifically for Oregon, the known previous patterns of crab fishery engagement and limited interaction with industry participants would suggest that no substantial social impacts accrued to Oregon communities as a result of BSAI crab rationalization, although it is likely that some crew job loss did occur.

**Other States.** Communities in a number of other states participate in the BSAI crab fisheries through being the community of residence for some vessel owners or engagement of residents in employment in a variety of fishery or support sectors. No community level social impacts are known to have occurred in communities in these other states as a result of the rationalization program.

## OTHER SOCIAL IMPACT ISSUES

Skipper and crew issues have proven to be among the most problematic social impact issues for at least a few communities, including King Cove and Kodiak, but they appear to be less of a concern in most other Alaska communities, based on a number of factors, including a relative

lack of historical participation in the harvest sector of the fishery or continuing access to post-rationalization crew positions through CDQ entities, among others. Other social impact issues are of concern in these and other communities as well.

## Crew Issues

**Loss of Opportunities.** The consolidation of the crab fleet that accompanied rationalization resulted in a parallel decrease in crew position opportunities, including opportunities for captains. While catcher vessel crew quota shares were a part of the rationalization program from the beginning, only captains were able to qualify for these shares, and data on pre-rationalization crew participation patterns are limited. In at least some communities, increasing the stability and the economic vitality of the crab fishery and rewarding historic participation of some sectors without offering or ensuring any benefits to historically participating crew has been seen as a fundamental equity issue. Beyond the issue of historic participation, evolving crew compensation issues are also perceived as a threat to typical fishery career progression or entry opportunities within one of the region's most important fisheries.

**Crew Compensation.** While approaches to calculating crew compensation vary from vessel to vessel and the percent of gross vessel revenues paid to crew in practice varies substantially between different fleet quartiles, the overall percent of gross vessel revenues paid to crew (including captain) has been declining across the fleet in post-rationalization years. The mean daily captain and crew pay post-rationalization, however, has not varied as much from pre-rationalization levels as might otherwise have been expected. In short, this is a complex issue that remains a salient concern.

**Employment Compatibility Issues.** With rationalization, the nature of remaining crew jobs has changed in a number of ways, including a lengthening of seasons. For the residents of at least some communities, longer seasons make crab crewing less compatible with other fishing and nonfishing opportunities in the community that are considered by some as an important part of an integrated yet diversified employment and income strategy (which, in turn, is consistent with preferred family/social arrangements). This "employment pluralism" strategy may be seen as an adaptive approach to fishing (and nonfishing) employment and income opportunities that vary considerably over time based on both short- and long-term resource fluctuations (as well as political/economic fluctuations that, in turn, result in fluctuations in various employment-producing opportunities such as major construction project funding). This is especially true for small communities where alternative employment options are limited by small-scale, relatively undiversified economies and subsistence pursuits are of relatively high importance (for cultural as well as sustenance reasons), but it is also true for communities like Kodiak, where crew members may use economic returns from one fishery to capitalize relatively small-scale owner-operator participation in other fisheries, with seasonal (and multiseason) fluctuations again influencing changes in relative dependence on individual fisheries.

## Other Issues

**Community Preclusion (Processing).** This remains a concern for at least some communities, with the cost of obtaining processor quota shares (or the effective unavailability of processor quota shares) being perceived as a potential bar to future entry or, in the case of Adak, future expansion (or a return to levels seen immediately prior to rationalization). Community protection

measures under the program were directed toward maintaining participation of the communities that were actively engaged in and dependent upon the fishery during the qualification period, not toward ensuring future entry opportunities.

**Community Preclusion (Harvesting).** An "income pluralism" strategy, if not an employment pluralism strategy, has proven important over time for vessel owner/operators, particularly in communities with long-established commercial fishing traditions. The ability of vessel owners to move between commercial fisheries in response to both short- and long-term resource and economic fluctuations has been noted as an integral part of an adaptive approach to earning a living in a number of these communities for generations. There have been concerns expressed in at least some communities that fishery management programs that may serve to limit this type of flexibility, such as crab rationalization, may not be in the long-term best interests of communities dependent on an established residential fleet that is proportionately large compared to other local economic sectors. This would appear to be particularly of concern in those communities that are neither CDQ communities nor sizable enough to support a large vessel fleet with greater effective fishing ranges (and therefore at least some greater degree of spatial adaptability).

**Harvester/Processor Relationships.** Pre-implementation concerns over changes in harvester and processor relationships appear to have mitigated at least to a degree by the arbitration system built into the program.

**Processing Employment.** Another pre-implementation concern, this has not proven to be a salient issue due, at least in part, to the transient nature of most crab-specific processing employment, the fact that a number of the larger crab processors were already operating within an overall context that allowed crab processing to take place without bringing in dedicated crab crew, and/or the changed nature of processing under a rationalized system.

**Community Divisiveness and Equity Concerns.** Crab rationalization remains a divisive issue within and between communities. The basic structure of crab rationalization runs counter to strongly held opinions on the desired future state of fishery management for some communities, or groups associated with some communities. A number of people and organizations remain fundamentally philosophically opposed to rationalization programs, even in some cases where there have been apparent material benefits from the program. Particularly troubling to some, in a philosophical sense, is the perceived inequity of benefit that derives to absentee ownership through the quota leasing process, especially when the economic return to crew members for the harvest of those shares has been substantially reduced.

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# Indicators of Fishing Engagement and Reliance of Alaskan Fishing Communities

*By Stephen Kasperski and Amber Himes-Cornell*

**Processing plant in Kenai, AK.**
Photo by Kristin Hoelting

## Introduction

**The Magnuson-Stevens Fishery Conservation and Management Reauthorization Act (MSA) of 2006 requires fishery management actions to provide the optimum yield from a fishery in a fair and equitable manner to all fishermen while providing for the sustained participation of fishing communities and, to the extent practical, minimizing adverse economic impacts on such communities [MSA §301]. National Standard 8 of the MSA specifically states that communities need to be considered when changes in fishing regulations are made, requiring that we "take into account the importance of fishery resources to communities."**

If policymakers and regulatory agencies such as the National Marine Fisheries Service (NMFS) are to effectively regulate and protect marine resources while also supporting local communities as mandated by the MSA, there remain several key questions that must be answered about how involved communities are in fisheries; how these communities may be differentially affected by changes in fisheries management; how they are physically, socially, and culturally impacted by fisheries management decisions; and finally, how they adapt to those impacts in a shifting context of environmental, social, and political change.

In response to the first two questions above, the AFSC's Economic and Social Sciences Research program has developed a set of fisheries engagement and reliance indices using secondary data for 89 communities in Alaska that participate in commercial and recreational fisheries in the North Pacific. The purpose of the study is to explore the degree to which communities are engaged in fisheries in Alaska and how reliant they are on these fisheries, and which communities may be impacted by changes in fisheries management. We consider three main types of fisheries involvement—commercial processing, commercial harvesting, and recreational fishing— and create numerical indices of engagement and reliance for each category of fisheries involvement. Engagement represents the scale of the industry in the community while reliance represents the importance to the community of the industry in terms of numbers per resident.

These statewide indices are a first step toward assessing fisheries involvement by communities across Alaska. Additional indices are necessary to assess the importance of a particular fishery to communities, the importance of certain communities to a fishery, or the relative fisheries engagement and reliance of communities within a specific region of the state. Here we define engagement as a community's participation in fisheries as a whole and reliance as a per capita measurement of fisheries participation. By separating commercial processing from commercial harvesting, the indices presented here show the importance for those communities that may not show up in the NMFS report "Fisheries of the United States" because they have a small amount of commercial landings, but have a large number of fishermen and vessel owners in the community. Additionally, by separating engagement from reliance, these indices highlight communities with relatively small-scale fisheries, but with a large proportion of residents that participate in the fishing industry that may otherwise be overlooked by policy makers given their relatively small scale of fisheries. These indicators give policy makers and communities themselves a quantitative measure of community involvement in a variety of different aspects of fisheries which will help provide information about which communities will likely be the most affected by changes in fisheries management.

These indices are intended to improve the analytical rigor of fisheries Social Impact Assessments through analysis of adherence to National Standard 8 of the MSA and Executive Order 12898 on Environmental Justice in components of Environmental Impact Statements. An advantage to this approach, especially given the short time frame in which these analyses are conducted, is that the data used to construct these indices are readily accessible via the AFSC's Community Profiles of the North Pacific project, do not require time intensive in-person interviews, and can be compiled quickly to create measures of community engagement and reliance and to update community profiles. A summary of data available for this project can be viewed on the AFSC's Community Profiles of the North Pacific: Alaska website.

## Methods

Data were collected from state and federal sources for 89 communities across the state of Alaska. Communities were selected for inclusion in our study population if commercial fisheries landings were made in the community or if there was a charter business located in the community. We use mean values from 2005 to 2009 for all variables, and separate them into three different categories of fisheries involvement: commercial processing, commercial harvesting, and recreational fishing. For the commercial processing category, we include the amount of commercial landings, commercial revenue, and the number of processors in each community. For the commercial harvesting category, we include the number of permits, vessels, and crew members in each community. Finally, the recreational fishing category includes the number of charter businesses, sportfish guide businesses, sportfish guide licenses, and sportfishing licenses in each community. For each community, we estimate their engagement in and reliance upon commercial processing, commercial harvesting, and recreational fishing. Community engagement is represented by their actual values of a variable and the reliance is represented by their per capita (divided by population) equivalent.

To examine the relative engagement and reliance of each community to the three categories of fisheries involvement, we conducted two separate principal components analyses (a statistical procedure) for each category to determine a community's relative engagement and relative reliance for each category of fisheries involvement. Principal component analysis was used to create quantitative indices that bring together information from several variables that can help represent specific concepts of fisheries involvement. We used the six principal components analyses included in this study to create six indices of fisheries involvement for each community: commercial processing engagement, commercial processing reliance, commercial harvesting engagement, commercial harvesting reliance, recreational engagement, and recreational reliance.

## Results

Our six principal component analyses were designed to each result in a single factor solution, such that all the variables included in each principal components analysis can be summarized by a single index and represent a single concept of fisheries involvement. These indices describe the engagement or reliance of each community to each category of fisheries involvement in a robust and statistically meaningful way.

Below we define the various indices we computed for the 89 included communities in various dimensions, including commercial processing and harvesting engagement and reliance, and recreational engagement and reliance. Table 1 presents the rotated factor loadings and total variance explained for all of the variables included in each of the six principal components analyses. To provide a summary of the community engagement and reliance indices of fisheries involvement for each of the six indices described above, communities were each defined as being minimally engaged in commercial or recreational fisheries if they fell in the bottom 10% of index scores, moderately engaged with an index score in the middle 80%, and the highly engaged with index scores in the top 10% (Figs. 1-6).

The results of the highly engaged communities are presented in Table 2 using a binary scale of 1 or 0 for each index. A community receives a value of 1 in the table for a given index if they are in the top 10% of included Alaskan communities with the final column representing a sum of all other columns. Of the 89 communities included in this analysis, there were 5 communities that have a total index score of 3, 12 communities with a total index score of 2, 9 communities with a total index score of 1, and the other 63 communities have a total index score of zero. Four of the five communities with a total index score of 3, Juneau, Ketchikan, Kodiak, and Sitka, are in the top 10% of communities for commercial processing engagement, commercial harvesting engagement, and recreational engagement. The other community with a total index score of 3, Elfin Cove, was in the top 10% of communities for commercial processing reliance, commercial harvesting reliance, and recreational reliance, largely because Elfin Cove had a small population of 36 residents during the survey period.

### *Commercial Processing Engagement and Reliance Indices*

Commercial processing engagement represents the scale of the commercial fishing and processing industry in the community. The commercial processing engagement index contains commercial revenues, commercial pounds landed, and the number of processors in the community and explains 71% of the variance in the variables. Commercial processing reliance represents the importance to the community of the commercial fishing and processing industry in terms of values per person. The commercial processing reliance index contains commercial revenues per capita, commercial pounds landed per capita, and the number of processors per capita in the community and explains 94% of the variance in the variables.

### *Commercial Harvesting Engagement and Reliance Indices*

Commercial harvesting engagement represents the number of fishermen and commercial fishing vessel owners in the community. The commercial harvesting engagement index contains the number of commercial fishing permits, the number of vessels owned by residents of the community, and the number of crew licenses in the community and explains 95% of the variance in the variables. Commercial harvesting reliance represents the importance to the community of the fishermen and vessel owners in the community. The commercial harvesting reliance index contains the number of commercial fishing permits per capita, number of vessels owned per capita, and the number of crew licenses in the community and explains 92% of the variance in the variables.

### *Recreational Engagement and Reliance Indices*

Recreational engagement represents the scale of the recreational, charter, and guide industry in the community. The recreational engagement index contains the number of charter businesses, sportfish licenses, sportfish guide businesses, and sportfish guide licenses in the community and explains 79% of the variance in the variables. Recreational reliance represents the importance to the community of the recreational, charter, and guide industry. The recreational reliance index contains the number of charter businesses per capita, the number of sportfish licenses per capita, the number of sportfish guide businesses per capita, and the number of sportfish guide licenses per capita in the community and explains 77% of the variance in the variables.

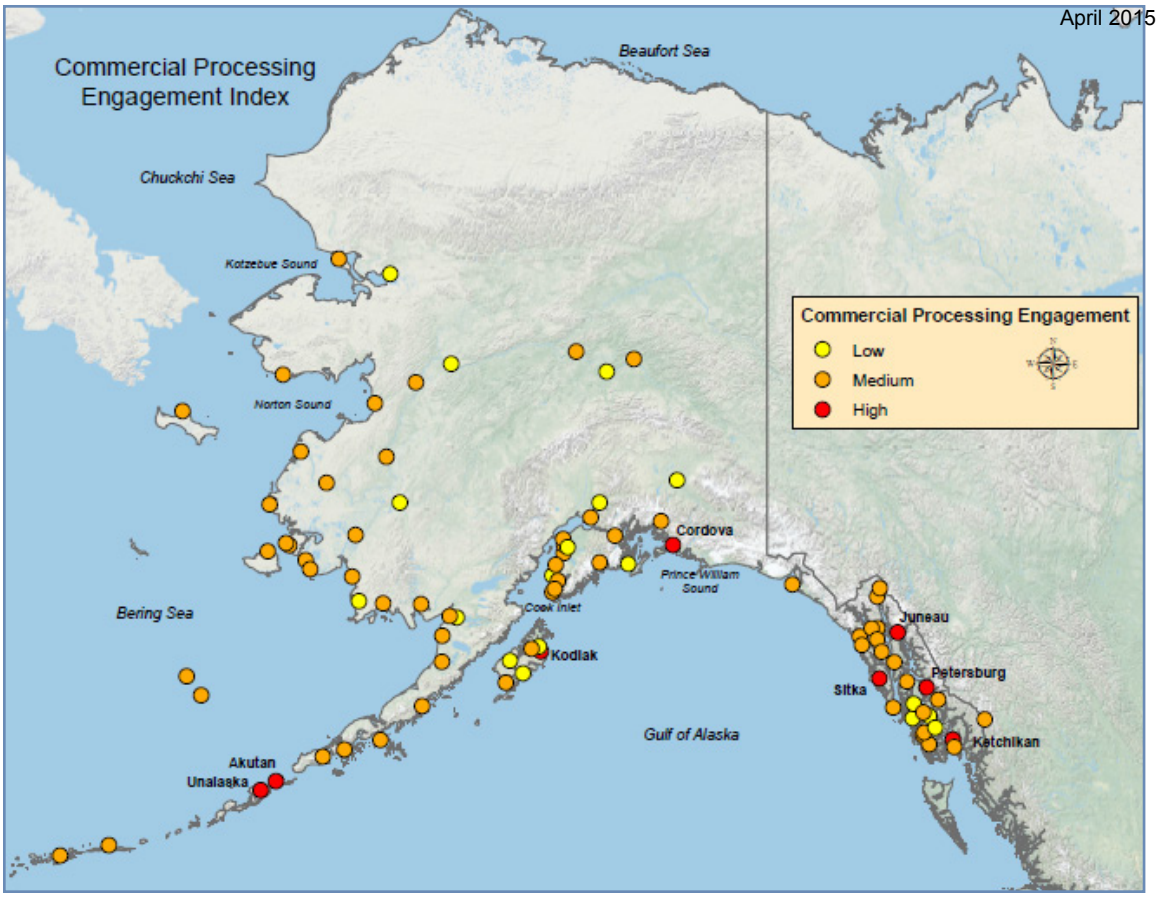


**Figure 1: Distribution of commercial processing engagement for 89 Alaskan fishing communities. All communities that rank in the top 10% are considered high and are labeled and in red.**

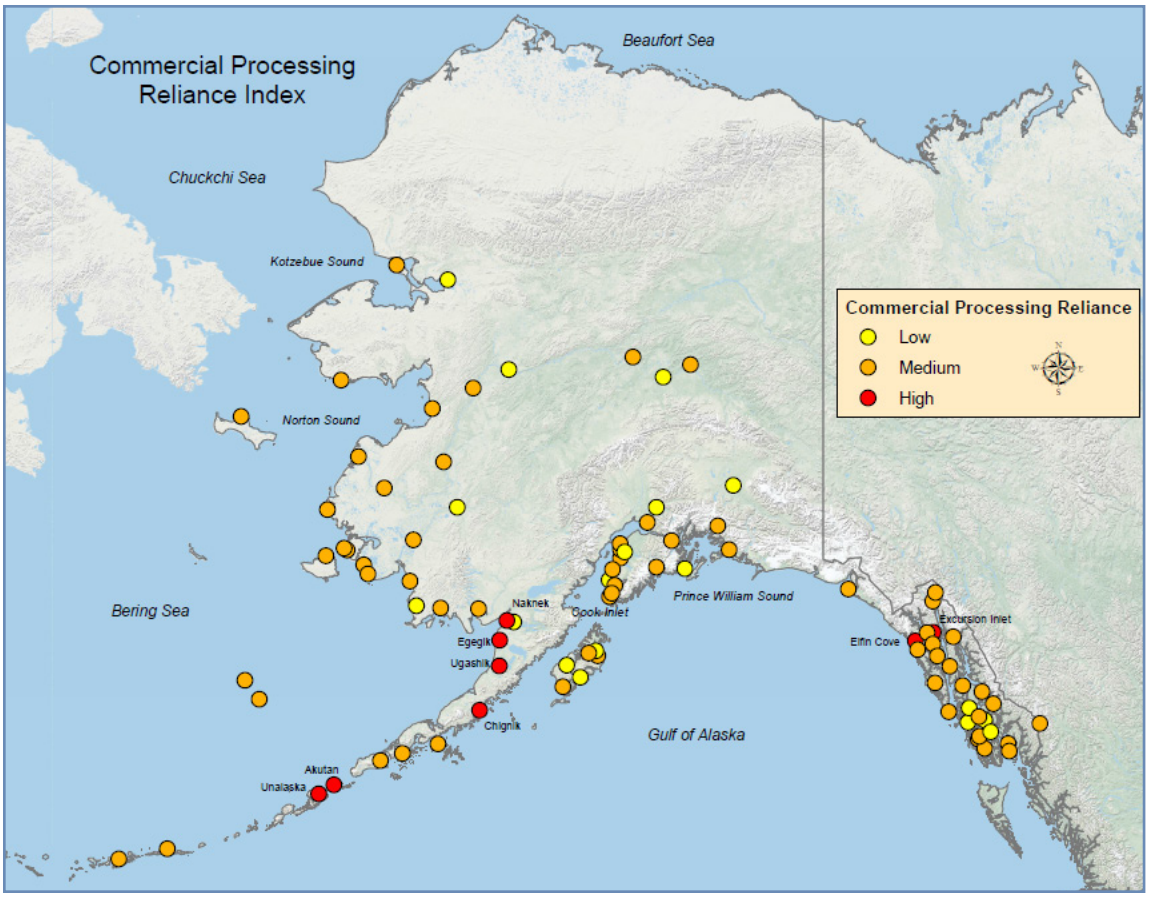


**Figure 2: Distribution of commercial processing reliance for 89 Alaskan fishing communities. All communities that rank in the top 10% are considered "high" and are labeled and in red.**

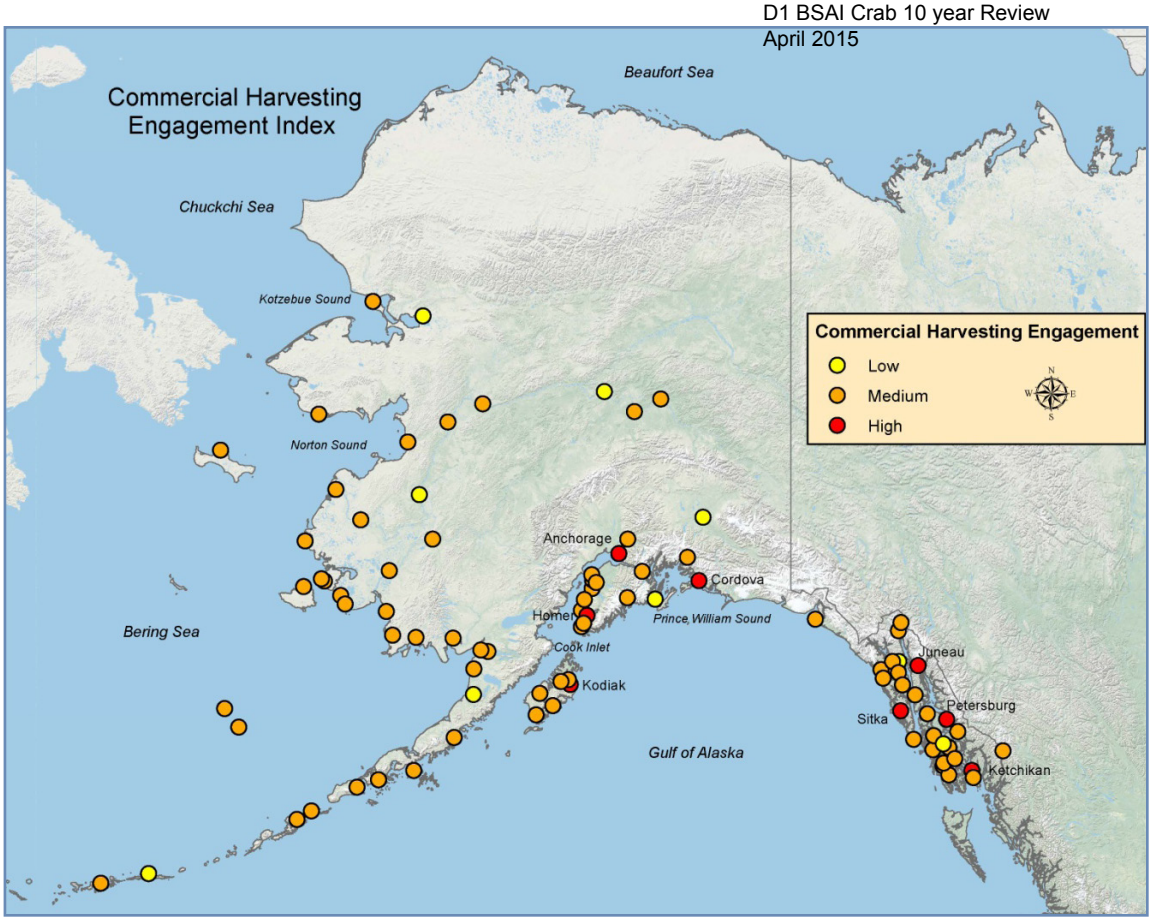


**Figure 3: Distribution of commercial harvesting engagement for 89 Alaskan fishing communities. All communities that rank in the top 10% are considered "high" and are labeled and in red.**

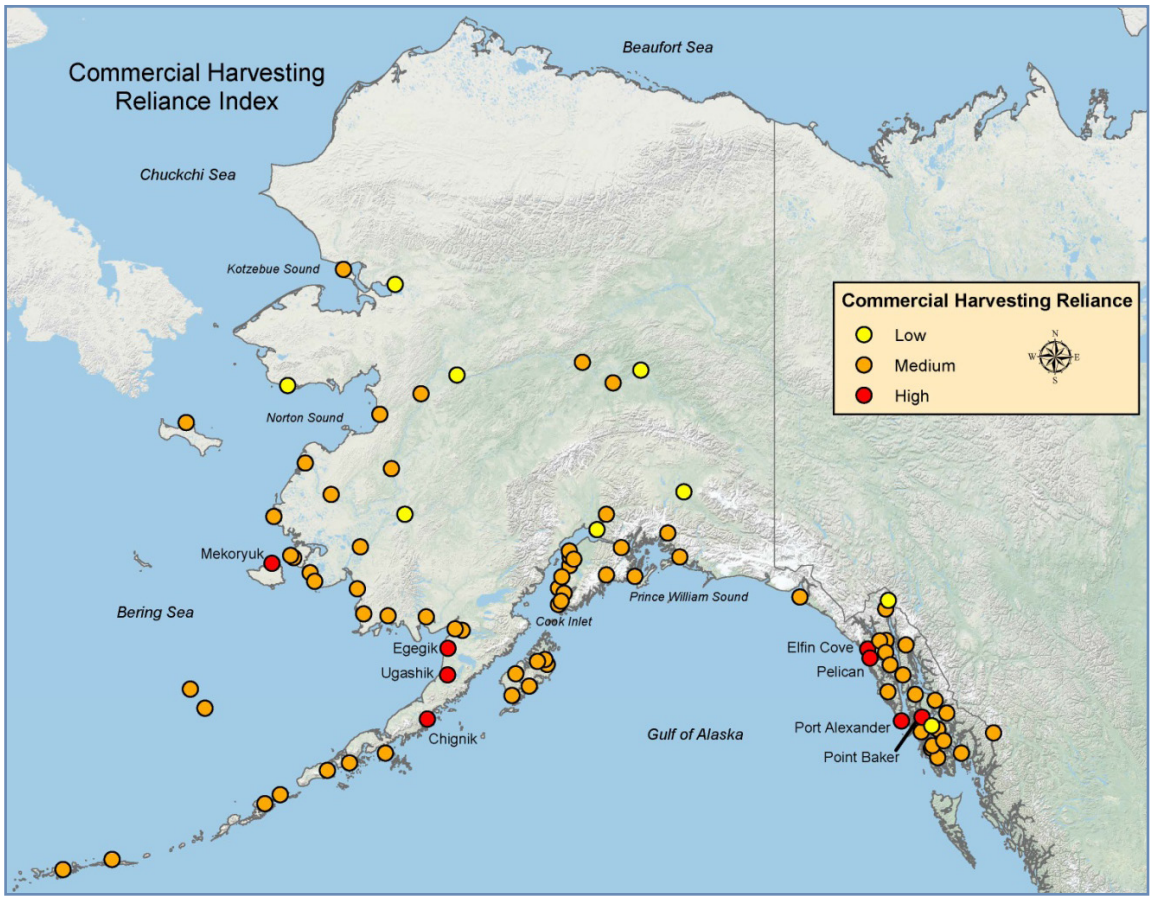


**Figure 4: Distribution of commercial harvesting reliance for 89 Alaskan fishing communities. All communities that rank in the top 10% are considered "high" and are labeled and in red.**

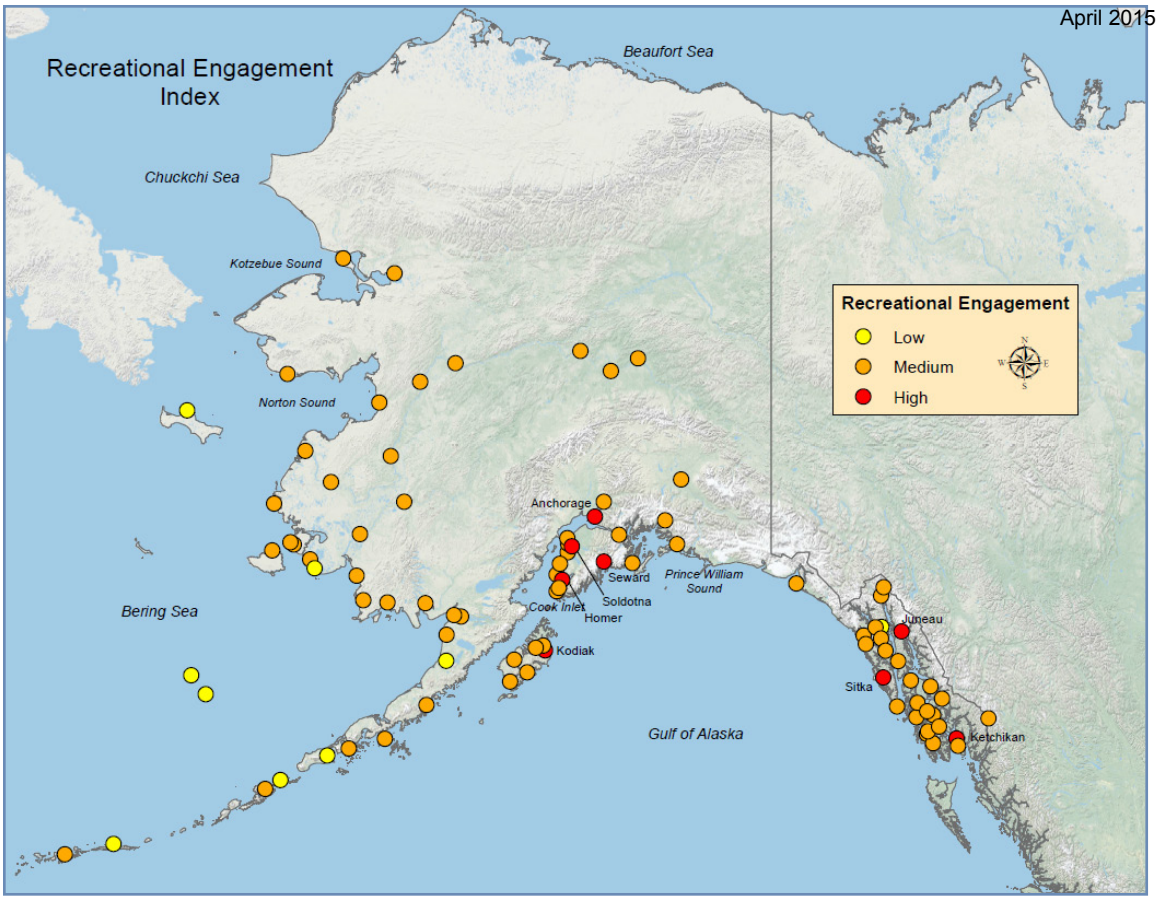


**Figure 5: Distribution of Recreational Engagement for 89 Alaskan fishing communities. All communities that rank in the top 10% are considered "high" and are labeled and in red.**

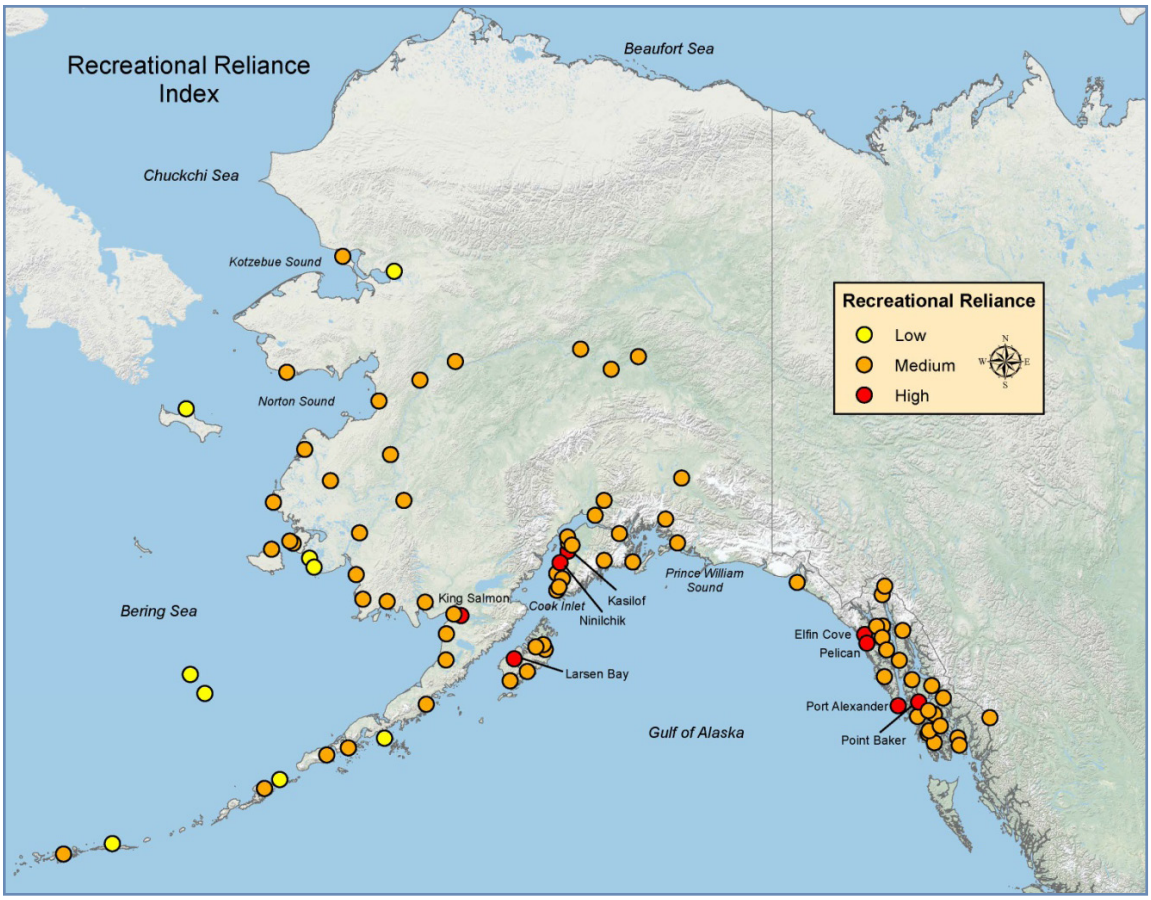


**Figure 6: Distribution of recreational reliance for 89 Alaskan fishing communities. All communities that rank in the top 10% are considered "high" and are labeled and in red.**


**Beach landing site in Aleknagik, AK.**
Photo by Kristin Hoelting

## Discussion

The results of this analysis show a number of interesting trends in commercial and recreational fisheries participation around the state. As seen in Figures 1-4, regarding commercial fisheries, all of the highly reliant and engaged communities are located in the southern half of the state between the Aleutian Islands, Alaska Peninsula, Gulf of Alaska and Southeast Alaska. Similarly, Figure 5 and 6 show that recreational fishing is most prominent in Southeast Alaska, on Kodiak Island, on the Kenai Peninsula, and in Bristol Bay. However, communities that rank highly in engagement do not generally also rank highly in reliance for the same category of fisheries involvement. This is often a result of communities with a high degree of engagement have a larger population than some smaller communities that have more involvement per resident. The two exceptions are the communities of Akutan and Unalaska which both rate highly in the commercial processing engagement as well as the commercial processing reliance.

As noted previously, Table 2 summarizes the top communities for each of the six indices, where a community receives a score of 1 for each index for which it falls into the top 10% of communities. Of the six potential indices, only five communities had a total index score of 3. One of these communities scored a 1 in all three reliance categories, while the other four communities scored a 1 in all three engagement categories. Of the 12 communities that scored a total of 2, 6 communities have a 1 in both commercial engagement categories, 4 communities have a 1 in both commercial reliance categories, and 2 have a 1 in both commercial processing engagement and reliance. No communities have a 1 in both recreational engagement and recreational reliance. These results show the variety of fishing community types that exist in Alaska and to some extent highlight the diversity in commercial and recreational fisheries involvement seen across the state.

In this study we have chosen to group communities as the highest 10%, the middle 80%, and the lowest 10% for each of these indices, which equates to 8 high communities, 73 middle communities, and 8 low communities. This does not mean that the 9th most engaged or reliant community is not engaged or reliant on fisheries, but rather that there are other communities that are relatively more engaged or reliant. However, in this study we are focusing only on a small number of communities to highlight those areas in which they have a very high involvement in commercial and recreational fisheries relative to the rest of the state.

We created these indices to comport with NOAA's Next Generation Strategic Plan and they will be a significant contribution to the assessment of community well-being in the context of catch share management regimes that govern the majority of Alaska's federal fisheries. Our intent is that these indices will be useful for both fisheries managers and communities themselves to assess and predict community level impacts from fisheries management changes. To further improve these indices, we completed fieldwork in 2013 in 12 communities across the state to groundthruth the results and validate the indices' ability to measure community engagement and reliance on fishing. We are currently using the results of this fieldwork to test the indices and make modifications to the methodology where appropriate.

**Table 1: Fisheries involvement indices with factor loadings and total variance explained.**

| | Rotated Factor Loading | Total Variance Explained |
|---|---|---|
| **Commercial Processing Engagement** | | |
| Commercial revenue | 0.983 | 71% |
| Commercial pounds landed | 0.927 | |
| Number of processors | 0.544 | |
| **Commercial Processing Reliance** | | |
| Commercial revenue per capita | 0.988 | 94% |
| Commercial pounds landed per capita | 0.970 | |
| Number of processors per capita | 0.947 | |
| **Commercial Harvesting Engagement** | | |
| Number of commercial fishing permits | 0.990 | 95% |
| Number of vessels owned | 0.975 | |
| Crew licenses | 0.957 | |
| **Commercial Harvesting Reliance** | | |
| Number of commercial fishing permits per capita | 0.972 | 92% |
| Number of vessels owned per capita | 0.982 | |
| Crew licenses per capita | 0.917 | |
| **Recreational Engagement** | | |
| Number of charter businesses | 0.718 | 79% |
| Number of sportfish licenses | 0.865 | |
| Number of sportfish guide businesses | 0.981 | |
| Number of sportfish guide licenses | 0.975 | |
| **Recreational Reliance** | | |
| Number of charter businesses per capita | 0.940 | 77% |
| Number of sportfish licenses per capita | 0.562 | |
| Number of sportfish guide businesses per capita | 0.980 | |
| Number of sportfish guide licenses per capita | 0.969 | |

Table 2: Community engagement and reliance indices of fisheries involvement for all Alaskan communities that rank in the top 10% of communities and are therefore considered "high" for at least one index.

| Community | Comm. Processing Engagement | Comm. Fishermen Engagement | Comm. Processing Reliance | Comm. Fishermen Reliance | Rec. Engagement | Rec. Reliance | Total |
|---|---|---|---|---|---|---|---|
| Elfin Cove | 0 | 0 | 1 | 1 | 0 | 1 | 3 |
| Juneau | 1 | 1 | 0 | 0 | 1 | 0 | 3 |
| Ketchikan | 1 | 1 | 0 | 0 | 1 | 0 | 3 |
| Kodiak | 1 | 1 | 0 | 0 | 1 | 0 | 3 |
| Sitka | 1 | 1 | 0 | 0 | 1 | 0 | 3 |
| Akutan | 1 | 0 | 1 | 0 | 0 | 0 | 2 |
| Anchorage | 0 | 1 | 0 | 0 | 1 | 0 | 2 |
| Chignik | 0 | 0 | 1 | 1 | 0 | 0 | 2 |
| Cordova | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Egegik | 0 | 0 | 1 | 1 | 0 | 0 | 2 |
| Homer | 0 | 1 | 0 | 0 | 1 | 0 | 2 |
| Pelican | 0 | 0 | 0 | 1 | 0 | 1 | 2 |
| Petersburg | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Point Baker | 0 | 0 | 0 | 1 | 0 | 1 | 2 |
| Port Alexander | 0 | 0 | 0 | 1 | 0 | 1 | 2 |
| Ugashik | 0 | 0 | 1 | 1 | 0 | 0 | 2 |
| Unalaska | 1 | 0 | 1 | 0 | 0 | 0 | 2 |
| Excursion Inlet | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Kasilof | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| King Salmon | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Larsen Bay | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Mekoryuk | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Naknek | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Ninilchik | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Seward | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| Soldotna | 0 | 0 | 0 | 0 | 1 | 0 | 1 |

## Conclusion

Through this project we have developed a novel way for fisheries managers to look at the potential community impacts associated with fisheries management changes. The approach presented here represents a quantitative method for incorporating multiple data sources across commercial processing, commercial harvesting, and recreational fishing involvement into measurable concepts of fishing engagement and reliance at the community level. We are currently expanding this methodology to create other types of indices, including a set of Alaskan social vulnerability and resilience indices that include information about the labor force, housing characteristics, poverty, population composition, personal disruption, housing disruption, subsistence fishing, and species-specific dependence. Socio-economics researchers at the Northeast Fisheries Science Center and Southeast Regional Office have developed a website where one can explore a set of similar social indices for the East Coast of the United States. The data for Alaskan communities will be available for exploration on this website in spring 2014.

The main advantage of this methodology is the ability to assimilate large amounts of information by combining a large number of correlated variables into a single index. A second advantage is the ability to rely on secondary data sources to analyze community impacts rather than having to undertake primary data collection (in-person interviews). Primary data collection inevitably takes considerably more time and resources, and ultimately may not fit within the short timeframes in which social impact assessments must often be written in the fisheries management process.

This research represents a glimpse into a larger research project where we are looking at many different indicators of community vulnerability, resilience, and well-being. Some of the additional concepts for which we are developing indices include climate change vulnerability (e.g., changes in sea ice extent, sea level rise, erosion risk), and vulnerability to specific fisheries management actions (e.g., the potential Gulf of Alaska bycatch management program). We are also creating a time series of engagement and reliance indices to facilitate retrospective comparisons of engagement and reliance before and after fisheries management regulations are implemented.

## Additional Resources

Himes-Cornell, A., Hoelting, K., Maguire, C., Munger-Little, L., Lee, J., Fisk, J., Felthoven, R., Geller, C., Little, P., 2013. Community profiles for North Pacific Fisheries - Alaska. U. S. Dep. Commer., NOAA Tech. Memo. National Marine Fisheries Service-AFSC-259, Volumes 1-12.

National Marine Fisheries Service (NMFS), 2013. Fisheries of the United States 2012. Silver Spring, MD.

Main harbor and processing plant in Sand Point, AK.
Photo by Conor Maguire