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# D3 CRAB CREW SHARES

TAYLOR HOLMAN, COUNCIL DECEMBER 2024



# Presentation Overview

- Background on Council motion
- Summary of substantive issues
- Discussion of rationale, viability, and potential impacts of selected modifications:
  - Modifying transfer eligibility requirements
  - Increasing use caps
- Conclusions, and additional analytical pieces for potential future analyses





# INTRODUCTION AND BACKGROUND



# Introduction & Background

- June 2024 Council motion tasked staff with developing a discussion paper on modifications to the crew share (C share) provision within the Bering Sea and Aleutian Islands (BSAI) Crab Rationalization (CR) Program
- Two distinct modifications were selected for consideration:
  - Revise eligibility requirements for receiving c-shares through transfer either as a new entrant or a current c-shares holder buying more to mirror the requirements recently implemented for holding or maintaining active participation requirements for c-shares
  - Increase c-share use caps



# Introduction & Background

- These mechanisms could serve to increase flexibility within the C share program in response to challenging fishery conditions
  - COVID-19 impacts, recent and substantial declines in crab abundance, and fishery closures
  - All result in diminished participation opportunities
- Council has made recent efforts to address participation challenges within the CR program
  - Amendment 54 is referenced in the June 2024 Council motion.





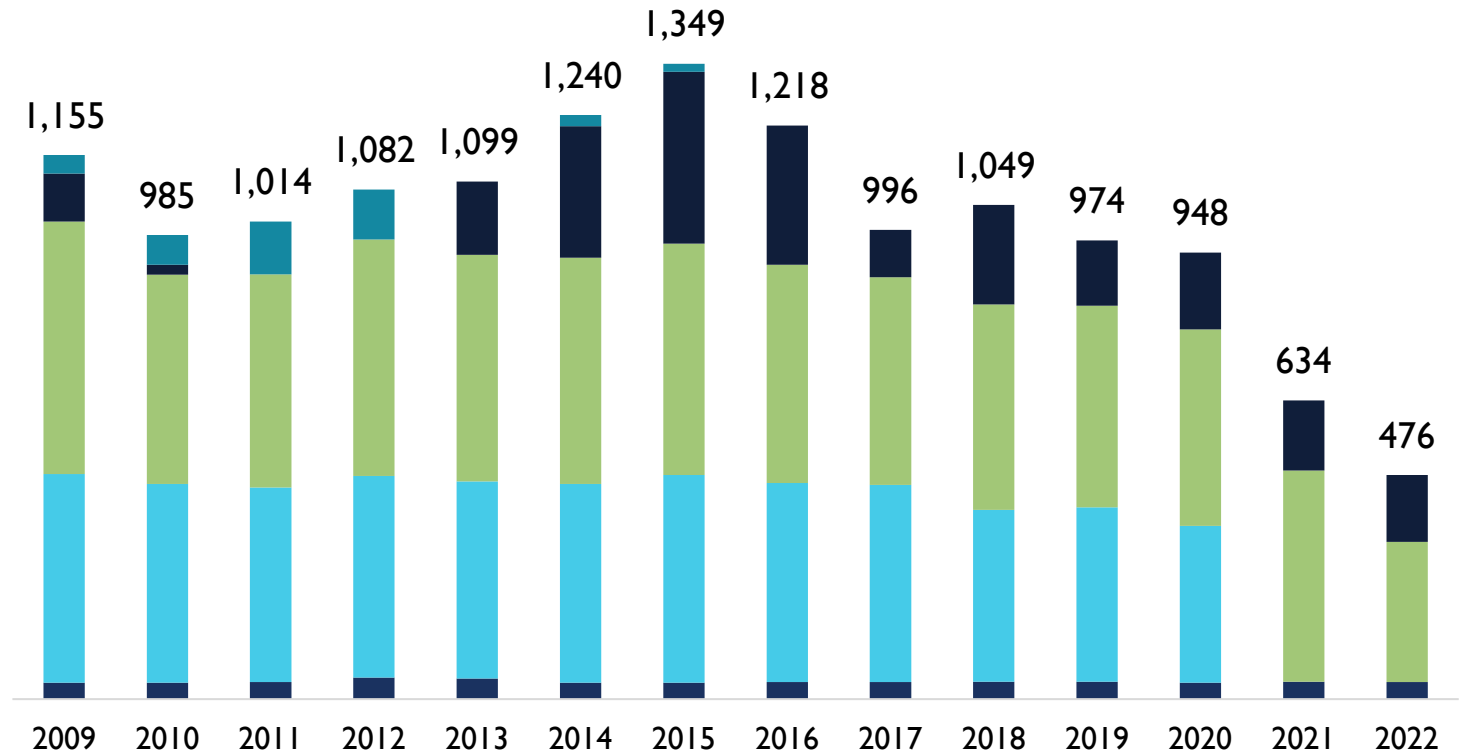
# SUBSTANTIVE ISSUES



# Substantive Issues: Decreases in crew positions

## Number of Crew Positions in the Crab Harvesting Sector

■ AIG (EAG + WAI) ■ BBR ■ BSS ■ BST (EBT + WBT) ■ SMB

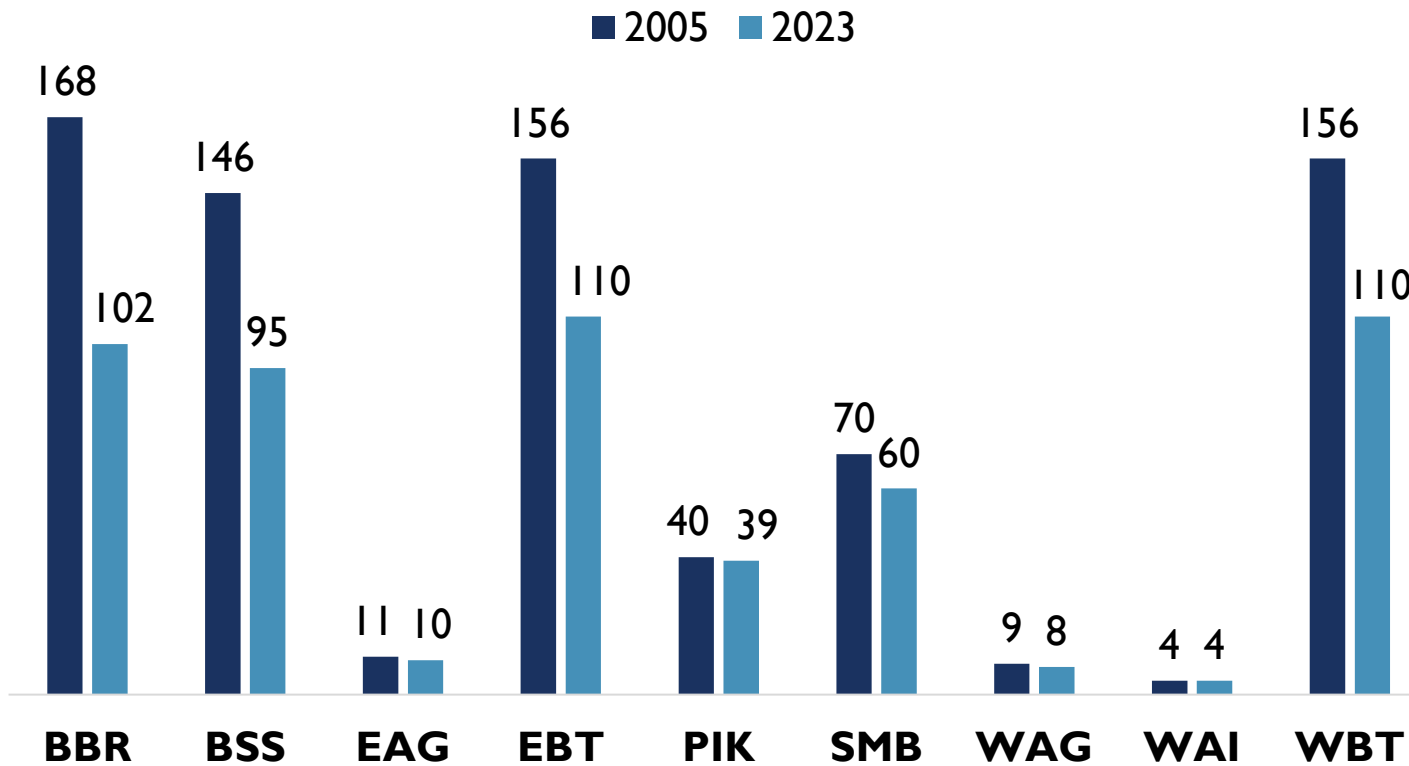


- Each available position is counted separately, though many crew members participate in more than one fishery.
  - Positions ≠ total crew members
- BBR fishery closures in 2021 & 2022 caused substantial declines in available crew positions.
- 2022 positions represent one-third of the 2015 peak (-65% decline)



# Substantive Issues: Decreases in CVC and CPC holders

Number of total CVC and CPC QS Holders, 2005 and 2023



The largest CR Program fisheries have shown the greatest declines in participation:

**BBR: -66 individuals (-39%)**

**BSS: -51 individuals (-35%)**

EAG: -1 individual (-9%)

**EBT: -46 individuals (-29%)**

PIK: -1 individual (-3%)

SMB: -10 individuals (-14%)

WAG: -1 individual (-11%)

WAI: No change

**WBT: -46 individuals (-29%)**

Note: 2005 totals unavailable for EBT & WBT; 2006 totals are shown for these two fisheries.







# TRANSFER ELIGIBILITY REQUIREMENTS



# Background: Current Transfer Requirements

- C shares are transferrable ONLY to CR Program fishery crew
- Current regulations at § 680.41(c)(1) require that individuals receiving C share QS by transfer must be a U.S. citizen with:
  - (1) at least 150 days of sea time as part of a harvesting crew in any U.S. commercial fishery; **and**
  - (2) participation as crew in **one of the CR Program fisheries** in the 365 days prior to the date the transfer application is submitted to NMFS.



# Current Participation Requirements

Current regulations (**modified in 2024 via Amendment 54 to the BSAI Crab FMP**) require C share QS holders to meet the following requirements to receive an annual IFQ allocation:

- C share QS will yield IFQ only if the individual holding that C share QS:
  - (A) Participated as crew in at least one fishing trip where a delivery of crab in a CR Program fishery occurred during the three preceding crab fishing years; **or**
  - (B) Participated as crew in at least 30 days of fishing, tendering, or both in combination in a commercial fishery managed by the State of Alaska or in a federal commercial fishery in that portion of the U.S. Exclusive Economic Zone off Alaska during the three preceding crab fishing years as specified in regulation.



# Comparison of Current Participation Requirements to Current Transfer Requirements

## Transfer Requirements

Individuals receiving C share QS by transfer must be a U.S. citizen with:

- (1) at least **150 days of sea time\*** **as part of a harvesting crew** in any U.S. commercial fishery; and
- (2) participation as crew in **one of the CR Program fisheries** in the **365 days prior to the date the transfer application is submitted to NMFS.**

## Participation Requirements

C share QS will yield IFQ only if the individual holding that C share QS:

- (A) Participated as crew in at least one fishing trip where a delivery of crab in a CR program fishery occurred **during the three preceding crab fishing years**; or
- (B) **Participated as crew in at least 30 days\* of fishing, tendering, or both in combination in a commercial fishery managed by the State of Alaska or in a federal commercial fishery in that portion of the U.S. Exclusive Economic Zone off Alaska during the three preceding crab fishing years**

*\*This requires Council clarification. For the purposes of this analysis, it was assumed that the days at sea requirement would remain at 150 days, which is the standard eligibility requirement to receive QS in other fisheries.*



# Quantity of Eligible Buyers

- In 2022, there were 476 crab crew positions, some number of which are represented in the current C share QS holders.
  - Not all crew members would meet other transfer requirements (i.e. days at sea as harvesting crew)
- Currently eligible individuals have likely been eligible for multiple years – those who have not opted to purchase C share QS in prior years are unlikely to enter the market at this juncture.
  - Current market has little to no demand.



# Quantity of Eligible Buyers

- Modifying transfer requirements to mirror participation requirements would increase the pool of eligible buyers considerably.
  - Data limitations make it difficult to determine the precise number of individuals.
  - In 2023, 6,907 individuals held active CFEC permits, and 14,877 individuals received ADF&G commercial crew licenses.
  - These numbers are not additive, and not all licensed individuals would meet other requirements (i.e. recency of participation, days at sea/harvesting requirement)
- Even with these caveats, the modification would expand the current pool of potential buyers by a substantial magnitude.
- The sheer volume of new potential buyers makes it likely that demand will increase by some degree, even if a very low percentage of eligible non-CR Program crew are interested in purchasing C share QS



# Impact of Increased Demand

- Increased demand would increase the value of C shares
- Value of the C shares a current C share holder holds would increase in value
- Increased demand & prices could motivate and enable current C share QS holders to initiate the sale and transfer of their currently held QS, creating additional churn in the QS holder pool.



# Intent of C-Share Program

- Both in the original CR Program design and reinforced through Amendment 31, the Council intended that C shares benefit 'at-sea' participants in the CR Program fisheries.
  - Intended to offer an entry point into ownership in the CR Program for active captains and crew.
  - Modifying these transfer requirements to allow non-CR program crew to purchase C shares may deviate from the original intent.
- Modification would allow non-CR Program fishermen the opportunity to both buy and maintain C shares through demonstrating active participation in other Alaskan fisheries, with no intent to seek employment on a CR Program vessel.
  - Individuals may be interested in purchasing C share QS as an investment, via leasing C share QS to active participants, or to hold onto them to sell at a later date should fishery conditions improve.







# INCREASING USE CAPS



# C Share Use Caps, 2024/2025 Crab Year

- C Share use caps are calculated as a % of the initial C share pool, and are expressed as QS Units.
- CR Program fisheries are subject to different % caps – as shown below.
- These QS Units are then applied to the annual TAC, which fluctuates each year.

Permanent QS Use Caps			2024/2025 Annual IFQ Use Caps
Crab QS Fishery	% of Initial QS Pool for CVC/CPC (QS Units)	CVC/CPC Use Caps (QS Units)	CVC/CPC IFQ Caps (Raw Crab Pounds)
BBR	2% of 12,000,000	240,000	1,248
BSS	2% of 30,000,000	600,000	2,547
EBT	2% of 6,000,000	120,000	955
WBT	2% of 6,000,000	120,000	2,429
PIK	4% of 900,000	36,000	Undetermined
SMB	4% of 900,000	36,000	Undetermined
EAG	20% of 300,000	60,000	20,305
WAG	20% of 1,200,000	240,000	6,048
WAI	20% of 1,800,000	360,000	Undetermined

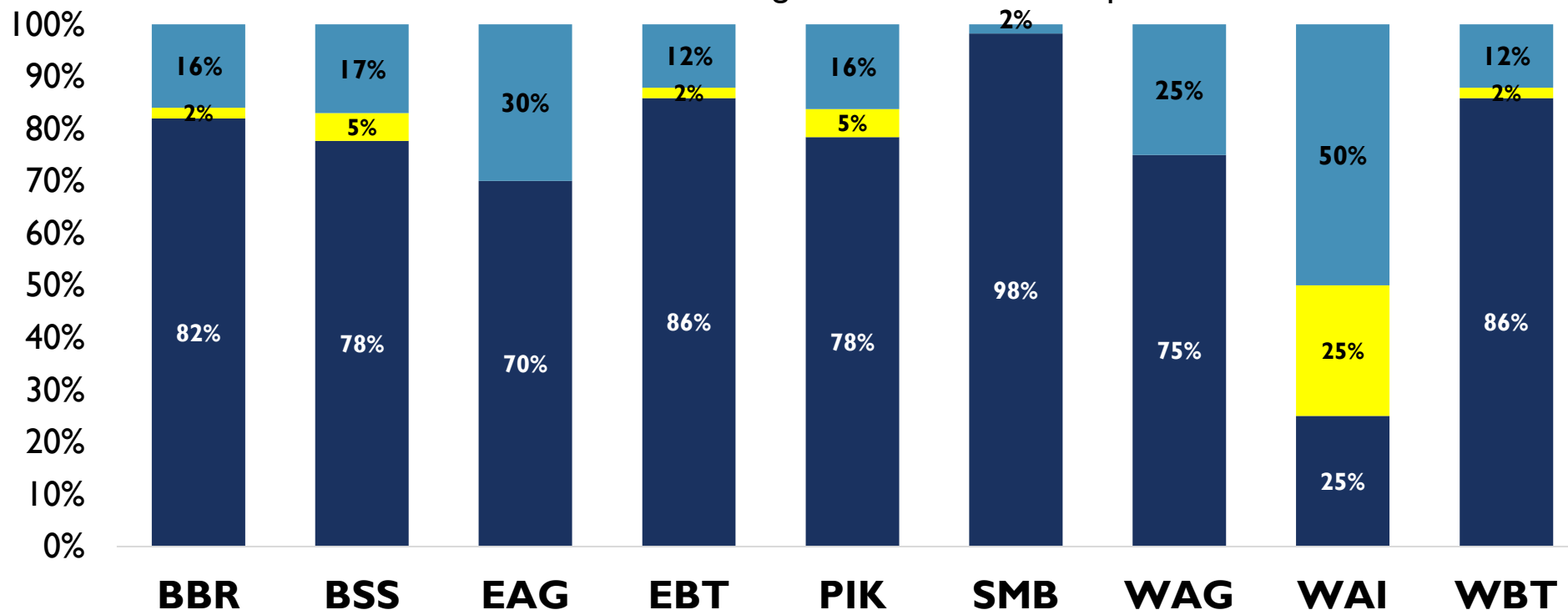
## C Share Holders At or Near the Cap

Fishery	Permanent Individual Use Cap, as a % of C share QS Pool	Total CVC and CPC QS Holders	CVC and CPC QS Holders at or above the Individual Use Cap	
			Count	Percent
BBR	2% cap	100	16	16%
BSS	2% cap	94	16	17%
EAG	20% cap	10	3	30%
EBT	2% cap	99	12	12%
PIK	4% cap	37	6	16%
SMB	4% cap	57	1	2%
WAG	20% cap	8	2	25%
WAI	20% cap	4	2	50%
WBT	2% cap	99	12	12%

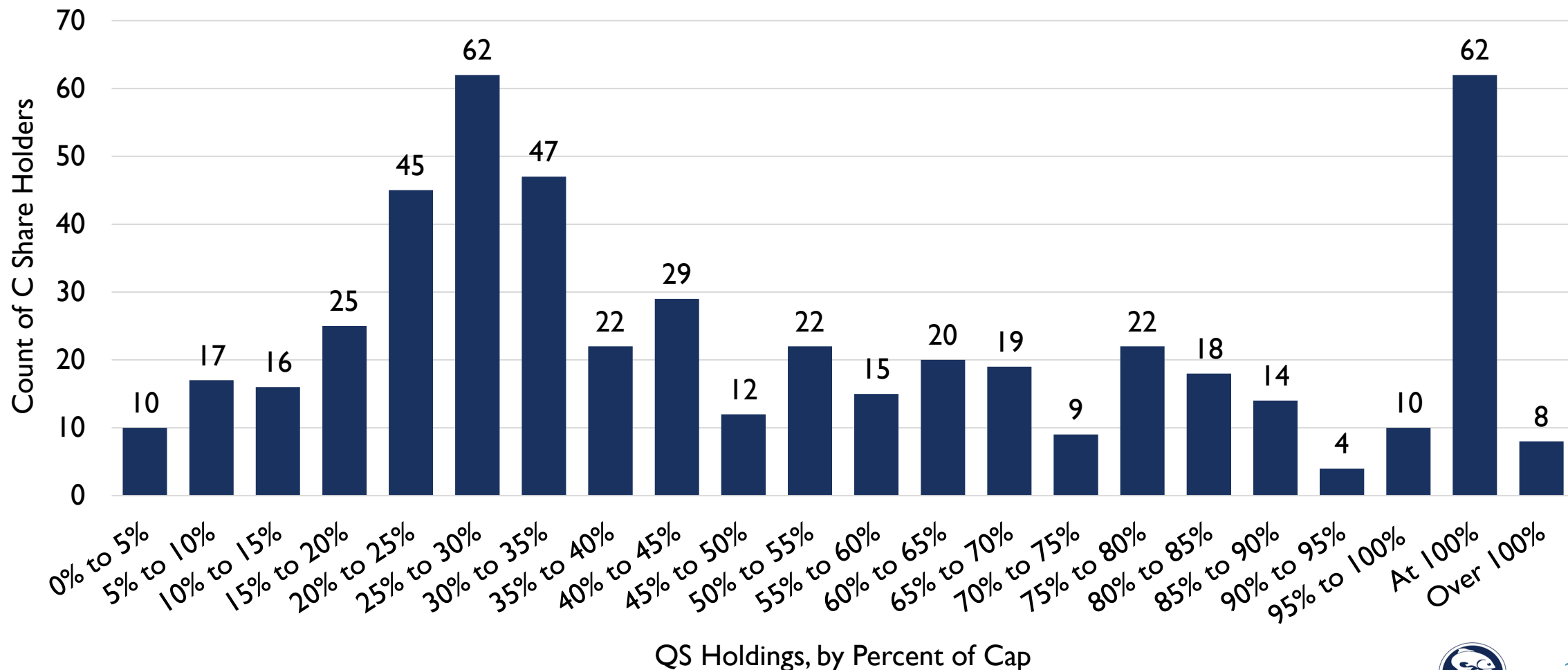


# C Share Holders At or Near the Cap

- % of QS Holders with holdings at or above 100% of use cap
- % of QS Holders with holdings between 90% and 100% of use cap
- % of QS Holders with holdings below 90% of use cap



# Holdings of All C Share Holders, by Percent of Cap



# Considerations

- Data suggest that many individuals are constrained by the current use caps.
- Increasing use caps would provide more opportunities for current C share QS holders looking to purchase additional C shares, and opportunities for C share QS holders to divest.
- Future analyses would need to examine the amount in which use caps would be increased, and which CR Program fisheries increases would apply to.
- Additionally, future analyses would require considerations of excessive consolidation.





# CONCLUSIONS & ADDITIONAL ANALYTICAL PIECES FOR FUTURE ANALYSES

# Conclusions & Additional Analytical Pieces for Future Analyses

- Flexibility in the program is of utmost importance. Expanding flexibility may help the fisheries in times of low abundance and fishery closures.
  - The mechanisms discussed offer potential paths to increase flexibility for these purposes.
- The impact of these modifications, namely the modification to transfer provisions, would be vastly different in a high abundance regime versus a low abundance regime.
  - High abundance would make investments in the fishery more attractive; removing the CR Program fishery participation requirement for transferees may dramatically change market dynamics.
  - It is recommended that potential future analyses weigh the costs and benefits of these modifications in both regimes.





# Potential Next Steps

- The Council may decide whether or not to initiate further analysis of this topic; no action is required.
- If the Council wishes to consider these changes, the Council may
  - Request staff to prepare an additional discussion paper to explore the topic further
  - Request staff to prepare an initial Regulatory Impact Review, which would require a purpose and need statement as well as a list of alternatives.

