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North Pacific Fishery Management Council

December 2008 Motion

C-4 Agenda Items

C-4(a),(b), and (c) BSAI Crab Rationalization Program Revisions

Analysis of alternatives to revise the program

Purpose and need statement:

The Bering Sea/Aleutian Islands (BSAI) Crab Rationalization Program is a comprehensive approach to rationalize an overcapitalized fishery in which serious safety and conservation concerns needed to be addressed. Conservation, safety, and efficiency goals have largely been met under the program.

Experience under the BSAI Crab Rationalization Program has made apparent the need to analyze alternatives to status quo to achieve: entry-level investment opportunities for active participants

This focused analysis on entry level investment opportunities for active participants will by definition include an analysis of the A/B split through potential share conversions.

Additional flexibility under the program is needed to address some inefficiencies created through the share matching system. For example, if a PQS holder opts not to apply for IPQ, the program should allow competitive markets to determine whether resources are harvested rather than redistribute the IPQ for share matching.

Processors and communities have received protections through processor quota shares under this program since the year of implementation. Higher TACs afford an opportunity to expand competition while maintaining protection for processor investments and recognizing community dependency under an IPQ threshold.

Alternative 1:

No action, status quo.

Alternative 2:

Increase investment opportunities for active participants by increasing the proportion of C share quota in all rationalized fisheries through a market-based reallocation.

Change the 3 percent C share allocation to:

- a) 6 percent
- b) 8 percent
- c) 10 percent

Suboption: Applicable only to b) and c) above (increase to 8 or 10 percent), redesignated C shares will be subject to:

- 1) the A share/B share split (including regionalization)
- 2) regionalization

Suboptions: Use the following mechanism to achieve the increase (i and iii can be combined):

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- i) A pro-rata reduction in owner shares (distributed over a period not to exceed 5, 7, or 10 years) to create C shares available for active participants to purchase. Owner share holders who meet active participation requirements would be able to retain their converted C shares.
- ii) A percentage re-designation of owner shares to C shares at the time of each transfer. The purchasing owner is required to comply with the active participation definition or divest of the C shares.
- iii) A pro-rata reduction of PQS (distributed over a period not to exceed 5, 7, or 10 years) and conversion into C shares available for active participants to purchase through market transactions.

PQS/QS Conversion Rate

Each crab fishery may have a different conversion ratio. These ratios are based on rough estimates of the relative value of each PQS to CVO QS. This range could be expanded or modified based on further analysis.

- a) 1 PQS unit =- 0.5 CVO QS unit
- b) 1 PQS unit =- 0.4 CVO QS unit
- c) 1 PQS unit =- 0.3 CVO QS unit
- d) 1 PQS unit =- 0.2 CVO QS unit
- e) 1 PQS unit =- 0.1 CVO QS unit
- f) 1 PQS unit =- 0.075 CVO QS unit

Alternative 3:

Increase investment opportunities for active participants by establishing a preferential purchase and finance program for all share types (but no share conversion).

- 1) The Crab Advisory Committee is directed to consider the potential for a private contractual proposal to increase investment opportunities for active participants. A response and recommendations will be made to the Council.
- 2) The proposed program should address the following:
 - a. Establishing goals for an aggregate amount of QS owner shares to be held by active participants at 5, 7, and 10 years.
 - b. Identify and address any potential impacts on industry efficiency or investment and on communities.
 - c. Identify any regulatory issues that may need to be addressed, such as use and ownership caps, and provide recommendations to address these issues.

Alternative 4:

C share Regional Fishery Association

The committee is tasked to review proposals to form a regional fishery association (RFA) to hold and distribute C shares on behalf of RFA members.

If RFAs are established, the aggregate total of all C shares shall be:

- a) 6 percent
- b) 8 percent
- c) 10 percent.

Component 1 (IPQ accounting when PQS holder opts not to apply)

If a PQS holder opts not to apply for IPQ in a year, distribute harvesting quota that would have been the matching CVO IFQ A shares as open delivery B shares.

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Component 2 (Establish IPQ thresholds)

The amount of IPQ (individual processing quota) issued in any year shall not exceed,

Option a) in the *C. opilio* fishery,

- i) 26 million pounds.
- ii) 45 million pounds.
- iii) 64 million pounds.
- iv) 80 million pounds.

Option b) in the Bristol Bay red king crab fishery,

- i) 12 million pounds.
- ii) 15 million pounds.
- iii) 18 million pounds (status quo).

Suboption: Any IFQ above the threshold will be auctioned by NMFS to the highest bidder.

Discussion paper requests

The Council requests staff to prepare the following discussion papers:

Extinguishing PQS: A paper to focus issues for Council consideration of removing PQS from the Bering Sea/Aleutian Islands crab rationalization program.

Leasing restrictions: A paper addressing factors affecting lease rates in the Bristol Bay red king crab and Bering Sea *C. opilio* fisheries. Include a discussion of how the extraction of rents by quota holders through lease payments has changed payments to crew under the crab rationalization program. Provide examples from other programs of provisions that limit leasing activity and suggestions of how to achieve some reductions in either the extent of leasing activity or the lease rate in these two rationalized crab fisheries.

Emergency exemption from regionalization for Western Aleutian golden: A paper examining a mechanism to provide an emergency exemption from regional landing requirements in the Western Aleutian Island golden king crab fishery for lack of available processing capacity as defined by private contract between the holders of Class A IFQ and matched IPQ.

PQS removal for Western Aleutian golden (WAG): A paper examining a component to extinguish PQS in the Western Aleutian Islands golden king crab fishery (including options to extinguish west designated PQS only and to compensate PQS holders). The purpose of the proposed action is that additional flexibility under the program may be needed to address some inefficiencies created through the share matching system. For example, the program may need to be adjusted to avoid stranding resources when market conditions do not support PQS restrictions.

C-4(d) BSAI Crab Rationalization Program Economic Data Reporting

The Council recommends that staff proceed with use of Category A and B data as appropriate, in a manner consistent with the metadata. The Council further requests that PNCIAC and NMFS staff

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continue collaborative efforts to revise EDR surveys to address data quality shortcomings identified in the metadata, particularly with respect to Category C data. This includes responding to data needs identified by the SSC.

To the extent that data quality shortcomings cannot be overcome, agency staff will develop recommendations for streamlining data collection by removing questions from the EDR survey. Staff will report progress to the Council in February 2009.