

Strawman elements and options for revision of 90/10 A share/B share split in the crab rationalization program

At its February 2008 meeting, the Council requested staff to post on its website draft strawman elements and options to aid the public in providing comment to the Council concerning alternatives for analysis to revise of the 90/10 A share/B share split in the crab rationalization program. Following are the draft purpose and need statement, the Council motion identifying alternatives for analysis, and those draft strawman elements and options.

Draft purpose and need statement

At its October 2007 meeting the Council adopted the following draft purpose and need statement to guide its consideration of revisions to the crab rationalization program:

Share allocations to harvesters and processors under the BSAI crab rationalization program were intended to increase efficiencies and provide economic stability in both the harvesting and processing sectors. Recognizing that processor quota shares reduce market competition for deliveries subject to share match requirements, the Council adopted B share IFQ to provide some degree of competition, encourage processors to pursue market opportunities for their products, and possibly facilitate processor entry. The Council included a system for binding arbitration in the program to resolve price disputes for deliveries subject to share match requirements.

The Council has heard many concerns about the BSAI crab rationalization program suggesting the proportion of B shares is not adequate to meet the Council's intended purpose for those shares and, thus, towards furthering the goals of the program. Information to date has not shown that the 90/10 split has promoted 1) competitive negotiated deliveries, or 2) unserved and underserved markets, or 3) processor entry; there is no indication that the current A share/B share split is sufficient to promote all three.

The Council has also heard concerns over the complexity of the program, and also about the uncertainties and costs associated with share matching and binding arbitration. An increase in B shares might help to resolve these issues, though the scope and magnitude of expected effects of change from status quo are unknown. The optimal A share/B share split has not been analytically determined, nor was a clear analytical evaluation for the original 90/10 share split ever presented. Further, the appropriateness of various split levels may vary between fisheries and as TAC levels rise and fall. These aspects also have not been analyzed.

There are several data issues, as well, that should be evaluated. For example, these may be a need for accurate data on final ex vessel price for each share type to harvesters and first wholesale revenues for processors.

The Council's request for an 18-month review includes,
"After receiving the analysis [18-month review], the Council will consider whether the A share/B share split and the arbitration program are having their intended effect and, if not, whether some other A share/B share split is appropriate."

It is time now to evaluate alternative A share/B share splits.

Council motion concerning revision of crab rationalization program

At the October meeting, the Council also adopted the following motion concerning its intent to consider revision to the 90/10 A share/B share split under the crab rationalization program:

The Council requests staff prepare an analysis for review at the October 2008 meeting examining the effects of a change in the A share/B share split on the distribution of benefits between harvesters and processors and on the role or necessity of binding arbitration in harvester and processor negotiations. Further, the analysis should include a discussion of expected effects of such a change on the distribution of landings among communities and expected effects on crew. Analysis should be provided for the status quo 90/10 split, 80/20, 70/30, 50/50, and 0/100 separately for each fishery. Additionally analysis should include an option to achieve each of these levels through incremental shifts over time (e.g., 5 percent per year for a shift to 80/20 and 10 percent per year for each of the other split levels). Additional analysis should include a one-pie IFQ allocation to vessel owners, processors, and skippers and crewmembers based upon each sector's investments and participation in the fishery. A discussion should be included on the effect of shifts as the annual TAC levels rise and fall in each fishery (for example, having the proportion of B shares increase as TAC decreases).

The Council asks the Crab Advisory Committee to continue their work, with a focus on programmatic issues and effects of policy decisions related to the BSAI crab rationalization program. The committee shall be reformed with the addition of 4 community members and two crew representatives appointed by the Council Chairman, since communities and crew are vital components within the crab rationalization program. The newly formed committee shall also be tasked with discussing potential solutions to concerns that may arise from any adjustments to the A share/B share split. These could include issues such as 1) potential compensation to processors from harvesters for lost economic opportunity from a shift in market power, 2) potential changes in landing distribution, 3) the remaining need and necessary changes to the binding arbitration program, 4) use and effectiveness of regional landing requirements to protect communities, and 5) respective impacts on crew. In addition, the committee shall make recommendations on how best to provide for economic data needs. The Crab Advisory Committee shall provide a report to the Council at the February 2008 meeting indicating its progress on this assignment.

Strawman elements and options

To assist the Council in the identification of alternatives for analysis, staff has drafted the following strawman elements and options that could be a starting point for the development of specific alternatives, elements, and options for consideration:

Bristol Bay red king crab – North/South division at 56°20'N latitude (2.6 percent North)

A share/B share split

Option 1. Status quo (90/10)

Option 2. 80/20

Incremental shifts of:

Option a. 5 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 3. 70/30

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option. Arbitration changes

Option 4. 50/50

Incremental shifts of:

- Option a. 5 percent per year
- Option b. 10 percent per year
- Option c. 20 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 5. 0/100

Incremental shifts of:

- Option a. 5 percent per year
- Option b. 10 percent per year
- Option c. 20 percent per year
- Option d. 30 percent per year
- Option e. 45 percent per year

QS allocation divided with allocation of:

- ___ percent to vessel owners divided among current QS holders based current share holding
- ___ percent to processors divided among current QS holders based current share holding
- ___ percent to captains/crew divided among _____

Option A. Arbitration changes – MUST BE SPECIFIED

Option B. Discontinue arbitration program

Option 6. Change A share/B share split with TAC

- ___/___ for TACs greater than _____
- ___/___ for TACs greater than _____ and less than _____
- ___/___ for TACs greater than _____ and less than _____
- ___/___ for TACs less than _____

Bering Sea C. opilio – North/South division at 56°20'N latitude (47.0 percent North)

A share/B share split

Option 1. Status quo (90/10)

Option 2. 80/20

Incremental shifts of:

- Option a. 5 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 3. 70/30

Incremental shifts of:

- Option a. 5 percent per year
- Option b. 10 percent per year

Option. Arbitration changes

Option 4. 50/50

Incremental shifts of:

- Option a. 5 percent per year
- Option b. 10 percent per year
- Option c. 20 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 5. 0/100

Incremental shifts of:

- Option a. 5 percent per year
- Option b. 10 percent per year
- Option c. 20 percent per year
- Option d. 30 percent per year
- Option e. 45 percent per year

QS allocation divided with allocation of:

___ percent to vessel owners divided among current QS holders based current share holding

___ percent to processors divided among current QS holders based current share holding

___ percent to captains/crew divided among _____

Option A. Arbitration changes – MUST BE SPECIFIED

Option B. Discontinue arbitration program

Option 6. Change A share/B share split with TAC

___/___ for TACs greater than _____

___/___ for TACs greater than _____ and less than _____

___/___ for TACs greater than _____ and less than _____

___/___ for TACs less than _____

Eastern Bering Sea C. bairdi – none (or undesignated)

Western Bering Sea C. bairdi – none (or undesignated)

Also no rights of first refusal

A share/B share split

Option 1. Status quo (90/10)

Option 2. 80/20

Incremental shifts of:

Option a. 5 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 3. 70/30

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option. Arbitration changes

Option 4. 50/50

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option c. 20 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 5. 0/100

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option c. 20 percent per year

Option d. 30 percent per year

Option e. 45 percent per year

QS allocation divided with allocation of:

___ percent to vessel owners divided among current QS holders based current share holding

___ percent to processors divided among current QS holders based current share holding

___ percent to captains/crew divided among _____

Option A. Arbitration changes – MUST BE SPECIFIED

Option B. Discontinue arbitration program

Option 6. Change A share/B share split with TAC

___/___ for TACs greater than _____

___/___ for TACs greater than _____ and less than _____

___/___ for TACs greater than _____ and less than _____
___/___ for TACs less than _____

Pribilof red and blue king crab – North/South division at 56°20' N latitude (67.5 percent North)
St. Matthew Island blue king crab – North/South division at 56°20'N latitude (78.3 percent North)

A share/B share split

Option 1. Status quo (90/10)

Option 2. 80/20

Incremental shifts of:

Option a. 5 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 3. 70/30

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option. Arbitration changes

Option 4. 50/50

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option c. 20 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 5. 0/100

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option c. 20 percent per year

Option d. 30 percent per year

Option e. 45 percent per year

QS allocation divided with allocation of:

___ percent to vessel owners divided among current QS holders based current share holding

___ percent to processors divided among current QS holders based current share holding

___ percent to captains/crew divided among _____

Option A. Arbitration changes – MUST BE SPECIFIED

Option B. Discontinue arbitration program

Option 6. Change A share/B share split with TAC

___/___ for TACs greater than _____

___/___ for TACs greater than _____ and less than _____

___/___ for TACs greater than _____ and less than _____

___/___ for TACs less than _____

Eastern Aleutian Islands golden king crab – South of 56°20'N latitude (100.0 percent South)

A share/B share split

Option 1. Status quo (90/10)

Option 2. 80/20

Incremental shifts of:

Option a. 5 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 3. 70/30

Incremental shifts of:

- Option a. 5 percent per year
- Option b. 10 percent per year
- Option. Arbitration changes
- Option 4. 50/50
 - Incremental shifts of:
 - Option a. 5 percent per year
 - Option b. 10 percent per year
 - Option c. 20 percent per year
 - Option. Arbitration changes – MUST BE SPECIFIED
- Option 5. 0/100
 - Incremental shifts of:
 - Option a. 5 percent per year
 - Option b. 10 percent per year
 - Option c. 20 percent per year
 - Option d. 30 percent per year
 - Option e. 45 percent per year
 - QS allocation divided with allocation of:
 - ___ percent to vessel owners divided among current QS holders based current share holding
 - ___ percent to processors divided among current QS holders based current share holding
 - ___ percent to captains/crew divided among _____
 - Option A. Arbitration changes – MUST BE SPECIFIED
 - Option B. Discontinue arbitration program
- Option 6. Change A share/B share split with TAC
 - ___/___ for TACs greater than _____
 - ___/___ for TACs greater than _____ and less than _____
 - ___/___ for TACs greater than _____ and less than _____
 - ___/___ for TACs less than _____

Western Aleutian Islands golden king crab – Undesignated/West 174°W longitude (50.0 percent West)
A share/B share split

- Option 1. Status quo (90/10)
- Option 2. 80/20
 - Incremental shifts of:
 - Option a. 5 percent per year
 - Option. Arbitration changes – MUST BE SPECIFIED
- Option 3. 70/30
 - Incremental shifts of:
 - Option a. 5 percent per year
 - Option b. 10 percent per year
 - Option. Arbitration changes
- Option 4. 50/50
 - Incremental shifts of:
 - Option a. 5 percent per year
 - Option b. 10 percent per year
 - Option c. 20 percent per year
 - Option. Arbitration changes – MUST BE SPECIFIED
- Option 5. 0/100
 - Incremental shifts of:
 - Option a. 5 percent per year
 - Option b. 10 percent per year

- Option c. 20 percent per year
- Option d. 30 percent per year
- Option e. 45 percent per year

QS allocation divided with allocation of:

- ___ percent to vessel owners divided among current QS holders based current share holding
- ___ percent to processors divided among current QS holders based current share holding
- ___ percent to captains/crew divided among _____

Option A. Arbitration changes – MUST BE SPECIFIED

Option B. Discontinue arbitration program

Option 6. Change A share/B share split with TAC

- ___/___ for TACs greater than _____
- ___/___ for TACs greater than _____ and less than _____
- ___/___ for TACs greater than _____ and less than _____
- ___/___ for TACs less than _____

Western Aleutian Islands red king crab – South of 56°20'N latitude (100.0 percent South)

A share/B share split

Option 1. Status quo (90/10)

Option 2. 80/20

Incremental shifts of:

Option a. 5 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 3. 70/30

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option. Arbitration changes

Option 4. 50/50

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option c. 20 percent per year

Option. Arbitration changes – MUST BE SPECIFIED

Option 5. 0/100

Incremental shifts of:

Option a. 5 percent per year

Option b. 10 percent per year

Option c. 20 percent per year

Option d. 30 percent per year

Option e. 45 percent per year

QS allocation divided with allocation of:

- ___ percent to vessel owners divided among current QS holders based current share holding
- ___ percent to processors divided among current QS holders based current share holding
- ___ percent to captains/crew divided among _____

Option A. Arbitration changes – MUST BE SPECIFIED

Option B. Discontinue arbitration program

Option 6. Change A share/B share split with TAC

- ___/___ for TACs greater than _____

___/___ for TACs greater than _____ and less than _____
 ___/___ for TACs greater than _____ and less than _____
 ___/___ for TACs less than _____

TACs

Fisheries	IFQ			CDQ/Adak		
	05 06	06 07	07 08	05 06	06 07	07 08
Eastern Aleutian golden king crab	2,700,000	2,700,000	2,700,000	300,000	300,000	300,000
Western Aleutian golden king crab	2,430,000	2,430,000	2,430,000	270,000	270,000	270,000
Western Bering Sea <i>C. bairdi</i>	1,458,000	984,600	1,958,400	162,000	109,400	217,600
Eastern Bering Sea <i>C. bairdi</i>		1,687,500	3,100,500		1,875,000	344,500
Bering Sea <i>C. opilio</i>	33,465,600	32,909,400	56,730,600	3,718,400	3,656,600	6,303,400
Bristol Bay red king crab	16,496,100	13,974,300	18,344,700	1,832,900	1,552,700	2,038,300
Pribilof red and blue king crab	1,125,000*			125,000*		
St. Matthews blue king crab	3,600,000*			400,000*		

Source: ADFG news releases

* 1998 TAC divided 90 percent IFQ/10 percent CDQ.