

BSAI Crab Rationalization

Community Protection Measures and Development Opportunities



Why Rationalize Crab?



- To improve safety conditions for participants
- To improve resource management and reduce resource waste
- To re-vitalize the economic health of the fisheries **for harvesters, processors and crab-dependent coastal communities**

Lessons Learned: Coastal Communities and Fisheries Policy

- **Every community's economic framework and relationship to the resource is specific to its location, infrastructure, available resources ...**
- **Every fishery is unique and therefore each fisheries program should be developed to address the specific dependencies of those current participants**
- **The global marketplace and social values are constantly evolving, and the history of Alaska's fishery policy shows a similar evolutionary trend in response. This has given rise to a healthy discussion about the role of communities here and abroad.**
- **Understand your community's underlying economic dependency on a specific fishery and what is possible in the regulatory/policy arena is important**
- **Try to create opportunity, not just defend the Status Quo**

A Brief History

- **Late 1999** Opilio collapse spurred industry, NPFMC and State of Alaska into action
- **May 2000** industry meetings rejected AFA-style cooperatives and IFQ-only programs in favor of more comprehensive harvester, processor and crab-dependent community models.
- **Late 2000**, US Congress directs NPFMC to develop comprehensive program addressing all three constituencies.
- **June 2002**, NPFMC votes unanimously for “Three-Pie Voluntary Cooperative”
- **January 2004**, US Congress enacted Three-Pie Voluntary Cooperative into law.
- **August 2005**, the program becomes fully implemented!

What Do Crab-Dependent Communities Get Under This Program?

- **Regionalized** landings and processing requirements
- **Community-based** Harvester Quota Share and Processor Quota Share purchase and ownership rights for both CDQ and Non-CDQ communities
- **Right of First Refusal (ROFR)** for all Processor Assets in community
- **Two-year Cool-Down** to allow time for adjusting to program at community level
- **CDQ crab allocations** increase from 7.5% to 10%.

Crab is Capital Intensive and Therefore Landings Intensive



As a result, St. Paul Island is almost entirely dependent on BSAI crab and has invested heavily to support the industry.

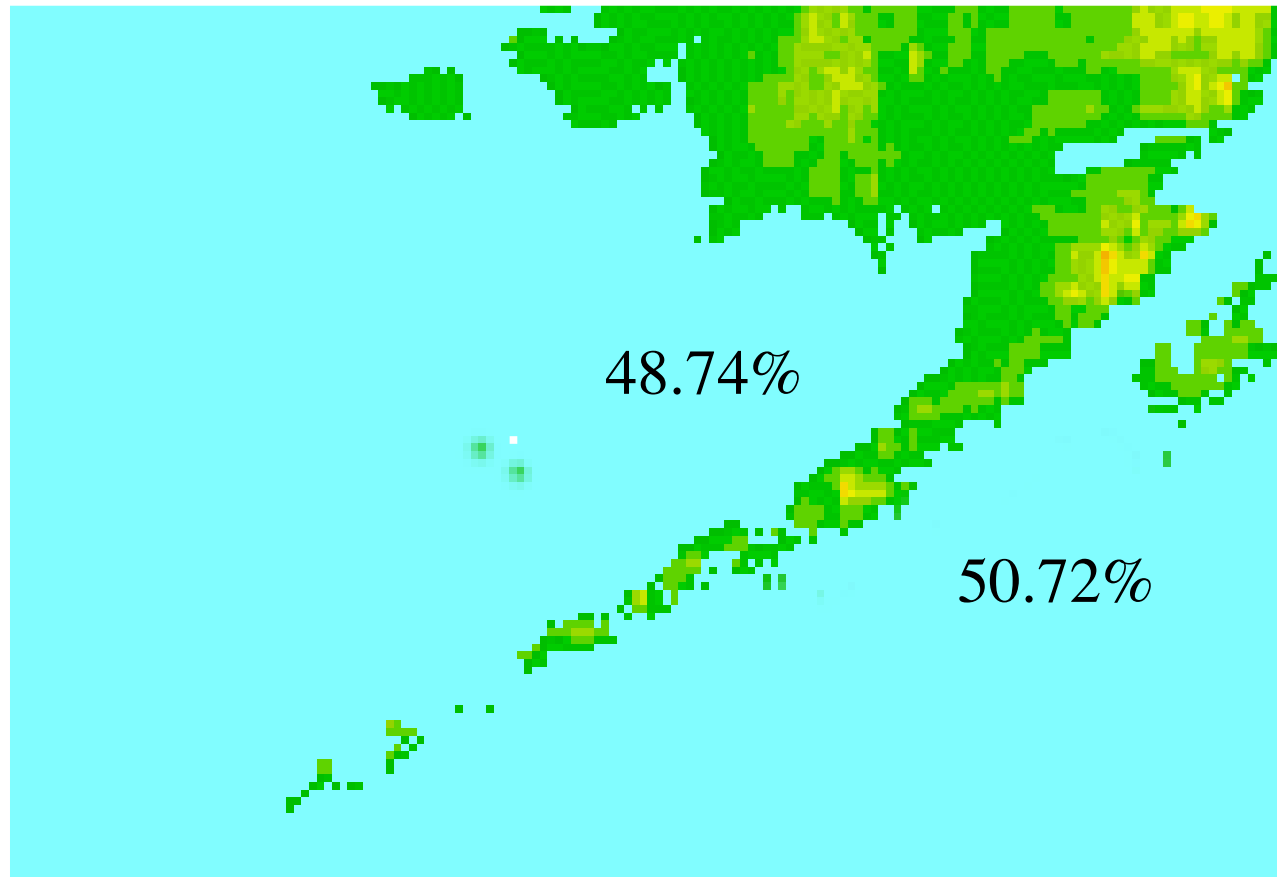


Landings Intensive: Opilio Example

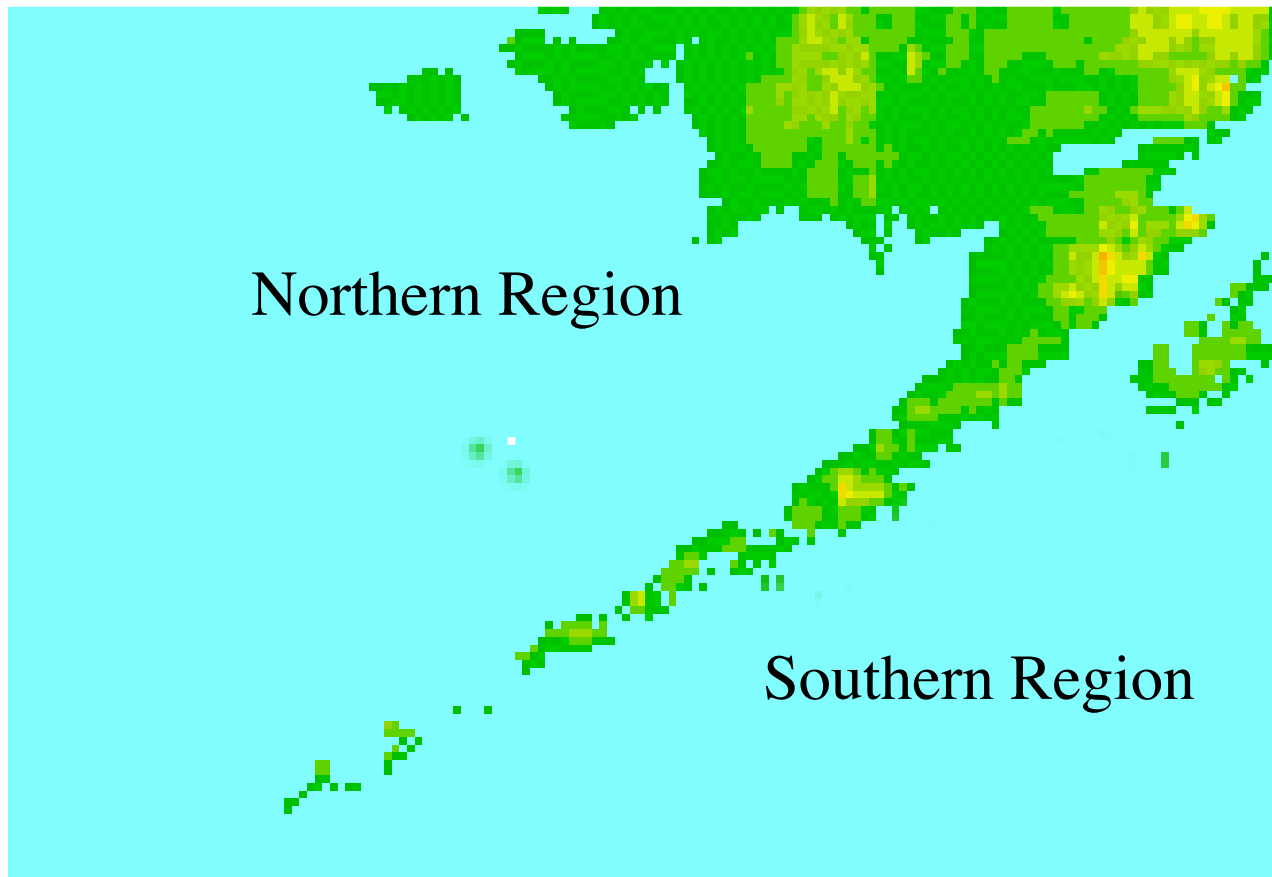
<u>Community</u>	<u>Pounds</u>	<u>% Landings</u>
Aleutians East Borough	29,030,997	4.39%
Akutan	44,336,564	6.70%
Juneau	37,847	0.01%
King Cove	36,035,796	5.45%
Kodiak	916,876	0.14%
St George	48,632,428	7.35%
St. Mathews	2,492,814	0.38%
St. Paul	264,722,362	40.02%
Togiak	6,535,277	0.99%
Unalaska	225,102,051	34.03%
Outside	381,600	0.06%
Unknown	3,205,676	0.48%

= 74.05%

Regionalized Opilio Landings, 1995-1999



Regionalization



Community QS and PQS Ownership

- **The CDQ program experience has taught us the value of QS and PQS ownership as a community development tool.**
- **Community ownership of Harvester QS/IFQ and Processor QS/IPQ is allowed for both CDQ and Non-CDQ communities**
- **QS and PQS ownership gives you control over fisheries landings and therefore leverage concerning harvesting and processing sector behavior**
- **You must still recognize the underlying economics of both sectors: we use QS and PQS to increase local activity, develop private-sector partnerships and generate revenue for investments**

Utilizing QS and PQS: Building Blocks and Dominos



- **Crab is a high-value species, therefore we have also been able to leverage our shares while negotiating the processing of lower-value and lower-volume species**
- **St. Paul Island has been able to negotiate with processors to open during low quota years when they would have preferred to consolidate elsewhere**

How QS and PQS Can Support Relationships



- Use to attract holders of additional quota to “do business” in your town
- Use to leverage direct investment into harvesting and/or processing assets -- but proceed with caution and knowledge!

Community ROFRs

- **The Processor Quota Shares (PQS) issued in the crab program must initially be utilized in the community that gave rise to the underlying history for those shares**
- **The crab program gives CDQ and Non-CDQ communities a Right of First Refusal (ROFR) to acquire the PQS and other processor assets if that business wants to leave the community**
- **Even if the community cannot/does not want to acquire the processor assets this forces a dialogue between the community and processing sector member ... economic mitigation is possible as a last recourse**
- **Even if it leaves the specific community, under no circumstances can the PQS be utilized outside the Region for which it is designated**

The Two-Year Cool Down Period



Summer 2004 construction in St. Paul Harbor

- **For the first two years of the program, processors must continue to operate in the communities which gave rise to their history**
- **This gives communities time to adjust to the new economics of the rationalized crab industry**
- **After two years the community ROFRs are still in place as a community protection measure**
- **And again, PQS is permanently restricted to specific regions as well**

A Note About Processor Quota Shares



“PQS/IPQ”

- There are both harvester-dependent crab communities and processor-dependent crab communities. They are not the same thing. **The program recognizes these differences in community dependency**
- The creation of “PQS” gives communities a tangible asset that can be restricted to **use in that community or region**
- **PQS can be purchased by both CDQ and Non-CDQ communities, through ROFRs or direct investment. This is the ultimate community development tool for some communities**

Why Were Communities Even Included in Crab Rationalization?

- **Crab is a capital intensive, and therefore landings intensive industry; creating significant community dependencies and **community risks as the industry decapitalized.****
- **We still had to elbow our way to the table, however.**
- **There is an evolution/revolution in policy taking place in the Federal and State waters of Alaska. **Pay attention!****

The Evolution of Fisheries Policy

Towards “Inclusive” Policies



1959 (Statehood) to Present (Crab Rationalization)



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