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”
- **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

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

= 74.05%
Regionalized Opilio Landings, 1995-1999
Regionalization

Northern Region

Southern Region
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

- 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.

*Summer 2004 construction in St. Paul Harbor*
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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