

Modifications to BSAI Crab C-Share Program Eligibility and Use Caps

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1 Introduction and Executive Summary

In June 2024, the North Pacific Fishery Management Council (Council) tasked staff to prepare a discussion paper with information to help the Council consider modifications to eligibility requirements and use caps for crew quota shares (or C shares) in the Bering Sea and Aleutian Islands (BSAI) Crab Rationalization (CR Program). The motion requested an analysis of two distinct modifications to the C share program:

- 1) *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; and*
- 2) *Increase c-share use caps.*

Both modifications were selected for analysis as potential mechanisms to increase flexibility within the C share program. These proposed changes have been identified by some stakeholders as integral for the stability of the C share quota market which may benefit both those individuals seeking to enter and those exiting the fisheries. The impacts of the COVID-19 pandemic, recent and substantial declines in crab abundance, and fishery closures have considerably reduced opportunities for crew to participate in the CR Program. The Council has expressed concern about diminishing future opportunities in these fisheries if impacts persist and crab stocks remain low.

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For definition of acronyms and abbreviations, see online list: <https://www.npfmc.org/library/acronyms>

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This motion is part of ongoing Council efforts to address participation challenges within the C share program in response to changing fishery and quota market conditions. With several key crab stocks currently at low abundance, recent Council actions to expand flexibility in the fishery (including Amendments 54 & 55 to the BSAI King and Tanner Crab Fishery Management Plan, and this motion to consider further modifications) highlight the continuing challenges and diminishing participation opportunities that C share holders face in the CR Program fisheries. The two modifications under consideration may serve to encourage new entrants into the fishery and help promote economic stability for harvesters, both of which are identified as key objectives of the CR Program.

The two modifications selected for analysis would increase flexibility in the program in distinct ways, and require separate discussions of the rationale, viability, and potential impacts. In summary, the issues discussed in the paper are as follows:

- 1) **Modifying the purchasing eligibility requirements to mirror those recently implemented for holding or maintaining c-shares:** This modification would significantly expand the pool of potential buyers. This may increase the demand for C shares and participation in the fishery depending on the status of the crab stocks.
 - a. It is important to note that this modification could benefit crew outside of the CR Program. Both under the original program structure and reinforced through Amendment 31, the Council intended for the C share program to benefit at-sea participants in the CR program fisheries and serve as an entry point into ownership in the fishery for those serving as active captains and crew. In considering this proposed change, the Council should consider the policy objectives around its overall intent for the C share provisions.
 - b. As of 2023, approximately 7,000 individuals hold active CFEC permits, and approximately 15,000 individuals were issued ADF&G crew licenses. These numbers are not additive, and a proportion of these individuals would not meet eligibility requirements. Though a precise number of individuals is not available due to data constraints, it is evident that this modification would create a significant increase to the pool of potential C share QS buyers. Increasing the pool of potential buyers by this magnitude may dramatically change the dynamics of the C-share market, especially if stocks rebound. Future analyses could provide additional discussion of the impact of these modifications under a high abundance and low abundance regime.
- 2) **Increasing c-share use caps:** Increasing the use caps for C shares may increase the marketability and value of C shares by making them more attractive to potential buyers. Many C share holders are at the cap in their respective fisheries, and an expansion of use caps may incentivize additional investment and profitability for current participants. Any future analysis of this modification must consider the impacts in relation to National Standard 4, which prohibits the excessive consolidation of fisheries, and would require Council input on the amount in which the Council intends to consider increasing use caps by.

2 Background

This section describes the relevant management components of the crab fisheries under the CR Program as well as some historical context for these C share regulations.

2.1 Crab Rationalization Management

The BSAI CR Program, implemented on March 2, 2005, is a “voluntary three pie cooperative” program which allocates BSAI crab resources among harvesters, processors, and coastal communities. The CR Program rationalized nine Bering Sea and Aleutian Island (BSAI) crab fisheries:

BBR	Bristol Bay red king crab (<i>Paralithodes camtschaticus</i>)
BSS	Bering Sea snow crab (<i>Chionoecetes opilio</i>)
EBT	Eastern Bering Sea Tanner crab (<i>C. bairdi</i>) – East of 166° W
WBT	Western Bering Sea Tanner crab – West of 166° W
PIK	Pribilof Islands blue (<i>P. platypus</i>) and red king crab
SMB	Saint Matthew Island blue king crab
WAG	Western Aleutian Islands (Adak) golden king crab (<i>Lithodes aequispinus</i>) – West of 174° W
EAG	Eastern Aleutian Islands (Dutch Harbor) golden king crab – East of 174° W
WAI	Western Aleutian Islands (Petrol Bank District) red king crab – West of 179° W

The CR Program established both harvester quota share (QS) and processor quota share (PQS) which are revocable privileges that allow the holder to harvest or process a specific percentage of the annual total allowable catch (TAC) in a CR Program fishery.

Approximately 97% of the QS (referred to as “owner QS”) in each program fishery were initially allocated to the License Limitation Program (LLP) license holders based on their catch histories in the fishery. When the CR Program was under development, many active captains testified for the inclusion of an allocation specifically for captains with history of participation in the BSAI crab fisheries. The remaining 3% of the QS (referred to as “C shares” or “crew QS”) were initially allocated to captains (or crew) holding State of Alaska Commercial Fisheries Entry Commission Interim Use Permits, who met specific historic and recent participation requirements in CR Program fisheries.

For more exhaustive detail on the management of the CR Program fisheries see Section 2 of the 17-Year Program Review for the BSAI CR Program (NPFMC 2024) and Federal regulations at 50 CFR 680. Status of the Legislative Action.

2.1.1 C Share Use Caps

Individual use caps are imposed on the use and holdings of harvest shares by any person in order to prevent excessive consolidation of shares under the program. A “grandfather” provision exempted persons who received an initial allocation of QS in excess of the cap.

Individual use caps vary across program fisheries because of different fleet characteristics and the differences in historic dependency of participants on the different fisheries. In addition, any CR Program holdings by Community Development Quota (CDQ) groups, who each represent the interests of one or more BSAI communities, are subject to higher caps.²

2.1.2 C Share Allocations and Current Transfer Restrictions

To be eligible for the initial allocation of C share QS, a person was required to demonstrate both historical dependence on a program fishery and recent participation. Initial allocations were based on participation in landings during the same qualifying years applicable to owner QS allocations. The CR Program also established transfer provisions for C share QS. C share QS can be transferred to new entrants meeting

² CDQ groups are not eligible to purchase C share quota in the CR Program, and would not be eligible under the proposed changes.

specific participation requirements in CR program fisheries, and to existing C share holders purchasing additional C share QS.

To receive C share QS by transfer, current regulations at § 680.41(c)(1) require an applicant to meet eligibility requirements at the time of transfer. To meet these eligibility requirements, an individual may submit an Application for BSAI Crab Eligibility to Receive QS/ PQS by Transfer in advance of, or concurrently with, their Application for Transfer of Crab QS or PQS.

The current regulations for transfer of CVC QS and CPC QS require that an individual 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.**

For more exhaustive detail on the management and mechanisms of the C Share allocation process, see Section 2.3.7 of the 17-Year Program Review for the BSAI CR Program (NPFMC 2024) and Federal regulations at 50 CFR 680. Status of the Legislative Action.

2.1.3 Participation Requirements

C share QS holders must demonstrate active participation via participation requirements in order to retain C shares. If a C share holder does not demonstrate active participation as defined in regulations (§ 680.40(g)(2)) during one of the 3 preceding crab fishing years, they will not be issued their annual IFQ. If a C share holder does not demonstrate active participation during one of the 4 preceding crab fishing their C share quota will be revoked (§ 680.40(m)(2)).

Amendment 31 to the BSAI King and Tanner Crab Fishery Management Plan, implemented in 2015, intended to ensure that C share QS holders remain active in the fisheries. Participation requirements under this amendment differed for initial issuees and non-initial (post-2005) issuees of C share QS. While initial issuees were allowed to demonstrate active participation through participating in any commercial fishery off Alaska for 30 days within the last 3 crab years, non-initial issuees were required to demonstrate active participation through landings in a CR program fishery.

Changing fishery conditions, including low TACs, fishery closures, and impacts of the COVID-19 pandemic substantially reduced opportunities for crew to participate in CR Program fisheries, which created challenges for non-initial C share QS holders to meet active participation requirements. This highlighted a need for increased flexibility for active participation requirements when opportunities to participate in a CR Program fishery are diminished. In response, Amendment 54 to the BSAI King and Tanner Crab Fishery Management Plan revised the participation requirements implemented in Amendment 31 so that all C share QS holders had the same active participation requirements. This amendment served to increase flexibility and opportunities for current C share holders. The regulatory language now allows participation in non-CR Program commercial fisheries to qualify for these active participation requirements.

The current participation requirements for retention of CVC QS and CPC QS are identified at § 680.40(m)(2) as follows:

During one of the 4 crab fishing years preceding the crab fishing year for which the individual is filing an annual crab IFQ permit application, the individual has participated as crew in at least:

- (i) One fishing trip where a delivery of crab is made in any CR fishery; or**
- (ii) 30 days of:**
 - (A) Fishing in a commercial fishery managed by the State of Alaska or in a Federal commercial fishery in the EEZ off Alaska. Individuals may combine their participation as crew in State and Federal commercial fisheries to meet this requirement; or**
 - (B) On a tender vessel operating in support of a commercial fishery managed by the State of Alaska or in a Federal commercial fishery in the EEZ off Alaska. Individuals may combine their participation as crew on a tender vessel in State and Federal commercial fisheries to meet this requirement.**

3 Substantive Issues

The 17-Year Program Review for the CR program in the BSAI identified several challenges and problems facing the BSAI crab industry. Many of the problems the BSAI crab industry is facing result from low TACs, closed fisheries, weak markets, surplus inventories, and general uncertainty of future trends in the fishery that are outside the direct control of the CR Program. While the CR Program has mitigated some of these negative impacts through the original program design and the many Federal and Alaska Board of Fisheries (BOF) regulatory changes, stakeholders continue to seek new and creative ways to make their operations more viable under current fishery conditions. The changes considered in this discussion paper are two mechanisms in which the Council may modify the CR program in order to increase flexibility.

The motion to consider changes to transfer eligibility requirements and increases to C share use caps is one of several recent CR Program modifications that the Council has considered in response to the challenges facing the fisheries. Stakeholders have emphasized that flexibility in the program has allowed the program to survive, and additional flexibility in the system is needed to address some of the challenges of low quotas and closed crab fisheries.

3.1 Uncertainty in the Fisheries

Overall, the BSAI CR crab fisheries are currently in a state of flux with historical and recent closures continuing for a number of fisheries which have been declared overfished or in the process of rebuilding plans (Pribilof Islands blue king crab, SMB, and BSS) and are experiencing variable stock health dynamics impacted by environmental change (BBR, WBT, EBT, and BSS) (Nichols et al. 2022). Of the BSAI CR crab fisheries the WAG and EAG fisheries appear to be the exception which has historically remained stable despite changes occurring in other crab fisheries potentially due to differences in life history and habitat preference for this species (Siddeek et al. 2023).

3.2 Decreased Value of C Shares

One of the challenges identified in the CR Program Review is the weak market and low demand for C shares. Demand for C share QS is low due to multiple factors, including the high cost of entry, limited pool of buyers, and uncertainty in the fisheries. All of these factors make C share QS purchases riskier for buyers, and decrease their value.

When initially establishing C shares, the Council intended that C shares benefit ‘at-sea’ participants in the CR Program fisheries. These shares were expected to sell for a discounted price because of the limitations on their buyer pool and use. Market data indicates that C share QS tends to be sold for a slightly lower per unit price than other share types (see Table 5.30 in Garber-Yonts et al. 2023), which is likely due to the additional qualifications to purchase narrowing the pool of eligible individuals, as well as the additional requirements to remain active in the fishery and demonstrate active participation.

The distinct catcher vessel IFQ types (Class A IFQ v. Class B and C share IFQ) may bring different prices because of the different limitations on use of those shares and the effects of the arbitration system on Class A IFQ landing prices. Class A IFQ must be delivered to a holder of unused IPQ and are subject to the arbitration system, which guides both delivery negotiations and price formation. Class B and C share IFQ may be marketed and sold freely to any registered crab receiver (RCR), and therefore may generate a slight ex-vessel price premium relative to A shares. However, in practice the flexibility of C shares may be used in other ways, such as rounding out a delivery if a vessel has a small overage relative to its available A share IFQ. Therefore generally, aggregated undesignated types of IFQ ex vessel prices track closely with ex vessel prices received from CVO A shares.

3.3 Decreases in Participation

Table 3-1 demonstrates the total number of crew positions across fisheries, and declines in participation over the period shown. In this table each crew position in a fishery is counted as a unique position, although when BBR, BSS, and BST fisheries are open many crew members participate in more than one of these fisheries. The percent change column shows the variability that has occurred over time in available crew positions, with a peak in the time series presented in 2015 at 1,349 crew positions and 2022 representing less than half of this number (476 positions) due to the closure of the BBR fishery.

Table 3-1 Crew positions in the crab harvesting sector, 2009-2022

Year	AIG	BBR	BSS	BST	SMB	Sum of positions	Percent change
2009	35	443	536	102	39	1,155	
2010	35	422	444	21	63	985	-15%
2011	36	413	453	0	112	1,014	3%
2012	46	428	502	0	106	1,082	7%
2013	44	418	481	156	0	1,099	2%
2014	35	422	480	279	24	1,240	13%
2015	35	441	491	365	17	1,349	9%
2016	36	423	463	296	0	1,218	-10%
2017	36	419	441	100	0	996	-18%
2018	37	365	436	211	0	1,049	5%
2019	37	370	428	139	0	974	-7%
2020	35	333	417	163	0	948	-3%
2021	37	0	448	149	0	634	-33%
2022	36	0	298	142	0	476	-25%

Source: 2023 Crab Economic SAFE (Garber-Yonts, et al. 2023)

Notes: Data shown by calendar year. Data are summarized over all harvesting sectors (CVCP) to preserve confidentiality. Crew positions are calculated using eLandings data on count of crew on-board reported by trip.

Table 3-2 presents trends on the count of C share holders for both CVC and CPC QS by fishery since the CR Program began.

In general, crew share holdings are more concentrated than vessel owner shares (NPFMC 2024). This concentration arises both from the initial allocation and from consolidation that has occurred since implementation. It is likely that the requirement to have recently participated as crew in order to receive C share QS by transfer, as well as the continued active participation requirements, both narrow the pool of eligible and interested buyers.

The BBR, BSS, EBT and WBT C share QS has been consolidated overtime by qualified individuals. For fisheries that have often been closed during this period (PIK, SMB, and WAI), the count of C share holders has had very little change. The EAG and WAG fisheries have historically been fairly consolidated both in terms of participating vessels and QS holders (hence a higher QS use cap). These fisheries have seen limited change in C share holdings over the demonstrated time period. Across all species in the last four years has seen little change in number of C share holders, although there have been transactions.

Table 3-2 Number of total CVC and CPC QS holders, 2005-2023

	BBR	BSS	EAG	EBT	PIK	SMB	WAG	WAI	WBT	Total
2005	168	146	11		40	70	9	4		205
2006	156	136	11	156	39	69	9	4	156	214
2007	151	134	11	154	39	68	9	4	154	211
2008	144	131	10	149	39	68	8	4	149	206
2009	141	127	11	150	39	68	8	4	150	207
2010	140	125	10	149	39	68	8	4	149	204
2011	140	125	10	149	39	67	8	4	149	203
2012	137	124	10	148	39	66	8	4	148	202
2013	132	124	10	146	40	66	8	4	146	203
2014	128	121	10	143	39	65	9	4	143	204
2015	127	120	9	141	39	64	9	4	141	203
2016	123	117	9	140	39	65	9	4	140	201
2017	111	109	9	125	39	63	9	4	125	175
2018	109	108	9	122	39	63	9	4	122	172
2019	107	103	9	117	39	63	9	4	117	166
2020	103	96	10	112	39	61	8	4	112	164
2021	102	96	10	110	39	60	8	4	110	162
2022	102	95	10	110	39	60	8	4	110	160
2023	102	95	10	110	39	60	8	4	110	160
Total Change, 2005 - 2023	-66	-51	-1	-46	-1	-10	-1	0	-46	-45
% Change, 2005 - 2023	-39%	-35%	-9%	-29%	-3%	-14%	-11%	0%	-29%	-22%

Source: NMFS Restricted Access Management QS database sourced through AKFIN.

Notes: Black cells represent a year when EBT and WBT were combined as a single BST fishery. Total and % change for EBT and WBT compare 2006 and 2023 totals.

3.4 Methods to Address Substantive Issues

Addressing the active participation requirement challenges as the number of active vessels has declined has been a priority for the Council. In response to the substantive issues, described in more detail within Section 3 of the 17-Year CR Program Review (NPFMC 2024), the Council has considered or recommended multiple modifications to the CR program, including the modifications analyzed within this paper.

The Pacific Northwest Crab Industry Advisory Committee (PNCIAC), among other interest groups, have expressed that additional flexibility in the program is needed. Flexibility has allowed the industry and fisheries to survive challenging and changing conditions, including the flexibility granted through the BSAI Fishery Management Plan Amendments 54 and 55.

The modifications proposed and analyzed within this paper are two methods in which active participation challenges may be addressed. These changes may encourage new entrants in the fishery and help promote economic stability for participants – both identified as key objectives of the CR Program.

4 Modifying Transfer Eligibility Requirements

4.1 Background on Transfer Eligibility Requirements

As described briefly in Section 2.1.1, to receive new C share QS, current regulations at § 680.41(c)(1) require an applicant to meet eligibility requirements at the time of transfer. To meet these eligibility requirements, an individual may submit an Application for BSAI Crab Eligibility to Receive QS/ PQS by Transfer in advance of, or concurrently with, their Application for Transfer of Crab QS or PQS.

The transfer regulations require that an individual 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.

These regulations consolidate the market for C shares to be transferrable only to CR Program fishery crew.

4.1.1 Modifications to C Share Participation Requirements Under Amendment 54

Amendment 54, as described in Section 2.1.3, added additional flexibility for C share QS holders and made it easier for C share QS holders to maintain and receive C share QS and IFQ.

Amendment 54 was implemented in 2024. Because of the recency of this amendment, it is unknown how the additional flexibility granted through Amendment 54 will impact C share markets (both in terms of demand and prices) in future years. The lack of CR program fishery participation requirements for a holder after the QS is purchased may increase the value of C shares, as well as enticing additional interest from buyers. Under the participation requirements established in Amendment 54, an individual could make this investment without also having to commit to long-term participation in the CR Program fisheries. However, the market for C shares will continue to be restricted to those who have participated in the CR Program fisheries in the last 365 days. Therefore, the pool of eligible buyers will inherently be smaller than those that can purchase CVO or CPO shares.

4.2 Modification Selected for Analysis

The Council requested an analysis to consider modifying the eligibility requirements to receive C shares through transfer, either as a new entrant or a current C share holder buying more, to mirror the requirements recently implemented for holding or maintaining active participation requirements for C shares.

This modification would expand the market for C shares through two changes:

- 1) Under current regulation, C share QS is only transferrable to individuals who can demonstrate active participation in CR program fisheries. This modification would expand the transfer market so that C share QS would be transferrable to an individual that has participated in any commercial fishery managed by the State of Alaska or in a Federal commercial fishery in the EEZ off Alaska.
- 2) Current regulations require active participation to be demonstrated within the last 365 days prior to the date of their transfer application. The modification under consideration would expand this period to the 3 prior fishing years prior to the date of their transfer application.

Under the language within the motion, the C shares market may be expanded by a third mechanism. The recent modification to the requirements for holding or maintaining C shares decreased the requirements for time at sea from 150 days to 30 days. **For the purposes of this discussion paper, it was assumed that the days at sea requirement for new entrants would remain at 150 days to mirror the eligibility requirements to receive QS in other fisheries. However, the Council should clarify if the intent is to mirror this aspect of the participation requirements as well. If so, future analyses would include this third mechanism.**

4.2.1 Changes to Pool of Buyers

Precipitous declines in crew positions have substantially limited the pool of eligible buyers for C share QS. The number of crew positions in the crab harvesting sector has significantly declined in recent years. Between 2009 and 2018, the annual number of crew positions in the crab harvesting sector averaged at 1,120 positions. The total harvesting crew positions has sustained steady annual losses since 2018, and as of 2022 only 476 crew positions were present in the crab harvesting sector (see Table 3-1). The 2022 total is less than half of the 10-year average seen between 2009 and 2018. Of the 476 crab crew members in 2022, some number would also be represented in the current 160 C share QS holders. As shown in Table 5-2 and Figure 5-1, some of these current QS holders are at or above the use caps and would therefore not be a part of the eligible demand pool for additional C shares. Some number of crab crew members may be represented in the QS holders at or above the use caps: therefore, the current pool of eligible C share QS buyers is likely smaller than the number of crab crew members.

The current market for C shares has little to no demand. In addition to substantial declines in the number of potential buyers, many individuals currently eligible to purchase C share QS have likely been eligible for multiple years. Due to poor market conditions, eligible buyers who have not opted to purchase C shares in prior years are highly unlikely to be incentivized to enter the market at this juncture.

Revising transfer eligibility requirements to mirror those recently implemented for holding or maintaining C shares would expand those eligible for C shares considerably. By amending transfer requirements to allow any crew members from any commercial fishery off of Alaska to purchase C share QS, those eligible to receive C shares via transfer would expand substantially, which could increase demand.

Because of data limitations, it is difficult to determine the precise number of individuals that would be eligible to receive C share QS via transfer under this modification. Existing data on crew in Alaska fisheries is based on the number of CFEC permits and ADF&G crew member licenses issued annually. These totals are not additive; if an individual is an active CFEC permit holder, they are not required to obtain an ADF&G crew member license, though some may still obtain both a CFEC permit and an

ADF&G crew member license. Furthermore, these totals are likely an overstatement of the actual number of crew members that would be eligible to purchase C share QS under this modification. The reported crew totals include a large number of support personnel, since many support personnel obtain deckhand licenses in order to handle gear and catch. Additionally, an individual may obtain a crew license without any commitment to participation in a commercial fishery. However, eligibility is considered within a 3-year window, and analysts do not have a durable identifier for crew licenses/ permits. With these caveats in mind, the total number of individuals holding active CFEC permits in 2023 was 6,907, and a total of 14,877 individuals received ADF&G commercial crew licenses in 2023. This is a dramatic increase from the current potential buyer pool.

4.2.2 Verification Process

Mirroring requirements for participants buying C shares with requirements for participants maintaining C shares would modify the verification process used by NMFS Restricted Access Management (RAM) when processing applications.

If the transfer eligibility modification is adopted, any individuals participating in non-CR program fisheries would need additional proof and verification, beyond CFEC permit ownership, to prove they actively participated in a commercial fishery off of Alaska in the last 3 fishing years. The process used by RAM to verify eligibility for C share QS holding and maintaining C shares currently relies on a legal attestation from the applicant. For example, a captain may sign off on the fact that a crew member participated in a CR program fishery for the required number of days. The same process and methodology would be used to verify new entrants, if this modification were implemented.

4.2.3 Considerations

It is important to consider the possible implications of the large increase in potential buyers that this modification would create. The quantity of eligible non-CR Program crew members that would be attracted to purchase C share QS is unknown. It is likely that a proportion of CFEC permit holders and ADF&G crew license holders would not meet other eligibility requirements (i.e. days at sea requirements). It is also likely that non-CR Program fishermen will be less inclined to purchase C share QS via transfer than CR Program crew due to a lack of experience in the fishery. 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 via transfer.

Because non-CR Program crew would be able to theoretically receive and maintain C Shares without any crab fishing experience or ongoing participation in a crab fishery, it is possible that an individual may be interested in purchasing C share QS as an investment, without any obligation to participate in the fishery. Under this scenario, an individual may purchase C share QS and continue holding and maintaining their QS through active participation in other fisheries. This purchase would be rational and economical should the individual decide to lease the C share QS to others participating in the fishery, or hold onto them as an investment to sell at a later date should fishery conditions improve and C share QS prices increase. It is unclear the degree to which this may occur either now under low TAC conditions or in a future with possibly increased crew opportunities.

It is evident that the degree in which demand will be increased by this modification depends largely on fishery conditions, particularly the status of the BBR and BSS fisheries. Under the proposed modification, demand would likely remain low during low TAC years. In the current 2024/25 season, low TACs in the BBR and BBS fishery are likely to put downward pressure on the demand for C shares. However, if stocks recover in future years and TACs increase, a significantly increased buyer pool may create a market where a large number of individuals compete for C share QS being transferred, creating heightened demand and increasing C share QS prices.

Increasing C share QS prices would impact current C share QS holders in several ways. The value of the C shares an individual holds would increase in value, which would benefit current C share QS holders. Additionally, the increased demand and prices could in turn motivate current C share QS holders to initiate the sale and transfer of their currently held QS, creating additional churn in the QS holder pool.

4.2.4 Intent of C-Share Program

When the CR Program was under development, many active captains testified for the inclusion of an allocation specifically for captains with history of participation in the BSAI crab fisheries. Both in the original CR Program design and reinforced through the subsequent Amendment 31 to the BSAI King and Tanner Crab Fishery Management Plan, the Council intended that C share benefit ‘at-sea’ participants in the CR program fisheries.

It is important to note that modifying the purchasing requirements to allow crew from any fishery off Alaska to purchase C shares may deviate from the original intent of the C share program. C shares were initially designed to serve as an entry point into ownership in the CR Program fisheries for those who served as active captains and crew in the program. In one scenario, this proposed action may allow fishermen currently not involved in the CR Program fishery an entry point into the CR Program fisheries. Purchasing C shares could provide a non-CR Program fisherman leverage to find a position on a crab vessel where they may earn revenue from their own quota as well as a crew wage. However, this proposed flexibility may also allow a non-CR Program fisherman the opportunity to buy C shares based on their active participation in other Alaskan fisheries and maintain their quota with active participation in other Alaskan fisheries, with no intent to seek employment on a CR Program vessel. It is unclear the degree to which this may occur either now under low TAC conditions or in a future with possibly increased crew opportunities. However, this is a policy determination for the Council to its current intent for C share provisions and whether those benefits may include any active ‘at-sea’ participants, including those who participate in other commercial fisheries off Alaska.

5 Increasing Use Caps

5.1 Background on Individual Use Caps

As described briefly within Section 2.1.2, individual use caps are imposed on the use and holdings of harvest shares by any person in order to prevent excessive consolidation of shares under the program. Individual use caps vary across CR Program fisheries due to differences in fleet characteristics and differences in historic dependency of participants on the different fishery.

The C share use caps are calculated as percent of the initial C share pool (which represents 3% of the IFQ allocated in the CR Program), and applied to the total QS units within the initial QS pool for CVC/CPC. The permanent CVC/CPC QS use caps are described in Table 5-1. The BBR, BSS, EBT, and WBT fisheries are subject to a cap of 2% of the initial QS pool of CVC/CPC, PIK and SMB fisheries are subject to a 4% cap, and WAG and WAI fisheries are subject to 20% caps. As with all use caps on holdings, these percentages are linked to the original units (i.e., a fixed number) so that as the TAC fluctuates each year quota share holders will still be in compliance with the use caps without needing to divest. Therefore, monitoring and administration of C share use caps occur when a transfer takes place.

Table 5-1 demonstrates the maximum pounds that would be issued to an individual C share holder, from their C share QS if they held up to the cap. For example, in the 2024/2025 year, this would represent 1,248 lb of BBR C share IFQ, 955 lb for EBT, 2,429 lb for WBT, 20,305 lb for EAG, and 6,048 lb for WAG.

Table 5-1 CVC/ CPC QS use caps and IFQ use caps for individuals, 2024/2025

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

Source: NMFS RAM, <https://www.fisheries.noaa.gov/sites/default/files/akro/2425ifqquotacaps.htm>

5.2 Current QS Holders At or Above the Individual Use Cap

Some C share holders have reached the QS use caps for CVC and CPC shares (see Table 5-1 for use cap amounts) and cannot receive more C share QS by transfer even though they may meet the recent participation qualifications. If use caps were increased, these C share holders may choose to purchase additional C share QS by transfer. Other C share holders may already hold more than allowed by the individual use caps, if they were ‘grandfathered into’ the program with more history. These C share QS holders may invest in additional C share QS if the cap was increased above their current holdings.

In the 2023/2024 crab year, 16% of the BBR C Share holders, 17% of the BSS C share holders and 12% of each of the EBT and WBT C share holders held 2% of the C share QS pool – the maximum amount they could hold. In the EAG fishery in 2023, 3 of the 10 C share holders hold the maximum amount, in the WAG fishery, 2 of the 8 C share holders are at or over the 20% cap. The WAI only comprises of 4 C share holders, 2 of which are at or over the cap. There is a cap of 4% of the C share QS pool for the SMB fishery, as well as the long-time closed PIK fishery. The SMB fishery only has 1 C share holder at that level and the PIK fishery has 6 (6%) C share QS holders at that level.

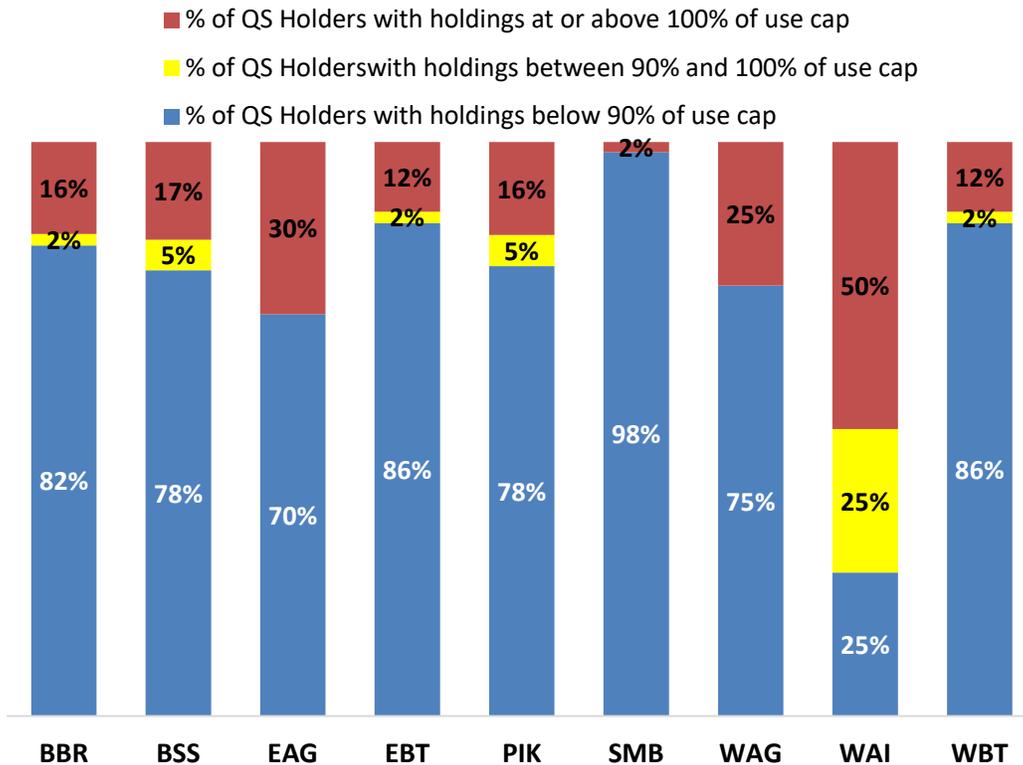
Table 5-2 CVC and CPC QS Holders at or above Individual Use Cap, by fishery, 2023/2024 Crab Year

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

Source: NMFS Restricted Access Management QS database

Figure 5-1 shows the proportion of CVC and CPC QS holders, by fishery, who are near, at, or above the individual use cap. In each fishery, there are very few individuals with holdings within 10% of the individual use cap who have not met the cap.

Figure 5-1 Proportions of CVC and CPC QS Holders, by Cap Utilization and Fishery, 2023/2024 Crab Year



Source: NMFS Restricted Access Management QS database

5.3 Considerations

This modification would provide more opportunities for current C share QS holders looking to purchase additional C shares. It may also incentivize additional entrants in the fishery. Potential buyers whose operations would not be profitable under the constraints of current individual use caps may decide to enter into the fishery and purchase C share QS via transfer if individual use caps were increased to a QS volume in which they would be profitable.

A specific amount by which C-share use caps would be increased was not identified within the Council motion. When the CR program was first established, variances in individual use caps by fishery were largely determined by historical participation proportions. Future Council considerations of this modification would need to consider the amount in which individual use caps would be increased, and which CR program fisheries increases would apply to. Examining the proportion of CVC and CPC QS holders at or above individual use cap limits by fishery (Table 5-2 and Figure 5-1) may provide additional information and context as to which fisheries have individual use caps that may be constraining participants that would be interested in further investment. Of the fisheries that have been open within the last 5 years, the BBR, BSS, EBT, and WBT fisheries have the greatest number of individuals at or above their respective individual use caps, while EAG, WAG, and BSS have the greatest proportion of QS holders at or above the cap.

Further analyses of this modification would also require consideration of the impacts in regard to National Standard 4 under the MSA as well as Section 303A(c)(5)(d) of MSA which specifies requirements for Limited Access Privilege Programs. Both of these provisions of MSA emphasize the requirement to build mechanisms to prevent an entity from acquiring an excessive share of the total limited access privileges. However, increases to individual use caps would likely not result in excessive consolidation of the total

harvesting share privileges, as the maximum cap would still be a very small percentage of the overall species TAC. Because C share QS only accounts for 3% of the total QS, it is unlikely that increases to individual use caps would result in excessive consolidation.

6 Possible Council Action and Additional Analytical Pieces for Future Analyses

In recent discussions regarding the CR Program, it has been emphasized that flexibility in the program is of utmost importance, and expanding flexibility further may help the fisheries survive in times of low abundance and fishery closures. The mechanisms selected for consideration in this discussion paper both serve as methods to increase flexibility and respond to changes and challenges faced by CR Program fisheries and their participants.

Any future analyses of the proposed changes could provide additional discussion of the impact of these modifications under a high abundance and low abundance regime. The Council would want to weigh the costs and benefits of these program modifications in both low abundance and high abundance periods. High abundance would certainly make investments in the fishery more attractive, and removing the CR Program fishery participation requirements may dramatically change the C share QS market dynamics under these conditions.

Upon review and discussion of this paper, the Council may decide whether or not to initiate further analysis of this topic. If the Council wishes to consider these changes to the BSAI Crab Rationalization further, the Council may request staff to prepare an additional discussion paper on the topic, or prepare an initial Regulatory Impact Review (RIR). Should the Council pass a motion to initiate an analysis of these modifications, it would include purpose and need statement, as well as a list of alternatives.

7 References

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