

April 1, 2022

Mr. Simon Kinneen, Chairman
North Pacific Fishery Management Council
605 W. 4th Avenue
Anchorage, AK 99501-2252

Dear Chairman Kinneen:

The following report is submitted by Inter-Cooperative Exchange (“ICE”), a crab harvesting cooperative formed pursuant to 50 C.F.R. § 680.21. ICE is an Alaska cooperative corporation organized and operated to qualify as a fishermen’s association under the Fishermen’s Collective Marketing Act of 1934, 15 U.S.C. § 521 et seq. (the “FCMA”).

ICE has 152 members that hold quota shares (“QS”) issued under the Bering Sea/Aleutian Islands (“BSAI”) crab rationalization program (the “Program”). ICE vessels harvest approximately 70% of the crab available under Program individual fishing quota (“IFQ”).

The following report is submitted in response to the Council’s February 2013 motion requesting that crab cooperatives voluntarily provide annual reports detailing measures they have taken to facilitate the transfer of QS to active participants, including crew members and vessel owners, and any available measures taken by each cooperative to address concerns expressed by the Council about high lease rates and crew compensation.

Since 2014, ICE operated a website (crabqs.com) designed to inform active participants of QS made available through a provision in the ICE Member Agreement requiring members to offer at least 10% of any QS sales offering under a “Right of First Offer” (ROFO) to active participants. Interest in the ICE ROFO program has waned since its early years and in 2021, no active participants renewed their annual program registration. With the decline of crab stocks and an uncertain crab fishing future, the interest in acquiring crab quota shares has dropped to nary an inquiry.

In addition, sudden and severe budget constraints have limited the ability of ICE to manage the program. ICE made the ROFO program available to all qualified participants, including non-ICE members. ICE voluntarily paid for this industry program with its own funds. If the crab industry crisis continues, it will have to re-assess its ability to continue the program.

For these reasons, ICE has nothing to report in regard to its ROFO program.

ICE has determined that it can collect and report data concerning the lease rates paid by its members’ vessels, but only under the explicit understanding that its collection and reporting of that data is not expected or intended to restrain competition in the lease rate market.

Given the complexity and sensitivity of crew compensation arrangements, ICE has

decided that it is not appropriate to collect or report that data. ICE believes that Council concerns regarding crab fishery crew member compensation should be evaluated in light of crew member “daily rate of pay” information that is collected from vessel owners through Economic Data Reports (EDRs).

Report

1. What measures is the cooperative taking to address the issue of high lease rates?

ICE is taking two steps to address Council concerns regarding crab quota lease rates. First, ICE notifies its members that the Council is concerned about the potential impact of high lease rates on vessel operations, and asks its members to individually consider voluntarily capping their lease rate asks and offers at 65% of adjusted gross revenues for Bristol Bay red King crab (“BBRKC”) and 50% of adjusted gross revenues for Bering Sea Snow crab (“BSS”).

Second, to document its members’ voluntary responses to the notice about the Council’s concerns regarding lease rates, ICE requires its harvesting members to report the lease rates paid by every vessel that harvests crab under ICE IFQ. ICE uses that information to prepare its report to the Council.

ICE does not have a policy concerning lease rates and does not promote lease rate caps or limits of any sort. ICE’s communication with its members regarding lease rates is limited to a discrete annual statement relaying the Council’s concern and suggesting members consider taking individual voluntary action in response.

ICE collects lease rate information on a basis that is intended to be consistent with the Program’s EDR requirements. ICE completed its sixth lease rate survey during March of this year. The survey collected data from calendar year 2021, so it covers the 2020-2021 BSS season and the 2021-2022 BBRKC season. Since there was no TAC (Total Allowable Catch) issued for the 2021-22 BBRKC fishery, there is no lease rate report for that fishery.

ICE collects and compiles information from vessels for BBRKC and BSS crab delivered on ICE IFQ permits. The vessel manager or responsible ICE member was asked to provide financial information if the vessel made one or more deliveries of BBRKC or BSS crab harvested under leasing arrangements. If a vessel harvested crab under two or more different leasing arrangements, the reporting party was asked to provide separate information for each of them. If a vessel did not harvest crab under a lease, their information was not collected.

For each fishery, reporting parties were asked to provide the following information:

- The total pounds harvested by the vessel, its gross sales revenues, the pounds harvested under lease and the sales revenues from leased crab.
- The type and amount of expenses deducted from leased crab sales revenues before applying their lease factor. Reported deductions included landing taxes, NMFS cost recovery fees, crab buy-back fees, cargo insurance, Bering Sea Fisheries Research Foundation assessments and others.
- The total amount paid to the lessor(s).

2. What is the level of participation from cooperative members regarding these measures?

Thirty-six ICE vessels made landings of leased crab on ICE IFQ permits during the 2020 - 2021 BSS fishery. Two vessels that leased crab did not report their lease rates.

The reported lease rates are a percentage of “adjusted gross revenues” (i.e., gross sales revenues less certain expenses). The “adjusted gross revenues” lease rates do not account for the observed variation among vessels concerning the expenses that are deducted before lease rates are applied.

The average, weighted average and median lease rates for the BSS fishery are shown in the table below.

BSS	% of Adjusted Gross
Average	54%
Weighted Average	53%
Median	50%

Graphics showing the amount of pounds harvested under discrete lease rates are attached to this report as Attachment A.

3. How effective have these measures been?

ICE looks to the Council to inform it regarding the effectiveness of the measures it is taking to address Council concerns regarding lease rates.

4. What future measures does the cooperative plan to take to address the Council concerns over active participation and lease rates?

ICE plans continue notifying its members annually regarding the Council’s sensitivity to high lease rates and to continue requesting that members consider voluntarily restricting their lease rates accordingly, but ICE will need to re-assess its financial ability to continue conducting lease rate surveys and maintaining the ROFO program.

Attachment A

Amounts Harvested per Lease Rate

BSS LEASE RATES



