

Golden king crab arbitration workgroup meeting
PSPA Conference Room, Fishermen's Terminal, Seattle, Washington
North Pacific Fishery Management Council
April 26, 2012

Participants – Duncan Fields, Joe Sullivan, Dick Tremaine, Brett Reasor, Mark JoHahnson, Larry Cotter, Mark Fina, Greg White, Elizabeth Wiley, David Capri, Rip Carlton, Linda Kozak, Dick Powell, Steve Minor, Jake Jacobsen, Everett Anderson

The committee briefly discussed the plan for the meeting. The processor representatives agreed that they would present their proposals for review by harvester representatives. Two options are proposed. The first is based on the existing system. The second would be based on a sharing of margins. Those proposals and supporting rationale are described in the attachment. In presenting the proposal, processor representatives stated that the proposals are a package intended to framework a contractual agreement, and were not offered as potential amendments to the existing arbitration system rules or procedures. If agreement cannot be reached, processors suggested that they believe that regulatory amendments may be needed. The harvesters agreed to develop a counter-proposal based on the processor submission. That counter would be presented at the next meeting.

The harvester representatives suggested that the proposal is a good starting point for future discussions concerning the golden king crab fishery with the following specific comments:

Option 1

- Harvesters support the development of a structured system for defining lengthy season agreements based on the concepts included in Option 1. (Needs to be confirmed with stakeholders)
- Harvesters agree conceptually with the development of delivery windows for identifying periods when processing plants will be available for deliveries and defining a system of premiums or deductions based on date of delivery. (Needs to be confirmed with stakeholders)
- Harvesters believe that IFQ lease payments are not relevant to the discussion of the arbitration system.
- Harvesters would like processors to provide more information concerning the adjustment of the formula based on changes in product recovery rates.
- Harvesters believe that processor initiation of performance arbitration is acceptable and can be addressed in any contract between the parties.
- Harvesters question the need for a damages clause for failure to deliver matched quota. They assert that any damages are likely to be far less than the lost revenues and that contractual enforcement is available to address any shortfall under contract law.
- Harvesters would like further information concerning the differential payments from the Eastern Aleutians and Western Aleutians.

Option 2

- Profit share arrangements are already being used in the golden king crab fishery
- Harvesters support the development of a shared margin arrangement
- Harvesters believe that as a part of that arrangement, they should have involvement in marketing
- Harvesters believe that, as a part of that arrangement, they should have involvement in processor cost control decisions

- Harvesters believe that advance agreement on the division of margins is critical under a shared margin arrangement.

Although harvesters support the development of both options, they believe that Option 2 could be pursued without Option 1. In other words, changes from the current application of the arbitration standard reflected in Option 1 are not a necessary precursor to the development of the shared margin system contemplated by Option 2. Harvesters believe that the use of margin share arrangements (similar to that proposed under Option 2) under the current system are evidence that Option 2 could be pursued without the modifications proposed in Option 1 (although harvesters have expressed dissatisfaction with the terms of those previous agreements). Harvesters believe Option 1, arbitration, is a default system most useful if harvesters and processors are not able to agree on other terms.

Processors believe that Option 1 is a necessary precondition to pursuing Option 2.

Harvesters pointed out that the golden king crab is now recognized as a higher value product, which was not the case during the historical base period. Harvesters also stated that all proposals should be supported by data.

Harvesters also suggested that the selling price of golden king crab is not currently being optimized. Increases in selling price could increase benefits for both harvesters and processors.

In the concluding discussions, processor representatives agreed to provide a more specific proposal for adjustment of prices based on deliveries from the Eastern Aleutians and Western Aleutians (which may include adjustments for differences in crab size and recovery rate, as well as adjustments for higher processing costs in the West region). This proposal will be provided to committee members 1 or 2 weeks prior to the next meeting.

The next meeting will begin at 1 pm on May 22nd. Participants should plan on meeting on both the 22nd and 23rd of May. The meeting will be held at PSPA's offices at Fishermen's Terminal in Seattle.

Attachments available upon request from the Council office.