Amendment 19
to the Fishery Management Plan for
Bering Sea/Aleutian Islands King and Tanner Crabs.

In Chapter 11.0, Voluntary Three-Pie Cooperative Program:

(1) Replace “Binding Arbitration System (from February 2003 motion)” with the following:

(note: the bold text indicates additions to Amendment 18, the strikeout text indicates text removed from Amendment 18.)

**Binding Arbitration System**

The Council adopts the following elements for a system of binding arbitration to resolve failed price negotiations.

1. **The Standard for Arbitration**

The primary role of the arbitrator shall be to establish a price that preserves the historical division of revenues in the fisheries while considering relevant factors including the following:

   a. Current ex vessel prices (including prices for Class A, Class B, and Class C shares recognizing the different nature of the different share classes)

   b. Consumer and wholesale product prices for the processing sector and the participants in the arbitration (recognizing the impact of sales to affiliates on wholesale pricing)

   c. Innovations and developments of the different sectors and the participants in the arbitration (including new product forms)

   d. Efficiency and productivity of the different sectors (recognizing the limitations on efficiency and productivity arising out of the management program structure)

   e. Quality (including quality standards of markets served by the fishery and recognizing the influence of harvest strategies on the quality of landings)

   f. The interest of maintaining financially healthy and stable harvesting and processing sectors

   g. Safety

   h. Timing and location of deliveries

   i. Reasonable underages to avoid penalties for overharvesting quota and reasonable deadloss

2. **Market Report**
An independent market analyst selected by the mutual agreement of the sectors will present to both sectors and all designated arbitrators an analysis of the market for products of that fishery.

3. **Selection of the Arbitrator(s) and Market Analyst**
   The market analyst and arbitrator(s) will be selected by mutual agreement of the PQS holders and the QS holders. PQS holders collectively must agree and QS holders collectively must agree. Processors may participate collectively in the selection process. The details of the selection will be decided at a later time.

4. **Shares subject to binding arbitration**
   This binding arbitration system shall address price disputes between holders of delivery restricted IFQ (including Class A IFQ and Class C IFQ when subject to delivery restrictions) and holders of IPQ. Binding arbitration does not apply to the negotiation of price for deliveries under the class B IFQ and Class C IFQ when not subject to delivery restrictions. C share holders, however, may elect to participate in the arbitration process prior to delivery restrictions taking effect.

5. **Shares of processor affiliates**
   Participation of processor affiliates in binding arbitration as IFQ holders will be determined by any applicable rules governing anti-trust. Any parties eligible for collective bargaining under the Fishermen's Cooperative Marketing Act of 1934 (FCMA) will be eligible to participate collectively as a member of that FCMA co-op in binding arbitration. No antitrust exemption should be made to enable processor affiliated IFQ holders to participate in arbitration.

6. **Payment of the arbitration and market analysis**
   The payment for the market analysis and the arbitrators will be shared by the two sectors. Cost shall be shared by all participants in all fisheries.

   For shared costs, the payment of those costs shall be advanced by IPQ holders. The IPQ holders will collect the IFQ holders' portion of the shared costs by adding a pro rated surcharge to all deliveries of Class A crab.

7. **Quality dispute resolution**
   In cases where the fisherman and the processor cannot come to agreement on quality and thus price for crab, two mechanisms are suggested for resolving the price dispute: after the processor has processed the crab (to avoid waste from dumping the load at sea): (1) In cases where fishermen and processors have agreed to a formula based price, the two parties would take their normal shares of the price, after the disputed load is sold. (2) This type of dispute would most likely apply in cases where fishermen desire to stay with fixed dockside prices and there is disagreement on quality and therefore price. These cases
could be referred to an independent quality specialist firm. The two parties in dispute would decide which firm to hire.

8. **Data used in arbitration**
Under any arbitration structure, the arbitrator must have access to comprehensive product information from the fishery (including first wholesale prices and any information necessary to verify those prices).

Processors may participate in common discussions concerning historical prices in the fisheries.

Subject to limitations of antitrust laws and the need for proprietary confidentiality, all parties to an arbitration proceeding shall have access only to all information provided to the arbitrator(s) or panel for that arbitration directly by the parties to that arbitration proceeding. Access to information by a harvester participating in an arbitration will be limited to information submitted by itself and the processor. All participants to an arbitration shall sign a confidentiality agreement stating they will not disclose any information received from the arbitrator.

Data collected in the data collection program may be used to verify the accuracy of data provided to the arbitrator(s) in an arbitration proceeding. Any data verification will be undertaken only if the confidentiality protections of the data collection program will not be compromised.

9. **Enforcement of the Arbitration Decision**
The decision of the arbitrator will be enforced by civil damages.

10. **Oversight and administration of the Binding Arbitration system**
Oversight and administration of the binding arbitration should be conducted in a manner similar to the AFA cooperative administration and oversight. System reporting requirements and administrative rules should be developed in conjunction with the Council and NOAA Fisheries after selection of the preferred program.

The structure for the system of Binding Arbitration system shall be as described below:

**LAST BEST OFFER BINDING ARBITRATION**

**GENERAL**

The Last Best Offer Model provides a mechanism to resolve failed price and delivery negotiations efficiently in a short period before the opening of the season. The Model includes the following specific characteristics:
1. **Processor-by-processor**
   Processors will participate individually and not collectively, except in the choice of the market analyst and the arbitrator/arbitration panel.

2. **Processor-affiliated shares**
   Participation of processor-affiliated shares will be limited by the current rules governing antitrust matters.

3. **Arbitration standard**
   The standard for the arbitrator is the historic division of revenues between harvesters and processors in the aggregate (across the entire sectors), based on arm’s-length first wholesale prices and ex-vessel prices (Option 4 under “Standard for Arbitration” in the staff analysis). The arbitrator shall consider several factors including those specified in the staff analysis, such as current ex-vessel prices for both A, B and C Shares, innovations, efficiency, safety, delivery location and timing, etc.

4. **Opt-in**
   An IFQ holder may opt in to any contract resulting from a completed arbitration for an IPQ holder with available IPQ by giving notice to the IPQ holder of the intent to opt in, specifying the amount of IFQ shares involved, and acceptance of all terms of the contract. Once exercised, an Opt-in is binding on both the IPQ holder and the IFQ holder.

5. **Performance Disputes**
   Performance and enforcement disputes (e.g. quality, delivery time, etc.) initially will be settled through normal commercial contract dispute remedies. If those procedures are unsuccessful, the dispute will be submitted for arbitration before the arbitrator(s). If those procedures are unsuccessful and in cases where time is of the essence, the dispute will be submitted for arbitration before the arbitrator(s). The costs of arbitration shall be paid from the fees collected, although the arbitrator(s) will have the right to assign fees to any party for frivolous or strategic complaints.

6. **Lengthy Season Approach**
   For a lengthy season, an IPQ holder and an IFQ holder (or group of IFQ holders) may agree to revise the entire time schedule below and could agree to arbitration(s) during the season. That approach may also be arbitrated pre-season if the holders cannot agree.

**PROCESS**

1. **Negotiations and Voluntary Share Matching.**
   At any time prior to the season opening date, any IFQ holders may negotiate with any IPQ holder on price and delivery terms for that season (price/price formula; time of delivery; place of delivery, etc.). If agreement is reached, a binding contract will result for those IFQ and IPQ shares. IPQ holders will always act individually and never collectively,
except in the choice of the market analyst (which may occur at any time pre-season) and the arbitrator/arbitration panel for which all IFQ and IPQ holders will consult and agree.

2. **Required Share-Matching and Arbitration.**

   Beginning at the 25-day pre-season point, IFQ holders may match up IFQ shares not already subject to contracts with any IPQ shares not under contract, either as collective groups of IFQ holders collectively as part of an FCMA cooperative or as individual IFQ holders (the offered IFQ Shares must be a substantial amount of the IFQ Holder(s)' uncontracted shares). The IPQ holder must accept all proposed matches up to its non-contracted IPQ share amount. All IFQ holders "matched" with an IPQ holder will jointly choose an arbitrator with that IPQ holder. The matched share holders are committed to the arbitration once the arbitrator is chosen (if the parties wish, the arbitrator may initially act as a mediator to reach an agreement quickly). Arbitration must begin no later than 15 days before the season opening date.

3. **Data.**

   The Arbitrator will gather relevant data independently and from the parties to determine the historical distribution of first wholesale crab product revenues (at FOB point of production in Alaska) between harvesters and processors in the aggregate (across the entire sectors). For a vertically integrated IPQ holder (and in other situations in which a back-calculation is needed), the arbitrator will work with that IPQ holder and the IFQ holders to determine a method for back-calculating an accurate first wholesale price for that processor. The Arbitrator will receive a pre-season market report from the market analyst, and may gather additional data on the market and on completed arbitrations. The Arbitrator will also receive and consider all data submitted by the IFQ holders and the IPQ holder. The Arbitrator will not have subpoena power.

4. **Arbitration Decisions.**

   Arbitration will be based on a "last best offer" system, with the Arbitrator choosing one of the last best offers made by the parties. The Arbitrator will work with the IPQ and IFQ holders to determine the matters that must be included in the offer (e.g. price, delivery time & place, etc.) and will set the date on which "last best offers" must be submitted. The last best offers may also include a price over a specified time period, a method for smoothing prices over a season, and an advance price paid at the time of delivery.

   If several groups or individual IFQ Holders have "matched" with that IPQ Holder, each of them may make a last best offer. Prior to submission of the last-best offers, the Arbitrator may meet with parties, schedule joint meetings, or take any actions aimed at reaching agreement. The Arbitrator will notify the IPQ holder and the IFQ holders of the Arbitration Decision no later than 10 days before the season opening date. The Arbitration Decision may be on a formula or ex-vessel price basis. The Arbitration Decision will result in a contract for the IPQ holder and the IFQ holders who participated in arbitration with that IPQ holder.
5. **Post-Arbitration Opt-In**

Any IFQ holder with shares not under contract may opt in to any contract resulting from an Arbitration Decision for an IPQ holder with IPQ that is not under contract, on all of the same contract conditions (price, time of delivery, etc.). If there is a dispute regarding whether the "opt in" offer is consistent with the contract, that dispute may be decided by the arbitrator who will decide only whether the Opt-in is consistent with the contract.

6. **Formula and Prices:**

Throughout the year, the market analyst will survey the crab product market and publish periodically a composite price. That price will be a single price per species, based on the weighted average of the arm's-length transactions in products from that species.

7. **Non-Binding Price Arbitration (from the April 2003 motion)**

There will be a single annual fleet-wide arbitration to establish a non-binding formula under which a fraction of the weighted average first wholesale prices for the crab products from each fishery may be used to set an ex-vessel price. The formula is to be based on the historical distribution of first wholesale revenues between fishermen and processors, taking into consideration the size of the harvest in each year. The formula shall also include identification of various factors such as product form, delivery time and delivery location. The non-binding arbitration shall be based upon the Standard for Arbitration set out in the February 2003 Council motion, Item 1 including a. through i. As a part of this process, the arbitrator will review all of the arbitration decisions for the previous season and select the highest arbitrated prices for a minimum of at least 7% of the market share of the PQS. This provision allows for the aggregation of up to 3 arbitration findings that collectively equal a minimum of 7 percent of the PQS, to be considered for the highest price for purposes of this provision. If arbitration findings are aggregated with two or more entities, then the lesser of the arbitrated prices of the aggregated entities included to attain the 7 percent minimum market share of PQS shall be considered for purposes of developing the benchmark price. The arbitrator in the non-binding arbitration shall not be an arbitrator in the last best offer binding arbitration(s).

This formula shall inform price negotiations between the parties, as well as the Last Best Offer arbitration in the event of failed price negotiations.

7. **Public Disclosure of Arbitration Results**

The result of each arbitration will be announced as it occurs to the processors and harvesters in that arbitration and non-vertically integrated harvesters that have not committed to a processor.

(2) Remove the following paragraph from section 1.8.5 Sideboards (from December 2002 motion):
Require that crab co-ops limit their members to their aggregate cod catch in both federal and state waters to the sideboarded amount (provided such a limitation is within the Council's authority). Staff is requested to examine how this integrates with the existing coop structure in the preferred alternative and identification of enforcement options available to the coop which will ensure compliance with parallel fishery limitations.

(3) Add the following paragraph in section 5. Program Elements, after the first sentence, which reads “RAM Division in conjunction with the State of Alaska will produce annual reports regarding data being gathered with a preliminary review of the program at 3 years.”

The Council directs staff to prepare an analysis for delivery to the Council 18 months after fishing begins under the Program. The analysis is to examine the effects of the 90/10 A share/B share split and the binding arbitration program on the distribution of benefits between harvesters and processors. After receiving the analysis, the Council will consider whether the A share/B share split and the arbitration program are having their intended effects and, if not, whether some other A share/B share split is appropriate. In addition, staff shall the prepare an analysis of the application of the 90/10 Class A/Class B split and regionalization to captain and crew shares (C shares) for consideration by the Council 18 months after fishing begins under the Program.