

MEMORANDUM

TO: Council, SSC, and AP Members

FROM: Chris Oliver *Chris*
Executive Director

ESTIMATED TIME
28 HOURS

DATE: May 22, 2002

SUBJECT: Crab Rationalization

ACTION REQUIRED

- (a) Selection of a preferred rationalization alternative.
- (b) Discuss the report to Congress on rationalization.
- (c) Selection of a suite of alternatives for analysis in the EIS.

BACKGROUND

At its June 2001 meeting, the North Pacific Fishery Management Council (Council) adopted a suite of alternatives, elements and options for analysis of a rationalization program for the Bering Sea and Aleutian Islands (BSAI) crab fisheries. After status reports and reviews at its December 2001, February 2002, and April 2002 meetings, the Council amended its motion to its current form (Item C-3(a)) and scheduled selection of a preferred rationalization alternative at this meeting. The analysis was provided to the Council family and released to the public prior to this meeting.

The proposed action would develop an IFQ or cooperative program to manage the BSAI crab fisheries. A change in management from the current License Limitation Program (LLP) may be necessary to alleviate problems of resource conservation, bycatch and handling mortality, excessive harvesting capacity, lack of economic stability, and safety that have arisen because of the race to fish that occurred under the open access fishery prior to the LLP and under the current LLP management structure.

Final action for this package is unlike most final actions taken by the Council, since Congress may need to modify their moratorium on IFQ programs (and perhaps jurisdiction over inshore processors) before the Council could submit either an IFQ or cooperative alternative to the Secretary of Commerce (SOC). Once the Council's preferred alternative is identified, it would then need to be melded into the crab EIS, that is also currently being developed, as the preferred alternative. It is expected that this can be completed during the summer and fall of 2002 for action by the Council and submission of the formal EIS/RIR/IRFA package to the SOC early next year (assuming Congressional action allowing the Council to move forward at that time).

The analysis considers three overriding alternative management structures for the BSAI crab fisheries; status quo (or continued management under the LLP), an IFQ program, or a cooperative program. The IFQ program alternative includes options defining either a one-pie harvester only IFQ program or two-pie program, which would include both harvester shares and processor shares. The cooperative program alternatives include two structures that could be selected. The Voluntary Cooperative alternative is a program that would allocate shares to harvesters and processors and allow each harvester to join a cooperative with one or more other harvesters associated with one or more processors. The Plurality Cooperative alternative is a program that would allow each harvester to join a cooperative associated with the processor that it delivered the most crab to during a specified qualifying period. Harvesters that join a cooperative would receive an allocation based

on qualifying catch history. Harvesters that elect to forgo joining a cooperative would be limited to participating in an open access fishery. This program alternative includes several different options that would protect processor interests to varying degrees and that would define movement between cooperatives.

The variety of elements and options could create difficulties in developing a decision that is fully consistent and comprehensive. To assist the Council in developing its decision, staff has prepared a decision guide (Item C-3(b)). The decision guide is an attempt to categorize all of the different elements in the Council motion to enable the Council to consider all elements in a topic area at one time.

Initial review of the analysis of the crab rationalization alternatives

The current draft of the analysis of the crab rationalization alternatives is similar in format and content to the April 2002 draft. The changes mostly involve the new options added by the Council at the April 2002 meeting, which are shown with bolding and strikeouts in the attached Council motion (Item C-3(a)). The following is a summary of the contents of the document.

Background (Section 2)

As a foundation for the analysis of alternatives, the analysis contains an extensive background section that describes the current conditions in the different fisheries under consideration for rationalization. The section includes subsections describing the affected environment, fishery biology, fishery management, the harvesting sector, the processing sector, community and social impacts, ex vessel prices, and various market and economic conditions. **Table E1** shows the maximum GHL, the minimum GHL, and closure years (if any) for the fisheries under consideration for rationalization.

Table E1: Maximum and Minimum GHLs for various crab fisheries and years the fishery was closed

Fishery	Maximum GHL (millions of pounds)	Minimum GHL (millions of pounds)	Closures (Years/Season)
Bering Sea Snow Crab (<i>C. opilio</i>)	333 (1992)	25.3 (2001)	None
Bristol Bay Red King Crab	18 (1991)	5 (1996)	1994, 1995
Bering Sea Tanner (<i>C. bairdi</i>)	39.2 (1991/92)	2.2 (1996)	1997, 1998, 1999, 2000, 2001
Pribilof Islands Red King Crab	3.4 (1993)	1.25 ^a (1998)	1991/92 & 1999, 2000, 2001
Pribilof Islands Blue King Crab	2.5 ^a (1995)	1.25 ^a (1998)	1991/92, 1993, 1994, 1999, 2000, 2001
St. Matthew Blue King Crab	5 (1997)	2.4 (1995)	1999, 2000, 2001
Western Aleutian Islands (Dutch Harbor) Golden (Brown) King Crab	3.2 ^b (1996, 1997, 1998)	3.0 ^b (1998, 1999, 2000, 2001)	None
Eastern Aleutian Islands (Adak) Golden (Brown) King Crab	2.7 ^b (1996, 1997, 1998)	2.7 ^b (1996, 1997, 1998)	None
Eastern Aleutian Islands (Adak) Red King Crab	c	c	1996/97, 1997/98, 1999/2000, & 2000/2001

^a Combined red and blue king crab.

^b Managed with GHL since 1996. Managed with inseason monitoring prior to 1996.

^c Managed with historic landings and inseason monitoring prior to 1996, rather than GHL.

Table E2 reports the weighted average annual ex-vessel price of the various crab fisheries under consideration. These data were derived from ADF&G fishtickets. The data in the report show that the mid-1990s were in general strong years for ex-vessel prices. Ex-vessel prices also increased in 1999 and 2000 (relative to the 1997 and 1998) except in the Bristol Bay red king crab fishery.

Table E2: Weighted average annual ex-vessel prices from ADF&G fishtickets (prices have not been adjusted for inflation)

Year (Fishing Season)	WAI golden king ¹	Adak red ¹	Bristol Bay red king ²	BS <i>C. opilio</i> ²	BS <i>C. bairdi</i> ²	EAI golden king crab ²	Pribilof blue king ³	Pribilof red king ³	St. Matthew blue king ³
1998-1999	\$ 2.04	closed	\$ 6.26	\$ 0.56	closed	\$ 1.87	\$ 2.34	\$ 2.39	\$ 1.87
1999-2000	\$ 3.14	closed	\$ 4.81	\$ 0.88	closed	\$ 3.22	closed	closed	closed
2000-2001	\$ 3.15	closed	\$ 4.14	\$ 1.85	closed	\$ 3.50	closed	closed	closed

1) Fishing seasons span two years

2) The fishing seasons that took place in one calendar year are identified by the first year listed in the year column.

Table E3 is a summary of the first wholesale prices derived from Commercial Operator Annual Report data. These prices were calculated by dividing the total first wholesale value reported by the processor by the total pounds of the product form produced.

Table E3: First Wholesale Crab Prices by Species and Product Form, 1991-2000 (prices have not been adjusted for inflation)

Species	Product	1998	1999	2000
Red King Crab	Shellfish Sections	\$ 5.52	\$11.25	\$ 9.11
	Whole	\$ 3.83	\$10.69	\$ 7.74
Blue King Crab	Shellfish Sections	\$ 4.80	Conf.	Conf.
Golden King Crab	Shellfish Sections	\$ 4.24	\$ 6.90	\$ 7.22
	Whole	\$ 4.90	\$ 3.79	\$ 4.60
<i>C. bairdi</i>	Shellfish Sections	\$ 4.81	\$ 4.23	\$ 5.83
	Whole	\$ 2.95	\$ 3.71	\$ 3.93
<i>C. opilio</i>	Shellfish Sections	\$ 2.03	\$ 2.92	\$ 4.16
	Whole	\$ 2.05	\$ 1.06	

Source: Commercial Operator's Annual Reports (1998-2000)

Analysis of the Alternatives (Section 3)

Section 3 presents the analysis of the alternatives. The section begins with a brief discussion of the status quo, which draws from the extensive background analysis in Section 2.

Biology, Management, Environmental, and Safety Implications of Rationalization (Section 3.2).

This section presents an analysis of the biological, management, environmental, and safety impacts of rationalization of the BSAI crab fisheries. This section examines the appropriateness of the different fisheries for rationalization, potential changes in deadloss, size limits, incidental catch, seasons, pot limits, the potential impacts of overlapping seasons of different species, and the effects of rationalization on rebuilding programs. The section also examines the environmental factors including the impacts of rationalization on endangered species and marine mammals. The section concludes with discussions of the division of management authority between State and federal managers and the impacts of rationalization on safety in the fishery. The analysis in this section was provided to Council staff by representatives of State of Alaska ADF&G and NMFS.

The analysis suggests that the Bering Sea *C. opilio*, Bristol Bay red king crab, Bering Sea *C. bairdi*, Pribilof blue king crab, Pribilof red king crab, St. Matthew blue king crab, and the two Aleutian Islands golden king crab be included in the rationalization program. The Aleutian Islands red king crab, the Aleutian Islands *C. bairdi*, the Pribilof golden king crab, and Bering Sea Tanneri fisheries are suggested for exclusion from rationalization.

Rationalization should have environmentally-friendly impacts on the crab stocks and their habitat as long as concerns over highgrading and ghost fishing from lost pots do not evolve. Managers are concerned that highgrading may occur when the time pressures are removed from the fishery. Fishermen will be more likely to keep only the highest valued catch since any catch landed will be counted against their quota. Therefore, keeping second quality crab (especially when there are large differences in ex-vessel price) might not maximize profits. Under the current low GHs and race-for-fish management system all marketable crab are currently being retained. The State of Alaska feels that new regulations will likely need to be developed to protect the biological integrity of the stock. They also indicate that onboard observer coverage and dockside sampling are needed to determine if changes in fishery selectivity occur and the mechanisms that cause those changes. Pot limits may be relaxed in a rationalized fishery. For pot limits to be changed the Board of Fisheries (BOF) would need to be petitioned or a proposal would need to be submitted to the BOF requesting that pot limits be modified.

Seasons for the different species proposed for inclusion in the rationalization program are considered. The primary biological objective in scheduling seasons is avoidance of mating and molting. Table E4 shows the molting and mating seasons for the different species being considered for rationalization. The analysis also considers the use of concurrent seasons for species included in the rationalization program. An advantage of multispecies fisheries is the potential decrease in mortality of discards. As crab fishing seasons are lengthened the possibility of gear conflicts with trawl and longline vessels increase. Those conflicts would need to be monitored to ensure that they were not increasing to an unacceptable level.

Table E4: Bering Sea Crab Fishery Molting/mating time periods as determined by the Crab Plan Team in September 2001

Species	Molting/mating time period
C. opilio	May 15 to July 31
C. bairdi	April 1 to July 31
blue king crab	February 1 to July 31
red king crab	January 15 to June 30
red king crab (Norton Sound)	September 15 to October 31
golden king crab	January 1 to December 31

Source: Alaska Department of Fish & Game (2001).

The analysis also supports provisions which would create no allowance for overages or underages on the principle that overages and underages should be fully avoidable in a rationalized fishery. The analysis also supports full accounting of deadloss. The analysis suggests that the slower pace of a rationalized fishery will improve sorting of crab by gear, thereby decreasing handling mortality and deadloss.

The analysis provides that the rationalized fisheries would need to be managed with TACs instead of the current GH management. TAC management would provide certainty of allocations necessary to realize the full benefits of rationalization. The allocation of a minor open access fishery, as proposed in the Plurality Assignment cooperative program alternative, could also be problematic for managers that are required to monitor a small GH in an open access fishery. The more precise management under a TAC (without provision for overages) could also aid rebuilding efforts in the fisheries.

Monitoring participants in a rationalized fishery would be challenging due, in part, to the extended seasons. The analysis supports the use of Vessel Monitoring Systems (VMS). VMS would not only improve monitoring activities of participants but also would improve data collection. ADF&G has suggested that the costs of this system could be borne by either participants in the fisheries or the federal government.

Additional monitoring of landings may also be required. Observer requirements and the disbursement of costs of those requirements will also need to be assessed in a rationalized fishery.

The analysis assesses the need to maintain a minimum fleet size to ensure that harvests reach an optimum level. Caps on ownership could be used to ensure that fleets are maintained at a size necessary to maintain harvests in the event excessive stocks require additional harvesting power.

The section includes a discussion of the interaction of State and federal management and monitoring of the fisheries. Limitations of delegation of management authority by the federal government may require that NMFS assume responsibility for allocations of quota in the fisheries. Setting of TACs (or GHs), regulating fishing activity, and collecting harvest data for monitoring harvest limits and enforcement of regulations are currently conducted by the State and could, for the most part, continue to be subject to State management in a rationalized fishery. Further detail on the joint management of the fisheries is provided in this section.

The section also presents an analysis of the environmental impacts of rationalization. Potential changes in stewardship and biological conservation, and the effects of rationalization on habitat are discussed. The section also examines the effects of rationalization on endangered species. A history of crab FMP consultations is presented, as well as a discussion of the implications of the Marine Mammal Protection Act.

The section concludes with a discussion of the implications of rationalization on safety in the fisheries.

The Allocation of Harvest Shares (Section 3.3).

This section of the analysis examines the different alternatives for allocating harvest shares. The analysis examines the rules that define eligibility to receive an initial allocation and the calculation of those allocations. Both proposed options would base eligibility on whether a vessel has met the requirements for an LLP license. Table E5 shows the number of endorsed LLP licenses in the fisheries and the estimated number of vessels that would qualify for a crab endorsed LLP license and hence an initial allocation in each fishery being considered for rationalization.

Table E5: LLP licenses and the Estimated Number of Vessels that Qualify for LLP licenses endorsed for BSAI Crab Fisheries.

Fishery	Number of Permanent LLP Licenses	Number of Interim LLP Licenses	Estimated Number of Vessels Eligible for an Allocation
WAI (Adak) Golden King Crab	27	14	23
WAI (Adak) Red King Crab	24	22	28
Bristol Bay Red King Crab	260	89	266
Bering Sea <i>C. Opilio</i>	260	93	256
Bering Sea <i>C. Bairdi</i>	260	93	266
EAI (Dutch Harbor) Golden King Crab	27	14	20
Pribilof Blue King Crab	110	48	84
Pribilof Red King Crab	110	48	122
St. Matthew Blue King Crab	154	59	180

Source: NMFS Alaska Region RAM Office and State of Alaska ADF&G Fish ticket files.

The sum of permanent and interim licenses is the maximum number of vessels that could qualify. The "estimated number of vessels eligible for an allocation" is the minimum number that would qualify, as that does not include vessels that rely on Amendment 10 exemptions for qualification, which define limited exemptions and circumstances when activities from multiple vessels may be combined to meet the qualification criteria. The consistency of the different allocation options with the current LLP management is discussed. The section also includes quantitative analysis of the allocations under the different qualifying year options for each fishery. The analysis shows that the allocations in the Bering Sea *C. opilio*, Bristol Bay red king crab, Bering Sea *C. bairdi*, Pribilof blue king crab, St. Matthew blue king crab, and Western

Aleutian Islands (Adak) red king crab are very similar under all of the qualifying year options. In the Pribilof red king crab fishery, the allocation to the leading four vessels varies somewhat under the different options. In the two Aleutian Islands golden king crab fisheries (particularly in the Western subdistrict), the allocations under the various options show greater variation. Graphical representations of the allocations and descriptive statistics appear in the section. Graphs included in this section show groupings of four vessels to protect confidential data. The same vessels are not always in the same groups for the different allocation options. The portion of the total allocation to catcher/processors in each fishery under each option is also shown.

The IFQ Program Elements (Section 3.4)

This section analyzes the options for development of an IFQ program. The section includes analyses of the various measures that define the rights to own, purchase, and use harvest shares in the different fisheries. The section includes an analysis of the two-pie IFQ alternative, including the initial allocation, transfer rights, and ownership and use caps on processor shares and limits on vertical integration.

Harvest Shares

The analysis examines use and ownership caps on harvest shares in the different fisheries at the initial allocation. These caps are intended to limit consolidation of harvest shares, in part, to ensure competition in the harvest sector. This analysis is limited by the poor availability of vessel and LLP license ownership information. Based on available data, no persons would exceed a 5 percent ownership cap in the Bering Sea *C. opilio*, Bristol Bay red king crab, Bering Sea *C. bairdi*, or St. Matthew blue king crab fisheries. Four persons would exceed the 5 percent cap in the Pribilof blue king crab fishery. Data concerning the number of persons exceeding an 8 percent or 5 percent cap in the Pribilof red king crab fishery cannot be shown because of confidentiality restrictions on the release of data. Several persons would exceed a 1 percent cap in all of these fisheries. In the Western Aleutian Islands golden king crab fishery, the number of persons exceeding a 40 percent, 20 percent, or 10 percent cap cannot be shown because of confidentiality restrictions on the release of data. In the Eastern Aleutian Islands golden king crab fishery, no persons would exceed the 40 percent cap. The number of persons exceeding the 20 percent cap in this fishery cannot be shown because of confidentiality restrictions on the release of data. If the allocation in Aleutian Islands golden king crab fisheries is based on the combined participation in both areas, no persons would exceed the 40 percent cap and the number of persons exceeding the 20 percent cap cannot be shown because of confidentiality restrictions on the release of data.

Processing Shares

A complete analysis of the two-pie IFQ program is also contained in this section. Program elements including the initial allocation of shares, transfer rights, and ownership and use caps are examined. Two options for allocating processing privileges to catcher/processors are proposed. Under the first, catcher/processors would be allocated processing shares in the same manner as those shares are allocated to other processors. Alternatively, catcher/processors could be allocated a "catcher/processor share" that includes both harvest and processing privileges.

Analysis of the option under which catcher/processors are allocated processing shares

If catcher/processors are allocated processing shares, in the Bering Sea *C. opilio*, the Bristol Bay red king crab, and the Bering Sea *C. bairdi* fisheries approximately 30 processors (including catcher/processors) will receive an allocation. The leading four processors would receive an average allocation of between 12 and 14 percent depending on which qualifying year option is selected. The average allocation would be less than 5 percent and the median¹ allocation would be approximately 1 percent or less. In the Pribilof red king crab,

¹ The median allocation is the allocation at the midpoint of the distribution, for which half of the allocations would be larger and half of the allocations would be smaller.

Pribilof blue king crab, and St. Matthew blue king crab fisheries approximately 15 processors would receive allocations. The leading four processors would receive on average less than 20 percent of the total allocation. The median allocation would be less than 5 percent. In the two Aleutian Islands golden king crab fisheries, between 8 and 13 processors would receive an initial allocation. The four largest processor allocations would be between 20 and 25 percent of the total allocation. In the Eastern Aleutian Islands fishery, the median allocation would be between approximately 4 and 8 percent of the total allocation. In the Western Aleutian Islands fishery, the median allocation would be less than one percent.

In the Bering Sea *C. opilio*, Bristol Bay red king crab, and the Bering Sea *C. bairdi* fisheries 10 or 11 catcher/processors would receive processing allocations that collectively account for between 7 and 8 percent of the allocations in these fisheries. In the St. Matthew blue king crab and the Eastern Aleutian Islands and Western Aleutian Islands golden king crab fisheries 2 or 3 catcher/processors would receive an allocation of processing shares.² In the Pribilof king crab fisheries, no catcher/processors would receive a processing allocation.

Ownership and use caps on processor shares are analyzed based on the initial allocations. These caps are intended to limit consolidation of processing shares. The analysis is limited because of confidentiality restrictions on the disclosure of data. The analysis shows that with the exception of the Western Aleutian Islands (Adak) golden king crab fishery, no processors would exceed a 50 percent cap based on the initial allocation. In the Bering Sea *C. opilio*, the Bristol Bay red king crab, the Bering Sea *C. bairdi*, the Pribilof red king crab, and the Pribilof blue king crab fisheries, no processors would exceed a 30 percent cap.

The section also examines vertical integration in the crab fisheries by analyzing the allocation of harvest shares to persons affiliated with processors (including catcher/processors). The Council has proposed limiting processor ownership of harvest shares to 8, 5, or 1 percent of the total allocation of harvest shares to restrict vertical integration in the fisheries.³ In the Bering Sea *C. opilio*, the Bristol Bay red king crab, and the Bering Sea *C. bairdi* fisheries approximately 40 vessels affiliated with processors (including independently owned catcher/processors) would receive an allocation. Many of the initial allocation options between 4 and 5 processors would exceed a 1 percent cap on harvest share ownership in these fisheries. No processors would exceed a 5 percent cap in the Bering Sea *C. opilio* or the Bering Sea *C. bairdi* fisheries. In the Aleutian Islands golden king crab fisheries, between 1 and 4 processors would receive harvest share allocations depending on the allocation option selected. In the Western subdistrict, the number of processors exceeding any caps cannot be shown because of confidentiality restrictions. In the Eastern subdistrict, no processors would exceed either an 8 or 5 percent cap. Under the option that would determine the allocation based on combined harvests in the two subdistricts, the number of processors exceeding any caps cannot be shown because of confidentiality restrictions. In the Pribilof red king crab and Pribilof blue king crab fisheries, between 4 and 6 processors would receive an allocation of harvest shares. In the Pribilof red king crab fishery, no processors would exceed an 8 percent cap. No further information on the caps can be disclosed for this fishery. In the St. Matthew blue king crab fishery, 11 processors would receive an allocation of harvest shares. No processors would exceed either an 8 or 5 percent cap in this fishery. The number of processors exceeding the 1 percent cap cannot be disclosed. In the Western Aleutian Islands red king crab fishery, three processors would receive an initial allocation of harvest shares. No information concerning the number of processors exceeding the proposed share caps can be disclosed for this fishery.

Analysis of the option under which catcher/processors are allocated catcher/processor shares

If catcher/processors are allocated catcher/processor shares, in the Bering Sea *C. opilio*, the Bristol Bay red king crab, and the Bering Sea *C. bairdi* fisheries between 19 and 26 processors would receive an allocation in each fishery. The leading four processors would receive an average allocation of between 14 and 16

² These allocations cannot be disclosed because of confidentiality restrictions.

³ Common ownership is defined as having 10 percent common ownership of a vessel and a processor.

percent of the total processing allocation depending on which qualifying year option is selected. The average allocation would be less than 6 percent and the median* allocation would be less than 3 percent. In the Pribilof red king crab, Pribilof blue king crab, and St. Matthew blue king crab fisheries approximately 15 processors would receive allocations. The leading four processors would receive on average less than 20 percent of the total allocation. The median allocation would be less than 5 percent. In the two Aleutian Islands golden king crab fisheries, between 6 and 11 processors would receive an initial allocation. For those options which information can be disclosed, the four largest processor allocations would be between 20 and 25 percent of the total allocation. In the Eastern Aleutian Islands fishery, the median allocation would be between approximately 4 and 10 percent of the total allocation. In the Western Aleutian Islands fishery, the median allocation would be less than one percent.

In the Bering Sea *C. opilio*, Bristol Bay red king crab, and the Bering Sea *C. bairdi* fisheries between 9 and 13 catcher/processors would receive catcher/processor share allocations. In the St. Matthew blue king crab fishery 5 catcher/processors would receive catcher/processor share allocations. In the Eastern Aleutian Islands golden king crab fishery 0 or 1 catcher/processor would receive catcher processor shares. In the Western Aleutian Islands golden king crab fisheries and under the allocation option that would combine the Aleutian Islands golden king crab fisheries 1 or 3 catcher/processors would receive catcher processor shares. In the Western Aleutian Islands red king crab fishery 2 catcher/processors would receive catcher processor shares. In the Pribilof king crab fisheries, 0, 1, or 2 catcher/processors would receive catcher/processor shares depending on the qualifying year option selected.

Ownership and use caps on processor shares are analyzed based on the initial allocations. The analysis is limited because of confidentiality restrictions on the disclosure of data. The analysis shows that with the exception of the Western Aleutian Islands (Adak) golden king crab fishery, no processors would exceed a 50 percent cap based on the initial allocation. In the Bering Sea *C. opilio*, the Bristol Bay red king crab, the Bering Sea *C. bairdi*, the Pribilof red king crab, and the Pribilof blue king crab fisheries, no processors would exceed a 30 percent cap.

The section also examines vertical integration in the crab fisheries by analyzing the allocation of harvest shares to persons affiliated with processors (excluding catcher/processors). In the Bering Sea *C. opilio*, the Bristol Bay red king crab, and the Bering Sea *C. bairdi* fisheries between 25 and 35 vessels affiliated with processors (excluding independently owned catcher/processors) would receive an allocation. Under all of the initial allocation options 4 or fewer processors would exceed a 1 percent cap on harvest share ownership in these fisheries. In the Aleutian Islands golden king crab fisheries 1, 2, or 3 processors would receive harvest share allocations depending on the allocation option selected. In neither subdistrict under the option that would allocate shares on combined harvests in the two districts would any processors exceed either an 8 or 5 percent cap. The number of processors exceeding a 1 percent cap cannot be shown because of confidentiality restrictions. Under some of the qualifying year options, no processors would exceed the 1 percent cap. In the Pribilof red king crab, Pribilof blue king crab, and St. Matthew blue king crab fisheries, between 3 or 4 processors would receive an allocation of harvest shares. In the Pribilof red king crab fishery, no processors would exceed an 8 percent cap. In the St. Matthew blue king crab fishery, no processors would exceed a 5 percent cap. No further information on the caps can be disclosed for these fisheries. In the Western Aleutian Islands red king crab fishery, 1 processor would receive an initial allocation of harvest shares. No information concerning the number of processors exceeding the proposed share caps can be disclosed for this fishery.

*The median allocation is the allocation at the midpoint of the distribution, for which half of the allocations would be larger and half of the allocations would be smaller.

Cooperative Program Alternatives (Section 3.5)

This section examines the cooperative program alternatives advanced in the Council motion. The section begins with a brief discussion of the cooperative alternatives that the Council has considered and excluded from analysis. These cooperative program options were deemed unsuitable for the crab fisheries. These options would potentially distort allocations from the historical participation, providing limited share protection to both harvesters and processors.

More importantly, the section examines the Voluntary Cooperative program and Plurality Assignment Cooperative program currently under consideration. The Voluntary Cooperative program would allocate harvest and processing shares similar to those under the IFQ program alternatives. The program would permit harvest share holders to form cooperatives associated with one or more processors holding a processing allocation. The program is intended to provide maximum flexibility, allowing the development of cooperative arrangements between participants that see an advantage to creating those arrangements. These agreements could help to ensure that more of each person's allocation is more fully harvested. This would be accomplished through pooling remaining shares at the end of a season so one vessel from the cooperative could be sent out to "mop-up" the remaining quota. This has been done in the BSAI pollock cooperatives, where the percentage of the TAC being left unharvested each year is very low relative to the halibut and sablefish IFQ programs.

Under the Voluntary Cooperative program share allocations would be made to both harvesters and processors regardless of whether cooperative agreements are entered. Because of this allocation system there would be no "open access" fishery. Persons that do not elect to join a cooperative would still receive a protected allocation.

The second cooperative program (the Plurality Assignment Cooperative program) would permit each harvester to enter a single cooperative associated with the processor to which he/she delivered the most pounds of crab during the qualifying period. Allocations are made to each cooperative based on the catch history of its members. Allocations earned by harvesters that do not join a cooperative are made to an open access fishery that is fished competitively by harvesters that do not join cooperatives. Because of the eligibility rules and a requirement that a cooperative have at least two members, over half of the processors that received deliveries from the crab fisheries during the qualifying period (but were not the recipient of the most catch from at least two harvesters) would not be able to associate with a cooperative in the first year of the program. Also under a 1994-99 qualifying period, five vessels would not be eligible to join a cooperative because they were the only vessel qualified to form a cooperative with their primary processor. These vessels would be required to participate in an open access fishery the first year of the program. Each year, participants in the open access fishery would become eligible to join a cooperative associated with the processor to which it delivered the most crab in the open access year.

The all-or-nothing allocation of catch history to processors under this alternative could result in disparities between processing history and processor allocations. Historical data show that many catcher vessels made deliveries to multiple processors over the qualifying period. For example in the Bristol Bay red king crab for the open season from 1993-1999, a total of 255 vessels had qualifying landings. Only 163 of the vessels delivered at least 50 percent of their catch to the same processor. That means that only about 64 percent of catcher vessels delivered at least half of their catch to one processor. Under the Plurality Assignment Cooperative all the catch would be assigned for delivery to a single processor. To lessen the impact of requiring all of the catch to be assigned to a specific processor, alternatives are included that would require a cooperative to deliver a set percentage (ranging between 10 and 100 percent) of its allocation to its associated processor. Members of the catcher vessel sector have indicated that requiring only 80 percent of the catch to be delivered to the cooperative's processor would benefit harvesters, in terms of bargaining power and maintaining traditional markets, much more than requiring a 90 percent delivery rate. Processors on the other hand feel that as the percentage decreases from 100 percent they tend to be in a much weaker position to negotiate prices and make long term plans for their operations.

This program is difficult to characterize because several options have been proposed with vary degrees of connection between harvesters in a cooperative and the associated processor. The most stringent option would require delivery of all or most of a cooperatives allocation to an associated processor. The most lenient option would not require any deliveries to the associated processor. Similarly, the program has options defining the ability of harvesters to move between cooperatives. These range from unrestricted movement, subject only to the approval of the cooperative to which the harvester is moving, to options that require a year in the open access fishery.

The alternatives for allocation of shares to vessels under the cooperative program are the same as under the IFQ alternatives. Therefore, the discussion of quota allocations is only covered in the section on IFQ allocations.

Regionalization (Section 3.6)

This section examines the two alternatives that would establish a regionalization program. Regionalization of the fisheries is intended to protect community interests. The first alternative would divide the fishery into north and south regions, creating a requirement that landings and processing activity be distributed between the regions in accordance with historic participation patterns. Estimates of the distribution of shares under the alternatives are provided. North allocations in the Pribilof red king crab and Pribilof blue king crab, and St. Matthew blue king crab fisheries exceed 50 percent of the fishery. The allocations, however, vary by more almost 10 percent in the Pribilof blue king crab fishery and by more than 5 percent in the Pribilof red king crab fishery depending on whether the allocation is made under the years designated for allocating regional shares or the years designated for determining processor allocations. The significance of this difference is that use of different years for determining regional allocations and processor allocations could result in some processors being allocated shares for use in a region in which they have no processing history or facilities. In the Bering Sea *C. opilio* fishery the allocation to the north would be approximately 40 percent of the fishery. In the Bering Sea *C. bairdi* fishery the north allocation would be less than 5 percent under the only applicable regionalization option. Allocation of shares under the processor allocation option would allocate more than 20 percent to the north, because this allocation would be based on activity in the *C. opilio* fishery. In the Bristol Bay red king crab fishery, the allocation to the north would be less than 10 percent under any of the regionalization and processor allocation options. In the Aleutian Islands golden king crab fisheries, the north would receive no allocation.

The second regionalization alternative would create a link between processing activity and communities in which processing historically occurred. Under this option, processing would be permitted to relocate from a community only with permission of the community. In this draft, analysis of this option is strictly qualitative. The allocation of shares to communities has the potential to impose hardships on both harvesters and processors. Determining the appropriateness of this option requires balancing these potential hardships against the potential benefit to communities of establishing a link between the processing activity and communities. Small allocations could burden processors by requiring that they either run processing facilities with small processing allocations or forgo processing a portion of their allocation. In addition, coordinating deliveries of crab to communities to exactly match the community allocation could be very challenging. Inability to reach an exact match would result in a portion of the GHL (or TAC) going unprocessed (and unharvested).

Binding Arbitration (Section 3.7)

This section examines the potential of a binding arbitration program to govern ex-vessel price determinations between harvesters and processors. The literature on binding arbitration suggests that implementing a binding arbitration process increases the conflicts between the two sides, and suggests that better outcomes are reached when two sides reach a negotiated agreement. Binding arbitration, however, has achieved some success in resolving price disputes in the fisheries of Newfoundland.

Options for Skippers and Crew (Section 3.8)

This section examines four options that are intended to protect skipper and crew interests. The first option would make an initial allocation of quota shares to skippers and/or crew. The allocation would be intended to provide those actively working in the fishery with an interest in the fishery. Several options for determining the allocation have been proposed. Eligibility would be based on either landings, verifiable by ADF&G fish tickets (or affidavits in the case of crew), or a point system, under which points are awarded based on participation verified by fish tickets or affidavit. Allocations could be made equally to all eligible participants or could be based on landings or points or some combination of these measures. Quantitative analysis of the option is limited by available data.

The second option would provide skippers and crew with a first-right-of-refusal on a portion of each share allocation, when those shares are first transferred. A similar provision would create an owner on board requirement for a portion of any shares transferred after a specified period. These options are intended to provide a method of entry to skippers and crew that wish to have an interest in the fishery. The third option would protect skippers and crew by guaranteeing their historical crew share and prohibiting vessel and quota share holders from reducing crew shares to cover the cost of participation in a share based fishery. This option is based on a system in the Canadian groundfish fishery. Preliminary research on this option suggest that enforcement of the provision could be problematic. The last option would create a low interest loan program to fund the purchase of quota shares by skippers and crew. This option would establish a program similar to that in the halibut and sablefish fishery.

CDQ Allocations (Section 3.9)

This section examines options for changing the allocations to CDQ groups in the different fisheries proposed for inclusion in the rationalization program. The analysis examines the allocations to both the CDQ groups and non-CDQ participants. Based on the GHF in the most recent fisheries, assuming the option for the highest CDQ allocation is adopted, the allocations to CDQ groups could range from a high of 3.3 million pounds in the Bering Sea *C. opilio* fishery to approximately 150 thousand pounds in the Pribilof red and blue king crab fisheries combined. These allocations would result in a decrease of approximately 13 thousand pounds and 1.3 thousand pounds from eligible non-CDQ participants in these fisheries.

Other Management and Allocation Issues (Section 3.10)

This section examines various management implications of the rationalization program, including the effects of rationalization on other fisheries, the possible need to continue AFA sideboards to limit activities of AFA participants in the BSAI crab fisheries, options that would specify the duration of the rationalization program and schedule periodic review of the program, and the need for a cost recovery program to cover the cost of management of the rationalized fisheries.

Crab rationalization may increase the opportunities for BSAI crab vessels to participate in other fisheries. LLP data indicates that 253 of the crab vessels hold at least one groundfish endorsement (this includes the 42 AFA catcher vessels). These vessels would be allowed to participate in groundfish fisheries using that license. However the options for many of these vessels are limited in groundfish. Groundfish endorsements are area specific and licenses are expected to have gear endorsements added in the next year. Pacific cod endorsements are expected to be added to BSAI groundfish licenses as a result of Amendment 67 (47 pot catcher vessels are expected to qualify for a cod endorsement). Pacific cod is the most likely candidate for expansion by the crab fleet. However, the restrictions currently in place for the cod fishery limit the expansion that can occur in that fishery. The quota is already split among fixed, trawl, and jig gear vessels and Amendment 67 limits new entry. However, Amendment 64, which further allocates the quota among the fixed gear components, sunsets at the end of 2003. There may be more concern in the GOA cod fisheries where fewer restrictions are placed on entry. Information on the number of vessels licensed to harvest

groundfish in the GOA, the number of vessel that actually participated in Western and Central Gulf, and the catch of those vessels over the 1995-2000 fishing seasons is reported in this section.

Increases in participation of BSAI crab vessels in State managed fisheries, including the GOA crab and the State of Alaska GOA cod fishery, could be limited by State regulations. The State waters cod fisheries are often managed with pot limits and vessel size restrictions. Those limits either make the fisheries unavailable or less attractive to large crab vessels. The GOA crab fisheries have had relatively low GHLs, when open in recent years. The pot limits applied to those fisheries may also make them less attractive to large BSAI crab vessels.

Including AFA vessels/processors in the quota allocation process may eliminate the need for harvesting processing sideboards in the BSAI crab fisheries. The allocation alternatives would result in AFA vessel harvests and processing allocations similar to the caps. Limits on the amount of quota AFA vessels and processors can purchase after the initial allocation could prevent them from using BSAI pollock monies to increase their share holdings. These limits could also be accomplished through the ownership caps being considered.

A cost recovery program is mandated for all new IFQ programs. The maximum fee that can be levied against the fleet is 3 percent of the ex-vessel value for harvest IFQ programs. However, the possible processor allocations raise the question of whether cost recovery should apply to processors under a two-pie IFQ program. Since they are benefitting from an allocation that would have management costs associated with it, should they be included in a cost recovery program to pay for its management?

Effects of Rationalization on Products and Consumers (Section 3.11)

This section examines potential changes in products and other effects on consumers of rationalization of the fisheries. The analysis draws on prior experiences in North Pacific fisheries as well as conversations with participants in the industry. The expected slower pace of the fishery and less compacted delivery times should allow processors to improve sorting and grading of crab and improve employee training. Improved product grading could benefit both participants in the fisheries and consumers. Also expanding season lengths should decrease storage costs and allow consumers to purchase a fresher product as harvests can be better timed to market demand. Freezing techniques could also be modified to make more use of plate and blast freezers which would result in a higher quality product.

The Effects of the Crab Vessel Buyback Program (Section 3.12)

This section of the analysis examines the effects of the vessel buyback program on the rationalization program. We have assumed that the buyback program will purchase vessels, LLP licenses, and catch history. The analysis is qualitative because the participation in this voluntary program cannot be quantitatively predicted.

The buyback program will tend to increase the allocation of the harvesters that remain in the fishery by the percentage of qualifying catch that was removed from the quota share pool. Because the buyback program is specific to harvesters, it will cause a redistribution of processor "allocations" under the Plurality Assignment Cooperative. Processors that have more of their fleet bought out (in terms of cooperative allocation) relative to other processors would be worse off as a result of the buyback. Also, because catcher/processors are not part of the buyback, they will receive a larger harvest allocation under all of the rationalization alternatives. Depending on whether processing allocations to catcher/processors are base on their harvest allocations or their processing history, buyback could either allow them to process their entire harvest and increase their processing allocations or prevent catcher/processors from processing their entire allocation and have no effect on their processing allocations.

Stranded Capital in the Processing Sector and the Potential for a Processor Buyback (Section 3.13)

This section of the analysis examines the effects of the vessel buyback program on the rationalization program. We have assumed that the buyback program will purchase vessels, LLP licenses, and catch history. The analysis is qualitative because the participation in this voluntary program cannot be quantitatively predicted. The section also includes a discussion of the potential for a processor buyback program and the issue of stranded capital in the processing sector.

Foreign Ownership (Section 3.14)

This section analyzes foreign ownership in the BSAI crab fisheries. Foreign ownership of both harvesting and processing sector interests are considered.

Custom Processing (Section 3.15)

This section presents an analysis of custom processing in the BSAI crab fisheries. Custom processing accounted for more than 8 percent of the processing of red king crab between 1995 and 2000. In 2000, custom processing accounted for more than 10 percent of all crab processing in the regions that process BSAI crab. The analysis also discusses the potential for custom processing in a rationalized fishery.

Economic Effects of Rationalization (Section 3.16)

This section examines various economic effects of rationalization. The section begins with an analysis of net benefits that examines changes in benefits that might be realized by producers (including both harvesters and processors) and consumers, as well as changes in benefits realized through management cost changes and environmental impacts. The section also examines the distributional consequences of rationalization relying on economic analyses of rationalization programs in other North Pacific fisheries. The section also examines opportunities for entry to the rationalized fisheries and the effects of rationalization on different vessel classes.

Consistency with Other Applicable Laws (Section 4)

This section analyzes the consistency of the rationalization alternatives with applicable laws including the National Standards of the Magnuson-Stevens Fishery Management Conservation Act, the Fishery Impact Statement requirement of the Magnuson-Stevens Fishery Management Conservation Act, and Executive Order 12866.

Regulatory Flexibility Act (Section 5)

This section analyzes the effects of the proposed rationalization alternatives on small entities as required by the Regulatory Flexibility Act. The section estimates the number of small entities that might be affected by the rationalization program and analyzes both the reporting requirements and the potential impacts of the alternatives on small entities.

(b) Discuss the report to Congress on crab rationalization

As part of the Consolidated Appropriations Act of 2001 (Pub. L. No. 106-554), Congress directed the Council to examine the Bering Sea crab fisheries under its jurisdiction to determine whether rationalization is needed and provide an analysis of several specific approaches to rationalization, including individual fishing quotas, processor quotas, cooperatives, and quotas held by communities. The Council is required to present its analysis to the appropriations and authorizing committees of both the House of Representatives and the Senate in a timely manner. The current analysis evaluates all of the programs options and considerations requested by Congress. Staff requests Council direction on the preparation of a synthesized

version of the analysis for Congress. Staff suggests that a report to Congress could be written that emphasizes the preferred alternative and the rationale of the Council for selecting that alternative. The report could also briefly discuss other programs considered in the analysis. The complete public review draft could be appended to the report to Congress to verify the level of scrutiny devoted to the development of the preferred rationalization alternative by the Council.

(c) Selection of alternatives for analysis in the EIS

The Council is also scheduled to select alternatives for analysis in the programmatic EIS for the BSAI crab FMP. NMFS staff will be presenting a discussion paper (Item C-3(c)) on the process and schedule for the subsequent crab EIS, including a discussion of the structure of alternatives to be included in that EIS. The discussion is intended to guide the Council in its consideration of appropriate alternatives to be included in the EIS. The preferred rationalization alternative will be the preferred alternative in the EIS. Additional alternatives selected by the Council will be developed for comparison to that preferred alternative and the status quo.

Draft Council Motion for Item C-5 BSAI Crab Rationalization
April 14, 2002

C-5 BSAI Crab Rationalization

BSAI Crab Rationalization Problem Statement

Vessel owners, processors and coastal communities have all made investments in the crab fisheries, and capacity in these fisheries far exceeds available resources. The BSAI crab stocks have also been highly variable and have suffered significant declines. Although three of these stocks are presently under rebuilding plans, the continuing race for fish frustrates conservation efforts. Additionally, the ability of crab harvesters and processors to diversify into other fisheries is severely limited and the economic viability of the crab industry is in jeopardy. Harvesting and processing capacity has expanded to accommodate highly abbreviated seasons, and presently, significant portions of that capacity operate in an economically inefficient manner or are idle between seasons. Many of the concerns identified by the NPFMC at the beginning of the comprehensive rationalization process in 1992 still exist for the BSAI crab fisheries. Problems facing the fishery include:

1. Resource conservation, utilization and management problems;
2. Bycatch and its' associated mortalities, and potential landing deadloss;
3. Excess harvesting and processing capacity, as well as low economic returns;
4. Lack of economic stability for harvesters, processors and coastal communities; and
5. High levels of occupational loss of life and injury.

The problem facing the Council, in the continuing process of comprehensive rationalization, is to develop a management program which slows the race for fish, reduces bycatch and its associated mortalities, provides for conservation to increase the efficacy of crab rebuilding strategies, addresses the social and economic concerns of communities, maintains healthy harvesting and processing sectors and promotes efficiency and safety in the harvesting sector. Any such system should seek to achieve equity between the harvesting and processing sectors, including healthy, stable and competitive markets.

Alternative Rationalization Programs

The Council adopted elements and options for analysis of alternative rationalization programs for the BSAI crab fisheries. The alternative models under consideration include several IFQ-style and cooperative-style rationalization models that may be structured as either harvester-only or harvester-processor programs depending on the Council's choice of options. Additional features may be included to address coastal community and skipper/ crew issues. The following elements and options apply to any rationalization model under consideration as applicable:

1. Harvesting Sector Elements

1.1 Crab fisheries included in the program are the following fisheries subject to the Federal FMP for BSAI:

- Bristol Bay red king
- Brown king (AI Golden king)
- Adak red king
- Dutch Harbor red king
- Pribilof Islands blue king
- St. Matthew blue king
- Pribilof Islands red king
- Opilio (EBS snow crab)
- E AI tanner
- W AI tanner
- Bairdi (EBS tanner)

Other FMP species not included here are discussed under item L at the end of the alternatives section.

Options:

- A) Exclude the E AI tanner, W AI tanner, Dutch Harbor red king crab, and W AI red king crab.
- B) Federal waters shall be closed to the harvest of Eastern (Dutch) and Western AI Tanner crab and Eastern (Dutch) and Western AI red king crab until such time as the State of Alaska develops a fishery management plan and harvest strategies that includes provisions to conserve the stocks and prevent overcapitalization.
- C) Exclude the E AI tanner, W AI tanner, Dutch Harbor red king crab, and W AI red king crab East of 179° W longitude. (Insert consistent with recent Board of Fish action).

1.2 Persons eligible to receive an initial allocation of QS must be:

- Option 1. Any person that holds a valid, permanent, fully transferrable LLP license; or
 - Option 2. A person, defined as a U.S. citizen that owns a MarAd certified and/or USCG documented BSAI crab vessel that: (i) was used to satisfy the General Qualification Period (GQP) and Endorsement Qualification Period (EQP) landings requirements of the License Limitation Program (LLP), and (ii) either was used to satisfy the Recent Participation Period (RPP) landings requirement of Amendment 10 or meets the exemption requirements of Amendment 10.
- Suboption: A person who has purchased an LLP, with GQP, EQP, and RRP qualifications to remain in a fishery is eligible to obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both.

1.3 Categories of QS/IFQs

1.3.1 Crab Fishery Categories - QS/IFQs will be assigned to one of the crab fisheries included in the program as identified in paragraph 1.1, except Dutch Harbor red king, E AI tanner, and W AI tanner. (Note also that the Adak red king crab fishery has been closed for several years.)

1.3.1.1 Brown king crab (AI golden king crab) option.

Option 1. Split into two categories: Dutch Harbor brown king crab and Western Aleutian Islands brown king crab

1.3.2 Harvesting sector categories - QS/IFQs will be assigned to one of the following harvesting sector categories:

- (a) catcher vessel (CV), or
- (b) catcher/processor (CP)

QS-IFQ for the Catcher/Processor sector is calculated from the crab that were both harvested and processed onboard the vessel. This shall confer the right to harvest and process crab aboard a catcher processor in accordance with section 1.7.2.

1.3.3 Processor delivery categories - QS/IFQs for the CV sector may be assigned to processor delivery categories if processor quota shares (PQs) are included in the program. Two processor delivery categories (options for the percentage split between class A/B shares for initially allocated QS appear under the Processing Sector Elements):

- (a) Class A - allow deliveries only to processors with unused PQs
- (b) Class B - allow deliveries to any processor

1.3.4 Regional Categories - QS/IFQs for the CV sector may be assigned to regional categories if Regionalization is included in the program. Two regions would be defined as follows (see Regionalization Elements for a more detailed description of the regions):

- (a) North Region - All areas on the Bering Sea north of 56° 20' N. Latitude.
- (b) South Region - All areas on the Bering Sea south of 56° 20' N. Latitude and on the Gulf of Alaska

1.4 Initial allocation of QS

1.4.1. Calculation of initial QS distribution will be based on legal landings excluding deadloss.

(a) Calculation of QS distribution. The calculation is to be done, on a vessel-by-vessel basis, as a percent of the total catch, year-by-year during the qualifying period. Then the sum of the yearly percentages, on a fishery-by-fishery basis, is to be divided by the number of qualifying years included in the qualifying period on a fishery-by-fishery basis to derive a vessel's QS.

Suboption: For each of the fisheries for which such a vessel holds valid endorsement for any years between the sinking of the vessel and the entry of the replacement vessel to the fishery, allocate QS according to a range of 0 to 100% of the vessel's average history for the qualifying years unaffected by the sinking.

(b) Basis for QS distribution.

Option 1. For eligibility criteria in paragraph 1.2, Option 1, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per vessel. However, the initial allocation of quota share will allow stacking or combining of valid, permanent, fully transferable LLP licenses and of histories of vessels as permitted under the LLP.

Option 2. For eligibility criteria in paragraph 1.2, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel (including replacement vessels) on which the LLP license and endorsements are based and shall be on a fishery by fishery basis. The catch history upon which the fishing quota shares are derived, must have been earned on vessels that are currently MarAd certified and/or USCG documented fishing vessels. The initial allocation of quota share will allow stacking or combining of LLPs and histories that satisfied (i) the GQP and EQP landings requirements of the LLP, and (ii) either the RPP landings requirement, or one or more of the specific exemption requirements of Amendment 10 to the LLP.

Option 3: In cases where the fishing privileges (i.e. moratorium qualification or LLP license) of an LLP qualifying vessel have been transferred, the distribution of QS to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. Only one catch history per LLP License.

Suboption: Persons who have an purchased LLP, with GQP, EQP, and RPP qualifications to remain in a fishery may obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both.

Suboption: With the exception of Amendment 10 replacement vessels, catch histories from different vessels shall not be combined for any single fishery, nor shall distribution of QS be based, in whole or in part, on any catch history of any vessel not lawfully U.S. documented and endorsed as a fishing vessel at the time such QS distribution is made. License transfers for purposes of combining LLPs must have occurred by January 1, 2002. (Could be applied to any of the above options or suboptions)

1.4.2 Qualifying Periods for Determination of the QS Distribution:

1.4.2.1 Opilio (EBS snow crab)

- Option 1. 1994 - 1999 (6 seasons)
 - (a) Best 5 seasons
- Option 2. 1992 - 1999 (8 seasons)
 - (a) Best 7 seasons
- Option 3. 1995 - 1999 (5 seasons)
 - (a) All seasons
 - (b) Best 4 seasons
- Option 4. 1996 - 2000 (5 seasons)
 - (a) Best 4 seasons
- Option 5. 1996-2002 (7 seasons)
 - (a) (Best 6 seasons)

1.4.2.2 Bristol Bay red king crab

- Option 1. 1993 - 1999 (5 seasons, closed in '94 and '95)
 - (a) All seasons
 - (b) Best 4 seasons
- Option 2. 1992 - 1999 (6 seasons)
 - (a) All seasons
 - (b) Best 5 seasons
- Option 3. 1996 - 2000 (5 seasons)
 - (a) Best 4 seasons
- Option 4. 1996-2001 (6 seasons)
 - (a) Best 5 seasons

1.4.2.3 Bairdi (EBS tanner crab)

- Option 1. 1992 - 1996 (5 seasons)
 - (a) All seasons
 - (b) Best 4 seasons
- Option 2. 91/92* - 1996 (6 seasons)
 - (a) Best 5 seasons
- Option 3. Based on a 50/50 combination of Bristol Bay red king crab and opilio harvests.

*The biological season extended over a calendar year

1.4.2.4 Pribilofs red king crab

- Option 1. 1993 - 1998
 - (a) Best 4 seasons
- Option 2. 1994 - 1998
 - (a) All seasons
 - (b) Drop one season¹

1.4.2.5 Pribilofs blue king crab

- Option 1. 1993 - 1998
 - (a) Best 4 seasons
- Option 2. 1994 - 1998
 - (a) All seasons
 - (b) Drop one season

¹All potential recipients would drop their worst season during the qualifying period.

1.4.2.6 St. Matthew blue king crab

Option 1. 1993 - 1998

(a) Best 4 seasons

Option 2. 1994 - 1998

(a) All seasons

(b) Drop one season

1.4.2.7 Brown king crab (based on biological season)

(Options apply to both Dutch Harbor and western Aleutian Island brown king crab)

Option 1. 92/93 - 98/99 (7 seasons)

(a) All seasons

(b) Drop one season

Option 2. 95/96 - 98/99 (4 seasons)

(a) All seasons

(b) Drop one season

Option 3. 96/97 - 98/99 (3 seasons)

(a) All seasons

(b) Drop one season

Option 4. 96/97 - 2000/01 (5 seasons)

(a) Best 4 seasons

Option 5. 96/97 - 2001/02 (6 seasons)

(a) Best 5 seasons

3:14P RS motion SA 2nd

SA 3:28P 2nd JB



Fails 9-2

Suboption: Award each initial recipient QS based on:

(a) ~~GHL split Dutch Harbor/western Aleutian Island brown king crab~~

(b) historical participation in each region.

1.4.2.8 Adak Red King Crab

Option 1. 1992 - 1996

(a) All seasons

(b) Best 2 seasons

(c) Not appropriate for rationalization

1.5 Annual allocation of IFQs:

1.5.1 Basis for calculating IFQs:

Option 1. GHL

Option 2. Convert GHL to a TAC and use the TAC as the basis.

1.6 Transferability and Restrictions on Ownership of QS/IFQs:

1.6.1 Persons eligible to receive QS/IFQs by transfer:

Option 1.

(a) All persons or entities eligible to document a U.S. fishing vessel are eligible to own or purchase harvester QS and IFQs

(b) Persons or entities with 75% U.S. ownership

Suboption: Initial recipients of harvesting quota share are grandfathered

Option 2. US citizens who have had at least (3 options):

a. 30 days of sea time*

b. 150 days of sea time*

c. 365 days of sea time*

Suboption: Initial recipients of harvesting quota share are grandfathered

- Option 4. Entities that have a U.S. citizen with 20% or more ownership and at least
- a. 30 days of sea time*
 - b. 150 days of sea time*
 - c. 365 days of sea time*
- Suboption: Initial recipients of harvesting quota share are grandfathered

*Definition of sea time (3 options):

- Option 1. Sea time in any of the US commercial fisheries in a harvesting capacity
- Option 2. Sea time in a harvesting capacity in any commercial fishery of the State of Alaska or the Alaska EEZ
- Option 3. Sea time in any BSAI crab fishery

- 1.6.2 Leasing of QS (Leasing is equivalent to the sale of IFQs without the accompanying QS.)
Leasing is defined as the use of IFQ on vessel which QS owner holds less than 5-50% ownership of vessel or on a vessel on which the owner of the underlying QS is present:
- Option 1. Leasing QS is allowed with no restrictions
- Option 2. Leasing QS is not allowed
- Option 3. A brown king crab QS holder may annually swap with any other brown king crab QS holder, on a pound for pound basis, IFQ in one district for IFQ in the other district.

- 1.6.3 Separate and distinct QS Ownership Caps - apply to all harvesting QS categories pertaining to a given crab fishery with the following provisions:
- (a) initial issues that exceed the ownership cap would be grandfathered;
 - (b) apply individually and collectively to all QS holders in each crab fishery;
 - (c) percentage-cap options for the Bristol Bay red king crab, Opilio, Bairdi, Pribilofs red king crab, Pribilofs blue king crab and St. Matthew blue king crab fisheries (a different percentage cap may be chosen for each fishery):
 - Option 1. 1 % of the total QS pool for the fishery
 - Option 2. 5% of the total QS pool for the fishery
 - Option 3. 8% of the total QS pool for the fishery
 - (d) percentage-cap ranging from 10%-40% for the Dutch Harbor and western Aleutian Island brown king crab (a different percentage cap may be chosen for each fishery or may be applied to the combined fisheries if not categorized separately).

Suboption: No initial issuance shall exceed the cap specified. Any amount of QS that would be issued to a person in excess of the cap shall be distributed to other qualified persons receiving an allocation in the fishery:

- a) equally or
- b) proportionally.
- (e) percentage-cap ranging from 10%-30% for Adak red king crab (if QS for this fishery are issued).
- (f) in the opilio fishery, the cap can be reduced to 0.5% of the total QS pool in the event the GHL increases to over 400 million pounds (with those over this cap prior to the reduction grandfathered).

- 1.6.4 Controls on vertical integration (ownership of harvester QS by processors):
- Option 1: No controls
- Option 2: A cap of 1%, 5% or 8%, with grandfathering of initial allocations
- Option 3: An entity that owns PQs may not own harvester QS in addition to those harvester QS that were issued to the PQ holder in the initial allocation.

Vertical integration ownership caps on processors should be analyzed using both the individual and collective rule and the threshold ownership rule using 10%, 25%, and 50% minimum ownership standards for inclusion in calculating the cap. PQS ownership caps are at the company level.

1.7 Use of IFQs

1.7.1 Use by harvesting sectors - IFQs must be used in accordance with the privileges defined for the associated QS category. The following provisions also apply:

- (a) "A" class CV-IFQs may be processed by either a shoreside processor or a catcher/processor so long as sufficient processor shares are held by the processor.
- (b) "B" class CV-IFQ's may be processed by either a shoreside processor or a catcher/processor.
- (c) "A" or "B" class CV-QS initially issued to a catcher/processor shall not be regionally or community designated.
- (d) "A" or "B" class CV-QS purchased or obtained by catcher/processers shall retain their regional or community designation.
- (e) No allowance of the use of purchased class B share IFQ crab on catcher processor vessels.

1.7.2 Catcher/Processor shares:

1.7.2.1 Catcher/Processors shall be granted "A" and "B" class CV-QS in the same manner as catcher vessels.

1.7.2.1.1 Catcher/Processors shall be granted CP-QS in the same manner as catcher vessels.

1.7.2.2 Catcher/Processors shall be granted PQ's based on their processing history.

1.7.2.3 Allowances for Catcher/Processors:

Option 1. Catcher/Processors are prohibited from purchasing additional PQs from shore based processors but are free to acquire PQs from other Catcher/Processors.

Option 2. Catcher/Processors shall be allowed to purchase additional PQs from shore based processors as long as the shares are processed within 3 miles of shore in the designated region.

Option 3. Catcher/Processors may purchase additional CV-QS but cannot process unless sufficient unused IPQs are held.

Option 4. Catcher/Processors may sell processed or unprocessed crab. Depending on the type of model (one-pie, two-pie, etc.), unprocessed crab may be delivered to:
(a) processors that hold unused IPQs, or
(b) any processor

Option 5. Only catcher processors that both caught and processed crab onboard their qualifying vessels in any BSAI crab fishery during 1998 or 1999 will be eligible for any CP QS in any IFQ or Coop program.

Option 6. CP-QS initially issued to a catcher/processor shall not be regionally or community designated.

1.7.2.4 Transfers to shore-based processors:

- (a) Catcher/Processors shall be allowed to sell PQ's to shore based processors.
- (b) When CP-PQ shares without a regional designation are sold to a shore based processor, the shares become designated by region.
- (c) Catcher/Processors shall be allowed to sell CP/QS to shore based processors.

Handwritten notes in red ink: "SM", "H:45P", "JKB", "sub for", "JB".

Handwritten notes in blue ink: "4:52P", "JB Add", "WITHDRAWN".

1. Skippers only
2. All crew

IV. Qualification period:
As with vessels.

V. Distribution per Captain:

- i) Shares based on landings (personal catch history based on ADF&G fish tickets).
- ii) Shares distributed equally among qualified participants.
- iii) distribution based on a point system
- iv) A mix of one or more of the above, with a range of 0-50% distributed equally and the balance based on landings and/or points

VI. Distribution for All Crew:

- i) Shares distributed equally among qualified participants.
- ii) distribution based on a point system
- iii) A mix of one or more of the above, with a range of 0-50% distributed equally and the balance based on points

VII. Transferability criteria:

- (1) Sale of QS
 - a) QS is fully transferable
 - b) QS is only transferable to active participants
- (2) IFQ leasing
 - a) IFQ is fully leasable
 - b) IFQ is only leasable to active participants
 - c) IFQ is leasable to smaller, distant fisheries (i.e. St. Mathew, Pribilof and Adak King Crab)
 - d) No leasing of IFQ

Use it or lose it would apply to all skipper/crew QS, with a one year hardship provision. If the skipper/crew QS holder does not maintain active status in the fishery they would be required to transfer their QS to another active participant in the fishery.

An active participant is defined by participation in at least one delivery in a crab fishery included in the proposed rationalization program in the last year as evidenced by ADF&G fish ticket or affidavit from the vessel owner.

VIII. Skipper/Crew on Board requirements

- a) No onboard requirement for skipper/crew with QS
- b) Initial issues of QS would not be required to be onboard the vessel, subsequent transferees would be required to be onboard the vessel when harvesting QS.
- c) Requirement for skipper/crew to be onboard vessel when harvesting QS.

Option 2: First Right of Refusal on Quota Share Transfers

- (1) A range of 0-20% of initially issued QS would be designated as crew shares, these shares would remain as a separate class of QS. Transfer of initially issued QS must include transfer of 0-20% crew shares for which there will be a first right of refusal for eligible crew to buy. The owner of the QS being offered for sale would have to give notice to NMFS RAM division of the impending sale. RAM in turn could then notify the fleet of the available QS. After this initial transfer crew QS will be available for transfer to any active participant in the

fishery.

- (2) If a qualified buyer cannot be found then 50% of the 0-20% crew QS offered for sale would have to be gifted to a pool available to qualified buyers and the remaining 50% of the 0-20% could then be offered for sale on the open market to any buyer.
- (3) The crew pool of QS would be overseen by RAM. The proceeds from the sale of this QS by auction to the highest qualified bidder would go into a dedicated low interest loan program for crew.
- (4) Time frame for the first right of refusal is 1-3 months.
- (5) Eligibility of a U.S. citizen to purchase crew shares would be defined by participation in at least one delivery in the subject crab fishery in the last year as evidenced by ADF&G fish ticket or affidavit from the vessel owner.

Option 3. Protection of traditional and historical crew share percentages with no sunset based on the Canadian Groundfish Development Authority Code of Conduct.

Option 4. A low-interest rate loan program for skipper and crew purchases of QS would be established or made part of the existing loan program for IFQ purchases.

Option 5. Owner On Board Option

- a. A portion (range of 5-50%) of the quota shares initially issued to fishers / harvesters would be designated as "owner on board."
- b. All initial issuees (individual and corporate) would be grandfathered as not being required to be aboard the vessel to fish shares initially issued as "owner on board" shares
- c. Shares transferred to initial issuees in the first (range of 3-7 years) of the program would be considered the same as shares initially issued
- d. "owner on board" shares transferred by initial issuees, after the grace period, would require the recipient to be aboard the vessel to harvest the IFQ/ITQ
- e. In cases of hardship (injury, medical incapacity, loss of vessel, etc.) a holder of "owner on board" quota shares may, upon documentation and approval, transfer / lease his or her shares for the term of the hardship / disability or a maximum of (Range 1-3 years)
- f. Shares issued to CDQ groups are exempt from owner on board requirements

Suboption: Any transfer of QS designated at initial allocation as "owner on board" quota would count against "1st refusal" requirement.

1.8.2 Overage Provisions:

- (a) Allowances for overages during last trip:

Option 1.	1%
Option 2.	3%
Option 3.	5%
- (b) Any overage would be deducted from the QS holder's IFQs (during the next season) at:

Option 1.	same amount as overage
Option 2.	twice the amount as overage

1.8.3 AFA vessels option: Eliminate AFA harvester sideboard caps on crab species upon implementation.

1.8.4 Discussion in the analysis of season opening dates under an IFQ program and the potential for concurrent seasons and

multi-species fishing to reduce bycatch.

1.8.5 Sideboards.

Sideboards shall be addressed through a TRAILING AMENDMENT, which shall evaluate the following options:

1. Non AFA vessels that qualify for QS in the rationalized opilio crab fisheries would be limited to their
 - a) GOA groundfish catch history excluding sablefish or
 - b) inshore pood catch history in the GOA fisheries (with offshore pood exempt).

The years for qualification would be the same as the qualifying period selected from 1.4.2.1.
2. Sideboard exemptions:
 1. exempt vessels from sideboards which had opilio landings in the qualifying years of:
 - Option a. <100,000 pounds
 - Option b. <70,000 pounds
 - Option c. <50,000 lbs
 - Option d. <25,000 lbs
 3. exempt vessels with more than 100, 200, or 500 tons of cod total landings in the years 95-99
 4. vessels with <10, <50 and <100 tons total groundfish landings in the qualifying period would be prohibited from participating in the GOA cod fishery.

2. Processing Sector Elements

2.1 Eligible Processors - processors (including catcher-processors) eligible to receive an initial allocation of processing quota shares (PQs) are defined as follows:

- (a) U.S. Corporation or partnership (not individual facilities) that
- (b) processed crab for any crab fishery included in the IFQ program during 1998 or 1999.

2.2 Categories of Processing Quota Shares

2.2.1 Crab fishery categories - processing quota shares may be issued for the following crab fisheries:

Bristol Bay red king
 Brown king (AI Golden king)
 Adak red king
 Dutch Harbor red king
 Pribilof Islands blue king
 St. Matthew blue king
 Pribilof Islands red king
 Opilio (EBS snow crab)
 E AI tanner
 W AI tanner
 Bairdi (EBS tanner)

2.2.2 Regional categories - processing quota shares will be categorized into two regions if regionalization is adopted (see Regionalization Elements for description of regions):

- (a) Northern Region - All areas on the Bering Sea north of 56° 20' N. Latitude
- (b) Southern Region - All areas on the Bering Sea south of 56° 20' N. Latitude and all areas on the Gulf of Alaska

2.3 Initial allocation of processing quota shares

- Option 1. Processing quota shares shall be initially issued to Eligible Processors based on three-year

average processing history² for each fishery, determined by the buyer of record listed on ADF&G fish tickets, as follows:

- (a) 1997 - 1999 for Bristol Bay red king crab
- (b) 1996 - 1998 for Pribilof red king crab
- (c) 1996 - 1998 for Pribilof blue crab
- (d) 1996 - 1998 for St. Mathew blue crab
- (e) 1997 - 1999 for opilio crab
- (f) Bairdi crab based on 50/50 combination of processing history for BBRKC and opilio
- (g) 1996/97, 1997/98 and 1998/99 seasons for brown king crab
- (h) The council shall/may determine if the 4 species not included are appropriate for PQs, Dutch Harbor red king, E AI tanner, W AI tanner, and Adak red king
- (i) The qualifying years for issuance of IPQ in the Western Aleutian Islands (Adak) red king crab fishery will be:

Option A. 1992/93 to 1995/96

Option B. Based on Western Aleutian Islands brown king crab IPQ

Option C. 0 - 50% of IPQs would be allocated to the community of Adak

- Option 2. Processing quota shares shall be initially issued to Eligible Processors based on the processing history for Opilio, BBRKC or brown king crab, determined by the buyer of record listed on ADF&G fish tickets, using the best 4 seasons during the 1996 - 2000 seasons.

Suboption: Extend this option to 1996 - 2002 for Opilio (best 6 of 7 seasons)

1996 - 2001 for BBRKC (best 5 of 6 seasons)

1996/7 - 2001/2 for brown king crab (best 5 of 6 seasons)

- Option 3. If an eligible processor is no longer active in the crab fisheries, the history of the processor will be allocated to open delivery (Class B) shares but will retain its regional designation.

- Option 4. If the buyer can be determined to be an entity other than the entity on the fish ticket, then the IPQ shall be issued to that buyer.

2.4 Percentage of season's GHIL or TAC for which IPQs are distributed:

- 2.4.1 IPQs will be issued for a portion of the season's GHIL or TAC for each species to provide open delivery processing as a means to enhance price competition:

Option 1 100% GHIL (or TAC) would be issued as IPQs

Option 2 90% GHIL (or TAC) would be issues as IPQs - the remaining 10% would be considered open delivery.

Option 3 80% of GHIL (or TAC) would be issued as IPQs - the remaining 20% would be considered open delivery.

Option 4 70% of GHIL (or TAC) would be issued as IPQs - the remaining 30% would be considered open delivery.

Option 5 0% - no processing shares

2.5 Implementation of the open delivery processing portion of the fishery:

Catcher vessel QS/IPQs are categorized into Class A and Class B shares. Purchases of crab caught with Class A shares would count against IPQs while purchases of crab caught with Class B shares would not. Crab caught with

The three-year average shall be the three-year aggregate pounds purchased by each Eligible Processor in a fishery divided by the three-year aggregate pounds purchased by all Eligible Processors in that fishery.

Class B shares may be purchased by any processor on an open delivery basis.

- 2.6 Transferability of processing shares - provisions for transferability include the following:
- (a) Processing quota shares and IPQs would be freely transferable, including leasing
 - (b) IPQs may be used by any facility of the Eligible Processor (without transferring or leasing)
 - (c) Processing quota shares and IPQs categorized for one region cannot be transferred to a processor for use in a different region.
- 2.7 Ownership and use caps - different percentage caps may be chosen for each fishery:
- 2.7.1 Ownership caps
- Option 1. based on maximum share for processors by fishery plus a percentage of 5%, 10% or 15%.
 - Option 2. Ownership cap equal to largest share issued to processor at initial issuance.
 - Option 3. Range of caps from average to maximum with grandfather clause.

PQS ownership caps should be analyzed using both the individual and collective rule and the threshold ownership rule using 10%, 25%, and 50% minimum ownership standards for inclusion in calculating the cap. PQS ownership caps are at the company level.

- 2.7.2 Use caps
- Option 1. Annual use caps ranging from 30% - 60% of the GHL (or TAC) by fishery.
 - Option 2. Annual use caps of quota share equal to the largest PQ holder's share in each specific fishery.

2.8 Other Optional Provisions:

- 2.8.1 The crab processing caps enacted by Section 211(c)(2)(A) of the AFA would be terminated.
- 2.8.2 Penalties - Eligible Processors must fully utilize their processing quota shares in the season while a fishery is open or lose the amount that is not utilized for one season in the next season.
- (a) Distribution of unused quota:
 - Option 1. Distributed to other processors proportionally
 - Option 2. Distributed to other processors equally
 - Option 3. Allocate to open delivery
 - Suboption 1. If QS is reclassified from Class A to Class B:
 - a) reclassification of Class A QS will be distributed proportionally among all Class A QS holders
 - b) reclassification of Class A QS will be distributed equally among all Class A QS holders
 - c) reclassification of the unused Class A QS to B class
- All three options for reclassification of these temporary B QS should require a regionalization designation to maintain the appropriate regional allocations. Additionally, include discussion of reasons a processor may not use its quota, including physical inability (e.g. plant breakdown), harvesters being unable to deliver when the processor is able to process; bona fide price disagreement; concern over exceeding the processor quota allotment (when there is only a small amount of processor quota remaining); and bonafide dispute over quality of the crab.
- (b) Hardship provisions
- 2.8.3 Option for use of a private sector managed (non-governmental), binding arbitration process, for failed price negotiations, between fishermen and processors. To the extent that this may be a key design feature in a two pie IFQ program, the analysis should consider the mechanics and applicability to a two pie IFQ program.

Considerations for analysis of binding arbitration:

- Individuals and groups of fishermen holding QS will negotiate independently and separately with individual processing companies holding PQs at any time, before season openings, the earlier the better, to seek best market prices;
- Only required if negotiations fail to achieve acceptable price to both parties;
- Private-sector financed and managed and conducted on a company-by-company basis;
- Individuals, groups and companies that request binding arbitration jointly bear the cost;
- Requires statutory definition, along with harvesting and processing quota shares;
- Harvesting and processing sectors must agree to participate;
- Agreements on price settlements are binding and will likely require an enforcement mechanism (i.e. contracts or statement of agreement between parties);
- Biological seasons, overlap of the biological seasons, crab quality, weather and other considerations need to be contemplated in development of the process framework;
- Need to establish criteria for pool of arbitrators

Elements of the binding arbitration process:

- Requires independent market analyses for specified BSAI king, tanner (Bairdi) and snow (Opilio) crab species by a designated market analyst to be chosen by industry (fishermen and processors);
- Arbitrator, chosen by industry (fishermen and processors) before start of negotiations, sits in on presentation of market analysis but does not sit in on negotiations;
- Need to establish and adhere to deadlines for:
 - (a) Presentation of market analysis to industry (i.e. 8 to 10 weeks prior to season opening)
 - (b) Agreement on date to go to arbitration
 - (1) Pre season
 - (2) In season
 - (c) Agreement on deadline for price settlement
 - (1) Date certain
 - (2) or based on % of GHL caught
- Arbitration will require the parties to submit best price and arbitrator picks one or the other price, but does not split the difference or other options
- Options to establish a price:
 - Option 1. Prices established are a minimum price, based on market analysis, with processors agreeing to pay at least the minimum price (allows variability on prices between companies).
 - Option 2. Formula approach similar to some Bering Sea pollock operations, where the fleets share in the percentage of the sale price of the products. In this case, the arbitrator would decide the formula percentage.

The Council will appoint a technical working group to further assess the means to implement a system of Binding Arbitration as part of the crab rationalization program for all alternatives considered. The working group should be charged to return with a report to the Council in June, 2002. The working group will include staff support, NOAA GC, and representatives of the AMA, the processors, and harvesting groups. Further the Council/NMFS will explore options to bring in representatives of the harvest and processing sector from the Newfoundland crab fishery, who participated in the process with John Sackton, the arbitrator.

Additionally, the costs of arbitration and market research shall be funded by one-quarter of one percent of the federal fee on the ITQ program from the fisheries subject to the rationalization plan - distributed equally to an arbitration fund to the harvesters' legally constituted collective bargaining association.

- a) One quarter of one percent of the program for enforcement and management

Elements of the binding arbitration process:

The following additional options are added for analysis:

1. Arbitration may bind:
 - Option 1. All harvesters
 - Option 2. Only fishermen associated with a particular processor entity
 - Option 3. All processors
 - Option 4. Only the processor associated with a particular group of harvesters
2. The arbitrator shall base his or her decision on:
 - Option 1. Historical sharing of revenues in the fishery
 - Option 2. Historical revenues and costs of the fishery
 - Option 3. Distribution of revenues in excess of variable costs in the fishery
 - Option 4. All of the above and any other relevant factors the parties present to the arbitrator
3. An arbitration decision may be enforced by:
 - Option 1. Standard contract law provisions
 - Option 2. Use it or lose it provisions for both harvesters and processors
 - Option 3. Specific performance requirement

Staff shall include a brief preliminary qualitative discussion of the binding arbitration options in the public review analysis. Staff shall provide further analysis as the program is better defined.

3. Regionalization Elements

3.1 Two regions are proposed:

- (a) Northern Region - All areas on the Bering Sea north of 56° 20' N. Latitude. (This region includes the Fribilof islands and all other Bering Sea Islands lying to the north. The region also includes all communities on Bristol Bay including Port Heiden but excludes Port Moller and all communities lying westward of Port Moller.)
- (b) Southern Region - All areas on the Bering Sea south of 56° 20' N. Latitude and all areas on the Gulf of Alaska (This region includes all parts of the Alaska Peninsula westward of and including Port Moller. All of the Aleutian Islands are included in the South Region as are all ports and communities on the Gulf of Alaska.)

Suboption: Regional categories for deliveries of Aleutian Islands brown king and Adak red king crab split into a "Western" (west of 174 degrees West longitude) and "Eastern" (east of 174 degrees West) area with an option that up to 50% of W AI brown king crab must be processed in the W AI region.

3.2 Regional categorization of processing and/or harvesting quota shares

3.2.1 Categorization will be based on all historical landings. Periods used to determine regional percentages are as follows:

- Option 1. 1995 - 1999
- Option 2. 1997 - 1999
- Option 3.

There shall be no regional designation when the percentage associated with the region is 0 - 8%.

There shall be no regional designation of the Bairdi fishery shares.

There shall be no regional designation of the Bristol Bay red king crab fishery shares.

Pribilof red king crab Class A shares shall all be designated for the Northern Region.
 Pribilof blue king crab Class A shares shall all be designated for the Northern Region.

- 3.2.2 Options for the harvesting sector:
- Option 1. all CV quota shares are categorized by region
 - Option 2. only Class A CV quota shares are categorized by region
- 3.2.3 Options for the processor sector:
- Option 1. Processing quota shares and IPQs are categorized by region
 - Option 2. Regional restrictions apply to deliveries made on an open delivery basis
- 3.2.4 Once assigned to a region, processing and/or harvesting quota shares cannot be reassigned to a different region.
- 3.2.5 Options for addressing potential mismatch of harvesting and processing shares within the region.
1. The base years for determining processing shares and the base period for determining the share assigned to each region shall be the same.
 2. If the cumulative harvester quota associated with each region differs from the total regional share, by species, the harvester share, by species, shall be adjusted, up or down, in the following manner:
 - a. The adjustment shall apply only to harvesters with share in both regions.
 - b. The adjustment shall be made on a pro rata basis to each harvester, so that the total share among those harvesters, by region, equals the total share assigned to each region.
 3. The adjustment shall only be on shares that carry a regional designation; Class B quota would be excluded from the adjustment.

- 3.3 Delivery and processing restrictions - the following provisions apply to the delivery and processing of crab with IPQs or IPQs that are categorized by region:
- (a) Crab harvested with catcher vessel IPQs categorized for a region must be delivered for processing within the designated region
 - (b) Crab purchased with IPQs categorized for a region must be processed within the designated region.

- 3.4 Alternative Regionalization/Community Protection Option: Processing history may leave an eligible community of origin in which the history was established with permission of the eligible community. The processing QS may change communities with negotiated agreement between the processor and the originating (eligible) community; these agreements will be filed with the Secretary of commerce thirty days prior to the quota share leaving the eligible community.

"Eligible communities" shall be defined as any community in which aggregate (community) landings exceeded 0-8% of the species for which processor QS is awarded during the qualifying period.

"Community landings" for closed fisheries will be determined using a formula that mirrors "processor option one" as defined in the current analysis.

Option to be evaluated as a TRAILING AMENDMENT:

Under this option, processor quota shares are subject to regional designations as set forth in Section 3.1, 3.2 and 3.3. A processing quota share holder may switch processor quota from one region to another region (on an annual or permanent basis) by compensating the community that is impacted by that change. A processor must provide compensation only if it switches from one region to another region. A change in location of processing within a region does not require compensation to a community. Compensation for a permanent departure from a region is only required one time; a subsequent change to another region does not require further compensation by the processing

share quota owner. A switch of the region of processing under this option would include the following elements:

1. This option does not displace the regional designation of Class A shares or the processing of quota delivered under Class A shares. It instead provides an option for the delivery and processing of quota from Class A shares using IPQ into a different region upon compensation (in a manner and form acceptable to the effected community) to switch to another region.
 2. The community to be compensated would be determined by the community that received the raw fish tax associated with the IPQ being transferred. The options for determining the community include:
 - (a) The community to which the raw fish tax was paid in 1, 2, 3 or 4 years prior to the proposed transfer;
 - (b) The community to which the raw fish tax was paid in the period used to determine eligibility for the issuance of IPQ;
 - (c) The community to which a majority of the raw fish tax was paid in the period designated in a or b above.
 3. The processor that pays the compensation to the community may designate the harvester that also is allowed to switch from the original region to another region. The harvester is free to accept or reject that designation.
 4. The option applies only to IPQ and corresponding Class A shares. It does not apply to any processing of Class B shares nor to Class B shares themselves.
 5. The entity entitled to negotiate on behalf of the community shall be designated by one of the following: The State of Alaska or the United States Department of Commerce.
4. Community Development Allocation (based on existing CDQ program):
- Option 1. No change from existing program
 - Option 2. Expand existing program to all crab fisheries under this analysis.
 - Option 3. Increase for all species of crab to 10%
 - Option 4. Increase for all species of crab to 12.5%
 - Option 5. For the Aleutian Islands brown king crab fishery, the percentage of resource not utilized (difference between actual catch and GHL) during base period is allocated to the community of Adak.
5. Program Duration and Review
- The following options apply to all program elements:
- Option 1. Program review after 2 years and every 3 years thereafter to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts.
 - Option 2. Program review every 3 years to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts.
 - Option 3. No program review
 - Option 4. Sunset in 5 or 7 years
6. Cooperative model options:
- 6.1 Coop model with the following elements and options:

State Voluntary Cooperative: The purpose of the voluntary cooperative for BSAI crab fisheries is to allow harvesting, processing and community interests to share in the benefits of a rationalized fishery, enhanced by formal cooperation between buyers and sellers. A cooperative structure encourages entities with common and mutual interests to approach those interests through a common perspective.

- 1) Individual harvesting and processing histories are issued to both catcher and processors.
(Harvesters under Section 1.3.2 a) which meet program qualifications. Processors under Section 2.1, 2.3, and 2.4 (Options 1-4) which meet qualifications of the program).
- 2) Cooperatives may be formed through contractual agreements among fishermen who wish to join into a cooperative with one or more processors holding processor history for one or more species of crab. Fleet consolidation within this cooperative may occur either by internal history leasing and vessel retirement or by history trading within the original cooperative or to a different cooperative.
- 3) There must be at least 2 or more unique vessels/owners to form a coop with a processor. Vessels are not restricted to deliver to a particular plant or processing company.

Suboption: There must be at least 4 or more unique vessels engaged in one or more crab fisheries to form a coop with a processor. Vessels are not restricted to deliver to a particular plant or processing company.

- 4) New processors may enter the fishery by acquiring processor history from an initial issuee. Cooperative formation with a new processor lacking processing history requires the new processor to offer both an adequate payment to the vessel and to the originating plant where the prior processing history resided.
- 5) Custom processing would continue to be allowed within this rationalization proposal.
- 6) Provide an opportunity for communities. Processing history may leave an eligible community of origin in which the history was established with permission of the eligible community. The processing QS may change communities with negotiated agreement between the processor and the originating (eligible) community; these agreements will be filed with the Secretary of commerce thirty days prior to the quota share leaving the eligible community.

"Eligible communities" shall be defined as any community in which aggregate (community) landings exceeded 0-8% of the species for which processor QS is awarded during the qualifying period.

"Community landings" for closed fisheries will be determined using a formula that mirrors "processor option one" as defined in the current analysis.

(Option for community protection that is being considered as trailing amendment under section 3.4 may be included in this program)

7) Regional Categories:

- | | |
|-----------|---|
| Option 1. | No regional categories. |
| Option 2. | Harvester cooperatives' regional categories for deliveries of Bering Sea crab as in paragraph 1.3.4. |
| Option 3. | Harvester cooperatives' regional categories for deliveries of Aleutian Islands brown king and Adak red king crab split into a "Western" (west of 174 degrees West longitude) and "Eastern" (east of 174 degrees West) area. |

8) Duration of coop agreements.

- | | |
|-----------|---------|
| Option 1. | 2 years |
| Option 2. | 4 years |

- Option 3. 6 years
- Option 4. A harvester quota share holder may exit the cooperative at any time after one season. One season shall mean the season established by the Alaska Board of Fisheries for the fishery associated with the quota shares held by the harvester.

9) Community Development Allocation (under existing CDQ program)

- Option 1. No change from existing program
- Option 2. Expand existing program to all crab fisheries under this analysis.
- Option 3. Increase for all species of crab to 10%
- Option 4. Increase for all species of crab to 12.5%
- Option 5. For the Aleutian Islands brown king crab fishery, the percentage of resource not utilized (difference between actual catch and GHL) during base period is allocated to the community of Adak.

10) Observer requirements. For crab vessels greater than 60' in length, maintain observer coverage at:

- Option 1. Status quo.
- Option 2. 10%
- Option 3. 20%
- Option 4. 30%

11) Length of program:

- Option 1. Sunset in 5 years
- Option 2. Program review to objectively measure the success of the program by addressing concerns identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards.
 - Suboption 1. Program review after 2 years
 - Suboption 2. Program review every 3 years

12) Option for skipper and crew members: Protection of traditional and historical crew share percentages with no sunset.

13) Catch Accounting - All landings including deadloss will be counted against a vessel's quota. Options for treatment of incidental catch are as follows:

- Option 1. No discards of legal crab will be allowed, and sufficient quota for legal crab must be available.
- Option 2. No discards of "marketable" crab will be allowed for opilio crab and sufficient quota for "marketable" crab must be available. (Legal size for opilio is 3.1 inches, but the industry standard is 4 inches.)
- Option 3. No discards of opilio crab with a carapace of 4 inches or greater in width.
- Option 4. Discards of incidentally caught crab will be allowed. (This option would allow, for example, incidental catch of bairdi crab in a red king crab fishery to be discarded without counting against a vessel's bairdi quota.)
- Option 5. Request ADFG and BOF to address the concerns of discards, highgrading, incidental catch and the need for bycatch reduction and improved in season monitoring to coincide with implementation of a rationalization program.

6.2 Use a co-op model that would have the following options:

I. Formation of Coop

A. There would be one coop formed with each eligible crab processor. Coops would be formed with the processor at the company level, not the plant level. Two or more vessels are sufficient to form a coop. The coop would handle all species of crab.

B. Crab processor eligibility would be determined using the qualifying period identified for allocation of initial IPQs (Eligible Processors, including C/P as revised in 1.7.2.3 option 5. Processors eligible to receive an initial allocation of processing quota shares (PQs) are defined as follows: U.S. Corporation or partnership (not individual facilities) that processed crab for any crab fishery included in the IFQ program during 1998 or 1999.)

C. Each crab vessel is eligible to join only one coop. Which coop the vessel is eligible to join is determined based on which eligible processor that vessel delivered the highest pounds of crab to during the processor qualifying period used for 1.B above.

D. Vessels that join a coop will have their catch history from the vessel qualifying period protected. A vessel that does not elect to join in the coop for which it is eligible remains under an open access fishery.

E. Each vessel's catch history is determined using the formulas identified for calculation of initial quota shares selected under section 1.4 as modified above.

F. A coop agreement would be filed annually with the Secretary of Commerce, after review by the Council, before a coop's catch history would be set aside for their exclusive use. The processor and each boat that is eligible and elects to join the coop must sign the agreement. Only the histories of those boats that sign will be protected.

2. Operation of Coop

A. The coop is responsible for allocating fishing quotas for each species of crab to the coop members. Each vessel is entitled to one vote, and decisions will be made by majority vote unless otherwise agreed to by the coop members.

B. The processor with which the coop is formed gets

- i. first right of refusal for all crab harvested by coop members, with coop free to deliver crab to another eligible processor if no agreement is reached; or
- ii. a guaranteed amount of coop crab to be delivered, with the amount ranging from 10% to 100%, the remainder of which can be delivered by the coop to either—
 - I. any eligible processor, or
 - II. any processor, eligible or not (i.e., new entrant allowed).

C. If the processor buys the coop crab, it may process the crab itself or may arrange to have it processed by any other crab processor (i.e., the processor acts as broker for coop crab it does not wish to process).

D. In the alternative, the processor may elect to have the coop act as its own broker for crab the processor does not wish to buy, with the coop free to either sell the crab to another processor or allow individual vessels to make arrangements on their own.

E. Cooperatives may arrange to swap, purchase, or trade deliveries of crab by mutual agreement of the cooperatives concerned.

3. Movement of Vessels Between Coops

A. Three alternatives would be analyzed.

- i. Vessels are free to transfer between coops once each year, with agreement of the coop to which they are moving. Vessel catch history goes to new coop.
- ii. Vessels may move to a new coop after spending one year in the open access fishery. Coop must agree to entry of new vessel. Vessel catch history is not protected in open access, but is restored upon entering new coop.

iii. Vessels may only leave coop with agreement of the processor. Catch history only goes with vessel if processor agrees.

B. Vessels that did not join a coop in the first year coops are formed may join the coop of the processor to which they delivered the highest pounds of crab in the previous year after spending one year in the open access fishery.

4. Regionalization, Etc.

A. All other options in the June Draft Council motion regarding regionalization, skipper/crew shares, etc. would be applied to the Lead Fishery Cooperative Model based on the options identified for analysis in those areas.

5. Taxes

Require owners of CP vessels to pay a fee equivalent to the tax that would have been imposed had the CP operated in State waters.

Further, the Council reaffirmed its earlier policy statement that catch history in the crab fisheries beyond December 31, 1998 may not count in future rationalization programs, including a fishery cooperative system.

The Initial Council Review Draft of the plurality coop is complete. Further analysis should focus on the options for an individual quota framework - both one-pie and two-pie - for management of the BSAI crab fisheries. The analysis should include a discussion of the use of the voluntary cooperative as a fishery management tool within the individual quota framework.

The analysis should include information on the alternative fisheries that harvesters and processors have participated in, so that alternative allocation options can be better assessed based on an individual harvester or processor's dependence on a particular crab fishery.

The amount of stranded capital in the processing sector should be analyzed. Options for addressing the stranded processing capital issue, such as a processor buyback program should also be discussed.

The effect of regionalization on ownership caps should be added to the analysis.

The analysis should include a qualitative discussion of cumulative impacts of the options on different classes of vessels.

Motion to require certain socioeconomic data from the crab catching, processing and catcher/processors participants during implementation of the crab rationalization program. This information is to include, but not be limited to: harvest and production costs; expenditure patterns; vessel ownership data including vessel identifiers (name and address files); and employment and earnings data. Individual socioeconomic data will be collected from fishing and processing entities and tabulated by the resource agencies, and maintained in a secure and confidential manner for analysis by the State and Federal fishery management agencies and the NPFMC. A team of Council and agency staff shall be appointed to develop a list of specific data to be collected, and the mechanism by which the data would be collected. Upon development of the draft plan, the team will meet with Council identified industry members to refine the program.

In addition the analysis should include the customary information that meets the requirements of an IRFA, RIR, EA etc.

Adopt by reference the recommendations on page 10 of the Final AP minutes of 2/9/02 and the SSC recommendations regarding improvements and changes to the crab rationalization document outlined in the SSC minutes of 2/7/02.

The state's current authority to set GHs will be modified to include the setting of TACs under the BSAI Crab FMP.

Finally, the Council requested that the Analysis include to the extent possible a comprehensive qualitative and, where possible, quantitative consideration and examination of the following:

- A. Processor ownership interest in BSAI crab harvesting vessels
- B. CV ownership interest in processors
- C. Processor ownership interest in BSAI crab fishing history
- D. CV ownership interest in BSAI processing history
- E. Foreign ownership interest in the BSAI crab processing sector
- F. Foreign ownership in the BSAI crab harvesting sector
- G. The percentage of Harvester QS that will be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab harvesting vessels and BSAI crab fishing history.
- H. The percentage of processor PQs that will be allocated to the harvesting sector as a result of harvesting sector ownership interests in the BSAI crab processing sector and BSAI crab processing sector history including CPs.
- I. The anti-competitive impacts and economic barriers that may result from the cumulative and combined impacts of Individual Processing Quotas (IPQs) coupled with Regionalization. For example, are the combined impacts and barriers of IPQs and Regionalization different than the individual and respective impacts of IPQs or Regionalization and, if so, to what extent.
- J. The general economic and social impacts and the impacts on free and open competition and markets of IPQs, including the Halverson report and Manulich report on a 2-pie IPQ-type program.
- K. The impacts of IPQs on free markets and vigorous competition in the BSAI crab industry that may result from (1) processor sector ownership interest in BSAI crab harvesting vessels, (2) processor sector ownership interest in BSAI crab fishing history, and (3) the percentage of harvester QS that may be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab vessels and BSAI crab fishing history.
- L. Staff should provide information describing the issues related to recency and potential proxy QS from other crab fisheries for determining the initial allocations in the EAI tanner, WAI tanner, and EAI (Dutch Harbor) red king crab fisheries. The State of Alaska should be consulted on potential options which can be implemented as trailing amendments.
- M. An analysis of the implications of rationalization on BSAI and GOA groundfish and other crab fisheries (including tanner and Pribilof Islands brown king crab fisheries) shall be included in the analysis.
- N. A comprehensive section on environmental consequences (including bycatch, high grading, stock rebuilding) of the rationalization alternatives shall be included in the analysis.
- O. An analysis of the impact of the crab vessel buyback on the rationalization alternatives (including the distribution of allocations and caps of harvester and processor shares and the regionalization alternatives) shall be included in the analysis.
- P. The analysis shall include a discussion of the cost recovery program and its interaction with the current State fee program.
- Q. The general impacts of IPQs on free markets and vigorous competition, price mechanisms, costs, distribution of rents and other competitive mechanisms:
 - (1) in the BSAI crab processor sector
 - (2) in the BSAI crab harvester sector.
 - (3) in the BSAI crab industry,
 - (4) in the non-AFA processor sector,
 - (5) in the Kodiak processor sector,
 - (6) in the BSAI and GOA fishing industry,
 - (7) that may result from mergers, acquisitions, combinations and concentrations in the processing sector,
 - (8) that may result from foreign ownership interest in the processing sector.

- R. Restrictions of ownership of Harvester QS by processing entities that have more than 25% foreign ownership interest.
- S. Spillover effects on other fisheries.
- T. Include a discussion of the percent of GHL purchased by non-eligible processors on an annual basis and the effect on the final QS pool.
- U. Include a conceptual discussion on how co-op management might work in the harvesting and processing sectors and a comparison of IFQs/IPQs, to co-ops including the Dooley-Hall co-op structure in addressing the problem statement.
- V. Conservation benefits and other implications of each component of the program (IFQ, IPQ, Regionalization Co-ops). Present the analysis of these issues in a consolidated section in the EA/RIR.

Decision Guide For Crab Rationalization

Fisheries to Include in the Rationalization Program - applies to all programs

Issue 1 **Species to include in the program**

Select fisheries to include in rationalization program (from Section 1.1)

Bristol Bay red king
Aleutian Islands (Dutch Harbor/Adak) brown king
Bering Sea opilio (snow)
Bering Sea bairdi (Tanner)
Pribilof red king
Pribilof blue king
St. Matthew blue king
Eastern Aleutian Islands bairdi (Tanner)
Western Aleutian Islands bairdi (Tanner)
Eastern Aleutian Islands (Dutch Harbor) red king
Western Aleutian Islands (Adak) red king

Suboptions

1. **Area/Species exceptions:**
 - A. Exclude EAI tanner, WAI tanner, EAI red king, and WAI red king (from Section 1.1, Suboption A and Section 2.3 Option 1, h)
 - B. Close federal waters to EAI tanner, WAI tanner, EAI red king, WAI king until management plan is developed by the State of Alaska (from Section 1.1, Suboption B)
 - C. Exclude EAI tanner, WAI tanner, EAI red king, and WAI red king east of 179°W (from Section 1.1, Suboption C)
 - D. Exclude Western Aleutian Islands (Adak) red king (from Section 1.4.2.8, Option 1, c))
2. Brown king crab fishery (from Section 1.3.1.1) - Split of fishery into two categories - WAI and EAI (from Section 1.3.1.1, Option 1)

Rationalization Program Choice

Option 1	Harvester Only IFQ
Option 2	Two-Pie IFQ (harvester and processor shares)
Option 3	Voluntary Cooperative
Option 4	Plurality Cooperative

Allocations of Harvest Quota Shares - applies to all programs

Issue 1 **Eligibility for an Allocation** (from Section 1.2) and the **Basis for an Allocation** (from Section 1.4.1(b))

Option 1 LLP license holders receive allocation based on vessel creating right to the license (from Sections 1.2, Option 1 and 1.4.1(b) Option 1)

Option 2 Owners of vessels that meet the LLP license requirements receive an allocation based on the activity of that vessel (from Sections 1.2, Option 2 and 1.4.1(b) Option 2)

Suboptions

1. Purchaser of an LLP receives allocation based on 1) vessel creating the LLP privilege for period prior to the transfer and 2) the vessel on which the LLP license was used after the transfer (from Section 1.4.1(b), Option 3)
2. Either the vessel creating the LLP privilege or the vessel on which the LLP license was used could be used to determine the allocation amount for the owner, but not both (from Section 1.4.1(b), Suboption - if selecting 1.2, Option 2 must also select 1.2, suboption)
3. Three add ons in Section 1.4, Suboption
 - a. limits allocations to a single vessel with the exception of Amendment 10 replacement vessels (cannot be adopted with section 1.4, Option 3)
 - b. requires current MarAd certification and/or US documentation for any vessel on which an allocation is based
 - c. requires LLP license transfers to have occurred prior to January 1, 2002 (applies only to Section 1.4, Option 3 or the 1.4, suboption)

Issue 2 Qualifying years (from Section 1.4.2)

Select one option for each fishery included in the rationalization program

BS C. opilio (from Section 1.4.2.1)

- | | |
|----------|---------------------|
| Option 1 | 1994-1999 |
| A. | Best 5 of 6 seasons |
| Option 2 | 1992-1999 |
| A. | Best 7 of 8 seasons |
| Option 3 | 1995-1999 |
| A. | all 5 seasons |
| B. | Best 4 seasons |
| Option 4 | 1996-2000 |
| A. | Best 4 of 5 seasons |
| Option 5 | 1996-2002 |
| A. | Best 6 of 7 seasons |

Bristol Bay red king crab (fishery closed in 1994 and 1995)

- | | |
|----------|---------------------|
| Option 1 | 1993-1999 |
| A. | all 7 seasons |
| B. | Best 6 seasons |
| Option 2 | 1992-1999 |
| A. | all 8 seasons |
| B. | Best 7 seasons |
| Option 3 | 1996-2000 |
| A. | Best 4 of 5 seasons |
| Option 4 | 1996-2001 |
| A. | Best 5 of 6 seasons |

BS C. bairdi (fishery closure since the 1996 season)

- Option 1 1992-1996
 - A. all 5 seasons
 - B. Best 4 seasons
- Option 2 1991/1992-1996
 - A. Best 5 of 6 seasons
- Option 3 Based on a 50/50 split of the Bristol Bay red king crab and opilio harvests.

Pribilof red king crab (fishery closed since 1998)

- Option 1 1993-1998
 - A. Best 4 of 6 seasons
- Option 2 1994-1998
 - A. all 5 seasons
 - B. Best 4 seasons

Pribilof blue king crab (fishery closed in 1993 and 1994 and since 1998)

Note that all options are equivalent because of the fishery closures

- Option 1 1993-1998
 - A. Best 4 of 6 seasons
- Option 2 1994-1998
 - A. all 5 seasons
 - B. Best 4 seasons

St. Matthew blue king crab (fishery closed since 1998)

- Option 1 1993-1998
 - A. Best 4 of 6 seasons
- Option 2 1994-1998
 - A. all 5 seasons
 - B. Best 4 seasons

Aleutian Islands brown king crab

- Option 1 1992/3-1998/9
 - A. all 7 seasons
 - B. Best 6 seasons
- Option 2 1995/6-1998/9
 - A. all 4 seasons
 - B. Best 3 seasons
- Option 3 1996/7-1998/9
 - A. all 3 seasons
 - B. Best 2 seasons
- Option 4 1996/7-2000/1
 - A. Best 4 of 5 seasons
- Option 5 1996/7-2001/02
 - A. Best 5 of 6 seasons

Suboptions for any of the years selected

- A. allocation is based on total harvests from both subdistricts - each participant receives the same percentage of both subdistricts based on total brown crab harvests (from Section 1.4.2.7, Suboption a)
- B. allocation is based on harvests from each subregion - each participant receives an allocation in each subdistrict based on harvests from that subdistrict (from Section 1.4.2.7, Suboption b)

- Western Aleutian Islands (Adak) red king crab (fishery closed since 1995/6)
 - Option 1 1992-1996
 - A. All 5 seasons
 - B. Best 2 seasons

Issue 3 **Calculation of Allocations** (from Section 1.4.1(a))

Provision without Option

Allocations are on a fishery basis and are based on the average percent of a vessel's harvest during the qualifying years

Suboption Allocations to persons with sunken vessels replaced under Amendment 10 would supplement their allocations (for the years between when the vessel sank and when it was replaced) with a percentage of their average history based on the years unaffected by the sinking (from Section 1.4.1, Suboption). If selected, the percentage (0 to 100) of the supplemental allocation must be selected

Issue 4 **Annual Allocations of IFQs** are made based on (from Section 1.5)

- Option 1 GHJ (1.5, Option 1)
- Option 2 TAC (1.5 Option 2)

Transferability of Quota Shares - Harvester Only IFQ, Two-Pie IFQ, and Voluntary Cooperative

Issue 1 **Eligibility to Receive Shares by Transfer** (from Section 1.6)

- Option 1
 - Any persons or entities
 - A. eligible to document a US fishing vessel (from Section 1.6, Option 1(a))
 - B. with 75 percent US ownership (from Section 1.6, Option 1(b))

- Option 2
 - Persons who are US citizens (from Section 1.6.1, Option 2)

- Option 3
 - Entities at least 20 percent owned by US citizens (from Section 1.6.1, Option 3)

Suboption A (under Options 2 and 3 above)

- 1. Sea time requirement of
 - A. 30 days
 - B. 150 days
 - C. 365 days ((from Section 1.6.1, Options 2 and 3)
- 2. Sea time must be in
 - A. any US commercial fishery in a harvesting capacity
 - B. State of Alaska or Alaska EEZ fishery in a harvesting capacity
 - C. BSAI crab fishery (from Section 1.6.1, Options 2 and 3)

Suboption B (under Options 1, 2, and 3)

Grandfather recipients of initial allocations (from Section 1.6.1)

Issue 2 **Leasing of Quota Shares (or Sale of IFQ)** (from Section 1.6.2)

- Option 1 Leasing permitted without restriction (from Section 1.6, Option 1)
- Option 2 Leasing prohibited (from Section 1.6, Option 2)
- Suboption* In the Aleutian Islands brown king crab fishery - allow QS holders to swap IFQ from one subdistrict for IFQ from the other subdistrict on a pound for pound basis

Ownership Caps, Use Caps, and Limits on Vertical Integration - applies to Harvester Only IFQ, Two-Pie IFQ, and Voluntary Cooperative

Issue 1 **Ownership Caps on QS** - (from Section 1.6.3)

Provisions without Options

1. Initial issues that receive allocations in excess of the cap are grandfathered (from Section 1.6.3(a)) (Note: suboption that would not permit allocation in excess of the cap in the brown king crab fishery)
2. Caps are applied on an individual and collect basis (as in the halibut and sablefish IFQ program) (from Section 1.6.3(b))

Provisions with options

Selected one option for each fishery included in the rationalization program

Bristol Bay red king crab (from Section 1.6.3(c))

- | | |
|----------|-----------|
| Option 1 | 1 percent |
| Option 2 | 5 percent |
| Option 3 | 8 percent |

Bering Sea *C. opilio* (from Section 1.6.3(c))

- | | |
|----------|-----------|
| Option 1 | 1 percent |
| Option 2 | 5 percent |
| Option 3 | 8 percent |

Suboption under all options (from Section 1.6.3(f)) - Reduce cap to 0.5 percent if the GHL (or TAC) exceeds 400 million pounds

Bering Sea *C. bairdi* (from Section 1.6.3(c))

- | | |
|----------|-----------|
| Option 1 | 1 percent |
| Option 2 | 5 percent |
| Option 3 | 8 percent |

Pribilof blue king crab (from Section 1.6.3(c))

- | | |
|----------|-----------|
| Option 1 | 1 percent |
| Option 2 | 5 percent |
| Option 3 | 8 percent |

Pribilof red king crab (from Section 1.6.3(c))

- | | |
|----------|-----------|
| Option 1 | 1 percent |
| Option 2 | 5 percent |
| Option 3 | 8 percent |

St. Matthew blue king crab (from Section 1.6.3(c))

- Option 1 1 percent
- Option 2 5 percent
- Option 3 8 percent

Aleutian Islands brown king crab (from Section 1.6.3(d))

Separate Subdistricts

Eastern (Dutch Harbor)

- Option 1 10 percent to 40 percent

Suboption

No initial allocations over the cap - reallocation to other qualified persons:

- i) equally
- ii) proportionally

Western (Adak) brown king crab

- Option 1 10 percent to 40 percent

Suboption

No initial allocations over the cap - reallocation to other qualified persons:

- i) equally
- ii) proportionally

Combined Subdistricts - GHL Split

- Option 1 10 percent to 40 percent

Suboption

No initial allocations over the cap - reallocation to other qualified persons:

- i) equally
- ii) proportionally

Western Aleutian Islands (Adak) red king crab (from Section 1.6.3(e))

- Option 1 10 percent to 30 percent

Issue 2 **Use caps** - (from Section 1.7.4)

Option 1 - if selected must select from both A and B

A. Based on historical harvests

- i. Fleet average percent of catch (from Section 1.7.4, Option 1(a))
- ii. Highest single vessel percentage of catch (from Section 1.7.4, Option 1(b))

B. Time period for historical harvests

- i. IFQ qualifying years
- ii. IFQ qualifying years plus years through final Council action

Option 2 No use caps ((from Section 1.7.4, Option 2))

Issue 3 **Limits on Vertical Integration** (from Section 1.6.4)

- Option 1 No controls on vertical integration (from Section 1.6.4, Option 1)
- Option 2 Caps (selected from the list below) with initial allocations in excess of the cap grandfathered (from Section 1.6.4, Option 2)
- A. 1 percent
 - B. 5 percent
 - C. 8 percent

Suboptions (must select one if Option 2 is selected)

Caps are applied on

- 1. an individual and collective basis (as in the halibut and sablefish IFQ program)
 - 2. a threshold ownership basis (similar to the AFA ownership criteria) with common ownership thresholds used to determine if companies are considered to be the same entity. The ownership thresholds under consideration are:
 - A. 10 percent
 - B. 25 percent
 - C. 50 percent
- Option 3 Holders of PQS cannot own harvester QS in addition to the harvester QS received in the initial allocation (from Section 1.6.4, Option 3)

Use of IFQs - Applies to Harvester Only IFQ, Two-Pie IFQ, and Voluntary Cooperative

Issue 1 **Catch Accounting and Overages** - Provisions Applicable to All Programs - (from Section 1.7.3)

Provisions without Options

All landings including deadloss are counted against IFQs (or cooperative allocation) (from Section 1.7.3)

Options

Catch Accounting (from Sections 1.7.3 and 6.1, 13))

- Option 1 No discards of legal crab allowed and sufficient IFQs for any crab harvested (from Section 1.7.3, Option 1)
- Option 2 No discards of "marketable" *C. opilio* and sufficient IFQs for any crab harvested (from Section 1.7.3, Option 2) (if this option is selected a definition of the term "marketable" must also be provided)
- Option 3 No discards of *C. opilio* with a carapace of 4 inches or greater in width (from Section 1.7.3, Option 3)
- Option 4 Allow discards of incidentally caught crab (e.g., allow discards of *C. bairdii* caught in the red king crab fishery. Should consider the impacts that disallowing this practice would have on persons who do not hold IFQ for all the species they may catch in a directed fishery) (from Section 1.7.3, Option 4)

- Option 5 Request ADF&G and BOF to address concerns of discards, highgrading, incidental catch, bycatch reduction, and in season monitoring to coincide with rationalization (from Section 1.7.3, Option 5)

Issue 2 **Overages** (from Section 1.8.2)

Subissue 1

Allowances over quota held

- | | |
|----------|---|
| Option 1 | 1 percent (from Section 1.8.2(a), Option 1) |
| Option 2 | 3 percent (from Section 1.8.2(a), Option 2) |
| Option 3 | 5 percent (from Section 1.8.2(a), Option 3) |

Subissue 2

Deductions for overages from following year's IFQs will be

- | | |
|----------|---|
| Option 1 | the same amount as the overage (from Section 1.8.2(b), Option 1) |
| Option 2 | twice the amount of the overage (from Section 1.8.2(b), Option 2) |

Issue 3 **Harvest Sector IFQs**

Provisions Applicable to Harvester Only IFQ

Provisions without Options

Harvest sector allocations of QS and IFQ will be categorized as

1. catcher vessel shares (from Section 1.3.2(a))
2. catcher/processor shares (from Section 1.3.2(b)) - Catcher/processor shares shall be granted for crab that were both harvested by and processed on a vessel and will confer a right to both harvest and process the crab on board (from Section 1.3.2)

(Note: Catcher/processor issues are included as separate item below)

Provisions Applicable to Two Pie IFQ and Voluntary Cooperative Program

Provisions without Options

Processor Delivery Categories for catcher vessel shares- Two types of processing shares will be allocated

1. Class A IFQs, must be delivered to processors (including catcher/processors) with sufficient unused IFQs (from Sections 1.3.3(a) and 1.7.1(a))
2. Class B shares, deliverable to any processor (including catcher/processors) (from Sections 1.3.3(b) and 1.7.1(b))

(Note: Catcher/processor issues are included as separate item below)

Processing Sector Elements - Applicable to Two Pie IFQ and Voluntary Cooperative Program

Issue 1 Fisheries to Include in Processing Program

Options

Fisheries for which PQS will be distributed (from Section 2.2.1)

Bristol Bay red king
Eastern Aleutian Islands (Dutch Harbor) brown king
Western Aleutian Islands (Adak) brown king
Bering Sea opilio (snow)
Bering Sea bairdi (Tanner)
Pribilof red king
Pribilof blue king
St. Matthew blue king
Eastern Aleutian Islands bairdi (Tanner)
Western Aleutian Islands bairdi (Tanner)
Eastern Aleutian Islands (Dutch Harbor) red king
Western Aleutian Islands (Adak) red king

Issue 2 Percentage of the TAC/GHL for which PQS (and Class A harvest shares) are distributed (from Section 2.4). Note that any unallocated portion of the TAC/GHL will be open delivery

Option 1	100 percent of the TAC/GHL (from Section 2.4.1, Option 1)
Option 2	90 percent of the TAC/GHL (from Section 2.4.1, Option 2)
Option 3	80 percent of the TAC/GHL (from Section 2.4.1, Option 3)
Option 4	70 percent of the TAC/GHL (from Section 2.4.1, Option 4)
Option 5	0 percent of the TAC/GHL - no processor quota (from Section 2.4.1, Option 5)

Issue 3 Initial Allocation of Processor Shares

Provisions without Options

Processor Eligibility for an Allocation (from Section 2.1)

Processors (including catcher/processors) that are US corporations or partnerships that processed crab from a fishery included in the rationalization program in either 1998 or 1999

Calculation of Processor Allocations (from Section 2.3)

Allocations are on a fishery basis and are based on a processor's aggregate pounds purchased in the qualifying years divided by the aggregate of all pounds purchased by eligible processors in the qualifying years

Implementation of the Processor Share Program (from Section 2.5)

Processors must hold unused IFQ for purchases of crab harvested with Class A harvest shares. Any processor may purchase crab harvested with Class B harvest shares.

Transferability of Processing Shares (from Section 2.6)

1. Processing quota shares and IPQs are fully transferable (including leasing)
2. IPQs may be used by any facility of the processor holding those shares (without transfer or lease)

Issue 4 **Processor Qualifying Years** (from Section 2.3) - can select from different options for different fisheries

Fisheries with multiple qualifying year options

Bristol Bay red king

- Option 1 1997 - 1999 (from Section 2.3, Option 1)
- Option 2 1996 - 2000 (best 4 seasons) (from Section 2.3, Option 2)
- Option 3 1996 - 2001 (best 5 seasons) (from Section 2.3, Option 2, Suboption)

Bering Sea opilio (snow)

- Option 1 1997 - 1999 (from Section 2.3, Option 1)
- Option 2 1996 - 2000 (best 4 seasons) (from Section 2.3, Option 2)
- Option 3 1996 - 2002 (best 6 seasons) (from Section 2.3, Option 2, Suboption)

Eastern Aleutian Islands (Dutch Harbor) brown king

- Option 1 1996/7 - 1998/9 (from Section 2.3, Option 1)
- Option 2 1996/7 - 2000/1 (best 4 seasons) (from Section 2.3, Option 2)
- Option 3 1996/7 - 2001/2 (best 5 seasons) (from Section 2.3, Option 2)

Western Aleutian Islands (Adak) brown king

- Option 1 1996/7 - 1998/9 (from Section 2.3, Option 1)
- Option 2 1996/7 - 2000/1 (best 4 seasons) (from Section 2.3, Option 2)
- Option 3 1996/7 - 2001/2 (best 5 seasons) (from Section 2.3, Option 2)

Western Aleutian Islands (Adak) red king

- Option 1 1992/3 - 1995/6 (from Section 2.3, Option 1, Option A)
- Option 2 based on Western Aleutian Islands (Adak) brown king allocation (from Section 2.3, Option 1, Option B)

Suboption

0 percent to 50 percent of the processor allocation will be made to the community of Adak (from Section 2.3, Option 1, Option C)

Fisheries with single qualifying year option

Bering Sea bairdi (Tanner)

- Option 1 50/50 split of Bristol Bay red king and Bering Sea opilio (from Section 2.3, Option 1)

Pribilof red king

- Option 1 1996 - 1998 (from Section 2.3, Option 1)

Pribilof blue king

- Option 1 1996 - 1998 (from Section 2.3, Option 1)

St. Matthew blue king

- Option 1 1996 - 1998 (from Section 2.3, Option 1)

Issue 5 **Recipient of Allocation**

- Option 1 Buyer of record on the ADF&G fish ticket (from Section 2.3, Options 1 and 2)
- Option 2 The buyer of the crab, if that buyer is determined to be an entity other than the entity identified on the ADF&G fish ticket (from Section 2.3, Option 4)

Suboption (from Section 2.3, Option 3)

If an eligible processor is not longer active in the crab fisheries, no allocation is made to that processor and the corresponding harvest shares will be Class B shares with a regional designation (if selected must define when a processor is "no longer active")

Issue 6 **Ownership and Use Caps on Processing Shares** (from Section 2.7)

Subissue 1

Ownership Caps (from Section 2.7.1)

Ownership cap will be:

- Option 1 maximum share allocation in the fishery (from Section 2.7.1, Option 2)
- Option 2 maximum share allocation in the fishery plus 5 percent (from Section 2.7.1, Option 1)
- Option 3 maximum share allocation in the fishery plus 10 percent (from Section 2.7.1, Option 1)
- Option 4 maximum share allocation in the fishery plus 15 percent (from Section 2.7.1, Option 1)
- Option 5 select a cap between the average and maximum allocation with initial allocations grandfathered (from Section 2.7.1, Option 3)

Different caps may be chosen for each fishery included in the rationalization program.

Caps are applied on:

- Option 1 an individual and collective basis (as in the halibut and sablefish IFQ program)
- Option 2 a threshold ownership basis (similar to the AFA ownership criteria) with ownership thresholds to determine entities to be selected from the three options below. Caps are on a company basis with ownership linkages determined by the common ownership threshold (from Section 2.7.1)
 - A. 10 percent
 - B. 25 percent
 - C. 50 percent

Subissue 2

Use Caps (from Section 2.7.2)

Annual use caps on a company basis of

- Option 1 30 percent to 60 percent of the TAC/GHL
- Option 2 the largest PQS holding in the fishery at the time of initial allocation

Subissue 3

Additional Options

Penalties (from Section 2.8.2)

Processors that do not use IPQs will lose the amount that is unused in the next season

Unused and lost quota will be redistributed

- A. to other processors proportionally (from Section 2.8.2 (a), Option 1)
- B. to other processors equally (from Section 2.8.2(a), Option 2)
- C. as Class B open delivery shares (from Section 2.8.2(a), Option 3). If allocated to open delivery shares, Class A IFQs will be reclassified as Class B IFQs
 - 1. proportionally among all Class A QS holders (from Section 2.8.2(a), Suboption 1(a))
 - 2. equally among all Class A QS holders (from Section 2.8.2(a), Suboption 1(b))
 - 3. harvesters holding Class A shares that were not processed would have them be classified as Class B shares the next year (from Section 2.8.2(a), Suboption 1(c))
 - 4. Reclassified harvest shares will retain their regional designation (from Section 2.8.2(a))

Suboption - Include a hardship provision for processors that do not use IPQs (from Section 2.8.2(b))

Regionalization - applies to any program

Provisions Without Options

Two regions are proposed, which would be used to classify harvesting and (if adopted) processing shares

- A. Northern Region - All areas on the Bering Sea north of 56°20' N latitude
- B. Southern Region - All areas on the Bering Sea south of 56°20' N latitude and all areas on the Gulf of Alaska (from Sections 1.3.4, 2.2.2, and 3.1)

All PQS allocated to shore base processors (including floating processors) are categorized by region (from Section 3.2.3)

Harvest and processing shares that are regionally designated cannot be reassigned to another

region (from Section 3.2.4) (Note: option for processors to buyout of regional designation from a community would override this option)

Crab harvested with IFQs designated for a region must be delivered to a processing facility in that region for processing (from Section 3.3(a))

Crab purchased with IPQs designated for a region must be processed within that region (from Section 3.3(b))

PQS and IPQs categorized for a region cannot be transferred to a processor for use outside that region (from Section 2.6(c))

Issue 1

Qualifying Years

- Option 1 Qualifying years for regionally categorizing shares
- A. 1995 - 1999 (from Section 3.2.1, Option 1)
 - B. 1995 - 1997 (from Section 3.2.1, Option 2)
- Option 2 The base years for determining
- A. the allocation of processing shares that will be used for determining the regional designation of processing shares
 - B. the allocation of harvest shares that will be used for determining the regional designation of harvest shares

An adjustment will be made to harvest shares to make the regional allocation of harvest shares the same as the regional allocation of processing shares.

The adjustment will be applied only to shares allocated to harvesters that made deliveries to both regions in the qualifying period on a pro rated basis

Class B allocations will not be included in the adjustment (from Section 3.2.5)

Suboptions

Modification of Regional Allocations

- A. No designation will be made to a region when the allocation would be less than 0 percent to 8 percent (from Section 3.2.1, Option 3)
- B. No regional designation in the Bering Sea bairdi fishery (from Section 3.2.1, Option 3)
- C. No regional designation in the Bristol Bay red king crab fishery (Section 3.2.1, Option 3)
- D. All Pribilof red king crab will be designated to the Northern region (from Section 3.2.1, Option 3)
- E. All Pribilof blue king crab will be designated to the Northern region (from Section 3.2.1, Option 3)
- F. Create Eastern and Western regions and require that 0 percent to 50 percent of the Western Aleutian Islands brown king crab fishery will be designated for

delivery and processing west of 174° W longitude (in the Western region)

- G. Create Eastern and Western regions and require that 0 percent to 50 percent of the Western Aleutian Islands red king crab fishery will be designated for delivery and processing west of 174° W longitude (in the Western region)

Issue 2 **Provisions Applicable to the Harvest Sector**

Regional designation of shares

- Option 1 All catcher vessel shares will be regionally designated (from Sections 3.2.2, Option 1 and 3.2.3, Option 2)
- Option 2 Only Class A catcher vessel shares will be regionally designated (from Section 3.2.2, Option 2)

Issue 3 **Alternative Regionalization/Community Protection Option** - (from Sections 3.4 and 6.1, 6))

- A. Processing allocations will have community designations.
- B. Processing can leave a community only with agreement of the community. Agreements must be filed with the Secretary of Commerce 30 days prior to moving the quota.

Suboptions

- 1. Allocations will be designated for a community, only if the total designated processing to the community exceeds 0 percent to 8 percent of the species
- 2. In closed fisheries, community allocations will be based on processor option 1 in section 2.3 (from Section 3.4)

Options to be evaluated through a trailing amendment - **A preferred alternative for this section does not need to be identified at the June meeting**

Under this option, processor quota shares are subject to regional designations as set forth in Section 3.1, 3.2 and 3.3. A processing quota share holder may switch processor quota from one region to another region (on an annual or permanent basis) by compensating the community that is impacted by that change. A processor must provide compensation only if it switches from one region to another region. A change in location of processing within a region does not require compensation to a community. Compensation for a permanent departure from a region is only required one time; a subsequent change to another region does not require further compensation by the processing share quota owner. A switch of the region of processing under this option would include the following elements:

- a. This option does not displace the regional designation of Class A shares or the processing of quota delivered under Class A shares. It instead provides an option for the delivery and processing of quota from Class A shares using IPQ into a different region upon compensation (in a manner and form acceptable to the effected community) to switch to another region.
- b. The community to be compensated would be determined by the community that received the raw fish tax associated with the IPQ being transferred. The options for determining the community include:
 - A. The community to which the raw fish tax was paid in 1, 2, 3 or 4 years prior to the proposed transfer;
 - B. The community to which the raw fish tax was paid in the period used to determine eligibility for the issuance of IPQ;

- C. The community to which a majority of the raw fish tax was paid in the period designated in A or B above.
- c. The processor that pays the compensation to the community may designate the harvester that also is allowed to switch from the original region to another region. The harvester is free to accept or reject that designation.
- d. The option applies only to IPQ and corresponding Class A shares. It does not apply to any processing of Class B shares nor to Class B shares themselves.
- e. The entity entitled to negotiate on behalf of the community shall be designated by one of the following: The State of Alaska or the United States Department of Commerce.

Catcher/Processor Elements - Applies to Harvester Only IFQ, Two Pie IFQ, and Voluntary Cooperative Program (must select either Option A or Option B)

Option A Catcher/Processors Are Allocated Catcher/Processor Shares

Provisions that include no other options

Harvest sector allocations of QS and IFQ will be categorized as

- 1) catcher vessel shares (from Section 1.3.2(a) and 1.7.2.1)
- 2) catcher/processor shares (from Sections 1.3.2(b) and 1.7.2.1.1)

Catcher/processor shares shall be granted for crab that were both harvested by and processed on a vessel and will confer a right to both harvest and process the crab on board (from Section 1.3.2)

Note: If Option A is selected, catcher/processers meeting the processor eligibility requirements could be allocated processing shares for crab processed by the catcher/processor that was caught by catcher vessels under Section 1.7.2.2

Except as specifically permitted by other options:

- 1) If applied in a **harvester only IFQ program** this would permit processing on board only for allocations of catcher/processor shares
- 2) If applied in a **two pie IFQ or voluntary cooperative program** catcher/processor shares would include a harvest privilege and an on board processing privilege

Issue 1 Eligibility for an Allocation of Catcher/Processor Shares

Option Only catcher processors that both caught and processed crab in 1998 or 1999 are eligible for catcher/processor shares (from Section 1.7.2.3, Option 5) (Note: if this option is not selected all vessels qualified for a harvest allocation would receive catcher processor shares for qualified catch that was both harvested by and processed on the vessel)

Issue 2 Processor Share Transfer Options

- Option 1 Catcher/processers shall be allowed to sell catcher/processor shares to shore based processors (including floating processors) (from Section 1.7.2.4(c)).
By assumption, harvest and processing privileges could be divided and sold separately
- Option 2 Catcher/processers are prohibited from purchasing PQS from shore based processors (including floating processors) but may purchase PQS from

catcher/processors (from Section 1.7.2.3, Option 1)

- Option 3 Catcher/processors are allowed to purchase PQS from shore based processors but must process crab purchased with those shares within 3 miles of shore in the designated region (if applicable) (from Section 1.7.2.3, Option 2)

Note: Only one of Options 2 and 3 can be selected

Issue 3 **Use of Catcher/Processor Shares** - provisions include no options

- A. Crab harvested with catcher/processor shares may be delivered processed or unprocessed. Unprocessed crab harvested with catcher/processor shares may be processed on board or delivered to any processor. (from Section 1.7.2.3, Option 4)
- B. Crab harvested with shares that are delivery restricted (Class A shares) may be delivered to any processor that holds unused IPQs (from Section 1.7.2.3, Option 4(a)). **This applies to any catcher vessel shares allocated to catcher/processors for catch that was not processed and to any Class A catcher vessel shares purchased by catcher processors**
- C. Unprocessed crab may be sold to any processor if harvested with Class B shares, which do not require processor IPQs (from Section 1.7.2.3, Option 4(b))

Issue 4 **Regionalization Options** - applicable only if regionalization is adopted - any combination of these options may be selected

- Option 1 Catcher/processors shares will not be regionally or community designated (from Section 1.7.2.3, Option 6)
- Option 2 When catcher/processor shares are sold to shore based processors, the harvest share and processing share will be separated and both become designated by region (from Sections 1.7.2.4 (b) and (d)) **How the regional classification is determined must be specified**
- Option 3 Harvest shares purchased by catcher/processors will retain their regional or community designation (from Section 1.7.1(d))

Issue 5 **Purchases of Harvest Shares by Catcher/Processors**

- Option 1 Catcher/processors are not permitted to use purchased class B IFQs (from Section 1.7.1(e))
- Option 2 Catcher/processors may purchase additional catcher vessel harvest shares but must hold unused IPQs to process crab harvested with those shares (from Section 1.7.2.3, Option 3)

Option B **Catcher/Processors Are Allocated Separate Harvest Shares and Processing Shares**

Provisions that include no other options

Eligible catcher/processors receive Class A and Class B harvest shares in the same manner as catcher vessels (from Section 1.7.2.1)

Eligible catcher/processors receive processing shares based on processing history (from Section 1.7.2.2)

Issue 1 Processing Quota Transfer Options

- Option 1 Catcher/processers shall be allowed to sell PQS to shore based processors (including floating processors) (from Section 1.7.2.4(a))
- Option 2 Catcher/processers are prohibited from purchasing PQS from shore based processors (including floating processors) but may purchase PQS from catcher/processers (from Section 1.7.2.3, Option 1)
- Option 3 Catcher/processers are allowed to purchase PQS from shore based processors but must process crab purchased with those shares within 3 miles of shore in the designated region (if applicable) (from Section 1.7.2.3, Option 2)

Note: Only one of Options 2 and 3 can be selected

Issue 2 Use of Shares by Catcher/Processors - provisions include no options

- A. Catcher/processers may sell processed or unprocessed crab (from Section 1.7.2.3, Option 4)
- B. Unprocessed crab may be sold to any processor if harvested with Class B shares, which do not require processor IPQs (from Section 1.7.2.3, Option 4(b)). Crab harvested with shares that are delivery restricted (Class A shares) may be delivered to any processor that holds unused IPQs (from Section 1.7.2.3, Option 4(a)).
- C. Crab may be processed only if the catcher/processor holds unused IPQs (from Section 1.7.1(a)) This provision would permit catcher/processers to process any crab harvested with Class B shares and any crab harvested with Class A shares for which it holds IPQs

Issue 3 Regionalization Options - applicable only if regionalization is adopted - any combination of these options may be selected

- Option 1 Harvest allocations to catcher/processers will **not** be regionally or community designated (from Section 1.7.1(c))
- Option 2 Harvest shares purchased by catcher/processers will retain their regional or community designation (from Section 1.7.1(d))

Issue 4 Purchases of Harvest Shares by Catcher/Processors

- Option 1 Catcher/processers are **not** permitted to use purchased class B IFQs (from Section 1.7.1(e))
- Option 2 Catcher/processers may purchase additional catcher vessel harvest shares but must hold unused IPQs to process crab harvested with those shares (from Section 1.7.2.3, Option 3)

Additional Provision (could be applied in any program)

Option

Require owners of catcher/processor vessels to pay a fee equivalent to the tax that would have been imposed had the catcher/processers operated in State waters.

Voluntary cooperative provisions - Applies only to the voluntary cooperative - all provisions that apply to other programs are incorporated into other sections (from Section 6.1)

Issue 1 **Harvesting and processing allocations**

Individual harvesting and processing histories are issued to both harvesters and processors which meet program qualifications. Options for allocations are common with individual quota programs (from Section 6.1, 1))

Issue 2 **Formation of cooperatives**

Cooperatives may be formed through contractual agreements among fishermen who wish to join into a cooperative with one or more processors holding processor history for one or more species of crab. (Section 6.1, 2))

Options

Option 1 There must be at least 2 or more unique vessels/owners to form a cooperative with a processor. (Section 6.2.3, 3))

Option 2 There must be at least 4 or more unique vessels/owners to form a cooperative with a processor. (Section 6.2.3, 3) Suboption)

Issue 2 **Operation of the cooperative**

A. Fleet consolidation within this cooperative may occur either by internal history leasing and vessel retirement or by history trading within the original cooperative or to a different cooperative. (Section 6.1, 2))

B. Custom processing would continue to be allowed within this rationalization program. (Section 6.1, 5))

Issue 3 **Duration of cooperative agreements** (select one option) (from Section 6.1, 8))

Option 1 2 years

Option 2 4 years

Option 3 6 years

Suboption A harvester quota shareholder may exit the cooperative at any time after one season. One season shall mean the season established by the Alaska Board of Fisheries for the fishery associated with the quota shares held by the harvester.

Issue 4 **Processor Entry**

New processors may enter the fishery by acquiring processor history from an initial issuee. Cooperative formation with a new processor lacking processing history requires the new processor to offer both an adequate payment to the vessel and to the originating plant where the prior processing history resided. (Section 6.1, 4)) Note: this does not preclude harvesters from selling crab caught with Class B shares to any processor (including those that do not hold IPQs) This provision only affects whether the processor can associate with a cooperative.

Issue 5 **Regionalization and the Alternative Regionalization/Community Protection Option** (Section 6.1 6 and 7)).

Options can be applied to all program options and appear in the general section on regionalization.

Issue 6 **Additional provisions** (from Section 6.1, 11), 12), and 13))

Additional provisions, including skipper and crew protections and catch accounting and length of program provisions can be applied to all program options. These options are discussed in general sections under the appropriate headings.

Plurality cooperative provisions - Apply only to plurality cooperative - all provisions that apply to other programs are incorporated into other sections

Issue 1 **Formation of cooperatives** (under Section 6.2.1).

Provisions without options

- a. There would be one cooperative formed with each eligible crab processor. (Section 6.2.1.A.)
- b. Cooperatives would be formed with the processor at the company level, not the plant level. (from Section 6.2.1.A)
- c. Two or more vessels are sufficient to form a cooperative (Section 6.2.1.A)
- d. The cooperative would handle all species of crab (Section 6.2.1.A)
- e. Each crab vessel is eligible to join only one cooperative. Which cooperative the vessel is eligible to join is determined based on which eligible processor that vessel delivered the highest pounds of crab to during the processor qualifying period. (Section 6.2.1.C) Each vessel's catch history is determined using the formulas identified for calculation of initial quota shares selected under section 1.4. (Section 6.2.1.E)
- f. Vessels that join a cooperative will have their catch history earned during the vessel qualifying period protected. A vessel that does not elect to join in the cooperative for which it is eligible remains under an open access fishery (their catch history is not protected) (Section 6.2.1.D)
- g. A cooperative agreement would be filed annually with the Secretary of Commerce, after review by the Council, before a cooperative's catch history would be set aside for their exclusive use. The processor and each boat that is eligible and elects to join the cooperative must sign the agreement. Only the histories of those boats that sign will be protected (Section 6.2.1.F)
- h. Crab processor eligibility would be determined using the qualifying period identified for the allocation of initial IPQs (Section 2.1). In that section an eligible processor, including C/P as revised in 1.7.2.3 option 5, is a U.S. Corporation or partnership (not individual facilities) that processed crab for any crab fishery included in the cooperative program (species are identified in the harvester options) during 1998 or 1999 (Section 6.2.1.B)

Issue 2 **Operation of the cooperatives** (under Section 6.2).

Provisions without options

The cooperative is responsible for allocating fishing quotas for each species of crab to the cooperative members. Each vessel is entitled to one vote, and decisions will be made by majority vote unless otherwise agreed to by the cooperative members (Section 6.2.2.A)

Options

- a. The processor with which the cooperative is formed gets (select either Option 1 or 2)
- Option 1 first right of refusal for all crab harvested by cooperative members, with cooperative free to deliver crab to another eligible processor if no agreement is reached; or
- Option 2 a guaranteed amount of cooperative crab to be delivered, with the amount ranging from 10% to 100% (select a percentage from the range), the remainder of which can be delivered by the cooperative to either (one option must be selected)—
- (1) any eligible processor, or
 - (2) any processor, eligible or not (i.e., new entrant allowed) (Section 6.2.2.B).
- b. Select any or all of the following options
- Option 1 If the processor buys the cooperative crab, it may process the crab itself or may arrange to have it processed by any other crab processor (i.e., the processor acts as broker for cooperative crab it does not wish to process). (Section 6.2.2.C)
- Option 2 In the alternative, the processor may elect to have the cooperative act as its own broker for crab the processor does not wish to buy, with the cooperative free to either sell the crab to another processor or allow individual vessels to make arrangements on their own. (Section 6.2.2.D)
- Option 3 Cooperatives may arrange to swap, purchase, or trade deliveries of crab by mutual agreement of the cooperatives concerned. (Section 6.2.2.E)

Issue 3 Movement of Vessels Between Cooperatives

Options (select one of the three options). (from Section 6.2.3.A)

- a. Vessels are free to transfer between coops once each year, with agreement of the cooperative to which they are moving. Vessel catch history goes to new cooperative
- b. Vessels may move to a new cooperative after spending one year in the open access fishery. Cooperative must agree to entry of new vessel. Vessel catch history is not protected in open access, but is restored upon entering new cooperative
- c. Vessels may only leave cooperative with agreement of the processor. Catch history only goes with vessel if processor agrees.

Suboption Vessels that did not join a cooperative in the first year coops are formed may join the cooperative of the processor to which they delivered the highest pounds of crab in the previous year after spending one year in the open access fishery. (Section 6.2.3.B)

Issue 4

Additional Provisions

Option

Require owners of catcher/processor vessels to pay a fee equivalent to the tax that would have been imposed had the catcher/processors operated in State waters.

CDQ allocations - based on existing CDQ program (from Section 3.4.4)

Options (select one of Options 1 to 4)

- Option 1 No change from the existing program
- Option 2 Expand existing program into all crab fisheries under this analysis
- Option 3 Increase for all crab species to 10%
- Option 4 Increase for all species to 12.5%
- Suboption* For the AI brown crab fishery, the percentage of the resource not utilized (difference between the actual catch and the GHL) during the base period is allocated to the community of Adak.

Program duration and review (from Section 3.4, 5) and Section 6.2, 11))

- Option 1 Program review after 2 years and every 3 years thereafter to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. (Section 3.4, 5) Option 1)
- Option 2 Program review every years to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. (Section 3.4, 5) Option 2)
- Option 3 No program review (from Section 3.4, 5) Option 3)
- Option 4 Sunset in 5 to 7 years (Select specific number of years) (from Section 3.4, 5) Option 4 and Section 6.1, 11) Option 1)
- Option 5 Program review to objectively measure the success of the program by addressing concerns identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. (Select one or both suboptions)
 - Suboption 1* Program review after 2 years
 - Suboption 2* Program review every 3 years(from Section 6.2, 11))

Skipper and crew allocations and use provisions (from Section 1.8) (select any or all options)

Option A Allocation of Harvest Shares to Skippers and/or Crew

A. Percentage of total harvest initial allocations to captains and/or crew - any percentage within the range that is analyzed may be selected

- Option 1 0 percent
- Option 2 10 percent
- Option 3 20 percent

B. Fisheries included - Crew shares would be issued for any BSAI crab species allocated to harvesters under this program

C. Eligibility for an allocation

Basis for Eligibility

- Option 1 Determined on a fishery by fishery basis by
 - A. having at least one landing in the qualifying years used by the vessels and
 - B. having recent participation in the fishery as defined by at least one landing per year in the fishery in the last two years prior to adoption of a rationalization program by the Council.
- Option 2 Eligibility is determined by a point system modeled after that used by the State of Alaska in SE Alaska for limited entry in the Dungeness, King, and Tanner crab fisheries there.

Persons eligible for the program

- Option 1 Skippers only
- Option 2 All crew

Qualification Period

Same years used to determine the harvester IFQ allocation

Basis for the Distribution

Distribution to Skipper:

- Option 1 Shares based on landings (personal catch history based on ADF&G fish tickets).
- Option 2 Shares distributed equally among qualified participants.
- Option 3 Distribution based on a point system
- Option 4 A mix of one or more of the above, with a range of 0-50% distributed equally and the balance based on landings and/or points

Distribution for All Crew:

- Option 1 Shares distributed equally among qualified participants.
- Option 2 Distribution based on a point system
- Option 3 A mix of one or more of the above, with a range of 0-50% distributed equally and the balance based on points

Transferability of Shares

Sale of QS

- | | |
|----------|---|
| Option 1 | QS is fully transferrable |
| Option 2 | QS is only transferrable to active participants |

IFQ leasing

- | | |
|----------|---|
| Option 1 | IFQ is fully leasable |
| Option 2 | IFQ is only leasable to active participants |
| Option 3 | IFQ is leasable to smaller, distant fisheries (i.e., St. Matthew, Pribilof, and Adak king crab) |
| Option 4 | No leasing of IFQ |

Use Requirement

Use it or lose it: would apply to all crew with a one year hardship provision. If the skipper/crew QS holder does not maintain active status in the fishery they would be required to transfer their QS to another active participant in the fishery. An active participant is defined by participation in at least one delivery in a crab fishery included in the proposed rationalization program in the last year as evidenced by ADF&G fish ticket or affidavit from the vessel owner.

Skipper/Crew Onboard Requirements

- | | |
|----------|--|
| Option 1 | No onboard requirement for skipper/crew QS |
| Option 2 | Initial issues of QS would not be required to be onboard the vessel, subsequent transferees would be required to be onboard the vessel when harvesting QS. |
| Option 3 | Requirement for skipper/crew to be onboard vessel when harvesting QS. |

A crewman is defined as a US citizen who held a commercial fishing landings permit or crew license during the qualifying period

Option B First Right of Refusal on Quota Share Transfers

A percent of initially issued QS would be designated as crew shares, these shares would remain as a separate class of QS. Transfer of initially issued QS must include transfer of the designated percentage of shares to crew for which there will be a first right of refusal for eligible crew to buy. The owner of the QS being offered for sale would have to give notice to NMFS RAM division of the impending sale. RAM in turn could then notify the fleet of the available QS. After this initial transfer crew QS will be available for transfer to any active participant in the fishery.

Percent of shares designated as crew shares:

Options 0 percent to 20 percent

Timing of first right of refusal

Options 1 to 3 months

Eligibility of a U.S. citizen to purchase crew shares would be defined by participation in at least one delivery in the subject crab fishery in the last year as evidenced by ADF&G fish ticket or affidavit from the vessel owner.

If a qualified buyer cannot be found then 50% of the 0-20% crew QS offered for sale would have to be gifted to a pool available to qualified buyers and the remaining 50% of the 0-20% could then be offered for sale on the open market to any buyer. The crew pool of QS would be overseen by RAM. The proceeds from the sale of this QS by auction to the highest qualified bidder would go into a dedicated low interest loan program for crew.

Option C Protection of Historic Crew Shares

Protection of traditional and historical crew share percentages with no sunset based on the Canadian Groundfish Development Authority Code of Conduct.

Option D Low Interest Loan Program

A low-interest rate loan program for skipper and crew purchases of QS would be established or made part of the existing loan program for IFQ purchases.

Option E Owner On Board Option

A portion (range of 5-50%) of the quota shares initially issued to fishers / harvesters would be designated as "owner on board."

Percentage of shares designated as owner on board
Options 5 percent to 50 percent

All initial issuees (individual and corporate) would be grandfathered as not being required to be aboard the vessel to fish shares initially issued as "owner on board" shares

Shares transferred to initial issuees in the first (range of 3-7 years) of the program would be considered the same as shares initially issued

Grace period for transfer of shares
Options 3 years to 7 years

"owner on board" shares transferred by initial issuees, after the grace period, would require the recipient to be aboard the vessel to harvest the IFQ/ITQ

In cases of hardship (injury, medical incapacity, loss of vessel, etc.) a holder of "owner on board" quota shares may, upon documentation and approval, transfer / lease his or her shares for the term of the hardship / disability or a maximum of (Range 1-3 years)

Maximum term of hardship
Options 1 year to 3 years

Shares issued to CDQ groups are exempt from owner on board requirements

Suboption (applicable only if both owner on board and first right of refusal option are adopted)

Any transfer of QS designated at initial allocation as "owner on board" quota would count against "1st refusal" requirement.

Binding arbitration

AFA sideboards - Applies to all program options

Issue 1 AFA Processing Sideboards

Option The crab processing caps enacted by Section 211(c)(2(A) of the AFA would be terminated (from Section 2.8.1)

Issue 2

AFA Harvester Sideboards

Option Eliminate AFA harvester sideboard caps upon implementation of the crab rationalization program (from Section 1.8.5)

Sideboards on participants in the rationalization program - Applies to all program options

Options will be evaluated through a trailing amendment therefore a preferred alternative does not need to be selected at the June meeting.

1. Non AFA vessels that qualify for QS in the rationalized BS C. opilio crab fishery would be limited to their historic catch using the qualifying years in selected in Section 1.4.2.1 for:
 1. GOA groundfish catch history (excluding sablefish)
 2. Inshore Pacific cod catch history in the GOA fisheries (with offshore Pacific cod exempt)
2. Sideboard exemptions would be considered for vessels that
 - A. had opilio landings in the qualifying years of:
 1. < 100,000 pounds
 2. < 70,000 pounds
 3. < 50,000 pounds
 4. < 25,000 pounds
 - B. had Pacific cod landings in the years 1995-99 of more than
 1. 100 mt
 2. 200 mt
 3. 500 mt
3. Prohibit vessels from participating in the GOA Pacific cod fishery that had total groundfish landings during the qualifying period of less than
 - A. 10 mt
 - B. 50 mt
 - C. 100 mt

Observer coverage - Applies to all program options (From Section 6.2, 10))

For crab vessels greater than 60 feet in length, maintain observer coverage at:

Option 1	Status quo
Option 2	10 percent
Option 3	20 percent
Option 4	30 percent

**Materials for the
North Pacific Fishery Management Council on the
Environmental Impact Statement for the
Fishery Management Plan for Bering Sea/Aleutian Island King and Tanner Crabs**

Lead Agency: National Marine Fisheries Service (NMFS)
Alaska Region, Juneau

In consultation with: North Pacific Fishery Management Council

Responsible Official: James W. Balsiger
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Contents

Introduction	1
Action Area	1
Purpose and Need for the Action	1
Scope of the EIS	3
Alternatives for the EIS	5
Summary of Public Scoping	6
Relevant Issues	8
Cooperating Agencies and Tribal Governments	17
Related NEPA Documents	17
Relationship of this action to other federal law and action	17
Preparation of the EIS	18
Organizational Structure of the EIS	19
Draft Outline and Deadlines	19

Introduction

This report provides the North Pacific Fishery Management Council (Council) with materials for making decisions for the Environmental Impact Statement (EIS) for the Fishery Management Plan for Bering Sea/Aleutian Island King and Tanner Crabs (FMP). The primary purpose of this report is to provide information to the Council in making its recommendations on the range of alternatives to be addressed in the EIS. It provides a preliminary purpose and need for the action, a description of the scope of the EIS, a summary of the comments received during the scoping public comment period, the environmental and socioeconomic issues identified during scoping and the Council process, and describe potential alternatives. Prior to drafting an EIS, the Council and NMFS must determine the precise nature and extent of the proposed action, the range of alternatives, the specific impacts to be evaluated, and the methods used to determine their evaluation.

This report includes excerpts on National Environmental Policy Act (NEPA) guidance from the Council on Environmental Quality (CEQ) regulations, The NEPA Book (Bass et al. 2001) and How to Write Quality EISs and EAs (The Shipley Group 1998). This information is provided to assist the Council and the public in understanding the NEPA requirements for an EIS and how the pieces of an EIS fit together. All excerpts are in *italics*. Using this guidance, we are asking the Council for input on each section to ensure that the EIS is progressing in a manner that the Council agrees with.

Action Area

The action area for BSAI crab fisheries effectively covers all of the Bering Sea under U.S. jurisdiction, extending southward to include the waters south of the Aleutian Islands west of 170°W. to the border of the U.S. Exclusive Economic Zone. These regions encompass those areas directly affected by fishing, and those that are likely affected indirectly by the removal of crab at nearby sites. The lack of important information on distribution and stock structure of target species confounds a clear and precise definition of the action area, but a review of areas fished by the crab fisheries suggests that virtually the entire Bering Sea and Aleutian Islands area, excluding the nearshore region (less than 50 meters in depth), is utilized by one fishery or another.

Purpose and Need for the Action

We are asking the Council to review and comment on this purpose and need for the proposed action.

NEPA Guidance: The statement of purpose and need helps the lead agency select the range of alternatives to be evaluated in the EIS. This section explains the underlying purpose and need to which the agency is responding in proposing the alternatives, including the proposed action (40 C.F.R. 1502.13), and the benefits that would be realized by carrying out the proposed action. Make your purpose and need an honest, full explanation of why the agency is considering an action. Explain who wants to do what and where and why they want to do it. If the purpose and need for the project are rigorously defined, the number of solutions which will satisfy the conditions can be more readily identified and narrowly limited. If properly described, it also limits the range of alternatives which may be considered reasonable, prudent, and practicable in compliance with the CEQ regulations. The federal agency's preferred alternative is the one that it believes would best fulfill the purpose and need of the action. (Bass et al. 2001, The Shipley Group 1998)

The Council is proposing a new management regime that rationalizes the crab fisheries in the Bering Sea and Aleutian Islands (BSAI). A rationalization program includes policies and management measures that would increase the economic efficiency of the BSAI crab fisheries by providing economic incentives to reduce excessive capital investment. This is accomplished through the establishment of transferable harvesting privileges or other market-based systems for allocating access to the fishery resources. Rationalization programs may provide additional opportunities to optimize the economic performance of fisheries and address conservation goals by providing opportunities to utilize fishing methods that reduce the bycatch and reduce gear conflicts. Rationalization programs may also reduce the incentive to fish during unsafe conditions. Rationalization programs frequently result in substantial changes to the existing management regime.

Problems facing the BSAI crab fisheries are excess capacity and the consequent race for fish and resource conservation and management problems. The race for fish exists because harvest capacity greatly exceeds the amount of crab available for harvest. Under the current management regime, each fishery is opened on a specific date with a specified harvest limit. Fishermen compete to harvest as much crab as they can before the harvest limit is reached and the fishery closes. This race for fish causes short, unprofitable seasons, resource and conservation problems, unsafe fishing conditions, and management difficulties. These problems are illustrated by the 2001 Bristol Bay red king crab regular commercial fishery in which 232 vessels caught 7.8 million pounds of crab in 3 days and 8 hours. Due to the management difficulties of determining the harvest of so many vessels in such a short amount time, the preseason guideline harvest level of 6.6 million pounds was exceeded by 1.2 million pounds. Some vessels fished during a storm, causing significant damage to 3 vessels and the loss of one human life at sea. The management tools in the existing FMP do not provide managers with the ability to effectively solve the excess harvesting capacity and resource allocation problems in the BSAI crab fisheries.

Given that the problems in the BSAI crab fisheries are due to overcapacity and the race for fish, the Council has determined that the institution of some form of rationalization program is warranted. The need for a rationalized crab management regime is explained in the Council's *BSAI Crab Rationalization Problem Statement*:

Vessel owners, processors and coastal communities have all made investments in the crab fisheries, and capacity in these fisheries far exceeds available resources. The BSAI crab stocks have also been highly variable and have suffered significant declines. Although three of these stocks are presently under rebuilding plans, the continuing race for fish frustrates conservation efforts. Additionally, the ability of crab harvesters and processors to diversify into other fisheries is severely limited and the economic viability of the crab industry is in jeopardy. Harvesting and processing capacity has expanded to accommodate highly abbreviated seasons, and presently, significant portions of that capacity operate in an economically inefficient manner or are idle between seasons. Many of the concerns identified by the NPFMC at the beginning of the comprehensive rationalization process in 1992 still exist for the BSAI crab fisheries. Problems facing the fishery include:

1. Resource conservation, utilization and management problems;
2. Bycatch and its associated mortalities, and potential landing deadloss;
3. Excess harvesting and processing capacity, as well as low economic returns;
4. Lack of economic stability for harvesters, processors and coastal communities; and

5. High levels of occupational loss of life and injury.

The problem facing the Council, in the continuing process of comprehensive rationalization, is to develop a management program which slows the race for fish, reduces bycatch and its associated mortalities, provides for conservation to increase the efficacy of crab rebuilding strategies, addresses the social and economic concerns of communities, maintains healthy harvesting and processing sectors and promotes efficiency and safety in the harvesting sector. Any such system should seek to achieve equity between the harvesting and processing sectors, including healthy, stable and competitive markets.

The purpose of the proposed action is to provide a management program that improves resource management, reduces excess capacity, and provides economic stability for harvesters, processors, and communities. The allocation of harvesting and possibly processing privileges would allow harvesters and processors to manage their operations in a more economically efficient manner since they no longer must compete with other users for a portion of the available resource. Rationalization of the harvesting sector eliminates the derby-style race for fish by providing economic incentives to consolidate, thus reducing capacity by decreasing the number of vessels participating in the fishery. The extent of this consolidation depends on efficiency differences across the fleet, how the rationalization program is set up, and what restrictions are placed on amassing shares. Shares are expected to be consolidated on the most efficient vessels, thus removing excess capital from the fishery and allowing remaining vessels to fish for a longer amount of time. With a guaranteed share of the catch, fishermen can choose when to fish depending on weather conditions, market considerations, and other factors.

Measurable conservation goals of a rationalization program are improved stock conservation through decreased bycatch and handling mortalities. Bycatch and handling mortalities would be reduced by improvements to fishing practices possible with longer seasons. A rationalization program may also include measures to provide full observer coverage, and prevent highgrading and increases in deadloss. Eliminating the race for fish is thought to decrease the potential for harvest limit overruns that can result from the difficulty of monitoring catches during short fishing seasons with many vessels participating. A reduction in fishing effort would also reduce the impacts of pot gear on benthic habitat. These conservation benefits would decrease the impacts of the crab fisheries on crab stock abundance and improve the effectiveness of the rebuilding plans.

Scope of the EIS

We are asking the Council to review and provide input on the proposed scope of the EIS.

NEPA Guidance: A programmatic EIS is prepared for a broad federal action, such as the adoption of a regulation, policy, plan or program. A programmatic EIS is required only when there is a proposed formal agency program. The preparation of a programmatic EIS facilitates and expedites the preparation of subsequent project-specific NEPA documents through the use of a process called "tiering." Tiering refers to the coverage of general matters in broader EISs with subsequent narrower EISs or EAs incorporating by reference the general discussions [from the programmatic EIS] and concentrate solely on the issues specific to the [subsequent projects-specific action]. Although NEPA's legal requirements are the same for both the programmatic EIS and the project-

specific EIS, lead agencies generally focus on different factors when preparing each of them. (Bass et al. 2001)

The purpose of the EIS is to provide decisionmakers and the public with an evaluation of the environmental and economic effects of the proposed action and alternatives to the proposed action. The EIS will examine the direct, indirect, and cumulative effects of the alternatives, including the proposed action and status quo, on the physical, biological, and human environment. The EIS will be programmatic in scope because the proposed action is a program. According to the CEQ regulations, a programmatic EIS is prepared for a broad federal action, such as the adoption of a plan, program or policy. The EIS will also include an environmental assessment of the FMP overall and the effects of the fisheries prosecuted under the FMP.

The scope of this EIS will include decisions before the Council and also before the State of Alaska, which shares the responsibility for the management of BSAI crab. The Council will decide whether to continue management under the existing crab FMP or to manage crab under a rationalization program FMP. An underlying principle of this EIS is that a rationalization program will affect most aspects of BSAI crab fishery management by making some existing management measures unnecessary and requiring modification of other management measures. If the Council recommends a rationalization program, the State will make changes to State regulations governing the BSAI crab fisheries so that fisheries management responds to the unique demands of the rationalization program. To the extent possible, the EIS will identify alternative rationalization programs, alternative modifications to the existing management measures in the FMP, and ranges of potential changes to State management measures. Once these have been identified, the EIS will then analyze the effects on the human environment of the status quo and each alternative, and discuss ways to avoid or mitigate any adverse effects. Alternatives considered but rejected will also be addressed in this EIS.

In order to analyze the proposed action, the EIS needs to provide the decisionmakers and the public with a basic understanding of the fishery, including a description of the historic and existing fishery, against which they can judge the alternatives. This EIS will analyze the environmental effects of all activities authorized under the FMP, the current suite of FMP management measures, as amended over the years, and the State and Federal regulations developed to implement those measures. As such, the scope of this analysis is not limited to alternative rationalization programs. By thoroughly analyzing the status quo, subsequent amendments to the FMP could tier off this EIS, thus focusing that NEPA analysis on the issues specific to the future proposed action. Likewise, future modifications to the rationalization program, if adopted, could tier off of this EIS. The EIS will not present alternatives to specific elements in the FMP that are not impacted by the proposed action because these are outside of the purpose and need for the action and were not brought up during scoping. FMPs are adaptive and alternatives to specific FMP measures can be adopted by the Council in the future, even if they are not foreseeable now and not specifically laid out in this EIS. A programmatic look at the existing FMP will also provide valuable information to the State in managing these fisheries and in making future management decisions beyond those required to manage under a rationalization program.

The stakeholders impacted by the crab FMP and proposed rationalization programs include crab vessel owners, skippers who do not own vessels, crew, owner/operators, crab processors, communities, crab consumers, participants in other State and Federal managed fisheries, and the general public.

Alternatives for the EIS

NEPA Guidance: The content and scope of the discussion of alternatives should depend on the nature of the proposed action. The evaluation of alternatives is governed by the rule of reason that requires a Draft EIS to consider a range of alternatives that could accomplish the proposed action's purpose and need. An EIS need include only those alternatives that would achieve at least some of the federal agency's objectives as set forth in the statement of purpose and need. The court has stated that the content and scope of the discussion of alternatives should depend upon the nature of the proposed action (NRDC v. Callaway). In general, if the statement of purpose and need has been clear and concise and all of the alternatives satisfy the purpose and need, then the courts will uphold the alternatives discussion in the EIS. The number of alternatives within the reasonable range is directly related to the statement of purpose and need. (Bass et al. 2001, The Shipley Group 1998)

The proposed action is a rationalization program. The Council has developed alternative rationalization programs, with numerous elements and options, during an extensive public process over the course of eight Council meetings, six ad-hoc industry meetings, and four Council Crab Rationalization Committee meetings. The alternative rationalization programs are fully described in the Council's Public Review Draft for the Bering Sea Crab Rationalization Program Alternatives. This report will be a appendix to the EIS. The Council has also received a report on the results of scoping for this EIS, which provided public comments on FMP alternatives. The Council plans on choosing its preferred rationalization program alternative in June 2002.

The decision before the Council now is how to construct the range of alternatives for the EIS. The CEQ regulations explain that the discussion of alternatives should present the environmental impacts of the proposed action and the alternatives to the proposed action in comparative form, thus sharply defining the issues and providing a clear basis for choice among options by the decision maker and the public (40 CFR 1502.14). The CEQ regulation require an EIS to consider three types of alternatives, a no action alternative, alternatives describing other reasonable courses of action, and an alternative that advances mitigation efforts to the proposed action (40 CFR 1508.25(b)).

The no action alternative is status quo FMP. The preferred alternative in the EIS will be the rationalization program the Council identifies as its preferred alternative. The Council will select a preferred alternative from the suite of alternatives, elements, and options presented in the Council's economic analysis for alternative rationalization programs. When the Council chooses its preferred alternative, it may want to put forward other alternatives.

At this stage the potential range of alternatives for Council consideration is as follows:

Alternative 1 - Status Quo FMP

Alternative 2 - Rationalization FMP

Alternative 3 - No fishing FMP

One outstanding issue is whether or not a specific 'mitigation measures' alternative is necessary. NOAA-GC has interpreted the CEQ regulations as requiring a separate mitigation alternative (Letter from Craig O'Connor, December 11, 2001, page 7). The letter states that without a discussion of a mitigation measures alternative, neither the agency nor other interested groups and individuals can properly evaluate the severity of the adverse effects. Another point of view is that all management alternatives mitigate unregulated

fishing. So the proposed action would be a mitigation measures alternative to status quo and unregulated fishing.

If the Council decides that a mitigation measures alternative is good idea, we proposes a 'no fishing' alternative as the mitigation alternative, because the environmental effects, most likely, will be from the prosecution of fisheries. A 'no fishing' alternative will allow the EIS to properly evaluate the magnitude of the effects on the human environment caused by the proposed action and no action alternatives. The Council may also choose another mitigation alternative that would mitigate the effects of the crab fisheries, such as a rationalization program with additional environmental mitigation components, such as 100% observer coverage.

One unusual aspect of this EIS is that Congress may define the rationalization program for the BSAI crab fisheries, and that program may not mirror the any of alternatives recommended by the Council. At this stage, we think that once Congress takes action, NMFS, the Council, and ADF&G will need to assess the situation and determine the best way to proceed.

Summary of Public Scoping

Scoping for the EIS began with the publication of a Notice of Intent in the Federal Register on September 20, 2001 (66 FR 48410). Public comments were initially due to NMFS by November 16, 2001; however, NMFS extended the scoping period until December 10, 2001 to provide the public with more time to develop comments (66 FR 59771). The CEQ has issued informal guidance for the scoping process, which we have followed. The Draft EIS will be based on and prepared from the issues identified in the scoping process. NMFS presented the Council with a report on the results of public scoping in February 2002.

Scoping is an early and open process for determining the scope of issues to be addressed and for identifying the significant issues related to the proposed action. A principal objective of the scoping and public involvement process is to identify a reasonable range of management alternatives that, with adequate analysis, will delineate critical issues and provide a clear basis for distinguishing between those alternatives and selecting a preferred alternative.

NMFS held three public scoping meetings. At the scoping meetings, NMFS requested written comments from the public on the range of alternatives to be analyzed and on the environmental, social, and economic issues to be considered in the analysis. Each scoping meeting was held in conjunction with another formal public meeting on BSAI crab fishery management to make it convenient for interested public to attend. In addition to the Notice of Intent, the scoping meeting was on the agenda for each of these meetings. The scoping meetings were attended by fishermen; vessel owners; fishing and processing industry representatives; representatives from environmental organizations; ADF&G, Council, NMFS, and NOAA-GC staff; community representatives; and the general public. Attendance lists for each meeting are filed in the administrative record and available on request.

Summary of Comments and Issues Addressed in Written Comments Received During Scoping

NMFS receive three written comments during the scoping period. Copies of the three comments were provided to the Council at the February Council meeting and are available in the administrative record. The comments are summarized below.

Comment 1: Consider Alaskan Communities.

This comment requested consideration of the impacts of proposed rationalization programs on Alaskan coastal communities, and the City of Unalaska specifically. The comment explained the importance of crab harvesters and processors to the economic viability of the city and the need for the development of an alternative management system that will lead to industry consolidation. The comment focused on four main areas of concern:

- Vessel safety
- Resource management
- Economic stability
- Excess harvesting capacity

The comment also recommended NMFS comply with NEPA and the Magnuson-Stevens Act national standards as it develops the EIS.

Comment 2: Analyze a harvester-only IFQ alternative.

This comment recommended moving forward with a harvester-only individual fishing quota (IFQ) program before analysis of a processor quota (PQ) program. The comment discussed issues in support of an harvester-only IFQ program over a two-pie IFQ program, and asserted that:

- Considering processor quota along with IFQ will delay implementation of an IFQ program because of the complexities of a PQ program,
- IFQs are an accepted and reasonable management tool for rationalization of the BSAI crab fleet, and will address significant resource conservation and management objectives, as well as specific economic and social objectives,
- PQs are not authorized by Congress and there is no precedent PQ program,
- PQ has anti-trust implications,
- PQs equate to a distribution of ownership rights of a natural resource to a small class of large businesses, many of which are vertically integrated and multinational.

Comment 3: Make conservation and sustainability of biological resources the highest priority for a rationalization program.

This comment recommended that the EIS evaluate rationalization alternatives against the following conservation and community objectives:

- Reward clean fishing (promote low bycatch and minimize impact on ocean floor).
- Create opportunity for future generations of independent fishermen.
- Prevent excessive consolidation and vertical integration of the seafood industry.
- Preserve healthy competition among seafood processors and prohibit processor monopolies.
- Promote healthy community fishing economies and maintain diverse independent fishing fleets.
- Recognize historic regional fishing and processing patterns.
- Require good stewardship of the public's marine resources as a condition for continuing participation in IFQ fisheries.

This comment also recommends that the EIS evaluate the success of the crab pot escape rings and mesh size required by State of Alaska regulations in reducing crab bycatch in the crab fisheries. In addition, the

comment recommends that the EIS detail with GIS mapping the spatial extent of the crab fisheries, degree of fishing effort, and spatial extent of the crab stocks.

This comment also raises a number of issues outside the scope of this EIS. The comment recommends changes to the groundfish fisheries which are not under the management jurisdiction of the BSAI crab FMP and therefore will not be directly considered in the EIS for the BSAI crab FMP.

Additional Comments

In addition, one verbal public comment suggested an alternative structured around exclusive Federal management of the BSAI crab fisheries.

Other Scoping Efforts

Significant issues were also raised during a trip Mark Fina (Council staff) and Gretchen Harrington (NMFS staff) took to Dutch Harbor/Unalaska and Akutan in October 2001. The purpose of the trip was to meet with members of industry, harvesters (vessel owners, skippers, and crew) and processors (shore-based and catcher/processors), and ADF&G staff to listen to their position on various issues surrounding crab rationalization. In addition, staff observed the landing and processing of red king crab from Bristol Bay.

In developing alternative rationalization programs, a number of meetings to discuss rationalization have occurred in the Council arena. Beginning in late 1999, interested parties met on an informal basis in a series of meetings to discuss rationalization. In December 2000, this ad hoc industry committee was formalized into the Council's the BSAI Crab Rationalization Committee. The Council appointed members to the BSAI Crab Rationalization Committee, which included representatives for harvesters, processors, skippers and crewmen, communities, and environmental organizations. The Committee was tasked with developing elements and options for analysis and reporting to the Council at the April 2001 meeting. The Committee met once in February and once in March, 2001. In summary, the BSAI Crab Rationalization Committee made significant progress during its meetings in developing a set of elements and options for Council consideration and analysis of a crab rationalization program. Also, the Council, the Advisory Panel and Scientific and Statistical Committee have discussed rationalization at a number of meetings since October 1999, focusing on the alternatives, elements, and options under consideration during 6 Council meetings (June, October, and December of 2001, and February, April, and now in June of 2002). The public comments received and the issues discussed during these meetings are part of the scope of the EIS and are included under relevant issues below. They are also discussed in detail in the Public Review Draft of BSAI Crab Rationalization Alternatives, May 2002. The executive summary of this document is available on the web at <http://www.fakr.noaa.gov/npfmc/Committees/Crab/0502crabexecsum.pdf>.

Relevant Issues

We request that the Council review and comment on the proposed list of relevant issues and their indicators for the proposed action.

NEPA Guidance: CEQ regulations indicate that agencies are responsible for a clear and efficient definition of issues. An issue is an effect (or a perceived effect, risk, or hazard) on a physical, biological, social, or economic resource. An issue is not an activity; instead, the predicted effects of the activity

create the issue. Your goal is to educate readers as to why a particular issue is truly relevant (and thus important to the decision at hand). (The Shipley Group 1998).

This section defines and summarizes the relevant issues raised during scoping and the Council process. The Council identified five problem areas; resource conservation, utilization and management problems; bycatch and its associated mortalities, and potential landing deadloss; excess harvesting and processing capacity, as well as low economic returns; lack of economic stability for harvesters, processors and coastal communities; and high levels of occupational loss of life and injury.

From this problem statement, and from public comments, we identified the following 22 issues that are relevant to the decision before the Council on rationalizing the BSAI crab fisheries. These issues will be analyzed in depth in the EIS, as required by the CEQ regulations (1502.7(2)). We have identified indicators for each issue. These indicators are potential impacts of the alternatives, including status quo. Indicators are used as analytical tools for measuring significance and comparing the effects of each alternative on the issue. From the analysis, we will be able to determine the extent to which each alternative results in an increase or decrease in each indicator. Indicators can be mitigated by management measures incorporated into the preferred alternative.

Issue 1. Fishery sources of legal male crab mortality

Harvest strategies have been developed for the crab fisheries that set the harvest levels to remove legal-sized male crabs. These harvest strategies incorporate the best available scientific information to set harvest levels that maintain healthy stock abundance. The goal of crab fisheries management is to allow a harvest rate that maintains stock abundance at the level necessary to produce the maximum sustained yield. This is a challenge for crab stocks because crab stocks experience cyclical levels of abundance. Crab stock abundance fluctuates with changes in environmental conditions. Currently, many stocks are in periods of low abundance and NMFS has declared three stocks overfished. Crab abundance is assessed annually for the stocks under consideration for the rationalization program, except for AI red king crab and AI brown king crab.

Indicator: Harvest above the GHL

Potential effects of the different alternative will be estimated in light of the extent to which the harvest amount exceeds the harvest level. Harvests that exceed the GHL are difficult to prevent in the derby-style fisheries. Even with good in-season assessment and catch reporting, catches can change rapidly and a large efficient fleet can quickly surpass a harvest target when they locate high concentrations of crab. These are crab that are not accounted for in the GHL. When stocks are low, management difficulties increase and actual harvest often exceeds the pre-season harvest limit.

Indicator: Highgrading

Potential effects of the different alternative will be estimated in light of the extent of highgrading. Highgrading is sorting through the legal crab for the largest, cleanest crab, and discarding the remaining legal crab to ensure that only the highest-priced portion of the catch is landed and counted against the quota. Some of this discarded crab dies. This leads to additional fishing mortality of legal males in excess of the quota. Highgrading is an environmental concern because it may alter

the composition of the stock by removing only the largest, cleanest crab. These crab are also thought to be the most successful at mating.

Indicator: **Deadloss**

Potential effects of the different alternative will be estimated in light of the extent of deadloss. Deadloss is the amount of dead crab landed at the dock. If the deadloss is accounted for when crab is landed, then deadloss is not a biological problem because these are crab accounted for in the GHL. Deadloss is a direct result of the extended amount of time a crab spends in the boat. Deadloss can be increased by having diseased or dead crab in the tank with live crab. Currently deadloss is about 1 to 2 percent of all crab landed. If deadloss is discarded at-sea, then it negatively effects crab abundance.

Issue 2. Fishery sources of female and sublegal male crab mortality

The main source of female and sublegal male crab mortality is bycatch in the crab fisheries. Female crab and sublegal males can be up to two thirds of the total catch. All bycatch is discarded. Managers estimate that up to 25% of discarded crab die from handling. This is a precautionary estimate used for calculating total removals by the fishery, and includes unobserved mortality.

Indicator: **Amount of bycatch**

Potential effects of the different alternative will be estimated in light of the extent of female and sublegal male crab bycatch in the crab fisheries.

Issue 3. Stock rebuilding

Rebuilding plans for the overfished crab stocks implement conservative harvest strategies that promote stock rebuilding. The term overfished is used to define stocks at low levels of abundance, regardless of the causes of the low abundance. Rebuilding plans also close fisheries when the stock reached a very low abundance level.

Indicator: **Abundance of overfished stocks**

The analysis will examine the extent the alternative promote management under the rebuilding plan by reducing crab mortality and increasing crab stock abundance.

Issue 4. Fishery sources of non-target crab mortality

The crab fisheries catch and discard crab species not targeted by the fishery. A portion of this bycatch dies from handling mortality.

Indicators: **Amount of bycatch of non-target crabs**

Potential effects of the different alternative will be estimated in light of the extent of bycatch of non-target crab species in the crab fisheries.

Issue 5. Harvest methods

The methods of harvest include when the harvest occurs, the fishing effort, and how the crabs are handled. Harvest methods also include the extent to which fishers comply with regulations. Harvest methods impact the crab resources by causing mortality of legal male crabs in excess of the harvest level and causing mortality of female and sublegal crabs.

Indicator: Handling of crab

Potential effects of the different alternative will be estimated in light of when the crabs are harvested and how they are handled on deck. The number of captured crab that die depends when the crab are harvested and on how the crabs are handled on deck. The time of year when crab are harvested effects the crab survival rate. Crab captured when they are soft-shelled suffer a higher mortality than hard-shelled crabs. Also, capturing crabs during mating disrupts mating and can negatively effect reproduction. Season timing during biologically sensitive periods can negatively effect crab abundance.

With short seasons, crab are harvested very quickly. Long fishing seasons slow down the pace of the fisheries and allow the fishermen to improve fishing methods, such as gear operation and sorting on deck. With more time, fishermen would be able to soak pots on the bottom longer to allow the escape mechanisms to work, which would reduce bycatch. Also, with more time, fishermen would be able to improve handling methods and reduce the mortality of all crabs brought on deck. A longer season can positively effect crab abundance.

Indicator: Harvest Effort

Harvest effort is the amount of vessels and gear deployed to catch the harvest limit. Harvest effort above the amount required to catch the harvest limit results in crab harvests above the limits, increased bycatch, and increased habitat impacts. Excessive harvest capacity also causes wasteful fishing practices and results in the fleet deploying more pots than could be retrieved during a short fishing season, which results in lost pots. Potential effects of the different alternative will be estimated in light of the amount of harvest effort in relation to the harvest level.

Indicator: Manageability of fisheries

Potential effects of the different alternative will be estimated in light of the manageability of the fishery and the extent of monitoring. Since the goal of most management measures is conservation, the increased ability of managers to ensure compliance with harvest limits and other regulations has stock conservation benefits. Monitoring provides information to managers on the amount of catch and bycatch, and the location of harvest. This information is vital for setting the harvest levels, measuring the effectiveness of bycatch reduction measures, and determining when each vessel has reached its quota. Data collection is important for establishing the scientific foundation on which the fishery is managed. Improved manageability of the fisheries will have positive effects on stock abundance.

Issue 6. Other Bycatch Species (not crab)

The crab fisheries catch a small amount of other species as bycatch. These species include octopus, Pacific cod, Pacific halibut, and other flat fish. All bycatch is discarded. Low levels of bycatch of these species do not impact their abundance.

Indicator: Amount of bycatch of other species in crab fishery

Potential effects of the different alternative will be estimated in light of the extent of bycatch of other species. Increased observer coverage would result in better estimates of bycatch of other species.

Issue 7. Habitat Impacts

The crab fisheries may impact benthic habitat through the setting and retrieval of pots. Most likely, the extent of habitat impacts depends on the type of bottom habitat.

Indicators: Area Impacted and habitat type impacted

Potential effects of the different alternative will be estimated in light of the total area impacted by pot gear and the extent pot gear impacts different habitat types. This would include analysis of impacts on coral habitat.

Issue 8. Fishery Impacts on ESA species and their critical habitat

Fisheries can effect the listed species of marine mammals and seabirds and their critical habitat. This analysis would look at the effects of the crab fisheries and their alternatives on ESA species and their critical habitat

Indicators: Direct take, disturbance, and competition

Potential effects of the different alternative will be estimated in light of the extent of direct take of listed marine mammals and seabirds, disturbance of listed marine mammals and seabirds by fishing vessels, and competition between the fisheries and listed marine mammals and seabirds for food.

Issue 9. Efficiency in harvesting

Management of a fishery can affect the efficiency of the harvest and processing sectors. If management creates incentives for participants to race for fish, efficiency in the harvesting sector can be compromised. If the incentives created by management promote cost minimizing production, benefits can be realized by both participants and consumers. The change to a rationalized fishery could change efficiency in the crab fisheries.

Indicator: **Fishing Effort and Cost of Effort**

The effort expended per unit of output from a fishery and the cost per unit of output of that effort reflect the efficiency of harvests from the fishery. The amount and costs of effort will be analyzed to determine whether efficiency will change under the proposed alternatives.

Issue 10. Excess capacity in the crab harvesting sector

Excess capacity in the harvest sector occurs if the harvest capacity of vessels participating in the crab fisheries exceeds the amount of crab available to harvest. Crab abundance is cyclical and fishing effort in the crab fisheries has increased during times of high abundance. This level of fishing capacity is retained during periods of low abundance. Derby-style fisheries also encourage excess harvest capacity as fishermen increase fishing capacity to increase rates of harvests. The very short seasons in recent years suggest that the current fleet has substantial excess capacity. Vessels that might have left the fishery for economic reasons still participate because of the potential to receive harvest privileges in a future rationalization program.

Indicator: **Harvest Capacity Relative to Stocks**

The analysis will examine potential changes in harvesting capacity under the different alternatives.

Issue 11. Efficiency in processing

In the current fishery, harvesters deliver their catch over a short period at the end of each season. With the abbreviated period of deliveries, processors may sacrifice efficiency to increase market share and avoid deadloss. Rationalization of the crab fisheries could extend the season enabling processors reduce processing costs to realize gains in efficiency.

Indicator: **Processing costs and efficiency**

The analysis will examine the potential changes in processing costs and efficiency under the different alternatives.

Issue 12. Excess capacity in the processing sector

Excess capacity in the processing sector occurs if processing capacity dedicated to crab exceeds the amount of crab available to process. The current crab processing capacity is designed to process crab quickly at the end of seasons when the entire fleet offloads its catch. A program that rationalizes the harvesting sector would spread deliveries to processors over a longer time period. Processors could then have excess processing capacity. The rationalization of the fishery could result in a reduction of processing capital utilized in the crab fisheries.

Indicator: **Processing capacity relative to harvests**

The analysis will examine potential changes in processing capacity under the different alternatives.

Issue 13. Availability and quality of crab for consumers

Currently, crab is processed primarily at the end of the each season. The majority of the product is processed into frozen crab legs. Lengthening the seasons could provide processors with more time to process crab. With added time processors might be able to improve product quality and develop other products. Processors may also be able to provide live crab to the market over a longer period.

Indicators: Changes in products and product quality

The analysis will examine potential product changes and improvements (including quality improvements) under the different alternatives.

Issue 14. Excessive shares

Excessive share concerns in a fishery arise when interests are consolidated to the extent that persons can influence the market for outputs, influence labor markets, influence opportunities for entry, or capture a disproportionate share of the benefits of a fishery. Management structures can influence excessive shares by limiting entry or by prohibiting or permitting the consolidation of interests by a relatively few number of participants. Limits on excessive shares are typically intended to prevent excessive consolidation and vertical integration. The Magnuson-Stevens Act states that any new IFQ program shall prevent any person from acquiring an excessive share of the quotas issued (§ 303(d)(5)(C)).

Indicators: Concentration of shares in the fishery

The analysis will examine the extent to which the different alternatives are likely to result in a concentration of interests in the fisheries.

Issue 15. Spillover effects on the harvest sector of other fisheries

If fishermen are allocated a portion of the crab harvest, this may alter fishing patterns, permitting fishers to increase participation in other fisheries, such as Pacific cod or crab in state waters. In addition, revenues generated in the BSAI crab fisheries could impact the ability of participants in the BSAI crab fisheries to increase their participation in these other fisheries. Spillover effects could be mitigated by sideboard measures.

Indicator: Participation levels of BSAI crab fishers in other fisheries

The analysis will examine the participation levels of BSAI crab fishers in other fisheries and the potential for these activities to change under the alternatives.

Issue 16. Spillover effects on the processing sector of other fisheries

Changes in the processing sector under crab rationalization could also have influences on other fisheries. Processors that are successful in a rationalized crab fishery could use resources developed in the crab fisheries to expand activities in other fisheries. In addition, consolidation of crab processing could lead to the exit of processors from other fisheries, as well as the crab fisheries. If processors that process crab as

well as other species close facilities, fishermen that target other species, such as Pacific cod and other groundfish, may be left with fewer processors to which to deliver their harvests. Any decline in competition among processors could affect the ex vessel price realized for harvests and could increase delivery costs for harvesters.

Indicator: Participation levels of BSAI crab processors in other fisheries

The analysis will examine the participation levels of BSAI crab processors in other fisheries and the potential for these activities to change under the alternatives.

Issue 17. Fair and equitable allocation of interests in the fisheries

Fairness and equity in eligibility to participate and allocation of interests in a fishery are important to the management of public resources. Several factors could affect the fairness of a quota distribution including breadth of the distribution and historical reliance. A broad distribution of quota may better reflect reliance on the fishery. The Magnuson-Stevens Act states that any new IFQ program shall provide for a fair and equitable initial allocation of individual fishing quotas (§ 303(d)(5)(C)).

Indicator: Eligibility for participation and distribution of interests in the fisheries

The rules governing participation in the fishery will determine the fairness and equity of the allocation of interests in the fishery. In a rationalization program, the method and results of the distribution of the initial allocation of shares will be the determinants. In a license limitation program, the criteria for licensing are the determinants. The analysis will examine the rules for determining eligibility to participate and the allocations of interests in the fisheries to assess the fairness and equity of the allocation of interests in the fisheries.

Issue 18. Entry to the fisheries

Entry into the harvesting and processing sectors can be affected by fishery management. The current management program limits entry to those who meet certain participation criteria. Programs that allocate shares in a fishery can either create entry opportunities or limit opportunities based on several factors.

Indicator: Entry opportunities

The analysis will examine the opportunities for entry under the alternatives. Both the harvesting and processing sectors will be examined.

Issue 19. Competition in the harvesting and processing sectors

Competition can be used to facilitate efficiency, ensure fair price negotiations between harvesters and processors, and a reasonable return on investment to the harvesting and processing sectors. Competition is important for between harvesters and processors. Competition can also affect the distribution of activity and the benefits of the fisheries among communities. Management can influence the market power of these different interests to ensure a fair distribution of the resource rents. Vessel owners are concerned that the

Council may recommend a rationalization program that eliminates competition and thus disadvantages harvesters in negotiating price with processors.

Indicator: **Distribution of interests in the harvesting and processing sectors**

The amount of competition between the different sectors will depend greatly on the distribution of interests in each sector. Concentration of interests in a sector can enable that sector's participants to exert market power over participants in other sectors. The analysis will examine the degree of consolidation in each sector and assess the effects of that consolidation on market power and competition.

Issue 20. Skipper/crew interests

Changes in management can affect the interests of skippers and crew in a fishery. If a management change results in a decline in the number of vessels participating in a fishery, skippers and crew could lose jobs. Skipper and crew shares, which are the percentage of the vessel earnings paid to skippers and crew, can be affected by management. A quota system that allocates quota to vessel owners only, without any provisions to allocate shares to skippers or crew or otherwise protect their interests could result in an erosion of those interests.

Indicator: **Assessment of skipper and crew protections**

The protection of skipper and crew interests under the alternatives will be examined.

Issue 21. Community interests

Many communities are home to crab processors and harvesting vessels. With a change in management (and consequent consolidation) may come decreases in the numbers of vessels and processing facilities in the crab fisheries. Communities are concerned that, under rationalization, processors may leave the local area. In addition, communities could be affected by changes in the regional distribution of landings. On the other hand, a rationalization program could provide economic stability to communities that are home to the remaining vessels and processors. Public comment recommends that a rationalization program promote healthy community fishing economies, maintain diverse independent fishing fleets, and recognize historic regional fishing and processing patterns.

Indicator: **Assessment of community interests**

The protection of community interests under the alternatives will be examined.

Issue 22. Safety

Safety is an important concern for the BSAI crab fisheries. The fisheries occur primarily in the winter, when weather conditions can be dangerous. Crab vessels haul and transport pot gear, which tends to be more dangerous than other gear types. Between 1990 and 2001, 61 fatalities occurred and 25 vessels were lost in the BSAI crab fisheries. Management programs can create incentives for fishers to risk vessels and lives. In the current fisheries, participants can maximize catch by fishing at all times when the season is open.

Changes in management in a rationalized fishery could reduce incentives to fish in dangerous weather and take risks.

Indicators: Management incentives to take safety risks

The analysis will examine the incentives for risking participants safety under the different alternatives.

Cooperating Agencies and Tribal Governments

The CEQ regulations for implementing the procedural provisions of NEPA emphasize agency cooperation early in the NEPA process.

ADF&G and the U.S. Coast Guard have agreed to be cooperating agencies. Each agency agreed to participate in the development of this EIS and provide data, staff, and review for this analysis. ADF&G has an integral role in developing this EIS because they are co-managers of the BSAI crab resources and conduct the day-to-day management of the crab fisheries. ADF&G is preparing sections of the EIS, as discussed below. The Coast Guard has expertise with enforcement, search and rescue, vessel accidents and incidents at sea, and human safety at sea.

On November 1, 2001, NMFS mailed a letter to 113 Alaska tribal governments, providing information about the EIS and soliciting input from interested parties. As of the date of this report, no meetings have been scheduled and no correspondence has been received from any of the tribal governments.

Related NEPA Documents

This EIS is a standalone NEPA document that does not tier of any previous EISs because this will be the first EIS prepared for the BSAI crab FMP. An environmental assessment/regulatory impact review was prepared for the current FMP in 1988. Environmental Assessments have been prepared for each of the subsequent 15 amendments to the FMP, including revising the FMP in 1998. These EAs will be incorporated into the EIS to fully explain status quo and the analyze the cumulative effects of status quo on the human environment.

This EIS will incorporate by reference information from other EISs produced by the NMFS Alaska Region, were applicable. For example, the Draft Programmatic Supplemental EIS for the groundfish FMPs, November 2001, provides a detailed discussion of the Bering Sea and Aleutian Islands physical environment and ecosystem; life history, habitat, and stock status of groundfish species; seabird life history, population biology, and foraging ecology; and marine mammal life history, population biology, and foraging ecology. Most likely, these sections will be summarized and incorporated by reference into the Chapter 3, Affected Environment.

Relationship of this action to other federal law and action

The relationship of this action to other federal laws and actions is complex because the potential rationalization program alternatives are not authorized by Congress. A statutory change is required before the Council would submit a recommendation on a rationalization program to the Secretary of Commerce. We can not predict the nature of the statute change and whether it will provide broad authority to rationalize

the crab fisheries or whether it will define the BSAI crab rationalization program. However, for this analysis, we assume congress will proved the authority to develop and implement a rationalization program.

While NEPA is the primary law directing the preparation of this EIS, a variety of other federal laws and policies require environmental, economic, and socioeconomic analysis of proposed federal actions. This EIS will contain the required analysis of the proposed federal action to ensure that the action complies with applicable federal law. These laws include:

- Endangered Species Act (ESA)
- Marine Mammal Protection Act (MMPA)
- Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act)
- Regulatory Flexibility Act (RFA)
- Executive Order (E.O.) 12866: Regulatory Planning and Review
- Executive Order (E.O.) 13084: Consultation and Coordination with Indian Tribal Governments
- Executive Order (E.O.) 12898: Environmental Justice
- Executive Order (E.O.) 13132: Federalism
- Consolidated Appropriations Act of 2001 (Pub. L. No. 106-554)
- Coastal Zone Management Act (CZMA)
- Administrative Procedure Act (APA)
- Paperwork Reduction Act of 1995 (PRA)

The Consolidated Appropriations Act of 2001 directed the Council to provide analysis of several specific approaches to rationalization of the BSAI crab fisheries and mandated NMFS to implement the Capacity Reduction Program for the BSAI crab fisheries.

Preparation of the EIS

A steering committee was created for the EIS. The steering committee consists of Jim Balsiger, NMFS; Chris Oliver, Council staff; Kevin Duffy, ADF&G; Robert Otto, NMFS-Alaska Fisheries Science Center (AFSC); Tom Meyer, NOAA-GC; Ramona Schreiber, NOAA; and Tamra Faris, NMFS. The Steering Committee's charge is to ensure the scope of analysis adequately spans the action being taken and to coordinate staff tasking among the various government agencies and departments.

We have determined that the best way to organize the preparation of this analysis is to convene an analytical team comprised of NMFS staff, Council staff, and ADF&G staff, supplemented by contracts for the environmental justice and cumulative impact analyses. We have established staff assignments for the preparation of this analysis and confirmed the staff assignments with ADF&G, the Council, and the AFSC. The analytical team consists of Gretchen Harrington, NMFS; Robert Otto, Brad Stevens, AFSC Kodiak Lab; Herman Savikko, Wayne Donaldson, Forrest Bowers, ADF&G; Mark Fina, Council; and Jessica Gharrett, NMFS-RAM. We have contracted with URS Corporation for the cumulative impacts analysis; URS will revise these sections in response to public comments between draft and final EIS, and edit the entire document for internal consistency. We have also established deadlines for completing each section to ensure timely completion of the EIS.

The first analytical team meeting was in November 2001. At this meeting, the team developed an analytical framework for identifying the affected environment and reviewed the FMP issues that arise from rationalization. Potential modifications to the FMP and to State regulations were also identified. These

issues are reflected in the draft outline. The next analytical team meeting was April 15 determine relevant issues and indicators and being work on determining significance criteria for the direct, indirect, and cumulative effects assessments. We also agreed on deadlines for the sections of the EIS that can be completed before the alternatives are chosen.

Organizational Structure of the EIS

The CEQ regulations that implement NEPA recommend a format for organizing an EIS (40 CFR 1502.10). Federal agencies are given the flexibility to modify the standard format to encourage good analysis and provide for a clear presentation of the alternatives including the proposed action. A draft outline has been prepared for this EIS that encompasses all of the required elements for an EIS, but organizes the presentation of information, alternatives, and issues in a way that best meets the needs of this project. The draft outline is a work in progress and many sections and subsections are likely to change, be moved, or be added as the analysts prepare the draft EIS.

The draft outline also includes deadlines for completing sections. Some sections will be completed before others so that the document will be coherent. Also, some sections are not possible to complete until after the Council has chosen a preferred alternative. The proposed deadlines assume that the Council will choose a range of alternatives and a preferred alternative in June. With this schedule, a draft of the first three chapters must be finished by June, so that a draft of chapter 4 can be completed by August. The Council would then initially review the draft, perhaps in October, and decided to send the draft out for public review. Also, if Congress has not provided statutory authority before October, NMFS will consult with the Council on whether to release the draft for public review or wait for Congressional action before releasing the draft to the public. NMFS would then publish the draft EIS, file it with EPA, and distribute it for public review. Public comment received by NMFS on the draft EIS would be summarized and responded to, to the extent possible, prior to the February 2003 Council meeting. The Council may then take final action to recommend a rationalization program to the Secretary of Commerce at that meeting. This way, the Council would have the draft EIS and public comments when it takes final action to recommend a rationalization program. Any delays in Council or Congressional action will lengthen the time for preparation of the draft EIS. Alternatively, Congress may decide to enact the rationalization program as a statute, similar to their action for the AFA or the BSAI crab capacity reduction program. In this case, an EIS would still be required.

Draft Outline and Deadlines

Notes: 1) Due dates assume the Council will recommend a preferred alternative in June 2002 and that Congress will make the required statutory changes necessary for the Council to take final action on a rationalization program in February 2003. Following this schedule, a draft EIS will be ready for initial Council review in October 2002. 2) This outline may change as the EIS is written and in response to Council input and public comments.

Section

Due Date
June 2002

Chapter 1 Purpose and Need for Action

- 1.1 Introduction
- 1.2 Action Area
- 1.3 Purpose and Need for Action
- 1.4 Public participation
 - 1.4.1 Notice of Intent and Scoping
 - 1.4.2 Public participation in development of rationalization
- 1.5 Coordination with other agencies
- 1.6 Issues to be addressed in the EIS
- 1.7 Related NEPA Documents
- 1.8 Relationship of this action to other federal laws and action

Chapter 2 Alternatives

- 2.1 Development of the Alternatives **June 2002**
 - 2.1.1 How the alternatives are constructed
 - 2.2.2 Key policy issues and decision points in the development of the alternatives
 - 2.2.3 NMFS and Council development of Alternatives
- 2.2 Alternative 1: Status Quo - FMP **May 2002**
 - 2.2.1 Category 1 - Federal management measures fixed by the FMP
 - 2.2.2 Category 2 - framework management measures (*What is in the FMP, what is in the State regs, and why*)
 - 2.2.3 Category 3 - management measures deferred to State
- 2.3 Alternative 2: ?????????¹ **June 2002**
 - 2.3.1 Description of alternative
 - 2.3.2 Description of potential changes to FMP measures resulting from IFQ (*These are changes to FMP text required to implement the rationalization program*)
- 2.4 Alternative 3: ?????????
 - 2.4.1 Description of alternative
 - 2.4.2 Description of potential changes to FMP measures resulting from IFQ (*These are changes to FMP text required to implement the rationalization program*)
- 2.4 Alternative 3: No Fishing² **June 2002**
- 2.5 Comparison of the alternatives **June 2002**
- 2.6 Alternatives considered and rejected³ **June 2002**
 - 2.6.1 ????????
 - 2.6.2 ????????
 - 2.6.3 ??????
 - 2.6.4 ???????

¹Details of these alternatives recommended by the Council.

²This is the default alternative for purposes of constructing the outline. The alternatives will be determined through public participation in the scoping process and input from the Council.

³These are also for discussion purposes and may change in response to public and Council input.

- 2.6.5 ???????
- 2.7 Impact Assessment Methodology

Chapter 3 Affected Environment

- 3.1 BSAI Ecosystem May 2002
- 3.2 Crab Life History Approach (physical and biological environment) May 2002
 - 3.2.1 Larval stage
 - 3.2.2 Settlement stage
 - 3.2.3 Juvenile stage
 - 3.2.4 Adult stage
 - 3.2.5 Spawning stage
- 3.3 Other Biological Resources May 2002
 - 3.3.1 Benthic species caught as bycatch in the crab fishery
 - 3.3.2 Benthic species impacted by pot gear
 - 3.3.3 ESA listed species present in action area
 - 3.3.4 Marine mammals - not listed
 - 3.3.5 Seabird - not listed
 - 3.3.6 Environment in vicinity of crab processors
- 3.4 Features of the human environment May 2002
 - 3.4.1 History of the BSAI crab fishery (*This section can be summarized from the ADF&G AMR*)
 - 3.4.2 History of BSAI crab management
 - 3.4.3 Profile/Description of the BSAI crab industry
 - 3.4.4 Affected communities
 - 3.4.5 CDQ groups
 - 3.4.6 Other Fisheries in the BSAI
 - 3.4.7 Other human activity

Chapter 4 Environmental and Economic Consequences of the Alternatives

- 4.1 Anticipated changes to BSAI crab fishing patterns resulting from the alternatives July 2002

(This section can be largely summarized from the Council's economic analysis)

 - 4.1.1 Scenario 1: Status quo fishery (Alternative 1-No action)
 - 4.1.2 Scenario 2: ????????
 - 4.1.3 Scenario 3: ????????
 - 4.1.4 Projected changes to fleet composition (*vessels, skippers, crew*)
 - 4.1.5 Projected changes to processing practices (*shore-based, floaters, CPs*)
 - 4.1.6 Projected changes to State management of BSAI crab fisheries
 - 4.1.6.1 Fishing Seasons
 - 4.1.6.2 Pot limits
 - 4.1.6.3 Guideline Harvest Levels
 - 4.1.6.4 In-season adjustments
 - 4.1.6.5 Closed Waters
 - 4.1.6.6 Reporting Requirements
 - 4.1.6.7 Bycatch Limits
 - 4.1.6.8 Other Measures
 - 4.1.7 Projected change to Federal management of BSAI crab fisheries

4.1.8	Projected changes to other State and Federal fisheries ⁴	
4.1.9	Summary of expected changes in BSAI crab fishery	
4.2	Predicted effects of the alternatives on the life history stages of crab	August 2002
4.2.1	Effects of the alternatives on larval life stage	
4.2.2	Effects of the alternatives on settlement stage	
4.2.3	Effects of the alternatives on juvenile stage	
4.2.4	Effects of the alternatives on adult stage	
4.2.5	Effects of the alternatives on spawning stage	
4.2.6	Cumulative Effects on crab life history	
4.3	Predicted effects of the alternatives on other biological resources	August 2002
4.3.1	Effects of the alternatives on benthic species caught as bycatch in the crab fisheries	
4.3.2	Effects of the alternatives on benthic species impacted by pot gear	
4.3.3	Effects of the alternatives on marine mammals (<i>non-ESA</i>)	
4.3.4	Effects of the alternatives on seabirds (<i>non-ESA</i>)	
4.3.5	Effects of the alternatives on ESA listed species present in action area	
4.3.6	Effects of crab processing on water quality and substrate	
4.3.7	Other environmental consequences	
4.3.8	Commutative effects on other biological resources	
4.4	Essential Fish Habitat assessment	August 2002
4.5	Predicted effects of the alternatives on the BSAI Ecosystem	August 2002
4.6	Economic and socioeconomic effects of the alternatives (<i>This section can be largely summarized from the Council's economic analysis</i>)	August 2002
4.6.1	Crab allocations and eligible participants	
4.6.2	Economic structure under FMP - status quo	
4.6.3	Economic structure under Alternative 2	
4.6.4	Economic structure under Alternative 3	
4.6.5	Effects of the alternatives on management and enforcement ⁵	
4.6.5	Effects of the alternatives on communities	
4.6.7	Effects of alternatives on other State and Federal Fisheries	
4.6.8	Effects of alternatives on CDQ groups	
4.6.8	Commutative economic effects	
4.7	Regulatory Impact Review (RIR)	July 2002
4.7.1	Introduction	
4.7.2	Benefit-Cost Analysis	
4.7.3	Distributional impacts	
4.7.4	Evaluation of significance	
4.8	Initial Regulatory Flexibility Analysis (IRFA)	July 2002
4.8.1	Statement of Problem	
4.8.2	Objective Statement of Proposed Action and its Legal Basis	

⁴Federal groundfish fisheries, jointly managed scallop fishery, and State managed snail, GOA crab, Pacific cod, and hair crab fisheries.

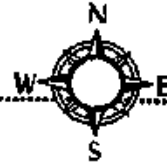
⁵ Includes full discussion of recordkeeping, reporting, and catch accounting requirements of proposed programs.

4.8.3	Description of each Action	
4.8.4	Reasoning for, and focus of, an IRFA	
4.8.5	Requirement to prepare an IRFA	
4.8.6	What is a Small Entity?	
4.8.7	Description of Fleet, Fishery, & Industry Directly and Reasonably Indirectly Impacted by Proposed Action	
4.8.8	Discussion of the potential negative effects of alternatives on small entities	
4.8.9	Mitigation of negative impacts	
4.8.10	Recordkeeping and reporting requirements	
4.8.11	Summary and conclusions	
4.9	Environmental Justice Considerations	August 2002
4.10	Energy Requirements and Conservation Potential of Alternatives	July 2002
4.11	Cumulative Effects Assessment	August 2002
4.12	Summary and Conclusions	August 2002
Chapter 5:	List of Preparers	July 2002
5.1	EIS Steering Committee	
5.2	Project leaders	
5.3	Contributors	
5.4	Consultant contributors	
Chapter 6:	List of Agencies, organizations, and persons to whom copies of the statement are sent	
Chapter 7:	Literature cited	
Appendix 1: Council Analysis of BSAI Crab Rationalization Program Alternatives - Report to Congress		
Appendix 2: Scoping process documentation (NOI, meeting records, summary of comments, issues identified for analysis)		
Appendix 3: History of FMP (previous FMPs, approval dates, NEPA analysis, list of FMP amendments, list of regulatory actions)		
Appendix 4: State crab regulations		



CAPTAIN DAVID HARRIS
U.S.C.G. LIC. #940903

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nicbodywear@msu.com



RECEIVED

MAY - 8 2002

N.P.F.M.C

May 2, 2002

Mr. David Benton
605 West 4th Ave. Suite 306
Anchorage Ak. 99501-2252

Re; Crab Rationalization

Dear Mr. Benton,

I have been Captain of fishing vessels for 17 years, hold a 1600 ton Masters license and been in the industry 23 years. I have owned 2 vessels also in the past. The last vessel I owned put me in chapter 7 because of the decisions that the P.F.M.C. made on the Washington Coast. I don't want to be a victim again by falling between the cracks. I have been trying to buy part ownership in a vessel. But the owners want too much money given the crab seasons that we have had to pay for the investment. Your decisions in the future are going to control my family's destiny and myself.

What provisions have or will you have for my employment when I'm out of work because of coops. I'm 47 years old, I've got a lot of good years left in me, but now do I have to start all over to support my family?

If you support crab quotas strictly to the vessel owners that they can transfer or sell with a rather large windfall profit from there heated office in Seattle in January, will you also include funding for men in my position? These are some issues that you need to address.

I am a member and support Skippers for Equitable Access and Deep Sea Fisherman's Union. PLEASE, WE NEED HELP!!! Remember, The Captains Are The Assets That Provided The Safe and Financial Well-being For The Vessel, Vessel Owners and Crew.

Thank You,
David Harris

F/V Misty Blue

Northern Lights Haven

Yakutat, Alaska 99689

RECEIVED
MAY - 3 2002

N.P.F.M.C

Fax

To: North Pacific Council From: See Below

Fax: 1-907-271-2817 Date: 05/03/02

Phone: Pages: 1

Re: See Below CC:

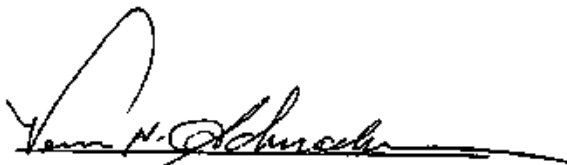
Urgent For Review Please Comment Please Reply Please Recycle

+Comments:

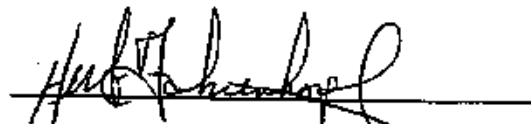
Re: C.R.A.B. Action Alert Newsletter Dated April, 2002

We believe that processor shares in the Bering Sea / Aleutian Islands crab fisheries are not in the best interest of independent harvesting vessel owners.

Regards,



Vernon H. Schumacher - Owner



Herb Fahrenkopf - Captain

RECEIVED
MAY 10 2002

NPFMC

Introduced by: Moss, Long
Date: 05/07/02
Action: Adopted
Vote: 8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2002-049**

**A RESOLUTION OPPOSING THE ALLOCATION OF FEDERAL MANAGED
ALASKA FISHERY RESOURCES TO EXISTING PROCESSORS**

WHEREAS, the North Pacific Fishery Management Council (NPFMC) is considering allocating fishery resources in the federal managed waters of Alaska to existing processors; and

WHEREAS, the allocation of fishery resources to select processors could have an adverse effect on local fishermen by excluding processors, markets, and communities; and

WHEREAS, the Kenai Peninsula Borough opposes any fishery management system that locks each fisherman with specific processors; and

WHEREAS, the Kenai Peninsula Borough supports the Kenai Peninsula residents who have signed the 500 Alaskans open letter to Governor Knowles, the Congressional delegation, and the North Pacific Fishery Management Council opposing the allocation of Alaska Fishery resources to processors; and

WHEREAS, the Kenai Peninsula Borough supports the resolutions passed by Kenai Peninsula communities and organizations opposing "the two pie system" or any other fishery resource allocation program that creates a permanently closed class of processors; and

WHEREAS, the Kenai Peninsula Borough believes that the social and economic fabric of Kenai Peninsula fishing communities is dependent on a healthy competitive relationship between fisherman and processors; and

WHEREAS, the Kenai Peninsula Borough believes fishery management programs must promote healthy community fishing economies and maintain diverse independent fishing fleets; and

WHEREAS, the Kenai Peninsula Borough believes fishery management programs must preserve competition among seafood processors by prohibiting processor monopolies; and

WHEREAS, the Kenai Peninsula Borough believes fishery management programs must create and maintain opportunities for future generations of independent fishermen and processors; and

WHEREAS, the Kenai Peninsula Borough believes strong conservation goals with measurable reduction in by-catch and fishery waste be fundamental criteria in any new rationalization or access limiting fishery management programs; and

WHEREAS, the Kenai Peninsula Borough believes that Congress, the State of Alaska, and fishery managers must ensure that conservation goals are met and that independent fishermen, processors, and coastal communities receive equitable treatment; and

WHEREAS, the Kenai Peninsula Borough believes that all Alaska residents have the right to meaningful participation in the public process concerning Alaska fishery resources;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. Opposes the award of Alaska fishery resources to existing processors because of the controlling and monopolizing effects it would have on markets, fishermen, and communities.


SECTION 2. Supports the conservation and community principles contained in this resolution.

SECTION 3. Encourages the NPFMC to explore other ways to promote a positive economic environment for the processor sector of Alaska's seafood industry.

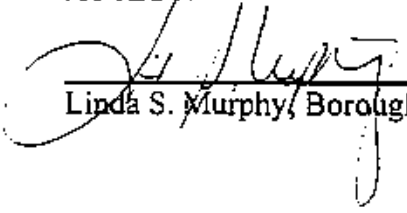
SECTION 4. That copies of this resolution be provided to Governor Knowles, Senator Stevens, Senator Murkowski, Congressman Young and the NPFMC.

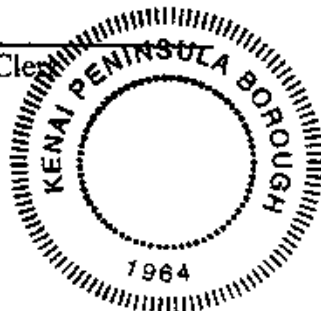
SECTION 5. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 7TH DAY OF MAY, 2002.


Timothy Navarre, Assembly President

ATTEST:


Linda S. Murphy, Borough Clerk



Deep Sea Fishermen's Union of the Pacific

5216 Ballard Avenue N.W.
Seattle, Washington, 98107
Phone: (206) 783-2922

Fax: 783-5811



Established 1912

RECEIVED

MAY 22 2002

N.P.F.M.C

May 20, 2002

Chairman David Benton
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501-2252

Dear Chairman Benton,

As reported in the June, 2002 issue of *Pacific Fishing* magazine and noted previously in our letter in April to you and members of the Council, DSFU continues to be very supportive of that portion of the ongoing Crab Rationalization process that provides quota allocation to crews and skippers.

DSFU is an independent union and the oldest organization of crewmen and skippers in the North Pacific. It was founded in 1912 and is composed of longliners who fish primarily in the Gulf of Alaska and the Bering Sea. Many of our members worked aboard vessels during the qualifying years for the original Individual Fish Quota (IFQ) process and allocation.

The Union and its members were very active in the development and implementation process. It is truly unfortunate, especially in retrospect, that crew members did not receive any initial allocation. Discussions about this aspect of IFQ inappropriately replied to crew members as "ancillary to the operation" and a potential source of "bookkeeping nightmares." Both categorizations were false and demean the absolutely essential role we play as well as the continuing professionalism exhibited by Union members.

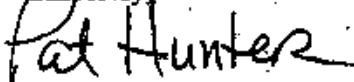
Since that time, many crewmembers have invested heavily in IFQ purchases in order to regain the immense amount of collective bargaining ability we lost with the implementation of this system. Our Union is uniquely qualified to comment on the IFQ process and its impact on crew members (working fisherman) and the fishery. The

Captain and Crew Quota Ownership provision in the Crab Rationalization effort is an opportunity not available to us at the onset of IFQ.

With Crab Rationalization we now, collectively, have the opportunity to lean from our experience and ensure this provision is included in the program. Captain/Crew Quota Ownership Share fosters job security, stability of the market and protects the fishery. DSFU is fully and enthusiastically supportive of the inclusion of the Captain/Crew Quota Ownership Share in the Crab Rationalization proposal.

Thank you in advance for your consideration. Additionally, we will certainly be available to the Council and the Advisory Panel to lend our insight and experience to what we feel is an extremely important part of this program.

Sincerely,



Pat Hunter
President

ROBERT J. HENRICHS

P.O. BOX 1000
CORDOVA, ALASKA 99574
TEL 907-424-3604 FAX 907-424-7780
Email rhenrichs@tribalmnet.org

RECEIVED

MAY 13 2002

N.P.F.M.C

May 12, 2001

Chairman Dave Benton
North Pacific Fishery Management Council

Chairman Benton

Re: processor quota shares.

The North Pacific Fishery Management Council should support coastal communities and reward good fishing stewardship.

Fisheries conservation should be the ultimate goal of limiting access to Alaska's crab resource.

I oppose processor quota and government limitation of the number of processors because of the controlling effects on the market, fishermen, communities and public process.

This would be a return to the pre-statehood days when the canneries owned the fish traps. Local control of the fisheries was one of the driving forces for statehood.

Sincerely yours


Bob Henrichs

cc: Senator Stevens
Senator Murkowski
Congressman Young

To : North Pacific Fishery Management Council

From : Randy Walton

Regards : B.S.A.I. Crab Fisheries

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MAY 21 2002

N.P.F.M.C

This letter is to express some of my concerns with the options for skippers and crew members in the proposed I.F.Q. crab rationalization plan.

The skippers and crew need to be included in any initial allocation at the start of any I.F.Q. program put into place to help ensure that they have some kind of a future in these fisheries.

Two of the proposed alternatives would address this issue by allotting a percentage of any I.F.Q.s to skippers and crew.

The First Right of Refusal Option will not work for skippers and crew as it is, I have listed my concerns as follows;

What happens to the skipper and crew of a vessel when the owner sells out upon receiving any I.F.Q.s. How are they to stay Eligible under the criteria that is listed. There are a lot of vessel owners that are planning to sell out of these fisheries if they go I.F.Q.s. There are some owners that own more than one vessel, and upon receiving I.F.Q.s, they will have one vessel doing the work of 2 or 3 vessels. Where are the skippers and crew of these vessel's to go and do ?

With the fleet reduced, how are these skippers and crew expected to stay employed in the fisheries and stay eligible to buy I.F.Q.s ?

A low interest loan program for skippers and crew is proposed, this program would be for Alaska residents only, the majority of vessel owners, skipper's and crew are not Alaska residents.

Maybe there needs to be an option included in this program that would provide funding for displaced fisherman that need to be retrained (schooled) in a different career because of any crab I.F.Q. system. This would be funded by any individual that was an initial recipient of any I.F.Q.s..

I've been told because I do not have an investment in the fisheries that I should not receive anything, this is wrong. I myself, as a skipper owned 150 crab pots(\$150,000.00) for 6 of the qualifying years and leased them to the vessel that I skippered. This gives me a large investment in these fisheries but does not qualify me because I do not own the I.L.P.s, that is not right.

Every skipper that does qualify under the years that are listed and with the recent participation shows that we have years of our lives invested in these fisheries and with the High levels of occupational loss of life and injury that we face every season shows that we do have a large part of our lives investment in these fisheries.

The skippers and crew need to be included in the initial allocation process to keep this from becoming another retirement program for the vessel owner's like it was in the halibut & blackcod I.F.Q. program.

Sincerely Randy Walton
F/V Snug Harbor

F/V ERLA-N

Alan Bing Henkel - Owner/Operator

RECEIVED

MAY 20 2002

N.P.F.M.C

May 19, 2002

Mr. David Benton,
Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 300
Anchorage, Alaska

Mr. Chairman,

I am the owner operator of the F/V Erla-N, a crab catcher operating out of Dutch Harbor, Alaska. The Erla-N has participated in the Aleutian Island brown crab fishery from 1981 to the present time except for the years 1992-1995.

Although the Erla-N met the GQP and RPP requirements for a brown crab endorsement on its LLP license, it was denied the endorsement because it did not fish for brown crab during the EQP qualifying years.

When we were notified that the Erla-N would not meet the EQP requirement for its own brown crab endorsement, the Erla-N LLC purchased another crab vessel which did have an Aleutian Island brown crab endorsed LLP. This purchase was made following a discussion with the RAM division of NMFS. We have now taken this USCG documented vessel out of the fishery, but the Erla-N LLC kept its LLP so that the Erla-N could continue to fish for brown crab.

This letter is to request that the council approve the suboption under Sec. 1.2 and Sec. 1.4 in the council's draft dated April 14, 2002. This suboption, which would allow the Erla-N or any other vessel in the same situation to qualify for brown crab quota share, reads:

Persons who have purchased LLP, with GQP, EQP, and RPP qualifications to remain in a fishery may obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both.

In considering this request, I ask that the council take into account that we have made substantial investments to continue participating in the brown crab fishery and that the Erla-N's participation has been very successful. The Erla-N is financially dependent on the brown crab fishery and we can not continue to operate without a brown crab quota.

I am confident that you will give this matter your careful consideration.

Sincerely,



Bing Henkel

1736 205th Place NE Sumner, WA 98074
Phone: 425-868-8870 Fax: 425-868-7574 E-Mail abhenkel@atttd.com

RECEIVED

MAY 17 2002

May 17, 2002

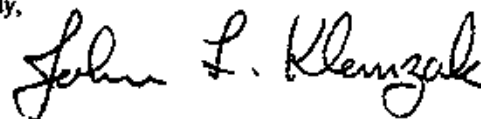
Dear Chairman Benton;

N.P.F.M.C

I've lived in Kodiak all of my adult life and have commercially fished for crab since 1971 both in the Gulf of Alaska and the Bearing Sea. I am part owner of two Bearing Sea crab boats. I am writing to urge you to do what you can to prevent the granting of processor shares in the Bearing Sea crab fisheries. I believe that our bargaining power will disappear along with the smaller processors and entrepreneurs. I fear that with no freedom to choose to whom to sell one's catch, that we, the fishermen, will be in a "company store" situation and be forced to either take or leave some potentially bad offers. Many of the current processors in Dutch Harbor and the Pribilofs already have an interest in the harvesting sector. Isn't this enough? Is it wise or even legal to grant them both harvesting and processing rights?

Furthermore, as a long time resident of Kodiak, I question whether the precedent of processor shares is a good thing for our community. Whatever happens in the Bearing Sea will probably happen here as well. A healthy fleet and a healthy group of buyers are the economic engines that power this town. A few large monopolies with exclusive rights to process fish is a scary thought for a small community.

Yours Truly,



John Klemzak
F/V Kodiak
F/V Determined
P.O. Box 3152
Kodiak, Ak. 99615
Phone: 907-486-5287
Fax: 907-486-5209

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MAY 22 2002

N.P.F.M.C

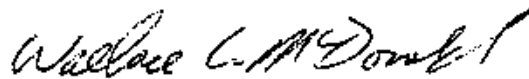
5-22-02

David Benton

Re: IFQs for processors

I support the Alaska Marine Conservation Council's 7-point plan for limited access programs. I hope you will support this position as well, for the economic health of coastal communities.

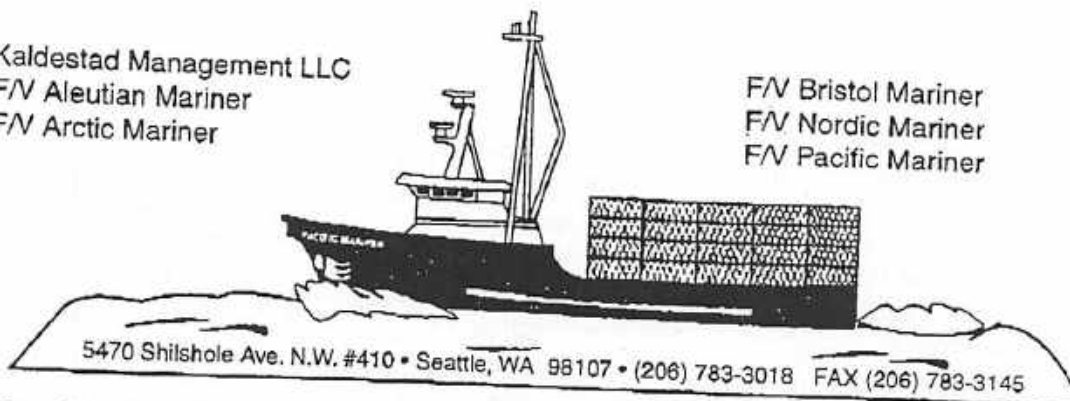
Sincerely,



Wallace L. McDonald

Kaldestad Management LLC
F/V Aleutian Mariner
F/V Arctic Mariner

F/V Bristol Mariner
F/V Nordic Mariner
F/V Pacific Mariner



Date: May 20, 2002

To: North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK 99501-2252

Re: C-5, Crab Rationalization, Options for Skippers and Crew

Dear Council Members,

RECEIVED
MAY 21 2002
N.P.F.M.C

One of the elements and options of Crab Rationalization is the treatment of skippers and crew under a new program. I believe there is general consensus in the crab industry that there should be consideration of skippers and crew in the new quota-based system. The Council must decide which method would best achieve this goal.

Under an Olympic style fishery, skippers and crew are valued for their ability to catch crab efficiently, effectively and safely. In a quota based fishery, the same qualities will be sought in skippers and crew by vessel owners for their operation. There is a concern among some that skippers and crew will underbid each other in the competition for jobs. It is assumed that today the crab fleet is overcapitalized, that there are too many vessels in the crab fishery and consolidation is needed. One of the early steps being considered is a fleet sponsored buyback. After consolidation under a buyback and rationalization, there will, by necessity, be fewer jobs in the crab fishery assuming each vessel had a distinct crew. However, the remaining jobs will be more stable financially and may in fact be filled by more than one person in a crab season, assuming crab stocks can rebound. As in any fishery, the best skippers and crew will be sought by vessel owners for these jobs and will be compensated as such.

The best and fairest way to include skippers and crew, and to allow an avenue for new entrants in a rationalization program, is to set up a first Right of Refusal Program based on quota sales, funded by a Low Interest Loan Program and a pre-tax savings account which can be used for quota purchases (similar to CCF program used to purchase vessels). These would provide the opportunity to purchase quota and the ability to access capital for purchases. This approach, I believe, would have wide support from vessel owners.

Another option is for skippers and crew is for them to receive initial allocation of quota share. This option is unfair to vessel owners who have taken the financial and emotional risk associated with ownership of a vessel. The quota associated with a vessel under a new quota program is a transfer of value from that vessel to the quota. This has been shown in the halibut and sablefish program where vessels are worth a fraction of what they were under Olympic fisheries. The quota will be the cream of that value. The vessel owner will

2

be left with all the negative things associated with vessel including operational costs, legal requirements, crew injuries, etc. while non-owner recipients would receive a portion of the most valuable portion of the overall operation, the quota. Vessel owners who have made the financial and emotional investments in vessels should be the recipients of quota, not skippers and crew who have not. Crewmembers have benefited financially from the owners investment in the fishery (skippers as much as 3 times as crew) and some have chosen to participate as owners while other have chosen not to invest in the crab fishery with their earnings. Some have invested in other fisheries such as salmon and halibut. The ones who have become investors will be awarded quota as a result of their investment.

I would urge the Council to move forward with First Right of Refusal and Low Interest Loans as the preferred option for skippers and crewmembers.

Sincerely,



Kevin L. Kaldestad

RECEIVED

MAY 23 2002

Gustavus, Alaska
May 21, 2002**N.P.F.M.C**Chairman David Benton
North Pacific Fishery Management Council
Anchorage, Alaska

Dear Chairman Benton:

I would like to comment on the proposed entry limitation for Bering Sea king crab. Having worked in the 1970s and '80s for the Alaska Commercial Fisheries Entry Commission on fishery entry limitations, I am aware of the many difficulties and conundrums you face, some of them insoluble. Some consequences of entry limitation will be unfortunate, others will be unfair to individuals. Nevertheless I believe it is possible to design a program that is much better than the alternative of no action.

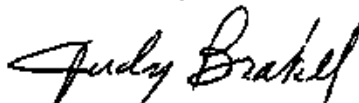
Although all sectors of the industry, including the processing sector, are facing problems, I think it would be a mistake to award some permits to processors, or to allow processors to purchase permits. I believe that permits should be owned by the people who fish them, allowing minor exceptions for medical reasons. (I recognize that medical exceptions in the State system are frequently stretched beyond the facts of the case.) Departure from this principle is a departure from the independent owner/operator fishery, with unfortunate consequences, only some of which can be foreseen.

Those who point to the pre-statehood Alaska salmon fishery and the control processors had over the whole industry through ownership of the fish traps have a reasonable concern. Even though some processing firms are managed by highly responsible and decent individuals, one must expect and plan for the irresponsible and amoral behavior that corporations exhibit generally. In our society corporations have almost all the rights of individuals but few of the responsibilities. The fishing sector, at least in Alaska, has maintained a notable level of independence and individuality. It would be unfortunate to start the fisheries down the path of vertical integration and expanded corporate control. There is already too much corporate control in the world.

I hope you are able to devise a limited entry or IFQ system that supports rather than damages Alaska's fishing communities, and that has incentives for fishing in a manner that produces minimal bycatch and does little harm to marine habitat.

Good luck with your project.

Yours truly,

Judy Brakel
Box 94

SIGN-ON LETTER

May 2002

The Honorable Tony Knowles
 Box 110001
 Juneau, Alaska 99811-0001

North Pacific Fishery Management Council
 605 W. 4th Avenue
 Anchorage, AK 99501

RECEIVED
 MAY 23 2002
 N.P.F.M.C.

Dear Governor Knowles / Dear Chairman Benton,

We are independent Alaska-resident fishermen participating in the harvesting sector of the Bering Sea/Aleutian Islands crab fisheries. As Alaskans we are concerned about imminent decisions to rationalize Alaska's federally managed fisheries. In June, the North Pacific Fishery Management Council is scheduled to vote on a plan to limit access to Bering Sea crab fisheries. The Council will also decide whether or not to award processor quota, or the "two-pie" system, to companies currently involved in crab processing. After crab rationalization is decided, fishery managers will consider plans for groundfish fisheries.

We support rationalization of Bering Sea crab fisheries as a management system to reduce impact on declining crab populations and restore economic value to these fisheries. There are too many boats chasing too few crab and the future of the fishery lies in better management of the harvesting sector. As Alaskans we oppose the "two-pie" system. We do not support a system that locks each Alaskan fisherman to certain processors. The last time this happened was during Alaska territorial days when a limited number of canneries controlled the resource, the fishermen and the communities.

Our communities accrue tremendous benefits from our activity in the Bering Sea/Aleutian Island crab fisheries. Our crews typically live in our community. We provision our boats with fuel, bait, food and fishing gear from local vendors. We hire local mechanics and other support professionals when preparing for the fishing season. We believe that the "two-pie system" will limit our markets, stifle innovation and give excessive control to a few companies. This will have adverse economic impact on us, our crews, communities and, in the long run, Alaska as a whole.

Please do not let the "two-pie system" be the legacy of your Administration to Alaskan fishing families and communities. We need a healthy processing and harvesting sector for the seafood industry and fishing families to thrive in coastal Alaska. To that end, we believe there are alternative ways to support the processing sector and crab-dependent communities without limiting future markets. Please support wise management of our fisheries and let the American system of free enterprise continue.

Sincerely,

Charles P. Fogle

Your name and community

F/V Inventive - Kodiak Ak.

cc: Sen. Stevens, Sen. Murkowski, Congressman Young

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MAY 23 2002

Rick Mezich
7215-156 ST SW
Edmonds, WA. 98026

NPFMC
 Dave Benton, Chairman
 North Pacific Fisheries Management Council
 605 West 4th Avenue, Suite 306
 Anchorage, Alaska 99501-2817

May 20, 2002

Re: Preferred Options For Aleutian Island Brown Crab Rationalization

Dear Mr. Benton

This letter states the position of the owners of 13 vessels who participate in the Aleutian Island brown crab fishery. A list of vessel owners along with their signatures appears on the last page. Most of our vessels have long histories in this fishery and have made substantial investments in recent years to strengthen their crab catching abilities. The Aleutian brown crab fishery is critical to our economic viability.

We request that the council adopt the following options, which appear in the April 14, 2002, Draft Council Motion for item C-5 BSAI Crab Rationalization:

- 1) "1.3.1.1 Brown king crab (AI golden king crab) option.
 Option 1. Split into two categories: Dutch Harbor brown king crab and Western Aleutian brown crab."

Distinct stocks have been identified in the Eastern and Western Aleutians. Having separate allocations in the two regions will ensure that those stocks can be properly managed. In addition, a single category of QS covering both regions will not properly reflect the catch histories of many participants who, for reasons of safety and economy, have fished only the Eastern Aleutians.

- 2) "1.4.2.7 Brown king crab (based on biological season) . . . Option 5. 96/97-2001/02 (6 seasons)
 (a) Best 5 seasons"

This fishery has a small number of LLP qualified vessels. It is critical not to further reduce the number of vessels that participate. Qualifying years 96/97-2001/02 will allow QS to be distributed among a greater number of LLP qualifying vessels.

- 3) "1.4.2.7 . . . Suboption: Award each initial recipient QS based on: . . . (b) historical participation in each region."

Our vessels have had little participation in the Western region and forced participation there will greatly alter our historical fishing practices.

- 4) "1.6.3 Separate and distinct QS Ownership Caps"

In 1.6.3, under (d), we favor a 15 % ownership cap for both Dutch Harbor and western Aleutian Islands regions. We also favor the suboption for (d) which states that "no initial issuance shall exceed the cap specified" and that any amount of QS issued to a person in excess of the cap shall be distributed "equally" to other qualified persons receiving an allocation in the fishery.

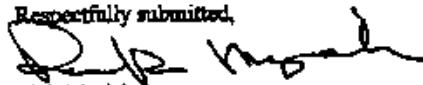
We believe that the 15 % ownership cap and an equal distribution of excess shares is the best way to resolve the excessive share issue and avoid windfall QS allocations to a few large operators.

- 5) "1.1 Crab fisheries included in the program . . . Option (A) Exclude E.AI Tanner, W AI Tanner, Dutch Harbor Red king crab, and W AI red king crab"

- 6) "1.4.2.8 Adak Red King Crab . . . Option (c) Not appropriate for rationalization"

This fishery does not meet the criteria for rationalization. Rationalization is a tool that primarily addresses concerns of overcapitalization and over fishing.

Respectfully submitted,


 Rick Mezich

List of vessels that participate in the Aleutian Island Brown crab fishery.

- F/V Alaska Sea, Owner - Ozzie Nordmark *Ozzie Nordmark 5/20/02*
- F/V Andronica, Owner - Gary Howe
- F/V Arctic Dawn, Owner - Olle Helgevoll *Olle Helgevoll 5-23-02*
- F/V Aleutika No. 1, Owner - Justin Karlson / Rob Peterson *Justin J. Karlson*
- F/V Rallytec, Owner - John Sjog *John Sjog 5-20-02*
- F/V Early Dawn, Owner - Rick Matich *Rick Matich 5/21/02*
- F/V Eric-N, Owner - Bing Hestel *Bing Hestel 5/21/02*
- F/V Lady Alaska, Owner - Karin Seyden *Karin Seyden 5/22/02*
- F/V Pacific Star, Owner - Terret Hestel *Terret Hestel 5/22/02*
- F/V Stikeldin, Owner - John Sjog *John Sjog 5-20-02*
- F/V ^{Western Fishing} Western Fishing, Owner - Jim Stone *Jim Stone 5/21/02*
- F/V Sea Venture, Owner - Dan Gunn *Dan Gunn 5/20/02*
- F/V Aleutico Spray, Owner - Chris Kautsch *Chris Kautsch 5/20/02*

RECEIVED

MAY 22 2002

N.P.F.M.C

May 22, 2002

Dave Benton, Chairman
North Pacific Fishery Management Council
Anchorage, AK 99501
By fax (907) 271-2817

Dear Chairman Benton,

I am the managing-owner of three BSAI LLP-qualified crab vessels (FV Kliska Sea, FV Siberian Sea, FV Alaska Trojan). I am writing today to urge you to maintain the LLP-fishery in the BSAI because the NMFS buy-back will remove at least sixty of our competitors this year, by itself. That's quite few and we ought to wait and see the full effect of that before the NPFMC goes any further.

If you decide to further rationalize anyway, I hope you choose 1-Pie or nothing. 2-Pie is too big a club to give to an onshore crab buyers and I worry it will depress the crab prices in the future.

So, if the Council decided to do 1-Pie, here's my preferences.

- | | |
|-------------------------------|---|
| A. Opilio: | Option 2 (1992-1999 best 7-years) |
| B. Bristol Bay red king crab: | Option 2 (1992-1999 best 5-years) |
| C. Bairdi: | Option 1 (1992-1996 best 4-years). |
| D. Pribilof red king crab | Option 1 (1993-1998 best 4-years) |
| E. Pribilof Island blues | Option 1 (1993-1998 best 4-years) |
| F. St. Matthew blue king crab | Option 1 (1993-1998 best 4-years) |
| G. Aleutian Island browns | Option 5 (1996/97-2001/02 best 5-years) |
| H. Adak red king crab | Option 1 (Don't rationalize it now) |

I'm against more CDQ's, initial allocation of skipper shares and letting the AFA crossovers buy up more crab rights with their Pollock money....which I can't compete with them to catch.

If need be, let's stick with the status quo rather than stick us crab fishermen with a deal that costs us more than it gets us. It's not like we've been flush the past 7-years.

Sincerely,



Ted Painter, Jr., Managing-Owner
FV Siberian Sea
FV Kiska Sea
FV Alaska Trojan

509 1st Street
P.O. Box 1388
Cordova, Alaska 99574-1388
Ph (907) 424-7738 * Fax (907) 424-7739



10,000 years in our Traditional Homeland, Prince William Sound & The Copper River Delta

May 21, 2001

Chairman Dave Benton
North Pacific Fishery Management Council

Chairman Benton

Re: processor quota shares.

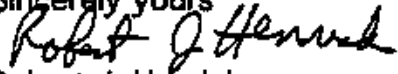
The North Pacific Fishery Management Council should support coastal communities and reward good fishing stewardship.

Fisheries conservation should be the ultimate goal of limiting access to Alaska's crab resource.

We oppose processor quotas and government limitation of the number of processors because of the controlling effects on the market, fishermen, communities and public process.

This would be a return to the pre-statehood days when the canneries owned the fish traps. Local control of the fisheries was one of the driving forces for statehood.

Sincerely yours


Robert J. Henrichs
President, Traditional Council
Native Village of Eyak

cc: Senator Stevens
Senator Murkowski
Congressman Young

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MAY 22 2002

N.P.F.M.C

**Copper River/Prince William Sound
Native Fishermen's Association**

P.O. BOX 1309
CORDOVA, ALASKA 99574
TEL 907-424-7867 FAX 907-424-7868

May 12, 2001

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MAY 22 2002

Chairman Dave Benton
North Pacific Fishery Management Council

N.P.F.M.C

Chairman Benton

Re: processor quota shares.


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Sincerely yours


Bob Henrichs
President

cc: Senator Stevens
Senator Murkowski
Congressman Young

May 22, 2002

Dave Benton, Chairman
North Pacific Fishery Management Council
Anchorage, AK 99501
By fax (907) 271-2847

RECEIVED

MAY 22 2002

N.P.F.M.C

Dear Mr. Chairman,

Me and my boys own the FV Pinnacle and its LLP rights in the BSAI crab fisheries. When you rationalize the BSAI crab fisheries at your June 2002 meeting, please choose 1-Pie or nothing. 2-Pie will cost all of us money because it will create a crab buyers' monopoly that we'll be stuck with for decades. I just can't support that because I don't want to put myself or my boys under that gun.

I've worked in Alaska for over 40-years now. I remember how one-sided the salmon business was when a few big companies controlled it. Please, let's not make that same mistake twice.

Here's the best options for us.

- A. Opilio: Option 2 (1992-1999 best 7-years)
- B. BB red king crab: Option 2 (1992-1999 all 6-years)
- C. Bairdi: Option 2 (1991/2 to 1996 all 6 yrs)

I can't support raising CDQ's, giving initial allocation to skippers or letting AFA crossovers buy-up our crab business with their Pollock money, unless you let me compete with them in the Pollock fishery.

Sincerely,



Walt Casto
FV Pinnacle

May 22, 2002

Dave Benton, Chairman
North Pacific Fishery Management Council
Anchorage, AK 99501
By fax (907) 271-2817

RECEIVED

MAY 22 2002

Dear Chairman Benton,

I have been fishing king crab in Alaska since the 1960's. I currently own three BSAI LLP-qualified crab vessels. I prefer that the NPFMC choose 1-Pie ITQ's when it rationalizes the crab fisheries in June.

These are the options I hope you'll adopt.

- | | |
|-------------------------------|-------------------------------------|
| A. Opilio: | Option 4 (1996-2000 best 4-years) |
| B. Bristol Bay red king crab: | Option 4 (1996-2001 best 5-years) |
| C. Bairdi: | Option 1 (1992-1996 best 4 years) |
| D. Pribilof red king crab | Option 1 (1993-1998 best 4-years) |
| E. Pribilof blue king crab | Option 1 (1993-1998 best 4-years) |
| F. St. Matthew blue king crab | Option 1 (1993-1998 best 4-years) |
| G. Aleutian Island browns | Option 5 (1996/97-2001/02 best 5) |
| H. Adak red king crab | Option 1 (Don't rationalize it now) |

I don't see the need for any more CDQ's, any initial allocation of skipper shares or letting the AFA crossovers buy up more crab rights with their Pollock money.

I prefer that all catcher-processor allocations be based on our harvesting history and that we be allowed to purchase any harvester B-share crab we can find when processing inside of 3-miles. Also, I ask the NPFMC to allow us to sell our CP-shares to any bidder, not just other CP's.

Sincerely,

John Sjog, Owner of FV Ballyhoo, FV Shishaldin and FV Pavior

509 1st Street
P.O. Box 1388
Cordova, Alaska 99574-1388
Ph (907) 424-7738 * Fax (907) 424-7739



10,000 years in our Traditional Homeland, Prince William Sound & The Copper River Delta

May 21, 2001

Chairman Dave Benton
North Pacific Fishery Management Council

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MAY 22 2002

Chairman Benton

N.P.F.M.C

Re: processor quota shares.

The North Pacific Fishery Management Council should support coastal communities and reward good fishing stewardship.

Fisheries conservation should be the ultimate goal of limiting access to Alaska's crab resource.

We oppose processor quotas and government limitation of the number of processors because of the controlling effects on the market, fishermen, communities and public process.

This would be a return to the pre-statehood days when the canneries owned the fish traps. Local control of the fisheries was one of the driving forces for statehood.

Sincerely yours

Robert J. Henrichs
Robert J. Henrichs
President, Traditional Council
Native Village of Eyak

cc: Senator Stevens
Senator Murkowski
Congressman Young

May 22, 2002

Dave Benton, Chairman
 North Pacific Fishery Management Council
 Anchorage, AK 99501
 By fax (907) 271-2817

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MAY 22 2002

N.P.F.M.C

Dear Chairman Benton,

I own and fish the BSAI LLP-qualified crab vessel FV Scandies Rose. When you rationalize crab at your June 2002 meeting, I hope you choose 1-Ple ITQ's with the NMFS buyback. Otherwise, let's continue under the LLP for several more years.

My 1-Ple preferences are these.

A. Opllo:	Option 2 (1992-1998 best 7-years)
B. Bristol Bay red king crab:	Option 2 (1992-1999 best 5-years)
C. Bairdi:	Option 1 (1992 to 1996 all 5-yrs)
D. Pribilof red king crab:	Option 2 (1994-1998 drop 1 year)
E. Pribilof blue king crab:	Option 2 (1994-1998 drop 1 year)
F. St. Matthew blue king crab	Option 2 (1994-1998 drop 1 year)

I don't see the need for any more CDQ's, any initial allocation of skipper shares or letting the AFA crossovers buy up more crab rights with their Pollock money.

I'd like to come out of the Council's rationalization meeting in June better off than I am under LLP, now. You folks controlling these add-on costs is the key, I think.

Sincerely,

Leif Nordo
 Leif Nordo, Owner
 FV Scandies Rose

Dave Benton, Chairman
 North Pacific Fishery Management Council
 Anchorage, AK 99501
 By fax (907) 271-2807

RECEIVED
 MAY 22 2002
 N.P.F.M.C

May 22, 2002

Dear Dave,

I own the FV Wizard and the LLP fishing licenses for the BSAI crab fisheries that go with it. I hope you rationalize the BSAI crab fisheries next month with 1-Pie or nothing. I don't support 2-Pie because it will create an onshore buyers monopoly that will hurt our ex-vessel prices for years. 2-Pie does not make sense to me if you want to maintain a healthy, competitive crab business.

Under 1-Pie I prefer the following

- | | |
|-------------------------------|---|
| A. Opilio: | Option 5 (1996-2002) |
| B. Bristol Bay red king crab: | Option 4 (1996-2001) |
| C. Bairdi: | Option 2 (1991/1992-1996)
Best 5 years |
| D. St. Matts blue king crab | Option 1 (1993-1998)
Best 4 years |
| E. Adak red king crab | Option 1 (Don't rationalize) |

Those of us who have been in the BSAI crab business for the past 30-years have invested and risked most of what we've had to remain competitive. I'd like to see the NPFMC understand that by not raising CDQ's, not handing-out initial allocations to hired skipper and not allowing AFA crossovers to buy up crab rights with their Pollock income.

Sincerely,


 John Jorgensen, President
 FV Wizard

M/V BARANOF - M/V COURAGEOUS4502 - 14TH Ave. NW

Seattle, WA 98107-4618

Ph. (206) 545-9501 - Fax (206) 545-9536



Mr. David Benton
Chairman North Pacific Fisheries Management Council
Re: Crab Rationalization

RECEIVED

MAY 22 2002

Mr. Benton

N.P.F.M.C

Our Companies own and operate the Baranof and Courageous, crab catcher processing vessels. The vessels have been continuously operating in the Bering Sea crab and groundfish fisheries since 1978. We are small business entities which are managed by owner operators.

At the June Meeting the Council will be deciding among many different options for rationalizing the Crab Fisheries in the Bering Sea Aleutian Islands. There are several options which may have a serious impact on the ability of C/Ps to operate in the manner they are accustomed and historically dependent.


Allocation options, under Section 1.7.2, offer two options for allocating shares to C/Ps. One issues a distinct CP class of Quota, to be "CP-QS", which confer the right to process and harvest crab under any Quota system. The other, which assumes a two pie program, issues catcher vessel shares and processing shares to CPs.

The second option, issuing both catcher vessel shares and processing shares to CPs, creates a number of problems. This option would issue two pieces of two different pies. The two pies use two different sets of years and two different allocation formulas, one uses percentages of annual harvest and one total pounds processed. This disparity in allocation formulas and years leads to a large imbalance (a range of 24% to 46%) between processing and catching shares. In the Opilio fishery CPs would only be able to process a portion of what they catch while in Bering Sea Red crab they would have a surplus of processing shares. One would shift CP processing history onshore the other would shift processing sector history offshore. The second option would have a serious negative financial impact on CPs and is not a fair and equitable way to reward historic participation in the fisheries.

Issuing CP-QS, as in option 1.7.2.1.1 resolves the problems discussed above and acts just like "A" shares, freezer boat shares, in the Sablefish and Halibut IFQ Program. This allocation system has worked well in Halibut and Sablefish IFQ Program and will work equally well under a council recommended Crab Rationalization System.

Thank you for your serious consideration of this matter.


Doug Wells
M/V Baranof


Charles Hosmer
M/V Courageous

May 22, 2002

Dave Benton, Chairman
North Pacific Fishery Management Council
Anchorage, AK 99501
By fax (907) 271-2817

RECEIVED

MAY 22 2002

Dear Dave,

N.P.F.M.C

I own and operate the FV Silver Dolphin the BSAI crab fisheries. If you intend to rationalize the BSAI crab fisheries at your June 2002 meeting, I urge you to choose 1-Pie or nothing. Otherwise, almost 2/3 of the IPQ's will be owned by onshore processors who already have a monopoly in pollock. How am I supposed to compete with them in the crab business if you give them another monopoly there?

Assuming you adopt 1-Pie, I urge you to choose

- A. Opilio: Option 3 (1995-1999 best 4-years)
- B. BB red king crab: Option 4 (1996-2001 best 5-years)
- C. Bairdi: Option 3 (50/50 combo BB & Opi)
- D. Pribilof red crab: Option 2 (1994-1998)
- E. Pribilof blue crab: Option 2 (1994-1998)
- F. St Matt's blue: Option 1 (1993-1998)

I don't support raising CDQ's, giving initial allocation to skippers or letting AFA crossovers buy-up our crab business with their excess Pollock money, unless you allow me to go over and compete with them for Pollock. That would be a realistic deal, in my mind.

Sincerely,

Staal Brekkaa

May 22, 2002

Dave Benton, Chairman
North Pacific Fishery Management Council
Anchorage, AK 99501
By fax (907) 271-2817

RECEIVED

MAY 22 2002

N.P.F.M.C

Dear Chairman Benton,

I am the managing-owner of the BSAI LLP-qualified crab vessel FV Notorious. I prefer 1-Pie ITQ's with the NMFS buyback. But if there aren't enough NPFMC votes for it, I can live with 2-Pie ITQ's or coops, instead. The need for some kind of rationalization is long overdue in BSAI and I don't want to see us miss a golden opportunity to rationalize a very up and down business that could use some consistency for a change.

I prefer these options and urge you to adopt them.

- | | |
|-------------------------------|---|
| A. Opilio: | Option 5 a (1996-2002 best 6-yr) |
| B. Bristol Bay red king crab: | Option 4a (1996-2001 best 5-yr) |
| C. Bairdi: | Option 3 (50/50 comb.BBR & Opi.) |
| D. Pribilof red king crab | Option 1 (1993-1998 best 4-years) |
| E. Pribilof blue king crab | Option 1 (1993-1998 best 4-years) |
| F. St. Matthew blue king crab | Option 2b (All years minus one) |
| G. Aleutian Island browns | Option 5 (1996/97-2001/02 best 5 years) |
| H. Adak red king crab | Option 1 (Don't rationalize it now) |

I believe that recent participation should be among the top considerations in formulating any new quota shares.

I don't see the need for any more CDQ's, any initial allocation of skipper shares or letting the AFA crossovers buy up more crab rights with their Pollock money.

I'd like to come out of the Council's rationalization meeting in June better off than I am under LLP, now. Controlling these add-on costs is the key to doing so.

Sincerely,



Gretar Gudmundsson, Managing-Owner
FV Notorious

May 22, 2002

Dave Benton, Chairman
North Pacific Fishery Management Council
Anchorage, AK 99501
By fax (907) 271-2807

Dear Chairman Benton,

I am the managing-owner of the BSAI LLP-qualified crab vessels FV Autumn Dawn, FVSea Venture, FV Aleutian Beauty and partner in the FV Amatuli. I prefer 1-Pie ITQ's with the NMFS buyback. But if there aren't enough NPFMC votes for it, I can live with 2-Pie ITQ's or coops, instead. The need for some kind of rationalization is long overdue in BSAI and I don't want to see us miss a golden opportunity to rationalize a very up and down business that could use some consistency for a change.

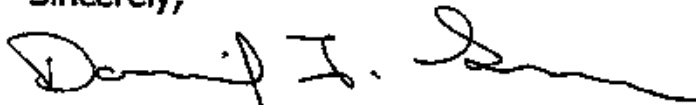
I prefer these options and urge you to adopt them.

- | | |
|-------------------------------|---|
| A. Opilio: | Option 5 (1996-2002 best 6-years) |
| B. Bristol Bay red king crab: | Option 4 (1996-2001 best 5-years) |
| C. Bairdi: | Option 2 (1991/2 to 1996 best 5) |
| D. Pribilof red king crab | Option 1 (1993-1998 best 4-years) |
| E. Pribilof blue king crab | Option 1 (1993-1998 best 4-years) |
| F. St. Matthew blue king crab | Option 1 (1993-1998 best 4-years) |
| G. Aleutian Island browns | Option 5 (1996/97-2001/02 best 5 years) |
| H. Adak red king crab | Option 1 (Don't rationalize it now) |

I don't see the need for any more CDQ's, any initial allocation of skipper shares or letting the AFA crossovers buy up more crab rights with their Pollock money.

I'd like to come out of the Council's rationalization meeting in June better off than I am under LLP, now. Controlling these add-on costs is the key to doing so.

Sincerely,



Dan Gunn, Managing-Owner
FV Autumn Dawn
FV Aleutian Beauty
FV Sea Venture
Partner -FV Amatuli

Handler Corporation

12000 Industry Way N3
Anchorage, Alaska 99515

Telephone 907-344-5856
Facsimile 907-349-5357

May 20, 2002

RECEIVED

MAY 22 2002

David Banton
NPFMC Member
PO Box 20735
Juneau AK 99802
907-586-4675

N.P.F.M.C

Re: June 7 NPFMC meeting

Dear Mr. Banton

My name is Jerry Matson. I own the FV Handler and the FV Alicia Jean. My boats fish BSAI crab fisheries. We will be leaving the shipyard June 2nd for Chignik for an Alaskan salmon charter. It is not possible for me to attend this important meeting, so I would like to pass on our thoughts on a couple of issues. We have been in the fishery for many years. In most fisheries, beyond the years being considered. As we still fish presently, most all options work okay and we are not going to lobby for any specific years. My concerns are as follows:

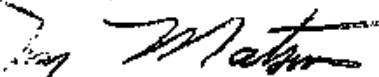
1. Going back too far will bring too many ghosts back into the fishery.
2. Going too far forward will reward late investors in the fishery.

I do not think there is a lot of lobbying for old history (I could be wrong), but I worry more about the late one's. I have followed the Council's News and Notes for a long time. We have been made aware that investments after 1998 were a big risk. Most of us have run our businesses based on these Council's News and Notes.

The brown crab fishery has been slammed with gear recently. I am in a civil suit over gear wars in 2001. You will be hearing testimony from a group of mostly late comers, owners and skippers, lobbying for the 2001-2002 brown season. I have attached just a couple of the many times we have been informed by Council's News and Notes. I hope we do not reward these late investors. I will not ask for my favorite years, but just ask that if you must go past December 31, 1998, please consider only 1999 and not all the way to the 2001-2002 season in all fisheries.

Thank you all for your consideration, and all the hard work you have done to make this possible.

Sincerely,



Jerry W. Matson
FV Handler
FV Alicia Jean

NORTH PACIFIC FISHERY MANAGEMENT COUNCIL**News and Notes**

David Benton, Chairman
Chris Oliver, Acting Executive Director



605 West 4th Avenue, Ste 308
Anchorage, AK 99501-2252
Phone (907) 271-2800
Fax (907) 271-3817

BSAI Crab Rationalization

The Council adopted a suite of alternatives, elements and options for analysis of a rationalization program for the BSAI crab fisheries. (The complete list of proposed elements and options may be found on the Council's web site, or contact our offices for a copy.) The Council tasked staff to initiate a full analysis of the proposed program alternatives with a goal of completing a preliminary draft of the analysis by the December 2001 Council meeting. Depending on the extent of any required revisions to the analysis, the Council is tentatively scheduled to take final action on the proposed BSAI crab rationalization program at its April 2002 meeting. With respect to the Council's report to Congress on this topic, staff indicated that the report to Congress will be synthesized once an initial draft of the full analysis is completed.

Crab fisheries included in the proposed rationalization program include the following crab fisheries subject to the Federal FMP for BSAI: Bristol Bay red king, brown king, Adak red king, Dutch Harbor red king, Pribilof Islands blue king, Pribilof Islands red king, St. Matthew blue king, Opilio, Bairdi, and Eastern and Western Aleutian Islands Tanner crab. Note that QS may not be initially allocated for fisheries that have been closed during the qualifying periods under consideration.

The qualifying years under consideration span the 1992 - 2000 biological seasons, with several sub-periods and sub-options proposed depending on the fishery. While the 2000 season for Opilio, Bristol Bay red king and brown king crab will be considered in the analysis for recovery purposes, the Council reaffirmed its earlier policy statement that catch history in the crab fisheries beyond December 31, 1998 may not count in future rationalization programs, including a fishery cooperative system.

A. Three alternatives would be analyzed.

- i. Vessels are free to transfer between coops once each year, with agreement of the coop to which they are moving. Vessel catch history goes to new coop.
- ii. Vessels may move to a new coop after spending one year in the open access fishery. Coop must agree to entry of new vessel. Vessel catch history is not protected in open access, but is restored upon entering new coop.
- iii. Vessels may only leave coop with agreement of the processor. Catch history only goes with vessel if processor agrees.

B. Vessels that did not join a coop in the first year coops are formed may join the coop of the processor to which they delivered the highest pounds of crab in the previous year after spending one year in the open access fishery.

4. Regionalization, Etc.

A. All other options in the June Draft Council motion regarding regionalization, skipper/crew shares, etc. would be applied to the Lead Fishery Cooperative Model based on the options identified for analysis in those areas.

5. Taxes

Require owners of CP vessels to pay a fee equivalent to the tax that would have been imposed had the CP operated in State waters.

Further, the Council reaffirmed its earlier policy statement that catch history in the crab fisheries beyond December 31, 1998 may not count in future rationalization programs, including a fishery cooperative system.

April 2002

3

B

Crab Buyback Program and Cooperative Development

The Council did not specifically address the industry proposed crab license buyback program at this meeting, though they did discuss the current status of crab fisheries and possible programs to mitigate the expected economic hardships facing that industry. It appears that further progress on a crab license buyback program is on hold for now, while the industry works to develop alternative measures, including development of a fishery cooperative. The Council received testimony and a written summary of recent industry meetings on this issue, and encouraged the industry to continue their work in this area with Council members Dave Fluharty and Kevin O'Leary volunteering to act as facilitators in this effort. At some point this effort could come back to the Council to develop regulations to implement such a program. As a backdrop for development of such a program (and to discourage speculative fishing activity), the Council reaffirmed its earlier policy statement that crab history in the crab fisheries beyond December 31, 1998 may not count in future rationalization programs, including a fishery cooperative system.

Further development of the cooperative concept will likely occur in the near future, depending on how fast the industry organizes to discuss the issue. Details on meeting dates and locations are not yet available. However, the Council office anticipates being kept apprised of developments and will serve as an interim contact point, at least until a more formal industry initiative is organized. Input on this issue can be forwarded to our office, and hopefully we will have information soon regarding upcoming industry meetings. Council contacts are Chris Oliver or David Withrell.

Habitat Areas of Particular Concern

Habitat areas of particular concern (HAPC) are those areas of special importance that may require additional protection from adverse effects. HAPC is defined on the basis of its ecological importance, sensitivity, exposure, and rarity of the habitat. Several habitat types have been already identified as HAPC as part of the essential fish habitat amendments. Additional research is required to determine where these habitat types are located. These HAPC's included:

1. Areas with living substrates in shallow waters (e.g., eelgrass, kelp, mussel beds, etc.)
2. Areas with living substrates in deep waters (e.g., sponges, coral, anemones, etc.)
3. Freshwater areas used by anadromous fish (e.g., migration, spawning, and rearing areas)

In October 1998, the Council approved for analysis several proposals regarding habitat areas of particular concern (HAPC). These proposals requested that a gap analysis be prepared, and additional habitat types and areas be designated as HAPC. Proposed HAPC habitat types included summits and pinnacles, the ice edge, the shelf break, and biologically-consolidated fine-grained sediments. Proposed specific HAPC areas included a deep basin in Prince William Sound, the Chinkow Basin north of St. Lawrence Island, and the red king crab bycatch areas around Kodiak Island. The HAPC technical team has completed a preliminary analysis of HAPC types and alternatives to minimize potential impacts. The Ecosystem Committee and the Scientific and Statistical Committee reviewed the preliminary analysis, and have recommended several changes, including additional options to be analyzed. Initial review of this amendment package has been tentatively scheduled for February and final action in April 2000. Staff contact is Dave Withrell.

Initial 2000 BSAI and GOA Groundfish Specifications and SAFE Reports

The Council has recommended rolling over all 1999 final groundfish specifications as initial specifications for 2000. These include overfishing levels, allowable biological catches, total allowable catches, prohibited species catches, and habitat discard mortality rates. Initial ABCs and TACs are listed in Tables 1 and 2 (attached). Twenty-five percent of the initial specifications will go forward as interim specifications for management of the 2000 groundfish fisheries until superseded by publication of final specifications. Assumptions for all groundfish stocks will be finalized by the Groundfish Plan Teams in November.

The Council will recommend final specifications at its December meeting based on analysis and recommendations provided by the BSAI and GOA Groundfish Plan Teams, as well as SSC, AP, and public comments.

The Council also recommended preliminary bycatch allowances for Pacific halibut, herring, red king crab, snow crab, and Tanner crab for 2000 that are identical to those for 1999, except that seasonal apportionments will not be made in the BSAI or GOA (except for GOA rockfish). These allowances will only be in place until the final recommendations of the Council in December are adopted by the Secretary of Commerce. Staff contact is David Withrell for the BSAI and Jane DiCosimo for the GOA.

OCTOBER 1999

Leonard Herzog
Homer Crab Group
916 Delaney Street
Anchorage, AK 99501

RECEIVED
MAY 22 2002

David Benton, Chairman
North Pacific management Council
605 West 4th Ave, Suite 306
Anchorage, AK 99501-2252

RE: Crab Rationalization AGENDA C3: **1996-2000 history for Opilio**
Other Recommendations Follow

N.P.F.M.C

Dear Chairman Benton,

The crab vessel owners in Homer, Alaska believe strongly that the catch history for the Opilio fishery should end with the 2000 season and recommends 1996-2000. In brief, the long strike in 2001 gave the offshore catcher processor fleet triple its historical percentage. Terrible storms during a short season blew out windows in about ten boats and the smaller boats out of Homer, King Cove, and Kodiak could not fish effectively. The short season in 2002 was also marred by storms and heavy freezing spray and few crabs were caught in the vicinity of the islands where the small boats traditionally fish.

Smaller boats that were 90% of average from 96-99 were only 20% of average in 2001 and 2002. No rationalization plan including those years works for most of the Homer boats.

The 1996-2000 period is the most recent years addressed in the analysis. No quantitative data on the 2001 season is available. Notice was given to industry that the Council might not include years after 1999. Using the most recent years in the analysis, 1996-2000 should satisfy NOAA counsel's concerns that we address the recency issue carefully. The 2001 and 2002 seasons, plagued by a strike and unusually severe weather during very short seasons, are not representative of historical fishing patterns and dependence.

There follows in list form rationales for using the 2000 season as a control date for the Opilio fishery:

- 1. A long strike in 2001 more than doubled the offshore sector harvest by CPs**
- 2. The terrible storms and short season in 2001 left small boats with less than half their historical averages**
- 3. The 2002 Opilio season was also unusually short and was marked by storms and heavy freezing spray**
- 4. The coastal communities of Homer, King Cove, and Kodiak would be harmed by including 2001 and 2002.**

5. 1996-2000 is the most recent period covered quantitatively in the analysis.

6. Industry was notified that 2000 and 2001 might not be included in rationalization

Recommended harvest years in other fisheries:

OPILIO Recommend 1.4.2.1 Option 4(a) 1996-2000 (best 4 seasons)

BRISTOL BAY RED KING 1.4.2.2 OPTION 3(a) 1996-2000 (best 4 seasons)

Using the same 1996-2000 year period would be appropriate for Bristol Bay Red Crab. You will recall the storm that hit during the three day season in the 2001 season resulted in a seaman's death aboard the F/V Exito. The 2001 season is not included in the analysis. The 2002 red crab season does even begin until next October.

Pribilofs Red King Crab 1.4.2.4 OPTION 2(b) 1994-1998 (best 4 seasons)

Pribilof Blue King Crab 1.4.2.5. OPTION 2(b) 1994-1998 (best 4 seasons)

Saint Mathews Blur King Crab 2(b) 1994-1998 (best 4 seasons)

The Homer vessels participate in these fisheries every year and do not want options which drop more than one year. Options which drop two years result in consistent participants having their history cut by 30%. Homer boats would prefer dropping no years but understand that allowing a dropout year will reduce the number of hardship issues.

**ADAK RED KING CRAB OPTION 1(c) Not appropriate for rationalization
(Aleutian Island Red Crab)**

Adak Red crab has been closed since the 1995-1996 when only @35,000 pounds were harvested. In 1994-1995 less than 200,000 pounds were harvested. **The analysis states in the executive summary p. iii that "The Aleutian Islands Red King Crab ... [is] ... suggested for exclusion from rationalization."** The analysis shows that using the 1992-1996 options in the analysis, **four boats will get 80% of the history in that fishery.** Industry discussions suggested that **over 50% will probably go to the offshore CP sector.**

With the new plant in Adak available to catcher boats and the stocks rebounding, it is not appropriate to rationalize based on these stale years of low participation. Over 10 million pounds of red crab were harvested on average each year during the 1960's and early 70's. Only 28 vessels will get permanent LLPs for this fishery (table E-5 Executive Summary) and this fishery can be managed successfully under the status quo.

Even if the Petrel Banks area provides annual catches of only 1.2 million pounds after growth, 4 boats with 80% of the history would be guaranteed @ 250,000 pounds each and the other 24 permanent permit holders @ 10,000 pounds each, an amount that might not even be profitable to prosecute.

BAIRDI

The Homer group has found the Bairdi fishery a difficult one to deal with. It has been closed since 1996. Because over 250 boats will have permanent Bairdi LLPs inclusion in the rationalization process is probably necessary. Most of the Homer boats did fish during the qualifying periods adressed.

BROWN CRAB

Recently some Council members have been concerned that we should use the same years for Brown Crab as Opilio and Bristol Bay Red Crab. While we believe these fisheries can be addressed differently, using the 2000/2001 season as the final year for Brown Crab (corresponding to our 2000 season) may be an effective compromise between the older and newer participants in that fishery. That being said, we believe the strike in 2001 and the unusually severe weather during the exceptionally short Opilio and Bering Sea Red Crab fisheries can be used to distinguish these fisheries from Brown Crab.

Thank you for your consideration,


Leonard Herzog

The Homer Crab Group

May 21, 2002

The Homer Crab Group is an association of crab vessel owners who work their boats in Homer. No dues are paid and the group works with all the vessel owners. Leonard Herzog has been working as chairman of the group for over three years and has been a member of both the crab rationalization committees.

Brent C. Paine
Executive Director



Steve E. Hughes
Technical Director

John F. Gruver
Intercoop Manager

May 22, 2002

Mr. David Benton, Chairman,
North Pacific Fishery Management Council
605 W. 4th Ave., Suite 306
Anchorage, AK 99501

RECEIVED
MAY 22 2002
N.P.F.M.C

RE: Agenda Item C-3 Crab Rationalization

Dear Mr. Benton,

United Catcher Boats (UCB) would like to offer the following comments for consideration by the Council regarding its action on the Crab Rationalization agenda item

First, for the record, UCB represents 28 of the 42 combination vessels that participate in both the Bering Sea crab and groundfish fisheries. These vessels historically harvest about 12 percent of the Bristol Bay Red King Crab fishery annually. Though groundfish harvests provides the majority of our vessels' revenue, the combination vessels have a very long history in, and dependency on, the Bering Sea crab fisheries.

Our primary concern regarding this issue is elimination of the AFA crab catcher vessel sideboards once rationalization of the crab fisheries occurs. Option 1.8.3 of the Council's April 2002 motion provides for elimination of the AFA harvester sideboard caps upon implementation and we ask that the Council include this provision in its final action.

The reasons for elimination of the AFA harvester sideboards are as follows. First, once all harvesters are assigned a certain amount of crab quota, there is no possible way that an AFA vessel owner can negatively impact the Non-AFA crab fleet though rationalization of its AFA pollock operation(s). The original intent of the AFA sideboards, namely to protect non-AFA vessels from AFA vessels' increasing their participation in other non-AFA fisheries due to pollock rationalization, becomes null and void once quotas are assigned to all participants in the crab fisheries. The crab rationalization program will limit the AFA combination vessels harvest to their historic amount, thereby protecting the Non-AFA vessels. The only way a vessel can harvest more than its assigned quota is to purchase or lease quota from another quota (or coop) holder.

Second, Congress, in enacting the Consolidated Appropriations Act of 2001, included a clause within the BSAI Crab Vessel Buy-Back Program that directed the NPFMC to treat AFA combination vessels the same as Non-AFA vessels when recommending a fishing capacity reduction program (Sec. 144(d)(1)(I) of Public Law 106-554). The intent of this provision was to not discriminate between AFA and Non-AFA vessels when both groups were funding a buyback program and also "to permit AFA vessels that remain in the crab fisheries to share proportionately in any increase in crab harvest opportunities that accrue to all remaining AFA and non-AFA catcher vessels."

Third, for any rationalization program to fully allow the vessel owners to reduce capacity, all eligible participants need to be treated equally. Placing unfair restrictions on one group of the fleet will only serve to restrict the entire fleet's ability to fully rationalize the fishery.

Therefore, we ask that the Council treat the AFA combination vessels fairly by applying any rationalization elements, terms or provisions equally to the AFA and the non-AFA vessels. The Council can do this by including Option 1.8.3 in its final motion.

Thank you,



Brent Paine
Executive Director

Alaska Crab Coalition

3901 Leary Way N.W. Ste. 6
Seattle, WA 98107
206 547 7560
Fax 206 547 0130
acc-crabak@men.com

RECEIVED

MAY 22 2002

N.P.F.M.C

May 22, 2002

Mr. David Benton, Chair
North Pacific Fishery Management Council
605 West 4th St., Suite 306
Anchorage, Alaska 99501

**RE: COMMENTS AND RECOMMENDATIONS ON AGENDA ITEM C-3,
BERING SEA CRAB RATIONALIZATION PROGRAM ALTERNATIVES**

Background on the Alaska Crab Coalition (ACC) and Its Role in Crab Rationalization:
The Alaska Crab Coalition (ACC) has been in operation for fifteen years. For over ten years, it has spearheaded efforts to "rationalize" the Bering Sea crab fisheries through the administrative and legislative processes. This restructuring effort has been aimed at ending the "race for fish", and thus improving safety, conservation, and economic efficiency in fisheries, too long characterized by massive excess harvesting and processing capacity. While the North Pacific Fishery Management Council (NPFMC), the National Marine Fisheries Service (NMFS), and the U.S. Congress have grappled with the highly complex issues presented by these fisheries, 70 lives have been lost, and our major bread-and-butter fishery, opilio crab, has declined to a severely depressed state, joining the other Bering Sea crab fisheries, with the exception of the Aleutian Islands golden king crab fishery.

It has long been a matter of record that the ACC's first priority in developing a rationalization program for crab is fishermen's individual transferable quotas, "ITQs". However, political hindsight and experience within the NPFMC arena and the U.S. Congress have led us into cooperative negotiations with the processors and the BSAI crab dependent communities to develop a "regionalized two-pie ITQ program", calling for 100% of catch history ITQs for fishermen, 80% - 90% of processing history for processor quotas for processors, and regional landing requirements. The ACC believes that to insure that future market competition will be achieved, will require (a) 20% of the harvested crab being available for delivery to any processors; and (b) commercial binding arbitration for failed price negotiations, patterned after the Newfoundland snow crab industry.

The Purpose and Need for Council Action:

- The ACC acknowledges that the NPFMC has developed a problem statement for the BSAI king and tanner crab fisheries that recognizes rationalization will address resource conservation and bycatch issues, excess harvesting and processing capacity, economic stabilizaiton in the industry and coastal communities, safety issues and resource allocation problems (Bering Sea Crab Rationalization Program Alternatives, May 2002, page 1, hereafter referred to as the "Analysis"). The Analysis on pages 2 and 3 provides historical background on the resource and excess harvesting capacity issues and instability, and it continues to elaborate on the purpose and need for action.

- The Analysis, on page 10, under Section 1.1.3, under the Need for Further Action is a summary of the industry generated process that has resulted in the development of a suite of alternatives for a comprehensive rationalization program that is intended to provide a management system for the BSAI crab fisheries that builds on the moratorium and license limitation program to address the problems of an open access fishery in a more comprehensive manner. The suite of elements and options adopted by the Council at its June 2001 meeting are the result of efforts that began in late 1999, involving representatives of harvesters, processors, skippers and crewmen, communities and environmental organizations. Interested parties met on an informal basis in a series of meetings starting late 1999, through the fall of 2000. The ad hoc industry committee was formalized into a Council committee in December 2000.

The BSAI Crab Rationalization Committee made significant progress during its meetings in February and March 2001 in developing a set of elements and options for Council consideration and analysis of a crab rationalization program. The Committee's proposed rationalization program consisted of a three-component IFQ program that would allocate harvesting quota shares to the harvesting sector, processing quota shares to the processing sector and impose regional restrictions on deliveries of crab to processors. While the Committee agreed that the rationalization program could be based on just one or two of the components, the Committee did not reach consensus on the relative desirability of a one-pie or two-pie IFQ program, with or without regionalization. The Committee agreed to recommend that the Council include all three components in the analysis, recognizing the Council may choose to adopt a subset of the three.

- At its June 2001 meeting, the Council refined and selected for analysis several alternatives and options for rationalization of the crab fisheries based on the Crab Rationalization Committee's work, AP recommendations, public testimony, a staff discussion paper, and discussion of the Council. The Council has further revised and refined its motion at its December 2001 and February 2002 meetings. (Analysis page 10, and Appendix 1-1).

Executive Summary of ACC Recommendations:

- **Majority Report:** In general, the ACC recommendations are based on the recommended framework and goals developed by two-thirds of the members of the Crab Rationalization Committee, as expressed in the Crab Rationalization Committee – Majority Report, May 11, 2001. The framework is a regionalized two-pie quota system. The report specifically leaves the issue of the level of the percentage of processor quotas for the Council to decide. Within this system, the ACC recommends 100% catch history for harvester ITQs and 80% of processor history for processors, with 80% of the landings subject to regionalization requirements ("A" quota shares) to help insure sustainability for communities. The recommendations contained in this report were developed after almost eighteen months of discussions and negotiations on the multifaceted components of a comprehensive rationalization program.

The recommendations for the two-pie quota program are specific to the Bering Sea/Aleutian Islands crab fisheries and they are in no way intended to establish a precedent for a framework for other Alaskan fisheries, particularly the Gulf of Alaska groundfish fisheries.

- **Section 1.2, Eligibility for initial allocation of QS:** The ACC supports Option 1 for eligibility for harvester QS, provided it is linked to suboption limitations in 1.4b, the basis for QS

distribution, that will prevent QS based on vessels that have left the fishery, from being allocated to current LLP holders that no longer own the aforementioned vessels. New standards must be developed in 1.4b to prevent speculators without vessels from being allocated QS, and thus diluting the market value of vessels owned by the vast majority of LLP holders—who have the burden of maintaining vessels during these depressed times of low stock abundance.

The analysis recommends that if Option 1 or 2 is adopted, that the decision should be made in tandem with a decision on the 1.4 options (Analysis page 205).

Option 1 is consistent with the continuum of access limitation actions that have been taken by the Council, including the vessel moratorium and license limitation. Option 1 can be favored because it simplifies administration (Analysis page 194).

However, the extent of the speculation problem is noted on page 199. There are 16 vessels no longer U.S. documented that have permanent transferrable LLPs that are eligible for QS. Thirteen of these vessels are catcher processors over 165 feet in registered length and they are barred from U.S. fisheries due to AFA provisions. Option 2 would prevent those U.S. persons that hold the LLPs based on the catch of these vessels from utilizing the catch history of these vessels for stacking purposes, (regardless of stacking permitted by Amendment 10) (Analysis page 199).

ACC also understands that the suboption above is not necessary, if Option 1 is chosen, but the ACC continues to support the suboption if the Council chooses Option 2, as it will allow persons with eligible vessels to stay in a fishery (they previously did not have an endorsement for) and to be granted QS for the fishery, if they have purchased a fully transferrable LLP with an appropriate endorsement (Analysis page 195).

Section 1.4b, Basis for Distribution of QS: The ACC is recommending Option 1, (the Joe Sullivan option), subject to deletion of the provision to allow unrestricted "stacking or combining of valid, permanent, fully transferrable LLP licenses and of histories of vessels as permitted under the LLP." The ACC is recommending that Option 1 be combined with the Henkel and ACC suboptions.

- ACC is concerned about NOAAGC's legal opposition to the use of ACC's original Option 2 requiring that catch history be based on ownership of vessels that are currently U.S. documented and MarAd certified, despite the AFA precedent for eligibility in the BSAI pollock cooperative program.
- The ACC suboption has three operative provisions: (Analysis, page 205)
 1. The first provision, like option 1 would limit an allocation to a single vessel, with the exception of Amendment 10 replacement vessels. This provision is inconsistent with Option 3, so it cannot be adopted with that option. Option 3 is legalese, simply intended to obfuscate and allow for stacking and combining of LLPs and catch histories.
 2. The second provision of the ACC suboption is that it would require that any vessel on which an allocation is based, is to be U.S. documented at the time of the allocation (or date of Council final action).
 3. The third provision of the ACC suboption would require that transfers for the purpose of combining LLPs must have occurred prior to January 1, 2002. The ACC suboption recognizes license transfers for purposes of combining LLPs—to limit speculation as suggested in the analysis and the NRC study, "Sharing the Fish" (Program Alternatives, p. 206). This is intended to be applied with the Henkel suboption.

- The ACC suboption limits combining of catch histories to Amendment 10 replacement vessels and it is intended to prohibit speculative stacking of catch histories. Thus, ACC has struck out the language in Option 1 that allows unlimited stacking and combining of catch histories based on NMFS approved LLPs.
- The ACC supports limited combining of LLPs and catch histories, in addition to Amendment 10 replacement vessels, as defined in the Henkel suboption. The purpose of the Henkel suboption is to allow a person to remain in a fishery, after purchasing a valid LLP, but it requires a person to make a choice on a fishery by fishery basis on the catch history. Under this provision the initial allocation would be based upon the history of the vessel on which the LLP is used, or on the vessel used to generate the LLP but not both—meaning no stacking.
- Additional legal comments related to speculative stacking of permits: (Theodore Kronmiller) It is true that the LLP provides for permit stacking. A collateral effect is, in some cases the combination of catch histories from the same fishery. In a license limitation program, this accumulation of paper catch histories in one fishery does not dilute the investments of the vessel owners, because each continues to harvest whatever amount of crab that skill, resource conditions, fleet size, and so forth, allow in that fishery.

Catch histories from different vessels should not be combined for any single fishery. To allow combination of catch histories for a given fishery in a quota program would treat very disproportionately the investments made in vessels, on the one hand, and paper histories, on the other. The investment in a vessel with a certain catch history far exceeds an investment in the same catch history simply transferred to another vessel. Therefore it is fundamentally unfair, in a quota program, to distribute quota on a basis that treats these investments as though they were equal. Moreover, allowing combined catch histories in a single fishery would reward speculation on the future quota program, at the expense of others who invested in more than just paper. An obvious exception is presented by a replacement vessel qualified under Amendment 10, where combining two partial catch histories is essential.

- **1.4.2. ACC Preferred Alternatives on QS Qualifying Periods:** ACC recommendations on catch history qualifying periods have been developed after protracted discussions for more than two years with diverse owners of large and small vessels from Alaska, Washington and Oregon. Discussions culminated in a poll of the ACC membership last week, in which over 70% of the members endorsed the following qualifying periods:

After considerable discussion with crab fishermen attending Council meetings, and looking at various political realities, the ACC Board has compromised significantly on the ACC preferred alternative of 1992-1999, and it is recommending a more recent qualifying period for opilio crab and Bristol Bay king crab. The 1996 - 2000 recommendation on opilio crab and Bristol Bay king crab will help to insure disqualifying speculative latent catch history of vessels no longer active in the crab fisheries, and it will preserve distribution of quota share to actual participants dependent on the fisheries. (See Analysis, latent vessels qualified with fully transferrable LLPs, bottom of page 198 and top of page 199).

- Bering Sea opilio crab: Option 4. 1996-2000 (5 seasons); (a) Best 4 seasons
- Bristol Bay red king crab: Option 3. 1996-2000 (5 seasons); (a) Best 4 seasons
- Bairdi (EBS tanner crab only): Option 2. 91/92-1996 (6 seasons); (a) Best 5 seasons.
- Pribilofs red king crab: Option 1. 1993-1998 (6 seasons); (a) Best 4 seasons

- Pribilof blue king crab: Option 2. 1994-1998 (4 seasons, this fishery did not open until 1995, but fishers were harvesting a combination of both red and blue crab); (b) drop one season.
 - St. Matthew blue king crab: Option 1. 1993-1998 (6 seasons); (a) Best 4 seasons
 - Aleutians brown king crab: Option 5. 96/97-2001/02 (6 seasons); Best 5 seasons
Thirteen of the twenty current participating vessels, 2/3 of the fleet have submitted a letter to the NPFMC supporting this qualifying period option.
 - Adak red king crab: Option 1. (c) not appropriate for rationalization. 80% of the quota would be allocated to 4 vessels, with the remaining 20 vessels sharing only 20% of the QS. With the 2002 GHL of 500,000 pounds, 20 vessels would share 5,000 pounds each, while the top 4 vessels would each share an estimated 100,000 pounds each. This comes under the classification of "excessive shares".
- 1.6.3. Caps on Ownership: The ACC recommends the Council develop a trailing amendment to deal with QS ownership caps, following the results of the buyback program. The buyback program is expected to alter the distribution of QS and could result in some vessels being capped, that otherwise would not have been capped. The caps could thus prevent an optimum level of consolidation needed to achieve economic efficiency. The ACC's second priority is to support Option 2, a cap at 5% of the total QS per fishery in the major Bering Sea crab fisheries. Different caps should be developed for the Pribilof and St. Matthew Islands king crab fisheries and the Aleutian Islands brown king crab fisheries which have much smaller levels of participation.

The ACC recognizes that ownership caps are needed to prevent consolidation and excessive shares of the resources. Consolidation is necessary for developing economies of scale, however concentration of share holdings in a relatively few individuals or entities can result in excessive market power. Although the caps on ownership and use of shares are generally viewed as a means to prevent excessive concentration of shares, the level of the cap could vary among fisheries depending on the particular nature of the fishery and the objective of the cap (Analysis pages 238-245).

- 1.7.2 Recommendations on Provisions that Apply to Catcher Processors are provided in a separate comment to the NPFMC. The ACC has worked with several catcher processors and shorebased processors in working out reasonable privileges and restrictions in the recommendations.
- 1.7.3 Catch accounting under IFQs: The ACC recommends Option 5, that the Council request ADF&G and the Board of Fisheries (BOF) address the concerns of discards, highgrading, incidental catch and the need for bycatch reduction and improved season monitoring to coincide with the implementation of a rationalization program (Analysis pages 148-170).

All of these concerns and additional conservation and management issues can be addressed by the State under the authority provided in the FMP in categories 2 and 3. The State may choose to change additional management measures at the request of industry or the State can take the initiative through ADF&G generated proposals to improve the manageability of the fisheries. The State makes changes to the crab fisheries regulations through the Board of Fisheries (page 148).

If the Council adopts a crab rationalization program, it is likely that industry would request the BOF to relax the pot limit regulations. Because many of the concerns justifying pot limits

will moderate under rationalization, it is likely that the BOF will find it reasonable to consider working with industry and staff to evaluate conservation and management concerns against economic needs to find a balance (page 149). Under a rationalization program, relaxing pot limits, allowing fishermen to use more pots, will enable fishermen to let their gear soak longer. Undersize and female crabs will have time to sort out on the bottom, thus reducing bycatch and sorting and handling mortality on deck.

Bycatch can also be reduced in a rationalization program through measures such as concurrent seasons, which would allow retention of legal males of different species. To prevent highgrading, ADF&G proposes modifying the harvest strategies to account for increased bycatch and handling mortality, as well as regulations on fishing practices that would lower the catch of non-retained crab. ADF&G managers may consider adopting a minimum/maximum legal escape panel mesh size, ring and pot mouth openings to prevent highgrading on the bottom and still allow female and sub-legal crab to escape. Once these changes and mechanisms are identified then the State is in a position to respond properly to changes in fishing practices that may develop as a result of implementation of the rationalization program (page 150).

Management of rationalized fisheries with extended seasons and concurrent fisheries will likely require more extensive data collection than in the current fisheries. Vessels will be engaged in fishing over a longer part of the year, complicating oversight of fishing. To adequately monitor the fishery, NMFS and ADF&G will need to work together and develop an implementation plan that coordinates catch accounting, realtime reporting, vessel monitoring, other data collection requirements and enforcement (pages 151-152).

The State believes the only cost effective way to monitor the fleet movement and participation in a protracted season, on multiple species, is through the use of a Vessel Monitoring System (VMS) program. A detailed discussion of the observer program, port sampling and VMS program are discussed on pages 154 and 155 of the Analysis.

- **1.8.1 Options 2 and 4, Provisions for Skippers and Crew:** In regards to provisions for skippers and crew in the rationalization program, the ACC continues to support the Majority Report recommendations calling for development of allowance for first right of refusal to purchase up to 10% of quota shares, after initial allocation. In addition, the ACC also supports the development of a NMFS guaranteed preferential loan program for skippers and crew to purchase quota shares. This kind of program has been quite successful in the Alaskan sablefish and halibut IFQ fishery. In the four years the loan program has been in existence, almost \$20 million has been loaned out to skippers and crew and there have been no defaults and few late payments. (Analysis page 364). In another section of the Analysis, it is noted that there has been significant new entry into the sablefish and halibut IFQ program. Twenty-eight per cent of new QS holders (975) have bought into the fishery, and those persons fished 20 per cent of the total TAC in 2001 (Analysis page 190). This is an indicator of the success of the NMFS loan program for encouraging new entrants into a quota share fishery.

The net effect of the first right of refusal plan and the loan program will insure that skippers and crew have an ownership equity in the future and it will thus insure "owners on board" the vessels.

In terms of the potential threats that consolidation poses for skippers and crew the ACC wishes to provide additional comments:

- The Bering Sea fisheries, not only crab, but groundfish are conducted under notoriously challenging conditions for both the skippers and deck men. The ACC wishes to emphasize that skilled operators will continue to be needed on the boats for reasons of not only outright fishing skills, for safety of life at sea, ability to maintain a vessel properly and overall economic efficiency in operations.
- Although not mentioned in previous Council discussions, it is time to note that Bering Sea crab captains and crew men have a lot of skills that are not unique to only the crab fisheries. They have job skills that are in high demand in the Pacific Northwest and Alaska maritime industry, particularly in the towing and other cargo sectors of the industry. Several deck men and skippers, some years ago, knowing full well the implications of a comprehensive rationalization program for their livelihoods, had their sea time documented by crab vessel owners, signed up for a master or mates licensing program at one of the many certified schools in Seattle, passed their exams and went to work in the maritime industry in non-hazardous jobs that pay in excess of \$60,000 a year—plus medical and retirement benefits. With less than six months of full-time schooling, at an estimated cost of \$8,000, a crab skipper, or crew man, can obtain a mates license and be qualified for a new career.
- **1.8.5 Protection for Gulf of Alaska Fishermen and Communities and other State of Alaska Managed Fisheries:** (Analysis, pages 377-378). The Alaska Board of Fisheries recently approved new “superexclusive” designations for the Kodiak tanner crab fishery and the Chignik king and tanner crab fisheries will effectively prevent Bering Sea crab vessels from participating in these Gulf of Alaska fisheries. This sets aside these fisheries for the exclusive benefit of over two hundred local fishermen and vessels. It is worth noting there are only thirteen Bering Sea LLP qualified vessels that have participated in the Kodiak fishery, since it reopened in 2001. (Commercial Fisheries Entry Commission, List of Permit Holders, 2001 and 2002).

For the protection of Gulf of Alaska groundfish fisheries the NPFMC has undertaken analysis of a trailing amendment to implement caps on the historic participation of the crab LLP vessels, similar to the protective sideboards on AFA vessels. The ACC supports the development of the trailing amendment.

As a matter of policy the ACC is prepared to support the development of sideboard protection measures for other State of Alaska managed fisheries the Council recommends for protection. The Analysis notes that the State managed Korean Hair Crab fishery could be adversely affected by crab rationalization because some current participants may be freed to participate at levels they did not historically engage at. The Analysis goes on to point out that the BOF lacks authority to establish restrictions on vessels that qualify for a federal rationalization program, so the Council may want to consider sideboard levels as a trailing amendment (Analysis page 378).

- **2.4. Percentage of TAC for IPQs, 80/20:** To insure market competition, the ACC firmly recommends the Council set aside 20% of the crab processing history as open access quota, available for any licensed crab processor in the State of Alaska for reasons that follow:

The vast majority of the crab fleet feels strongly that this is the minimum level of open access processing quota needed to insure market competition for independent harvesters. The 276 vessel crab fleet is comprised of 223 small independent businesses, while six of the twelve

major processors that will control over 90% of the processing quota shares—are large diversified entities. The average gross revenue from crab fisheries has plummeted since 1999, from \$1 million dollars, on average to \$335,000 in 2002. Numerous vessels in the fleet are struggling financially and on the verge of bankruptcy. (See the attached summary, **“The Need for Implementation of a Rationalization Program,”** based on the Analysis, pages 427-428).

A review of the crab processing sector in the Analysis in section 3.4.3, pages 271-282, illustrates the extent of the potential problem of market domination. Twelve processing entities will control over 90% of the processing quota shares in snow crab, Bristol Bay king crab and bairdi fisheries. In the Pribilof Islands king crab and St. Matthew Islands king crab fisheries, over 90% of the processing quota share will be controlled by eight processing entities. In the Eastern Aleutian Islands golden king crab fishery, four processing entities will control over 80% of the processing quota share. In the Western Aleutian Islands golden king crab fishery, the leading four processors average about 23% each of the total allocation of processing quota share.

Although the analysis provides a list of an estimated 37 companies that are eligible for processing quota shares, 11 of these are independent catcher processors that will share an estimated 7-8% of the overall harvesting and processing quota shares (Analysis appendix 3.3 and page 271). The 11 catcher processors will at the most, only be eligible to purchase B share crab from catcher vessels.

It is clear to see that if over 90% of the A share processing quota is controlled by 10-12 companies and 7-8% of the processing quota is controlled by an additional 11 independent catcher processors, the balance of the processing companies listed in the analysis—16 companies—will share only 2-3% of the processing quota. This situation underscores the need for 20% open access processing quota and commercial binding arbitration.

The extent of common ownership, or vertical integration of vessels and processors, is worth noting. The Analysis notes that in a fishery with expansive common ownership of the harvesting and processing sectors, participants in either sector that are not vertically integrated will have a different position in the market from those participants that are vertically integrated. The amount of vertical integration varies by fishery. In the three major fisheries, the Bristol Bay king crab, the Bering Sea opilio and the Bering Sea bairdi fisheries, processor affiliated vessels have caught between 11-13% of the total catch in the seasons being considered. (Analysis page 99). If the market benefits of vertical integration are considered within the context of the five out of six AFA pollock/crab shorebased companies that have substantial common ownership in harvesting and processing pollock, this issue can have significant implications for future consolidation in the crab industry.

Although the non-diversified crab processing companies are suffering financially, six major companies that are diversified with substantial pollock production, are in strong financial condition. Three of these companies are consistently listed in the top twenty-five seafood companies in the United States (Seafood Business, May 2002) with gross revenue of \$220 million to \$650 million, in 2001. In the same article listing the top twenty-five companies, Seafood Business notes that the trend towards mergers and acquisitions continues in the seafood industry and it is shrinking the largest group of seafood companies into fewer, bigger players.

- **2.8.3 Binding Arbitration:** The ACC also supports commercial "final offer" binding arbitration as an additional safeguard for harvesters to insure future market competition. This system has worked well to resolve price disputes in the Newfoundland snow crab industry and it has increased stability in the industry in the last four years. This form of final arbitration suits the crab industry well and it is cost effective. Recently at a workshop in Seattle, where John Sackton, a Newfoundland snow crab industry consultant provided the Bering Sea crab industry with an overview of the Newfoundland pricing system, the industry learned the system was very cost effective, at a total cost of \$100,000 per year. The Analysis on page 346 notes that final-offer arbitration has achieved some success, particularly in the Newfoundland fisheries.

Although NOAA/GC points out legal and implementation concerns (Analysis pages 348-350), the ACC is confident the issues addressed are entirely manageable and the ACC recommends that Congressional authorization be limited to a simple, rather than a complex and lengthy provision. The details of the program should be worked out by the industry within the Council process. The ACC is prepared to support the recommendations of the recently appointed NPFMC committee on arbitration.

- **4. Community Development Quota Allocation:** The ACC recommends the CDQ allocation remain at status quo in light of the tremendous success of the CDQ investment in the lucrative Bering Sea pollock fisheries, while on the other hand, the Bering Sea crab fisheries are in a very depressed economic state, as previously noted, and crab fishermen can ill afford dilution of their initial allocation of QS. CDQ groups are already invested in thirteen crab vessels and share an estimated 3% of the catch in the Bering Sea crab fisheries—plus they control 7.5% of the GHUs with the CDQ allocation for a total of 10.4% of the Bristol Bay king crab and opilio crab GHUs. (The estimate is conservatively based upon the 13 vessels averaging .5% each of the GHUs and the CDQ groups sharing 50% of that.) In the Aleutians brown crab fishery, industry sources estimate that the three CDQ owned vessels share 23% of the Eastern and Western District catches—so the CDQ groups share 50% of that, or 11.9% of the catch in that fishery. CDQ groups presently share 11.4% of the overall GHUs for BSAI king and tanner crab fisheries. CDQ groups are well-positioned for further development in the crab fisheries and an increase in the CDQ allocation is not warranted.

Arni Thomson
Executive Director
Alaska Crab Coalition



THE NEED FOR IMPLEMENTATION OF A RATIONALIZATION PROGRAM:

(Reference: Bering Sea Crab Rationalization Program Alternatives, Public Review Draft, NPFMC, May 2002; pages 427-428; Annual Management Report For the Shellfish Fisheries of the Westward Region, Alaska Dept. of Fish and Game, 2001, Regional Information Report No. 4K01-45; and the Presentation of the Alaska Crab Coalition for the Alaska Fisheries Policy Forum at Comfish, April 3, 2002, Kodiak, Alaska, Revised for Workshop on Individual Fishing Quota and Community Programs, Galveston, Texas, May 6-8, 2002).

Delay or postponement of rationalization will lead to consolidation of the existing harvesting and processing sectors at the expense of small independent fishermen who pioneered the crab fisheries, supported the necessary but costly, conservation measures, and remain dependent on the crab resources for their livelihoods. The resulting, less competitive markets for crab will not be in the public interest, and widespread bankruptcies among the small independent fishermen will hardly be a fitting reward for their lifelong investments in, and commitment to, the crab fisheries.

The Fishing Fleet is primarily comprised of small business entities that are struggling and in jeopardy.

- Total: 276 vessels (257 catcher vessels; 19 catcher processors)
- 223 small entities (<\$3.5 million revenue) 13 large entities
- Average exvessel fleet revenue, BS crab, 1995 – 1999, per vessel, \$1.1 million
- Average exvessel fleet revenue, BS crab, 2001 – 2002, per vessel, \$335,000
- Numerous vessels in the fleet are struggling financially and on the verge of bankruptcy.

Processors, major processing entities: (that processed in 98 or 99 and qualified for processing shares), are primarily comprised of large business entities.

- Large entities: 10
Alyeska Sfds., Icicle Sfds., Peter Pan Sfds., Trident Sfds., UNISEA Inc. and Westward Seafoods, (AFA pollock companies)
- Non AFA companies: Royal Aleutian Sfds.; Norquest Seafoods; SnoPac and Yardarm Knot, not actively processing, only engaged in custom processing of crab.
- Small entities: 8
Employs 500 or fewer persons, not dominant in their field:
Kodiak based: Ocean Beauty-Cook Inlet Processors; Alaska Fresh Sfds.
Adak Sfds.

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Date: May 22, 2002

To: Mr. David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, Alaska 99501

From: Arni Thomson, Executive Director *At*

RE: RECOMMENDATIONS REGARDING CRAB CATCHER-PROCESSOR
PROVISIONS IN THE BERING SEA CRAB RATIONALIZATION
PROGRAM ALTERNATIVES, PUBLIC REVIEW DRAFT, MAY 2002

This letter for record is provided to promote mutual understandings of the role of catcher-processors in rationalized crab fisheries of the Bering Sea, as supported by ACC members, other active catcher-processors, and members of the processing industry, subsequent to discussions in ACC offices. The ACC recognizes that in addition to the thirteen active catcher processors identified in the Crab Rationalization Program Alternatives public review draft, dated May 2002, there are three or four additional questionable catcher-processor LLPs (unattached to current catcher processor vessels), based on vessels barred from reentry to the United States fisheries by provisions of the American Fisheries Act, that are claiming eligibility for crab Quota Shares.

ACC understands and supports the following regarding catcher-processors:

- 1) Catcher-processors shall pay state landing taxes on all crab caught and processed at sea, irregardless of port of delivery. Furthermore, all crab purchased and processed shall pay the community landing tax in addition to State landing taxes, as is currently the case. While this provision is included in the suite of alternatives, it is unclear whether the Council has authority to require it. In any case, catcher-processors belonging to ACC and others in communication with ACC agree to take whatever steps necessary to make this provision work.
Support: Section 3.4.2.10 (Option 6.2.5), Council Staff Analysis - Public Review Draft ("PRD") Pg. 270
- 2) Catcher-processors shall be granted catcher-processor quota shares (CP-QS) conferring both the right to harvest IFQ crab and process the crab harvested. This understanding comes directly from industry negotiations in the Crab Rationalization Committee as documented in its Majority Report.
Support: Section 3.4.2.10 (Option 1.3.2), PRD Pg. 267-270; Crab Rationalization Committee ("CRC") - "Majority Report"

- 3) Catcher-processors shall be subject to eligibility requirements of processing within 1998 or 1999. Catcher-processors support the elimination of "latent" effort in the fishery.
Support: Section 3.4.2.10 (Option 1.7.2.3 option 5), PRD Pg. 269
- 4) Catcher-processors support regionalization of catcher vessel shares. Communities reliant on shoreside processing of crab harvested by catcher vessels should have this historic dependency recognized. Catcher-processor shares, however, shall have no regional designation in recognition of their history.
Support: Section 3.6.5, PRD Pg. 342-343; CRC "Majority Report"
- 5) Catcher-processors shall be able to act as floaters. Catcher-processors that purchased and processed crab during qualifying years for processing quotas shall be granted PQs based on this processing history. Catcher-processors shall be free to acquire PQs from other processors to allow catcher-processors to act as floaters, subject to restrictions on the use of PQs.
Support: Section 3.4.2.10 (Option 1.7.2.3, option 2), PRD Pg. 268
- 6) Catcher-processors shall be free to act as catcher vessels. Catcher-processors shall receive catcher vessel quota share (CV-QS) for crab harvests delivered to shoreside processors during qualifying years. Catcher-processors shall be free to purchase CV-QS for delivery to shoreside processors.
Support: Section 3.4.2.10 (Option 1.7.2.3, option 4), PRD Pg. 268
- 7) Catcher-processors shall be subject to ownership caps, use caps and vertical integration caps as developed by the Council. However, such caps should take into consideration the makeup of the fleet after the effects of the Buyback are known. As such, catcher-processors support development of all caps as a trailing amendment, after a quantitative analysis of buyback effects.
Support: Section 3.4.1.2, PRD Pgs. 238-255; Section 3.4.2.8, PRD Pgs. 264-265; Section 3.12, PRD Pgs. 388-391

RECOMMENDATIONS:

For the purpose of assuring that the above understandings are adopted, ACC supports the adoption of Option 1.3.2 in the Draft Council Motion for Crab Rationalization:

- 1.3.2 Harvesting sector categories - QS/IFQs will be assigned to one of the following harvesting sector categories:
- (1) catcher vessel (CV), or
 - (2) catcher/processor (CP)

QS-IFQ for the Catcher/Processor sector is calculated from the crab that were both harvested and processed onboard the vessel. This shall confer the right to harvest and process crab aboard a catcher processor in accordance with section 1.7.2.

In addition, ACC supports the following clarifications of Option 1.7 in support of catcher-processors:

- 1.7 Use of IFQs
- 1.7.1 Use by harvesting sectors - IFQs must be used in accordance with the privileges defined for the associated QS category. The following provisions also apply:

- (a) "A" class CV-IFQs may be processed by either a shoreside processor or a catcher/processor so long as sufficient processor shares are held by the processor.
- (b) "B" class CV-IFQ's may be processed by either a shoreside processor or a catcher/processor.
- (c) "A" or "B" class CV-QS initially issued to a catcher/processor shall not be regionally or community designated.
- (d) "A" or "B" class CV-QS purchased or obtained by catcher/processers shall retain their regional or community designation.
- (e) ~~No allowance of the use of purchased class B share IFQ crab on catcher processor vessels.~~
Amend (e) to: Allow for the use of purchased class B share IFQ crab on catcher processor vessels.

Rationale: Amending provision #5 makes it consistent with the intent of the idea of "B" shares – purchase allowed by U.S. corporations and partnerships. Excluding CPs as processors would be a violation of MSA National Standard #4, and would restrict the competitiveness of "B" class shares. Crab harvested from these shares to be processed within three miles of shore in the designated region.

Support: Section 3.4.1.1, PRD Pgs. 235-238; Section 3.4.2.7, PRD Pg. 263; Section 3.4.2.10, PRD Pgs 266-270

1.7.2 Catcher/Processor shares:

1.7.2.1.1 Catcher/Processors shall be granted CP-QS in the same manner as catcher vessels.

Rationale: In order to avoid potential mismatch of harvesting and processing quotas and any corresponding sectoral redistribution, CPs should get a distinct CP share as defined in 1.3.2 allowing the right to both harvest and process crab. This share shall be based only on the crab both caught and processed by the CP. In order to capture the sector's historical dependency on catcher-processing activity, the years used for determination of QS should be the same years as harvester QS distributions.

Support: Section 3.4.2.10 PRD Pgs. 267-270; Table 3.3-22, PRD Pgs. 233-234; CRC – "Majority Report"

1.7.2.2 Catcher/Processors shall be granted PQs based on their processing history...

Add: of crab deliveries purchased.

Rationale: Some CPs acted as floating processors in addition to acting as CPs. In order to recognize accurately the nature of operations within the processing sector, this processing history should be treated as any other eligible processor.

Support: Section 3.4.2.4, PRD Pgs. 257-259; Section 3.4.2.10, PRD Pgs 266-270

1.7.2.3 Allowances for Catcher/Processors:

- Option 1. ~~Amend: Catcher/Processors are prohibited from purchasing additional PQs from shore based processors but are free to acquire PQs from other Catcher/Processors.~~

Rationale: Just as floaters are allowed to purchase PQs from shore-based processors, so too should CPs acting as floaters be allowed, in addition to being able to purchase PQs from other CPs.

Support: Section 3.4.2.5, PRD Pg. 260; Section 3.4.2.10, PRD Pgs 266-270

- Option 2. Catcher/Processors shall be allowed to purchase additional PQs from shore based processors as long as the shares are processed within 3 miles of shore in the designated region.

Rationale: Same as for Option 1.

Support: Section 3.4.2.5, PRD Pg. 260; Section 3.4.2.10, PRD Pgs 266-270

- Option 3. Catcher/Processors may purchase additional CV-QS but cannot process unless sufficient unused IFQs are held.

Rationale: Assumes processing operations inside 3 miles as specified for IPQs, subject to regionalization. Some CPs have live tanks and may wish to operate as catcher vessels.

Support: Section 3.4.1.1, PRD Pgs. 235-238; Section 3.4.2.7, PRD Pgs. 263-264; Section 3.4.2.10, PRD Pgs 266-270

- Option 4. Catcher/Processors may sell processed or unprocessed crab. Depending on the type of model (one-pie, two-pie, etc.), unprocessed crab may be delivered to:
- (a) ~~processors that hold unused IPQs, or~~
 - (b) any processor

Rationale: There is no corresponding IPQ for CP-QS, thus unprocessed deliveries of crab harvested from CP-QS should not be subject to IPQ.

Support: Section 3.4.2.7, PRD Pgs. 263-264; Section 3.4.2.10, PRD Pgs 266-270

- Option 5. Only catcher processors that both caught and processed crab onboard their qualifying vessels in any BSAI crab fishery during 1998 or 1999 will be eligible for any CP QS in any IPQ or Coop program.
Add: Catcher processors converted to catcher vessels, that operated only as catcher vessels in 1998 or 1999 will receive CV QS and not CP QS.

Rationale: Only current, active CPs' history should be issued CP-QS in the original distribution in order to capture actual effort and not reward "latent" licenses. Some "latent CPs (those which did not process in 1998 or 1999) did not exit the fishery, but only ceased processing operations. These vessels should not lose their harvesting history and should have their history issued as CV-QS.

Support: Section 3.4.2.10, PRD Pgs 266-270

- Option 6. CP-QS initially issued to a catcher/processor shall not be regionally or community designated.

Rationale: As per the Crab Rationalization Committee's Majority Report, CP-QS shall not be regionally designated as CP history occurred outside of regional boundaries and independent of community infrastructures.

Support: Section 3.4.2.10, PRD Pgs 266-270; CRC "Majority Report"

1.7.2.4 Transfers to shore-based processors:

- (a) Catcher/Processors shall be allowed to sell PQ's to shore based processors.
- (b) When CP-PQ shares without a regional designation are sold to a shorebased processor, the shares become designated by region.
- (c) Catcher/Processors shall be allowed to sell CP/QS to shorebased processors.
- (d) When CP/QS shares, without a regional designation, are sold to a shorebased processor, the shares become CV and PQ shares.

Delete: ~~designated-by-region:~~

Rationale: To allow for CPs to migrate their QS shoreside, this option needs be included. The reasoning for eliminating regionalization is in recognition of the non-regionalized nature of CP-QS and to allow flexibility in support of shoreside processors that have operations in both regions.

Support: Section 3.4.2.10, PRD Pgs 266-270; Section 3.6.5, PRD Pgs. 342-343

Petition to the North Pacific Management Council
Regarding Skipper Quota Allocations

RECEIVED
MAY 22 2002
N.P.F.M.C.

Whereas captains of crab vessels of the North Pacific crab fisheries are consistently paid a traditional and fair share of net profits from the sale of crab,

Whereas captains who are not partners in vessels have no capital investment in the fishing operations, and do not share in the expense of vessel maintenance or in other associated risks of vessel ownership,

Whereas many of the same individuals have been offered opportunities to buy-in to vessels but have chosen NOT to,

Whereas the crab fishery has and continues to suffer economically, further stresses will threaten the financial health of many of our small fishing businesses,

the following vessel owners request the N.P.F.M.C. to oppose the initial allocation of crab quota to captains and skippers under any North Pacific crab rationalization program. We, however, do not oppose the opportunity that skippers may be given "first right of refusal" on quota share transfers after initial allocation.

<u>Name</u>	<u>Vessel Name</u>
Margaret Hall	F/V's Alice & Arroyo
Tom Ch	F/V Western Dawn
[Signature]	Alaska Boat Co.
[Signature]	AUSTIN BOAT FISHERIES
[Signature]	PROVIDER
David Q. Stappfeld	F/V Morning Star
[Signature]	F/V MAR-GUN
[Signature]	F/V Mark I
Wally Dreyer	F/V Sea Storm

RECEIVED
MAY 23 2002

Petition to the North Pacific Management Council
Regarding Skipper Quota Allocations

Whereas captains of crab vessels of the North Pacific crab fisheries are consistently paid a traditional and fair share of net profits from the sale

N.P.F.M.C

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<u>Name</u>	<u>Vessel Name</u>
<u>RON Peterson</u>	<u>F/V ALEUTIAN No. 1</u>
<u>EINAR LANGESATER</u>	<u>F/V OCEANIC</u>
<u>War Reiten</u>	<u>F/V Oceanic</u>
<u>Jack Brøttveit</u>	<u>F/V SILVER DOLPHIN</u>
<u>Ray Smith</u>	<u>F/V VALIANT</u>
<u>Ken S. Jacobs</u>	<u>F/V Norseman II</u>
<u>[Signature]</u>	<u>F/V ARCTIC EAGLE</u>
<u>[Signature]</u>	<u>F/V AMERICAN EAGLE</u>
<u>[Signature]</u>	<u>F/V PACIFIC MONARCH</u>
<u>Ragnvald Lønne</u>	<u>F/V ROLLO</u>
<u>Harold A. Rice</u>	<u>F/V Bering Star</u>
<u>Kevin Valolant</u>	<u>Mariner Boats</u>
<u>Dave Wells</u>	<u>BRANST</u>

Petition to the North Pacific Management Council
Regarding Skipper Quota Allocations

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<u>Name</u>	<u>Vessel Name</u>
<u>David R. Wilson</u> C.L. LOWENBERG	<u>Silent Lady</u>
<u>[Signature]</u>	<u>ARCTIC LADY</u>
<u>Harold Painter</u>	<u>Trailblazer</u>
<u>Jack Martin</u>	<u>Harriet 'Alicia Joan</u>
<u>[Signature]</u>	<u>ALEUTIAN LADY</u>
<u>Craig Cunningham</u>	<u>Notorious</u>
<u>[Signature]</u>	<u>Ballyhoo</u>
<u>Mc White</u>	<u>Pinnacle</u>
<u>Dan Mattson</u>	<u>Shaman</u>
<u>Wm. LeBow</u>	<u>Lady Ann</u>
<u>[Signature]</u>	<u>BLUE ALEUTIAN</u>
<u>Ben Sherwin</u>	<u>Barbara J</u>
<u>Chris Zerkle</u>	<u>SHUCKEN FIVE</u>
<u>John Jorgensen</u>	<u>WIZARD</u>
<u>Kenn Watson</u>	<u>NOKSEMAN</u>

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Regarding Skipper Quota Allocations*

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<u>Name</u>	<u>Vessel Name</u>
<u>REIDAR TYVES</u>	<u>AMERICAN EAGLE & ARCTIC EAGLE</u>
<u>Olav Torgersen</u>	<u>Rollo</u>
<u>Olav Torgersen</u>	<u>SEA ROVER</u>
<u>Y. K. Ness</u>	<u>OCEAN HARVESTER</u>
<u>ALF FORDE</u>	<u>F/V KIRSTEN MARIE</u>
<u>Jens P. Holten</u>	<u>F/V Royal Pacific</u>
<u>John Fosgerd</u>	<u>F/V Kari Marie</u>
<u>Pete Hansen</u>	<u>F/V WEST POINT</u>
<u>Lars Berntsen</u>	<u>F/V KETA</u>
<u>William Shaw</u>	<u>F/V "North American"</u>
<u>Wendell Swanson</u>	<u>Alutian Spray Fisheries (Starward)</u>
<u>Clay Evans</u>	<u>F/V ISLAND MIST</u>
<u>Vidar Warness</u>	<u>F/V POLAR SEA</u>

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<u>Name</u>	<u>Vessel Name</u>
<u>Walter Lee</u>	<u>Polar Sea</u>
<u>Kuan B. Poulos</u>	<u>Arctic Sea - Bering Sea</u>
<u>Zick Mezich</u>	<u>Fierce Alliance & Pacific Star</u>
<u>Alfon Oaldoy</u>	<u>Early Dawn</u>
<u>Ruf Magana</u>	<u>Ocean Harvester</u>
<u>Swain Langaker</u>	<u>OCEAN HARVESTER</u>
<u>Brighton Brincker</u>	<u>ALEUTIAN SPIRIT</u>
<u>Sig Hansen</u>	<u>NORTHWESTERN</u>
<u>Dennis R. Dan</u>	<u>SEA VENTURE</u>
<u>W. E. Smith</u>	<u>Barbara J - Farwest Leader</u>
<u>Thomas Parks</u>	<u>KATIE K.</u>
<u>J. P. [unclear]</u>	<u>North-sea</u>
<u>[unclear]</u>	<u>POLAR LADY</u>

*Petition to the North Pacific Management Council
Regarding Skipper Quota Allocations*

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<u>Name</u>	<u>Vessel Name</u>
Cary K. Swasand	Starlite
	Starfish
	Starward
	Nordic Star
	Golden Dawn
	Arctic Wind
	Horizon
Leif Nordha	SCANDIES ROSE
Ceresat Hill	AMERICAN EAGLE
Ceresat Hill	AMERICAN STAR
Ceresat Hill	ALECTIAN ROVER
Ceresat Hill	PACIFIC STAR

*Petition to the North Pacific Management Council
Regarding Skipper Quota Allocations*

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<u>Name</u>	<u>Vessel Name</u>
<u>Eric Kordwin</u>	<u>Alaska Sea</u>
<u>Oliver Middelton</u>	<u>Ocean Hunter</u>
<u>Clayton Ford</u>	<u>FLV ERLA-N</u>
<u>Jim Stone</u>	<u>Western Viking</u>
<u>Kevin Suydam</u>	<u>Lady Alaska</u>
<u>'</u>	<u>Lady Kodiak</u>
<u>'</u>	<u>Lady Aleutian</u>
<u>'</u>	<u>Lady Kiska</u>
<u>JAN Kristiansen</u>	<u>Confidence</u>
<u>Bob Haerling</u>	<u>Confidence</u>
<u>Garth Blum</u>	<u>Ocean Cape</u>
<u>William Hanna</u>	<u>Indasvick</u>
<u>Mike [unclear]</u>	<u>OCEANIE</u>

*Petition to the North Pacific Management Council
Regarding Skipper Quota Allocations*

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Name

Vessel Name

Cap. B. Williams
Franklin Chan

HK Rambler Rose Inc.
HK Rambler Rose

RECEIVED

North Pacific Fishery Management Council
605 West 4th, Suite 306
Anchorage, Alaska 99501-2252
Phone: (907) 271-2809
Fax: (907) 271-2817

MAY 24 2002

N.P.F.M.C
May 24, 2002

Mr. Dave Benton, Chair

I am part owner and fulltime operator of a Bering Sea crab vessel. I participate in crab, salmon, herring and halibut fisheries. I have lived and worked in Alaska for over 28 years.

I am in favor of many aspects of Bering Sea Aleutian Islands crab rationalization plan. I am adamantly opposed to any form of Processor Quota Shares (P Q S's). They are not needed in any fishery . We need competition in all market places. P Q S's are NOT in the best interests for the people who plan to continue in these fisheries for the long term.

P Q S's will have a negative affect on the independent Fisherman. For safety (of crew and vessels) and a fair economic return Fisherman need be able to choose when, where and who they deliver a product to! With an open market, processors are an absolute must for a fisherman and his product. P Q S's would deny a Fisherman his right and freedom to pick a processor of his choice.

I know you are aware of the serious implications that some forms of BSAI Crab rationalization represent. It would be detrimental to the economy and welfare of many of our coastal communities. Large politically influential processors would like you to believe that P.Q.S. 's are needed. Let us be influenced only by what is fair and just for the people in our fishing communities. We do not need processor quota shares in our fisheries. Thank you for taking time to read this letter.

Sincerely, William T. Prout



P.O. Box 8809
Kodiak, AK. 99615
(907) 486-5476
prout@ptialaska.net

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MAY 23 2002

May 22, 2002

Dave Benton, Chairman
North Pacific Fishery Management Council
Anchorage, AK 99501
By fax (907) 271-2817

NPEMO

Dear Chairman Benton,

I own the BSAI LLP-qualified crab vessel FV Westling. I prefer continuation of the LLP fishery with the NMFS buyback. But if you do rationalize the BSAI crab fisheries at your June 2002 meeting, I hope you choose 1-Pie ITQ's. Otherwise, let's continue under the LLP for several more years.

My 1-Pie preferences are these.

- | | |
|-------------------------------|-----------------------------------|
| A. Opilio: | Option 3 (1995-1999 all years) |
| B. Bristol Bay red king crab: | Option 3 (1996-2000 best 4-years) |
| C. Bairdi: | Option 1 (1992 to 1996 best 4-yr) |
| D. St. Matthew blue king crab | Option 2 (1994-1998 all years) |

I don't see the need for any more CDQ's, any initial allocation of skipper shares or letting the AFA crossovers buy up more crab rights with their Pollock money.

I'd like to come out of the Council's rationalization meeting in June better off than I am under LLP, now. You folks controlling these add-on costs is the key, I think.

Sincerely,



Bud Dean, Owner
FV Westling

North Pacific Fishery Management Council
605 W 4th Ave.

Anchorage AK 99501

Dear Chairman Benton

AS AN independent fisherman for 40 years
I AM Apposed to the two pie system, granting
processors I.F.O on the crab processing.

looking the fisherman to certain processors

Eliminates competition for Marketing & Price

Negotiation. We need to keep competition in

the Marketing and must leave the door open

for New fish buyers & processors

I sits in favor of the Magnuson Act originally

which put a limit of vessels fishing crab -

I AM Against The buy back as I feel

Economic will take care of the competition.

If you keep putting the fisherman in boxes

their will be no surviving fisherman need

to diversify into other fisheries to survive.

Sincerely

Kenneth Simpson
F/O Ledy Simpson

Box 240449

Anchorage AK

98524

BALLAD ENTERPRISES, L.L.C.

DON W. JESTER DAVID D. LETHIN

**1655 S.W. 14TH.
Warrenton, Oregon 97146**

**DATE: May 21, 2002
TO: North Pacific Fishery Management Council
FROM: David Lethin
SUBJ: Crab Rationalization Analysis**

I would like to provide some written comments on a few items under council review.

- 1.) Initial allocation of quota shares.
- 2.) Qualifying years.
- 3.) Options for skippers and crews.
- 4.) Processor quota shares.

SECTION 1.2 - Persons Eligible to Receive in Initial Allocation of QS

Option 1 we support as consistent with the full history of council decision points for eligibility. The analysis supports this decision by stating "clearly the only persons that can argue that they are entitled to participate in the fishery are those holding a LLP license."

SECTION 1.4.1 - Initial Allocation of Q.S

We support option 1 and option 3. Option 1 supports the basis of the existing LLP program. Option 3 supports option 1 that transfers of licenses during the LLP period were legal and that catch histories follow the license not the vessel. The LLP stacking elements specifically authorize combinations of fishing rights and catch histories for purposes of reducing capacity and addressing over capitalization in the BSAI crab fisheries. A summary statement was made under Amendment 10 that addressed combinations of catch histories. It states "overall it appears that allowing fishing histories to be combined, but requiring that such combinations be non-severable, will allow purchasers to benefit from their acquisitions, and at the same time will reduce the number of vessels that may fish at any given time". We have just stacked fully transferable licenses together and eliminated two vessels from the fishery.

We have followed every rule. The vessel these transferable licenses are stacked on, we own. Yes, we could be fishing four vessels instead of one today but how does that benefit us or anyone else participating in a fishery that is declared a disaster at this time? We agree with option 1 and option 3 in determining initial allocation of Q.S. as being the most consistent and fair approach.

SECTION 1.4.2 Qualifying Periods for Determination of QS Distribution

Opilo	Option 2A	1992-1999	Best 7 seasons
Red King Crab	Option 2B	1992-1999	Best 5 seasons
Bairdi	Option 2A	1992-1996	All seasons
Pribilofs Red	Option 1A	1993-1998	Best 4 seasons
Pribilofs Blue	Option 1A	1993-1998	Best 4 seasons
St. Matthew Blue	Option 1A	1993-1998	Best 4 seasons

The overall justification for these years is that a fair amount of history should be allowed to compensate long-term crab fishermen dependent on the resource. All these options with the exception of Bairdi (because of its small window period) allow one throw out year for hardship.

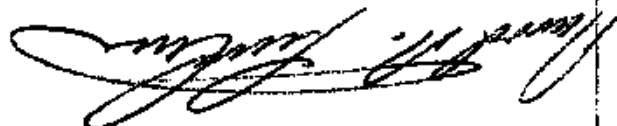
SECTION 1.8.1 Options for Skippers and Crewmembers

We do not support issuing an initial allocation to the skippers and crew. We do agree, however, with allowing skippers and crew to buy quota shares. We believe skippers and crew who would like to buy into the fishery should be allowed to, and access to that be facilitated with a first right of refusal. Those skippers and crew who buy QS should be allowed to fish on any vessel regardless of the use cap. This will create an incentive for owners to help crewmen buy and fish quota on a vessel that may be capped.

SECTION 2-Processing Sector Elements

We support no guaranteed processor designated quotas. Individual quotas specified to specific processors are a bad idea, which violates anti-trust laws and will further disadvantage fishermen in bargaining positions we already participate in. Crabbers catch their product all at once and return to the dock at the same time today. Two hundred plus boats, full of crab and twelve processors waiting for the product. Who has the bargaining power? It is no wonder processors do not want fishermen to harvest rationally if they are not guaranteed a strong bargaining position they have enjoyed for years. We do not deny that processors also have significant problems adjusting to fishery regulations. We believe if processors are to be given guarantees they be attached to the individual fishing quotas, and that any percentage of the I.F.Q required to be delivered to historic processors be cumulative amongst those qualified processors. This percentage should diminish over a range of years to zero. The adjustment period would compliment the I.F.Q program to address processor concerns and allow for a time period that may be necessary.

Thank you for reviewing my comments.

A handwritten signature in cursive script, appearing to read "David H. Fisher".

May 28, 2002

Dave Benton, Chairman
North Pacific Fishery Management Council
Anchorage, AK 99501
By fax (907) 271-2807

Dear Chairman Benton,

I own and fish the BSAI LLP-qualified crab vessel FV Northwestern. I prefer that you do not further rationalize our crab business. But if you do so at your June 2002 meeting, I hope you choose 1-Ple ITQ's with the NMFS buyback.

I prefer these 1-Ple options and urge you to adopt them.

- | | |
|-------------------------------|-------------------------------------|
| A. Opllo: | Option 5 (1996-2002 best 4-years) |
| B. Bristol Bay red king crab: | Option 4 (1996-2001 best 5-years) |
| C. Bairdi: | Option 1 (1992-1996 best 4-years) |
| D. St. Matthew blue king crab | Option 1 (1993-1998 best 4-years) |
| E. Adak red king crab | Option 1 (Don't rationalize it now) |

I don't see the need for any more CDQ's, any initial allocation of skipper shares or letting the AFA crossovers buy up more crab rights with their Pollock money.

I'd like to come out of the Council's rationalization meeting in June better off than I am under LLP, now. Controlling these add-on costs is the key to doing so.

Sincerely,

Sig Hanson, Owner
FV Northwestern

ANDERS ROGERS
341 NW 75th St.
Seattle Wa. 98117

David Benton: Chairman
NPFMC
907-271-2817 (fax)

Dear Mr. Benton

As a captain in the crab fisheries in Alaska, I ask that you consider myself and other captains in the quota share as you and other council members select your preferred alternative for the rationalization of the Bering Sea Crab Fisheries. I am not looking for quota to retire on! My only desire is to maintain a good job. I believe it fair, that experienced captains receive some quota.

I have been fishing in Alaska for 25 years and have been a captain for 15 of those. I have seen great change in these years. I have concern for the resource if there is a drastic change of the guard. As far as vessel operators go. At present I believe that the fleet is well covered with resource oriented captains. And I believe that it will continue to be maintained as such, if there is a percentage put aside for the established operators.

I realize that vessel owners have responsibilities and expenses that go along with ownership. But as a captain, I am the responsible professional on the fishing grounds for crew and vessel. My duties go far beyond steering the boat and catching crab. I am afraid that if we are closed out of this process that we will never have chance of ownership or partial ownership. I ask that you please consider us for some allocation.

Sincerely,



Anders Rogers

May 28, 2002

Mr. David Benton
Chairman, NPFMC
605 West 4th Ave. Suite 306
Anchorage, AK 99501-2252

As the Council looks at establishing preferred alternatives for fisheries management, their goal will be to address the objectives that have been outlined by NMFS and the State of Alaska.

Make conservation and sustainability the highest priority.

Here I'd refer to Gretchen Harringtons Preliminary materials on the EIS in which she refers to NRC report which discusses "stewardship in terms of a fisherman's increased incentives for conservation motivated by the value of each fisherman's individual quota". My understanding of the word fisherman would be the guy in the wheelhouse determining fishing practices and directing the crew.

The investor who owns a boat that is somewhere in the Bering Sea fishing crab, certainly shares concern for the resource, but it is the Captain whose decisions and experience will directly affect the critical issue of reducing bycatch and associated handling mortality, dead loss and impacts to other fisheries. It is crucial this begins with initial allocation.

A similar inference can be made regarding safety. Every boat owner is concerned about and provides safety equipment for the crew. But it is the Captain who has the experience and training to make good decisions that affect his own safety as well as the crew. The council can guarantee that the most experienced and best trained captains stay involved in what will always be a very dangerous environment by including the long time and professional captain in initial allocation. This is very much in line with the State of Alaska's vision of Rationalization presented in June of 2001. Kevin Duffy stated that any strategy for transition to more sustainable and efficient fisheries must contain explicit mechanisms to recognize the contribution by skippers and include mechanisms to promote and maintain a high level of professionalism in the fleet.

Another stated objective is to create opportunity for future generations of independent fishermen. Initial allocation of a separate class of quota share to captains is vital to achieving that goal. The next generation of owners will be faced with the prospect of not only financing the \$1-2 million dollar vessel, but also the added cost of purchasing quota shares. The total price tag could easily be 3-4 times the cost of today's venture. This scenario can be clearly demonstrated in the longline and trawl fleet industry.

The most common argument against initial allocation to captains which we've all heard over and over is that we don't deserve it. I don't agree that an investor, who has never set foot on a boat in the Bering Sea, has more rights than individual who has spent 24 years of his life harvesting crab and can clearly demonstrate 100% economic dependence on this public resource.

Thank you

Denny Thompson
Captain

May 28, 2002

Mr. David Benton
Chairman, NPFMC
605 West 4th Ave, Suite 306
Anchorage, Alaska 99501

RE: Section 3.8 Options for Skippers and crew.

Dear Mr. Benton:

Mr. Fina quotes and summarizes from the NRC report Share Fish that regional Council's consider including hired skippers in initial allocation and refers to some compelling argument that support that recommendation. The next paragraph begins, "Alternatively, the report recommends" that council's consider developing measures such as the halibut IFQ block program and loan programs. The NRC in fact, does not suggest these programs as an alternative but states "These measures partially redress the inequity created by making initial allocation only to the vessel owners."

3.8.1 Initial allocation to crew brings up some factors for the Council to consider. They should, I find them fascinating. For example, "the allocation of harvest shares to crew could influence the price negotiations between harvesters and processors... or the ability of crew to move between vessels could also alter the negotiating leverage of different owners. Well, it sounds like business as usual, fishermen will try to get the best price for their fish and crew will move around. What this has to do with initial allocation is a mystery to me. These situations will arise through purchase anyway, it will just take much longer.

A similarly opaque argument against initial allocation to captains suggests the balance of power between vessel or LLP owners could be changed. Being a minority owner/operator, I know that the terms and conditions of the partnership are clearly spelled out in the Articles of the LLC Agreement. Initial allocation can not change the structure or the balance of power of a legal contract any more than if I were able to purchase quota down the road.

Lastly, I'd like to comment on inclusion of owner-operators in initial allocation or what's been wrongly termed "double dipping". SEA has always envisioned a separate class of quota shares for captains as a use it or sell it program. Distinctly different from vessel quota share so, obviously, it's not possible to double dip because it's two separate programs. Mr. Fina saw through the smoke when he stated that omitting owner-operators has the potential to decrease the interest of their fishing operations. Look at the 100% owner-operator who wishes to continue to run his boat. I'd love to hear whoever offered staff their insights on this explain to him why he doesn't deserve a captain's share.

Again, I'd like to commend Mr. Fina on the daunting task he has undertaken. After 29 years of fishing, it may be somewhat easier for me to see some of the phantoms that are thrown his way.

Thank you.

Randy Dodge
Captain

Royal Aleutian Seafoods, Inc.

701 Dexter Ave., N., Suite 403

Seattle, WA 98109

(206) 283-6605 / Fax (206) 282-4572

RECEIVED

22 May, 2002

MAY 23 2002

David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Ave., Suite 306
Anchorage, AK 99501

N.P.F.M.C

Re: Bering Sea Crab Rationalization, Program Alternatives
Public Review Draft
May 2002

Chairman Benton,

Royal Aleutian Seafoods, Inc. ("RAS") submits the following comments with regards to the above referenced:

1.4 Initial Allocation of QS1.4.2.7 Brown king crab

RAS is strongly opposed to Suboption (a) that would split the GHL between eastern Aleutian Islands (Dutch Harbor) and western Aleutian Islands (Adak). It is unusual for a processor, such as RAS, to comment on harvester allocation issues, however arbitrarily combining the eastern and western districts that have always been managed as separate stocks, with separate GHL's, would have a material and harmful economic impact on RAS. Historically, eastern district brown king crab is larger than western district crab and therefore, more valuable. Since 1999, RAS has purchased 87.5% of its' brown king crab production from the eastern district. Further, a single category of QS absolutely does not reflect the catch history of vessel participants who have chosen which sub districts to fish based on economic and safety considerations. Numerous vessels have no fishing history in the western district, while a few vessels have history almost exclusive to the western district.

1.4.2.8 Adak red king crab

RAS is opposed to the selection of option (c) *Not appropriate for rationalization*. The fishery is anticipated to open in the fall of 2002 and should be included in any rationalization scheme in order to ensure that it does not suffer from excess capacity.

Royal Aleutian Seafoods, Inc.

22 May, 2002

1.6 Transferability and Restrictions on Ownership of QS/IFOs:

1.6.2 Leasing of QS

RAS supports Option 1., *Leasing QS is allowed with no restrictions.* In order to adequately address over-capitalization in the harvesting sector, unrestricted QS/IFQ transfer is necessary.

RAS is opposed to Option 3, *A brown king crab QS holder may annually swap with any other brown king crab QS holder, on a pound for pound basis, IFQ in one district for IFQ in the other district.* Please review discussion 1.4.2.7 regarding RAS's dependence on eastern district brown king crab as discussed herein.

1.6.4 Controls on vertical integration (ownership of harvester QS by processors)

RAS supports Option 2, *A Cap of 5%, with grandfathering of initial allocations,* as the preferred alternative.

1.7 Use of IFQs

1.7.2.3 Allowances for Catcher/Processors:

RAS is supportive of option 5, that grants catcher processors PQ based on eligibility requirements of all processors as set forth in 2.1 (b), namely processing within 1998 or 1999. This addresses the issue of latent processing effort in the C/P sector.

2. Processing Sector Elements:

2.1 – Eligible Processors - processors eligible to receive an initial allocation of PQ:

RAS supports option (b) that defines eligible processors that which *processed crab for any crab fishery included in the IFQ program during 1998 or 1999.*

2.3 Initial allocation of processing quota shares

RAS supports option 2., *Processing quota shares shall be initially issued to Eligible Processors based on the processing history for Opilio, BBRKC, or brown king crab, determined by the buyer of record listed on ADF&G fish tickets, Suboption: using (best 6 of 7 seasons) during the 1996-2002 for Opilio; using best 5 of 6 seasons) during 1996-2001 for BBRKC; and using (best 5 of 6 seasons) during 1996/97-2001/2002 brown king crab.*

Prior to April 2002, in public testimony before the Council, RAS has repeatedly testified in support of option 2, which originally based eligibility of processing history using the best 4 seasons during 1996-2000 seasons. The new Suboption (Council action in April 2002) amending years too include 2001 and 2002 where possible, now represents RAS's preferred alternative. The initial allocation of PQ based on more recent years is consistent with the National Standards set out in the Magnuson-Stevens Act, 16 USC §

Royal Aleutian Seafoods, Inc.

22 May, 2002

1853 (a)(1)(C) that directs the Council to consider *present participation in the fishery*, among other factors.

1996-2002 for Opilio (best 5 of 6 seasons)

Since the severe downturn in the Opilio resource (23.3 million and 30.7 million harvests in 2001 and 2000, respectively) from prior years (184.5 million, and 243.3 million in 1999 and 1998, respectively), a significant shakeup in the processing sector has occurred. Proponents of utilizing 1997 to 1999 for establishing PQ distribution have either curtailed or closed operations that has led to a lose in marketshare. Simply put, utilizing years 1997 to 1999 as a basis or proxy for current participation is misleading and fails to recognize and reward participants for surviving the difficult years and keeping facilities open in face of potential operating losses.

Specifically, AFA companies argue that processing caps (as a result of AFA sideboard provisions) have limited marketshare expansion in Opilio. However, 2002 is the only year that processing caps were reached by the AFA sector, so the argument is weak at best.

1996/1997-2001/2002 for brown king crab (best 5 of 6 seasons)

The BSAI Brown king crab fishery, unlike the other fisheries is characterized as a developing fishery, with low participation and up until recently the annual quota had not been harvested. Therefore, recent participation best reflects the status of the fishery. Like Opilio, 2002 was the first year AFA companies reached processing caps.

2.4 Percentage of season's GHL or TAC for which IPOs are distributed:

2.4.1 IPOs will be issued for a portion of the season's GHL or TAC for each species to provide open delivery processing as a means to enhance price competition:
RAS supports Option 2, 90% of GHL (or TAC) would be issues as IPOs – the remaining 10% would be considered open delivery.

Please see the attached letter dated May 3, 2002, which was submitted to Congress relative to an IFQ hearing. The letter outlines RAS's position and justification for the need for processor quota shares.

2.5 Implementation of the open delivery processing portion of the fishery:

RAS supports implementation of QS/IFQ Class B shares as available to all properly licensed entities free of regional landing restrictions.

2.6 Transferability of processing – provisions for transferability include the following:

RAS supports the transferability provisions (a), (b), and (c) as outlined, which will allow for consolidation and maximize economic efficiencies among participants in the processing sector.

Royal Aleutian Seafoods, Inc.

22 May, 2002

2.7 Ownership and use caps – different percentage caps may be chosen for each fishery:

2.7.1 Ownership caps

RAS supports option 1, *based on maximum share for processors by fishery plus a percentage of 15%.*

2.7.2 Use caps

RAS supports option 1, *annual use caps ranging from 30% - 60% of the GHL (or TAC) by fishery.*

In order to allow the processing sector to efficiently and economically consolidate it is necessary to allow for use caps in excess of the quota share of the largest PQ holder's share in each specific fishery.

2.8 Other Optional Provisions:

2.8.1 The crab processing caps enacted by Section 211(c) 2(A) of the AFA would be terminated.

RAS supports elimination of the AFA processor sideboard provisions **only** in the event 2.4.1 Option 2 (90% IPQ/10% IFQ open delivery) is selected as the preferred alternative. Protective measures for the non-AFA processors will continue to be necessary in the event a rationalization plan other than a "two-pie" quota system is enacted.

2.8.2 Penalties – Eligible Processors must fully utilize their processing quota shares in the season while a fishery is open or lose the amount that is not utilized for one season in the next season.

RAS supports option 3, *allocate to open delivery, suboption a), reclassification of Class A QS will be distributed proportionally among all Class A QS holders.* The Council needs to consider the term "fully" in the context of the use or lose it provision. Small quantities of QS may be forfeited for a variety of reasons, including quality disputes with IFQ holders or other legitimate reasons (i.e. plant fire, etc.) a PQ holder fails to fully (referring to 100% usage) utilize their processing quota. The Council must consider hardship provisions.

3. Regionalization Elements:

3.2.1 Categorization will be based on all historical landings.

RAS is opposed to option 3, specifically designating all Pribilof red and blue king crab as Northern region. RAS has a long history of processing Pribilof king crab and arbitrarily designating as Northern region is to the direct detriment of historical participants and violates mandates of the Magnuson-Steven Act, 16 USC § 1853 (a)(1)(C) that calls for consideration to *historical fishing practices in, and dependence on, the fishery.*

3.2.5 Options for addressing potential mismatch of harvesting and processing shares within the region.

Royal Aleutian Seafoods, Inc.

22 May, 2002

RAS believes regional landings designation should mirror section 2.3, initial allocation of processing shares, and therefore supportive of option 1, *the base years for determining processing shares and the base period for determining the share assigned to each region shall be the same.*

RAS is supportive of option 3 that recognizes that Class B QS is exempt of regional designation.

Option to be evaluated as a Trailing Amendment:

4. Community Development Allocation

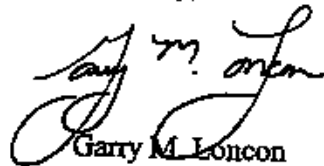
RAS is opposed to Option 5, *For the Aleutian Islands brown king crab fishery, the percentage of resource not utilized (difference between actual catch and GHL) during base period is allocated to the community of Adak.* There is simply no historical basis for a direct allocation to a community that only until recently had a processing presence.

6. Cooperative model options:

RAS is supportive of the State Voluntary Cooperative model, which provides a framework for entities with common interests to work together for the mutual benefit of parties.

The shareholders, and employees of Royal Aleutian Seafoods, Inc. appreciate the opportunity to submit these comments regarding crab rationalization.

Sincerely,



Garry M. Loncon
Chief Executive Officer

Enclosures:

Royal Aleutian Seafoods, Inc.*701 Dexter Ave., N., Suite 403**Seattle, WA 98109**(206) 283-6605 / Fax (206) 282-4572*

3 May, 2002

To Whom It May Concern:

Introduction:

Royal Aleutian Seafoods, Inc., ("RAS") was incorporated in 1988, and operates a single processing plant in Dutch Harbor, Alaska. RAS began operations by purchasing the assets of an existing processing facility that has since been expanded and modernized to effectively compete in the Bering Sea Aleutian Islands ("BSAI") crab fisheries. Today, RAS garners approximately a 10% market share in all BSAI crab fisheries. Purchasing, processing, and reselling crab from independently owned crab vessels represents over 95% of company revenue.

We have actively participated in industry discussions and served on North Pacific Fishery Management Council ("NPFMC") appointed committees regarding eventual BSAI crab rationalization. The NPFMC has engaged in an extensive process, to evaluate a preferred option to BSAI crab rationalization in order to satisfy the economic considerations of harvesters, processors, and communities. Crab rationalization must further address the considerations of fisherman (non-vessel owners), the crab resource and equally as important, environmental concerns. This exhaustive study conducted by the NPFMC has included public testimony during the entire evaluation process.

Why should RAS be included in crab rationalization?

In order to obtain resource conservation goals, such as decrease in by-catch of non-targeted specie, and mitigate hazardous working conditions for fisherman, it is necessary to rationalize the BSAI crab fishery. So why include processors in rationalization? First of all, RAS is entirely economically dependent on BSAI crab fisheries for its existence. RAS has invested tens of millions of dollars in plant and equipment in order to efficiently operate in a competitive market place. Assigning a proprietary right to the resource, by granting fisherman quotas based on historical participation will fundamentally change the BSAI crab business, with profound economic implications to processors and the communities in which they operate. And, if processors are left unprotected, granting fisherman quotas only will effectively redistribute wealth to fisherman and result in stranded assets of the processing sector. The backdrop to BSAI crab fisheries, is that both harvesting and processing sectors are over-capitalized, and any form of rationalization must balance decapitalization in both sectors.

Royal Aleutian Seafoods, Inc.

3 May, 2002

RAS operates in a remote Alaskan community:

RAS operates in Dutch Harbor, a remote Alaska community that is dependent on seafood processing. RAS as a seafood operator in a small community engages in a broad array of economic activity in the local area. Also, the company generates tax revenues that helps maintain the infrastructure of the local community. Crab rationalization that excluded RAS, could ultimately result in the economic non-viability of the company and negatively impact the Dutch Harbor community.

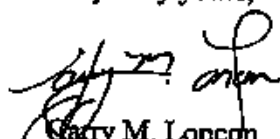
The halibut and black cod experience:

Prior to the formation of individual fishing quotas ("IFQs"), RAS actively participated in the halibut and black cod fisheries, through purchasing from independent fisherman. Today, after years of struggling financially as a custom processor, simply freezing on the fisherman behalf, RAS no longer participates in IFQ fisheries. RAS has been unable to operate profitably in the IFQ fisheries, despite the fact that the halibut resource remains healthy. IFQs in halibut and black cod, excluded considerations for processors and communities, which has resulted in fisherman by-passing the traditional processing sector and marketing their fish directly with wholesalers and end-users. As a result of this transformation, IFQ fisherman receive a disproportionate share of the income generated from halibut and black cod that occurred prior to the establishment of IFQs. The NPFMC understands that the establishment of IFQs permanently redistributed the wealth of the fisheries to fisherman, from processors and the distribution sectors. In the case of RAS, a mid-six figure investment in a new blast freezer, that allowed RAS to compete in the old derby system, now represents a stranded asset. RAS's investment in the halibut fishery pales in comparison to the crab fisheries where stranded assets would mean the elimination of the company's net worth.

Conclusion:

RAS was formed and significant investment was made by American citizens knowing the "rules of the game," meaning BSAI crab was managed under an Olympic style system. Including processor quotas along with harvester quotas, in a rationalization system, rightfully protects processors economic interests and addresses the over-capitalized status of both harvesting and processing sectors.

Very truly yours,



Gary M. Loncon
Chief Executive Officer

Mr. David Benton
Chairman, NPFMC
605 West 4th Ave. Suite 306
Anchorage, Alaska 99501

Dear Mr. Chairman:

This letter is in response to comments sent to the Council from vessel owners. What strikes me first off is the sentiment expressed in every letter opposed to initial allocation to Captains that as owners they have had to pay to insure, repair and maintain their investment. I agree. As an owner I've come to know exactly what that burden is. But what seems to be getting missed here, is that the initial allocation to captains will come from the increased value that is a result of rationalization. It doesn't exist now. It doesn't need to be painted or repaired or insured. There are no maintenance costs. Beyond that, captain shares don't go anywhere. That crab has to come across the deck of a vessel that already qualifies. No one can bring in a new boat to harvest that crab, so those shares can only be used as a tool to negotiate a mutually beneficial arrangement with an owner.

Also, I'd like to respond to criticism that many skippers have had opportunity to buy boats, but for whatever reason, have chosen not to. I believe, in many cases, there is good reason not to. Some of us are hard working fishermen, willing to risk our lives and leave our families for months at a time. Other individuals are great managers, they are savvy businessman. In fact, of the 13 letters in the February packet that were opposed to initial allocation to Captains, I count three who I know were highline crab fishermen, several who haven't been in Dutch Harbor since they built the bridge and several who have never stepped foot on deck a boat in salt water. We all have our talents, we use them as best we can where we are most able. I've always had a great working relationship with the owners I've run boats for. We each did our part and depended on the other. And I can say with total conviction that Captains are every bit as dependent on this resource as the vessel owners, if not more so.

Bottom line is this, Council need only look at the other rationalized fisheries to clearly see that with initial allocation of a separate class of quota, captains/crew will be able to secure our continued participation in this fishery and enable those who wish, an opportunity to become owners.

When the NRC discussed the block system and the loan program activated in 1998 for the Alaska Halibut and Blackcod Fisheries, they stated, "These measures partially redress the inequity created by making the initial allocation only to vessel owners...".

Thank you,


Barney Olsen
Captain/Owner



**alaska
fresh
seafoods, Inc.**

PLANT: 105 MARINE WAY, KODIAK, AK 99615 (907) 486-5749 FAX (907) 486-6417
HEAD OFFICE: 4241 21ST AVE. WEST, SUITE 204, SEATTLE, WA 98199

May 26, 2002

Mr. David Benton
Chairman
North Pacific Fishery Management Council

Re: Agenda Item C-3: Bering Sea Crab Rationalization for Processors

Dear Mr. Benton,

Alaska Fresh Seafoods (AFS) would like to express opposition to the allocation of Individual Processing Quotas (IPQs) in the Bering Sea/Aleutian Islands (BSAI) crab fishery.

The allocation of IPQs in the BSAI crab fishery would make it impossible for AFS, and other Kodiak based crab processors, to compete for and purchase BSAI crab from BSAI crab harvesters who wish to deliver BSAI crab to AFS or to any other Kodiak crab processing plant.

IPQs unjustifiably allocate market share to several large dominant BSAI processors who already command and exert significant economic power and market control in all fisheries, including the BSAI crab fishery. Many of these processors were granted exemptions from antitrust laws by the American Fisheries Act (AFA), were greatly capitalized by the AFA, have subsequently accumulated great wealth and economic power as a result of the AFA, and have used this capitalization and economic power to increase their competitive position in the market for all seafood products, including markets in which I must compete (including salmon, herring, crab, halibut, black cod, p. cod, and other groundfish products). The AFA already has significantly disadvantaged AFS and other Kodiak and Gulf of Alaska (GOA) processors and harvesters. Any further extension of antitrust exemptions and other economic protection to the AFA processors, and the additional economic power and market control that will be granted to them as a result of BSAI crab IPQs, will put AFS and other GOA processors and harvesters in serious jeopardy. BSAI crab IPQs provide the large dominant AFA and other BSAI crab processors with unjustified protection from competition, ensure dangerous consolidation and vertical integration, and put AFS and other Kodiak processors at a gross competitive disadvantage to them. BSAI crab IPQs undermine the economic position of AFS and other Kodiak processing companies, and thereby, seriously limit our ability to compete and survive in the fish processing business.

Many of the AFA and other BSAI crab processors will receive a substantial portion of any harvester IFQs that result from BSAI crab fleet rationalization because of the ownership interest that many of these processors hold in BSAI crab catcher and catcher processor vessels.

Kodiak is a major Alaskan coastal community that is home to a significant, diverse and competitive processing and harvesting industry, and to a large resident processing work force. BSAI crab IPQs will cause Kodiak to suffer a significant loss of economic opportunity, and this loss will be in addition to that loss that has already resulted from the AFA which placed Kodiak at an economic disadvantage to AFA processor beneficiaries, many of which will also be large beneficiaries of BSAI crab IPQs. BSAI crab IPQs will undermine the tax base, employment, support businesses, government support services, schools, diversification, and general economic vitality and business activity of Kodiak. It is essential for the Council to consider the rights and needs of the Kodiak community to enjoy and participate in the benefits of increases that are expected in the productivity and associated harvest quotas for several BSAI crab species.

Alaska Fresh Seafoods and other Kodiak processors have a long history of processing BSAI crab, and have provided important alternative markets for BSAI crab vessels that must be protected and recognized. It is very likely that AFS and other Kodiak processors will be largely left out of the IPQ allocation scheme for BSAI crab because of the amounts of BSAI crab that we have processed in recent years, and the priority that is being put on recent processing history as the determinant of qualifying criteria. Depending on the year, BSAI crab has represented a variable but nonetheless important component of the overall product mix upon which AFS and other Kodiak processors depended, and from which the community of Kodiak benefited. Kodiak processors have frequently depended on Kodiak and non-Kodiak crab vessels to bring BSAI crab back to Kodiak. AFS was one of the very first plants to process opilio crab in Alaska, and to experiment with the development of markets and the marketability of opilio crab. Since we opened our doors in 1978, and through the mid-1980s, AFS has purchased and processed Bristol Bay red king crab, Bering Sea bairdi and opilio crab, and other BSAI crab species. Since the mid-1980s declining crab quotas and the shortness of the seasons resulted in a regulatory regime that limited the ability of BSAI crab harvesters to return to Kodiak to sell their BSAI crab. That is, our recent history of processing BSAI crab has been dependent upon, and limited by, the small quotas that were available for each of the BSAI crab species, the length of the specific BSAI crab seasons, the weather that occurred in the BSAI and GOA during any given BSAI crab season, and the other regulatory limitations that small quotas and short seasons placed on BSAI crab harvesters to deliver BSAI crab to Kodiak.

It is not justifiable to use the recent years during which BSAI crab species have been depressed as IPQ qualifying years, thereby ensuring a significant windfall for AFA and other BSAI processors when BSAI crab stocks rebound; such windfall that will result at the significant expense of Kodiak and other Alaskan coastal communities. As expected increases in productivity and associated quotas of BSAI crab occur, AFS and other Kodiak processors will be needed as competitive markets, and should be given the opportunity to compete for and benefit from the BSAI crab resource. The BSAI crab fishery does not need diminished competition in the BSAI crab processing sector.

It is also important to note that guarantees and set-asides for St. Paul and the Pribilof Islands (Regionalization) will result in additional protection and competitive advantages for large AFA

and other Bering-Sea based processing entities who will also receive a significant percentage of the processing IPQ and harvester IPQ pools.


Rationalization of the BSAI crab fleet is necessary, will improve management of the BSAI crab fleet and fishery, and will provide the expected flexibility for BSAI crab harvesters to deliver more of their BSAI crab to Kodiak. However, while the AFA and other BSAI crab processors attempt to portray IPQs as rationalization, they are not. IPQs allocate markets and market share, and have nothing to do with rationalization, or management of the BSAI crab resource.

I ask you to not adopt BSAI crab IPQs. IPQs will seriously damage and disenfranchise AFS and other Kodiak processors. IPQs are not good for anyone; they are not good for fishermen, for prices, for most processors, for the industry, or for the consumer. Giving IPQs to foreign owned and controlled processing companies is not in the best interest of American owned processors, or of the industry. Letting large dominant processors gain an ever increasing percentage control of the market will eventually squeeze out smaller independent processing companies like Alaska Fresh Seafoods, and several other Kodiak and Bering Sea processors. BSAI crab IPQs will establish a precedent for GOA groundfish rationalization, and this precedent will seriously impact the survival of AFS to survive in the GOA groundfish fishery.

IPQs are an ill-conceived government program that would seriously diminish the underlying value of my processing company, take away my ability to compete for BSAI crab, and most probably undermine the future economic value, viability and survival of Alaska Fresh Seafoods. I believe that the similar impacts will befall other Kodiak processors who are not yet owned by or otherwise affiliated with the large AFA or other BSAI crab processors. IPQs for BSAI crab restrict the market freedom of AFS and other Kodiak processors to provide competitive markets and services to BSAI crab harvesters.

Please remember that AFS has been in the processing business for 24 continuous years providing service to BSAI and GOA harvesters for all species. Many BSAI crab vessels use Kodiak as a staging area to obtain fuel, groceries and services on their way to the Bering Sea. BSAI crab vessels must have the right and freedom to sell BSAI crab to AFS and other Kodiak processors, without restriction, as they have in the past.

Sincerely,



Dave Woodruff
Vice President, Part Owner, and General Manager

PUBLIC TESTIMONY SIGN-UP SHEET FOR
 AGENDA ITEM C-3 CRAB RAZZ

1

PLEASE SIGN ON THE NEXT BLANK LINE.
 LINES LEFT BLANK WILL BE DELETED.

	NAME	AFFILIATION
1.	Steph Hall	F/O Spirit of the North "
2.	Roger Rowland	Chignik Seiners Assoc.
3.	Jake Jacobsen	Alaska Marketing Assn.
4.	Ozzie Nordheim	Alaska Sea
5.	JAMES MIZE	BLUE NORTH FISHERIES
6.	BETH STEWART	AEB
7.	STEVE STURBE	ROYAL ALEUTIAN SFPS
8.	Max Melavansky	City of St. George
9.	Larry Cotter	APICDA
10.	Coleman Anderson ^{Randy Dodge}	Pavlot / Sea Spray
11.	Bonny Olsen	Sea Spray SEA
12.	XXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXXXX
13.	David Wilson	Silent Lady, Det. ^{Lady Joanne} Utilization, Keta,
14.	CHRIS HUKER	STANCLA FIVE
15.	Frank Kelly	City of UNALASKA
16.	Linda Kozak	Kozak + ASSOC.
17.	Bob Starns	Unalaska Native Fishermen's Assoc.
18.	DAVID LETHIN	Bellad Enterprises
19.	JOHN GARNER	N.P.C.A.
20.	Larry Gruber	Muir Milch
21.	Paul Duffy	PRO SURVEYOR
22.	Aime Thompson	Alaska Crab Coalition
23.	Barry Collier	Peter Pan Seafoods
24.	Dick Powell	PATRICIA Lee
25.	Steve Toomey	EXITO

PUBLIC TESTIMONY SIGN-UP SHEET FOR
 AGENDA ITEM C-3 CRAB RAZZ

(2)

PLEASE SIGN ON THE NEXT BLANK LINE.
 LINES LEFT BLANK WILL BE DELETED.

	NAME	AFFILIATION
1/	Steve Minor	City of St Paul
2/	MARK MARINO	NORTHLAND
3/	GORDON BWE	C.R.A.B. GROUP
4/	Terry Gardiner	NorQuest Seafoods
5/	DUG WELLS	BROWNE FISHERIES
6/	Tom Casey	AFCG
7/	Joe Sullivan	Munt MacGregor
8/	Gary Painter	FIV Trailblazer
9/	Tom Sumyan	SEA
10/	JAY ANDERSON	ALL ALASKAN
11/	ALAN CHAFFEE	YARDARM KNOT
12/	Kevin Sundam	Lady Alaska
13/	JEFF STEPHAN	UFMA
14.	KEITH COLBURN	CAPTAIN UNDELETED
15/	JOE PLESHA	TRIDENT SEAFOODS
16/	XXXXXXXXXX	XXXXXXXXXX
17/	Pat Carlson	KIB
18/	Bing Henkel	ERLA-11
19/	Don Gies	TRICLE
20/	Glenn Reed	PSPA
21/	Alan Parks	AMCC
22/	Bob Staps	UNFA
23/	Alain Thomson	ACC
24/	Leonard Herzog	Homer Crab Group
25/	WALT CHRISTENSEN	DSFU SEA

PUBLIC TESTIMONY SIGN-UP SHEET FOR
 AGENDA ITEM 3 CRAB Ratz

3

PLEASE SIGN ON THE NEXT BLANK LINE.
 LINES LEFT BLANK WILL BE DELETED.

	NAME	AFFILIATION
1	JR J HERMAN	Local Residents
2		
3	CHUCK GARDNER - MESA VILLAGE	Local Residents
4	DUSS MOORE	Full South Pacific
5	PETER CISKE	SELF EMPLOYED TRIPPER
6	BRENT PAINE	UNITED CATCHER PARTS
7	RICK MERZICH	Early Dawn
8	Gray Loren	Royal Alaskan Seabirds
9	Harbor McCarty	CBFA
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Late Crab

PUBLIC TESTIMONY SIGN-UP SHEET FOR
AGENDA ITEM _____

PLEASE SIGN ON THE NEXT BLANK LINE.
LINES LEFT BLANK WILL BE DELETED.

	NAME	AFFILIATION
1.	RICK SHELFORD	F/U ALEUTIAN LADY
2.		
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Changes to 2 by Mike Downs

C-3
Mike Downs

Main Document Section 2.6 Community and Social Impacts <small>begins on Page 105</small>	
Page Number	Changes to Document between April and June 2002 NPFMC Meetings
Pg 105	Language added to introduction to clarify relationship between Section 2.6 of the main document (Community and Social Impacts) and Appendix 2-6 (Social Impact Assessment: BSAI Crab Rationalization Overview and Community Profiles.)
Pg 105-137	Section 2.6 internally re-numbered for clarification: 2.6.1 Harvest Sector Related Impacts 2.6.1.1 Existing Conditions (Harvest Sector) 2.6.1.2 Impact of Alternatives (Harvest Sector) 2.6.2 Catcher Processor Sector (with same subheadings as for harvest sector) 2.6.3 Processing Sector (with same subheadings as for harvest sector)
Pg 108-110	Table in the series 2.6-1 through 2.6-5 (crab harvest vessel count and value tables) have been reformatted to be more consistent with other table series and the row labels have clarified. "Other Washington" column errors in Tables 2.6-3 through 2.6-5 have been corrected.
Pg 113-114	Tables 2.6-6 through 2.6-8 (community fleet and total fisheries participation tables) have been added to better display community engagement in the fishery through local harvest fleets.
Pg 114-117	Tables 2.6-9 through 2.6-14 (annual harvest value and volume tables) have been slightly reformatted. Total years value tables have been converted to annual averages for consistency with other table series. Fishery categories have been clarified and terms defined in table notes. "Non-vessel" fisheries data provided with the intent of completeness for "dependency" consideration.
Pg 126-127	Catcher processor text was edited for clarity. Multiple year grand total table deleted in favor of annual averages table for consistency with other sections. Table 2.6-19 (allocations) added to parallel other sector discussions and to replace some narrative treatment.
Pg 129-132	Table series 2.6-20 through 2.6-26 (processor counts, volume, and value) reformatted by pivoting tables 90 degrees and clarifying area groupings into designated and undesignated categories. Language clarified regarding fishery groupings in table notes.
Pg 133-135	New text and tables on processor diversity/dependency added as new data became available. <i>NOTE: Errata sheet (attached) replaces page 135.</i> The tables show average annual value by species processed by all processors within designated areas (Table 2.6-27), along with percentage of value by species group for each community or region (Table 2.6-28) and by community or region for each species group (Table 2.6-29) to show the relative "worth" of crab vis-a-vis other species processed.

Table 2.6-27 Annual Average Value of Processing by Species by Place, 1991-2000

City	PRP Crab	Non-PRP Crab	Pollock	Sablefish	Pacific Cod	Halibut*	Other Groundfish	Salmon	Other Fisheries	Non-Commercial	TOTAL all Fisheries
Kodiak	\$3,542,040	\$2,512,134	\$10,204,100	\$7,292,082	\$14,357,799	\$14,220,043	\$3,287,010	\$26,575,772	\$2,168,172	\$634,245	\$84,793,396
Unalaska	\$82,852,289	\$2,158,182	\$95,274,719	\$2,446,047	\$9,079,646	\$4,631,533	\$1,032,549	\$6,585,749	\$855,197	\$1,438,979	\$146,354,900
Other South	\$26,255,324	\$948,210	\$25,413,947	\$6,054,635	\$17,815,591	\$12,441,264	\$481,978	\$138,004,615	\$5,325,998	\$2,729,178	\$235,470,941
Other/Unknown	\$134,680,263	\$14,628,485	\$717,195	\$46,120,675	\$4,881,809	\$42,712,902	\$2,614,089	\$209,186,010	\$30,524,351	\$18,330,793	\$504,396,591
Grand Total	\$227,329,946	\$20,247,010	\$91,809,960	\$61,913,439	\$46,134,845	\$74,005,742	\$7,415,627	\$380,352,346	\$38,873,718	\$23,133,195	\$971,015,828

Notes: Non-commercial includes forfeited bycatch, test fisheries, CDQ, etc
 Other/Unknown includes Northern Region, catcher processors, floaters without a geographic designation, or any processing entity without a geographic reference in the database.
 * Note 2000 halibut data missing from the database, therefore halibut values are understated.
 Source: Summarized from the NPFMC Bering Sea Crab Data Base / 2001_1

Table 2.6-28 Annual Average Value of Processing by Species as a Percentage of Total by Place, 1991-2000

City	PRP Crab	Non-PRP Crab	Pollock	Sablefish	Pacific Cod	Halibut*	Other Groundfish	Salmon	Other Fisheries	Non-Commercial	TOTAL all Fisheries
Kodiak	4.2%	3.0%	12.0%	8.6%	16.9%	16.8%	3.9%	31.3%	2.6%	0.7%	100.0%
Unalaska	42.9%	1.5%	37.8%	1.7%	6.2%	3.2%	0.7%	4.5%	0.6%	1.0%	100.0%
Other South	11.2%	0.4%	10.8%	2.6%	7.6%	5.3%	0.2%	58.6%	2.3%	1.2%	100.0%
Other/Unknown	26.7%	2.9%	0.1%	9.1%	1.0%	8.5%	0.5%	41.5%	6.1%	3.6%	100.0%
Grand Total	23.4%	2.1%	9.4%	6.4%	4.8%	7.6%	0.8%	39.2%	4.0%	2.4%	100.0%

Notes: Non-commercial includes forfeited bycatch, test fisheries, CDQ, etc
 Other/Unknown includes Northern Region, catcher processors, floaters without a geographic designation, or any processing entity without a geographic reference in the database.
 * Note 2000 halibut data missing from the database, therefore halibut values are understated.
 Source: Summarized from the NPFMC Bering Sea Crab Data Base / 2001_1

Table 2.6-29 Annual Average Value of Processing by Place as a Percentage of Total by Species, 1991-2000

City	PRP Crab	Non-PRP Crab	Pollock	Sablefish	Pacific Cod	Halibut*	Other Groundfish	Salmon	Other Fisheries	Non-Commercial	TOTAL all Fisheries
Kodiak	1.6%	12.4%	11.1%	11.8%	31.1%	19.2%	44.3%	7.0%	5.6%	2.7%	8.7%
Unalaska	27.6%	10.7%	50.3%	4.0%	19.7%	6.3%	13.9%	1.7%	2.2%	6.2%	15.1%
Other South	11.5%	4.7%	27.7%	9.8%	38.6%	16.8%	6.5%	38.3%	13.7%	11.8%	24.2%
Other/Unknown	59.2%	72.3%	0.8%	74.5%	10.6%	57.7%	35.3%	55.0%	78.5%	79.2%	51.9%
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: Non-commercial includes forfeited bycatch, test fisheries, CDQ, etc
 Other/Unknown includes Northern Region, catcher processors, floaters without a geographic designation, or any processing entity without a geographic reference in the database.
 * Note 2000 halibut data missing from the database, therefore halibut values are understated.
 Source: Summarized from the NPFMC Bering Sea Crab Data Base / 2001_1

Appendix 2-6
Social Impact Assessment:
BSAI Crab Rationalization Overview and Community Profiles

Page Number	Changes to Document between April and June 2002 NPFMC Meetings
TOC	A printing error has caused an error in the table of contents. The document skips from page number 24 to page number 26, but no text is missing - there is an error in page numbering, not a missing page. In the table of contents, three sections are listed as beginning on page 25. The first two entries begin on page 24, as printed, and the third begins on page 26, as printed. All other entries in the table of contents are correct as printed. Another printing error occurs between pages 58 and 59, with a blank page appearing on the back of page 58. No text is missing, however, and this error does not effect the table of contents.
Pages 3-4	Text and table (Table 1.0-2) added to provide overview of distribution of community engagement in processing similar to that previously provided for harvesting.
Page 5	Note regarding additional Kodiak fieldwork added.
Pages 21-23	Section on "Other Considerations" added. This includes brief discussions on skipper and crew issues, processing worker employment, changes in harvester and processor relationships, community preclusion issues, and community divisiveness. These are all considerations that fall into the category of social impacts associated with crab rationalization that do not necessarily lend themselves for inclusion in a community profile based discussion.
Pages 44-46	Tables 2.2-15 and 2.2-16 (value of locally processed crab by species) and accompanying text have been added to the Unalaska community profile. These provide information on the relative "local worth" of the individual species proposed for rationalization, plus "big three" and "other six" species groupings.
Pages 47-50	Tables 2.2-17 through 2.2-20 (volume and value of local processing by species group) and accompanying text have been modified in the Unalaska community profile. These replace analogous tables in the earlier document, with the new tables extending the period covered to match similar tables in the report, and breaking out crab species proposed for rationalization from other crab species.
Page 61	Table 2.2-21 (airport passenger count) updated in Unalaska community profile.
Pages 93-98	"Local Economy and Links to the Crab Fishery" section of the St. Paul community profile has been expanded to incorporate additional information. Table 2.5-6 (pg 96) showing historical trend information for Northern Region crab processing and Northern Region processing as a percentage of total processing by year and year groupings has been added, along with additional text.
Pages 99-101	Text has been edited for clarity in the summary sections of the St. Paul community profile.
Pages 110-124	"Local Economy and Links to the Crab Fishery" section of the Kodiak community profile has been expanded to incorporate data from fieldwork in the community that took place subsequent to the production of the previous version of this document.

Appendix 2-6
Social Impact Assessment:
BSAI Crab Rationalization Overview and Community Profiles

Page Number	Changes to Document between April and June 2002 NPFMC Meetings
Pages 116-117	Tables 2.6-11 (local crab vessel count and harvest) and 2.6-12 (community fleet vessel count and harvest by fishery) and accompanying text have been added to the Kodiak community profile.
Page 120	Table 2.6-13 showing historical trend information for Kodiak crab processing and local processing as a percentage of total processing by year and year groupings has been added, along with additional text.
Pages 121-122	Tables 2.6-14 through 2.6-17 (volume and value of local processing by species group) and accompanying text have been modified in the Kodiak community profile. These replace analogous tables in the earlier document, with the new tables extending the period covered to match similar tables in the report, and breaking out crab species proposed for rationalization from other crab species.
Page 146	Table 3.1-4 (catcher processor absolute and relative count by crab species) and accompanying text has been added to the Seattle community profile.
Page 147	Tables 3.1-5 and 3.1-6 (catcher vessel count and harvest information for Seattle and as a proportion of total fishery figures) and accompanying text have been added to the Seattle community profile.
Page A1-1	SIA Appendix 1: Social Impact Assessment Study Methodology, beginning on this page, has been updated to reflect work performed since the April NPFMC meetings.
Page A3-1	<p>SIA Appendix 3: Supporting Data Tables, beginning on this page, has been added to this document as an entirely new appendix. The detailed tables in this appendix are intended primarily to support the summary or "annual average" tables that appear in the community and social impact discussion (Section 2.6) in the body of the main Bering Sea Crab Rationalization Program Alternatives analysis document. The detail provided by time-series values for 1991-2000 contained in the tables within this section also allow for the identification of directional trends or other patterns in the data over time. These tables fall into eight different table or table series categories, including:</p> <ul style="list-style-type: none"> • Annual Average Vessel Counts • Harvest Vessel Count Trend Data • Harvest Value Data • Harvest Allocation Data by Alternative • Community Fleet Dependency Data • Processing Entity by Community and Region Data • Processing Value by Community and Region Data • Catcher Processor Ownership Location and Value Data <p>Information contained in this appendix was available in summary form in the previous version of the document. The additional detail in these appendix tables allow the interested reader to select different time periods for analysis, if desired, and examine quantitative change in the fisheries on an annual basis from 1991 through 2000.</p>

Summary of Current LLP Crab Licenses

At present there are 396 total active LLP crab licenses.

Of the 396, 86 are issued for vessels less than or equal to 60' MLOA

Of the 86, by status: 17 are Interim and 69 are Non-Interim.

Of the 86, by operation type: 0 are C/P and 86 are CV.

Of the 86, by status and operation type:

0 C/P Interim, 0 C/P Non-Interim, 17 CV Interim, 69 CV non-Interim

Of the 396, 310 are issued for vessels greater than 60' MLOA

Of the 310, by status: 89 are Interim and 221 are Non-Interim.

Of the 310, by operation type: 29 are C/P and 281 are CV.

Of the 310, by status and operation type:

10 C/P Interim, 19 C/P Non-Interim, 79 CV Interim, 202 CV non-Interim

Endorsement Summary for Current Issued LLP Crab Licenses With MLOA > 60'

Endorsement	> 60' MLOA Catcher/Processor			> 60' MLOA Catcher Vessel			>60' MLOA Both Operation Types
	Interim	Non-Interim	all C/P	Interim	Non-Interim	all CV	Total
Aleutian Is. Brown King	4	5	9	9	20	29	38
Aleutian Is. Red King	2	3	5	13	21	34	39
BSAI C. opilio/Bairdi	10	19	29	77	200	277	306
Bristol Bay Red King	10	18	28	78	198	276	304
Norton Sound Red/Blue King	0	0	0	2	1	3	3
Pribilof Is. Red/Blue King	1	2	3	40	86	126	129
St. Matthew Blue King	4	11	15	58	130	188	203

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Endorsement Summary for Current Issued LLP Crab Licenses With MLOA <= 60'

<i>Endorsement</i>	<i><= 60' MLOA Catcher/Processor</i>			<i><= 60' MLOA Catcher Vessel</i>			<i><=60' MLOA Both Operation Types</i>
	<i>Interim</i>	<i>Non- Interim</i>	<i>all C/P</i>	<i>Interim</i>	<i>Non- Interim</i>	<i>all CV</i>	<i>Total</i>
<i>Aleutian Is. Brown King</i>	0	0	0	1	0	1	1
<i>Aleutian Is. Red King</i>	0	0	0	3	0	3	3
<i>BSAI C. opilio/Bairdi</i>	0	0	0	10	5	15	15
<i>Bristol Bay Red King</i>	0	0	0	4	2	6	6
<i>Norton Sound Red/Blue King</i>	0	0	0	4	58	62	62
<i>Pribilof Is. Red/Blue King</i>	0	0	0	6	8	14	14
<i>St. Matthew Blue King</i>	0	0	0	1	0	1	1

DRAFT MINUTES

6/4/2002

Members of the Crab Rationalization Data Collection Workgroup met in Dutch Harbor on June 3rd. The focus of that meeting was to address data collection issues that need to be included in the Council's preferred alternative for Crab Rationalization.

The committee members were provided a handout showing examples of the types of data that would be included in an economic data collection program. After skimming through the documents, a short discussion was held on problems associated with assigning costs that are not directly attributable to a specific plant or species. It was determined that additional work will be required to develop a consistent system to assign those costs.

In addition, the group made the following statements:

1. Collection of economic, ownership, and employment data should be mandatory to help protect the confidentiality of the data.
2. Specific regulatory language should be included in the data collection amendment that would ensure the confidentiality of the data, and that statutory language allows for the implementation of the program.
3. The enforcement system for ensuring that the data submitted is accurate needs to be defined.
4. Costs of requiring data to be submitted should be determined (including any audit costs). Mechanisms to have the federal government bear some of the costs should be included in the amendment.

Principles Behind Binding Arbitration

Problem Statement

The working group on binding arbitration has proposed the following problem statement justifying the development of the binding arbitration system:

Issuing harvesting and processing quota raised concerns regarding changes in bargaining power between the harvesting and processing sectors in ex-vessel price formation. Binding arbitration is a mechanism intended to address that issue, and to help achieve the goals articulated in the North Pacific Council's Crab Rationalization Problem Statement.

The fundamental issue to be addressed by a system of binding arbitration is the change in bargaining power between the harvest and processing sectors in a rationalized fishery. The Council intends to develop a rationalization program that "maintains healthy harvesting and processing sectors." In addition, "the system should seek to achieve equity between the harvesting and processing sectors, including healthy, stable and competitive markets."

In the current crab fisheries, harvesters often negotiate prices collectively at the beginning of each season. Harvesters have used two strategies for leverage during these price negotiations. In some seasons, harvesters have delayed the beginning of fishing after the opening of the season to pressure processors to pay a higher price for harvests. At other times harvesters have promised additional deliveries to the processor that offered an acceptable price to induce higher offers. The ability of harvesters to use these collective inducements could be limited in a fishery with an extended season and processor allocations. In addition, neither harvesters nor processors believe that delaying fishing is in the best interest of either sector. Binding arbitration is intended to provide an additional method of determining an equitable or competitive price is obtained for sales of crab in a rationalized fishery, given the limited harvesting and processing markets that would be available under a system that allocates both harvest and processing privileges.

The system of binding arbitration should protect all participants in the crab fisheries. Harvesters and processors alike should trust the system of binding arbitration. The system should also provide both parties with effective means of enforcing an arbitrator's decision.

Because the protection of harvesters and processors with a system of binding arbitration could be accomplished in many ways, the committee views its charge as developing a set of options that provide for effective system of arbitration. To that end, the committee has developed the options that appear below. The brief discussion is intended to clarify the intent of the committee in the development of the options. Because these options would protect participants in different ways, each with its own merits, selection of the preferred method is not simple and will require full analysis. It is the committee's intent to provide these as potential options for analysis and possible adoption after deliberation.

The document concludes with a discussion of the administration of the system of binding arbitration and the oversight role of NMFS.

Options for Consideration

This section presents the options developed by the committee in italics and a brief discussion of those options in standard font.

Market Report

Within ___ days prior to the opening of each crab fishery 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.

The market analysis is intended to provide transparency of markets and form the basis for negotiations. The analysis should reduce posturing by the parties in negotiations and provide an arbitrator with background on market conditions. Class B share ex vessel prices, once established, should also constitute a part of the information of the report.

Selection of the Arbitrator (and Market Analyst, if applicable)

The market analyst 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.

A single arbitrator will be selected for each IPQ holder to arbitrate all price disputes between that IPQ holder and any IFQ holder. The arbitrator will be selected by the agreement of the IPQ holder and

- a) the IFQ holders that made deliveries to the IPQ holder in the preceding fishery or*
- b) IFQ holders that have committed deliveries to the IPQ holder in the upcoming season.*

The arbitrator will be selected ___ days before the beginning of the season.

The market analyst and arbitrators should be independent persons agreed to by the parties. The first or second option might be preferred depending on the timing of the selection and the stability of participation and delivery patterns.

Shares subject to binding arbitration (1st paragraph of Structure)

This binding arbitration system shall address price disputes between holders of Class A IFQ and holders of IPQ. Binding arbitration does not apply to the negotiation of price for deliveries under the IFQ class B shares.

Because of the allocation of both harvesting and processing shares for crab harvested with Class A shares, it is thought that transactions for delivery of Class A crab is most in need of arbitration to establish a fair, equitable, or competitive price.

Shares of processor affiliates

Option 1

Holders of IFQs that are affiliated with processors are not eligible to participate in

the arbitration process. Processor affiliation will be determined using the threshold rule with percent thresholds of 10, 25, and 50 percent.

Option 2

Entities that are partially owned by processor affiliates will be permitted to participate in arbitration, however, the participation will apply only to a share of IFQs equal to the share of processor affiliation (e.g., if an entity owning any part of a processor owns a 75 percent interest in 100 IFQs, the nonaffiliated owner of those IFQs may participate in arbitration with 25 shares.

The intention of this provision is to prevent processors from participating in arbitration as IFQ holders. Option 2 would allow IFQ holders that own shares collectively with processors to participate in the arbitration with respect to their interest in the commonly held shares. Participation of processor affiliates in the process could influence the arbitrator's decision and raise antitrust concerns.

Timing of Arbitration Period (2nd paragraph of Structure)

The arbitration time period will begin

- a) 45 days or*
- b) 30 days*

prior to the beginning of each crab season.

At any time after the beginning of the arbitration period a holder of Class A IFQs that has not agreed to a price with an IPQ holder may trigger binding arbitration with any processor holding unsubscribed IPQs by committing deliveries to that IPQ holder and notifying the processor of an intent to arbitrate.

a) Arbitration may be triggered at any time after the beginning of the arbitration time period and before the opening date of the season.

b) Arbitration may be triggered at any time after the beginning of the arbitration time period (including after the opening date of the season) up until 30 days prior to the closing of the season.

Within ___ days of the delivery of the notice of intent to arbitrate, notice of the pending arbitration shall be delivered to all IFQ holders that have not agreed to a price. Any holder of unsubscribed IFQs may join the arbitration by committing deliveries to the IPQ holder.

Arbitration could be requested at any time after a specified number of days before an opening. The process would be started by a harvester that commits to deliver harvests to a processor holding unsubscribed IPQs. To broaden the number of participants, all harvesters with IFQs that are not committed to a processor will be notified of the pending arbitration. A window of time will be designated during which harvesters will be permitted to join the arbitration by committing deliveries to the IPQ holder.

Standard for Arbitration

- 1. The arbitration decision will attempt to make an equitable division of rents*

in the fishery.

2. *The arbitration decision will attempt to set a competitive or fair market price for crab delivered.*

An appropriate standard for arbitration must be defined.

Terms included in the Final Offer and Evidence Considered

Option 1

Each final offer shall include the following terms:

1. *Price*
2. *Quantity*
3. *Quality*
4. *Acceptable delivery dates*
5. *Location of delivery*

(Select any or all of 1. to 5.)

The final offer shall be:

1. *fixed values of each term, or*
2. *a formula that includes each term as a variable.*
3. *a combination of 1. and 2.*

Each party will be permitted to submit any evidence that that party believes is relevant to the arbitration proceeding.

Option 2

Within __ days after the decision to arbitrate the parties will meet with the arbitrator to determine:

- a. *The terms to be included in the final offers to the arbitrator and any terms that can be stipulated by the parties. Terms could include the amount of crab to be delivered, the date of the deliveries, the price (which could subject to vary with delivery date, quality, and possibly other factors), quality, and any other terms deemed pertinent by the parties and the arbitrator. In addition, the form of the final offers shall be agreed. Possible forms are a fixed minimum price for crab delivered subject to the applicable terms or a price formula that includes each applicable term as a variable.*
- b. *Appropriate evidence to be considered in the arbitration. This evidence could include historical ex vessel and market prices, historical division of revenues and rents, costs of harvesting and production, and any other evidence deemed relevant by the parties and the arbitrator.*

If the parties do not agree on the terms to be included in the final offers and the evidence to be submitted at arbitration, the arbitrator will decide those terms and that evidence.

The nature of the final offers and evidence to be considered in final arbitration must be decided. The two options reflect different philosophy as to the development of those offers and evidence. The first option would establish a set of specific terms to be included in final offers and specific evidence to be considered by the arbitrator. The second option would allow the parties together with the arbitrator develop the terms of the final offers and the relevant offers on a case-by-case basis.

Submission and Selection of Final Offers

Option 1

The IPQ holder and each IFQ holder participating in an arbitration proceeding will submit a final offer. For each IFQ holder, the arbitrator will select from the IPQ holder's final offer and the final offer of that IFQ holder. IFQ holders may submit collective bids at their discretion.

Option 2

The IPQ holder will submit a final offer to the arbitrator. All IFQ holders participating in the arbitration will collectively submit a final offer to the arbitrator. The arbitrator will choose one of these two final offers, which will apply to all participants in the arbitration. The terms of the offer submitted by the IFQ holders will be determined by a majority vote of the IFQ holders participating with:

1. *one vote per IFQ*
2. *one vote per IFQ holder*

Option 3

Once 50 percent of the unaffiliated IPQs of a processor are subscribed, committed IFQ holders will have the option of collectively entering binding arbitration by selection of an agent to represent the IFQ holders. To proceed collectively, the agent must be selected by a 50-75 percent vote of subscribed IFQ holders with:

1. *one vote per IFQ*
2. *one vote per IFQ holder*

The IPQ holder and the agent of the IFQ holders will each submit a final offer. The arbitrator will select from the IPQ holder's final offer and the final offer of the IFQ holder's agent. The processor and all IFQ holders delivering to the processor will be bound by the finding of the arbitration.

Suboption: In the event that the IFQ holders have not selected an agent to represent them in arbitration within ___ days of the opening of a season, IFQ holders may individually initiate binding arbitration subject to the rules of Option 1.

Under Option 1 all IFQ holders participating in binding arbitration can act as an individual, with one final offer per IFQ holder. After the participating harvesters are fully identified, the arbitration will occur, with each participant submitting a single best offer. The IPQ holder will submit a single offer and each IFQ holder will submit a single offer. For each IFQ holder, the arbitrator must choose between the last offer of the IFQ holder and the IPQ holder.

Option 2 would require all IFQ holders to act collectively submitting a single bid applicable to all shares involved in the proceeding. Two rules are proposed for defining the selection of a final offer by participating IFQ holders.

Under Option 3, arbitration is conducted collectively by IFQ holders, once a specified number of IFQ holders consent to the identified agent. All IFQ holders that deliver to a processor after binding arbitration are bound by the findings of the arbitration.

Transferability of benefits of arbitration to other IFQ holders

If an IFQ holder does not join in an arbitration with an IPQ holder, but ultimately delivers crab to the IPQ holder, the IFQ holder will receive at a minimum, the terms of the

- 1. lowest*
- 2. mean*
- 3. highest*

applicable final offer selected at the arbitration with that IPQ holder.

Any IFQ holder that does not join the arbitration proceeding will be entitled to deliver harvests to the IPQ holder receiving a minimum price established by the arbitration. Allowing non-participants (who hold Class A IFQs) the benefit of the arbitrator's decision has the effect of dispersing the benefits of arbitration across the fleet. An arbitration decision, however, would bind only the participating IPQ holder.

Limits on the Use of Binding Arbitration

Option 1

Each IPQ holder shall be limited to one arbitration per season with one arbitrator.

Option 2

Each IPQ holder can be subject to arbitration initiated by any IFQ holder that commits to deliver to the IPQ holder ___ percent of the IFQs held regardless of whether that IPQ holder has participated in other binding arbitration proceedings in that season. All arbitration proceedings will be decided by the single arbitrator selected for that IPQ holder.

The first option contemplates a single arbitration for each IPQ holder. This could be used to limit the expense of arbitration to processors. The second option is intended to provide a more individual protection to each harvester's interests. The second option might be preferable if non-participating IFQ holders cannot derive benefits from arbitration proceedings undertaken by others.

Payment for the Arbitration and Market Analysis

The payment for the market analysis will be shared equally by the two sectors. Within each sector the analysis shall be paid for on a pro rated basis determined by the shares held by the members of the sector.

Participants in the binding arbitration will each pay the costs of their own participation. Within the harvest sector, payment shall be pro rated based on the number of IFQs committed to the participating processor.

This section is intended to result in sharing of the costs between the sectors and sharing of the cost within each sector based on applicable share holdings.

Enforcement of the Arbitration Decision

The decision of the arbitrator will be enforced by:

1. *civil damages*
2. *specific performance*
3. *forfeiture of unused IFQs or IPQs in the fishery for the following season (1 year use-it-or-lose-it) subject to hardship exceptions*

Effective protection will also require careful identification of available remedies for enforcement of the arbitration. Both harvesters and processors could benefit from the certainty that arbitrated findings may provide, if enforcement is adequate and available to both sides.

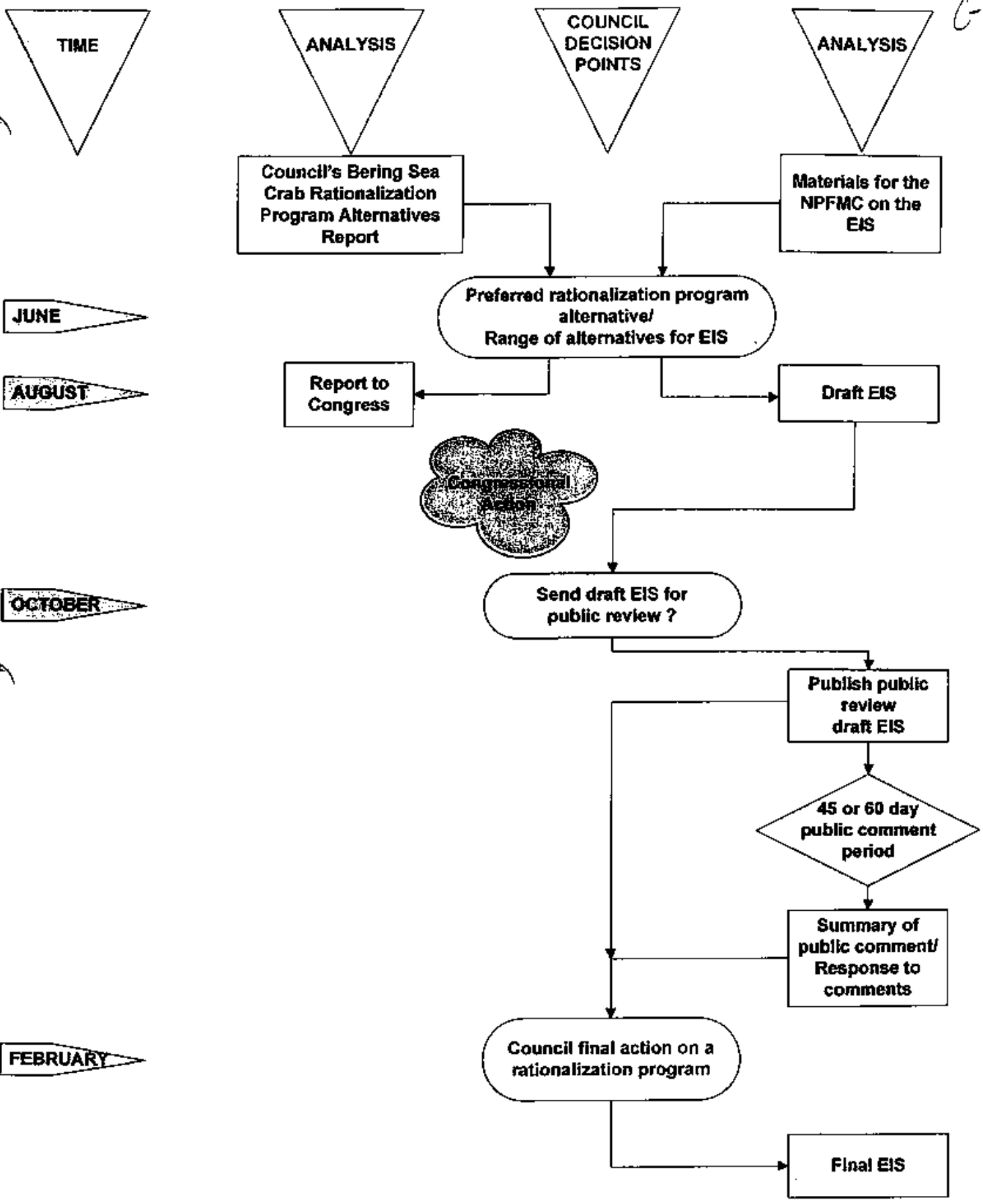
Oversight and Administration of the Binding Arbitration Program

An effective binding arbitration program will require careful oversight and administration. A system of rules will define the program. The realization of the program's goals will depend in large part on whether these rules function effectively and have their intended effects. To mitigate unintended effects, the program will need to be adaptable. Adaptation is particularly important given the novelty of the program. Two general approaches to administration of the program are possible. Under the first approach, NMFS and the Council would have a very active role in administering and monitoring the details of the program. Under the second approach, favored by the committee, industry would be required to comply with reporting requirements providing NMFS and the Council with the information necessary to assess the success of the program and to rectify fundamental shortcomings in the program. Administration would be undertaken primarily by industry, avoiding government involvement in pricing setting and providing greater flexibility to adopt agreed to modifications without government action.

Under the first administration alternative, NMFS would oversee the details of the program. Administration under this approach presents several problems, many of which are raised in the legal analysis of binding arbitration that appears in Section 3.7.1 of the Bering Sea/Aleutian Islands Crab Rationalization Program Alternatives. First, the Council and NMFS would be required to develop detailed rules governing the binding arbitration process, using the standard APA regulatory process. Once the program is implemented, NMFS would oversee the day-to-day operation of the program, attending to the details of any required notices and possibly overseeing hearings. The agency would be required to follow the public process requirements of the APA, resulting in very long response times. This level of oversight is likely to be expensive for the agency and could result in significant agency involvement in the details of price negotiations. Extensive government involvement in private contracts could be viewed as overly intrusive. This approach would also require the Council and NMFS to fine tune the rules of the program. Some of these changes could be fundamental to the program and therefore are the province of the Council and are best decided through the Council process. Other provisions, however, are likely to be less controversial and pertain to the general operation of the program. For example, the parties may decide that a notice period is either too long or short, interfering with the parties' ability to reach a negotiated agreement. Altering such a provision through the Council process or through some other procedure administered through NMFS would likely be costly, cumbersome, and time consuming and could be an obstacle to the program achieving its objectives.

The second alternative for administration and oversight would be patterned after NMFS administration of the AFA cooperatives. NMFS oversight of the cooperatives focuses on elements of that program that are important to public management of the fisheries. Cooperatives are required to report harvests, bycatch, discards, monitoring procedures, and penalties in an annual report to the Council and NMFS. On a more general level operations of the cooperatives are overseen by requiring cooperatives to file a copy of the cooperative's contract 30 days prior to beginning fishing under the contract. These reporting requirements provide NMFS and the Council with information necessary for determining whether the program is functioning effectively. In the case of binding arbitration, requirements could be developed for the filing of signed arbitration agreements and price contracts, best offers, identifying the agreed upon arbitrator and independent market analyst, and similar general requirements of the program. General reporting requirements and a general oversight role for NMFS should provide both NMFS and the Council with the information necessary to determine whether the program is serving its stated purpose without creating cumbersome requirements for modification and operation of the program. Under this model, minor modifications could be adopted by the parties without direct involvement of NMFS or the Council. The scope of these permitted changes could be defined by the Council and NMFS and could be limited to aspects of the program that are less appropriate for government involvement. Limiting government involvement will remove some of the restrictive requirements of public decision making. The parties could petition the Council for changes in the program, if they believed that it was not serving its purpose or needed modification. This approach should be favored because it will limit government involvement in price formation and simplify modifications that are agreeable to both parties.

C-B



for EIS, presented by Gretchen Harrington, NMFS-Sustainable Fisheries

Mr. Chairman and members of the council, I'm Roger Rowland, a lifelong Alaskan, and I'm testifying on behalf of Chignik Seiners Assoc. of which I am a board member. I am also a member of the newly-formed Chignik Seafood Producers Alliance (or CSPA), which is the so-called "Chignik Salmon Co-op" formed by the State Board of Fish in January.

The five communities that comprise the Chignik region have no connecting roads and no public dock facilities. The schools are in danger of closing from lack of enrollment. There is no gas station, no Wal-Mart. There is basically no private employment available. The reality is that the region is dependent on salmon for its survival – jobs, tax base, and infrastructure. In spite of this Chignik has a long history of working toward mature business relationships with our processors. Anything that puts more power in the hands of the processors is seen as extremely threatening.

The parent companies of both local plants in Chignik would get crab processing shares under any processing quota plan developed. We in Chignik are convinced that they would use profits gained from their more powerful position at the crab bargaining table to stifle our efforts to open new market possibilities. Worse, we feel that when Gulf Rationalization comes along, processors will point to BSAI crab IPQs and demand salmon IPQs further shifting the balance of power and moving the economic benefit from our community to a vertically integrated corporate structure.

I would like to read from this month's issue of AFJ in an article entitled Chignik's Chance to Fly ... "if we can get more out of the marketplace we can afford to pay the fishermen more money, Redmond says. Wadsworth and Redmond say they're going to be paying \$1.00/lb to Chignik co-op fishermen this summer. That's about double the price other fishermen are expecting to get for sockeye" Quoting Ray Wadsworth in another place, "He offered to partner with processors in Chignik and Sand Point, he said, but all they wanted to see was "our stern going around that point." Here we have a new market possibility with a new product that raises the value for everyone and our traditional buyers don't want anything to do with it.

What happens with the BSAI crab rationalization will have huge impact on the other fisheries around Alaska. The Chignik Seiners Association would like to go on the record opposing processor shares under the two-pie or co-op system. We would discourage you from going back to a system our industry worked very hard to abandon 45 years ago.

c-3
Larry Cotter

**Trailing Amendment – Community Protection
(submitted by APICDA and City of St. George)**

Alternative 1: Transfers of IPQ out of a region are prohibited.

Alternative 2: If a processor with IPQ shares transfers its processing activities to another community, a CDQ group (if the community from which the IPQ was transferred was in the Bering Sea) or a community organization approved by the local government (if the community from which the IPQ was transferred was in the Gulf of Alaska) may process IPQ crab in the community at a facility owned at least 50% by the group:

Option 1: In an amount equal to the IPQ transferred out of the community.

Option 2: In an amount equal to 1.5 times the IPQ transferred out of the community.

Alternative 3: If a processor with IPQ does not process its IPQ in the community in which the shares were issued for two consecutive years, a CDQ group (if the community from which the IPQ was transferred was in the Bering Sea) or a community organization approved by the local government (if the community from which the IPQ was transferred was in the Gulf of Alaska) may process IPQ crab in the community:

Option 1: In an amount equal to the IPQ held by the company that did not process in the community.

Option 2: In an amount equal to 1.5 times the IPQ held by the company that did not process in the community.

Alternative 4: If an owner of IPQ decides to sell the IPQ, the right of first refusal to purchase the IPQ shall be granted to CDQ groups (for IPQ in the Bering Sea) or a community organization approved by the local government (for IPQ in the Gulf of Alaska), providing that any IPQ so purchased is processed at a facility owned at least 50% by the CDQ organization or community group.

Alternative 5: The amount of IPQ in any year shall not exceed the percentage of the TAC for any crab species as follows:

Option 1: IPQ percentage times a TAC of 150 million pounds.

Option 2: IPQ percentage times a TAC of 200 million pounds.

Alternative 6: Regionalization shall apply to "B" Shares.

Testimony before the N.P.F.M.C. 06/07/2002

Chairman Benton, members of the council. My name is Coleman Anderson, as I stated previously I was born and raised here in Alaska and have depended on fishing for a living all of my life. I also hold an inspected all oceans masters license that I received from the USGC. in 1984. I have also held a chief engineers license for 10 of those years. I have been a documented owner in three different crab vessels although at this time I am an owner in one and operator of another. The notion that we as skippers have no investment in the crab business is more than a little preposterous. I continue to support S.E.A.'s position and am here today to speak in favor of a direct allocation of QS to qualified captains.

Five of us met together and began looking at what we believe will happen under the current proposals and options for rationalization. Using the ADF&G 2002 shellfish vessel list of 244 vessels, we identified 133 of these vessels as being owned by entities that own more than one vessel. Good business or common sense says those with the ability will stack their QS immediately. Being the rocket scientists that we are we see that the fleet will consolidate 30 to 35 % before the first sale of QS triggering first right of refusal that we have been offered would be available. Even without this consolidation we don't see how the numbers can work. Of the remaining 111 vessels operated by a single owner, 50% are less than 100 feet. We feel that the smaller vessels may be considered marginal and likely to lease their QS. This rapid change will make it unlikely that we could continue to participate, meaning make our boat payment, buy QS, and meet our family obligations.

From this I can see that many of us should take the ACC's advice and find new and promising careers in the marine industry. Unfortunately for the majority of skippers and buyback candidates that are currently unlicensed. Well now you will find the rules have changed. Starting from scratch a young man or middle aged man as the case may be would need nine months to a year's time and income plus 10 to 12 thousand dollars for all of the increased training requirements. We were informed by Mike Matte at Crawfords that an applicant must now complete 89 pages of assessments signed off on by a licensed master before he can even

After hearing Dave Frazer state that "rents on QS are inevitable" I woke up and tried several different scenarios of vessel settlement for an opilio season. Our current split is 60% for the vessel and 40% for labor, with owner QS only at a rent basis of 25% of the gross the split becomes 70% vessel and 30% labor. With a 12% skipper allocation the owners earning potential increases 12.5% while the captains earning potential decreases 5.5% on the same share. However a 15% skipper allocation still leaves 11.2% increases in the vessels earning capacity, while leaving captains with the earning potential they now have. This of course does

Not cover many other variables or quota that must be given to other interests. But it does show where some of this "new money" will come from. I believe that it is also obvious that with a 25% loss in earnings it may be difficult to participate in the first right of refusal. I believe that there are owners that will not charge rents on initial allocations; however as a group we believe the second generation will have no choice.

I have been told that rationalization is three years from implementation, I will be here running my vessels in charge of the safety and stewardship you've heard so much about. Also hoping that the industry lands in the hands of the vessel owners and crews that will be here keeping it alive until this change occurs.

Thank you,
Coleman A. Anderson / c/p PAVLOF – f/v ALASKA SEA

Randy Dodge / owner-operator – f/v SEA SPRAY

**SHELLFISH VESSELS
BY ADF&G
January 10, 2002**

Icelander	00002
New Venture	00004
Pacific Mariner	00007
Starfish	00012
Lady Helen	00016
Kirsten Marie	00022
Pollo	00010
Pacific Fury	00033
Theresa Marie	00034
Shaman	00036
Atlantico	00037
American Eagle	00039
Pacific Mist	00041
Bering Sea	00052
Ruff & Reddy	00053
Provider	00058
Cascade Mariner	00064
Midnite Sun	00065
Sea Spray	00066
American Viking	00067
Seadawn	00077
Ocean Fury	00097
Ocean Harvester	00101
Early Dawn	00103
Stormy Sea	00104
Silver Dolphin	00121
Bulldog	00131
Sea Rover	00134
Nordic Fury	00200
Nordic Mariner	00222
Polar Sea	00303
Karin Lyn	00524
Denali	00951
Fannings Denali	00951
Aleutian Rover	00958
Keileen K	00960
Nordic Star	00961
West Point	00963
Husky	00964
Adventure	00965
Rainier	00966
Pacific Venture	00986
Notorious	00987

Aleutian Spray	00991
Valliant	00996
Sea Star	00997
Arctic Wind	01112
Oceanic	03404
Brittany	03503
Kodiak	03525
Amatull	03535
Ballyhoo	03645
Tempest	03718
Royal Viking	03718
Alaska Challenger	04100
Bering Star	04147
Aleutian No. 1	05992
Shellfish	06101
North Pacific	06205
Viking Queen	06434
Mark I	06440
Sea Em	06448
Kodiak Queen	06459
Cougar	06700
Irene H	06710
Anna Marie	06858
Royal Pacific	06900
Confidence	06946
Morzhovoi	07090
Kata	07189
Sea Venture	08225
Bristol Mariner	08411
Nordic Viking	08500
Alaskan Beauty	08653
Dominator	08868
Western Viking	09009
Sea Fisher	09187
Saga	11022
Mar-Gun	12110
Labrador	12128
Elizabeth F	14767
Sitkin Island	14859
Jeannoh	14963
Katie K	20334
Melanie	20363
Erle H	20550
Paragon	20734
Billikin	20745
Mar Del Sud	21652
Guiding Star	21730
Norseman	22406
Big Valley	25450

Gayla Maureen	24923
Alaska Sea	25941
North American	25216
Ocean Cape	29923
Northwestern	29962
Alpine Cove	30100
Lady Simpson	30601
Northern Orion	31456
Margaret Lyn	31672
Arctic Mariner	31792
Alliance	31944
Aleutian Beauty	32282
Gladiator	32473
Endurance	32551
Westward Wind	32660
Arctic Sea	33696
Trailblazer	33794
Bountiful	34053
Rebel	34193
Obsession	34374
Baranof	34655
Starlite	34931
Retriever	35199
Wizard	35265
Jennifer A	35277
Icy Bay	35286
Determined	35305
Scandies Rose	35318
Lady Kiaka	35522
Constellation	35629
Norseman II	35630
Nuka Island	35640
FarWest Leader	35683
Golden Dawn	35687
Northwind	35723
Courageous	35833
Aleutian Mariner	35844
Alaska Spirit	35949
Pacific Sun	35977
Viking Explorer	36045
North Sea	36047
Sustina	36301
Beverly B	36379
Seabrooke	36800
Polar Lady	36822
Arctic Lady	37210
Big Blue	37241
Pavlov	37374
Alaska Trojan	37837

Vesteraalen	38342
Argosy	38547
Shishaldin	38923
Katrina Em	38972
Gulf Winds	38999
Spirit of the North	39002
Lady Ann	39156
Starward	39197
Peggy Rose	39198
Storm Petrel	39660
Andronica	39926
Mary J	40217
Alsea	40749
Blue Aleutian	40817
Blue Altu	40837
Royal American	40840
Zoloto	40917
Southern Wind	40921
Ocean Hunter	40924
Autumn Dawn	40951
Sea Storm	40969
Muir Milach	41021
Gun Mar	41312
Four Daughters	41444
Cameron	41628
Lady Aleutian	41715
Arctic Dawn	42144
Destination	42234
Westling	42736
McKinley	43552
Lady Jessie	44829
Barbara J	44971
Botany Bay	45066
Maverick	45706
Cape Caution	46309
Entrance Point	46496
Aleutian Ballad	46553
Stomblod	46854
Last Frontier	47826
American Way	47839
Vikoda Bay	47971
Pacific Sojourn	48068
Aldebaran	48215
Echo Belle	49317
Misty Blue	49592
Kari Marie	50501
Kona Kai	51347
Dona Marita	51672
Silent Lady	51841

Providence	52119
Reliance	53779
North Point	53800
Pro Surveyor	53810
Commodore	53843
Blue Dutch	54865
Exito	54956
Fierce Allegiance	55111
Fierce Contender	55123
Deception	55640
Aleutian Lady	56126
Diamond Head	56140
Nor'Quest	56492
AJ	57934
Diligence	58024
Sultan	58039
Lady Blackie	58129
Snug Harbor	58230
Jamie Marie	58330
Rogue	58960
Cornelia Marie	59109
Pacific Star	59521
Northern Spirit	59578
Beauty Bay	60100
Kuzlatan	60210
Sea Warrior	60804
Silver Spray	60860
Alicia Jean	60885
Arctic Eagle	61111
Kiaka See	61154
Northern Mariner	61223
Lady Alaska	61391
Lady Kodiak	61352
Debra D	61565
Guardian	61571
Zone Five	61718
Island Mist	61791
Farrar Sea	61954
Siberian Sea	62424
Handler	62436
Aquila	62505
Blue Fin	62841
Mystery Bay	62920
Lady Joanne	62922
Incentive	63000
High Spirit	63219
Time Bandit	65577
Arctic Baruna 1	68869
Arctic Baruna 2	68870

Alaska Dawn	69765
Vixon	70030
Lisa Marie	70221
Sandra V	70770
Pinnacle	71174

■ = MVC
Multiple
Vessel
Owners

■ = SVO
Single
Vessel
Owners
under
100'

6-01-02 to 6-6-02

C-3
David Wilson

Petition to the North Pacific Management Council
Regarding Skipper Quota Allocations

Whereas captains of crab vessels of the North Pacific crab fisheries are consistently paid a traditional and fair share of net profits from the sale of crab,

Whereas captains who are not partners in vessels have no capital investment in the fishing operations, and do not share in the expense of vessel maintenance or in other associated risks of vessel ownership,

Whereas many of the same individuals have been offered opportunities to buy-in to vessels but have chosen NOT to,

Whereas the crab fishery has and continues to suffer economically, further stresses will threaten the financial health of many of our small fishing businesses,

the following vessel owners request the N.P.F.M.C. to oppose the initial allocation of crab quota to captains and skippers under any North Pacific crab rationalization program. We, however, do not oppose the opportunity that skippers may be given "first right of refusal" on quota share transfers after initial allocation.

Name

Vessel Name

[Signature]

Destination

Bob [Signature]

Amatuli / Aleutian Beauty

[Signature]

Kevin K

[Signature]

F/V Exito

Chief Vador

1/2 BLUE FIN

Clutch Buvdrecht

B. Likin

[Signature]

Royal Viking

KEVIN HALDESTAD

AD CTIC MISH

*Petition to the North Pacific Management Council
Regarding Skipper Quota Allocations*

Whereas captains of crab vessels of the North Pacific crab fisheries are consistently paid a traditional and fair share of net profits from the sale of crab,

Whereas captains who are not partners in vessels have no capital investment in the fishing operations, and do not share in the expense of vessel maintenance or in other associated risks of vessel ownership,

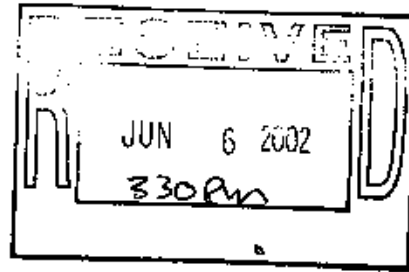
Whereas many of the same individuals have been offered opportunities to buy-in to vessels but have chosen NOT to,

Whereas the crab fishery has and continues to suffer economically, further stresses will threaten the financial health of many of our small fishing businesses,

the following vessel owners request the N.P.F.M.C. to oppose ~~allocation~~ *share* allocation of crab quota to captains and skippers under any North Pacific crab rationalization program.

<u>Name</u>	<u>Vessel Name</u>
<i>Thomas W. Mauritzen</i>	" <i>FERCE CONTENDER</i> "
<i>[Signature]</i>	<i>F/V Westward Wind</i>
<i>Thy Kennedy</i>	<i>F/V MYSTERY BAY</i>
<i>u u</i>	<i>F/V WINDY BAY</i>
<i>u u</i>	<i>F/V KY BAY</i>
<i>u u</i>	<i>F/V SECRET ISLAND</i>
<i>u u</i>	<i>F/V NOWITNA</i>
<i>[Signature]</i>	<i>F/V North Pacific</i>
<i>[Signature]</i>	<i>[Signature]</i>
<i>[Signature]</i>	<i>[Signature]</i>

CITY OF UNALASKA
P.O. BOX 510
UNALASKA, ALASKA 99685-0610
(907) 581-1251 FAX (907) 581-1417



UNALASKA, ALASKA

June 4, 2002

David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Ave, Suite 306
Anchorage, Alaska 99501

Subject: Comments on NPFMC Motion of April 14, 2002 on Crab Rationalization

Chairman Benton,

The City of Unalaska has the following comments on C-5 the April 14th 2001 NPFMC motion on Crab Rationalization.

Page # Section # Option Comments

2. 1.1 Option A. Crab Fishery Categories OS/IFOs, We would support 1.3.1 the exclusion of the Dutch Harbor Red King, Western Aleutian Red King, Eastern & Western Aleutian Baridi Tanner Crab Fisheries from the program. If the above mentioned fisheries that haven't been opened for many years were included in the program, the local small boat fleet based in Unalaska and in other nearby communities would be totally closed out of these fisheries located in there own backyard that traditionally have had very small quotas due to lack of history in these fisheries.

Page # Section # Option Comments

2. 1.3.4 Regional Categories for OS/IFQ's We support regionalization of crab deliveries if they our included in any rationalization plan that is adopted. Regionalization of deliveries provides communities some protection of their historical participation and continued economic benefit from the crab fisheries of the Bering Sea/ Aleutian Islands.

Page# Section # Option Comments

5. 1.4.2.7 Brown King Crab, Qualifying Periods Sub-Option Award each initial recipient based on: We support Option B, and to keep a vessels quota share based on the historical catch history in each area. This option which would keep landings of Brown King Crab that have traditionally been landed in Unalaska would continue in the future.

Page Two

Comments to NPFMC on Crab Rationalization.

Option B, would insure continued fish and sale tax revenues for Unalaska. Setting the vessels quota share at a 50/ 50 split between Eastern and Western Aleutian Brown crab areas as proposed in Option A could cause us to lose crab landings to our local plants and negatively impact support sector businesses fish and sales tax revenues to Unalaska.

Page # Section # Option Comments

7. 1.7.2. 3 Catcher Processor Shares. We support Option 1. C/P not allowed to buy PQs from shore based processors. This gives added protection to a community.

Page # Section # Option Comments

11. 1.83 AFA Vessel Options, if rationalization goes through we would support doing away with AFA vessel sideboard caps on crab species upon implementation.

Page # Section # Option Comments

12. 2.3 Initial allocation of processing quota, We have been supporting Option 1.A. 1997 to 1999 for Bristol Bay Red King and Opilio Tanner crab we do not support under I in this section Option C. which would allocate up to 50% of the Adak Red King for processing to the City of Adak. Under Option 2. 1996 to 2000 if it chosen works for Unalaska as well. We don't support the sub- options listed in Option 2. We have no position on the other fisheries listed in this section.

Page # Section # Option Comments

15. 3.1 Regionalization Elements, We support the two regions proposed for regionalization of deliveries under items (a) an (b) of this section.

Sub-Option in section 3.1 comments, We do not support this sub option, we feel that the Adak Red King area doesn't need to be spilt into and East and West area at this time due to the fact that the Adak Red King Crab area has been closed for many years and that Area O Dutch Harbor Red King Crab area extends to the west out to 174 degrees already. The option asking that 50% of the western area Brown King Crab quota be processed in the western region most certainly will impact Unalaska negatively, we would incur loss of crab landings from the western area which impacts our local processing plants, support sector business and revenues from fish and sale taxes.

Page # Section # Option Comments

16. 3.2.1 Regional categorization of processor /harvester quota shares: We support option 2 1997 to 1999 in this category; if this option is changed to 1996 to 2000 we have no problem with that. Under Option 3. In this section we oppose the Pribilof King crab section that would lock up Blue and Red king crab landings for the northern region this would have major impacts to Unalaska processing plants support sector business and fish tax revenue for the city.

Page Three
Comments to NPFMC on Crab Rationalization Motion

Page # Section # Option Comment

17. 3.4 Alternative Regionalization / Community Protection Option Trailing Amendment: This option surely gives a community some compensation. This would be a tough option to deal with or have to negotiate but it is something we would consider supporting. We would like to have protection measures for inside a region be added to the trailing amendment package.

Page # Section # Option Comment

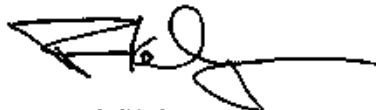
19. 3.4.4 Community Development Allocation, based on CDQ program: We would support Option 1 no change from existing program at this time, based on the fact that crab quotas are at all time low amounts and that an increase at this time would take crab landings from Unalaska and other communities that aren't CDQ qualified or have local processing plants that aren't involved with a CDQ groups, an increase to this program at this time would impact Unalaska's processing plants, local tax revenues and support sector businesses. When crab harvest levels increase this issue could be looked at again. The other options listed in this section we do not support.

Page # Section # Option Comments

19. 6.1 Item 11 Length of Program: We would support Option 2 and Sub-option 1 program review after two years and then every three years.

This concludes the City of Unalaska comments on C-5 Crab Rationalization.

Sincerely



Frank Kelty
Resource Analyst
City of Unalaska

CC: Mayor Pam Fitch,
Unalaska City Council Members
Chris Haldick, City Manager

June 3, 2002

North Pacific Crab Association Preferred Alternatives, Crab Rationalization Options and Elements

Structure.

TWO-PIE MODEL. We agree with use of the so-called Two-Pie model, with harvesters being issued harvesting shares and processors being issued processor shares.

The two-pie model was developed as a means of addressing the impact that IFQs have on the processing sector. Those impacts include "stranded capital" that had been invested in the high capacity to service the harvesting sector during the open-access race for fish, and the lowered share of revenues that would occur when harvesters were issued quota share. Issuing processing shares recognizes the unique nature of the investments of the processing sector, just as harvesting shares recognized the investments and contributions of the vessel owners.

The two-pie system allows each sector of the industry to rationalize their respective capacity in order to perform their respective roles in the harvesting, processing and marketing of crab in a cost efficient manner. It, together with the various options and elements available to the Council, can provide a structure for rationalizing the fishery in a way that will accomplish the goals and solve the problems identified in the Council's Problem Statement.

VOLUNTARY COOPERATIVE MODEL. Section 6.1 We also agree that if a voluntary cooperative structure helps galvanize support for a fair and balanced rationalization program, then this system should be the framework for the Council action.

Cooperatives that are voluntary may have many benefits for harvesters, processors, communities and regulators. It is critical that the structure begin with an individual allocation of harvesting and processing history, and that the harvester and processor are able to achieve the benefits of rationalization even if operating outside the voluntary cooperative system. The added benefits of a cooperative should be sufficient incentive, over time, for harvesters to engage in collective operations. Some of the benefits of a voluntary cooperative structure include:

- Utilization of quota is maximized
- Bycatch issues (if any) can be dealt with better in a cooperative than individually
- Sideboards (if any) can be dealt with better in a cooperative than individually
- There are less "units" for the regulator to manage when individuals pool their efforts

Allocation of processor history:

ELIGIBLE PROCESSOR: We support Option 2.1(a)(i) A processor that processed any crab during 1998 or 1999 is an eligible processor.

There has been no new processor since 1998, and all processors involved since 1998 are currently involved. This provision prevents stale history from counting towards IPQ.

INITIAL ALLOCATION OF PROCESSING QUOTA SHARES: We support the qualifying years set forth in Section 2.3, Option 1, items (a) through (g).

These are the most current recent years before the AFA caps went into effect (which distorted the shares of virtually all companies) and avoid more recent low volume years where fisher strikes resulted in a higher share for the catcher processor fleet. Later years also resulted in less crab being processed in the Northern Region because of the "one-trip" nature of the fisheries.

FISHERIES INCLUDED IN THE PROGRAM: We believe the four fisheries listed in 2.3 (h) should be excluded from rationalization. Otherwise, we believe the fisheries listed in 2.3 should be included in the rationalization system. This is consistent with Option A, 1.1, which we support.

The fisheries to be included in the program are therefore:

Opilio
 Bristol Bay red king crab
 Brown crab (Aleutian Islands and Dutch Harbor)
 Pribilof Islands red king crab
 Pribilof Islands blue king crab
 St. Mathew blue king crab
 Bairdi

CALCULATION OF PROCESSOR QUOTA SHARE: The calculation of the IPQ share should be that suggested in the footnote to 2.3, Option 1: "The three-year average shall be the three-year aggregate pounds purchased by each Eligible Processor in a fishery divided by the three-year aggregate pounds purchased by all Eligible Processors in that fishery."

INITIAL ISSUANCE OF PROCESSOR QUOTA: We support 2.3, Option 4: the buyer of record listed on the ADF&G fish ticket or, if the buyer can be determined to be an entity other than the entity on the fish ticket, then the IPQ shall be issued to that buyer.

Evidence of being the buyer (if the buyer is different than the buyer designated on the fish ticket) must include reporting the sale of the crab on the COAR report, paying the fisherman directly and paying the Raw Fish Tax directly.

Percentage of IPQ issued

The minimum percentage of processor quota issued to an eligible processor should be 90% of the eligible processor's history. 2.4.1, Option 2, is the preferred alternative.

The reason for discounting processor history is to provide price leverage to the harvester against the processor. There are many options and elements in the Council motion that, directly or indirectly, attempt to address this issue. The options include:

- Binding arbitration
- Discounts of processor history
- Restrictions on processor ownership of harvesting quota
- Caps on ownership of processor quota
- Caps on use of processor quota
- Use it or lose provisions for processor quota
- Required cost and revenue data from processors

- Review or sunset provisions

If Binding arbitration is selected as a tool to ensure harvesters receive a fair price, then we question why other tools are needed to address the price issue. In particular it would not seem to make sense to discount processor history when the purpose of that is to help provide leverage to the harvester.

The Preferred alternative is 2.4.1, Option 2, 90% of history will be recognized with IPQ. The remaining 10% shall be associated with Class B shares and can be used by anyone properly licensed to purchase and process crab in Alaska. Processor margins are very thin, and probably non-existent in small quota or slow paced fisheries. See the Cost and Revenue data supplied by the processing sector. Fishermen will have substantial leverage by receiving in effect a 10% IFQ allocation that can be delivered to anyone, including processors not in the class eligible for IPQ. Compare this to the pollock fishermen and crab fishermen under open access fishing:

Inshore pollock fishermen engaged in a fishing Cooperative under the AFA have 10% IFQ but can deliver it only to the eligible class of pollock buyers (seven companies total). They are required to deliver the remaining 90% to the single buyer aligned with them in the cooperative. Given the recent historical high TACs in the pollock fishery, the leverage of fishermen to move large amounts of product from one processor to another, there is actually very little current use of the ability to move fish (with the 10% mechanism) to reward prices. Despite that, fishermen seem very satisfied with the results they have achieved under the AFA cooperatives. If the TACs were to shrink, their leverage would increase because of surplus processing capacity. Some crab harvesters say that the provision in the AFA allowing the processing class to open if the TACs increase distinguishes the 10% "IFQ" in pollock from the IFQ in crab. But in fact the crab program does not tie the harvester to any particular IPQ holder and the 10% is already available to an "open class" of processors, no IPQ required. So we have built into the crab program what those fisher say makes the pollock program inapplicable. It is also worth noting that no movement has occurred to open the class despite current high TACs suggesting that could occur. It is a tool without a job.

Crab fishermen (through their bargaining association, the Alaska Marketing Association) now allocate crab as a reward for a company setting the price, a price that in turn is adopted by the rest of the companies. The amount allocated has been less than 5% to achieve this advantage. This demonstrates the power of having 10% (or less) of the crab to allocate to processors to reward price.

Many crab fishermen would and are howling over the possibility of an increase in CDQ from 7.5 to 10%, a reduction in their share of 2.5%. We share their concern, as this will add 2.5% to the decrease in our processing as well. But at the same time, those same fishermen are adamant that we give up 10% or more of our processing history (plus giving up CDQ) so they can have a higher percentage of IFQ. Why is a 10% discount for us acceptable when a 2.5% discount of them is not? The combination of a 10% CDQ allocation and 10% discount of processor history is that the processor will have access to 80% of the TAC.

A ten percent discount in processing history would allow the community of Kodiak, if it becomes the preferred port for Class B deliveries, to dramatically increase its share over the 1997-1999. During 1997-1999, Kodiak averaged less than one tenth of one percent of the opilio landings. Increasing opilio landings by 1% would be a ten-fold increase. During 1997-1999, the Kodiak share of BBRKC was 4.8%. A discount of 10% in processing history, if then delivered in Kodiak, would be a three-fold increase in BBRKC landings.

If the catcher processor fleet secures the processing of class B shares, they will virtually double their share of crab.

If the inshore processing sector is able to secure this ten percent, it will only be as a result of outbidding Kodiak and the catcher processor fleets, processing operations that do not have the high cost associated with the high capacity we built in response to the large opilio quotas during the derby fishery. The Class B shares will be used by the harvesters to achieve an overall higher price, costing the processors not only more for that crab but likely also reducing processing margins on Class A crab purchases as well.

Although ten percent reduction in history may sound like a small number in fact it is not. Most companies have less than a ten percent share of the crab fishery. They have each spent millions of dollars and many

years to struggle up to a ten percent share or less. Allowing a 10% IFQ to the harvester creates a pool of crab larger than most of those companies and a significant opportunity to leverage the market for all crab. The following companies are examples of processing firms that have less than a ten percent share of the BSAI crab:

Icicle Seafoods (three crab processing facilities)
 Westward Seafoods (one crab processing facility)
 UniSea Inc (three crab processing facilities)
 Alyeska Seafoods (one crab processing facility)
 Snopac Products (one crab processing facility)
 Yardarm Knot (two crab processing facilities)
 NorQuest Seafoods (one crab processing facility)

An average opilio season of 150 – 200 million pounds of crab would give 15 to 20 million pounds of crab to the class B delivery system. That is half to two thirds of the total quota we have had the last two opilio seasons. Not a small number. If we were giving 20%, the amount would be 30 to 40 million pounds of crab, more than the entire fishery the last two years.

The processors have voluntarily supplied cost and revenue information that shows that margins are very tight in the open access fishery. 71% of all opilio crab revenues are paid out for variable costs including fishermen payments, and in small quota years the percentage rises above 80%. In Bristol Bay king crab 89% of revenues are consumed by variable costs. This leaves few revenues for fixed costs, capital costs, marketing and finance. Offering harvesters an IFQ will result in lower margins for processors, margins that are not available in the current quotas. This means that some other source of revenues will have to subsidize crab, such as pollock, salmon or herring revenues.

Community Development Allocation. 6.1.9) Our position is that any increase over the existing CDQ allocation should be delivered on a pro rata basis to the holders of IPQ.

We believe we differ from the harvesters in this provision because we will receive not only a loss of processing for the basic CDQ allocation of 7.5%, but also a discount of our processing history. An increase of CDQ would be a further erosion of our processing opportunities. Under our proposal, CDQ groups would contract with harvesters to deliver the CDQ crab (as they currently do), and the processors would be required to buy that crab on the same basis as the crab harvested under Class A shares.

We support 6.1.9, Option 2, applying the CDQ program to all crab fisheries brought under the rationalization program. This will mean an immediate increase in CDQ revenues by the inclusion of brown crab in the CDQ pool.

We also support 6.1.9, Option 5, IPQ allocation of the unutilized Western Aleutians Brown crab to the community of Adak.

Transferability of processing shares. Option 2.6 We support each sub option a-c.

- a) IPQs can be transferred, including sale or leasing;
- b) IPQ can be used at any facility of the IPQ holder;
- c) IPQ cannot be used in a different region (unless there is a buy out option and the IPQ holder complies with the terms of the buy out rules).

Transferability of processor quota is an essential tool to become cost effective and to reduce the capacity of this sector. New entry to the processing sector occurs only if transferability is allowed.

IPQ Ownership Caps. We support 2.7.1 Option 1, maximum share for the largest IPQ on initial issuance plus 15%.

For example, if the largest share of Opilio Crab is 20%, the cap would be 35%. In other words fifteen percentage points would be added to the largest initial IPQ. The processor will have a discount (we presume) on initial issuance of IPQ. For example, a processor of 20% of the GHIL actually earned 22% if there is a 10% discount of IPQ. An increase of CDQ may also increase the discount for the processor. An opportunity to grow beyond the size of the current largest IPQ holder is simply an opportunity to grow back to the size it would have been had there been no CDQ and no Class B harvesting shares. All caps would continue to be subject to the rules of the Sherman Act or other applicable anti-trust provisions. Those rules take into consideration not only the share of individual firms but also the number of firms.

IPQ Use Caps. We oppose all options under 2.7.2

We do not support use caps at this time. Either option would severely limit the ability of the processing sector to bring costs in line given the very low GHILs we have now and low TACs we expect in the near future. Use caps could well force smaller firms completely out of the business, and result in permanent consolidation, because the only economical alternative to some operations will be custom processing by some other firm. This is perhaps most true of the processors in the northern region and Kodiak, but equally applies we believe to the very small quota fisheries such as the Pribilof and St. Mathew fisheries. If there are use caps, neither option is very workable: Option 1 (30-60% of the TAC) is too low for very low quota fisheries (why would we require two facilities for a 500,000 lb Pribilof red crab quota?); Option 2 would be an even smaller cap than the minimum 30% under Option 1 for most fisheries.

Use caps would prevent leasing of processing quota and custom processing, both of which are essential tools for cost containment in the processing sector, and both of which we believe need to be allowed in the two-pie or voluntary cooperative systems.

If there are use caps, CDQ and Class B crab purchases should not apply toward them.

We support the Individual and Collective rule for analyzing caps.
See Section 2.7.1.

The rule we support for analyzing caps is the individual and collective rule. If the Threshold Rule is adopted, it should be based upon 50% common ownership. This is because of the partnerships that exist between crab fishermen and processors in some cases, and because of the ownership of some processing firms by harvesters.

The Council should also articulate whether the Caps apply to CDQ companies or not. They are exempted under the AFA, and, for now, that would seem to be acceptable policy in the crab fishery as well. There is no specific option addressing this exemption in the Council motion.

AFA crab processing caps. We support Option 2.8.1

The crab processing caps set forth in 211(c)(2)(A) of the American Fisheries Act should be terminated upon implementation of the crab rationalization program. The caps were designed to protect non-AFA crab processing companies from the perceived advantages that AFA eligible crab processing companies would have through the formation of fishery cooperatives in the pollock fishery. Under the crab rationalization program, all IPQ is issued (under our preferred alternative) to both AFA and non-AFA processors using years prior to the formation of the pollock cooperatives. The issuance of shares to the non-AFA firms will provide them with protection for the history they earned in the pre-pollock cooperative seasons. For that reason, the caps established in the AFA are not longer needed to protect those firms.

Penalties for non-use of IPQ (use it or lose it). Option 2.8.2 We oppose a use it or lose it for IPQ. If there is a use it or lose it provision, it should only be part of a reciprocal provision covering both harvesters and processors for enforcing Binding Arbitration decisions.

As the text of the motion states, there are many legitimate reasons for non-use of IPQ. If the harvester quota shareholder does not deliver Class A crab, then some processor will be unable to process under the corresponding IPQ. The harvester could fail to harvest crab for fear of going over his Class A shares, because of acts of God (weather, mechanical failure, loss of vessel) or choice (more lucrative activities). A harvester may also choose not to fish due to a price dispute. It would be extremely unfair for the Council to allow a harvester to in effect go on strike over price and, if the processor fails to agree to whatever the harvester wants, lose its IPQ. We would encourage inclusion of the use of IFQ (both Class A and Class B shares) and IPQ in the review process. We would also note that there is no for a harvester use it or lose it provision except as part of the Binding Arbitration trailing amendment. If there is any consideration of the IPQ "use it or lose it" provision, that should occur only as part of this trailing amendment as well.

Binding Arbitration. We support Section 2.8.3, the Binding Arbitration system as a trailing amendment.

We support the Council including Binding Arbitration as a means to address harvester concerns over crab ex-vessel prices under a rationalized fishery. The Council will not be able to have a fully fleshed out program in June but, at a minimum, its report to Congress can contain the following on this topic:

- The Council believes that a system of Binding Arbitration will be a useful element to the crab rationalization program, and requests the authority to include this in the Congressional authorization
- Binding Arbitration will be treated like a trailing amendment by the Council, and will be developed in detail during the remainder of 2002

Regionalization or Alternative Community Protection Proposal.

We support the primary regional designation system set forth in Section 3.1 and 3.2. We do not support the Alternative Community Protection Proposal in 3.4

We do not support a system under which we are required to process in a specific community as 3.4 implies and as stated in 6.3.6). This system will be a substantial impediment to rationalizing the surplus capacity of the processing sector, a primary objective of the crab rationalization program. The communities of concern all have CDQ crab, pollock, halibut, black cod and P. cod, all of which can be used if necessary to attract a crab processing operation. We appreciate an opportunity to leave a region if it is in the mutual best interest of the community, the processor and the harvester. The suggested trailing amendment might be a means to provide that opportunity. However, we are very concerned that might be a vehicle to further erode the structural nature of the regionalization program. Unless NOAA GC raises constitutional concerns with the

regionalization program in 3.2, we believe the alternative protection programs should be deleted from the final action.

ELEMENTS OF THE REGIONALIZATION PROGRAM. Our position on Section 3.2, 3.3 and 3.4 are as follows:

- 3.2.1 Categorization of harvesting and processing shares shall be based upon the years used to allocate IPQ (processing history). That was the intent of Option 2 (1997-1999) although it does not properly describe the years we prefer for brown crab. The brown crab qualifying years should be 96/97 – 98/99. We do not support Option 3 at this time. If Bairdi regional designations result in an unacceptable mismatch between harvesters and processors then Bairdi quota should be issued without a regional designation.
- 3.2.2 We support Option 2, harvester Class A shares are categorized by region.
- 3.2.3 We support Option 1, IPQs are categorized by region.
- 3.2.4 We agree that the regional designations are permanent unless an optional buy out provision is included in the program and then the designation changes or goes away only as provided under the terms of the buy out.
- 3.2.5 We support this means to adjust any mismatch between harvesting and processing shares.
- 3.3 We agree that this provision describes the requirement to deliver Class A crab and process crab delivered under Class A shares in the region designated for the Class A shares and IPQ.
- 3.4 Alternative Community Protection Program. We oppose this program. See previous discussion.

Catcher Processor issues. We have the following positions on the Catcher Processor issues:

- Catcher processors should receive quota only if they meet the eligibility standards for all processors. We support Option 5, 1.7.2.3
- Catcher processors should receive catcher processor shares. We oppose Option 1.7.2.1 and 1.7.2.2 We support Option 1.7.2.1.1, issuance of catcher processor shares. The shares should be issued using the qualification years recommended by ACC.
- Catcher processors should be subject to the ownership and use caps imposed on the processing and harvesting sectors.
- Allowances for Catcher Processors under section 1.7.2.3 We support ACC's positions on these issues.

- 1.7.2.4, Transfers of CP shares to in shore processors. We support subsections a) (applicable if CP's receive IPQ) and c) (applicable if CP's receive CPQ) of this provision. Subsection b) (assigning a regional designation on transfer) should not be adopted. There is no basis for assigning a region to shares that were caught and processed at sea. If the transferee has facilities in two regions, which regional designation would be given?

Cooperative Issues.

"PLURALITY" OR "LEAD FISHERY" COOPERATIVE. We oppose the cooperative model set forth in 6.2.

This cooperative model would condition initial allocations of harvest and process shares on harvesters joining a cooperative. The open access component of the quota would not be manageable according to ADF&G, and would result in a violation of MSA standards to regulate for optimum yield. Assignment to a cooperative based on the plurality of crab deliveries will also result in smaller processors having reduced or no processing shares. For example, Kodiak processors would be eliminated from the program. Allowing a harvester to leave a cooperative without compensation to the processor effected by that decision would further erode the opportunity of the processor to rationalize its activities. Harvesters would not be able to combine shares with harvesters in another cooperative, making rationalization more difficult for them as well. Even the promoters of this option have abandoned it after Council staff analysis revealed its flaws.

VOLUNTARY COOPERATIVE ELEMENTS. We support the structure in 6.1 with the following elements and options.

Number of Vessels required in a cooperative. Preferred alternative is four or more unique quota shareholders. See 6.3.3)

The focus should be quota shareholders rather than vessels or vessel owners. Quota shareholders are the entity with the privilege to harvest crab and should therefore be the entity involved in cooperative formation. Use of the vessel served as a good surrogate for analysis purposes since historically there have not been quota shareholders.

New processors. 6.3.4): New processors may be allowed to participate in the cooperative upon acquisition of IPQ from an existing processor.

We do not understand why the new processor would be required to compensate the harvesting vessel (or the owner of the quota) since the harvester can exit the cooperative and deliver to some other holder of IPQ without the permission of the IPQ holder..

Custom Processing. 6.3.5): we agree, custom processing should be allowed under a cooperative agreement.

Duration of Cooperative. 6.3.8) We support the longest duration of a cooperative possible, including no limit or automatic expiration date (as with many of the AFA cooperatives). The key issue is when can a harvester enter or exit the cooperative. We suggest that be once a year, or after each season.

Other provisions:

Issuance of harvester quota share. We endorse the preferred options set forth by ACC with respect to the issues of qualifying years, skipper and crew shares, and owner on board requirements. We do of course have some specific concerns with respect to the treatment of catcher vessels affiliated with the processing sector. These include:

- We believe that vessels affiliated with the processing sector should be treated on the same basis as vessels that are not affiliated. It is important to remember that the list of affiliated vessels we disclosed include a number of vessels owned by investors in crab vessels that have some very modest association with the processing sector. Anything done to the vessels affiliated with processors will impact these vessel owners as well.
- We do not believe that the processing sector should be barred from owning harvesting quota share. This is an industrial fishery, and most owners are not operators of the vessels. The best way to prevent vertical integration, if that is an objective of the program, is to remove incentives to do so. The biggest incentive the processing sector will have to own harvesting quota will come from the discount of our processing history. If there is little or not discount, then the incentives to own vessels goes away. If there is a steep discount, then the incentives to secure long term production assurances will include acquiring harvesting shares. We support 1.6.4 Option 1, no controls.
- If there are caps on affiliated vessels, they should be expressed in terms of percent of TAC rather than percent of vessels, and should be calculated only after the buy-back program has been determined and completed. The buy-back could easily cause an increase in ownership by the processing sector if the processor chooses not to participate in the program. The rule to determine affiliation should be the individual and collective rule used in the long line fisheries due to the partnership and corporate ownership of the vessels.
- We oppose an "Owner on Board" requirement. An owner on board requirement makes no sense in the context of the crab fishery. Partnerships or corporations own most vessels. The fishery is not something you would want to force investors to participate in. Additionally, if an owner were required to be on board, it likely would be to the disadvantage of current skippers, who would likely no longer receive the higher skipper share because the owner on board would become the skipper.

Observer Requirements. 6.1.10) We support the status quo for now, at least until the economics of the fishery improve.

Length of program. 6.1.11) We support a program review, but not a program sunset provision. Our preferred option is Section 5, Option 1, review after first two years and every three years thereafter.

A sunset provision will be an impediment to rationalizing the surplus harvesting and processing capacity in the crab fisheries. A review program will provide the Council the opportunity to correct or repeal the

program if it is not achieving its objectives, but will do so while giving the industry participants and financing institutions the confidence needed to bring the costs of production in line.

Option for skipper and crew. 6.1.12) We oppose protecting traditional crew shares through the regulatory process.

We do not see how the Council can enforce a provision guaranteeing historical crew shares. A better method to assist crews would be to provide them with some priority opportunity to purchase quota. If the Binding Arbitration system proposed for resolving price disputes between harvesters and processors proves to be successful, the Council could consider a similar system for disputes between crew and quota owner. That should not occur though until a problem has been demonstrated.

We support ACC's position on rights of first refusal for harvester quota share and a loan program for skippers and crew.

Catch Accounting. 6.1.13) We support Option 3 (no discard of marketable crab) and Option 5, asking ADF&G and the Board of Fish to address this issue in greater detail.

Class A Shares count against IPQ. We support Option 2.5

This provision establishes the rule that crab harvested using Class A shares can be sold only to holders of IPQ. Class B shares can be sold to any licensed buyer. A licensed buyer need not be an eligible processor and need not hold IPQ.

S. C-3
Daryl
Fraser

A Coop which takes into account processor, harvester, regional, and community concerns, with the intent of fostering stable, mutually beneficial relationships must answer the following questions:

- What makes a harvester eligible to get married?
- What makes a processor eligible to get married?
- What incentives are there to get married?
- What incentives are there to stay married?
- What mechanism is there for a divorce?
- What are the alimony provisions?
- How much fooling around will be tolerated?

The following motion for the development of an alternative voluntary coop is based primarily upon options available within the framework of the Voluntary coop, with some additional provisions from the "Plurality" coop options.

Alterations or additions to existing options are noted by text (bracketed in bold font.)

MOTION:

Voluntary cooperative provisions - Applies only to the voluntary cooperative
- all provisions that apply to other programs are incorporated into other sections (from Section 6.1)

Issue 1 Harvesting and processing allocations

Individual harvesting histories are issued to harvesters which meet program qualifications. Options for allocations are common with individual harvester quota program (from Section 6.1,1))
Aggregate processing histories are issued in the aggregate to (eligible) processors which meet program qualifications. The aggregate processing history will be equal to 80% of the TAC for each crab species. The balance (20%) of the TAC may be processed by any processor. See processing eligibility issues below from

Issue 2 Formation of cooperatives

Cooperatives may be formed through contractual agreements among fishermen who wish to join into a cooperative with one or more processors holding processor history for one or more species of crab. (Section 6.1, 2))

Options

Option 1 There must be at least 2 (?) or more unique vessels/owners to form a cooperative with a processor. (Section 6.2.3, 3))

Additional provision:

Vessels that fail to join a cooperative are required to:

- 1) deliver all A and B shares only to eligible processors, or
- 2) forfeit their class B shares for that year on a year by year basis until they join a cooperative affiliated with one or more processors. The forfeited shares will be redistributed until the vessel joins a coop affiliated with one or more processors
 - a) all holders of A and B shares
 - b) all holders of A shares

Issue 2 (continued) Operation of the cooperative

Option 2 a guaranteed amount of cooperative crab to be delivered, equal to (90% or 100%) of the aggregate Class A shares held by coop members, the remainder of which can be delivered by the cooperative to

(1) any eligible processor.

(Section 6.2.2.B).

Class B shares held by members of the cooperative may be delivered to any processor.

b. Select any or all of the following options

Option 1 If the processor buys the cooperative crab, it may process the crab itself or may arrange to have it processed by any other crab processor (i.e., the processor acts as broker for cooperative crab it does not wish to process). (Section 6.2.2.C)

Option 2 In the alternative, the processor may elect to have the cooperative act as its own broker for crab the processor does not wish to buy, with the cooperative free to either sell the crab to another (eligible) processor or allow individual vessels to make arrangements on their own. (Section 6.2.2.D)

Option 3 (With the agreement of the affiliated processor.) Cooperatives may arrange to swap, purchase, or trade deliveries of crab by mutual agreement of the cooperatives concerned. (Section 6.2.2.E)

Issue 3 Movement of Vessels Between Cooperatives

Options (select one of the three options). (from Section 6.2.3.A)

c. Vessels may only leave cooperative with agreement of the processor. (The full B share) catch history only goes with vessel if (the affiliated) processor agrees. In the event that the affiliated processor does not agree, the leaving vessel forfeits its Class B shares for a period of one year. The forfeited shares will be redistributed for a period of one year amongst:

1) all holders of B shares

2) all holders of A shares

3) all holders of A shares affiliated with the coop which the vessel intends to leave.

Processing Sector Elements - Applicable to Voluntary Cooperative Program

Issue 1 Fisheries to Include in Processing Program Options

Fisheries for which PQS will be distributed (from Section 2.2.1)

Bristol Bay red king

Eastern Aleutian Islands (Dutch Harbor) brown king

Western Aleutian Islands (Adak) brown king

Bering Sea opilio (snow)

Bering Sea bairdi (Tanner)

Pribilof red king

Pribilof blue king

St. Matthew blue king

Issue 2 Percentage of the TAC/GHL for which PQS (and Class A harvest shares) are distributed (from Section 2.4).

Option 5 (& "3")

0 percent of the TAC/GHL - no processor quota (from Section 2.4.1,)

Note that any (20% of the) unallocated portion of the TAC/GHL will be open delivery, and 80 percent of the (unallocated portion of the) TAC/GHL, (i.e.: all Class A shares, are reserved for processing only by eligible processors)

Issue 3 Initial Allocation of Processor Shares

Provisions without Options

Processor Eligibility for an Allocation (from Section 2.1)

- 2
- A. Fleet consolidation within a voluntary cooperative may occur either by:
- 1 internal history leasing and vessel retirement or by history trading within the affiliated cooperative
 - 2 or to a different cooperative, with the agreement of the affiliated processor??
- (Section 6.1, 2))
- B. Custom processing would continue to be allowed within this rationalization program. (Section 6.1, 5))

Issue 3 Duration of cooperative agreements (from Section 6.1, 8))

Option 1) 2 years (?)

Suboption

A harvester quota shareholder may exit the cooperative at any time after one season. One season shall mean the season established by the Alaska Board of Fisheries for the fishery associated with the quota shares held by the harvester. (subject to a penalty provision described below under elements adopted from "plurality" coop model, Issue 3 – "Movement").

Issue 4 Processor Entry

New processors may enter the fishery by acquiring ownership of an eligible processing company. Cooperative formation with a new processor lacking processing history requires the new processor to offer an adequate payment to the vessels in that coop and to the acquired company with which the coop was affiliated.
(Section 6.1, 4)) Note: This does not preclude harvesters from selling crab caught with Class B shares to any processor (including those that are not "eligible.") This provision only affects whether the processor can associate with a cooperative.

Plurality cooperative provisions – (that have been incorporated into the voluntary cooperative)

Issue 1 Formation of cooperatives (under Section 6.2.1).

Provisions without options

- b. Cooperatives would be formed with the processor at the company level, not the plant level. (from Section 6.2.1.A)
- c. Two or more vessels are sufficient to form a cooperative (Section 6.2.1.A)
- e. Each crab vessel is eligible to join only one cooperative per crab species. Which cooperative the vessel is eligible to join is determined based on which eligible processor that vessel delivered the highest pounds of crab to during the processor (coop qualification) period (which shall be defined as the year prior to implementation.) (Section 6.2.1.C)
- f. Vessels that join a cooperative will have their (full) catch history earned during the vessel qualifying period protected. A vessel that does not elect to join in the cooperative for which it is eligible remains under an open access fishery (their catch history is only protected up to the extent of their Class A shares – as described in Issue 2 "Formation of Coops" above.) (Section 6.2.1.D)
- g. A cooperative agreement would be filed annually (at least 30 days prior to fishing) with the Secretary of Commerce, and made available for review by the Council. The processor and each boat that is eligible and elects to join the cooperative must sign the agreement.

Issue 2 Operation of the cooperatives (under Section 6.2).

Options

- a. The processor with which the cooperative is formed gets:

Processors (including catcher/processors) that are US corporations or partnerships that (purchased and) processed crab from (catcher vessels in) a fishery included in the rationalization program in either 1998 or 1999

Calculation of (aggregate eligible) Processor Allocations (from Section 2.3)

Allocations are on a fishery basis and (apply in the aggregate to eligible processors, and) are based on (80% of the TAC)

Implementation of the Processor Share Program (from Section 2.5)

(Only eligible) processors (may purchase) crab harvested with Class A harvest shares. Any processor may purchase crab harvested with Class B harvest shares.

Transferability of Processing Shares (from Section 2.6)

(Not Applicable)

Issue 4 Processor Qualifying Years (from Section 2.3)

(Not Applicable)

Issue 6 Ownership and Use Caps on Processing Shares (from Section 2.7)

Sub-issue 1

Ownership Caps (from Section 2.7.1)

Ownership cap will be: Option 1 the maximum allocation in the fishery (from section 2.7.1, option 2) (i.e.: 0%, since 0% is the maximum PQS issued under this option & above under issue 2 from Section 2.4.1)

Sub-issue 2

Use Caps (from Section 2.7.2)

Annual use caps on a company basis of
Option 1

30 percent to 60 percent of the TAC/GHL (determined on a species by species basis not to exceed 115% of the largest share process by a single processing entity in the qualifying years.)

Catcher/Processor Elements

Option A Catcher/Processors Are Allocated Catcher/Processor Shares

2) catcher/processor shares (from Sections 1.3.2(b) and 1.7.2.1.1)

Catcher/processor shares shall be granted for crab that were both harvested by and processed on a vessel and will confer a right to both harvest and process the crab on board (from Section 1.3.2) (CV shares shall be granted for crab that was harvested, but not processed on a catcher processor.)

Note: If Option A is selected, catcher/processors meeting the processor eligibility requirements could be ~~allocated processing shares~~ (allowed to process Class A shares, only if they processed crab that was caught by catcher vessels under Section 1.7.2.2 during the processor eligibility period under Section 2.1)

Except as specifically permitted by other options:

2) If applied in a voluntary cooperative program catcher/processor shares (based on crab that were both harvested by and processed on a vessel) would include a (unified) harvest privilege and an on board processing privilege.

Issue 1 Eligibility for an Allocation of Catcher/Processor Shares

Option 5 is not adopted, so by default: (All vessels qualified for a harvest allocation (as CPs) would receive catcher processor shares for qualified catch that was both harvested by and processed on the CP vessel.) from section 1.7.2.3

Issue 2 Processor Share Transfer Options

Option 1

Catcher/processors shall be allowed to sell catcher/processor shares to shore based processors (including floating processors) (if such processor is eligible to document a US fishing vessel) or to Catcher vessels. (from Section 1.7.2.4(c)). Harvest and processing privileges could (not) be divided and sold separately, however, a shorebased processor may assign the use of the CP harvest privilege to a CV.

Option 2

(Because PQS is set at 0%,) Catcher/processors are prohibited from purchasing PQS from shore based processors (including floating processors), but may purchase PQS (CP quota) from catcher/processors (from Section 1.7.2.3, Option 1)

Option 3 ~~Catcher/processors are allowed to purchase PQS from shore based processors (eligible to process CV harvested crab) must process crab (harvested) with those catcher shares within 3 miles of shore in the designated region (if applicable) (from Section 1.7.2.3, Option 2) (or pay the equivalent landing tax fee in the region)~~

Issue 3 Use of Catcher/Processor Shares - provisions include no options

A. Crab harvested with catcher/processor shares may be delivered processed or unprocessed. Unprocessed crab harvested with catcher/processor shares may be processed on board or delivered to any processor. (from Section 1.7.2.3, Option 4)

B. Crab harvested with shares that are delivery restricted (Class A shares) may be delivered to any (eligible) processor (from Section 1.7.2.3, Option 4(a)). This applies to any catcher vessel shares allocated to catcher/processors for catch that were not processed by the CP, and to any Class A catcher vessel shares purchased by catcher processors.

C. Unprocessed crab may be sold to any processor if harvested with Class B shares, (from Section 1.7.2.3, Option 4(b)) (This applies to any catcher vessel shares allocated to catcher/processors for catch that was not processed and to any Class B catcher vessel shares purchased by catcher processors.)

Issue 4 Regionalization Options

- applicable only if regionalization is adopted - any combination of these options may be selected

Option 1 Catcher/processors shares will not be regionally or community designated (from Section 1.7.2.3, Option 6) (except when sold to a shorebased processor or catcher vessel)

Option 2

When catcher/processor shares are sold to shore based processors (or a catcher vessel) the (unified) harvest and processing share will (not) be separated and both become designated by region (from Sections 1.7.2.4 (b) and (d)) How the regional classification is determined must be specified

Option 3

Harvest shares purchased by catcher/processors will retain their regional or community designation (from Section 1.7.1(d))

Issue 5 Purchases of Harvest Shares by Catcher/Processors

Option 2

Catcher/processors may purchase additional catcher vessel harvest shares but must (deliver) crab harvested with those shares (to an eligible processor). (from Section 1.7.2.3, Option 3)

Additional Provision

Require owners of catcher/processor vessels to pay a fee equivalent to the tax that would have been imposed had the catcher/processors operated in State waters.

Other provisions:

Issue 5 Regionalization and the Alternative Regionalization/Community Protection Option (Section 6.1 6) and 7).

Options can be applied to all program options and appear in the general section on regionalization. (All A and B opilio shares would be regionalized)

Issue 6 Additional provisions (from Section 6.1, 11), 12), and 13))

Additional provisions, including skipper and crew protections and catch accounting and length of program provisions can be applied to all program options. These options are discussed in general sections under the appropriate headings.

CDQ Ownership of Quota

Boats	CDQ Ownership of Boat	Average Boat % Red Crab & Opilio	CDQ% of Quota Ownership of Open Access
Farwest Leader	25%	0.5%	0.125%
Bristol Mariner	45%	0.5%	0.225%
Nordic Mariner	45%	0.5%	0.225%
Northern Mariner	45%	0.5%	0.225%
Cascade Mariner	45%	0.5%	0.225%
Zolotoi	20%	0.5%	0.100%
Ocean Cape	20%	0.5%	0.100%
Silver Spray	50%	0.5%	0.250%
Alaskan Beauty	50%	0.5%	0.250%
Ocean Olympic	50%	0.5%	0.250%
North Pacific	50%	0.5%	0.250%
Lisa Marie	100%	0.5%	0.500%
Baronof	49%	0.5%	0.245%
Total open access CDQ allocation		6.5%	2.97% 7.5%
Total CDQ Ownership Red Crab & Opilio			10.47%
Brown Crab Eastern District			
Alaskan Beauty	50%	5.41%	2.705%
Ocean Olympic	50%	12.39%	6.195%
North Pacific	50%	7.01%	3.505%
Total Open Access CDQ allocation		24.81%	12.405% 7.500%
Total CDQ Ownership Brown Crab Eastern District			19.905%
Brown Crab Western District			
Alaskan Beauty	50%	6.02%	3.01%
Ocean Olympic	50%	10.90%	5.45%
North Pacific	50%	5.87%	2.935%
Total Open Access CDQ allocation		22.79%	11.395% 7.500%
Total CDQ Ownership Brown Crab Western District			18.895%

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Ari Thomson

REVISED DRAFT MAY 31, 2002, FOR NPFMC ADVISORY PANEL

- **RECOMMENDATIONS FOR THE BSAI CRAB RATIONALIZATION PROGRAM**
- **ACC PREFERRED ALTERNATIVES IDENTIFIED IN BOLD ITALICS UNDERLINED**
- **The rationale for recommendations on alternatives contain citations and page numbers from the NPFMC staff analysis, Bering Sea Crab Rationalization Program Alternatives, Public Review Draft, May 2002.**
- **Numerous recommendations are based on the NPFMC Crab Rationalization Committee Majority Report, May 11, 2001. Those are also noted.**

Draft Council Motion for Item C-5 BSAI Crab Rationalization
April 14, 2002

C-5 BSAI Crab Rationalization

BSAI Crab Rationalization Problem Statement

Vessel owners, processors and coastal communities have all made investments in the crab fisheries, and capacity in these fisheries far exceeds available resources. The BSAI crab stocks have also been highly variable and have suffered significant declines. Although three of these stocks are presently under rebuilding plans, the continuing race for fish frustrates conservation efforts. Additionally, the ability of crab harvesters and processors to diversify into other fisheries is severely limited and the economic viability of the crab industry is in jeopardy. Harvesting and processing capacity has expanded to accommodate highly abbreviated seasons, and presently, significant portions of that capacity operate in an economically inefficient manner or are idle between seasons. Many of the concerns identified by the NPFMC at the beginning of the comprehensive rationalization process in 1992 still exist for the BSAI crab fisheries. Problems facing the fishery include:

1. Resource conservation, utilization and management problems;
2. Bycatch and its associated mortalities, and potential landing deadloss;
3. Excess harvesting and processing capacity, as well as low economic returns;
4. Lack of economic stability for harvesters, processors and coastal communities; and
5. High levels of occupational loss of life and injury.

The problem facing the Council, in the continuing process of comprehensive rationalization, is to develop a management program which slows the race for fish, reduces bycatch and its associated mortalities, provides for conservation to increase the efficacy of crab rebuilding strategies, addresses the social and economic concerns of communities, maintains healthy harvesting and processing sectors and promotes efficiency and safety in the harvesting sector. Any such system should seek to ~~retain parity~~ achieve equity between the harvesting and processing sectors, including healthy, stable and competitive markets.

Rationale:

The Purpose and Need for Council Action:

- The ACC acknowledges that the NPFMC has developed a problem statement for the BSAI king and tanner crab fisheries that recognizes rationalization will address resource conservation and bycatch issues, excess harvesting and processing capacity, economic stabilization in the industry and coastal communities, safety issues and resource allocation problems (Bering Sea Crab Rationalization Program Alternatives, May 2002, page 1, hereafter referred to as the "Analysis"). The Analysis on pages 2 and 3 provides historical background on the resource and excess harvesting capacity issues and instability, and it continues to elaborate on the purpose and need for action.

DRAFT

- The Analysis, on page 10, under Section 1.1.3, under the Need for Further Action is a summary of the industry generated process that has resulted in the development of a suite of alternatives for a comprehensive rationalization program that is intended to provide a management system for the BSAI crab fisheries that builds on the moratorium and license limitation program to address the problems of an open access fishery in a more comprehensive manner. The suite of elements and options adopted by the Council at its June 2001 meeting are the result of efforts that began in late 1999, involving representatives of harvesters, processors, skippers and crewmen, communities and environmental organizations. Interested parties met on an informal basis in a series of meetings starting late 1999, through the fall of 2000. The ad hoc industry committee was formalized into a Council committee in December 2000.

The BSAI Crab Rationalization Committee made significant progress during its meetings in February and March 2001 in developing a set of elements and options for Council consideration and analysis of a crab rationalization program. The Committee's proposed rationalization program consisted of a three-component IFQ program that would allocate harvesting quota shares to the harvesting sector, processing quota shares to the processing sector and impose regional restrictions on deliveries of crab to processors. While the Committee agreed that the rationalization program could be based on just one or two of the components, the Committee did not reach consensus on the relative desirability of a one-pie or two-pie IFQ program, with or without regionalization. The Committee agreed to recommend that the Council include all three components in the analysis, recognizing the Council may choose to adopt a subset of the three.

- At its June 2001 meeting, the Council refined and selected for analysis several alternatives and options for rationalization of the crab fisheries based on the Crab Rationalization Committee's work, AP recommendations, public testimony, a staff discussion paper, and discussion of the Council. The Council has further revised and refined its motion at its December 2001 and February 2002 meetings. (Analysis page 10, and Appendix 1-1).
- **Majority Report:** In general, the ACC recommendations are based on the recommended framework and goals developed by two-thirds of the members of the Crab Rationalization Committee, as expressed in the Crab Rationalization Committee – Majority Report, May 11, 2001. The framework is a regionalized two-pie quota system. The report specifically leaves the issue of the level of the percentage of processor quotas for the Council to decide. Within this system, the ACC recommends 100% catch history for harvester ITQs and 80% of processor history for processors, with 80% of the landings subject to regionalization requirements ("A" quota shares) to help insure sustainability for communities. The recommendations contained in this report were developed after almost eighteen months of discussions and negotiations on the multifaceted components of a comprehensive rationalization program.

The recommendations for the two-pie quota program are specific to the Bering Sea/Aleutian Islands crab fisheries and they are in no way intended to establish a precedent for a framework for other Alaskan fisheries, particularly the Gulf of Alaska groundfish fisheries.

Alternative Rationalization Programs

The Council adopted elements and options for analysis of alternative rationalization programs for the BSAI crab fisheries. The alternative models under consideration include several IFQ-style and cooperative-style rationalization models that may be structured as either harvester-only or harvester-processor programs depending on the Council's choice of options. Additional features may be included to address coastal community and skipper/ crew issues. The following elements and options apply to any rationalization model under consideration as applicable:

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1. Harvesting Sector Elements

1.1 Crab fisheries included in the program are the following fisheries subject to the Federal FMP for BSAI:

- Bristol Bay red king
- Brown king (AI Golden king)
- Adak red king
- Dutch Harbor red king
- Pribilof Islands blue king
- St. Matthew blue king
- Pribilof Islands red king
- Opilio (EBS snow crab)
- E AI tanner
- W AI tanner
- Bairdi (EBS tanner)

Other FMP species not included here are discussed under item L at the end of the alternatives section.

Options:

- A) Exclude the E AI tanner, W AI tanner, Dutch Harbor red king crab, and W AI red king crab.

Rationale: These fisheries do not meet the criteria for rationalization. Rationalization is a tool to primarily address concerns of overcapitalization and overfishing (p. 156). The bairdi fisheries have no harvest strategies, small GHIs and they have been closed since the mid 1990s. The Western Aleutians bairdi is not surveyed and sustainable harvests have not been determined (p. 157).

Western Aleutians red king crab, which primarily occurs in the Petrel Bank area has been closed since the 1990s. In the years immediately prior to the Petrel Bank fishery closure, much of the harvest was taken in conjunction with the golden king crab longline pot fishery. The fishery has largely been prosecuted by the large boat fleet, including catcher processors (p. 158). The analysis also shows that either of the alternative qualifying periods for QS will result in allocation on average of almost 20% of the QS—each—to the top four vessels. By most standards this would be an “excessive share” of the allocation, since the balance of the LLP holders, some 20-24 vessels, would share an average of less than 1% each of the QS (pps. 227-228).

Stock assessment surveys are not conducted in the Adak area, although the State is currently conducting fisheries management information. ADFG believes it would be difficult to establish a TAC (necessary for a QS program) based on current stock status information. Because the majority of fishers currently participating in the Western Aleutian Islands golden king crab fishery did not participate in the historic red king crab fisheries in this area, the distribution of quota shares or cooperative allocations would be difficult to allocate based upon actual historic participation of the directed commercial fishery, rather than a bycatch or test fishery. Because the most recent participation is as a bycatch and test fishery the Petrel Bank and Attu red king crab fishery does not lend itself well to quota share distribution (p. 158).

In regards to the area east of 179 degrees W. longitude, to 172 degrees W. longitude, no surveys have been conducted. Fisheries in this area have historically been conducted primarily in State waters. Because of the lack of recent surveys, the state catch history, and the fact that historically catch occurred predominately within state waters, this area is not a good candidate for inclusion within the rationalization program (p. 158).

Eastern Aleutian Islands red king crab is also not a good candidate for rationalization for the following reasons: (1) it appears to be important as brood stock for some important Bristol Bay larval settling areas; (2) the fact that this fishery has not been prosecuted since the early 1980s means there is no current participation upon which to base an allocation of QS; and the fishery was located primarily in State waters (p. 158).

DRAFT

B) Federal waters shall be closed to the harvest of Eastern (Dutch) and Western AI Tanner crab and Eastern (Dutch) and Western AI red king crab until such time as the State of Alaska develops a fishery management plan and harvest strategies that includes provisions to conserve the stocks and prevent overcapitalization.

C) Exclude the E AI tanner, W AI tanner, Dutch Harbor red king crab, and W AI red king crab East of 179° W longitude. (Insert consistent with recent Board of Fish action).

1.2 Persons eligible to receive an initial allocation of QS must be:

Option 1. Any person that holds a valid, permanent, fully transferrable LLP license; or (Joe Sullivan).

Option 2. A person, defined as a U.S. citizen that owns a MarAd certified and/or USCG documented BSAI crab vessel that: (i) was used to satisfy the General Qualification Period (GQP) and Endorsement Qualification Period (EQP) landings requirements of the License Limitation Program (LLP), and (ii) either was used to satisfy the Recent Participation Period (RPP) landings requirement of Amendment 10 or meets the exemption requirements of Amendment 10. (ACC original).

Suboption: A person who has purchased an LLP, with GQP, EQP, and RPP qualifications to remain in a fishery is eligible to obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both. (Henkel suboption).

Rationale: Option 1 for eligibility is the ACC preferred option, provided it is linked to suboption limitations in 1.4b, the basis for QS distribution, that will prevent QS based on vessels that have left the fishery, from being allocated to current LLP holders that no longer own the aforementioned vessels. New standards must be developed in 1.4b to prevent speculators without vessels from being allocated QS, and thus diluting the market value of vessels owned by the vast majority of LLP holders—who have the burden of maintaining vessels during these depressed times of low stock abundance. Without this linkage, ACC supports ACC Option 2 with the Henkel suboption as its preferred alternative.

The analysis recommends that if Option 1 or 2 is adopted, that the decision be made in tandem with a decision on the 1.4 options.

Option 1 is consistent with the continuum of access limitation actions that have been taken by the Council, including the vessel moratorium and license limitation. Option 1 can be favored because it simplifies administration (p. 194).

However, the extent of the speculation problem is noted on page 199. There are 16 vessels no longer U.S. documented that have permanent transferrable LLPs that are eligible for QS. Thirteen of these vessels are catcher processors over 165 feet in registered length and they are barred from U.S. fisheries due to AFA provisions. Option 2 would prevent those U.S. persons that hold the LLPs based on the catch of these vessels from utilizing the catch history of these vessels for stacking purposes, (regardless of stacking permitted by Amendment 10) (p. 199).

ACC also understands that the suboption above is not necessary, if Option 1 is chosen, but the ACC continues to support the suboption if the Council chooses Option 2, as it will allow persons with eligible vessels to stay in a fishery (they previously did not have an endorsement for) and to be granted QS for the fishery, if they have purchased a fully transferrable LLP with an appropriate endorsement (p. 195).

1.3 Categories of QS/IFQs

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1.3.1 Crab Fishery Categories - QS/IFQs will be assigned to one of the crab fisheries included in the program as identified in paragraph 1.1, except Dutch Harbor red king, E AI tanner, and W AI tanner. (Note also that the Adak red king crab fishery has been closed for several years.)

1.3.1.1 Brown king crab (AI golden king crab) option.

Option 1. Split into two categories: Dutch Harbor brown king crab and Western Aleutian Islands brown king crab

Rationale: These fisheries are managed separately with separate guideline harvest levels for the Eastern and Western Aleutian Islands stocks. The suboption would allow these fisheries to continue to be managed as separate fisheries for the protection of distinct stocks (p. 192). The split into two categories recognizes the historic catch patterns in two distinct sub districts of the Aleutian Islands. It will result in a fair and equitable allocation of QS in accordance with vessels actual catch history. See 1.4.2.7 for additional rationale.

1.3.2 Harvesting sector categories - QS/IFQs will be assigned to one of the following harvesting sector categories:

- (a) catcher vessel (CV), or
- (b) catcher/processor (CP)

QS-IFQ for the Catcher/Processor sector is calculated from the crab that were both harvested and processed onboard the vessel. This shall confer the right to harvest and process crab aboard a catcher processor in accordance with section 1.7.2.

Rationale: This merely defines two separate categories of QS for allocation and distribution purposes.

1.3.3 Processor delivery categories - QS/IFQs for the CV sector may be assigned to processor delivery categories if processor quota shares (PQs) are included in the program. Two processor delivery categories (options for the percentage split between class A/B shares for initially allocated QS appear under the Processing Sector Elements):

- (a) Class A - allow deliveries only to processors with unused PQs
- (b) Class B - allow deliveries to any processor

1.3.4 Regional Categories - QS/IFQs for the CV sector may be assigned to regional categories if Regionalization is included in the program. Two regions would be defined as follows (see Regionalization Elements for a more detailed description of the regions):

(a) North Region - All areas on the Bering Sea north of _____ 56° 20' N. Latitude.

(b) South Region - All areas on the Bering Sea south of _____ 56° 20' N. Latitude and on the Gulf of Alaska

1.4 Initial allocation of QS

1.4.1. Calculation of initial QS distribution will be based on legal landings excluding deadloss.

(a) Calculation of QS distribution. The calculation is to be done, on a vessel-by-vessel basis, as a percent of the total catch, year-by-year during the qualifying period. Then the sum of the yearly percentages, on a fishery-by-fishery basis, is to be divided by the number of qualifying years included in the qualifying period on a fishery-by-fishery basis to derive a vessel's QS.

Rationale: The analysis provided a detailed explanation of this methodology for calculating QS on pages 199-203. The formula for calculation was developed by the industry with the assistance of the Advisory Panel, as the most fair and equitable manner in which to calculate catch history for initial allocation of QS.

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Suboption: *For each of the fisheries for which such a vessel holds valid endorsement for any years between the sinking of the vessel and the entry of the replacement vessel to the fishery, allocate QS according to a range of 0-to-100% 75% of the vessel's average history for the qualifying years unaffected by the sinking.*

Rationale: The ACC has analyzed the list of sunken and replacement vessels that are eligible for QS and believes this provision will apply to no more than three replacement vessels. Thus the effects of this provision and allocating 75% of the vessel's average history for the qualifying years after the replacement vessel entered the fishery should be minimal (p. 203).

(b) Basis for QS distribution.

Option 1. *For eligibility criteria in paragraph 1.2, Option 1, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per vessel. However, the initial allocation of quota share will allow stacking or combining of valid, permanent, fully transferable LLP licenses and of histories of vessels as permitted under the LLP. (The original Joe Sullivan stacking option. This is to be combined with the ACC and Henkel suboptions below, to minimize speculation on stacking of catch histories).*

Option 2. For eligibility criteria in paragraph 1.2, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel (including replacement vessels) on which the LLP license and endorsements are based and shall be on a fishery by fishery basis. The catch history upon which the fishing quota shares are derived, must have been earned on vessels that are currently MarAd certified and/or USCG documented fishing vessels. The initial allocation of quota share will allow stacking or combining of LLPs and histories that satisfied (i) the GQP and EQP landings requirements of the LLP, and (ii) either the RPP landings requirement, or one or more of the specific exemption requirements of Amendment 10 to the LLP. (Original ACC option, eligibility based on ownership of US documented vessel, to address issue of latent permits and history).

Option 3: In cases where the fishing privileges (i.e. moratorium qualification or LLP license) of an LLP qualifying vessel have been transferred, the distribution of QS to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. Only one catch history per LLP License. (The revised Joe Sullivan option).

Suboption: *Persons who have purchased an LLP, with GQP, EQP, and RPP qualifications to remain in a fishery may obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both. (The Bing Henkel suboption).*

Suboption: *With the exception of Amendment 10 replacement vessels, catch histories from different vessels shall not be combined for any single fishery, nor shall distribution of QS be based in whole or in part, on any catch history of any vessel not lawfully U.S. documented and endorsed as a fishing vessel at the time such QS distribution is made. License transfers for purposes of combining LLPs must have occurred by January 1, 2002. (Could be applied to*

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any of the above options or suboptions) (The new revised ACC option to substitute for Option 2 above and to be combined with Option 1 and the Bing Henkel suboption).

1.4.1(b) Basis for Distribution:

Rationale: The ACC is recommending Option 1, with the noted modification, to be combined with the Henkel and ACC suboptions.

- ACC is concerned about NOAA's legal opposition to the use of Option 2 requiring that catch history be based on ownership of vessels that are currently U.S. documented and MarAd certified, despite the AFA precedent for eligibility in the BSAI pollock cooperative program.
- The ACC suboption has three operative provisions: (P. 205)
 1. The first provision, like option 1 would limit an allocation to a single vessel, with the exception of Amendment 10 replacement vessels. This provision is inconsistent with Option 3, so it cannot be adopted with that option. Option 3 is legalese, simply intended to obfuscate and allow for stacking and combining of LLPs and catch histories.
 2. The second provision of the ACC suboption is that it would require that any vessel on which an allocation is based, is to be U.S. documented at the time of the allocation (or date of Council final action).
 3. The third provision of the ACC suboption would require that transfers for the purpose of combining LLPs must have occurred prior to January 1, 2002. The ACC suboption recognizes license transfers for purposes of combining LLPs—to limit speculation as suggested in the analysis and the NRC study, "Sharing the Fish" (Program Alternatives, p. 206). This is intended to be applied with the Henkel suboption.
- The ACC suboption limits combining of catch histories to Amendment 10 replacement vessels and it is intended to prohibit speculative stacking of catch histories. Thus, ACC has struck out the language in Option 1 that allows unlimited stacking and combining of catch histories based on NMFS approved LLPs.
- The ACC supports limited combining of LLPs and catch histories, in addition to Amendment 10 replacement vessels, as defined in the Henkel suboption above. The purpose of the Henkel suboption is to allow a person to remain in a fishery, after purchasing a valid LLP, but it requires a person to make a choice on a fishery by fishery basis on the catch history. Under this provision the initial allocation would be based upon the history of the vessel on which the LLP is used, or on the vessel used to generate the LLP but not both—meaning no stacking.
- Additional legal comments related to speculative stacking of permits:
(Theodore G. Kronmiller)
It is true that the LLP provides for permit stacking. A collateral effect is, in some cases the combination of catch histories from the same fishery. In a license limitation program, this accumulation of paper catch histories in one fishery does not dilute the investments of the vessel owners, because each continues to harvest whatever amount of crab that skill, resource conditions, fleet size, and so forth, allow in that fishery.

Catch histories from different vessels should not be combined for any single fishery. To allow combination of catch histories for a given fishery in a quota program would treat very disproportionately the investments made in vessels, on the one hand, and paper histories, on the other. The investment in a vessel

with a certain catch history far exceeds an investment in the same catch history simply transferred to another vessel. Therefore it is fundamentally unfair, in a quota program, to distribute quota on a basis that treats these investments as though they were equal. Moreover, allowing combined catch histories in a single fishery would reward speculation on the future quota program, at the expense of others who invested in more than just paper. An obvious exception is presented by a replacement vessel qualified under Amendment 10, where combining two partial catch histories is essential.

1.4.2 Qualifying Periods for Determination of the QS Distribution:

Rationale:

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- **1.4.2. ACC Preferred Alternatives on QS Qualifying Periods:** ACC recommendations on catch history qualifying periods have been developed after protracted discussions for more than two years with diverse owners of large and small vessels from Alaska, Washington and Oregon. Discussions culminated in a poll of the ACC membership last week, in which over 70% of the members endorsed the following qualifying periods:

After considerable discussion with crab fishermen attending Council meetings, and looking at various political realities, the ACC Board has compromised significantly on the ACC preferred alternative of 1992-1999, and it is recommending a more recent qualifying period for opilio crab and Bristol Bay king crab. The 1996 - 2000 recommendation on opilio crab and Bristol Bay king crab will help to insure disqualifying speculative latent catch history of vessels no longer active in the crab fisheries, and it will preserve distribution of quota share to actual participants dependent on the fisheries. (See Analysis, latent vessels qualified with fully transferrable LLPs, bottom of page 198 and top of page 199).

1.4.2.1 Opilio (EBS snow crab)

Option 1. 1994 - 1999 (6 seasons)

(a) Best 5 seasons

Option 2. 1992 - 1999 (8 seasons)

(1) Best 7 seasons

Option 3. 1995 - 1999 (5 seasons)

(1) All seasons

(2) Best 4 seasons

Option 4. 1996 - 2000 (5 seasons)

(a) Best 4 seasons

Option 5. 1996-2002 (7 seasons)

(a) (Best 6 seasons)

1.4.2.2 Bristol Bay red king crab

Option 1. 1993 - 1999 (5 seasons, closed in '94 an '95)

(a) All seasons

(b) Best 4 seasons

Option 2. 1992 - 1999 (6 seasons)

(a) All seasons

(b) Best 5 seasons

Option 3. 1996 - 2000 (5 seasons)

(a) Best 4 seasons

Option 4. 1996-2001 (6 seasons)

(a) Best 5 seasons

1.4.2.3 Bairdi (EBS tanner crab)

Option 1. 1992 - 1996 (5 seasons)

(a) All seasons

(b) Best 4 seasons

Option 2. 91/92* - 1996 (6 seasons)

(a) Best 5 seasons

Option 3. Based on a 50/50 combination of Bristol Bay red king crab and opilio harvests.

*The biological season extended over a calendar year

1.4.2.4 Pribilofs red king crab (Opened 93-98)

Option 1. 1993 - 1998

(a) Best 4 seasons

Option 2. 1994 - 1998

(a) All seasons

(b) Drop one season¹

1.4.2.5 Pribilofs blue king crab (Opened 95-98)

Option 1. 1993 - 1998 (All options, same results)

(a) Best 4 seasons

Option 2. 1994 - 1998

(a) All seasons

(b) Drop one season

1.4.2.6 St. Matthew blue king crab

Option 1. 1993 - 1998

(a) Best 4 seasons

Option 2. 1994 - 1998

(a) All seasons

(b) Drop one season

1.4.2.7 Brown king crab (based on biological season)

(Options apply to both Dutch Harbor and western Aleutian Island brown king crab)

Option 1. 92/93 - 98/99 (7 seasons)

(a) All seasons

(b) Drop one season

Option 2. 95/96 - 98/99 (4 seasons)

(a) All seasons

(b) Drop one season

Option 3. 96/97 - 98/99 (3 seasons)

(a) All seasons

(b) Drop one season

Option 4. 96/97 - 2000/01 (5 seasons)

(a) Best 4 seasons

Option 5. 96/97 - 2001/02 (6 seasons)

(a) Best 5 seasons

Rationale: Brown crab catch history has changed dramatically in the recent years and there is also an issue of excessive shares. The preferred option reduces excessive concentration of shares and the very real potential for a few individuals to control the harvesting and marketing of brown crab (pages 82-85). Thirteen of the 20 current participating vessels support this option, 2/3 of the fleet.

Suboption: Award each initial recipient OS based on:

¹All potential recipients would drop their worst season during the qualifying period.

DRAFT

- (a) GHL split Dutch Harbor/western Aleutian Island brown king crab
- (b) historical participation in each region.

Rationale: (Two) distinct stocks are identified in the Eastern and Western Aleutians. Having a distinct allocation in the two districts will ensure that those stocks can be properly managed. In addition, a single category of QS might be reflective of the catch history of participants who have chosen which subdistricts to fish based on economic and safety considerations. This second rationale might suggest that the suboption that distributes QS in each subdistrict based on catch history in the subdistrict be favored because persons would receive QS based in areas in which they have historically participated (p. 222).

Splitting the distribution of QS equally in both subdistricts, the first option, does not reflect the actual fishing patterns of the vessels in the two subdistricts. In fact, splitting the QS is a speculative proposal supported by only a few vessels, which would increase the QS value and product value of a few vessels that primarily have catch histories in the Western district, but it would devalue the QS of most of the vessels that have focused on the Eastern district.

1.4.2.8 Adak Red King Crab

Option 1. 1992 - 1996

(a) All seasons

(b) Best 2 seasons

(c) Not appropriate for rationalization

Add: at this time.

Rationale: See 1.1A rationale.

1.5 Annual allocation of IFQs:

1.5.1 Basis for calculating IFQs:

Option 1. GHL

Option 2. Convert GHL to a TAC and use the TAC as the

basis.

Rationale: ADF&G recommends converting GHL to a total allowable catch (TAC). With an IFQ or cooperative fishery, maintaining a minimum GHL may not be necessary because catch accounting would be more precise and consolidation will result in a smaller pool of fishers targeting the stock.

GHLS are not a viable option for managing IFQ or coop fisheries. TAC (in this case TAC is synonymous with preseason set harvest limits) are important for any IFQ fishing strategy. TAC is generally considered to be the fixed target goal necessary for a quota share system. TAC allows fishers participating in quota share fisheries the confidence that regardless of when they choose to harvest their shares, their quota amount would not change for the duration of the season (p. 174).

1.6 Transferability and Restrictions on Ownership of QS/IFQs:

1.6.1 Persons eligible to receive QS/IFQs by transfer:

Option 1.

(a) All persons or entities eligible to document a U.S. fishing vessel are eligible to own or purchase harvester QS and IFQs

(b) Persons or entities with 75% U.S. ownership

Suboption: Initial recipients of harvesting quota share

are

grandfathered

Rationale: The National Research Council report on IFQs, "Sharing the Fish," contains several recommendations concerning the need for transferrability of shares in an IFQ fishery. According to the report, whether liberal transfer of shares is permitted by a program is dependent on the objectives of the program. If economic efficiency and downsizing

DRAFT

are primary objectives, "transferrability should be as free as possible" (Analysis p.235). Economic efficiency and downsizing are objectives of the crab rationalization program.

Under Option 1a, all persons or entities eligible to document a US fishing vessel would be eligible to purchase and own QS and IFQs. Since the current rules, created by the AFA permit all citizens and entities with at least 75 percent US ownership to document a US fishing vessel, Options 1a and 1b are almost identical (p. 236).

The ACC supports the present AFA standards as the necessary standards for purchase and transfer of QS.

- Option 2. US citizens who have had at least (3 options):
- 30 days of sea time*
 - 150 days of sea time*
 - 365 days of sea time*
- Suboption: Initial recipients of harvesting quota share are grandfathered
- Option 3. Entities that have a U.S. citizen with 20% or more ownership and at least
- 30 days of sea time*
 - 150 days of sea time*
 - 365 days of sea time*
- Suboption: Initial recipients of harvesting quota share are grandfathered

*Definition of sea time (3 options):

- Option 1. Sea time in any of the US commercial fisheries in a harvesting capacity
- Option 2. Sea time in a harvesting capacity in any commercial fishery of the State of Alaska or the Alaska EEZ
- Option 3. Sea time in any BSAI crab fishery

Rationale: Option 1 provides fair and equitable opportunities for all US citizens with experience in any of the US commercial fisheries.

- 1.6.2 Leasing of QS (Leasing is equivalent to the sale of IFQs without the accompanying QS.)
Leasing is defined as the use of IFQ on vessel which QS owner holds less than 5-50% ownership of vessel or on a vessel on which the owner of the underlying QS is present:
- Option 1. Leasing QS is allowed with no restrictions
- Option 2. Leasing QS is not allowed
- Option 3. A brown king crab QS holder may annually swap with any other brown king crab QS holder, on a pound for pound basis, IFQ in one district for IFQ in the other district.
- 1.6.3 Separate and distinct QS Ownership Caps - apply to all harvesting QS categories pertaining to a given crab fishery with the following provisions:

Develop a new option:

Develop a trailing amendment to deal with caps, following the results of the buyback program and the redistribution of QS that will accompany this program; or implement Option 2 below. Different caps should be developed for Aleutians brown and red king crab fisheries.

Rationale:

- 1.6.3. Caps on Ownership: The ACC recommends the Council develop a trailing amendment to deal with QS ownership caps, following the results of the buyback program. The buyback program is expected to alter

DRAFT

the distribution of QS and could result in some vessels being capped, that otherwise would not have been capped. The caps could thus prevent an optimum level of consolidation needed to achieve economic efficiency. The ACC's second priority is to support Option 2, a cap at 5% of the total QS per fishery in the major Bering Sea crab fisheries. Different caps should be developed for the Pribilof and St. Matthew Islands king crab fisheries and the Aleutian Islands brown king crab fisheries which have much smaller levels of participation.

The ACC recognizes that ownership caps are needed to prevent consolidation and excessive shares of the resources. Consolidation is necessary for developing economies of scale, however concentration of share holdings in a relatively few individuals or entities can result in excessive market power. Although the caps on ownership and use of shares are generally viewed as a means to prevent excessive concentration of shares, the level of the cap could vary among fisheries depending on the particular nature of the fishery and the objective of the cap (Analysis pages 238-245).

QS ownership caps are needed to prevent consolidation and aggregation of excessive shares of the resources. Consolidation is necessary for developing economies of scale, however, concentration of share holdings in a relatively few individuals is or entities can result in excessive market power. Although the caps on ownership and use of shares are generally viewed as means to prevent excessive concentration of shares, the level of the cap could vary among fisheries depending on the particular nature of the fishery and the objective of the cap (pps. 238-245).

Or, support the following options:

- (a) initial issues that exceed the ownership cap would be grandfathered;
- (b) apply individually and collectively to all QS holders in each crab fishery;
- (c) percentage-cap options for the Bristol Bay red king crab, Opilio, Bairdi, Pribilofs red king crab, Pribilofs blue king crab and St. Matthew blue king crab fisheries (a different percentage cap may be chosen for each fishery);

- Option 1. 1 % of the total QS pool for the fishery
- Option 2. 5% of the total QS pool for the fishery
- Option 3. 8% of the total QS pool for the fishery

- (d) percentage-cap ranging from 10%-40% 15% for the Dutch Harbor and (???) for the western Aleutian Island brown king crab (a different percentage cap may be chosen for each fishery or may be applied to the combined fisheries if not categorized separately).

Suboption: No initial issuance shall exceed the cap specified. Any amount of QS that would be issued to a person in excess of the cap shall be distributed to other qualified persons receiving an allocation in the fishery:

- a) equally or
- b) proportionally.
- (e) percentage-cap ranging from 10%-30% for Adak red king crab (if QS for this fishery are issued).
- (f) in the opilio fishery, the cap can be reduced to 0.5% of the total QS pool in the event the GHL increases to over 400 million pounds (with those over this cap prior to the reduction grandfathered).

Controls on vertical integration (ownership of harvester QS by processors):

Option 1: No controls

~~Option 2: A cap of 1%, 5% or 8%, with grandfathering of initial allocations~~

Option 3: An entity that owns PQs may not own harvester QS in addition to those harvester QS that were issued to the PQ holder in the initial allocation.

Vertical integration ownership caps on processors should be analyzed using both the individual and collective rule and the threshold ownership rule using 10%, 25%, and 50% minimum ownership standards for inclusion in calculating the cap. POS ownership caps are at the company level.

1.7 Use of IFQs

1.7.1 Use by harvesting sectors - IFQs must be used in accordance with the privileges defined for the associated QS category. The following provisions also apply:

~~(a) "A" class CV-IFQs may be processed by either a shoreside processor or a catcher/processor so long as sufficient processor shares are held by the processor.~~

~~(b) "B" class CV-IFQ's may be processed by either a shoreside processor or a catcher/processor.~~

~~(c) "A" or "B" class CV-QS initially issued to a catcher/processor shall not be regionally or community designated.~~

~~(d) "A" or "B" class CV-QS purchased or obtained by catcher/processers shall retain their regional or community designation.~~

~~(e) No allowance of the use of purchased class B share IFQ crab on catcher processor vessels.~~

Amend (e) to: Allow for the use of purchased class B share IFO crab on catcher processor vessels.

1.7.2 Catcher/Processor shares:

1.7.2.1 Catcher/Processors shall be granted "A" and "B" class CV-QS in the same manner as catcher vessels.

Rationale: See ACC comments and recommendations for crab catcher processors for the Crab Rationalization Program Alternatives, for rationale on these preferred alternatives. Accompanies the ACC formal comments submitted to the NPFMC, May 22, 2002.

1.7.2.1.1 Catcher/Processors shall be granted CP-QS in the same manner as catcher vessels.

1.7.2.2 Catcher/Processors shall be granted PQ's based on their processing history...

Add: of crab deliveries purchased.

1.7.2.3 Allowances for Catcher/Processors:

~~Option 1. Amend: Catcher/Processors are prohibited from purchasing additional PQs from shore-based processors but are free to acquire PQs from other Catcher/Processors.~~

~~Option 2. Catcher/Processors shall be allowed to purchase additional PQs from shore based processors as long as the shares are processed within 3 miles of shore in the designated region.~~

~~Option 3. Catcher/Processors may purchase additional CV-QS but cannot process unless sufficient unused IPOs are held. (Assumes operations inside 3 miles).~~

Option 4. Catcher/Processors may sell processed or unprocessed crab. Depending on the type of model (one-pie, two-pie, etc.), unprocessed crab may be delivered to:
(a) processors that hold unused IFQs, or
(b) any processor

Option 5. Only catcher processors that both caught and processed crab onboard their qualifying vessels in any BSAI crab fishery during 1998 or 1999 will be eligible for any CP OS in any IFQ or Coop program.

Add: Catcher processors converted to catcher vessels, that operated as catcher vessels in 1998 or 1999 will only receive CV OS and not CP OS.

Option 6. CP-OS initially issued to a catcher/processor shall not be regionally or community designated.

1.7.2.4 Transfers to shore-based processors:

- (a) Catcher/Processors shall be allowed to sell PO's to shore based processors.
- (b) When CP-PO shares without a regional designation are sold to a shore based processor, the shares become designated by region.
- (c) Catcher/Processors shall be allowed to sell CP/OS to shore based processors.
- (d) When CP/OS shares, without a regional designation, are sold to a shore based processor, the shares become CV and PO shares.

Delete: designated-by-region.

1.7.3 Catch accounting under IFQs - All landings including deadloss will be counted against IFQs. Options for treatment of incidental catch are as follows:

- Option 1. No discards of legal crab will be allowed and sufficient IFQs for legal crab must be available.
- Option 2. No discards of "marketable" crab will be allowed for opilio crab and sufficient IFQs for "marketable" crab must be available. (Legal size for opilio is 3.1 inches but the industry standard is 4 inches.)
- Option 3. No discards of opilio crab with a carapace of 4 inches or greater in width.
- Option 4. Discards of incidentally caught crab will be allowed. (This option would allow, for example, incidental catch of bairdi crab in a red king crab fishery to be discarded without counting against bairdi IFQs.)

Option 5. Request ADFG and BOF to address the concerns of discards, highgrading, incidental catch and the need for bycatch reduction and improved in season monitoring to coincide with implementation of a rationalization program.

Rationale:

- 1.7.3 Catch accounting under IFQs: The ACC recommends Option 5, that the Council request ADF&G and the Board of Fisheries (BOF) address the concerns of discards, highgrading, incidental catch and the need for bycatch reduction and improved season monitoring to coincide with the implementation of a rationalization program (Analysis pages 148-170).

All of these concerns and additional conservation and management issues can be addressed by the State under the authority provided in the FMP in categories 2 and 3. The State may choose to

DRAFT

change additional management measures at the request of industry or the State can take the initiative through ADF&G generated proposals to improve the manageability of the fisheries. The State makes changes to the crab fisheries regulations through the Board of Fisheries (page 148).

If the Council adopts a crab rationalization program, it is likely that industry would request the BOF to relax the pot limit regulations. Because many of the concerns justifying pot limits will moderate under rationalization, it is likely that the BOF will find it reasonable to consider working with industry and staff to evaluate conservation and management concerns against economic needs to find a balance (page 149). Under a rationalization program, relaxing pot limits, allowing fishermen to use more pots, will enable fishermen to let their gear soak longer. Undersize and female crabs will have time to sort out on the bottom, thus reducing bycatch and sorting and handling mortality on deck.

Bycatch can also be reduced in a rationalization program through measures such as concurrent seasons, which would allow retention of legal males of different species. To prevent highgrading, ADF&G proposes modifying the harvest strategies to account for increased bycatch and handling mortality, as well as regulations on fishing practices that would lower the catch of non-retained crab. ADF&G managers may consider adopting a minimum/maximum legal escape panel mesh size, ring and pot mouth openings to prevent highgrading on the bottom and still allow female and sub-legal crab to escape. Once these changes and mechanisms are identified then the State is in a position to respond properly to changes in fishing practices that may develop as a result of implementation of the rationalization program (page 150).

Management of rationalized fisheries with extended seasons and concurrent fisheries will likely require more extensive data collection than in the current fisheries. Vessels will be engaged in fishing over a longer part of the year, complicating oversight of fishing. To adequately monitor the fishery, NMFS and ADF&G will need to work together and develop an implementation plan that coordinates catch accounting, realtime reporting, vessel monitoring, other data collection requirements and enforcement (pages 151-152).

The State believes the only cost effective way to monitor the fleet movement and participation in a protracted season, on multiple species, is through the use of a Vessel Monitoring System (VMS) program. A detailed discussion of the observer program, port sampling and VMS program are discussed on pages 154 and 155 of the Analysis.

- 1.7.4 Use caps on IFQs harvested on any given vessel
Option 1.
a) fleet average percent of the catch
b) highest single vessel percentage of the catch

Time periods considered for determining the catch shall be:

- a) the IFQ qualifying years;
b) the IFQ qualifying years plus the years from the end of the qualifying period through the year of the final Council action.

Option 2. No use caps:

Rationale: Use caps are redundant, in light of ownership caps and they will serve to defeat the benefits of consolidation, namely much needed economic efficiency.

DRAFT

1.8 Other Optional Provisions

1.8.1 Options for skippers and crews members:

Option 1.

I. Percentage to Captains and/or crew:

A range of percentages for initial allocation from 0% to 20% should be analyzed.

(i.e. 0%, 10%, 20%)

A crewman is defined as a US citizen who held a a commercial fishing landing permit or crew license during the qualifying period.

II. Species specific:

As with vessels.

III. Eligibility:

5. Determined on a fishery by fishery basis by 1) having at least one landing in the qualifying years used by the vessels and 2) having recent participation in the fishery as defined by at least one landing per year in the fishery in the last two years prior to adoption of a rationalization program by the Council.

6. As a second option, eligibility could be determined by a point system modeled after that used by the State of Alaska in SE Alaska for limited entry in the Dungeness, King, and Tanner crab fisheries there.

7. Eligibility will include:

(8) Skippers only

(9) All crew

IV. Qualification period:

As with vessels.

V. Distribution per Captain:

i) Shares based on landings (personal catch history based on ADF&G fish tickets).

ii) Shares distributed equally among qualified participants.

iii) distribution based on a point system

iv) A mix of one or more of the above, with a range of 0-50% distributed equally and the balance based on landings and/or points

VI. Distribution for All Crew:

i) Shares distributed equally among qualified participants.

ii) distribution based on a point system

iii) A mix of one or more of the above, with a range of 0-50% distributed equally and the balance based on points

VII. Transferability criteria:

(1) Sale of QS

a) QS is fully transferable

b) QS is only transferable to active participants

(2) IFQ leasing

a) IFQ is fully leasable

b) IFQ is only leasable to active participants

c) IFQ is leasable to smaller, distant fisheries (i.e. St. Mathew, Pribilof and Adak King Crab)

d) No leasing of IFQ

DRAFT

Use it or lose it would apply to all skipper/crew QS, with a one year hardship provision. If the skipper/crew QS holder does not maintain active status in the fishery they would be required to transfer their QS to another active participant in the fishery.

An active participant is defined by participation in at least one delivery in the subject crab fishery in a crab fishery included in the proposed rationalization program in the last year as evidenced by ADF&G fish ticket or affidavit from the vessel owner.

VIII. Skipper/Crew on Board requirements

- a) No onboard requirement for skipper/crew with QS
- b) Initial issues of QS would not be required to be onboard the vessel, subsequent transferees would be required to be onboard the vessel when harvesting QS.
- c) Requirement for skipper/crew to be onboard vessel when harvesting QS.

Option 2: First Right of Refusal on Quota Share Transfers

(1) A range of 0-20% (10%) of initially issued OS would be designated as crew shares, these shares would remain as a separate class of OS. Transfer of initially issued OS must include transfer of 0-20% (10%) crew shares for which there will be a first right of refusal for eligible crew to buy. The owner of the OS being offered for sale would have to give notice to NMFS RAM division of the impending sale. RAM in turn could then notify the fleet of the available OS. After this initial transfer crew OS will be available for transfer to any active participant in the fishery.

(2) If a qualified buyer cannot be found then 50% of the 0-20% (10%) crew OS offered for sale would have to be gifted to a pool available to qualified buyers and the remaining 50% of the 0-20% (10%) could then be offered for sale on the open market to any buyer.

(3) The crew pool of OS would be overseen by RAM. The proceeds from the sale of this OS by auction to the highest qualified bidder would go into a dedicated low interest loan program for crew.

(4) Time frame for the first right of refusal is 2 months.

(5) Eligibility of a U.S. citizen to purchase crew shares would be defined by participation in at least one delivery in the subject crab fishery in the last year as evidenced by ADF&G fish ticket or affidavit from the vessel owner.

Option 3. Protection of traditional and historical crew share percentages with no sunset based on the Canadian Groundfish Development Authority Code of Conduct.

Option 4. A low-interest rate loan program for skipper and crew purchases of OS would be established or made part of the existing loan program for IFQ purchases.

Rationale: Reference Majority Report 5-11-01.

- **1.8.1 Options 2 and 4, Provisions for Skippers and Crew:** In regards to provisions for skippers and crew in the rationalization program, the ACC continues to support the Majority Report recommendations calling for development of allowance for first right of refusal to purchase up to 10% of quota shares, after initial allocation. In addition, the ACC also supports the development of a NMFS guaranteed preferential loan program for skippers and crew to purchase quota shares. This kind of program has been quite successful in the Alaskan sablefish and halibut IFQ fishery. In the four years the loan program has been in existence, almost \$20 million has been loaned out to skippers and crew and there have been no defaults and few late payments.

DRAFT

(Analysis page 364). In another section of the Analysis, it is noted that there has been significant new entry into the sablefish and halibut IFQ program. Twenty-eight per cent of new QS holders (975) have bought into the fishery, and those persons fished 20 per cent of the total TAC in 2001 (Analysis page 190). This is an indicator of the success of the NMFS loan program for encouraging new entrants into a quota share fishery.

The net effect of the first right of refusal plan and the loan program will be to ensure "entry level access" to the fisheries and that skippers and crew will have an ownership equity in the fisheries. Skippers will also bring the concern for stewardship of the resources to the daily operations of the vessels. Also, this program will accomplish the goal of maintaining "owners on board" the vessels.

In terms of the potential threats that consolidation poses for skippers and crew the ACC wishes to provide additional comments:

- The Bering Sea fisheries, not only crab, but groundfish are conducted under notoriously challenging conditions for both the skippers and deck men. The ACC wishes to emphasize that skilled operators will continue to be needed on the boats for reasons of not only outright fishing skills, for safety of life at sea, ability to maintain a vessel properly and overall economic efficiency in operations.
- Although not mentioned in previous Council discussions, it is appropriate to note that Bering Sea crab captains and crew men have a lot of skills that are not unique to only the crab fisheries. They have job skills that are in high demand in the Pacific Northwest and Alaska maritime industry, particularly in the towing and other cargo sectors of the industry. Several deck men and skippers, some years ago, knowing full well the implications of a comprehensive rationalization program for their livelihoods, had their sea time documented by crab vessel owners, signed up for a master or mates licensing program at one of the many certified schools in Seattle, passed their exams and went to work in the maritime industry in non-hazardous jobs that pay in excess of \$60,000 a year—plus medical and retirement benefits. With less than six months of full-time schooling, at an estimated cost of \$8,000, a crab skipper, or crew man, can obtain a mates license and be qualified for a new career.

Option 5. Owner On Board Option

- A portion (range of 5-50%) of the quota shares initially issued to fishers / harvesters would be designated as "owner on board."
- All initial issuees (individual and corporate) would be grandfathered as not being required to be aboard the vessel to fish shares initially issued as "owner on board" shares
- Shares transferred to initial issuees in the first (range of 3-7 years) of the program would be considered the same as shares initially issued
- "owner on board" shares transferred by initial issuees, after the grace period, would require the recipient to be aboard the vessel to harvest the IFQ/ITQ
- In cases of hardship (injury, medical incapacity, loss of vessel, etc.) a holder of "owner on board" quota shares may, upon documentation and approval, transfer / lease his or her shares for the term of the hardship / disability or a maximum of (Range 1-3 years)
- Shares issued to CDQ groups are exempt from owner on board requirements

Suboption: Any transfer of QS designated at initial allocation as "owner on board" quota would count against "1st refusal"

DRAFT

requirement. (This is a new Council option, 4-4-2002).

1.8.2 Overage Provisions:

- (1) Allowances for overages during last trip:
 - Option 1. 1%
 - Option 2. 3% or
 - Option 3. 5%
- (2) Any overage would be deducted from the QS holder's IFQs (during the next season) at:
 - Option 1. same amount as overage
 - Option 2. twice the amount as overage

1.8.3 AFA vessels option: Eliminate AFA harvester sideboard caps on crab species upon implementation.

Rationale: Reference the Majority Report 5-11-01. ACC supports eliminating harvester sideboard caps in a rationalization program.

1.8.4 Discussion in the analysis of season opening dates under an IFQ program and the potential for concurrent seasons and multi-species fishing to reduce bycatch.

Rationale: See 1.7.3 rationale which addresses numerous conservation and management concerns. The ACC strongly supports multi-species fisheries and concurrent seasons to reduce bycatch mortality and to improve economic efficiency for the industry.

1.8.5 Sideboards.

Sideboards shall be addressed through a TRAILING AMENDMENT, which shall evaluate the following options:

- 1. Non AFA vessels that qualify for QS in the rationalized opilio crab fisheries would be limited to their**
 - a) GOA groundfish catch history excluding sablefish or**
 - b) inshore pcod catch history in the GOA fisheries (with offshore pcod exempt).**

The years for qualification would be the same as the qualifying period selected from 1.4.2.1.

2. Sideboard exemptions:

1. exempt vessels from sideboards which had opilio landings in the qualifying years of:

- Option a. <100,000 pounds**
- Option b. <70,000 pounds**
- Option c. <50,000 lbs**
- Option d. <25,000 lbs**

3. exempt vessels with more than 100, 200, or 300 tons of cod total landings in the years 95-99

4. vessels with <10, <50 and <100 tons total groundfish landings in the qualifying period would be prohibited from participating in the GOA cod fishery.

~~Vessels that qualify for QS in the rationalized crab fisheries would be limited to their catch history in GOA fisheries. The years used for qualification (or the distribution of QS in the rationalized crab fisheries) would be the same years used to establish catch histories in the GOA fisheries. The Council also requests that the Board of Fish address sideboard issues in State Waters fisheries.~~

Rationale:

- **1.8.5 Protection for Gulf of Alaska Fishermen and Communities and other State of Alaska Managed Fisheries:** (Analysis, pages 377-378). The Alaska Board of Fisheries recently approved new "supereclusive" designations for the Kodiak tanner crab fishery and the Chignik king and tanner crab fisheries will effectively prevent Bering Sea crab vessels from participating in these Gulf of Alaska fisheries. This sets aside these fisheries for the exclusive benefit of over two hundred local fishermen and vessels. It is worth noting there are only thirteen

DRAFT

Bering Sea LLP qualified vessels that have participated in the Kodiak fishery, since it reopened in 2001. (Commercial Fisheries Entry Commission, List of Permit Holders, 2001 and 2002).

For the protection of Gulf of Alaska groundfish fisheries the NPFMC has undertaken analysis of a trailing amendment to implement caps on the historic participation of the crab LLP vessels, similar to the protective sideboards on AFA vessels. The ACC supports the development of the trailing amendment.

As a matter of policy the ACC is prepared to support the development of sideboard protection measures for other State of Alaska managed fisheries the Council recommends for protection. The Analysis notes that the State managed Korean Hair Crab fishery could be adversely affected by crab rationalization because some current participants may be freed to participate at levels they did not historically engage at. The Analysis goes on to point out that the BOF lacks authority to establish restrictions on vessels that qualify for a federal rationalization program, so the Council may want to consider sideboard levels as a trailing amendment (Analysis page 378).

2. Processing Sector Elements

Rationale: Reference Majority Report 5-11-01).

- 2.1 Eligible Processors - processors (including catcher-processors) eligible to receive an initial allocation of processing quota shares (PQs) are defined as follows:
(a) U.S. Corporation or partnership (not individual facilities) that
(b) processed crab for any crab fishery included in the IFO program during 1998 or 1999.

2.2 Categories of Processing Quota Shares

- 2.2.1 Crab fishery categories - processing quota shares may be issued for the following crab fisheries:

Bristol Bay red king
Brown king (Al Golden king)
Adak red king
Dutch Harbor red king
Pribilof Islands blue king
St. Matthew blue king
Pribilof Islands red king
Opilio (EBS snow-crab)
E-AI-tanner
W-AI-tanner
Bairdi (EBS-tanner)

- 2.2.2 Regional categories - processing quota shares will be categorized into two regions if regionalization is adopted (see Regionalization Elements for description of regions):

(a) Northern Region - All areas on the Bering Sea north of 56° 20' N. Latitude
(b) Southern Region - All areas on the Bering Sea south of 56° 20' N. Latitude and all areas on the Gulf of Alaska

2.3 Initial allocation of processing quota shares

Option 1. Processing quota shares shall be initially issued to Eligible Processors based on three-year average processing history² for each fishery, determined by the buyer of record listed on

2

The three-year average shall be the three-year aggregate pounds purchased by each Eligible Processor in a fishery

ADF&G fish tickets, as follows:

- (a) 1997 - 1999 for Bristol Bay red king crab
- (b) 1996 - 1998 for Pribilof red king crab
- (c) 1996 - 1998 for Pribilof blue crab
- (d) 1996 - 1998 for St. Mathew blue crab
- (e) 1997 - 1999 for opilio crab
- (f) Bairdi crab based on 50/50 combination of processing history for BBRKC and opilio
- (g) 1996/97, 1997/98 and 1998/99 seasons for brown king crab
 - (h) The council shall/may determine if the 4 species not included are appropriate for PQs, Dutch Harbor red king, E AI tanner, W AI tanner, and Adak red king
 - (i): The qualifying years for issuance of IPQ in the Western Aleutian Islands (Adak) red king crab fishery will be:
 - Option A. 1992/93 to 1995/96
 - Option B. Based on Western Aleutian Islands brown king crab IPQ
 - Option C. 0 - 50% of IPQs would be allocated to the community of Adak

Option 2. Processing quota shares shall be initially issued to Eligible Processors based on the processing history for Opilio, BBRKC or brown king crab, determined by the buyer of record listed on ADF&G fish tickets, using the best 4 seasons during the 1996 - 2000 seasons.
 Suboption: Extend this option to 1996 - 2002 for Opilio (best 6

of 7 seasons)

1996 - 2001 for BBRKC (best 5 of 6 seasons)
 1996/7 - 2001/2 for brown king crab (best 5 of 6

seasons)

Option 3. If an eligible processor is no longer active in the crab fisheries, the history of the processor will be allocated to open delivery (Class B) shares but will retain its regional designation.

Option 4. If the buyer can be determined to be an entity other than the entity on the fish ticket, then the IPO shall be issued to that buyer.

2.4 Percentage of season's GHIL or TAC for which IPQs are distributed:

2.4.1 IPQs will be issued for a portion of the season's GHIL or TAC for each species to provide open delivery processing as a means to enhance price competition:

Option 1 100% GHIL (or TAC) would be issued as IPQs

Option 2 90% GHIL (or TAC) would be issues as IPQs - the remaining 10% would be considered open delivery.

Option 3 80% of GHIL (or TAC) would be issued as IPQs - the remaining 20% would be considered open delivery.

Rationale:

- 2.4. Percentage of TAC for IPQs, 80/20: To insure market competition, the ACC firmly recommends the Council set aside 20% of the crab processing history as open access quota, available for any licensed crab processor in the State of Alaska for reasons that follow:

divided by the three-year aggregate pounds purchased by all Eligible Processors in that fishery.

DRAFT

The vast majority of the crab fleet feels strongly that this is the minimum level of open access processing quota needed to insure market competition for independent harvesters. The 276 vessel crab fleet is comprised of 223 small independent businesses, while six of the twelve major processors that will control over 90% of the processing quota shares—are large diversified entities. The average gross revenue from crab fisheries has plummeted since 1999, from \$1 million dollars, on average to \$335,000 in the 2001-2002 Bristol Bay king crab and Bering Sea snow crab fisheries. Numerous vessels in the fleet are struggling financially and on the verge of bankruptcy. (See the attached summary, "The Need for Implementation of a Rationalization Program," based on the Analysis, pages 427-428).

A review of the crab processing sector in the Analysis in section 3.4.3, pages 271-282, illustrates the extent of the potential problem of market domination. Twelve processing entities will control over 90% of the processing quota shares in snow crab, Bristol Bay king crab and bairdi fisheries. In the Pribilof Islands king crab and St. Matthew Islands king crab fisheries, over 90% of the processing quota share will be controlled by eight processing entities. In the Eastern Aleutian Islands golden king crab fishery, four processing entities will control over 80% of the processing quota share. In the Western Aleutian Islands golden king crab fishery, the leading four processors average about 23% each of the total allocation of processing quota share.

Although the analysis provides a list of an estimated 37 companies that are eligible for processing quota shares, 11 of these are independent catcher processors that will share an estimated 7-8% of the overall harvesting and processing quota shares (Analysis appendix 3.3 and page 271). The 11 catcher processors will at the most, only be eligible to purchase B share crab from catcher vessels.

It is clear to see that if over 90% of the A share processing quota is controlled by 10-12 companies and 7-8% of the processing quota is controlled by an additional 11 independent catcher processors, the balance of the processing companies listed in the analysis—16 companies—will share only 2-3% of the processing quota. This situation underscores the need for 20% open access processing quota and commercial binding arbitration.

The extent of common ownership, or vertical integration of vessels and processors, is worth noting. The Analysis notes that in a fishery with expansive common ownership of the harvesting and processing sectors, participants in either sector that are not vertically integrated will have a different position in the market from those participants that are vertically integrated. The amount of vertical integration varies by fishery. In the three major fisheries, the Bristol Bay king crab, the Bering Sea opilio and the Bering Sea bairdi fisheries, processor affiliated vessels have caught between 11-13% of the total catch in the seasons being considered. (Analysis page 99). If the market benefits of vertical integration are considered within the context of the five out of six AFA pollock/crab shorebased companies that have substantial common ownership in harvesting and processing pollock, this issue can have significant implications for future consolidation in the crab industry.

Although the non-diversified crab processing companies are suffering financially, six of the major companies that are diversified with substantial pollock production, are in strong financial condition. Three of these companies are consistently listed in the top twenty-five seafood companies in the United States (Seafood Business, May 2002) with gross revenue of \$220 million to \$650 million, in 2001. In the same article listing the top twenty-five companies, Seafood Business notes that the trend towards mergers and acquisitions continues in the seafood industry and it is shrinking the largest group of seafood companies into fewer, bigger players.

DRAFT

- Option 4 70% of GHL (or TAC) would be issued as IPQs - the remaining 30% would be considered open delivery.
- Option 5 0% - no processing shares

2.5 Implementation of the open delivery processing portion of the fishery:

Catcher vessel QS/IPQs are categorized into Class A and Class B shares. Purchases of crab caught with Class A shares would count against IPQs while purchases of crab caught with Class B shares would not. Crab caught with Class B shares may be purchased by any processor on an open delivery basis.

2.6 Transferability of processing shares - provisions for transferability include the following:

- (a) Processing quota shares and IPQs would be freely transferable, including leasing
- (b) IPQs may be used by any facility of the Eligible Processor (without transferring or leasing)
- (c) Processing quota shares and IPQs categorized for one region cannot be transferred to a processor for use in a different region.

2.7 Ownership and use caps - different percentage caps may be chosen for each fishery:

2.7.1 Ownership caps

- Option 1. based on maximum share for processors by fishery plus a percentage of 5%, 10% or 15%.
- Option 2. Ownership cap equal to largest share issued to processor at initial issuance.
- Option 3. Range of caps from average to maximum with grandfather clause.

PQS ownership caps should be analyzed using both the individual and collective rule and the threshold ownership rule using 10%, 25%, and 50% minimum ownership standards for inclusion in calculating the cap. PQS ownership caps are at the company level.

2.7.2 Use caps

- Option 1 Annual use caps ranging from 30% - 60% of the GHL (or TAC) by fishery.
- Option 2. Annual use caps of quota share equal to the largest PQ holder's share in each specific fishery.

2.8 Other Optional Provisions:

2.8.1 The crab processing caps enacted by Section 211(c)(2)(A) of the AFA would be terminated.

Rationale: Reference the Majority Report May 11, 2001. The ACC supports removing the crab processing caps under a rationalization program.

2.8.2 Penalties - Eligible Processors must fully utilize their processing quota shares in the season while a fishery is open or lose the amount that is not utilized for one season in the next season.

(1) Distribution of unused quota:

- Option 1. Distributed to other processors proportionally
- Option 2. Distributed to other processors equally

Option 3. Allocate to open delivery

Suboption 1. If QS is reclassified from Class A to Class B:

- a) reclassification of Class A QS will be distributed proportionally among all Class A QS holders
- b) reclassification of Class A QS will be distributed equally among all Class A QS holders

DRAFT

c) reclassification of the unused Class A OS to B class

All three options for reclassification of these temporary B OS should require a regionalization designation to maintain the appropriate regional allocations. Additionally, include discussion of reasons a processor may not use its quota, including physical inability (e.g. plant breakdown); harvesters being unable to deliver when the processor is able to process; bona fide price disagreement; concern over exceeding the processor quota allotment (when there is only a small amount of processor quota remaining); and bonafide dispute over quality of the crab.

(2) Hardship provisions

- 2.8.3 Option for use of a private sector managed (non-governmental), binding arbitration process, for failed price negotiations, between fishermen and processors. To the extent that this may be a key design feature in a two pie IFQ program, the analysis should consider the mechanics and applicability to a two pie IFQ program.

Considerations for analysis of binding arbitration:

- Individuals and groups of fishermen holding OS will negotiate independently and separately with individual processing companies holding POs at any time, before season openings, the earlier the better, to seek best market prices;
- Only required if negotiations fail to achieve acceptable price to both parties;
- Private-sector financed and managed and conducted on a company-by-company basis;
- Individuals, groups and companies that request binding arbitration jointly bear the cost;
- Requires statutory definition, along with harvesting and processing quota shares;
- Harvesting and processing sectors must agree to participate;
- Agreements on price settlements are binding and will likely require an enforcement mechanism (i.e. contracts or statement of agreement between parties);
- Biological seasons, overlap of the biological seasons, crab quality, weather and other considerations need to be contemplated in development of the process framework;
- Need to establish criteria for pool of arbitrators

Elements of the binding arbitration process: (To be further developed by the arbitration committee.)

- Requires independent market analyses for specified BSAI king, tanner (Bairdi) and snow (Opilio) crab species by a designated market analyst to be chosen by industry (fishermen and processors);
- Arbitrator, chosen by industry (fishermen and processors) before start of negotiations, sits in on presentation of market analysis but does not sit in on negotiations;
- Need to establish and adhere to deadlines for:
 - (1) Presentation of market analysis to industry (i.e. 8 to 10 weeks prior to season opening)
 - (2) Agreement on date to go to arbitration
 - (1) Pre season
 - (2) In season
 - (3) Agreement on deadline for price settlement
 - (1) Date certain
 - (2) or based on % of GHL caught
- Arbitration will require the parties to submit best price and arbitrator picks one or the other price, but does not split the difference or other options

DRAFT

Options to establish a price:

- Option 1. Prices established are a minimum price, based on market analysis, with processors agreeing to pay at least the minimum price (allows variability on prices between companies).
- Option 2. Formula approach similar to some Bering Sea pollock operations, where the fleets share in the percentage of the sale price of the products. In this case, the arbitrator would decide the formula percentage.

The Council will appoint a technical working group to further assess the means to implement a system of Binding Arbitration as part of the crab rationalization program for all alternatives considered. The working group should be charged to return with a report to the Council in June, 2002. The working group will include staff support, NOAA GC, and representatives of the AMA, the processors, and harvesting groups. Further the Council/NMFS will explore options to bring in representatives of the harvest and processing sector from the Newfoundland crab fishery, who participated in the process with John Sackton, the arbitrator.

Additionally, the costs of arbitration and market research shall be funded by one-quarter of one percent of the federal fee on the ITQ program from the fisheries subject to the rationalization plan - distributed equally to an arbitration fund to the harvesters' legally constituted collective bargaining association.

- a) One quarter of one percent of the program for enforcement and management

Rationale: ACC is prepared to support the recommendations of the Arbitration Committee and strongly supports a commercial arbitration program.

- **2.8.3 Binding Arbitration:** The ACC also supports commercial "final offer" binding arbitration as an additional safeguard for harvesters to insure future market competition. This system has worked well to resolve price disputes in the Newfoundland snow crab industry and it has increased stability in the industry in the last four years. This form of final arbitration suits the crab industry well and it is cost effective. Recently at a workshop in Seattle, where John Sackton, a Newfoundland snow crab industry consultant provided the Bering Sea crab industry with an overview of the Newfoundland pricing system, the industry learned the system was very cost effective, at a total cost of \$100,000 per year. The Analysis on page 346 notes that final-offer arbitration has achieved some success, particularly in the Newfoundland fisheries.

Although NOAA/GC points out legal and implementation concerns (Analysis pages 348-350), the ACC is confident the issues addressed are entirely manageable and the ACC recommends that Congressional authorization be limited to a simple, rather than a complex and lengthy provision. The details of the program should be worked out by the industry within the Council process. The ACC is prepared to support the recommendations of the recently appointed NPFMC committee on arbitration.

The following additional options are added for analysis:

1. Arbitration may bind:

Option 1. All harvesters

Option 2. Only fishermen associated with a particular processor _____ entity

Option 3. All processors

Option 4. Only the processor associated with a particular group of _____ harvesters

2. The arbitrator shall base his or her decision on:

DRAFT

Option 1. Historical sharing of revenues in the fishery

Option 2. Historical revenues and costs of the fishery

Option 3. Distribution of revenues in excess of variable costs in the fishery

Option 4. All of the above and any other relevant factors the parties present to the arbitrator

3. An arbitration decision may be enforced by:

Option 1. Standard contract law provisions

Option 2. Use it or lose it provisions for both harvesters and processors

Option 3. Specific performance requirement

Staff shall include a brief preliminary qualitative discussion of the binding arbitration options in the public review analysis. Staff shall provide further analysis as the program is better defined.

3. Regionalization Elements

Rationale: Reference the Majority Report 5-11-2001.

3.1 Two regions are proposed:

(a) Northern Region - All areas on the Bering Sea north of 56° 20' N. Latitude. (This region includes the Pribilof islands and all other Bering Sea Islands lying to the north. The region also includes all communities on Bristol Bay including Port Heiden but excludes Port Moller and all communities lying westward of Port Moller.)

(b) Southern Region - All areas on the Bering Sea south of 56° 20' N. Latitude and all areas on the Gulf of Alaska (This region includes all parts of the Alaska Peninsula westward of and including Port Moller. All of the Aleutian Islands are included in the South Region as are all ports and communities on the Gulf of Alaska.)

Suboption: Regional categories for deliveries of Aleutian Islands brown king and Adak red king crab split into a "Western" (west of 174 degrees West longitude) and "Eastern" (east of 174 degrees West) area with an option that up to 50% of W AI brown king crab must be processed in the W AI region.

3.2 Regional categorization of processing and/or harvesting quota shares

3.2.1 Categorization will be based on all historical landings. Periods used to determine regional percentages are as follows:

Option 1. 1995 - 1999

Option 2. 1997 - 1999

Option 3.

There shall be no regional designation when the percentage associated with the region is 0 - 8%.

There shall be no regional designation of the Bairdi fishery shares.

There shall be no regional designation of the Bristol Bay red king crab fishery shares.

Pribilof red king crab Class A shares shall all be designated for the Northern Region.

Pribilof blue king crab Class A shares shall all be designated for the Northern Region.

3.2.2 Options for the harvesting sector:

Option 1. all CV quota shares are categorized by region

Option 2. Only Class A CV quota shares are categorized by region

DRAFT

3.2.3 Options for the processor sector:

Option 1. Processing quota shares and IPQs are categorized by region

Option 2. Regional restrictions apply to deliveries made on an open delivery basis

3.2.4 Once assigned to a region, processing and/or harvesting quota shares cannot be reassigned to a different region.

3.2.5 Options for addressing potential mismatch of harvesting and processing shares within the region.

1. The base years for determining processing shares and the base period for determining the share assigned to each region shall be the same.

2. If the cumulative harvester quota associated with each region differs from the total regional share, by species, the harvester share, by species, shall be adjusted, up or down, in the following manner:

a. The adjustment shall apply only to harvesters with share in both regions.

b. The adjustment shall be made on a pro rata basis to each harvester, so that the total share among those harvesters, by region, equals the total share assigned to each region.

3. The adjustment shall only be on shares that carry a regional designation; Class B quota would be excluded from the adjustment.

3.3 Delivery and processing restrictions - the following provisions apply to the delivery and processing of crab with IFQs or IPQs that are categorized by region:

(a) Crab harvested with catcher vessel IFQs categorized for a region must be delivered for processing within the designated region

(b) Crab purchased with IPQs categorized for a region must be processed within the designated region.

3.4 Alternative Regionalization/Community Protection Option: Processing history may leave an eligible community of origin in which the history was established with permission of the eligible community. The processing QS may change communities with negotiated agreement between the processor and the originating (eligible) community; these agreements will be filed with the Secretary of commerce thirty days prior to the quota share leaving the eligible community.

"Eligible communities" shall be defined as any community in which aggregate (community) landings exceeded 0-8% of the species for which processor QS is awarded during the qualifying period.

"Community landings" for closed fisheries will be determined using a formula that mirrors "processor option one" as defined in the current analysis.

Option to be evaluated as a TRAILING AMENDMENT:

Under this option, processor quota shares are subject to regional designations as set forth in Section 3.1, 3.2 and 3.3. A processing quota share holder may switch processor quota from one region to another region (on an annual or permanent basis) by compensating the community that is impacted by that change. A processor must provide compensation only if it switches from one region to another region. A change in location of processing within a region does not require compensation to a community. Compensation for a permanent departure from a region is only required one time; a subsequent change to another region does not require further compensation by the processing share quota owner. A switch of the region of processing under this option would include the following elements:

1. This option does not displace the regional designation of Class A shares or the processing of quota delivered under Class A shares. It instead provides an option for the delivery and processing of quota from Class A shares using IPQ into a different region upon compensation (in a manner and form acceptable to the effected community) to switch to another region.

DRAFT

2. The community to be compensated would be determined by the community that received the raw fish tax associated with the IPQ being transferred. The options for determining the community include:
 - (a) The community to which the raw fish tax was paid in 1, 2, 3 or 4 years prior to the proposed transfer;
 - (b) The community to which the raw fish tax was paid in the period used to determine eligibility for the issuance of IPQ;
 - (c) The community to which a majority of the raw fish tax was paid in the period designated in a or b above.
 3. The processor that pays the compensation to the community may designate the harvester that also is allowed to switch from the original region to another region. The harvester is free to accept or reject that designation.
 4. The option applies only to IPQ and corresponding Class A shares. It does not apply to any processing of Class B shares nor to Class B shares themselves.
 5. The entity entitled to negotiate on behalf of the community shall be designated by one of the following: The State of Alaska or the United States Department of Commerce.
4. Community Development Allocation (based on existing CDQ program):
Option 1. No change from existing program

Rationale:

- **4. Community Development Quota Allocation:** The ACC recommends the CDQ allocation remain at status quo in light of the tremendous success of the CDQ investment in the lucrative Bering Sea pollock fisheries, while on the other hand, the Bering Sea crab fisheries are in a very depressed economic state, as previously noted, and crab fishermen can ill afford dilution of their initial allocation of QS. **CDQ groups are already invested in thirteen crab vessels and share an estimated 3% of the catch in the Bering Sea crab fisheries—plus they control 7.5% of the GHLS with the CDQ allocation for a total of 10.4% of the Bristol Bay king crab and opilio crab GHLS. (The estimate is conservatively based upon the 13 vessels averaging .5% each of the GHLS and the CDQ groups sharing 50% of that.) In the Aleutians brown crab fishery, industry sources estimate that the three CDQ owned vessels share 23% of the Eastern and Western District catches—so the CDQ groups share 50% of that, or 11.9% of the catch in that fishery. CDQ groups presently share 10.4% of the overall GHLS for BSAI king and tanner crab fisheries. CDQ groups are well-positioned for further development in the crab fisheries and an increase in the CDQ allocation is not warranted.**

- | | |
|-----------|--|
| Option 2. | Expand existing program to all crab fisheries under this analysis. |
| Option 3. | Increase for all species of crab to 10% |
| Option 4. | Increase for all species of crab to 12.5% |
| Option 5. | For the Aleutian Islands brown king crab fishery, the percentage of resource not utilized (difference between actual catch and GHLS) during base period is allocated to the community of Adak. |

5. Program Duration and Review

The following options apply to all program elements:

- Option 1. Program review after 2 years and every 3 years thereafter to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts.

Option 2. Program review every 3 years to objectively measure the success of the program, including

DRAFT

benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts.

Option 3. No program review

Option 4. Sunset in 5 or 7 years

6. Cooperative model options:

6.1 Coop model with the following elements and options:

(Alaska) State Voluntary Cooperative: The purpose of the voluntary cooperative for BSAI crab fisheries is to allow harvesting, processing and community interests to share in the benefits of a rationalized fishery, enhanced by formal cooperation between buyers and sellers. A cooperative structure encourages entities with common and mutual interests to approach those interests through a common perspective. (Allocates based on the history of fishermen and processors and allows flexibility for more than one coop for both fishermen and processors).

Rationale: The ACC supports the State Voluntary Cooperative as a secondary priority for a rationalization program, a voluntary cooperative overlaid on a two pie IFQ program. If this program is selected by the NPFMC as its preferred alternative, refer to ACC's specific recommendations under the elements and options that would also apply to a voluntary cooperative.

1. Individual harvesting and processing histories are issued to both catcher and processors. (Harvesters under Section 1.3.2 a) which meet program qualifications. Processors under Section 2.1, 2.3, and 2.4 (Options 1-4) which meet qualifications of the program).
2. Cooperatives may be formed through contractual agreements among fishermen who wish to join into a cooperative with one or more processors holding processor history for one or more species of crab. Fleet consolidation within this cooperative may occur either by internal history leasing and vessel retirement or by history trading within the original cooperative or to a different cooperative.
3. There must be at least 2 or more unique vessels/owners to form a coop with a processor. Vessels are not restricted to deliver to a particular plant or processing company.
Suboption: There must be at least 4 or more unique vessels engaged in one or more crab fisheries to form a coop with a processor. Vessels are not restricted to deliver to a particular plant or processing company.
4. New processors may enter the fishery by acquiring processor history from an initial issuer. Cooperative formation with a new processor lacking processing history requires the new processor to offer both an adequate payment to the vessel and to the originating plant where the prior processing history resided.
5. Custom processing would continue to be allowed within this rationalization proposal.
6. Provide an opportunity for communities. Processing history may leave an eligible community of origin in which the history was established with permission of the eligible community. The processing QS may change communities with negotiated agreement between the processor and the originating (eligible) community; these agreements will be filed with the Secretary of commerce thirty days prior to the quota share leaving the eligible community.

DRAFT

"Eligible communities" shall be defined as any community in which aggregate (community) landings exceeded 0-8% of the species for which processor QS is awarded during the qualifying period.

"Community landings" for closed fisheries will be determined using a formula that mirrors "processor option one" as defined in the current analysis.

(The above option for community protection is being considered as trailing amendment under section 3.4 may be included in this program)

7. Regional Categories:

- Option 1. No regional categories.
- Option 2. Harvester cooperatives' regional categories for deliveries of Bering Sea crab as in paragraph 1.3.4.
- Option 3. Harvester cooperatives' regional categories for deliveries of Aleutian Islands brown king and Adak red king crab split into a "Western" (west of 174 degrees West longitude) and "Eastern" (east of 174 degrees West) area.

8. Duration of coop agreements.

- Option 1. 2 years
- Option 2. 4 years
- Option 3. 6 years
- Option 4. A harvester quota share holder may exit the cooperative at any time after one season. One season shall mean the season established by the Alaska Board of Fisheries for the fishery associated with the quota shares held by the harvester.

9. Community Development Allocation (under existing CDQ program)

- Option 1. No change from existing program
- Option 2. Expand existing program to all crab fisheries under this analysis.
- Option 3. Increase for all species of crab to 10%
- Option 4. Increase for all species of crab to 12.5%
- Option 5. For the Aleutian Islands brown king crab fishery, the percentage of resource not utilized (difference between actual catch and GHL) during base period is allocated to the community of Adak.

10. Observer requirements. For crab vessels greater than 60' in length, maintain observer coverage at:

- Option 1. Status quo.
- Option 2. 10%

Rationale: This is actually the status quo under the ADF&G cost recovery program for catcher vessels. Consideration of any adjustments should be referred to the BOF, as they have jurisdiction over this issue.

- Option 3. 20%
- Option 4. 30%

11. Length of program:

- Option 1. Sunset in 5 years
- Option 2. Program review to objectively measure the success of the program by addressing concerns identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards.
 - Suboption 1. Program review after 2 years
 - Suboption 2. Program review every 3 years

DRAFT

12. Option for skipper and crew members: Protection of traditional and historical crew share percentages with no sunset.
See Section 1.8.1 Options for skippers and crew members

Option 2: First Right of Refusal on OS transfers –

10% after initial issuance

Option 4: and, a low interest rate loan program

for skipper and crew shares

13. Catch Accounting - All landings including deadloss will be counted against a vessel's quota. Options for treatment of incidental catch are as follows:

- Option 1. No discards of legal crab will be allowed, and sufficient quota for legal crab must be available.
- Option 2. No discards of "marketable" crab will be allowed for opilio crab and sufficient quota for "marketable" crab must be available. (Legal size for opilio is 3.1 inches, but the industry standard is 4 inches.)
- Option 3. No discards of opilio crab with a carapace of 4 inches or greater in width.
- Option 4. Discards of incidentally caught crab will be allowed. (This option would allow, for example, incidental catch of bairdi crab in a red king crab fishery to be discarded without counting against a vessel's bairdi quota.)
- Option 5. Request ADFG and BOF to address the concerns of discards, highgrading, incidental catch and the need for bycatch reduction and improved in season monitoring to coincide with implementation of a rationalization program.

Rationale: The ACC supports BOF actions to address the issues of discards, highgrading, incidental catch and the need for bycatch reduction. See previous ACC comments, elements and options.

6.2

Use a co-op model that would have the following options:

Rationale: This type of cooperative model is inappropriate for the BSAI crab fisheries. This is the CRAB Group proposal, it calls for one coop only per processor, it disadvantages small processors, and it is not feasible with multi-species crab fisheries and where fishermen have a history of delivering products to more than one processor.

1. Formation of Coop

- A. There would be one coop formed with each eligible crab processor. Coops would be formed with the processor at the company level, not the plant level. Two or more vessels are sufficient to form a coop. The coop would handle all species of crab.
- B. Crab processor eligibility would be determined using the qualifying period identified for allocation of initial IPQs (Eligible Processors, including C/P as revised in 1.7.2.3 option 5. Processors eligible to receive an initial allocation of processing quota shares (PQs) are defined as follows: U.S. Corporation or partnership (not individual facilities) that processed crab for any crab fishery included in the IPQ program during 1998 or 1999.)
- C. Each crab vessel is eligible to join only one coop. Which coop the vessel is eligible to join is determined based on which eligible processor that vessel delivered the highest pounds of crab to during the processor qualifying period used for 1.B above.
- D. Vessels that join a coop will have their catch history from the vessel qualifying period protected. A vessel that does not elect to join in the coop for which it is eligible remains under an open access fishery.
- E. Each vessel's catch history is determined using the formulas identified for calculation of initial quota shares selected under section 1.4 as modified above.

DRAFT

F. A coop agreement would be filed annually with the Secretary of Commerce, after review by the Council, before a coop's catch history would be set aside for their exclusive use. The processor and each boat that is eligible and elects to join the coop must sign the agreement. Only the histories of those boats that sign will be protected.

2. Operation of Coop

A. The coop is responsible for allocating fishing quotas for each species of crab to the coop members. Each vessel is entitled to one vote, and decisions will be made by majority vote unless otherwise agreed to by the coop members.

B. The processor with which the coop is formed gets

- i. first right of refusal for all crab harvested by coop members, with coop free to deliver crab to another eligible processor if no agreement is reached; or
- ii. a guaranteed amount of coop crab to be delivered, with the amount ranging from 10% to 100%, the remainder of which can be delivered by the coop to either—

- I. any eligible processor, or
- II. any processor, eligible or not (i.e., new entrant allowed).

C. If the processor buys the coop crab, it may process the crab itself or may arrange to have it processed by any other crab processor (i.e., the processor acts as broker for coop crab it does not wish to process).

D. In the alternative, the processor may elect to have the coop act as its own broker for crab the processor does not wish to buy, with the coop free to either sell the crab to another processor or allow individual vessels to make arrangements on their own.

E. Cooperatives may arrange to swap, purchase, or trade deliveries of crab by mutual agreement of the cooperatives concerned.

3. Movement of Vessels Between Coops

A. Three alternatives would be analyzed.

- i. Vessels are free to transfer between coops once each year, with agreement of the coop to which they are moving. Vessel catch history goes to new coop.
- ii. Vessels may move to a new coop after spending one year in the open access fishery. Coop must agree to entry of new vessel. Vessel catch history is not protected in open access, but is restored upon entering new coop.
- iii. Vessels may only leave coop with agreement of the processor. Catch history only goes with vessel if processor agrees.

B. Vessels that did not join a coop in the first year coops are formed may join the coop of the processor to which they delivered the highest pounds of crab in the previous year after spending one year in the open access fishery.

4. Regionalization, Etc.

A. All other options in the June Draft Council motion regarding regionalization, skipper/crew shares, etc. would be applied to the Lead Fishery Cooperative Model based on the options identified for analysis in those areas.

5. Taxes

Require owners of CP vessels to pay a fee equivalent to the tax that would have been imposed had the CP operated in State waters.

DRAFT

(Additional considerations for analysis are listed below: These issues are being addressed in the analysis at the request of members of the industry, the public and NPFMC members.)

Further, the Council reaffirmed its earlier policy statement that catch history in the crab fisheries beyond December 31, 1998 may not count in future rationalization programs, including a fishery cooperative system.

The Initial Council Review Draft of the plurality coop is complete. Further analysis should focus on the options for an individual quota framework - both one-pie and two-pie - for management of the BSAI crab fisheries. The analysis should include a discussion of the use of the voluntary cooperative as a fishery management tool within the individual quota framework.

The analysis should include information on the alternative fisheries that harvesters and processors have participated in, so that alternative allocation options can be better assessed based on an individual harvester or processor's dependence on a particular crab fishery.

The amount of stranded capital in the processing sector should be analyzed. Options for addressing the stranded processing capital issue, such as a processor buyback program should also be discussed.

The effect of regionalization on ownership caps should be added to the analysis.

The analysis should include a qualitative discussion of cumulative impacts of the options on different classes of vessels.

Motion to require certain socioeconomic data from the crab catching, processing and catcher/processors participants during implementation of the crab rationalization program. This information is to include, but not be limited to: harvest and production costs; expenditure patterns; vessel ownership data including vessel identifiers (name and address files); and employment and earnings data. Individual socioeconomic data will be collected from fishing and processing entities and tabulated by the resource agencies, and maintained in a secure and confidential manner for analysis by the State and Federal fishery management agencies and the NPFMC. A team of Council and agency staff shall be appointed to develop a list of specific data to be collected, and the mechanism by which the data would be collected. Upon development of the draft plan, the team will meet with Council identified industry members to refine the program. (Data Collection Committee)

In addition the analysis should include the customary information that meets the requirements of an IRFA, RIR, EA etc.

Adopt by reference the recommendations on page 10 of the Final AP minutes of 2/9/02 and the SSC recommendations regarding improvements and changes to the crab rationalization document outlined in the SSC minutes of 2/7/02.

The state's current authority to set GHs will be modified to include the setting of TACs under the BSAI Crab FMP.

Finally, the Council requested that the Analysis include to the extent possible a comprehensive qualitative and, where possible, quantitative consideration and examination of the following:

1. Processor ownership interest in BSAI crab harvesting vessels
2. CV ownership interest in processors
3. Processor ownership interest in BSAI crab fishing history
4. CV ownership interest in BSAI processing history
5. Foreign ownership interest in the BSAI crab processing sector

DRAFT

6. Foreign ownership in the BSAI crab harvesting sector
7. The percentage of Harvester QS that will be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab harvesting vessels and BSAI crab fishing history.
8. The percentage of processor PQs that will be allocated to the harvesting sector as a result of harvesting sector ownership interests in the BSAI crab processing sector and BSAI crab processing sector history including CPs.
9. The anti-competitive impacts and economic barriers that may result from the cumulative and combined impacts of Individual Processing Quotas (IPQs) coupled with Regionalization. For example, are the combined impacts and barriers of IPQs and Regionalization different than the individual and respective impacts of IPQs or Regionalization and, if so, to what extent.
10. The general economic and social impacts and the impacts on free and open competition and markets of IPQs, including the Halverson report and Matulich report on a 2-pie IFQ-type program.
The impacts of IPQs on free markets and vigorous competition in the BSAI crab industry that may result from (1) processor sector ownership interest in BSAI crab harvesting vessels, (2) processor sector ownership interest in BSAI crab fishing history, and (3) the percentage of harvester QS that may be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab vessels and BSAI crab fishing history.
11. Staff should provide information describing the issues related to recency and potential proxy QS from other crab fisheries for determining the initial allocations in the EAI tanner, WAI tanner, and EAI (Dutch Harbor) red king crab fisheries. The State of Alaska should be consulted on potential options which can be implemented as trailing amendments.
12. An analysis of the implications of rationalization on BSAI and GOA groundfish and other crab fisheries (including tanneri and Pribilof Islands brown king crab fisheries) shall be included in the analysis.
ADD: *implications of rationalization on the Korean hair crab fishery.* (It was brought to the attention of the Council staff at the April 14, 2002 meeting that the Council will likely have to develop sideboard protection for participants in the Korean hair crab fishery. See 1.8.5, Protection for Gulf of Alaska Fishermen and Communities and other State of Alaska Managed Fisheries (Analysis pages 377-388).
13. A comprehensive section on environmental consequences (including bycatch, high grading, stock rebuilding) of the rationalization alternatives shall be included in the analysis.
14. An analysis of the impact of the crab vessel buyback on the rationalization alternatives (including the distribution of allocations and caps of harvester and processor shares and the regionalization alternatives) shall be included in the analysis.
15. The analysis shall include a discussion of the cost recovery program and its interaction with the current State fee program.
16. The general impacts of IPQs on free markets and vigorous competition, price mechanisms, costs, distribution of rents and other competitive mechanisms:
 - (1) in the BSAI crab processor sector
 - (2) in the BSAI crab harvester sector.
 - (3) in the BSAI crab industry,
 - (4) in the non-AFA processor sector,
 - (5) in the Kodiak processor sector,
 - (6) in the BSAI and GOA fishing industry,
 - (7) that may result from mergers, acquisitions, combinations and concentrations in the processing sector,
 - (8) that may result from foreign ownership interest in the processing sector.
17. Restrictions of ownership of Harvester QS by processing entities that have more than 25% foreign ownership interest.
18. Spillover effects on other fisheries.

DRAFT

19. Include a discussion of the percent of GHL purchased by non-eligible processors on an annual basis and the effect on the final QS pool.
20. Include a conceptual discussion on how co-op management might work in the harvesting and processing sectors and a comparison of IFQs/IPQs, to co-ops including the Dooley-Hall co-op structure in addressing the problem statement.
21. Conservation benefits and other implications of each component of the program (IFQ, IPQ, Regionalization Co-ops). Present the analysis of these issues in a consolidated section in the EA/RIR.

C-3
Dick Powell

RICHARD POWELL
P. O. BOX 2074
KODIAK, ALASKA 99615

CRAB RATIONALIZATION ELEMENTS & OPTIONS
SPECIFIC CONCERNS - NPFMC June 2002

I have fished crab in the Aleutian Islands for over 20 years and chose to concentrate nearly all of my fishing efforts for crab in this area. The two species that are located in the Aleutian Islands are brown king crab and red king crab. I do not have a history for red king crab or opilio tanner crab in Bristol Bay. I am in a fairly unique situation in that my history and dependence are exclusively on the Aleutian Islands king crab fisheries.

The following options that I support are extremely important to the continued viability of my fishing operation.

1. **Include Adak red king crab as a fishery to be rationalized.** This fishery has been closed since 1996 and will re-open this fall with a GHLL of 500,000 pounds. Historically, I have been one of the primary participants in this fishery. Prior to the closure of the fishery, I worked very hard to have a restrictive pot limit implemented to ensure that the fishery would be operated in a slower manner, providing the department with a greater degree of control on small harvest limits. Since the fishery closed, I have worked with the Crab Plan Team, ADF&G, and the Board of Fisheries to develop a test fishery that could be used to determine the status of stocks. At the recent March Board of Fisheries meeting, I proposed and supported measures that would conserve and protect the resource, while allowing for a limited fishery to occur. If this fishery is not rationalized, it will be the only fishery that is left to experience a "race for fish". That situation could be devastating for this small fishery.
2. **The years for rationalization for Adak red king crab would be 1992-1996 (best two seasons).** While the use of all years for the last five years that the fishery was opened is more beneficial to my vessel, I am supporting the best two years, which allows others to maximize their fishing history in this area. The reason that the year option ends at 1996 is because that is the last year that the fishery was open.
3. **Aleutian Islands Brown King Crab GHLL Split.** The AI brown king crab fishery LLP is for one area, although the GHLL is split between the eastern and western sub-districts; approximately 45% in the western area and 55% in the eastern area. I am proposing that the IFQ be allocated to the eligible participants based on this split. Because it is one LLP area and vessels can fish in either of the sub-districts, this seems to be the most sensible way to allocate the IFQ. The protection that results is that if either area experiences a downturn in CPUE and the department reduces or even closes the fishery, the participants can fish in the other sub-district. For those who have based all of their catch history in this area, this protection is vital. A petition is attached supporting this proposal. The signers of this petition represent

about 80% of the catch history for the entire AI area. One element of the proposal that is key is that the IFQ participants would be allowed to annually trade on a pound-for-pound basis IFQ in one sub-district for IFQ in another sub-district. This way, if someone wanted to concentrate all of their fishing in one sub-district, they could do so. In checking with ADF&G, it is clear that this is not a biological issue.

4. **Aleutian Island Brown king crab years for rationalization:** 1995/1996 – 1998/1999 (drop one season). This fishery has a biological season that begins in August and ends in the spring of the following year. The years selected will award some recent participants, without awarding IFQ to those who began fishing after the Council passed a control date and warned people that history after that date may not apply. The beginning of the time frame of 1995 provides recognition for historical dependence on the fishery.

5. **Ownership caps for Aleutian Brown King Crab and Adak Red King Crab.** Because these fisheries are so far out the chain, without a lot of participants, I have had them almost to myself for many years, while other fishermen concentrated their efforts in Bristol Bay for red king crab or opilios. Consequently, I was able to take a large portion of the catch for these species. This means, of course, that I was not active in any other crab fisheries of the BSAI. In setting ownership caps, it is important that my dependence on this fishery be recognized. I am supporting a 40% cap for Aleutian Islands brown king crab and a 30% cap for Adak red king crab.

AREA O BROWN CRAB FISHERY POSITION

For the Aleutian Islands brown crab fishery allocation of IFQ, we support the qualifying poundage to be determined, regardless of years selected, by the catch for the entire Area O.

For the initial allocation of quota share, we support the quota share to be split for each participant based on the Guideline Harvest Limit split between the eastern and western sub-areas.

We further support the ability for Area O IFQ holders to annually trade quota without restriction between the two sub-areas. Ownership and vessel caps would apply to the entire Area O, without sub-area caps.

Russell W Moore
Signature

F/V North Pacific
Vessel Name

Richard Powell
Signature

M Patricia Lee
Vessel Name

Thompson
Signature

F/V Ocean Olympic
Vessel Name

Jim Pariter
Signature

F/V Alaska Trojan
Vessel Name

Jeff Davis
Signature

Irlander
Vessel Name

Keyson
Signature

F/V Alaskan Beauty
Vessel Name

Signature

Vessel Name

Signature

Vessel Name

Northern Region Policy Alternative Impacts

Ref. Table 3.6-1

<u>Historic Share</u>	<u>10% B Share</u>	<u>20% B Share</u>	<u>AP Action</u>	<u>Add CY 2000</u>	<u>Minimum Guarantee</u>	
Opilio / 42%	37.8%	33.6%	32%	Less than 25% Landed	29.6%	★
St Mathews / 70%	63%	56%		Closed	56%	
Pribilof Red / 64.5%	58%	51%		Closed	51%	
Pribilof Blue / 71%	64%	57%		Closed	57%	
Bristol Bay Red / 6%	5.4%	4.8%	Remove	0	0	★
Bairdi / 3.5%	3.15%	2.8%	Remove	Closed	0	★

Assumptions: (a) all species are regionalized, (b) closed species are allocated based on most recent years

Recommendations (a) 90/10 A/B Share split, (b) 60% IPQ use cap OR Low-GHL Use Cap exemptions

Steve Miller
2-3

C-3
Mark Maring

June 8, 2002

Chairman Benton and members of the Council

My name is Mark Maring and I am here with Terri Willette and Lyn Walton, who were engaged to assist me in representing the Processing Vessel Northland.

Fundamentally, my issue is very clear. Due to the single selection criteria established for Eligibility as a qualified processor, I am on the verge of being stripped of my ability to participate in the BSAI crab fisheries with the P/V Northland.

As you may recall, I addressed my concerns to you at your last meeting in Anchorage.

- At that time the Council discussed my situation and initially voted to allow the additional qualification year of 1997 to be addressed in the analysis.
- It was not until Council staff relayed its concerns about the time required to complete the analysis that the Council voted to remove 1997 from consideration.

After that Council action, Chairman Benton recommended that I provide a discussion paper to fully describe my situation and bring it to the Council.

I did as recommended and the Discussion Paper is that one which each of you, as well as Council Staff and the AP members, received.

- The AP addressed this issue and voted to change the Processor Eligibility criteria to be "processors that are US corporations (including Catcher / processors) that processed crab from a fishery included in the rationalization program in either one of three years 1997, 1998 or 1999." The motion passed. 10/6. It should be noted that while what we asked for at the AP was for the inclusion of an option that would expand to 1997, the AP made a deliberate choice to instead, simply include 1997 as a qualifying year.

I am providing for each of you today a **Bulletized Summary** of the Discussion Paper issues.

If it acceptable to the Chair, I would like to read the Summary into the Record.

Read Discussion Paper Summary.

Thank you Mr. Chairman and members of the Council. I thank you for the opportunity to present my concerns and would be happy to answer any questions.

NORTHLAND PROCESSING VESSEL DISCUSSION PAPER SUMMARY

I. PARTICIPATION IN BSAI CRAB

- A. The Northland is a long term participant in the BSAI crab fisheries.
1988 – 1997 c.opilio every year.
- B. The owners have significant capital invested in the processing business, with every intention of continuing participation.
1996 3 Million dollars in processing equipment upgrades evidences there was no intention to exit the industry.
- C. End of 1997 c. opilio season, they lost the main engine. Estimated cost to replace \$850,000.
- D. 1998-2000 Shareholder dissolution negotiations. Additional expenditure of \$850 K was held off until settlement was known..

IMPACT OF INCLUSION

- A. Number of additionally qualified facilities:
According to the Staff BSAI Crab Analysis re: Page 88
A maximum total of FOUR additional processors may be qualified if 1997 is included.

These four were identified by staff as the following. We have identified their activities.

Cannery Row	-- Shoreside	No activity *
Northland	-- Floater	1998 - 1997
Jacquelyn R.	-- C/P	
Deep Sea Harvester	-- C/P	Qualified

- Cannery Row has relayed they never processed crab. They required a processors License to be able to bring a small load of live crab home to Cordova in their smaller catcher vessel, the Snug Harbor.
- Deep Sea Harvester appears qualified under the common ownership of a Qualified processor.

- B. Estimated PQS allocation
- | | |
|------------------------------------|-------------|
| Per the Northland Discussion Paper | |
| OPILIO | ½ of 1 % |
| BB Red | 1/10 of 1 % |

INVESTIGATION OF THE VIOLATION OF THE ANTITRUST LAWS

CONCLUSIONS

The Commission has found that the respondents have violated the antitrust laws of the United States in the following respects:

1. The respondents have entered into an agreement to fix prices and to allocate markets among themselves.

2. The respondents have conspired to restrain trade and to injure the public interest.

3. The respondents have engaged in a conspiracy to monopolize the market for the sale of the respondents' products.

RECOMMENDATIONS

The Commission recommends that the respondents be fined and that the respondents be enjoined from engaging in the same or similar conduct in the future.

Respondent A	\$100,000	Permanently
Respondent B	\$50,000	Permanently
Respondent C	\$25,000	Permanently
Respondent D	\$12,500	Permanently

The Commission also recommends that the respondents be ordered to pay the costs of this investigation.

The Commission has also recommended that the respondents be ordered to pay the costs of this investigation.

The Commission has also recommended that the respondents be ordered to pay the costs of this investigation.

II IMPACT OF QUALIFICATION

- A. Lack of option or alternatives. 1998/1999 as a sole criteria
No deliberation / discussion or rationale for the year selection
No justification for the lack of options.
No information is generated to measure relative impacts to affected individuals.
- B. No Advance Notification to Public of a potential processing requirement until well after the Selected criteria period.
Committee Meetings in early 2001 were first adoption of the exclusive 1998 / 1999 option.

IV EQUITY

- A. 10 facilities that did not process crab 1998 / 1999 are qualified.
7 of those have never processed crab
5 additional facilities processed crab for their first time in 1998 or 1999.
Northland Discussion Paper Table 3.1
- B. If a processor's history is "recent" enough to generate an allocation, it stands to reason that is "recent" enough to generate the basic qualification.
- C. The combined effect of the Processor Qualification / Allocation periods strips certain similarly situated industry participants of their right to participate; and deny them the ability to receive the benefit earned in the time they participated.

V. PROCEDURAL OPTIONS FOR INCLUSION OF 1997

- If the Council adopts an option for inclusion in the preferred alternative under final action, the effects of 1997 can be incorporated into the Crab analysis and the EIS prior to taking final action.
- In speaking to Council and NMFS staff, there are some concerns that a hardship provision may be more difficult to analyze. It may be simpler to look at 1997 as an added year for processor qualification.

CONFIDENTIAL SOURCE REPORT

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CONFIDENTIAL SOURCE REPORT

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C-3
Gordon Blue

The CRAB Group

Testimony before the NPFMC

June 8, 2002

Good Morning, Chairman Benton and Members of the Council:

My name is Gordon Blue, and I am president of the Crab Rationalization And Buyback [CRAB] Group. The CRAB Group represents more than 100 BSAI Amendment 10 crab vessels.

WE SUPPORT RATIONALIZATION of the BSAI crab fisheries and the BSAI crab buyback. We have established a record supporting this, and our position, over the past five years of Council actions.

We support the communities of Alaska. We endorse the CDQ program, the Regional proposal to designate harvest quota by the region (North or South) in which it was acquired, and a limited processor quota that maintains processing in the communities. Individual Transferrable Processing Quota does NOT maintain processing in the communities.

We support the processors who have participated in the BSAI crab processing industry. We endorse a processing quota that would reward past participation in the processing industry. Eligibility is to be determined on past participation and licenses issued on that basis. 80% of harvest shares will be designated as Class 'A' shares. This 'A' quota must be delivered to eligible processing companies, in the aggregate. This protects the investments of processing companies, provides for stability in the industry, and provides for both manageable consolidation of the industry and a market determination of a fair price. Consolidation can be monitored and controlled by the NPFMC in our suggested program, through limitations on the stacking of licenses, and the operation of caps on purchase of product. A cooperative version of this program was presented to the Industry Advisory Panel [AP], and is reported in the minority report of the AP. Alternatively, a "modified two-pie" version without cooperative formation could be established. The implementation of individual caps for qualified processors, in the first year of the program, could provide for an initial operating condition that encompasses the initial objectives of either the "two pie" program or the initial formation of a modified voluntary cooperative - without creation of an individual transferrable processor quota. Individual Transferrable Processing Quota does NOT protect small processors, harvesters or communities from predatory pricing behaviors. ITPQ presents serious regulatory and legal challenges that are not present in the aggregate program we endorse.

We support harvesters who have participated in the BSAI crab fisheries. We endorse the implementation of a harvester Individual Transferrable Quota program. We support independent harvesters through limitations on the extent of vertical integration and through designation of 'B' quota shares, which constitute 20% of the harvest quota, and are issued only to non-vertically integrated harvesters. This quota may be delivered to anyone. 'Vertical integration' is to be determined according to the American Fisheries Act rules of ownership and control. We support the fair treatment of skippers and crews through establishment of a 'first right of refusal' and low-cost loan program, as well as through the establishment, by time certain, of an owner-on-board provision for vertically integrated vessels. We urge the speedy adoption of the rationalization program and the BSAI crab buyback.

I am holding petitions with signatures of 124 vessel owners who oppose the creation of Individual Transferrable Processing Quota. Today, we have nearly one half of vessels of the current fleet, in signed opposition to IPQs. There are a number of additional vessel owners sufficient to reach the 50% level of opposition present at this meeting, who have pledged to add their petitions, depending upon the outcome of your action. Harvesters know that the two pie allocation scheme is unjustified by the record, and is unfair.

For more than two years, we have sought to enter into decisive negotiation with processors to determine this issue. In all of that time, there has been no movement of position on the part of the major processors - they continue, right through to the vote of the AP yesterday, to maintain the position that only a two pie allocation including Individual Transferrable Processor Quota issued at a 90% 'A' share level is acceptable.

We consider this adamant behavior on the part of the processors to be tantamount to a lockout of the legitimate interests of the majority of the independent crab harvester fleet. During this lockout, the fleet has been forced to continue to operate in the extremely hazardous conditions of the fishery, and the resource has continued to suffer from the lack of rationalization. We appeal to the NPFMC to fairly arbitrate this matter.

MUNDT MACGREGOR LLP.
ATTORNEYS AT LAW

C-3
Joe Sullivan

To: Ms. Lisa Lindeman
NOAA General Counsel
National Marine Fisheries Service
Alaska Region

From: Joseph M. Sullivan

Date: May 18, 2002

Subject: Crab Rationalization - Quota Share Eligibility and Allocation Criteria

Under the current suite of crab rationalization options and alternatives, the Council is presented with a fundamental choice, i.e., whether to base eligibility for and allocation of crab quota shares on person's status as the owner of a qualified vessel, or as the holder of a valid, permanent License Limitation Program ("LLP") license.

Since 1992, the Council has allocated federal fishing privileges to persons rather than to vessels. The Council has consistently authorized such fishing privileges to be transferred from person to person and vessel to vessel. In connection with its adoption of the LLP, the Council permitted persons to acquire more than one license, and explicitly authorized the use of multiple licenses on a single vessel (or "stacking").

As the result of the Council's policy decisions concerning the character of these federal fishing privileges, fishers understand that licenses, not vessels, represent their eligibility to participate in the crab fisheries under the Council's jurisdiction. In some cases, fishers have sold their vessels on the understanding that by retaining the related catch history and fishing rights, they retained their fishery eligibility. In other cases, fishers have acquired multiple packages of fishing rights to qualify their vessels for additional fisheries, and/or to augment their vessel's catch history. Basing crab quota share allocations on vessel ownership rather than LLP license holder status would disrupt the reasonable expectations of the fishers who have conducted business in accordance with Council policy, and could displace long-term participants who do not currently own the vessel they operated during LLP qualifying years.

Under these circumstances, it is our position that determining crab quota share eligibility on the basis of vessel ownership would be arbitrary and capricious and would violate National Standard 4's fairness and equity requirements.

A. The Vessel Moratorium Program.

The Council has long contended with difficult public policy issues related to overcapitalization and excess capacity in the harvesting sector of the fisheries under its jurisdiction. In 1987, the Council adopted a "statement of commitment" to pursue alternative management measures that would achieve optimum yield through more rational fishing efforts than existed under the then-current open access system.¹

In 1989 and early 1990, the Council considered methods for implementing a moratorium that would limit access of new vessels into the groundfish, crab and halibut fisheries. The Council adopted the initial VMP in June of 1992, and clarified its proposal in August of 1992 and January of 1993.²

Under the final version of the VMP, a vessel that made a legal landing of crab between January 1, 1988, and February 9, 1992 qualified for a moratorium permit.³ As a general matter, the moratorium permits were issued to the owners of qualified vessels upon application.⁴

However, the Council made it clear that, subject to certain conditions, moratorium rights were capable of being transferred separately from the original qualifying vessel or any subsequently qualifying vessel.⁵ The transferability provision permitted the moratorium qualification of a vessel (which the VMP Proposed Rule noted was commonly referred to as a vessel's "fishing rights") to be retained by a vessel's owner to replace an existing vessel, or to be liquidated independently of the vessel.⁶

The VMP Final Rule took effect as of September 11, 1995, and a VMP qualification and permit were necessary to harvest crab as of January 1, 1996.

B. The Initiation of Comprehensive Rationalization and the License Limitation Program.

The VMP was not expected to resolve the problem of excess capacity in the Bering Sea/ Aleutian Islands crab fisheries. It was an interim management measure, to provide temporary stability by freezing the number of vessels allowed to participate in the fishery, and by limiting increases in fishing capacity.⁷ To fully address the problems of excess capacity and overcapitalization, the Council initiated development of a "comprehensive rationalization plan" (or "CRP") for the fisheries under its jurisdiction at its November, 1992 meeting.⁸ During 1993, the Council evaluated 11 different rationalization alternatives. After comparing their strengths and weaknesses,

the Council identified license limitation (i.e., LLP) and transferable individual fishing quotas ("IFQs") as the most viable alternatives.⁹

In January of 1994, the Council adopted an Advisory Panel recommendation to expedite the LLP alternative. This decision was based on the lack of consensus on IFQ program elements, and the amount of time it would take to analyze and implement an IFQ alternative.¹⁰ However, the IFQ program was not eliminated as an option. Rather, the Council considered it to be a potential second step in the overall CRP process. Advocates for the LLP argued that the LLP was a necessary first step because it could be implemented more expeditiously, and because it would provide stability in the industry while IFQs were being analyzed and implemented.¹¹

At its April 1994 meeting, the Council received an LLP/IFQ proposal from its State of Alaska representative. This proposal contained an integrated, step-wise approach consisting of an LLP followed by an IFQ program. It was developed into the framework for the LLP during the balance of 1994 and early 1995.¹²

At its April 1995 meeting, the Council refined the LLP options and alternatives in preparation for choosing a preferred LLP alternative. The Council adopted the following statement concerning license ownership and use of caps:

The Council has dropped further discussion of limiting the number of licenses or endorsements that may be used on a single vessel, indicating that allowing persons to "stack" multiple licenses and endorsements on a single vessel will further their goal of reducing the amount of excess fishing capacity and capital in the industry.¹³

The Council adopted the LLP in June of 1995.¹⁴ Under the LLP, the original VMP qualification period became the "general qualification period" ("GQP").¹⁵ The Council added a suite of additional landing requirements for crab species and groundfish management areas which, if met, would result in a "species/area endorsement." Each species/area endorsement landing period was defined as an "endorsement qualification period" (or "EQP"). With the exception of certain hardship cases, to be LLP qualified, a vessel was required to have made the requisite landings in both the GQP and the relevant EQP(s).¹⁶

Consistent with the approach taken under the VMP, the Council decided that LLP licenses would be issued to persons who owned qualifying vessels, as opposed to the vessels themselves,¹⁷ and that licenses could be transferred from person to person and from vessel to vessel.¹⁸ The Council also adopted the LLP program elements that

made "stacking" possible, i.e., Element 8 (permitting a person to be allocated or to acquire multiple licenses), and Element 9 (providing there would be no limit on the number of licenses that could be used on a vessel).¹⁹

At its September, 1995 meeting, the Council advised NMFS to recognize written transfers or reservations of catch history when issuing licenses, to the extent practicable.²⁰

C. Amendment 10.

At its December 1997 meeting, the Council began discussion of amendments to the LLP, including institution of "recent participation requirements" for groundfish and crab.²¹

At its February, 1998 meeting, the Council requested that the staff develop an analysis of several amendments to the LLP.²² Among the potential amendments was a crab LLP recent participation requirement, which included options requiring an LLP qualified vessel to have made an additional landing in one or more of the years 1995, 1996, 1997, and/or prior to February 7, 1998.²³

At its June, 1998 meeting, the Council received the staff's analysis of the LLP amendment options and alternatives developed in February, and made some additions. One such addition was an exception to the proposed crab recent participation period landing requirement. The exception exempted "any vessel that made landings in the Bering Sea crab fishery in 1998, prior to February 7, and for which the owner acquires license limitation program rights related to a vessel that meets the General Qualifying Period (GQP) and Endorsement Qualifying Period (EQP) landing requirements."²⁴

The Council took final action on Amendment 10 at its October, 1998 meeting. In addition to adopting a recent participation requirement, the Council adopted an explicit "stacking" exception, which provided that:

a person who (i) demonstrates that their vessel made a documented harvest of crab species during the period from January 1, 1998, through February 7, 1998, and (ii) obtained the fishing history of a vessel that meets the GQP and EQP or entered into a contract to obtain the fishing history of a vessel that meets the GQP and EQP by 8:36 a.m. on October 10, 1998, is exempted from the requirement of having a complete fishing history earned on one vessel.²⁵

II. Discussion

There are two major types of activity that fishers have conducted in reliance on the Council's policy that LLP licenses can be transferred and accumulated, i.e., vessel sales and license stacking. Basing quota share allocations on ownership of a vessel that met the LLP landing requirements would disqualify or materially disadvantage fishers who have conducted these legitimate activities. Doing so would retroactively discriminate among otherwise similarly situated fishers on the basis of criteria that are fundamentally inconsistent with prior Council policy. We respectfully submit that doing so would be irrational, arbitrary and capricious, and would violate National Standard 4, which requires that allocations of fishing privileges be fair and equitable.

Crab stock declines over the last few years have exacerbated the existing problem of overcapitalization and excess capacity. Under these circumstances, it has been both a good business decision and a benefit to fishery managers and the crab stocks to reduce the amount of effort employed to harvest the available GHs.

Some vessel owners have chosen to cease fishing for crab, and either docked their vessels or employed them in fisheries other than crab. Others have taken a further step, and sold vessels while retaining their fishing rights and catch histories. In the latter cases, some fishers have replaced a large vessel with a smaller, more efficient one, some (who owned interests in more than one crab vessel) have consolidated multiple fishing rights and catch history packages on a single vessel, and some have simply held on to their fishing rights and catch histories, pending an increase in crab stocks and/or rationalization.

Under the Council's current limited access policies, these fishers are all similarly situated parties, i.e., they have all ceased actively participating in the BS/AI crab fisheries. However, those who have lost or sold their vessels fare very differently from the remainder under the crab rationalization options that base quota share eligibility and allocation on vessel ownership. The perverse and inequitable effect of those options is perhaps best illustrated by the following three examples:

1. The PINNACLE. F/V Pinnacle, Inc. constructed the crab vessel PINNACLE in 1991. The vessel was actively employed in the BS/AI crab fisheries through late 1997, meeting the landings requirements for the crab LLP and Amendment 10. In early 1998, the company determined that a smaller vessel would be more efficient. F/V Pinnacle, Inc. sold the original PINNACLE, Coast Guard No. 978410, to

the Alaska Department of Fish and Game. The Department renamed it the STIMSON, and is currently using it as a crab fishery enforcement vessel.

F/V Pinnacle, Inc. retained the old PINNACLE's LLP license and fishing rights, and initiated construction of the new PINNACLE in January of 1998. The vessel was completed in early 1999, assigned Coast Guard No. 1075512, and promptly employed in the BS/ AI crab fisheries under the old PINNACLE's license and fishing rights.

Because the old PINNACLE met the Amendment 10 RPP landings requirement, the new PINNACLE does not qualify for an Amendment 10 exemption. Therefore, under the plain language of the crab rationalization options basing quota share eligibility on vessel ownership (i.e., Option 2 of Element 1.2, and Option 2 of Element 1.4.1(b)), F/V Pinnacle Inc. would not qualify for a crab quota share allocation. We respectfully submit that this is an irrational result.

2. The CONTROLLER BAY. The vessel sank in May of 1999, after meeting all LLP landing requirements, including the RPP requirements of Amendment 10. The owner has a replacement vessel under construction. However, because the original CONTROLLER BAY met the Amendment 10 RPP requirements, the new vessel does not qualify for an Amendment 10 exception. Therefore, the original CONTROLLER BAY's owner would not qualify for an allocation of crab quota shares under the crab rationalization options that base eligibility on vessel ownership. Again, this is an irrational result.

3. Ocean Ballad, Inc. Ocean Ballad, Inc. owned and operated the OCEAN BALLAD in the BS/ AI crab fisheries through the VMP, LLP and Amendment 10 qualifying years. In 2000, Ocean Ballad was approached by a party representing a U.S. fishing company purchasing vessels to be employed in the Western Pacific. Given the precipitous decline in the crab stocks, Ocean Ballad struck a deal to sell the vessel in early 2001, while retaining its fishing rights and catch history. Under the crab rationalization options that base quota share eligibility on vessel ownership (i.e., Element 1.2, Option 2 and Element 1.4.1(b), Option 2), the crab quota shares related to the OCEAN BALLAD's catch history would accrue to the current owner of the vessel, a Western Pacific fishing company with no ties to the BS/ AI crab fisheries whatsoever, and no reason to expect that it would receive crab quota shares.

These three examples are illustrative, not exhaustive; we are sure there are other fishers in the crab fleet in comparable circumstances.

Basing eligibility on vessel ownership is also fundamentally inconsistent with the Council's authorization of stacking. Numerous crab vessel owners have acquired additional fishing rights and catch histories (represented by LLP licenses in addition to that earned by their original vessel) for purposes of obtaining a species/area endorsement for which their original vessel did not qualify, or augmenting their original vessel's catch history. This is a reasonable business practice, one that is explicitly authorized under the LLP program rules. It would be irrational and unfair to now deny the benefits of rationalization to those who did so.

As a closing comment, we note that Congress has addressed this issue, and has confirmed its intent that BS/AI crab fishery eligibility be based on status as an LLP license holder, rather than as a vessel owner. In late 2000, Congress adopted the "Fishing Capacity Reduction Program for Bering Sea and Aleutian Islands (BSAI) Crab" (also known as the "Crab Capacity Reduction Program").²⁶ As originally adopted, the Crab Capacity Reduction Program included an element conditioning eligibility to participate in the BS/AI crab fisheries after the effective date of the Act on ownership of a vessel that met the LLP program requirements. The National Marine Fisheries Service took steps to implement that requirement by instituting a vessel certification requirement, which would have restricted fishery eligibility to qualified vessels. Its preliminary efforts were met by an outcry of protest from parties who had lost or sold their original qualifying vessel. Congress revisited the issue, and amended the Program to eliminate the vessel-based eligibility standard.²⁷ We respectfully suggest that the Council's choices with respect to eligibility and allocation criteria should be consistent with Congress's expression on this matter.

¹ See 59 Fed. Reg. 28827 *et seq.* (June 3, 1994)

² See 60 Fed. Reg. 25678 (May 12, 1995). The Council's original proposal was disapproved by NMFS on August 5, 1994. *Id.*, citing 59 Fed. Reg. 43534 (August 24, 1994). The Council revised its original moratorium proposal at its September 1994 meeting to address deficiencies identified by NMFS in its disapproval of the initial VMP. *Id.* In response to NMFS comments on its revised VMP, the Council further amended the revised VMP at its December, 1994 meeting. See 60 Fed. Reg. 25678.

³ See Fishery Management Plan for Bering Sea/Aleutian Islands King and Tanner Crabs, July 18, 1998 (the "Crab FMP"), § 8.1.4.1, Element 1.

⁴ See 60 Fed. Reg. 40765 (the "VMP Final Rule").

⁵ See Crab FMP, Element 13, pg. 27.

⁶ See 60 Fed. Reg. 92, 25681 (May 12, 1995); VMP Final Rule at 40766 (August 10, 1995).

⁷ See VMP Proposed Rule, 60 Fed. Reg. 25677.

⁸ See 63 Fed. Reg. 52642 (October 1, 1998) (the "LLP Final Rule")

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² Id.

¹³ Council April 1995 Newsletter, Attachment 1, Preferred Alternatives for Groundfish and Crab License Limitation Programs, Section 2, "Explanatory Notes for the Groundfish License Limitation Program" (emphasis added). The cited paragraph appears in the groundfish LLP explanatory notes. However, it is reasonable to conclude that it expresses Council intent concerning the crab LLP as well, as it is generic justification for a template provision that was adopted in both the groundfish and crab LLP programs. The crab LLP explanatory notes in the Attachments to the April 1995 Newsletter do not address the issues of license use caps or license ownership caps.

¹⁴ Id.

¹⁵ 50 CFR 679.4(k)(i) (changing slightly to January 1, 1988 through June 27, 1992).

¹⁶ See "Qualifying Periods" element, Crab License Limitation Program Preferred Alternative, Council Newsletter, June 1995, pg. 13.

¹⁷ Crab FMP, § 8.1.4.2, Element 2, pg. 28

¹⁸ Id. at Elements 4 and 5, pg. 29.

¹⁹ Id.

²⁰ See Council Newsletter, October 12, 1995, pg. 4

²¹ See Environmental Assessment/Regulatory Impact Review/Initial Regulatory Flexibility Act Analysis for Amendment 60 to the Bering Sea/Aleutian Islands Groundfish FMP, Amendment 58 to the Gulf of Alaska Groundfish FMP, and Amendment 10 to the Bering Sea/Aleutian Islands Crab FMP (July 23, 1999) (the "Amendment 10 EA/RIR"), pg. ix; and Council Newsletter, December 19, 1997 "License Limitation Program", pg. 5.

²² See Council Newsletter, February 13, 1998, "License Limitation Program", pg. 7.

²³ Id. at pg. 8

²⁴ Council Newsletter, June 23, 1998, "License Limitation Program", pg. 4.

²⁵ 50 CFR 679.4(k)(5)(iv).

²⁶ Public Law (06-554)

²⁷ See Public Law 107-20

MUNDT MACGREGOR LLP.
ATTORNEYS AT LAW

To: Ms. Lisa Lindeman
NOAA General Counsel
National Marine Fisheries Services
Alaska Region

From: Joseph M. Sullivan

Date: May 18, 2002

Subject: Crab Rationalization - Excessive Shares and Use Caps; Recent Participation versus Historical Reliance; Optimum Yield

The Council has received testimony from certain recent participants (the "Newcomers") in the Aleutian Islands brown King crab fishery (the "AIBK" fishery) suggesting that allocating quota shares based on historical participation in the fishery would result in certain long-term participants (the "Pioneers") receiving an "excessive share" of the resource. The Council has also received testimony from the Newcomers suggesting that using a suite of qualifying years for the AIBK fishery that gives weight to historical reliance on the fishery violates the Magnuson-Stevens Act and National Standard requirements that recent participation be considered in fishery allocations. As a related matter, the Newcomers assert that including years when the Guideline Harvest Level ("GHL") for the fishery was not fully attained in the base years used for calculating initial quota share allocations would violate National Standard 1. This assertion has been used to buttress arguments that recent participation in the AIBK fishery should be given more weight than historical dependence on the fishery.

For the reasons set forth below, we respectfully submit that the foregoing suggestions and assertions are incorrect.

1. Excessive Shares. National Standard 4 provides in relevant part:

If it becomes necessary to allocate or assign fishing privileges among various U.S. fishermen, such allocation shall be:

- (1) fair and equitable to all such fishermen;
- (2) reasonably calculated to promote conservation; and

- (3) carried out in such manner that no particular individual, corporation, or other entity acquires an excessive share of such privileges.¹

The regulations implementing National Standard 4 do not provide specific guidance concerning the amount of a fishing privilege that would constitute an excessive share. However, the regulations do provide that:

An allocation scheme must be designed to deter any person or other entity from acquiring an excessive share of fishing privileges, and to avoid creating conditions fostering inordinate control, by buyers or sellers, that would not otherwise exist.²

The regulation does not suggest that initial allocations should be constrained by an excessive share cap. Rather, the language of the regulation implies that an excessive share cap may constrain acquisitions after an allocation scheme takes effect, but should not apply to change the levels of fishery participation that exist in the pre-IFQ state of the fishery.

This principle is consistent with Council and Congressional practice in setting fishery share caps for other fisheries. In the cases of halibut and sablefish Individual Fishing Quota ("IFQ") use and vessel caps, initial allocants were grandfathered, i.e., they were eligible to receive and use the full amount of IFQs earned during the base years, even if their allocation exceeded the relevant use cap.³ The American Fisheries Act ("AFA") pollock harvesting cap was set at the approximate percentage harvested by its largest participant. The AFA groundfish sideboard caps were set at levels based on historical participation. The AFA crab processing cap was set at a level above historical participation, by "double counting" one of the more recent base years. We are not aware of a single case in which an excessive share cap that has been applied to constrain initial allocations of fishing privileges.

Further, the regulation provides that it is the purpose of excessive share caps to "avoid creating conditions fostering inordinate control, by buyers or sellers, that would not otherwise exist." This provision implies that the measure of whether a share

¹ 16 USC § 1851(a)(4); 50 CFR §600.325.

² 50 CFR § 600.325 (c)(3)(iii) (emphasis added).

³ See 50 CFR §§679.42(e) and (f) and §679.42(h)(3).

of fishing privileges is excessive is not its magnitude relative to the shares that would be allocated to other fishers. Rather, the measure is whether a share above a certain level would provide a fisher with inordinate market control that would not otherwise exist.

Case law addressing the excessive share issue construes the regulation accordingly. In Sea Watch International v. Mosbacher, the plaintiffs asserted that the ocean quahog individual transferable quota ("ITQ") system violated National Standard 4, because it permitted two fishermen to acquire ITQs totaling 40% of the annual catch quota for ocean quahogs, with further consolidation being likely. 762 F.Supp. 370, 380. While the court stated that "the figure does give pause," it noted that the number might not be "economically significant." Id. In explaining its conclusion, the court noted that "even if the raw number measured a true economic market - which is by no means clear - a judgement of undue concentration could not be based on the mere existence of such a share possessed by the two largest participants." Id. at Note 16.

Applying the market share measure in this case strongly suggests that neither grandfathering initial allocants nor adopting the highest use caps under analysis for the AIBK fishery would be problematic. The suite of BS/AI crab fisheries being considered for rationalization include several King crab fisheries. Further, King crab is produced in substantial quantities from fisheries outside of Alaska's waters. There is no evidence or analysis that suggests that permitting AIBK quota shares to be allocated based on historic participation or acquired up to the amounts permitted under the highest level of the use caps would permit a fisher to exercise inordinate market power as a seller of AIBK product. On the contrary, because there are multiple substitutes for AIBK product (including substitutes produced outside of U.S fishery management and cost structures), it appears unlikely that even a fishery share concentration level well in excess of the highest use caps being considered for the AIBK fishery would provide inordinate market control.

As a separate matter, we note that the AIBK fishery has been singled out as the only fishery for which an ownership or use cap that constrains initial allocation is being considered. We respectfully submit that capping initial allocations in the AIBK fishery alone would raise serious National Standard 4 "fairness and equity" issues.

We understand that the cap on initial allocation of AIBK shares was proposed as an option because the existing level of share concentration in the fishery is perceived as being relatively high. While the AIBK share percentages that would accrue to long term participants may seem high in the abstract, they are not when compared to the poundages and values that fishers could accrue under the use caps

Ms. Lisa Lindeman
May 18, 2002
Page 4

proposed for the Opilio, Bairdi and Bristol Bay red King ("BBRKC") crab fisheries. Consider the following examples, which are constructed from data supplied in the Council's crab rationalization analysis.

The 5 year average harvest for the Bering Sea Opilio fishery is approximately 120 million pounds. Under that average, the mid-range use cap being considered for the fishery (i.e., 5%) would produce an annual poundage of approximately 6 million pounds. The average price per pound for product from the fishery was \$.88 per pound in 1999-2000 (compared to \$.56 in 1998-1999 and \$1.85 in 2000-2001). On this basis, a 5% share in the fishery would produce gross revenues of approximately \$5.28 million.

Many fishers that have historically participated in the Opilio fishery have also participated in the BBRKC fishery. The 5 year average harvest for that fishery is approximately 7.7 million pounds. The mid-range cap for that fishery is 5%, which would produce an annual poundage of approximately 384,000 pounds. The recent price per pound for BBRKC landings has ranged from \$6.26 for 1998-1999 to \$4.14 in 2000-2001. Using the lowest of those prices, a 5% share of the fishery would produce gross revenues of approximately \$1.6 million. Together, a 5% Opilio cap and a 5% BBRKC cap would permit a fisher to generate approximately \$6.88 million in gross revenues per year.

The 4 year average harvest for the AIBK Eastern District (a fishery that typically lasts between one and two months) is approximately 3.2 million pounds. At a 40% share, represents an annual poundage of approximately 1.3 million pounds. At the highest recent price of \$3.50 per pound, the resulting gross revenues would be approximately \$4.56 million.

On the other hand, the 4 year average for the AIBK Western District has been approximately 2.4 million pounds. At a 40% cap, the highest being considered, the resulting poundage would be just less than 1 million pounds. The recent average price has varied from \$2.04 (in 1998-1999) to \$3.15 (in 2000-2001). Using the highest price, harvesting to the 40% cap would produce gross revenues of approximately \$3.15 million.

The persons who have raised the excessive share issue in connection with the AIBK fishery are proponents of separate allocations for the Eastern and Western Districts. If the AIBK caps were applied at the District level, even the highest cap in each fishery could be expected to generate substantially smaller gross revenues than the

Opilio fishery cap alone, much less the Opilio and BBRKC caps combined. Even if a person managed to acquire shares in both Districts to the highest cap levels being considered, the combined gross revenues would be approximately \$7.75 million, which is only 13% higher than the combined revenues from the Opilio and BBRKC fisheries under the scenario above.

Further, the cost structure associated with operating in the AIBK fishery is substantially higher than that associated with Opilio and BBRKC operations. The AIBK fishery requires specialized gear and equipment. AIBK seasons are typically longer than Opilio and BBRKC seasons. The AIBK fishery takes place over a large geographic area relative to its GHL level, and catches per unit of effort are typically lower than the Opilio and BBRKC fisheries. Therefore, even at gross revenue levels that are comparable to or even higher than those of the Opilio and BBRKC fisheries, AIBK fishery operations may be less profitable.

Given the relatively comparable gross revenue values of a 40% share of both AIBK Districts in comparison to the gross revenues from the Opilio and BBRKC fisheries at a 5% share, there is no basis for characterizing shares at the cap in one fishery as being excessive when compared to shares at the cap in the other.

2. Recent Participation versus Historical Reliance and Attaining Optimum Yield. As a general matter, the Magnuson-Stevens Act does not weight recent participation more heavily than historical reliance. Rather, both are factors that, among others, are to be considered in developing a limited access system. The full suite of factors to be considered under the Act include:

- (A) present participation in the fishery,
- (B) historical fishing practices in, and dependence on, the fishery,
- (C) the economics of the fishery,
- (D) the capability of fishing vessels used in the fishery to engage in other fisheries,
- (E) the cultural and social framework relevant to the fishery, and
- (F) any other relevant considerations.⁴

The Newcomers have nonetheless asserted that the Council's failure to reward recent participation in the AIBK fishery (to the detriment of the Pioneers) would violate the Magnuson-Stevens Act. They further assert that their recent investments in

⁴ 16 USC § 1853(b)(6).

gear and equipment specific to the fishery should be given special consideration as evidence of their dependence on the fishery. Moreover, they argue that because the GHL for the Western District of the fishery was not attained during some of the qualifying years, there is no basis for allocating quota shares for the fishery, or in the alternative, if quota shares are allocated, the years when the GHL was not attained should not be used as base years.

As an initial matter, case law interpreting Section 1853(b)(6) of the Magnuson-Stevens Act directly contradicts the Newcomers' assertions that recent participation deserves special weight. In Sea Watch International v. Mosbacher, the court was presented with arguments that were remarkably similar to those made by the Newcomers. See 762 F.Supp. 379. The court dismissed the plaintiffs' assertions, noting that Mid-Atlantic Regional Fishery Management Council had considered the points raised by the plaintiffs in making its decision, and that under Section 1853(b)(6), the Council was required to do no more than consider and balance the factors against each other and any other relevant considerations. Id.

The plaintiffs in the Sea Watch case also argued that because the annual ocean quahog quota had never been attained (a fact which was not disputed in that case), there was no basis for adopting a limited access system in the first place. The court dismissed this argument as well. The court noted that there was a creditable threat of increased fishing pressure on the resource, which had been identified by the Mid-Atlantic Council's Scientific and Statistical Committee for several years prior to adoption of the ITQ measures. The court stated "contrary to the plaintiffs' arguments, the Act does not mandate any finding of necessity before fishery access can be limited." The court noted that the regulations implementing the National Standards actually provide that "in an unutilized or underutilized fishery, [limited access] may be used to reduce the chance that [overfishing or overcapitalization] will adversely affect the fishery in the future." Id., citing 50 CFR § 602.15(c) (now 50 CFR § 600.330(c)).

Aside from the fact that the Newcomers' assertions regarding the requirements of the Magnuson-Stevens Act are incorrect, their characterization of the fishery has been misleading. The Newcomers participate heavily in the Eastern District of the AIBK fishery, and have very limited participation in the Western District. The GHL for the Eastern District has consistently been attained during the quota share qualifying years. It is true that the GHL for the Western District had not been attained in some years prior to 1999. However, the GHL has been consistently attained since then. It is disingenuous at best for the Newcomers, who support a separate allocation for each District, to argue that years in which the GHL was not attained in the Western

Ms. Lisa Lindeman
May 18, 2002
Page 7

District should not be used as base years for determining share allocations for the Eastern District.

The circumstances related to development of the AIBK fishery are unique. The fishery was developed by the Pioneers, who made substantial investments in long line pot gear, which is not employed in the major BSAI crab fisheries, and in equipment such as hydraulic blocks that retrieve the pot strings. More importantly, the Pioneers invested tremendous amounts of time and effort learning the geography of the Aleutian Islands fishing grounds and identifying areas of productive fishing. The time invested also involved an opportunity cost; while the Pioneers were developing the AIBK fishery, they were foregoing participation in the other BS/AI crab fisheries.

Under these circumstances, we respectfully submit that it is entirely appropriate for the Council to recognize historical dependence on the Western District fishery by using a suite of qualifying years that includes years in which the GHF was not attained. Indeed, given the Pioneers' almost exclusive dependence on that fishery, we respectfully submit that National Standard 4's "fairness and equity" standard would be violated by using suites of qualifying years for the Opilio, Bairdi and BBRKC fishery that include historical participation, and using a suite of years for the AIBK fishery which is weighted toward recent participation. To do so would doubly reward Newcomers, by giving them the benefit of their historical participation in the Opilio and BBRKC fisheries (in which the Pioneers have limited catch history), as well as their recent participation in the AIBK fishery, at the expense of the Pioneers.



c-3
Tom Surjan

Skipper and crew allocations and use provisions (from Section 1.8)

Option A Allocation of Harvest Shares to Skippers and/or Crew

A. Percentage of total harvest initial allocations to captains and/or crew

Option 2.5 15%

B. Fisheries Included – Crew shares would be issued for any BSAI crab species allocated to harvesters under this program

C. Eligibility for an allocation

Basis for Eligibility

- Option 1 Determined on a fishery by fishery basis
- A. having at least one landing in the qualifying years used by the vessels and
 - B. having recent participation in the fishery as defined by at least one landing per year in the fishery in the last two years prior to adoption of a rationalization program by the Council.

Persons eligible for the program

Option 1 Skippers only

D. Qualification Period

Same years used to determine the harvester IFQ allocation

E. Basis for the Distribution

Distribution to Skipper

Option 1 Shares based on landings (personal catch history based on ADF&G fish tickets).

F. Transferability of Shares

Sale of QS

Option 2 QS is only transferable to active participants

IFQ leasing

Option 2 IFQ is only leasable to active participants

G. Use Requirement

As stated

H. Skipper/Crew Onboard Requirements

Option 3 Requirements for QS holder or lessee to be onboard vessel when harvesting QS.

Option B First Right of Refusal on Quota Share Transfers

After serious consideration SEA has determined that the first right of refusal on quota share transfers will do little or nothing to protect the interests of skippers/crew during the crucial transitional period of shifting to a rationalized fishery. Therefore SEA's preferred option is a direct initial allocation of QS under option A above.

Option C Protection of Historic Crew Shares

Protection of traditional and historic crew share percentages with no sunset based on the Canadian Groundfish Development Authority Code of Conduct.

Option D Low Interest Loan Program

A low-interest rate loan program for skipper and crew purchases of QS would be established or made part of the existing loan program for IFQ purchases.

Option E Owner On Board Option

Percentage of shares designated as owner on board = 30%.

Grace period for transfer of shares = 7 years

Maximum term of hardship = 3 years

C-3
Kevin Suydam

Kevin Suydam/LADY ALASKA
PO Box 980
Kodiak, Alaska 99615

June 9, 2002

Mr Chairman, Councilmembers, Thank you for your attention;

My name is Kevin Suydam, owner of the Lady Alaska. I've previously testified about investing hundreds of thousands of dollars in the Brown Crab Fishery at the time when the Season continued year around closing without the Quota caught. Additionally this was a time when there where the least amount of participants since the Brown Crab Fisheries' inception. I also believed that Brown Crab was not to be included in the Rationalization Process.

I've previously stated for the record, that the earlier years in which the Brown Crab Quota had not been fully caught, do not conform to the requirement's of National Standard #1 of the Magnuson-Stevens Act as not meeting Optimum Yield, and additionally National Standard #4 which prohibits initial allocations of excessive shares. But I am not here today over legal issues, but rather ask that the Council resolve my issues through this political process instead.

Now I am not alone in the request to adopt Option 5 (96/97 to 01/02) for Brown Crab. In the letters and testimony to the Council is the group of 13 Brown Crab vessels asking to adopt Option 5 under 1.4.2.7. This is the majority of the participants in the Brown Crab fleet. I hope you recognize testimony from Ozzie Nordheim, whose Vessels are the oldest Participants in the Brown Crab; ask for the most current years. Unfortunately this group of 13 vessels is not as politically connected or involved in this Rationalization process. They have not had multiple Attorneys, Lobbyists, or Politicians representing them.

I listened to Joe Sullivan say two of his client's only had Brown Crab. What Joe didn't mention is that one of these client's has fished Opilio and Red Crab, and will receive them once LLP transfer options introduced by Joe are adopted in 1.4.1. This leaves only one client vessel that chose not to participate in other Fisheries. That vessel made a wise business decision which has created the largest Quota Share (40%) of the Brown crab Fishery approximately equivalent to 8 Opilio/Red Crab Vessel Histories. There is also a third client under Joe's proposed LLP transfer options in 1.4.1 will receive stacked stale Brown Crab Histories without having a vessel currently participating in the Fishery. If the Council awards quota shares to stale paper histories, I feel it is more fair to include my vessel which is currently participating.

I don't have a concern with the Council making special provisions for others, as long as it is fair both ways. This can be done by the Council approving Option 5 under 1.4.2.7. Actually this is not a special provision, but is the one favored by the 13 Brown Crab Vessel majority as well as legal National Standards which call for recognizing current participation. NEPA guidelines, NOAA General Counsel statements on the record, and Halibut Sablefish Court Rulings, all call for years up to final action. If ever there was a Fishery that was a candidate for history up to Final Action The Brown Crab Fishery is it.



C-3
Pat Carlson

Items for Consideration BSAI Crab Rationalization
Meeting of June 6, 2002
North Pacific Fishery Management Council
by
Patrick Carlson, Manager
Kodiak Island Borough

Dear Chairman and Council Members:

I am the Borough Manager and come before the Council with the authority of the Kodiak Island Borough Mayor and Assembly to speak on behalf of the citizens of the Borough. Please consider the following proposals in your deliberations regarding the Bering Sea Crab Rationalization proposal. In general we are in support of the Advisory Panel's proposed alternatives and options as submitted. Our intent is to support our fishing based economy with a goal of common prosperity and a healthy community.

Our basic position is that we wish to insure our area receives a fair allocation that is representative of our historic landings. This is very important as crab represents on the order of 25%¹ of the total value of landings to our area, which coupled with the nearly 65%² of our economy that is fishery based makes it imperative that we protect our share.

We are unique in the State of Alaska as our fishery economy is comprised of nearly 50% of the Alaskan sector of the BSAI crab fleet and we also have a large processor sector with a long history of crab processing from the BSAI region. We are the only area which represents all three legs of the stool because of our large home based crab fleet, large shore based processing sector and a large resident processor work force.

Because of changes in the fishing industry we are faced with tremendous challenges locally. Our historic \$125,000 salmon permits are going begging at \$15,000, and over half our Salmon Seine fleet will not leave the dock this year. We are down to 1 salmon cannery from 4 just a few years ago and have lost 1 multi-specie processor in the last year and another this year with a combined layoff of 450 people, 200 of which are still out of work. This is especially painful as these are folks who have made a home in our community and do not wish to leave, but may be forced to especially if seafood product landings continue to decline. Our current level of landings and number of processors are half what they were just a few years ago which coupled with the salmon crash has devastated our fishery sector.

Stellar Sea Lion closures have moved the bottom fish fleet into dangerous and unproductive waters that has reduced harvest levels. Both the fleet and processing facilities are aging and struggling just to be maintained, let alone upgraded. Layoffs are increasing and economic productivity is down sharply, so it is imperative that we hang on to as much of our harvest share as we can.

We recognize that Bering Sea Crab is an overcapitalized fishery and the pain of decapitalization will take place with or without further actions. Spreading the pain

¹ Source: Relative Importance of Groundfish, Salmon and Crab to Communities in Southwest Alaska. Nov. 2001, Northern Economics, Page 38

² Source: An Assessment of the Socioeconomic Impacts on Kodiak... July, 2001, McDowell Group, Page 2

should not include increased capital investment, as that would not be consistent with a rationalization program.

In light of these comments, please consider the following on C-5 of the April 14th 2002 motion on Crab Rationalization:

Pg. 7 Section 1.7.2.3 Catcher Processor Shares.

We join Unalaska in respectfully opposing the AP motion in selecting Option 2. We request you amend the AP proposal and use Option 1 of the April motion. By not allowing PQ's from shore based processors to be purchased by Catcher Processors is a valuable protection mechanism for communities.

Pg. 12 Section 2.3 Initial allocation of processing quota shares.

We again join Unalaska and the AP in the use of 1996-2000 as the basis for allocation of PQ's as this minimizes to some degree the negative impacts on Kodiak. A review of the 1997-1999 proposal will demonstrate that those time frames for processor quota are the absolute worst for Kodiak and in the interest of fairness, our long history with crab and the Federal Rule for recency, we would request your approval of the best 4 years from 1996-2000.

We also oppose the calculation of shares using aggregate pounds and request you use the same per-centage method proposed for the harvester sector as the aggregate method unfairly penalizes Kodiak. The use of aggregate pounds smothers our historic share, whereas including the year 2000 and using the percentage method would mitigate this to some degree

Pg. 15, Section 3. Regionalization Elements.

We again join Unalaska and the AP in the use of Option 2 as this method rationally mirrors the distribution of Quota Share for harvesters and processors. We further support not placing a regional designation on Bristol Bay red king crab and bairdi. Allowing a regional designation would unfairly force our historic share of these fisheries away from Kodiak and into the northern sector, which has little historic reliance on them. Prior to the bairdi closures a large portion of these crab were landed in Kodiak and the BB reds are the most economically significant portion of our local crab landings. This coupled with the current status of bairdi being a by-catch to BB reds would create havoc with the harvester's logistically and in their harvest operations. Also, there has been no analysis of the bairdi fishery from which to rationalize the allocation. We also request a clear statement that "B" shares are not subject to regionalization.

Pg. 19, Section 3. Community Development Allocation, based on CDQ program.

We again join Unalaska in opposing changes to the existing program at this time. This issue can be reviewed when crab levels rebound and after a review of the CDQ program relative to fishery allocation involving non-CDQ areas such as the Gulf of Alaska. We would again state that we support the CDQ concept and the need to help small communities gain access the marine resources in their areas.

In closing, we would state our support for a 2 year review period and desire for a fair share based on our history of the Kodiak fleet bringing the last load home. Thank you for the opportunity to testify on this issue.



Alaska Marine Conservation Council

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C-3
Alan
Parks

To: North Pacific Fishery Management Council

Fr: Dorothy Childers, Executive Director

Dt: May 31, 2002

Re: Crab Rationalization

AMCC has reviewed the conservation analysis in the Bering Sea crab rationalization alternatives document (pp. 143-191). We appreciate the improvements made by ADFG, NMFS and Council staff to clarify the issues and describe changes to the FMP that may be needed. The comments below are based on our view that quota-based programs must be designed to achieve clear and measurable conservation objectives as part of the return to the public owners of the resource and to ensure problems identified in the status quo open access system are effectively resolved through rationalization. The National Research Council's report to Congress emphasizes this point:

Confusion, conflict, and ambiguity about the relative importance and value of the objectives of an IFQ program can result in contradictions and inconsistencies in its design and implementation, making the program more vulnerable to unintended consequences and less likely to succeed. (Sharing the Fish, p. 197)

1. Conservation

A. Potential conservation benefits and concerns

- **Benefits for conservation**
The document describes potential conservation benefits that are likely to result from a rationalized harvesting sector. These include bycatch reduction as a result of longer soak times (which allow sorting to occur on the seafloor rather than exposing crabs to handling on the deck).
- **Potential conservation concerns**
The document raises concerns about highgrading and describes the circumstances under which highgrading would be most likely to occur. It also identifies potential biological problems if fishing effort were to become spatially concentrated in a way that put too much pressure on certain segments of the population.

- Potential changes in management
The document articulates what management measures may be needed in a new FMP, such as increased monitoring, bycatch requirements and area management as tools for catch accounting and to promote desirable fishing behavior.

B. Need for benchmarks

The alternatives and elements developed so far relate mainly to quota allocation. The discussion about potential conservation benefits and concerns is largely predictive of what fishing behavior will be like under an IFQ or cooperative system. At this stage in the development of a rationalization plan, the alternatives do not provide conservation benchmarks for the fleet to meet. Such benchmarks are important to facilitate evaluation over time of whether or not the program is resolving conservation problems described in the problem statement.

C. Conservation implications of program elements are not properly evaluated.

The document states in numerous places that there is no difference in conservation implications between the harvester alternatives in the analysis. It goes on to say that additional elements analyzed do not improve fishing practices:

“...we do not see additional stewardship benefits from adding a processor quota component or from regionalization, binding arbitration or CDQ options.” (p. 164)

Table 3.2-6 (p. 184) is misleading and inconsistent with the document text because it shows non-harvesting elements of rationalization as having either positive or negative impacts on conservation. AMCC recommends that those elements be shown to have positive, negative or neutral effects on conservation so that it is clear what elements, if any, actually contribute to conservation, which ones may have a negative effect, and which ones have no effect. Some examples of problems in the rating table are:

- Processor quota is portrayed as having positive influence on bycatch reduction. It should be portrayed as having a neutral affect because processor quota would not contribute to better fishing practices. Conservation happens on the grounds, not in the plant after the crab is harvested. The rating in the table is not consistent with the text which states:

“[Processor quota] could improve processing efficiencies but may negate some of the benefits of harvester IFQ that arise from allowing the fisher the flexibility to choose when to fish and deliver crab.” (p. 162)

- Why would skipper/crew quota result in negative impact on highgrading? The analysis states that highgrading would be more likely if, for example, higher prices were paid for the largest crab. Therefore highgrading would be a consequence of prices, not whether or not skippers and crew have quota.

D. Conservation Recommendations

- Table 3.2-6 should be revised to accurately characterize the conservation implications of alternatives and elements and to be consistent with the text by using ratings of positive, negative and neutral.
- We recommend that the Council establish its intent to develop measurable objectives for reducing bycatch, preventing highgrading, and handling other conservation considerations described in the document. The Council should describe its intent in the report to Congress. The report should describe a process for how objectives will be developed in cooperation with the Board of Fisheries through the Crab FMP EIS.
- We recommend the Council create incentives within the rationalization program as an approach to achieving good stewardship standards.

2. Recommendations for allocation alternatives and elements for rationalization

- We recommend a harvester-only rationalization program. AMCC concurs with Alaskans from across the State who oppose processor quota because of the controlling effects it will have on markets, fishermen, communities and the public process. These concerns have been raised by an array of local governments, tribal organizations, fishing associations, fish buyers and processors; and many individual Alaskans. We believe there are more appropriate ways to provide stability to Alaska's crab-dependent communities through, perhaps, issuance of harvester shares, and more appropriate ways to support the processing sector in adjusting to a rationalized fishery.
- AMCC believes quota programs should support active fishermen. We acknowledge that the Bering Sea crab fishery is not well suited to being a 100% owner operated fleet. However, we do support and urge the Council to provide for some portion of the quota to be held by professional skippers and crew who are taking the risk and utilizing their experience and expertise on the grounds to harvest the crab resource.

①

C-3
Bob Storrs

Unalaska Native Fisherman Association

P.O. Box 591, Unalaska, Alaska 99685 Phone: (907) 581-3474 (FISH) Fax: (907) 581-3644



Submitted to
NPFMC 7 June
by UNFA
-Bob Storrs

May 2, 2002

Governor Knowles;

The Unalaska Native Fisherman's Association, along with other fishermen's groups, city and village councils, independent processors, and ordinary citizens from across Alaska stands absolutely opposed to processor quota shares, and it gives us great concern that the State of Alaska has been supporting this concept in deliberations at the North Pacific Fisheries Management Council.

It is unfortunate that some within the administration have accepted the arguments of several large companies as justified through the theories of one economist.

Dr. Matulich's views are based on data selectively released by the processors, and neither those findings nor his methodology find broad approval among other economists.

There can be no meaningful discussion of such an unprecedented giveaway to private corporations until the companies completely open their books—from Seattle to Tokyo—to public scrutiny. They refuse to do so, citing reasons of proprietary information.

Even within the State of Alaska and the National Marine Fisheries Service a growing number of people have privately expressed incredulity that Dr. Matulich's ideas are being given such weight. When asked about his use of the halibut/sablefish program to justify arguments of harm to the processors, one official within NMFS replied simply- "That is fraud."

It would be tragic for the State of Alaska to forever send our coastal communities back to the status of company towns based on such biased and suspect theories.

We believe that fishermen, communities, and the American public can achieve an equitable process of rationalization that addresses the concerns of coastal communities, yet doesn't create a state-sponsored cartel for a few select companies.

You may be aware that UNFA has been at the forefront of the fight against this corporate giveaway, and—should this go to Congress—we will intensify our efforts in that arena. We feel confident that we will be able to convince people back in Washington, as well as the rest of the country, of the impropriety of handing over virtual ownership of a publicly-owned American resource to a handful of largely foreign-owned companies.

2

Unalaska Native Fisherman Association

P.O. Box 591, Unalaska, Alaska 99685 Phone: (907) 581-3474 (FISH) Fax: (907) 581-3644



Those companies have insisted that nothing will happen in Congress without their blessing; With their immense financial and political clout they have so far held the rationalization process hostage to their demands for control of the resource.

We believe that such a threat is no longer based in reality. Bear in mind that this action will provide the template for corporate giveaways throughout the fishing industry, consequently it is being monitored by interests around the country. There will be no more back-door riders; This issue will achieve full public and Congressional scrutiny.

Governor, we ask you to take a long hard look at the role of your administration in this process.

Again, the gift of cartel status to these companies—particularly on the basis of the information and theories currently expounded—would leave a tragic and permanent legacy for the coastal communities and independent fishing families of Alaska.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Emil W. Berikoff".

Emil Berikoff
President, U.N.F.A.

A handwritten signature in cursive script, appearing to read "R. Storrs".

Bob Storrs
Vice President, U.N.F.A.

Leonard Herzog
916 Delaney Street
Anchorage, AK 99501

David Benton, Chairman
North Pacific management Council
605 West 4th Ave, Suite 306
Anchorage, AK 99501-2252

RE: Crab Rationalization:
Reasons for not rationalizing Adak Red Crab (Aleutian Islands Red Crab)

Dear Chairman Benton,

I am addressing these comments specifically to the issue of Adak Red Crab. In brief, rationalizing Adak Red Crab under either of the two options available will result in four boats, two of which are probably catcher processors, owning 80% of the fishery. RAM estimates that only 28 vessels will receive permanent LLPs for this fishery.

During the 1960's and early 1970's harvest levels were in excess of 10 million pounds per year. This fishery has been closed since 1996 and only 35,000 pounds were taken in 1995/1996 and 135,000 pounds in 1994/1995. Grandfathering in such excessive shares is improper, especially when it will be based on a few old years of extremely low abundance. The Aleutians are a vast and historically a very productive red king crab area. The future of this potentially huge state and federal resource should not be placed in the hands of three or four individuals. This is especially true when no one has been economically dependent on this fishery for over 5 years. For these and other reasons **the analysis agrees that "The Aleutian Islands red king crab ... [is] ... suggested for exclusion from rationalization."** (Executive Summary May 2002 p iii.)

1. 81% of the Fishery will be given to four vessels

Figure 3.4-9 on page 255 of the analysis shows that the top four vessels caught 100% of the quota in 1995-1996 (actually only three boats fished and caught 35,000 pounds total), 64% in 1994-1995, 88% and 1993-1994, and 72% in 1992 -1993. Averaging these percentages gives 81% to these four boats. (See attachment A)

2. A super majority of the crab will go the offshore catcher processor sector

My discussions with industry suggest that two catcher processors will have over 50% of the resource. The analysis cannot address this issue because of privacy concerns. If these four vessels want to rationalize this fishery now they should waive privacy and allow the analysis to produce an accurate percentage of the offshore CP take. This is especially critical because the new plant in Adak will make this fishery more attractive to smaller catcher boats when it rebounds.

3. RAM division estimates only 28 permanent LLPs will be issued

Only 24 vessels have permanent transferable LLPs for Adak Red Crab. RAM division estimates that a total of 28 vessels will eventually have permanent licenses. (Executive Summary p. v, Table E5, Attachment B hereto). RAM's estimate coincides with the participation table in the analysis which shows that only 27 unique catcher vessels participated during the 1992-1994 endorsement qualifying period. (Participation Table, Appendix 2-1, p.7, attachment here as Attachment C.) This supports the analysis assumption that only 28 vessels will eventually get permanent LLPs. ADFG can successfully manage this fishery without further rationalization.

4. From 1961 to 1972 an average of 14 million pounds were harvested each year

The Aleutians include vast square miles of fishery resources. During a consecutive twelve year period from 1961 to 1972 an average of over 14 million pounds of Adak red crab were harvested. In 9 of the 12 years harvests were over 12 million periods. Fish and Game has indicated that 75% of the traditional harvest took place on the Petrel banks area which is now rebounding. Attention is focused on this fishery because of its future potential.

Contrast these harvests with the 1992-93 to 1995-96 seasons where approximately 550,000 pounds a year were harvested. In 1994/1995 only 197,000 pounds were harvested and in 1995/1996 only 36,000 were harvested. Clearly awarding 80% of the future of this rebounding resource to 4 vessels and over 50% to two catcher processors based on participation during a period of such low harvest levels, and when in hindsight the fishery probably should have been closed to allow rebuilding, is totally improper. See attachments C and D. As late as 1996 modeling based on historical catches suggested a sustained GHY of over 5 million pounds.

During the next three year the Adak fishery will be open in a quasi test fishery with maximum pot limits of 50 and 100% observer coverage. Remarkably high CPUE's were found during recent pot test surveys. Since only about 28 vessels will hold LLPs by the time rationalization is put in place

5. The alternative of rationalizing only the Petrel Banks area now does not solve the excessive cap issue

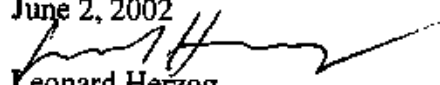
ADFG indicates that approximately 75% of the more recent historical fishing takes place on the Petrel bank. During the four years considered for rationalization, an average of 550,000 pounds were landed in the entire Aleutians area and during the most recent two seasons only 196,000 and 35,000 pounds were caught in total. ADFG has little data on which to base the possibility of sustained yields in the future but estimates very conservatively that 1.125 million pounds could be harvested on a sustained basis. This

could provide 28 boats an average of 40,000 pounds each a year, worth approximately \$170,000 per boat. If the fishery were rationalized based on these stale low production years, 4 vessels would average 20% each or 230,000 pounds, approximately a million dollars. The other 24 vessels would average less than 10,000 pounds making the fishery uneconomical to even pursue. The catch may be even more concentrated as the one or two catcher processors probably have over 50% of this latent history. In addition one catcher processor owner also owns two catcher vessels with permanent LLPs in the fishery. Both those catcher vessels also hold Bering Sea red Crab endorsements. If recent years are picked for the Bristol Red Crab fishery are selected, there will be no overlapping of years in the rationalization process.

6. The fishery can be managed well under the present LLP system

Because of the limited number of LLP licenses this fishery can be easily managed for small GHs while the resource rebounds. The problem of excess and latent licenses does not plague this unique fishery. As the fishery rebounds the award of 80% of the history to four boats will be more and more improper.

June 2, 2002


Leonard Herzog
Homer Crab Group

WESTWARD REGION

Alaska Commercial Harvests of King, Tanner, and Snow Crab, 1953-1994

(Millions of pounds, MSY estimates equal to the average harvest and 95% confidence intervals)

Figures within this table may not match figures from other summary tables due to rounding or differing methods of calculation. — DATA NOT FOR LEGAL INTERPRETATIONS

Harvest of Bering Sea *Chionoecetes bairdi* and *C. opilio* from 1965 to 1980 include foreign harvests.

Year	Bristol Bay Red King	Pribilof Island Blue King	St. Matthew Blue King	Norton Sound Red King	Dutch Harbor Red King	Dutch Harbor Brown King	Dutch Harbor Tanner (<i>C. bairdi</i>)	Adak Red King	Adak Brown King	Bering Tanner (<i>C. b.</i>)
1953	13,228,600									
1954	10,392,800									
1955	10,549,000									
1956	10,183,800									
1957	9,116,800									
1958	8,126,800									
1959	11,578,600									
1960	25,157,000							2,074,000		
1961	40,777,000				533,000			6,114,000		
1962	53,229,000				1,536,000			8,006,000		
1963	57,229,000				3,893,000			17,904,000		
1964	63,852,800				13,761,000			21,193,000		
1965	43,076,000	2,003,400			19,196,000			12,915,000		4,740,000
1966	42,895,600	2,409,000			32,852,000			5,883,000		6,000,000
1967	33,145,200	1,595,000			22,709,000			14,131,000		33,600,000
1968	34,698,400	5,471,400			11,300,000			16,100,000		43,300,000
1969	18,994,800	1,280,400			8,950,000			18,016,000		70,100,000
1970	20,165,200	1,227,600			9,652,000			16,057,000		48,100,000
1971	17,914,600	299,200			9,391,615			15,475,924		49,300,000
1972	26,109,600	1,320,000			10,450,380			18,724,144		38,600,000
1973	29,363,400	8,819,800			12,722,696		498,830	9,741,464		22,800,000
1974	50,153,400	2,433,714			13,991,129		Not Available	2,774,963		33,200,000
1975	51,326,259	6,611,084			15,908,666		534,295	4,110,000	25,490	38,900,000
1976	63,919,728	6,458,738			10,198,423		1,239,589	0	2,285	66,100,000
1977	69,967,868	6,395,512	1,202,066	520,000	3,684,417		2,494,631	905,527	47,445	78,200,000
1978	87,618,320	5,995,231	1,984,251	2,090,000	6,824,793		1,280,115	807,195	0	47,600,000
1979	107,828,057	10,970,346	210,819	2,930,000	15,010,874		443,244	467,229	23,485	22,800,000
1980	129,948,463	9,080,729	219,777	1,190,000	17,660,642		443,244	1,419,513	58,914	23,800,000
1981	33,591,368	4,405,353	4,627,761	1,380,000	1,392,923	115,715	654,514	1,648,926	1,194,046	29,600,000
1982	3,001,210	2,193,395	8,844,789	230,000	5,155,345	1,184,971	739,694	1,701,818	8,008,274	11,000,000
1983	0	306,699	9,454,323	370,000	431,179	1,810,973	547,830	1,981,579	8,128,029	5,200,000
1984	4,182,406	532,735	3,764,592	390,000	0	1,521,142	239,585	1,367,672	3,180,095	1,200,000
1985	4,174,953	528,939	2,427,110	430,000	0	1,968,213	165,529	908,293	11,124,759	3,150,000
1986	11,393,934	701,337	1,003,162	480,000	0	1,889,180	167,339	712,243	12,798,004	
1987	12,289,067	0	1,075,179	330,000	0	1,383,198	160,292	1,213,933	8,001,177	
1988	7,387,795	0	1,325,185	240,000	0	1,545,113	309,918	1,567,314	9,080,196	2,200,000
1989	10,264,791	0	1,166,258	250,000	0	1,852,249	326,396	1,118,566	10,162,400	7,000,000

ADAK EBO
↓

1990	20,362,342	0	1,725,349	190,000	0	1,718,848	171,785	828,105	5,250,687	44.5
1991	17,177,894	0	3,372,066	0	0	1,447,732	50,038	951,278	6,254,409	51.8
1992	8,043,018	0	2,474,080	70,000	0	1,357,048	98,703	1,266,424	4,916,149	35.1
1993	14,628,639	0	2,999,921	336,000	0	915,460	118,609	698,077	4,635,683	16.8
1994	0		3,764,262	328,000	0	1,750,267	166,545	196,967	6,135,965	7.7
Count	29	20	18	18	34	14	21	35	20	
Average	32,087,804	2,817,091	2,668,942	653,000	7,270,679	1,460,008	516,700	5,865,707	4,951,275	28.1
Std. Dev	32,644,544	3,534,844	2,604,638	771,409	8,187,879	485,236	566,541	6,928,660	4,222,100	22.6
95% CI	12,334,021	1,549,183	1,203,257	358,366	2,752,196	254,177	242,309	2,295,423	1,850,380	8.1
MSY	32.09	2.82	2.87	0.65	7.27	1.46	0.52	5.87	4.95	
CI	19.76, 44.42	1.27, 4.37	1.67, 4.07	0.29, 1.01	4.52, 10.02	1.21, 1.71	0.27, 0.76	3.57, 8.16	3.10, 6.80	

Note: Bristol Bay crab data from 1953 to 1974 and Pribilof Islands blue king crab data from 1966 to 1974 are from Otto, R. S. 1986. *Management Assessment of Eastern Bering Sea King Crab Stocks*. Pages 107–116 In Jamieson, G. S., and N. Bourne [ed.]. North Pacific Workshop on Stock Management of Invertebrates. Can. Spec. Publ. Fish. Aquat. Sci. 92: 430p.

Harvest of Bering Sea *Chionoecetes bairdi* and *C. opilio* from 1965 to 1980 include foreign harvests.

All other data are from the Alaska Dept. of Fish and Game, Annual Management Report for the Shellfish Fisheries of the Bering Sea/Aleutian Harbor office, June 1995.

Last revised October 14, 1996



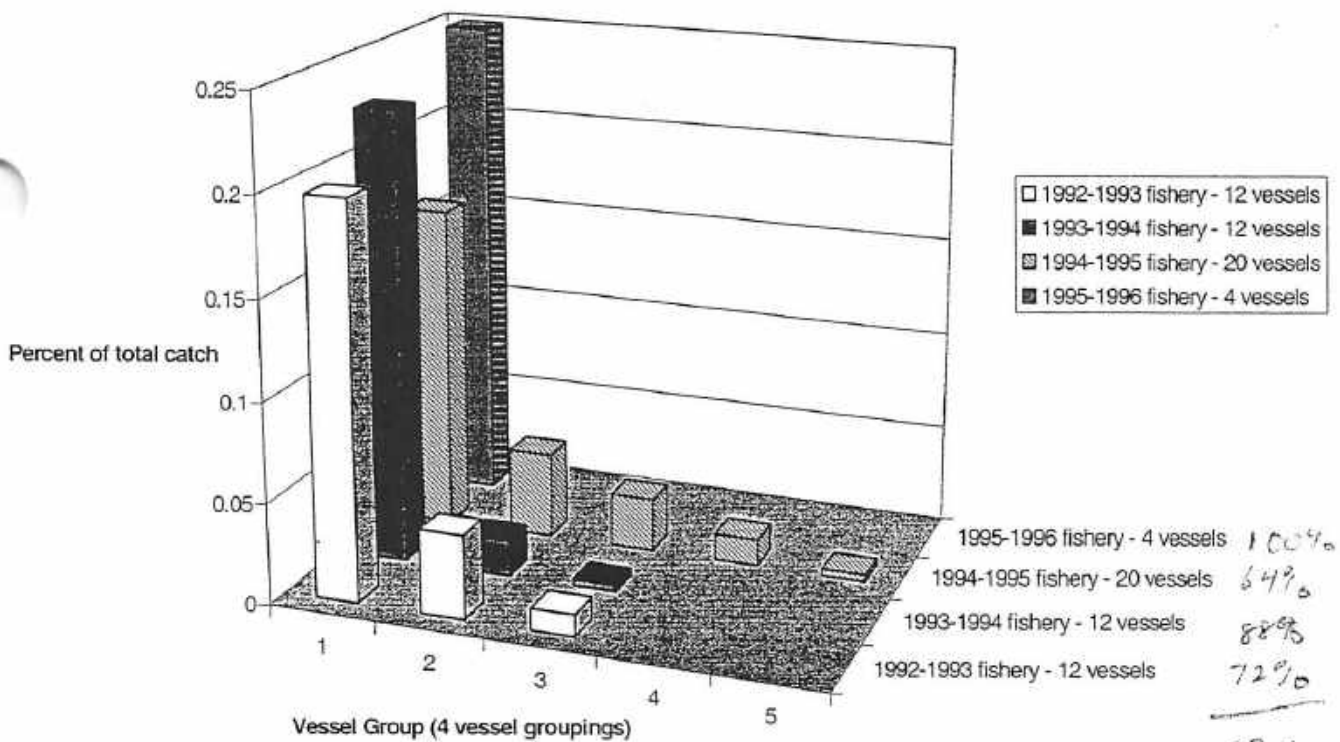
CFMD Region 4 Home | Region 4 Shellfish Home | Related 1970–1994 King Crab Data | Top of Document

The Western Aleutian Islands (Adak) Red King Crab Fishery

Figure 3.4-9 shows the distribution of harvests in the Western Aleutian Island (Adak) red king crab fishery. The distributions in this fishery follow no apparent pattern but as with the other fisheries are generally flatter in years when more vessels participated. The average harvests of the four leading vessels ranged from slightly more than 15 percent in the 1994-1995 season to 25 percent in the 1995-1996 season, when only 4 vessels participated in the fishery. Mean harvests in the fishery range from slightly more than 5 percent in 1994-1995 season to 25 percent in the 1995-1996 season.

Figure 3.4-9 Distribution of Harvests in the Western AI Red King Crab Fishery

Distribution of Harvests in the Western Aleutian Islands (Adak) Red King Crab Fishery



1995-1996 fishery - 4 vessels 100%
 1994-1995 fishery - 20 vessels 64%
 1993-1994 fishery - 12 vessels 88%
 1992-1993 fishery - 12 vessels 72%

 324
 81% total harvest

The section concludes with a discussion of the implications of rationalization on safety in the fisheries.

The Allocation of Harvest Shares (Section 3.3).

This section of the analysis examines the different alternatives for allocating harvest shares. The analysis examines the rules that define eligibility to receive an initial allocation and the calculation of those allocations. Both proposed options would base eligibility on whether a vessel has met the requirements for an LLP license. Table E5 shows the number of endorsed LLP licenses in the fisheries and the estimated number of vessels that would qualify for a crab endorsed LLP license and hence an initial allocation in each fishery being considered for rationalization.

Table E5: LLP licenses and the Estimated Number of Vessels that Qualify for LLP licenses endorsed for BSAI Crab Fisheries.

Fishery	Number of Permanent LLP Licenses	Number of Interim LLP Licenses	Estimated Number of Vessels Eligible for an Allocation
WAI (Adak) Golden King Crab	27	14	23
WAI (Adak) Red King Crab	24	22	28
Bristol Bay Red King Crab	260	89	266
Bering Sea <i>C. Opilio</i>	260	93	256
Bering Sea <i>C. Bairdi</i>	260	93	266
EAI (Dutch Harbor) Golden King Crab	27	14	20
Pribilof Blue King Crab	110	48	84
Pribilof Red King Crab	110	48	122
St. Matthew Blue King Crab	154	59	180

Source: NMFS Alaska Region RAM Office and State of Alaska ADF&G Fish ticket files.

The sum of permanent and interim licenses is the maximum number of vessels that could qualify. The "estimated number of vessels eligible for an allocation" is the minimum number that would qualify, as that does not include vessels that rely on Amendment 10 exemptions for qualification, which define limited exemptions and circumstances when activities from multiple vessels may be combined to meet the qualification criteria. The consistency of the different allocation options with the current LLP management is discussed. The section also includes quantitative analysis of the allocations under the different qualifying year options for each fishery. The analysis shows that the allocations in the Bering Sea *C. opilio*, Bristol Bay red king crab, Bering Sea *C. bairdi*, Pribilof blue king crab, St. Matthew blue king crab, and Western Aleutian Islands (Adak) red king crab are very similar under all of the qualifying year options. In the Pribilof red king crab fishery, the allocation to the leading four vessels varies somewhat under the different options. In the two Aleutian Islands golden king crab fisheries (particularly in the Western subdistrict), the allocations under the various options show greater variation. Graphical representations of the allocations and descriptive statistics appear in the section. Graphs included in this section show groupings of four vessels to protect confidential data. The same vessels are not always in the same groups for the different allocation options. The portion of the total allocation to catcher/processors in each fishery under each option is also shown.

The IFQ Program Elements (Section 3.4).

This section analyzes the options for development of an IFQ program. The section includes analyses of the various measures that define the rights to own, purchase, and use harvest shares in the different fisheries. The section includes an analysis of the two-pie IFQ alternative, including the initial allocation, transfer rights, and ownership and use caps on processor shares and limits on vertical integration.

Saint Matthews Blue King Crab Qualified Catcher/Processors

1993	1994	1995	1996	1997	1998	Years	Unique Vessels	Cum Vessels	Cum Percent
0	0	0	1	1	1	3	1	1	16.7%
1	1	1	0	0	0	3	1	2	33.3%
1	0	0	1	0	0	2	1	3	50.0%
1	1	0	0	0	0	2	1	4	66.7%
0	2	0	0	0	0	1	2	6	100.0%
3	4	1	2	1	1		6		

Eastern Aleutians Islands (Dutch Harbor) Golden King Crab Catcher/Vessels

1992-1993	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	Years	Unique Vessels	Cum Vessels	Cum Percent
0	0	2	0	0	0	0	0	0	1	2	2	11.8%
0	0	1	0	1	0	0	0	0	2	1	3	17.6%
0	0	1	1	0	0	0	0	0	2	1	4	23.5%
0	1	1	0	0	0	0	0	0	2	1	5	29.4%
1	1	0	0	0	0	0	0	0	2	1	6	35.3%
0	0	0	0	0	0	1	1	1	3	1	7	41.2%
0	0	0	0	0	1	1	1	1	4	1	8	47.1%
1	1	1	1	0	0	0	0	0	4	1	9	52.9%
1	1	0	0	1	0	0	1	1	5	1	10	58.8%
0	0	1	1	1	1	1	1	1	7	1	11	64.7%
0	3	3	3	3	3	3	3	3	8	3	14	82.4%
1	0	1	1	1	1	1	1	1	8	1	15	88.2%
2	2	2	2	2	2	2	2	2	9	2	17	100.0%
6	9	13	9	9	8	9	10	10		17		

Western Aleutian Islands (Adak) Red King Crab Qualified Catcher Vessels

1992-1993	1993-1994	1994-1995	1995-1996	Years	Vessels	Cum Vessels	Cum Percent
0	1	1	1	3	1	1	3.7%
3	3	3	0	3	3	4	14.8%
0	2	0	2	2	2	6	22.2%
0	1	1	0	2	1	7	25.9%
1	0	1	0	2	1	8	29.6%
1	1	0	0	2	1	9	33.3%
0	0	11	0	1	11	20	74.1%
0	3	0	0	1	3	23	85.2%
4	0	0	0	1	4	27	100.0%
9	11	17	3		27		

Eastern Aleutian Islands (Dutch Harbor) Golden King Crab Qualified Catcher/Processors

1992-1993	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	Years	Vessels	Cum Vessels	Cum Percent
0	0	0	0	0	0	0	0	0	1	1	1	33.3%
2	0	0	0	0	0	0	0	0	1	2	3	100.0%
2	0	0	0	0	0	0	1	0		3		

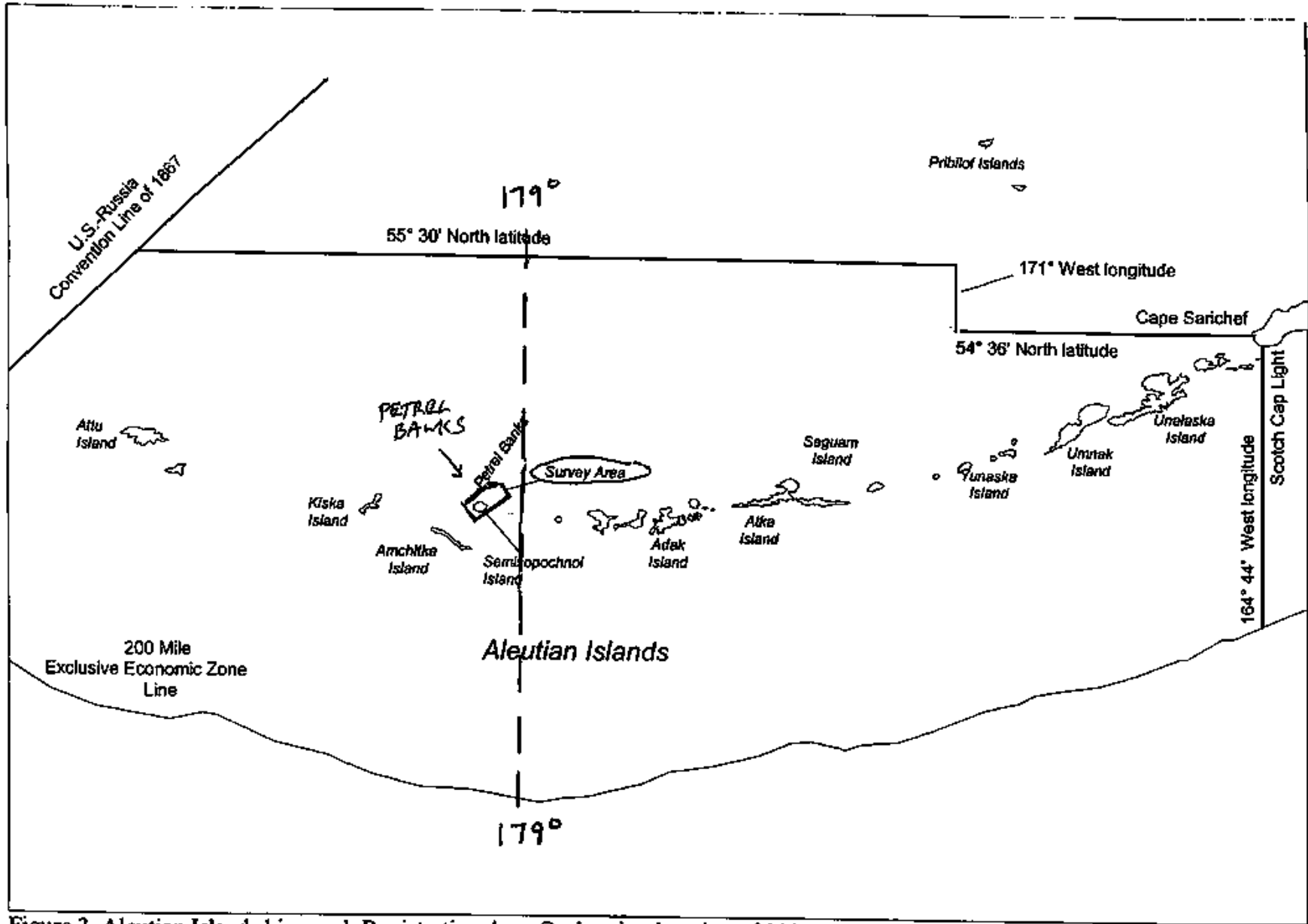


Figure 3. Aleutian Islands king crab Registration Area O, showing location of 2001 commissioner's permit survey.

Table 1. (Page 4 of 5)

ALEUTIAN ISLANDS RED KING CRAB

Season	Locale	Number of		Crabs ^b	Harvest ^{b,c}	Pots Lifted	CPUE ^d	Average		Deadloss ^e
		Vessels ^a	Landings					Weight ^e	Length ^e	
1987/88	East of 171°				FISHERY CLOSED					
	West of 171°	71	109	211,712	1,213,933	43,433	5	5.7	148.5	6,900
	TOTAL	71	109	211,712	1,213,933	43,433	5	5.7	148.5	6,900
1988/89	East of 171°				FISHERY CLOSED					
	West of 171°	73	156	266,053	1,567,314	64,374	4	5.9	153.1	557
	TOTAL	73	156	266,053	1,567,314	64,374	4	5.9	153.1	557
1989/90	East of 171°				FISHERY CLOSED					
	West of 171°	56	123	196,070	1,118,566	54,513	4	5.7	151.5	759
	TOTAL	56	123	196,070	1,118,566	54,513	4	5.7	151.5	759
1990/91	East of 171°				FISHERY CLOSED					
	West of 171°	7	34	146,903	828,105	10,674	14	5.6	148.1	0
	TOTAL	7	34	146,903	828,105	10,674	14	5.6	148.1	0
1991/92	East of 171°				FISHERY CLOSED					
	West of 171°	10	35	165,356	951,278	16,636	10	5.7	149.8	0
	TOTAL	10	35	165,356	951,278	16,636	10	5.7	149.8	0
1992/93	East of 171°				FISHERY CLOSED					
	West of 171°	12	30	218,049	1,286,424	16,129	13	6.0	151.5	5,000
	TOTAL	12	30	218,049	1,286,424	16,129	13	6.0	151.5	5,000
1993/94	East of 171°				FISHERY CLOSED					
	West of 171°	12	21	119,330	698,077	13,575	9	5.8	154.6	7,402
	TOTAL	12	21	119,330	698,077	13,575	9	5.8	154.6	7,402
1994/95	East of 171°				FISHERY CLOSED					
	West of 171°	20	31	30,337	196,967	18,146	2	6.5	157.5	1,430
	TOTAL	20	31	30,337	196,967	18,146	2	6.5	157.5	1,430
1995/96	East of 171°				FISHERY CLOSED					
	West of 171°	4	12	6,880	38,941	2,205	3	5.7	153.6	235
	TOTAL	4	12	6,880	38,941	2,205	3	5.7	153.6	235
1996/97				FISHERY CLOSED						

-Continued-

ATTACHMENT E



BLUE NORTH FISHERIES

C-3
James
Mize

2930 Westlake Ave. N. • Suite 300 • Seattle, WA 98109 • (206) 352-9252 • Fax (206) 352-9380
Tollfree 1-877-TRUECOD • email: bluenorth@bluenorthfisheries.com

June 9, 2002

Agenda Item C-3, Crab Rationalization


To Chairman Benton, NPFMC

Briefly, here is what we support:

- CP-QS for catcher-processors, based on harvesters' qualifying years
(as per Majority Report, Crab Rationalization Committee)
- Catcher-processors be allowed to act as floating processors
(as per ACC comments submitted)
- 80/20 split between "A" shares and "B" shares
(as per supporting narrative paper, attached)

Thank you for all your hard work and deliberation on this effort. We look forward to a safer fishery more protective of the resource in the future, thanks to the diligence of this process.

Sincerely,


James Mize
Government Affairs
Blue North Fisheries



BLUE NORTH FISHERIES

2930 Westlake Ave. N. • Suite 300 • Seattle, WA 98109 • (206) 352-9252 • Fax (206) 352-9380
Tollfree 1-877-TRUECOD • email: bluenorth@bluenorthfisheries.com

June 9, 2002

To: Chairman Benton and the North Pacific Fisheries Management Council,

Background:

Blue North Fisheries is the common name by which several affiliate corporations wholly-owned by Michael and Patrick Burns do business. The Burns brothers bought their first crab boat, the F/V Tempest in 1987, in 1989 they purchased the F/V Sultan, in 1999 they purchased the F/V Blue Aleutian, and in 2000 the Blue Attu. Being active participants in the BSAI crab fisheries, they were concerned about processing capacity issues in the fishery as AFA processing caps were developed. In answer to these concerns, they bought the C/P Blue Dutch in December, 1998. Operating the vessel as a floating-processor, processing crab from their other crab boats, was a key part of the business plan, predating even the formation of the ad hoc Crab Rationalization Committee.

**Prior
Investment,
Not
Speculation:**

The Blue Dutch participated in the 1999 Opilio crab season, but required modifications before being able to process crab harvested on other vessels. After attending to these modifications in the shipyard after the close of the 1999 Opilio season, the boat participated in the 1999 Bristol Bay Red King Crab season as both a catcher-processor and a floating-processor, processing crab harvested by other Burns brothers' boats and providing "custom-processing" capacity for Trident Seafoods. AFA processing caps ("sideboards") were implemented by emergency rule in January, 2000, and as anticipated, crabbers had difficulty securing markets, suffering negative effects on ex-vessel prices. Operating the Blue Dutch as a floating-processor, Blue North Fisheries processed the crab from their other boats as planned, minimizing these negative effects. In the following seasons, the Blue Dutch continued to operate as a floating-processor, processing crab from the other Burns brothers' boats.

**Recent
Processing
Participation:**

Crab harvesting alternatives have been developed in an open, fair and equitable process allowing input and notice to affected parties. Through the Moratorium Program, License Limitation Program and Amendment 10, the Council has offered clear direction to participants and the harvesting sector has had ample opportunity to comment and plan for rationalization alternatives. In contrast, no such clear direction has been issued to the processing sector indicating potential future loss of processing privileges, with the exception of AFA restrictions. AFA sideboards actually served to promote investment in processing capacity as AFA processors became restricted. Despite this lack of direction from the Council that future processing privileges may be restricted, Element 2 of the Draft Council Motion for BSAI Crab Rationalization stipulates options that deny recent entrants from any significant initial allocation of processor quota share. At the same time, AFA processors stand to receive initial allocations in excess of their sideboard caps.

**Due Process
Concerns:**

Non-AFA processors still need protection. Ideally, any allocations to AFA processors in excess of sideboard caps should be reallocated to non-AFA eligible processors on a pro-rata basis. Absent this option in the analysis, "B" shares provide some protection, allowing non-AFA processors an opportunity to increase their participation without being forced to pay tribute to their more advantaged brethren for use of PQS. The more "B" shares, the more protection for the little guy. Processing sideboards should not be removed, if AFA processors are allowed to purchase "B" shares or crab harvested with "B" shares. We prefer a 70/30 split, but will support 80/20 in the spirit of compromise.

Proposal:

Conclusion:

The issue of processing quota is controversial and contentious. If adopted, present participants will be prevented from pursuing their ordinary course of business through no fault of their own. We ask that this Council bear this in mind and act conservatively to hopefully mitigate unintended harmful consequences on small processors. Please select a minimum of 20% "B" shares.

Sincerely,



James Mize
Government Affairs

C-3
Chris Graves
Megan Kemp

Unalaska Community Business Scholarship

Class of 2002

Courtney Laskowski
P.O. Box 1322
Unalaska, AK
99685

The Economic Importance of Shore Based Processing Plants in Our Community

Since I was born and raised in Unalaska/Dutch Harbor, I have been able to see first hand, our community grow and prosper. Most of the changes here, like paved roads and bigger businesses, are all directly or indirectly connected to the fishing industry. If our shore based processing plants were to suddenly disappear so would this town. Not only do the processing plants create many jobs but also bring our community much of its income. The shore based processing plants bring in fishing vessels, which in turn bring the business that keeps our community going.

Most businesses that are located out here deal with fishing vessels and the processing plants on a daily basis. There are businesses like Pacific Trucking Inc. that carry the processed product. There are also businesses, like Alaska Maritime Agencies, that deal with the needs of the vessels that bring in product for the plants to process. Our grocery stores supply the vessels with food, our restaurants receive more business, and when the busy seasons begin the airlines also receive more business. The shore based processing plants also help support our city, by paying city taxes. I am sure that our city would not survive without the money that they receive from the plants.

Although the processing plants directly affect these businesses, I happen to be affected in a different way. Without the processing plants my school would not be able to provide the outstanding education that they do. Most of the students in our school have parents that are somehow connected to the fishing industry. So, if the shore based processing plants were to die away so would our school. Most of the students and their

families would end up leaving and our school wouldn't make much money. We would have probably never gotten the computer labs that help us out such a great deal and our athletic programs would suffer as well.

To sum up the question of "Why you think the shore based processing plants are important to the economic stability of our community?" is that without the processing plants Unalaska/Dutch Harbor our community would only be a small village with only a couple hundred people. There would be no reason for people to come out here for jobs, because there would be less housing, one small store, and a small little school that couldn't even really afford teachers. The medical facility would only be able provide the minimal help required, and our city wouldn't even have enough money to provide the basic needs of the city. I have to thank the shore based processing plants for the life I have had growing up in Unalaska/Dutch Harbor. My education wouldn't be what it is today, and the adjustments that have made this town change for the better wouldn't have happened. My pursuit for further education, as well as my fellow class mates pursuits for a further education is tied into the shore based processing plants and all that they do for this community.

Dutch Harbor/Unalaska
Community Business
Scholarship

Sheryll Mae Santos Lacson
P.O. Box 404
Unalaska, Alaska 99685

Class Of 2002

Shore Based Processing Plants and Their Importance to Our Community

Dutch Harbor remains as a top ranked fishing port in the country in terms of the volume of fish landed. With this in mind, Pacific Seafoods Processor Association, representing Alyeska Seafoods, Unisea, Inc. and Westward Seafoods, are processing plants that play a vital role in our community. These are companies that generate massive revenues for the City of Unalaska.

I think that shore based processing plants are important to the economic stability of our community because these businesses create revenues for the city and provide jobs for a lot of people.

Way back in the 1870's, when commercial fishing first started, there were no fishing regulations to follow, "resulting in a serious depletion of stock" (Encarta). Ever since Alaska became a state in 1959 and fishing regulations took effect, Alaska became the leading fishing state.

"In 1998, the total catch in the state was valued at \$951 million" (Encarta). Some of the catch like: salmon, pollock, crab, halibut, and bottomfish is brought to the processing plants here in Unalaska/Dutch Harbor to be processed and exported overseas or sold locally.

With the money that the local processing companies make, part of the income goes to the City of Unalaska as tax, to be used for projects. This money helps with systems of transportation to pave roads, build bridges, and other infrastructures. It also helps with education, the shipping industry, public utilities, the local airport, the electric power systems, and other things that the community needs.

The shore based processing plants not only help and support the community but they also provide jobs for a lot of people from out-of-state and locally. The growth of the community is due to the increased employment in the seafood industry. The people that work in the canneries also help and support the community by purchasing goods and services within the city. These people pay taxes that help the government support projects.

Shore based processing plants also helps fund non-profit organizations in our community. They support children's education. They support every infrastructure projects that the City of Unalaska has.

With out these shore based processing plants our community will not have paved roads, a new school, a museum, a library, a community center, community parks, new docks, and other amenities.

KIMBERLY
SUE
BRAY

UNALASKA CITY
HIGH SCHOOL
2002

Importance of Shore Based Processing Plants to Our Community

Stability. This is the one word that comes to mind when thinking about how shore based processing plants effect the community of Unalaska/Dutch Harbor. Shore based plants are the keystone of our town, and without them there would not be many of the businesses and the population would be significantly less. Local businesses support the off-shore processors as well, but the local industry is much more impacted by the shore-based plants. The majority of the people who live here are involved with the fishing industry, whether fishermen, processors, or the local businesses.

The processing plants here on the island tend to hire employees that spend more money locally whereas the off shore fleet tends to take all of their profit back to wherever they are from. Many working in the processing plants bring their families here to live creating a more stable, family based community. When families are living here, more money is spent on everyday needs. The school is benefited due to additional students brought to Unalaska/Dutch Harbor by parents working at local processors and support service companies. Each additional student helps stabilize the educational system, keeping teachers and other staff members employed. Even the people that don't bring their families spend money on personal items that are not supplied by their companies.

Every business on the island is affected one way or the other by the supply and demand of the fluctuating population caused by the fishing seasons. The airlines are the first to be affected by the influx of travelers crowding the planes coming in and out of Unalaska/Dutch Harbor. Even before the season starts, travel agents are busy booking flights for the huge rush of processors and the fishing crews that support the shore-based plants.

The local grocery stores supply food and goods to the local fishing boats as well as to processors. Local restaurants and bars are kept busy with patrons from local boats and processing plants. Although most of the itinerant population has the benefits of room and board, many enjoy time away from their working environment and add money to the local environment in the process.

The local clinic is also affected by the inflow of employees brought in by the shore-based plants. The medical staff is especially busy taking care of illnesses as well as injuries incurred during the fishing season. The shore based plant employees have easy, accessible health care available to them.

The City of Unalaska collects tax money from the processing plants as well as the local businesses and fishermen that supply the plants with product. This makes the community very financially sound and provides the funding to increase community services, such as paved roads, the recreational facilities, and the museum. These things all add to making this community family-based and more stable.

The shore based processing plants add a great deal of stability to the community of Unalaska/Dutch Harbor. Every business on this island is impacted by their presence here. They have not only added financial stability to the many businesses that are affected by their presence, but have also added the stability of helping create a family-based community that everyone on this island benefits from.

Megan Kemp

May 9, 2002

Pacific Seafood Processor Association

Scholarship Essay

The City of Unalaska is economically supported chiefly by the fishing industry. A significant part of this industry is composed of shore based processing plants, and therefore companies such as Alyeska, Unisea, and Westward are vital to the economic stability of our community. The jobs, patronage, and taxes that they provide to the Unalaska community are invaluable.

Shore based processing plants provide many jobs for both transient and permanent residents of Unalaska. In fact, it is estimated that approximately half of our community is employed by shore based processing plants. In turn, these employees support local businesses such as grocers, restaurants, bars, et cetera. Even those employees who only stay for a season or two support local businesses. Transportation businesses such taxis, car rentals, and the airport also benefit from the numbers of people that stay temporarily. Furthermore, processor employees who at first intend to stay in Unalaska for a single season sometimes decide to become permanent residents who will contribute even more to the local economy. Also, many students are children of Alyeska, Unisea, and Westward employees; thus, the school system is supported by these companies because a larger student body equates to more funding. Not only do employees of shore

based processing plants contribute to the economy, the companies themselves are customers to businesses that sell fuel, equipment, and other goods. Thus, shore based processing plants stimulate business in our community.

Processing plants also support the local economy through property taxes and fish taxes. City taxes are then used to build and maintain facilities such as the library, the parks, culture, and recreation building, and the pool. These facilities help keep community members healthy and sane during winter! Apart from taxes, processing companies also make large donations to the community in the form of money, labor, and equipment. Last fall, for example, before the new elementary school opened, employees of processing plants volunteered to move classrooms from the high school to the new school. Westward, Unisea, and Alyeska also financially support various non-profit organizations such as U-SAFE, the local clinic, and the public library.

Our community's economy depends enormously on shore based processing plants. Whereas sea based processing plants contribute much less to our economy, plants which are based on land are vital to the livelihood of Unalaska, because they provide countless jobs, patronize local businesses, and support the city through taxes. For these reasons, shore based processing plants are an essential component of our community's economy.

Nick Kniazowski
PSPA Scholarship
Essay
5/09/02

Shore Based Processing Plants and the Unalaska Economy

If it wasn't for seafood processing plants, Unalaska would not be renowned for being the number one fishing port in the nation. This is due to our location in between the North Pacific Ocean and the Bering Sea, in the middle of some of the richest fishing grounds in the world. Then there is our deep-water port that provides protection from the unforgiving Aleutian weather. No wonder, then, those shore plants have chosen Unalaska/Dutch Harbor as their base of fishing operations and production. Shore based plants are more than important to the economy of Unalaska, they are the driving force behind our stability and growth. The two biggest parts of that contribution to Unalaska's economy are the taxes they pay and the jobs they create.

The three largest plants are Unisea, Westward, and Alyeska. These three plants pay several million in property taxes, generate many million more in raw fish and fish transfer taxes. The boats that deliver fish product to them pay sales taxes for the fuel and supplies they purchase locally. The people that work in the plants all pay sales taxes for the groceries and other purchases they make.

The three plants employ over 1,200 people during the peak fishing seasons. On a statewide scale, fisheries jobs are the largest sector of private employment, far more than oil or timber. On a local level, many of these employees become very active in the community and serve on the city council, school board, clinic board and in other

Nick Kniazowski

organizations in town. So not only do the plants provide jobs, they provide a class of people willing to make Unalaska a better place to live.

The processing plants attract people from all walks of life and from all over the world, including Asia, Africa and Europe. This provides our community with a cultural depth unusual for a town of our size. All these people are looking for a job that will pay well, and include benefits. Major benefits are free housing and meals for all. Other benefits plants can provide employees include a 401 K savings plan and medical/dental/vision insurance. They even provide protective gear to their processors.

Then there is the ripple effect the shore plants have on the economy of Unalaska. Service sector jobs rely on the plants and the boats that deliver to them for their livelihood. This is especially true with the reduction in fleet size of the off-shore sector after the American Fisheries Act. Electronic repair shops, hydraulic shops, engine repair facilities, grocery stores, hotels, bars, and many other businesses have survived the changes, and some have even prospered from them. Longer fishing seasons mean more people choose to live and work here year round, and they are bringing their families with them.

So everything the shore plants do has an impact on the local economy. We are joined at the hip and I would say that we are doing well from the relationship.

C-5

Rick Mezich
7215-156 ST SW
Edmonds, WA. 98026

May 20, 2002

Dave Benton, Chairman
North Pacific Fisheries Management Council
605 West 4 th Avenue, Suite 306
Anchorage, Alaska 99501-2817

Re: Preferred Options For Aleutian Island Brown Crab Rationalization

Dear Mr. Benton

This letter states the position of the owners of 13 vessels who participate in the Aleutian Island brown crab fishery. A list of vessel owners along with their signatures appears on the last page. Most of our vessels have long histories in this fishery and have made substantial investments in recent years to strengthen their crab catching abilities. The Aleutian brown crab fishery is critical to our economic viability.

We request that the council adopt the following options, which appear in the April 14, 2002, Draft Council Motion for item C-5 BSAI Crab Rationalization:

- 1) "1.3.1.1 Brown king crab (AI golden king crab) option.
Option 1. Split into two categories: Dutch Harbor brown king crab and Western Aleutian brown crab."

Distinct stocks have been identified in the Eastern and Western Aleutians. Having separate allocations in the two regions will ensure that those stocks can be properly managed. In addition, a single category of QS covering both regions will not properly reflect the catch histories of many participants who, for reasons of safety and economy, have fished only the Eastern Aleutians.

- 2) "1.4.2.7 Brown king crab (based on biological season) . . . Option 5. 96/97-2001/02 (6 seasons)
(a) Best 5 seasons"

This fishery has a small number of LLP qualified vessels. It is critical not to further reduce the number of vessels that participate. Qualifying years 96/97 -2001/02 will allow QS to be distributed among a greater number of LLP qualifying vessels.

- 3) "1.4.2.7 . . . Suboption: Award each initial recipient QS based on: . . . (b) historical participation in each region."

Our vessels have had little participation in the Western region and forced participation there will greatly alter our historical fishing practices.

- 4) "1.6.3 Separate and distinct QS Ownership Caps"

In 1.6.3, under (d), we favor a 15 % ownership cap for both Dutch Harbor and western Aleutian Islands regions. We also favor the suboption for (d) which states that "no initial issuance shall exceed the cap specified" and that any amount of QS issued to a person in excess of the cap shall be distributed "equally" to other qualified persons receiving an allocation in the fishery.

We believe that the 15 % ownership cap and an equal distribution of excess shares is the best way to resolve the excessive share issue and avoid windfall QS allocations to a few large operators.

- 5) "1.1 Crab fisheries included in the program . . . Option (A) Exclude E.AI tanner, W AI tanner, Dutch Harbor Red king crab, and W AI red king crab"

- 6) "1.4.2.8 Adak Red King Crab . . . Option (c) Not appropriate for rationalization"

This fishery does not meet the criteria for rationalization. Rationalization is a tool that primarily addresses concerns of overcapitalization and over fishing.

Respectfully submitted,


Rick Mezich

List of vessels that support the letter and participate in the Aleutian Island Brown crab fishery.

F/V Alaska Sea, Owner-Ozzie Nordheim

Ozzie Nordheim

F/V Andronica, Owner-Gary Howe

F/V Artic Dawn, Owner-Dale Dier

Dale Dier

F/V Aleutian No. 1, Owner-Jostein Karlsen

Jostein J. Karlsen

F/V Ballyhoo, Owner-John Sjong

John Sjong

F/V Early Dawn, Owner-Rick Mezich

Rick Mezich

F/V Erla N, Owner-Bing Hinkel

Bing Hinkel

F/V Lady Alaska, Owner-Kevin Suydam

Kevin Suydam

F/V Pacific Star, Owner-Hjelle Enterprises
by: manager: R & B Fisheries, Inc.

Rick Mezich

F/V Shishaldin, Owner-John Sjong

John Sjong

F/V Western Viking, Owner-Jim Stone

Jim Stone

F/V Sea Venture, Owner-Dan Gunn

Dan Gunn

F/V Aleutian Spray, Owner-Chris Knutsen

Chris Knutsen

Royal Aleutian Seafoods, Inc.
701 Dexter Ave., N., Suite 403
Seattle, WA 98109
(206) 283-6605 / Fax (206) 282-4572

C-3
Garry Lonson

22 May, 2002

David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Ave., Suite 306
Anchorage, AK 99501

Re: Bering Sea Crab Rationalization, Program Alternatives
Public Review Draft
May 2002

Chairman Benton,

Royal Aleutian Seafoods, Inc. ("RAS") submits the following comments with regards to the above referenced:

1.4 Initial Allocation of QS

1.4.2.7 Brown king crab

RAS is strongly opposed to Suboption (a) that would split the GHL between eastern Aleutian Islands (Dutch Harbor) and western Aleutian Islands (Adak). It is unusual for a processor, such as RAS, to comment on harvester allocation issues, however arbitrarily combining the eastern and western districts that have always been managed as separate stocks, with separate GHL's, would have a material and harmful economic impact on RAS. Historically, eastern district brown king crab is larger than western district crab and therefore, more valuable. Since 1999, RAS has purchased 87.5% of its' brown king crab production from the eastern district. Further, a single category of QS absolutely does not reflect the catch history of vessel participants who have chosen which sub districts to fish based on economic and safety considerations. Numerous vessels have no fishing history in the western district, while a few vessels have history almost exclusive to the western district.

1.4.2.8 Adak red king crab

RAS is opposed to the selection of option (c) *Not appropriate for rationalization*. The fishery is anticipated to open in the fall of 2002 and should be included in any rationalization scheme in order to ensure that it does not suffer from excess capacity.

Royal Aleutian Seafoods, Inc.

22 May, 2002

1.6 Transferability and Restrictions on Ownership of QS/IFQs:

1.6.2 Leasing of QS

RAS supports Option 1., *Leasing QS is allowed with no restrictions.* In order to adequately address over-capitalization in the harvesting sector, unrestricted QS/IFQ transfer is necessary.

RAS is opposed to Option 3, *A brown king crab QS holder may annually swap with any other brown king crab QS holder, on a pound for pound basis, IFQ in one district for IFQ in the other district.* Please review discussion 1.4.2.7 regarding RAS's dependence on eastern district brown king crab as discussed herein.

1.6.4 Controls on vertical integration (ownership of harvester QS by processors)

RAS supports Option 2, *A Cap of 5%, with grandfathering of initial allocations,* as the preferred alternative.

1.7 Use of IFQs

1.7.2.3 Allowances for Catcher/Processors:

RAS is supportive of option 5, that grants catcher processors PQ based on eligibility requirements of all processors as set forth in 2.1 (b), namely processing within 1998 or 1999. This addresses the issue of latent processing effort in the C/P sector.

2. Processing Sector Elements:

2.1 – Eligible Processors - processors eligible to receive an initial allocation of PQ:

RAS supports option (b) that defines eligible processors that which *processed crab for any crab fishery included in the IFQ program during 1998 or 1999.*

2.3 Initial allocation of processing quota shares

RAS supports option 2., *Processing quota shares shall be initially issued to Eligible Processors based on the processing history for Opilio, BBRKC, or brown king crab, determined by the buyer of record listed on ADF&G fish tickets, Suboption: using (best 6 of 7 seasons) during the 1996-2002 for Opilio; using best 5 of 6 seasons) during 1996-2001 for BBRKC; and using (best 5 of 6 seasons) during 1996/97-2001/2002 brown king crab.*

Prior to April 2002, in public testimony before the Council, RAS has repeatedly testified in support of option 2, which originally based eligibility of processing history using the best 4 seasons during 1996-2000 seasons. The new Suboption (Council action in April 2002) amending years too include 2001 and 2002 where possible, now represents RAS's preferred alternative. The initial allocation of PQ based on more recent years is consistent with the National Standards set out in the Magnuson-Stevens Act, 16 USC §

Royal Aleutian Seafoods, Inc.

22 May, 2002

1853 (a)(1)(C) that directs the Council to consider *present participation in the fishery*, among other factors.

1996-2002 for Opilio (best 5 of 6 seasons)

Since the severe downturn in the Opilio resource (23.3 million and 30.7 million harvests in 2001 and 2000, respectively) from prior years (184.5 million, and 243.3 million in 1999 and 1998, respectively), a significant shakeup in the processing sector has occurred. Proponents of utilizing 1997 to 1999 for establishing PQ distribution have either curtailed or closed operations that has led to a lose in marketshare. Simply put, utilizing years 1997 to 1999 as a basis or proxy for current participation is misleading and fails to recognize and reward participants for surviving the difficult years and keeping facilities open in face of potential operating losses.

Specifically, AFA companies argue that processing caps (as a result of AFA sideboard provisions) have limited marketshare expansion in Opilio. However, 2002 is the only year that processing caps where reached by the AFA sector, so the argument is weak at best.

1996/1997-2001/2002 for brown king crab (best 5 of 6 seasons)

The BSAI Brown king crab fishery, unlike the other fisheries is characterized as a developing fishery, with low participation and up until recently the annual quota had not been harvested. Therefore, recent participation best reflects the status of the fishery. Like Opilio, 2002 was the first year AFA companies reached processing caps.

2.4 Percentage of season's GHL or TAC for which IPQs are distributed:

2.4.1 IPQs will be issued for a portion of the season's GHL or TAC for each species to provide open delivery processing as a means to enhance price competition:
RAS supports Option 2, 90% of GHL (or TAC) would be issues as IPQs – the remaining 10% would be considered open delivery.

Please see the attached letter dated May 3, 2002, which was submitted to Congress relative to an IFQ hearing. The letter outlines RAS's position and justification for the need for processor quota shares.

2.5 Implementation of the open delivery processing portion of the fishery:

RAS supports implementation of QS/IFQ Class B shares as available to all properly licensed entities free of regional landing restrictions.

2.6 Transferability of processing – provisions for transferability include the following:

RAS supports the transferability provisions (a), (b), and (c) as outlined, which will allow for consolidation and maximize economic efficiencies among participants in the processing sector.

Royal Aleutian Seafoods, Inc.

22 May, 2002

2.7 Ownership and use caps – different percentage caps may be chosen for each fishery:

2.7.1 Ownership caps

RAS supports option 1, *based on maximum share for processors by fishery plus a percentage of 15%.*

2.7.2 Use caps

RAS supports option 1, *annual use caps ranging from 30% - 60% of the GHL (or TAC) by fishery.*

In order to allow the processing sector to efficiently and economically consolidate it is necessary to allow for use caps in excess of the quota share of the largest PQ holder's share in each specific fishery.

2.8 Other Optional Provisions:

2.8.1 The crab processing caps enacted by Section 211(c) 2(A) of the AFA would be terminated.

RAS supports elimination of the AFA processor sideboard provisions **only** in the event 2.4.1 Option 2 (90% IPQ/10% IFQ open delivery) is selected as the preferred alternative. Protective measures for the non-AFA processors will continue to be necessary in the event a rationalization plan other than a "two-pie" quota system is enacted.

2.8.2 Penalties – Eligible Processors must fully utilize their processing quota shares in the season while a fishery is open or loose the amount that is not utilized for one season in the next season.

RAS supports option 3, *allocate to open delivery, suboption a), reclassification of Class A QS will be distributed proportionally among all Class A QS holders.* The Council needs to consider the term "fully" in the context of the use or loose it provision. Small quantities of QS may be forfeited for a variety of reasons, including quality disputes with IFQ holders or other legitimate reasons (i.e. plant fire, etc.) a PQ holder fails to fully (referring to 100% usage) utilize their processing quota. The Council must consider hardship provisions.

3. Regionalization Elements:

3.2.1 Categorization will be based on all historical landings.

RAS is opposed to option 3, specifically designating all Pribilof red and blue king crab as Northern region. RAS has a long history of processing Pribilof king crab and arbitrarily designating as Northern region is to the direct detriment of historical participants and violates mandates of the Magnuson-Steven Act, 16 USC § 1853 (a)(1)(C) that calls for consideration to *historical fishing practices in, and dependence on, the fishery.*

3.2.5 Options for addressing potential mismatch of harvesting and processing shares within the region.

Royal Aleutian Seafoods, Inc.

22 May, 2002

RAS believes regional landings designation should mirror section 2.3, initial allocation of processing shares, and therefore supportive of option 1, *the base years for determining processing shares and the base period for determining the share assigned to each region shall be the same.*

RAS is supportive of option 3 that recognizes that Class B QS is exempt of regional designation.

Option to be evaluated as a Trailing Amendment:

4. Community Development Allocation

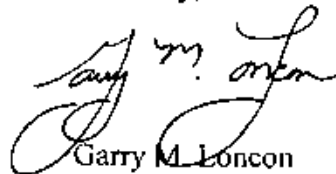
RAS is opposed to Option 5, *For the Aleutian Islands brown king crab fishery, the percentage of resource not utilized (difference between actual catch and GHL) during base period is allocated to the community of Adak.* There is simply no historical basis for a direct allocation to a community that only until recently had a processing presence.

6. Cooperative model options:

RAS is supportive of the State Voluntary Cooperative model, which provides a framework for entities with common interests to work together for the mutual benefit of parties.

The shareholders, and employees of Royal Aleutian Seafoods, Inc. appreciate the opportunity to submit these comments regarding crab rationalization.

Sincerely,



Garry M. Loncon
Chief Executive Officer

Enclosures:

Royal Aleutian Seafoods, Inc.

701 Dexter Ave., N., Suite 403

Seattle, WA 98109

(206) 283-6605 / Fax (206) 282-4572

3 May, 2002

To Whom It May Concern:

Introduction:

Royal Aleutian Seafoods, Inc., ("RAS") was incorporated in 1988, and operates a single processing plant in Dutch Harbor, Alaska. RAS began operations by purchasing the assets of an existing processing facility that has since been expanded and modernized to effectively compete in the Bering Sea Aleutian Islands ("BSAI") crab fisheries. Today, RAS garners approximately a 10% market share in all BSAI crab fisheries. Purchasing, processing, and reselling crab from independently owned crab vessels represents over 95% of company revenue.

We have actively participated in industry discussions and served on North Pacific Fishery Management Council ("NPFMC") appointed committees regarding eventual BSAI crab rationalization. The NPFMC has engaged in an extensive process, to evaluate a preferred option to BSAI crab rationalization in order to satisfy the economic considerations of harvesters, processors, and communities. Crab rationalization must further address the considerations of fisherman (non-vessel owners), the crab resource and equally as important, environmental concerns. This exhaustive study conducted by the NPFMC has included public testimony during the entire evaluation process.

Why should RAS be included in crab rationalization?

In order to obtain resource conservation goals, such as decrease in by-catch of non-targeted specie, and mitigate hazardous working conditions for fisherman, it is necessary to rationalize the BSAI crab fishery. So why include processors in rationalization? First of all, RAS is entirely economically dependent on BSAI crab fisheries for its existence. RAS has invested tens of millions of dollars in plant and equipment in order to efficiently operate in a competitive market place. Assigning a proprietary right to the resource, by granting fisherman quotas based on historical participation will fundamentally change the BSAI crab business, with profound economic implications to processors and the communities in which they operate. And, if processors are left unprotected, granting fisherman quotas only will effectively redistribute wealth to fisherman and result in stranded assets of the processing sector. The backdrop to BSAI crab fisheries, is that both harvesting and processing sectors are over-capitalized, and any form of rationalization must balance decapitalization in both sectors.

Royal Aleutian Seafoods, Inc.

3 May, 2002

RAS operates in a remote Alaskan community:

RAS operates in Dutch Harbor, a remote Alaska community that is dependent on seafood processing. RAS as a seafood operator in a small community engages in a broad array of economic activity in the local area. Also, the company generates tax revenues that help maintain the infrastructure of the local community. Crab rationalization that excluded RAS, could ultimately result in the economic non-viability of the company and negatively impact the Dutch Harbor community.

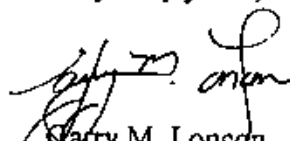
The halibut and black cod experience:

Prior to the formation of individual fishing quotas ("IFQs"), RAS actively participated in the halibut and black cod fisheries, through purchasing from independent fisherman. Today, after years of struggling financially as a custom processor, simply freezing on the fisherman behalf, RAS no longer participates in IFQ fisheries. RAS has been unable to operate profitably in the IFQ fisheries, despite the fact that the halibut resource remains healthy. IFQs in halibut and black cod, excluded considerations for processors and communities, which has resulted in fisherman by-passing the traditional processing sector and marketing their fish directly with wholesalers and end-users. As a result of this transformation, IFQ fisherman receive a disproportionate share of the income generated from halibut and black cod that occurred prior to the establishment of IFQs. The NPFMC understands that the establishment of IFQs permanently redistributed the wealth of the fisheries to fisherman, from processors and the distribution sectors. In the case of RAS, a mid-six figure investment in a new blast freezer, that allowed RAS to compete in the old derby system, now represents a stranded asset. RAS's investment in the halibut fishery pales in comparison to the crab fisheries where stranded assets would mean the elimination of the company's net worth.

Conclusion:

RAS was formed and significant investment was made by American citizens knowing the "rules of the game," meaning BSAI crab was managed under an Olympic style system. Including processor quotas along with harvester quotas, in a rationalization system, rightfully protects processors economic interests and addresses the over-capitalized status of both harvesting and processing sectors.

Very truly yours,


Harry M. Loncon
Chief Executive Officer

June 6th, 2002

David Benton, Chairman
NPFMC
605 West 4th Ave., Suite 306
Anchorage, Alaska 99501

RE: Bering Sea Crab Rationalization, Program Alternatives

Dear Mr. Benton,

I have been involved in the Bering Sea crab industry for over 30 years, skippering crab vessels for 15 of those years. I am currently a co-owner in three Bering Sea crab vessels. Following are my comments regarding the Bering Sea crab rationalization program alternatives:

1.4 Initial Allocation of QS

1.4.2.3 Bairdi (EBS tanner crab)

I support option 3, *Based on a 50/50 combination of Bristol Bay red king crab and opilio harvests.* Since this fishery has been closed since 1996, the years analyzed for determining catch history are quite old. Substantial changes have taken place in the industry since the fishery last opened and I believe it is best to use more recent history from Bristol Bay red king crab and opilio as a proxy for this fishery to ensure that latent vessels are not rewarded.

1.4.2.8 Adak red king crab

I am opposed to the selection of option (c) *Not appropriate for rationalization.* The fishery is anticipated to open in the fall of 2002 and should be included in any rationalization scheme in order to ensure that it does not suffer from excess capacity. When this fishery opens, there will be a maximum pot limit of 50 pots per vessel. This will result in very short soak times, leading to high discard rates to the detriment of the resource. This resource is likely to be devastated with such a management scheme. Rationalizing this fishery would protect the resource.

1.6 Transferability and Restrictions on Ownership of QS/IFGs:

- Under 1.6.2, *Leasing of QS*, I support Option 1, *Leasing QS is allowed with no restrictions.*
- Under 1.6.3.c, *Separate and distinct QS Ownership Caps*, I support Option 2, *5% of the total QS pool for the fishery.*
- Under 1.6.4, *Controls on vertical integration*, I support Option 2, *A cap of 5%, with grandfathering of initial allocations.*
- Under 1.7.4, *Use caps on IFGs harvested on any given vessel*, I support Option 2, *No use caps.*

The extreme variability in the crab resource itself is the strongest reason for having flexibility. I strongly advise the Council against incorporating use caps or leasing restrictions into any crab rationalization program. I also urge the Council against ownership caps less than 5%.

I co-own and manage three vessels and combined will be substantially above the 1% cap level. I would like to keep each of these vessels operating, even during the down years. However, if the Council does not incorporate flexibility into the program, I will not be able to do this financially. Under a rationalization program and with the quota I am expecting to receive, it simply would not make economic sense to operate three vessels if quotas were as they are today, unless it was possible to purchase or lease additional quota.

1.8 Other Optional Provisions

1.8.1 Options for skippers and crews:

I do not support an initial allocation to skippers/crews. It is unnecessary to allocate a percentage of the quota to skippers in that those skippers who have been with a company for a significant amount of time and consistently perform well are in almost all cases offered an ownership interest in the vessel. This is true with our company, and true for all of the other crab fishing companies that I am aware of. The reason for this is obviously to retain talent. In most cases, these skippers have been offered an equity stake in the vessel lower than current market value and with very favorable terms.

It is these very same talented individuals, who made \$100,000-\$300,000 per year in the 1990's that deserve an equity stake. These talented skippers will have a very difficult time finding jobs outside of skippering a Bering Sea crab vessel where they could make this amount of money. However, skippers who are not as talented and do not on average perform as well will make significantly less than \$100,000 per year. These individuals would not have as difficult a time finding other occupations where they could earn that amount of money. Our company alone has three former crab boat skippers who are now making comparable amounts of money operating tug boats (with considerably less risk). These less talented skippers are simply not as dependent upon skippering a Bering Sea crab vessel, and thus much less deserving of an equity stake in a vessel.

The fact that most highly talented skippers who have spent a significant time with a company have been offered equity ownership means that markets are working as they should. Talent is being rewarded, while those less talented are not. There is no reason to grant additional equity ownership in vessel quotas to all skippers, since those who are seriously dependent upon being a crab skipper have already been offered this opportunity.

Of course there are always exceptions, and no doubt the Council will hear from many skippers who feel they are deserving of quota. In fact, I know that certain members of SEA itself have been offered significant ownership interest in vessels in the past, but have simply turned down the offer. I don't see how an individual who was offered equity ownership in a vessel, but turned it down, can say that he is deserving of part of the vessel's quota. He would be receiving a portion of the benefit with none of the obligation or risk.

I also believe that serious disruption will occur if skipper quota shares are granted. Depending on the years used to determine skipper quota shares, it is very possible that a substantial portion of a vessel's quota could be removed from this vessel. For example, if the skipper leaves the vessel, the vessel would no longer have that quota to fish on. This will result in an inefficient use of capital and a very difficult business environment. Vessels will be structured physically and financially to fish on a certain percentage of the quota. If this percentage is suddenly not there, it will seriously disrupt the business due to an unexpected overcapitalization. This is exactly the sort of situation we are trying to solve.

In addition, I am disappointed with the process in which the option of skipper allocation was added to the Council analysis. Originally, SEA proposed this to the Crab Rationalization Committee, but a compromise was struck including protection of historic crew shares, first right of refusal of 10% of quota shares after allocation, and low interest NMFS loans, while skipper allocations were removed. It wasn't until after the Crab Rationalization Committee was disbanded did SEA present this to the Council for analysis, after the Crab Rationalization Committee had already agreed to the compromise with SEA. This is unfortunate because the Crab Rationalization Committee likely could have attained the same end the skippers were seeking through a different means, which could have been more palatable to vessel owners. For example, ideas such as granting limited but transferable skipper licenses and a requirement that an individual who owns one of these licenses must be on board each crab vessel.

I wholeheartedly support proposals to protect historic crew share percentages, create a first right of refusal on sales of 10% of quota shares after initial allocation, and low interest NMFS loans granted to qualified skippers and crew. Skippers and crew are a vital part of any commercial fishing operation. However, those that have been deserving of equity ownership in vessels have been extended this opportunity. It is

unnecessary to grant skippers quota share in any percentage amount, and any granting of skipper quota share will significantly disrupt the Bering Sea crab industry.

1.8.5 Sideboards

A trailing amendment to protect participants in the Korean Hair crab fishery should be added. Two of the vessels I manage are active participants in the Korean Hair crab fishery and will be negatively effected if caps are not placed on vessels who have not participated in that fishery during the last few years the fishery was open. If protection is not provided after rationalization is complete, this fishery will likely be flooded with vessels who have rarely or never participated in this fishery.

4. Community Development Allocation

I support Option 1, *No change from existing program*. The CDQ program in pollock and crab have been extremely successful for the CDQ groups and no expansion is needed. Any increase to the CDQ groups will only further depress the already devastated crab industry.

In closing, I believe Council staff has done an excellent job of analysis for the proposed crab rationalization program. I was especially pleased that additional analysis had been done regarding the environmental benefits of crab rationalization. With rationalization, and if the Board of Fish removes pot limits, discard mortality will dramatically decrease resulting in a much healthier and more stable resource and industry. In order to have healthy Bering Sea crab stocks, it is a necessity to move forward with crab rationalization.

Sincerely,

Kristian E. Poulsen

C-3
Linda Kozak

**KOZAK & ASSOCIATES, INC.
P. O. BOX 2684
KODIAK, ALASKA 99615**

**CRAB RATIONALIZATION ELEMENTS & OPTIONS
NPFMC – JUNE 2002**

Section 1.1 – Fisheries to Include in Rationalization

Include Adak red king crab.

Section 1.2 – Persons Eligible to Receive Initial Allocation of QS

Option 1 Any person that holds a valid, permanent, fully transferable LLP license

Section 1.3 – Categories of QS/IFOs

- 1.3.1 Assign QS/IFQ to the crab fisheries included.
- 1.3.2 Assign QS/IFQs to either catcher vessel (CV) or catcher/processor (CP) harvest categories.
- 1.3.3 In the event a closed class of processors is included in the program, the harvest quota would be assigned in either Class A or Class B for harvest delivery requirements.
- 1.3.4 No position on regional categories.

Section 1.4 – Initial Allocation of QS

- 1.4.1 Calculation of initial QS distribution based on legal landings excluding deadloss.
 - 1.4.1 (a) Calculation to be done on a vessel by vessel basis, as a percent of the total catch year by year during the qualifying period.
 - 1.4.1 (b) Basis for Quota Distribution
Option 1 & Option 3

Section 1.4.2 – Qualifying Periods for Determination of QS Distribution

- 1.4.2.1 Opilio – Option 2A (1992-1999 best seven years).
- 1.4.2.2 Bristol Bay red king crab – Option 2B (1992 – 1999 best five years).
- 1.4.2.3 Bairdi – Option 2A (1992 – 1996 all seasons).
- 1.4.2.4 Pribilof red king crab – Option 1A (1993 – 1998 best four seasons).
- 1.4.2.5 Pribilof blue king crab – Option 1A (1993 – 1998 best four seasons).

- 1.4.2.6 St. Matthew blue king crab – Option 1A (1993 – 1998 best four seasons).
- 1.4.2.7 AI Brown king crab – Option 2B (1995/1996 – 1998/1999 drop one season). Suboption (a) – GHL split Dutch Harbor/western Aleutian Island brown king crab.
- 1.4.2.8 Adak red king crab – Option 1B (1992 – 1996 best two seasons).

Section 1.5 – Annual Allocation of IFQs

Option 2 Convert GHL to a TAC and use the TAC as the basis.

Section 1.6 – Transferability and Restrictions on Ownership of QS/IFQs

- 1.6.1 Option 1
Suboption – initial recipients grandfathered.
- 1.6.2 Option 1 – leasing without restrictions.
Option 3 – an AI brown king crab QS holder may annually swap with any other AI brown king crab QS holder, on a pound for pound basis, IFQ in one district for IFQ in the other district.
- 1.6.3 Option (a) - initial issues would be grandfathered.
Option (b) – individual and collective.
Option (c) 2 – 5% of the total for ALL QS areas and species in the BSAI.
Option (d) – 40% for combined AI brown king crab
Suboption – NO
Option (e) – 30% for Adak red king crab.
Option (f) – NO
- 1.6.4 Caps should be consistent.

1.7 – Use of IFQs

- 1.7.2.1.1 Catcher/processors shall be granted CP-QS in the same manner as catcher vessels.
- 1.7.2.2 No
- 1.7.2.3 Option 1 – Not applicable
Option 2 – Not applicable
Option 3 – Not applicable
Option 4 – Not applicable
Option 5 – No position
Option 6 – Yes
- 1.7.2 Option 4 – discards of incidentally caught crab will be allowed.

- 1.7.3 Option 2 - no caps on how much can be harvested on a single vessel. If caps, the IFQ qualifying years would be used for determining the catch caps.

Section 1.8 – Other Optional Provisions

- Option 1 No initial allocation of shares to skippers or crew. Instead look at an option to require within a five-seven year period that a percentage of the quota held on ANY vessel be held by an individual who must be on board the vessel when the QS is being harvested.
- Option 2 A first right of refusal for a percentage of the QS being sold allowed for the skippers or crew on a specific vessel that is selling QS.
- Option 3 No
- Option 4 Develop a low interest loan program for skippers and crew.
- Option 5 (a) – No
(b) – Yes, unless option 1 is considered
(c) – Yes
(d) – No
(e) – Not applicable
(f) – Why?

1.8.2 – Allow 5% for overage on the last trip.

Section 2 – Processing Sector Elements

Section 3 – Regionalization Elements

- 3.1 Two regions – north and south as described.
- 3.2 Use the same years as harvester years for opilios.
Option 3 – support

Section 4 – Community Development Allocation

- Option 1- 4 No position
Option 5 No

Section 5 – Program Duration and Review

- Option 1 Mandatory program review – no sunset.

C3
did not
speak

Examples of earning potential as effected by QS distribution

Opilio fishery - 30 million lb. GHL with a 1% ownership cap & 1% user cap

All examples have the vessel catching 300,000 lbs. sold @ 1.42\$ = 426,000.00\$

Example #1 - Status Quo

vessel gross	426,000
minus fuel+bait	37,000
vessel net	389,000
60% boat share	233,400
15% capt. Share	58,350
25% crew share	97,250

Example #2 - QS to owners only, with 30% royalties which is CDQ standard

vessel gross	426,000	
minus fuel+bait	37,000	
minus royalties	127,800	
vessel net	261,200	
60% boat share	156,720	
15% capt. Share	39,180	32.5% decrease from status quo
25% crew share	65,300	32.5% decrease from status quo
boat share +QS rent	284,520	22% net increase over status quo

Example #3 - QS - 90% to Owners / 10% to captains,with 30% royalties

vessel gross	426,000	
minus fuel+bait	37,000	
minus royalties	127,800	
vessel net	261,200	
60% boat share	156,720	
15% capt. Share	39,180	
25% crew share	65,300	
boat share+90% QS rent	271,740	16.5% increase over Status Quo
capt. Share+10% QS rent	51,960	11% decrease from Status Quo

Example #4 - QS - 85% to Owners / 15% to captains,with 30% royalties

vessel gross	426,000	
minus fuel+bait	37,000	
minus royalties	127,800	
vessel net	261,200	
60% boat share	156,720	
15% capt. Share	39,180	
25% crew share	65,300	
boat share+85% QS rent	265,350	13.7% increase over Status Quo
capt. Share+15% QS rent	58,350	0% change in earning potential from Status Quo

15% QS at a 30 mil.GHL=45,000 lbs. @ 1.42\$= 63,900\$ x 3= 191,700 QS value
30% royalties on 63,900\$ = 19,170\$

So your royalties will pay for the QS in 10 yrs. At 0% interest.

**Example #5 - stacking / vessel @ 1% ownership cap & 2% use cap
captain is buying 45,000 lbs. @ 3x grounds price**

vessel gross	852,000	
minus fuel+bait	60,000	
minus royalties	255,600	
vessel net	536,400	
60% boat share	321,840	
15% capt. Share	80,460	
25% crew share	134,100	crewmembers make a living again
boat share+owners royalties	558,270	More than 139.4% over status Quo
capt. Share+royalties on15%QS	99,630	Captains are over 16% below Status Quo They will own the Quota that secures their position in 12 to 15 years. This also assumes there are only 50 vessels and captains left standing if all 50 are equal

Example #6 - 0.5% marginal vessel with 3 captains onboard buying 45,000 lbs. each

vessel's catch in lbs.	285,000 lbs.	
vessel's gross @ 1.42\$	404,700\$	
minus fuel+bait	40,000\$	
minus royalties	121,410\$	
vessel net	243,290\$	
60% boat share	145,974\$	
capt. Share=10% each	24,392\$ each	
crew shares = 2 men @5% ea.	24,392\$	
captains 10% + royalties	43,499\$	working more - getting paid less
boat share + royalties	209,874\$	This boat is for sale

C-3
did not
speak

June 7, 2002

Mr. David Benton
Chairman, NPFMC
605 West 4th Ave, Suite 306
Anchorage, Alaska 99501

RE: Section 3.8 Options for Skippers and crew.

Dear Mr. Benton:

I am Gary Cobban Jr., Captain of the F/V Rebel, I have been the captain since August 5, 1990. I was born in Seldovia, the territory of Alaska, July 1, 1958. I have lived in Alaska for my entire life, my Grandfathers, both maternal and paternal were pioneers in many of our fisheries that exist today, and some fisheries that are no longer economically feasible. I have been fishing for 30 years, 25 years of this time I have been the captain of various boats, throughout all of the Alaskan fisheries.

All of the catch history for F/V Rebel that is being used to determine the QS has been created by myself, my crew, and our abilities as professional fisherman. I feel that I am entitled to a share of this quota. The owner of the F/V Rebel, Mike King, also believes I have a right to be allocated a percentage of this QS, I have worked hard to create this history often in adverse weather conditions.

As captain I am responsible and accountable for everything that transpires on board the vessel, while out fishing or in port. It is much more than just catching a saleable product decisions on where to fish, delivery options, vessel, and crew safety. Have legal fishing gear, vessel maintenance, liscensing for the fishing seasons. These are my responsibilities as captain I am held accountable for.

My opinion on skipper/crew QS is that in order to qualify for any QS the skipper/crew should have been employed by that vessel for which they are deriving QS from for the entire time that the vessel is using for it's harvester QS qualifying periods. Insurance Companies require captains to have minimum 5 years experience and crew to have 2 years experienced.

Mike King, Owner of the F/V Rebel and I agree that skippers have earned a right to a share of QS that the vessel is allocated, but to qualify they must have substantial time invested in the vessel, meaning "the years used by the vessel to determine its harvested QS as a minimum." I have the owner, Mike King's, full support on this issue. An initial skippers QS allocation is the only right and fair way that an IFQ program should work.

Thank you.

Gary Cobban, Jr.
Captain, F/V Rebel

Chairman Benton and members of the Council

My name is David Lethin. I've been fishing in Alaska for over 20 years. My partner and I have operated the Aleutian Ballad and Ocean Ballad since the early 1990's. Both vessels participated every year in the BSAI crab fisheries and met every LLP requirement including recent participation and into the year 2001.

In reliance in the Councils LLP program and "stacking Policy" we built the Arctic Venture. We negotiated a deal with Norton Sound CDQ group prior to fishing the vessel. However, shortly after that the State of Alaska sent out their assessments on crab and the imminent collapse of the resource. Norton Sound asked not to be involved financially at that time.

From there I fished the vessel Arctic Venture in 1999, 2000 and 2001. In 2001 we sold the Ocean Ballad and Arctic Venture and retained the LLP fishing privileges (including the catch histories). There was no indication at that time that doing so would jeopardize our eligibility to receive the benefit of the catch history under crab rationalization. Just the opposite, we understood fishing eligibility was defined by holding the LLP.

To stack fully qualified LLP licenses and lose the privilege of their use forever is not rational. The LLP program I believed was to filter out those who qualify and those who would not qualify under the LLP program. To stack fully qualified LLP licenses, and lose the privilege of their use as a result of that stacking, makes no rational sense.

My partner and I have spent millions of dollars on vessels and licenses to participate in the BSAI crab fisheries. We followed every rule and have never asked for any special exemption to receive a privilege that we did not earn or purchase.

We recently stacked our licenses onboard a vessel we own and operate, the Aleutian Ballad, that we operate in the BSAI crab fishery.

Had RAM sent us licenses that said "non-transferable" we would not have stacked them. But the license said transferable.

If there were any indications that we would be penalized by stacking fully transferable licenses, which each independently qualify under the GQP< EQP<RRP and Amendment 10 we most certainly would not have done so.

We are asking the Council to adopt option 1 under the eligibility to receive and allocation of quota shares. We are also asking to adopt the AP recommendations for the basis for a QS distribution.

National Marine Fisheries Service
Alaska Region
Inseason Management Highlights
June 2002

May 31, 2002

C-3
did not speak

Andrew Smoker
Senior Inseason Manager

Bering Sea and Aleutian Islands

Pollock-Bering Sea

The shoreside and offshore processors have essentially completed their A season harvest. Each component has either met or come slightly under their A season Steller sea lion conservation area limit. As of May 11, roughly halfway through the year, the three fishery components are estimated to have taken essentially 100% of their A season allocations. The total directed fishery allocation is 513,216 metric tons (mt). The current incidental catch of pollock is 25,588 mt which is 48% of the 53,460 mt account. Bycatch of pollock in the other groundfish fisheries is noticeably higher compared to 2001, where through a comparable date 16,555 mt were taken. The shoreside coops all came in just under their quotas.

Flatfish

The rock sole/'other flatfish'/flathead sole fishery enters the last season of 2002 on June 30 with 34 mt of halibut mortality remaining in its annual allocation of 779 mt. About 85% of the halibut mortality is attributed to the rock sole target, the remainder among 'other flatfish' and 'flathead sole'. Aside from the two seasonal halibut mortality allocation closures on March 1 and April 20, the red king crab savings subarea was closed on February 6, and all trawling with non-pelagic gear was prohibited in Zone 1 on February 22, both closures were due to bycatch of red king crab. A total of 22 catcher processors have caught about 47,500 mt of groundfish of which 57% was retained.

The yellowfin sole fishery has taken about 47,700 mt of groundfish among 21 catcher processors. About 65% of the groundfish are retained. This fishery experienced its single highest week of halibut mortality in the last several years at 134 mt during the week ending May 4. It was thought that the third seasonal fishery had been overrun. However, in the intervening week between May 4 and the closure on May 11 the fleet moved from an area of higher halibut and crab bycatch (reporting area 509) to one that was much lower (514). Concurrent with the May 21 opening, Zone 1 (which includes 509) was closed to the yellowfin sole fishery due to bycatch of red king crab. About 5 catcher processors are participating in the current fishery.

The directed Greenland turbot fishery with hook-and-line gear started May 1. This year's effort of 5 catcher processors and a few shoreside catcher vessels is markedly decreased from 2001 when 12 catcher processors participated.

Atka mackerel

Preparations are being made for the second harvest limitation area (HLA) 'platoon' fisheries in 542 and 543.

Eight catcher processors registered for the A season HLA 'platoon' fisheries in 542 and 543. In area 542, 52% of the available TAC was taken inside the HLA, in area 543, 47% was taken. The HLA limit is 60%.

Pacific cod

The catcher processor hook-and-line fishery closed March 8. The average weekly catch for 2002 was about 4,800 mt vs 3,700 mt in 2001 with roughly the same number of processors participating (38). The B season begins August 15. The fishery is expected to take the remaining Pacific cod allocation of about 30,000 mt plus a projected 10,000 mt rollover from trawl gear by mid to late November.

The combined catcher processor and catcher vessel trawl fishery is under the 80% cap (63,000 mt take of 69,562 mt apportioned) for the first two seasons of the fishery. Currently, catch of Pacific cod by the catcher processor component is primarily bycatch in the third seasonal yellowfin sole fishery or opportunistic targeting. There are small amounts of Pacific cod being taken in the directed fishery by trawl catcher vessels. The entire trawl allocation (a total of 86,950 mt) becomes available on June 10. Of the 21,000 mt expected to be remaining on June 10, about 14,000 mt are thought to be needed by the trawl component to complete their year and the remainder are projected to be allocated to hook-and-line and pot gear in September.

The allocation to catcher vessels using hook-and-line gear has not closed so far this year as it did in 2001. The allocation to catcher vessels < 60' LOA using hook-and-line or pot gear is expected to close in early June. In 2000 and 2001 that quota remained open for all year. This year pot gear catch has taken the entire quota. Because of accounting regulations, catch by hook-and-line catcher vessels < 60' came off the hook-and-line catcher vessel quota.

Gulf of Alaska

Pacific cod

In the Western GOA, the Pacific cod A season closed for the offshore component on February 9 and for the inshore component on February 26. In the Central GOA, the Pacific cod A season closed for the inshore component on March 9 and for the offshore component on March 25.

The second season opens on September 1. Hook-and-line gear has an allocation of 80 mt of halibut mortality remaining. Currently, about 4,800 mt of Pacific cod remains in the Central GOA inshore allocation. Based on 2001 catch, about half of the remaining amount may be taken as bycatch in other fisheries leaving a limited amount for a directed fishery in September. In the Western GOA, 3,600 mt currently remains in the inshore

allocation. Bycatch needs appear to be minimal so the entire amount could be available for directed fishing.

Pollock

Fisheries in the Western GOA have been very short with the A season (January 20- February 25) quota being taken in three days and the B season (March 10- May 31) quota in two days. The total Western catch is currently 6,039 mt.

For most of the year the 620 fishery was been very slow until the last week of the B season, which closed on March 26. The first season took 800 mt of an 8,618 mt seasonal TAC apportionment with total average landings per vessel of 15 mt in January and 38 mt in February. Because of seasonal rollover restrictions of no more than 30% of the annual TAC for the W/C GOA, not all of the A season underage could be rolled over to the B season. The March fishery was very different. Between March 10th and the 26th about 12,000 mt were taken. The total 620 catch is currently 12,953.

The area 630 fishery required a re-opening per season. The A and B season TAC apportionments were 1,122 mt each. About 800 mt was taken in the A season and 1,400 mt in the B season. The total 630 catch is currently 2,338 mt.

The third seasonal fisheries start August 25.

Flatfish

So far this year the predominate retained flatfish for shore side processors is rocksole which is part of the shallow water complex at about 2,400 mt. For catcher/processors rex sole in the deep water complex tops the list at about 2,000 mt followed by arrowtooth flounder at 1,700 mt.

Halibut mortality used was very low in the first quarter of the year for the shallow water complex (predominately Pacific cod target) and the fishery was able to extend well in to May, until the 15th compared to April 27th in 2001. The deep complex closed May 24th a day earlier than in 2001.

2002 GULF OF ALASKA GROUND FISH QUOTAS
 AND PRELIMINARY CATCH IN ROUND METRIC TONS

Data are from Weekly Production and Observer Reports through 05/25/02
 Quotas are based on Final Specifications

	TOTAL CATCH	QUOTA	REMAINING QUOTA	% TAKEN	LAST WK CATCH
WEST CENT FLCK					
Pollock 510	6,045	5,832	-213	104	5
Pollock 620	12,954	11,810	-1,144	110	3
Pollock 630	2,340	2,244	-96	104	0
WESTERN GULF					
Arrowtooth Flounder	1,434	8,000	6,566	18	100
Deep Water Flatfish	2	180	178	1	0
Shallow Water Flatfish	129	4,500	4,371	3	0
Flathead Sole	192	2,000	1,808	10	0
Rex Sole	192	1,280	1,088	15	31
Pacific Ocean Perch	37	2,610	2,573	1	5
Shortraker/Rougheye	39	220	181	18	1
Pelagic Shelf Rockfish	15	510	495	3	0
Northern Rockfish	40	600	560	7	0
Other Rockfish	5	90	85	6	0
Pacific Cod - Inshore	11,506	15,164	3,658	76	1
Pacific Cod - Offshore	1,039	1,685	646	62	27
Sablefish (Hook & Line)	654	1,792	1,138	36	37
Sablefish (Trawl)	10	448	438	2	7
Thornyhead	73	360	287	20	7
CENTRAL GULF					
Arrowtooth Flounder	7,261	25,000	17,739	29	220
Deep Water Flatfish	415	2,220	1,805	19	15
Shallow Water Flatfish	3,298	13,000	9,702	25	0
Flathead Sole	1,240	5,000	3,760	25	4
Rex Sole	2,149	5,540	3,391	39	145
Pacific Ocean Perch	319	8,220	7,901	4	11
Shortraker/Rougheye	158	840	682	19	10
Pelagic Shelf Rockfish	43	3,480	3,437	1	0
Northern rockfish	83	4,170	4,087	2	0
Other Rockfish	12	550	538	2	0
Pacific Cod - Inshore	17,889	22,311	4,422	80	15
Pacific Cod - Offshore	1,648	2,479	831	66	14
Sablefish (Hook & Line)	2,696	4,344	1,648	62	281
Sablefish (Trawl)	241	1,086	845	22	44
Thornyhead	256	840	584	30	35
EASTERN GULF					
Shortraker/Rougheye	171	560	389	31	11
Pacific Cod - Inshore	35	2,332	2,297	2	0
Pacific Cod - Offshore	48	259	211	19	0
Thornyhead	85	790	705	11	8
WEST YAKUTAT					
Arrowtooth Flounder	11	2,500	2,489	0	1
Deep Water Flatfish	0	1,330	1,330	0	0
Shallow Water Flatfish	2	1,180	1,178	0	0
Flathead Sole	0	1,590	1,590	0	0
Rex Sole	0	1,600	1,600	0	0
Pacific Ocean Perch	6	780	774	1	0
Other Rockfish	4	150	146	3	0
Pelagic Shelf Rockfish	0	640	640	0	0
Pollock	1,812	1,165	-647	156	0
Sablefish (Hook & Line)	966	1,682	716	57	51
Sablefish (Trawl)	0	258	258	0	0
SOUTHEAST					
Arrowtooth Flounder	14	2,500	2,486	1	1
Deep Water Flatfish	1	1,150	1,149	0	0
Shallow Water Flatfish	0	1,740	1,740	0	0
Flathead Sole	0	690	690	0	0
Rex Sole	0	1,050	1,050	0	0
Pacific Ocean Perch	0	1,580	1,580	0	0
Other Rockfish	15	200	185	8	5
Pelagic Shelf Rockfish	2	860	858	0	0
Pollock	0	6,460	6,460	0	0

Demersal Shelf Rockfish	101	350	249	29	9
Sablefish (Hook & Line)	1,343	3,210	1,867	42	103
ENTIRE GOA					
Other Species	2,051	11,330	9,279	18	37
Atypical	5	600	595	1	0

TOTALS:	81,086	206,941	125,855	39	1,247

2002 BERING SEA & ALEUTIANS GROUND FISH QUOTAS
AND PRELIMINARY CATCH IN ROUND METRIC TONS

Data are from Weekly Production and Observer Reports through 05/25/02
Quotas are based on Final Specifications

	TOTAL CATCH	QUOTA	REMAINING QUOTA	% TAKEN	LAST WK CATCH
BERING SEA					
Other Rockfish	68	307	239	22	2
Pacific Ocean Perch	115	2,227	2,112	5	1
Northern Rockfish	23	16	-7	144	0
Shortraker/Rougheye	36	99	63	36	1
Sablefish (Fixed Gear)	160	772	612	21	33
Sablefish (Trawl)	82	821	739	10	14
Greenland Turbot	315	4,958	4,643	6	71
Pollock - Inshore	255,458	256,608	1,150	100	0
Pollock - AFA Offshore	205,072	205,286	214	100	0
Pollock - AFA Mothership	51,294	51,322	28	100	0
Pollock - Incidental Ctch	26,142	53,460	27,318	49	86
ALEUTIAN ISLANDS					
Other Rockfish	178	575	397	31	6
Pacific Ocean Perch, East	111	3,201	3,090	3	0
Pacific Ocean Perch, Cent	96	2,831	2,735	3	0
Pacific Ocean Perch, West	81	5,236	5,155	2	0
Northern Rockfish	1,377	6,236	4,859	22	0
Shortraker/Rougheye Trawl	8	591	583	1	0
Non-Trawl	40	253	213	16	1
Atka Mackerel - Eastern	2,410	2,518	108	96	0
- Jig	0	51	51	0	0
Atka Mackerel - Central	9,706	11,008	1,302	88	0
Atka Mackerel - Western	6,183	9,111	2,928	68	0
Sablefish (Fixed Gear)	306	1,530	1,224	20	40
Sablefish (Trawl)	0	541	541	0	0
Greenland Turbot	96	2,442	2,346	4	13
Pollock - Incidental Ctch	656	900	244	73	3
BERING SEA & ALEUTIANS					
Alaska Plaice	6,829	10,200	3,371	67	19
Arrowtooth Flounder	4,834	13,600	8,766	36	215
Flathead Sole	8,404	21,250	12,846	40	31
Other Flatfish	1,837	2,550	713	72	25
Other Species	12,246	26,201	13,955	47	105
Pacific Cod (Trawl - C/P)	26,095	34,781	8,686	75	116
Pacific Cod (Trawl - C/V)	37,276	34,781	-2,495	107	28
Pacific Cod (HAL C/P)	45,070	45,048	-22	100	3
Pacific Cod (HAL C/V)	90	169	79	53	4
Pacific Cod (Pot)	10,608	10,305	-303	103	141
Pacific Cod (Jig)	47	2,220	2,173	2	14
Rock Sole	32,145	45,900	13,755	70	194
Squid	217	1,675	1,458	13	3
Yellowfin Sole	26,791	73,100	46,309	37	906
BOGOSLOF					
Pollock - Incidental Ctch	5	90	85	6	0
TOTALS:					
	772,507	944,770	172,263	82	2,076

2002 GULF OF ALASKA REPORT ON DAP HARVEST
BY GEAR TYPE

Data are from Weekly Production and Observer Reports through 05/26/02

	TRAWL	H&L	POT	OTHER	TOTAL
WEST, CENT PLCK					
Pollock 610	5,993	51	1	0	6,045
Pollock 620	12,951	1	2	0	12,954
Pollock 630	2,309	29	1	0	2,339
WESTERN GULF					
Arrowtooth Flounder	1,349	85	0	0	1,434
Deep Water Flatfish	0	2	0	0	2
Shallow Water Flatfish	110	16	4	0	130
Flathead Sole	188	5	0	0	193
Rex Sole	192	0	0	0	192
Pacific Ocean Perch	35	2	0	0	37
Shortraker/Rougheye	1	38	0	0	39
Pelagic Shelf Rockfish	13	2	0	0	15
Northern Rockfish	39	1	0	0	40
Other Rockfish	0	5	0	0	5
Pacific Cod - Inshore	5,140	3,656	2,710	0	11,506
Pacific Cod - Offshore	100	940	0	0	1,040
Sablefish (Hook & Line)	0	654	0	0	654
Sablefish (Trawl)	10	0	0	0	10
Thornyhead	14	59	0	0	73
CENTRAL GULF					
Arrowtooth Flounder	7,185	75	1	0	7,261
Deep Water Flatfish	411	4	0	0	415
Shallow Water Flatfish	3,290	5	3	0	3,298
Flathead Sole	1,240	0	0	0	1,240
Rex Sole	2,149	0	0	0	2,149
Pacific Ocean Perch	320	0	0	0	320
Shortraker/Rougheye	91	67	0	0	158
Pelagic Shelf Rockfish	33	9	0	0	42
Northern rockfish	83	0	0	0	83
Other Rockfish	4	8	0	0	12
Pacific Cod - Inshore	10,413	5,381	2,095	0	17,889
Pacific Cod - Offshore	127	1,519	3	0	1,649
Sablefish (Hook & Line)	0	2,696	0	0	2,696
Sablefish (Trawl)	241	0	0	0	241
Thornyhead	155	101	0	0	256
EASTERN GULF					
Shortraker/Rougheye	29	141	0	0	170
Pacific Cod - Inshore	0	35	0	0	35
Pacific Cod - Offshore	0	0	48	0	48
Thornyhead	0	85	0	0	85
WEST YAKUTAT					
Arrowtooth Flounder	3	9	0	0	12
Deep Water Flatfish	0	0	0	0	0
Shallow Water Flatfish	2	0	0	0	2
Flathead Sole	0	0	0	0	0
Rex Sole	0	0	0	0	0
Pacific Ocean Perch	6	0	0	0	6
Other Rockfish	0	4	0	0	4
Pelagic Shelf Rockfish	0	0	0	0	0
Pollock	1,812	0	0	0	1,812
Sablefish (Hook & Line)	0	966	0	0	966
Sablefish (Trawl)	0	0	0	0	0
SOUTHEAST					
Arrowtooth Flounder	0	14	0	0	14
Deep Water Flatfish	0	1	0	0	1
Shallow Water Flatfish	0	0	0	0	0
Flathead Sole	0	0	0	0	0
Rex Sole	0	0	0	0	0
Pacific Ocean Perch	0	0	0	0	0
Other Rockfish	0	14	0	0	14
Pelagic Shelf Rockfish	0	2	0	0	2
Pollock	0	0	0	0	0
Demersal Shelf Rockfish	0	101	0	0	101

Sablefish (Hook & Line)	0	1,343	0	0	1,343
ENTIRE GOA					
Other Species	1,231	661	159	0	2,051
Atka Mackerel	4	1	0	0	5

TOTALS:	57,273	18,788	5,027	0	81,088

2002 BERING SEA & ALEUTIANS REPORT ON DAP HARVEST
BY GEAR TYPE

Data are from Weekly Production and Observer Reports through 05/25/02

	TRAWL	H&L	POT	OTHER	TOTAL
BERING SEA					
Other Rockfish	52	16	0	0	68
Pacific Ocean Perch	114	0	0	0	114
Northern Rockfish	23	0	0	0	23
Shortraker/Rougheye	29	5	1	0	35
Sablefish (Fixed Gear)	0	96	64	0	160
Sablefish (Trawl)	81	0	0	0	81
Greenland Turbot	56	255	4	0	315
Pollock - Inshore	255,458	0	0	0	255,458
Pollock - AFA Offshore	205,072	0	0	0	205,072
Pollock - AFA Mothership	51,294	0	0	0	51,294
Pollock - Incidental Ctch	23,585	2,536	21	0	26,142
ALEUTIAN ISLANDS					
Other Rockfish	117	61	0	0	178
Pacific Ocean Perch, East	111	0	0	0	111
Pacific Ocean Perch, Cent	95	0	0	0	95
Pacific Ocean Perch, West	81	0	0	0	81
Northern Rockfish	1,368	9	0	0	1,377
Shortraker/Rougheye Trawl	9	0	0	0	9
Non-Trawl	0	41	0	0	41
Atka Mackerel - Eastern	2,404	1	6	0	2,411
- Jig	0	0	0	0	0
Atka Mackerel - Central	9,703	3	0	0	9,706
Atka Mackerel - Western	6,183	1	0	0	6,184
Sablefish (Fixed Gear)	0	290	15	0	305
Sablefish (Trawl)	0	0	0	0	0
Greenland Turbot	7	89	0	0	96
ck - Incidental Ctch	651	5	0	0	656
BERING SEA & ALEUTIANS					
Alaska Plaice	6,829	1	0	0	6,830
Arrowtooth Flounder	4,556	231	47	0	4,834
Flathead Sole	8,272	131	0	0	8,403
Other Flatfish	1,805	30	1	0	1,836
Other Species	6,404	5,575	268	0	12,247
Pacific Cod (Trawl - C/P)	26,095	0	0	0	26,095
Pacific Cod (Trawl - C/V)	37,276	0	0	0	37,276
Pacific Cod (HAL C/P)	0	45,070	0	0	45,070
Pacific Cod (HAL C/V)	0	90	0	0	90
Pacific Cod (Pot)	0	0	10,608	0	10,608
Pacific Cod (Jig)	0	47	0	0	47
Rock Sole	32,135	11	0	0	32,146
Squid	217	0	0	0	217
Yellowfin Sole	26,668	105	18	0	26,791
BOGOSLOP					
Pollock - Incidental Ctch	0	5	0	0	5
TOTALS:					
	706,750	54,704	11,053	0	772,507

2002 GULF OF ALASKA GROUND FISH DISCARDS IN ROUND METRIC TONS
Data are from Weekly Production and Observer Reports through 05/25/02

	SHORESIDE			MOTHERSHIP		CATCHER-PROC	
	TOTAL CATCH	AT-SEA DISC	PLANT DISC	TOTAL CATCH	DISC	TOTAL CATCH	DISC
WEST, CENT PLCK							
Pollock 610	5951	283	0	0	0	93	29
Pollock 620	12943	248	0	0	0	11	2
Pollock 630	2308	182	0	0	0	31	2
WESTERN GULF							
Arrowtooth Flounder	149	118	0	0	0	1285	558
Deep Water Flatfish	0	0	0	0	0	2	1
Shallow Water Flatfish	91	56	0	0	0	19	19
Flathead Sole	40	18	0	0	0	152	24
Rex Sole	1	1	0	0	0	191	5
Pacific Ocean Perch	11	11	0	0	0	26	21
Shorotraker/Rougheye	3	3	0	0	0	36	17
Pelagic Shelf Rockfish	9	8	0	0	0	6	5
Northern Rockfish	18	18	0	0	0	22	19
Other Rockfish	1	0	0	0	0	4	1
Pacific Cod - Inshore	7794	136	0	0	0	3712	65
Pacific Cod - Offshore	0	0	0	0	0	1039	43
Sablefish (Hook & Line)	114	8	0	0	0	541	2
Sablefish (Trawl)	0	0	0	0	0	9	7
Thornyhead	19	1	0	0	0	55	3
CENTRAL GULF							
Arrowtooth Flounder	2720	1891	0	0	0	4542	3354
Deep Water Flatfish	327	1	0	0	0	88	86
Shallow Water Flatfish	3260	117	0	0	0	37	34
Flathead Sole	869	34	0	0	0	372	32
Rex Sole	116	10	0	0	0	2033	28
Pacific Ocean Perch	43	38	0	0	0	276	241
Shorotraker/Rougheye	115	45	0	0	0	42	12
Pelagic Shelf Rockfish	33	21	0	0	0	10	8
Northern rockfish	43	31	0	0	0	39	37
Other Rockfish	7	5	0	0	0	5	3
Pacific Cod - Inshore	17595	1860	0	0	0	293	8
Pacific Cod - Offshore	0	0	0	0	0	1648	21
Sablefish (Hook & Line)	2242	77	0	0	0	454	3
Sablefish (Trawl)	79	20	0	0	0	162	50
Thornyhead	155	48	0	0	0	101	9
EASTERN GULF							
Shorotraker/Rougheye	123	7	0	0	0	47	36
Pacific Cod - Inshore	35	0	0	0	0	0	0
Pacific Cod - Offshore	0	0	0	0	0	48	0
Thornyhead	76	3	0	0	0	9	1
WEST YAKUTAT							
Arrowtooth Flounder	11	9	0	0	0	1	0
Deep Water Flatfish	0	0	0	0	0	0	0
Shallow Water Flatfish	2	0	0	0	0	0	0
Flathead Sole	0	0	0	0	0	0	0
Rex Sole	0	0	0	0	0	0	0
Pacific Ocean Perch	6	0	0	0	0	0	0
Other Rockfish	4	1	0	0	0	0	0
Pelagic Shelf Rockfish	0	0	0	0	0	0	0
Pollock	1812	4	0	0	0	0	0
Sablefish (Hook & Line)	870	17	0	0	0	96	0
Sablefish (Trawl)	0	0	0	0	0	0	0
SOUTHEAST							
Arrowtooth Flounder	12	12	0	0	0	1	1
Deep Water Flatfish	0	0	0	0	0	1	1
Shallow Water Flatfish	0	0	0	0	0	0	0
Flathead Sole	0	0	0	0	0	0	0
Rex Sole	0	0	0	0	0	0	0
Pacific Ocean Perch	0	0	0	0	0	0	0
Other Rockfish	14	2	0	0	0	0	0
Pelagic Shelf Rockfish	2	0	0	0	0	0	0
Pollock	0	0	0	0	0	0	0
Demersal Shelf Rockfish	101	0	0	0	0	0	0

Sablefish (Hook & Line)	1239	24	0	0	0	104	1
NTIRE GOA							
Other Species	1143	869	0	0	0	908	786
Atka Mackerel	2	2	0	0	0	3	2

TOTAL	62509	6249	0	0	0	18574	5577

2002 BERING SEA & ALEUTIANS GROUND FISH DISCARDS IN ROUND METRIC TONS
Data are from Weekly Production and Observer Reports through 05/25/02

	SHORESIDE			MOTHERSHIP		CATCHER-PROC	
	TOTAL CATCH	AT-SEA DISC	PLANT DISC	TOTAL CATCH	DISC	TOTAL CATCH	DISC
BERING SEA							
Other Rockfish	17	7	0	0	0	51	3
Pacific Ocean Perch	3	0	0	0	0	112	51
Northern Rockfish	8	8	0	0	0	16	15
Shortraker/Rougheye	2	2	0	0	0	33	5
Sablefish (Fixed Gear)	102	0	0	0	0	57	4
Sablefish (Trawl)	2	1	0	0	0	80	15
Greenland Turbot	10	6	0	0	0	305	34
Pollock - Inshore	255458	54	0	0	0	0	0
Pollock - AFA Offshore	0	0	0	0	0	205072	75
Pollock - AFA Mothership	0	0	0	51294	276	0	0
Pollock - Incidental Ctch	2557	1889	0	362	294	23223	12095
ALEUTIAN ISLANDS							
Other Rockfish	18	4	0	4	4	156	87
Pacific Ocean Perch, East	0	0	0	0	0	110	79
Pacific Ocean Perch, Cent	0	0	0	0	0	95	78
Pacific Ocean Perch, West	0	0	0	0	0	81	54
Northern Rockfish	5	5	0	6	6	1365	1317
Shortraker/Rougheye Trawl	0	0	0	0	0	9	6
Non-Trawl	1	1	0	0	0	39	27
Atka Mackerel - Eastern	24	24	0	1	1	2386	86
- Jig	0	0	0	0	0	0	0
Atka Mackerel - Central	0	0	0	0	0	9706	2664
Atka Mackerel - Western	0	0	0	0	0	6184	550
Sablefish (Fixed Gear)	128	2	0	0	0	178	16
Sablefish (Trawl)	0	0	0	0	0	0	0
Greenland Turbot	27	16	0	0	0	68	24
Pollock - Incidental Ctch	573	573	0	9	7	74	25
BERING SEA & ALEUTIANS							
Alaska Plaice	11	3	0	1	1	6818	6491
Arrowtooth Flounder	167	151	0	46	46	4622	3010
Flathead Sole	589	351	0	134	119	7680	2019
Other Flatfish	65	55	0	8	8	1763	1330
Other Species	1057	1001	0	142	140	11048	10018
Pacific Cod (Trawl - C/P)	0	0	0	0	0	26095	913
Pacific Cod (Trawl - C/V)	28585	318	0	8692	239	0	0
Pacific Cod (HAL C/P)	0	0	0	0	0	45070	885
Pacific Cod (HAL C/V)	90	0	0	0	0	0	0
Pacific Cod (Pot)	8260	24	0	1478	0	870	0
Pacific Cod (Jig)	47	0	0	0	0	0	0
Rock Sole	1519	1250	0	281	249	30346	12290
Squid	5	0	0	0	0	211	117
Yellowfin Sole	198	177	0	48	40	26546	4202
BOGOSLOF							
Pollock - Incidental Ctch	0	0	0	0	0	5	0
TOTALS:	299529	5922	0	62506	1430	410474	58585

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2002 GULF OF ALASKA FISHERIES
TRAWL HALIBUT BYCATCH MORTALITY (METRIC TONS)
Week Ending: 05/25/02

WED	SHALLOW WATER COMPLEX		DEEP WATER COMPLEX		GRAND TOTAL
	WEEK TOTAL	CUMULATIVE TOTAL	WEEK TOTAL	CUMULATIVE TOTAL	
01/26/02	2	2	0	0	2
02/02/02	26	28	0	0	28
02/09/02	30	58	6	6	64
02/16/02	22	80	0	6	86
02/23/02	37	116	5	11	127
03/02/02	19	135	5	15	150
03/09/02	61	196	0	15	211
03/16/02	12	208	4	20	228
03/23/02	8	216	4	24	239
03/30/02	7	223	13	37	259
04/06/02	31	254	34	71	325
04/13/02	21	275	71	142	417
04/20/02	31	306	40	182	488
04/27/02	43	349	57	239	588
05/04/02	60	409	44	283	692
05/11/02	124	532	29	312	845
05/18/02	39	571	63	376	947
05/25/02	0	571	17	392	964

CAP: 550	CAP: 400
% OF CAP: 104%	% OF CAP: 98%
REMAINING: -21	REMAINING: 8

SEASONAL HALIBUT BYCATCH MORTALITY CAPS

SEASON	SHALLOW COMPLEX	DEEP COMPLEX	TOTAL
Jan 01 - Apr 01	450 MT	100 MT	550 MT
Apr 01 - Jun 30	100 MT	300 MT	400 MT
Jun 30 - Sep 01	200 MT	400 MT	600 MT
Sep 01 - Oct 01	150 MT	Any rollover	150 MT
Oct 01 - Dec 31	- No Apportionment	-	300 MT
TOTALS	900 MT	800 MT	2000 MT

Balance of 4th Quarter available for all trawl fisheries

Shallow Water Complex = pollock, Pacific cod, shallow-water flatfish, flathead sole, Atka mackerel, and "other species."
 Deep Water Complex = sablefish, rockfish, rex sole, arrowtooth flounder, and deep-water flatfish.

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2002 GULF OF ALASKA FISHERIES
HOOK & LINE HALIBUT BYCATCH MORTALITY (METRIC TONS)
Week Ending: 05/25/02

OTHER HOOK & LINE
FISHERIES

WED	WEEKLY	TOTAL
01/05/02	19	19
01/12/02	14	33
01/19/02	7	40
01/26/02	11	51
02/02/02	15	67
02/09/02	19	86
02/16/02	5	91
02/23/02	10	101
03/02/02	6	108
03/09/02	11	118
03/16/02	24	142
03/23/02	29	171
03/30/02	5	176
04/06/02	0	176
04/13/02	0	176
04/20/02	0	176
04/27/02	0	176
05/04/02	3	179
05/11/02	0	179
05/14/02	0	179
05/18/02	0	179
05/19/02	0	179
05/25/02	0	180
CAP:		250
% OF SEASONAL CAP:		72%
REMAINING:		70

2002 HOOK-AND-LINE GROUND FISH FISHERIES HALIBUT MORTALITY CAPS

SEASON	OTHER HOOK AND LINE FISHERIES
Jan 01 - Jun 10	250 MT
Jun 10 - Sep 01	5 MT
Sep 01 - Dec 31	35 MT
Annual Total:	290 MT

Sablefish fishery is exempt from halibut bycatch restrictions.
Other hook and line fisheries are all M&L fisheries except
sablefish and demersal shelf rockfish in the Southeast District.

Halibut mortality for the demersal shelf rockfish fishery,
Southeast District is not listed due to insufficient observer
coverage.

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2002 GULF OF ALASKA FISHERIES
CHINOOK & OTHER SALMON BYCATCH
Week Ending: 05/25/02

TRAWL GEAR

WEEK	CHINOOK SALMON		'OTHER' SALMON	
	WEEKLY NUMBER	CUMULATIVE NUMBER	WEEKLY NUMBER	CUMULATIVE NUMBER
01/26	281	281	57	57
02/02	548	829	45	102
02/09	839	1,667	5	107
02/16	498	2,166	15	122
02/23	1,196	3,362	26	148
03/02	260	3,622	13	162
03/09	1,126	4,748	0	162
03/16	266	5,014	84	246
03/23	271	5,285	11	257
03/30	175	5,460	87	344
04/06	173	5,633	232	577
04/13	623	6,255	1	578
04/20	320	6,575	1	579
04/27	421	6,996	1	580
05/04	239	7,236	18	599
05/11	72	7,308	16	615
05/18	57	7,365	13	628
05/25	3	7,367	35	663

NOTE: No PSC Limits apply to salmon.

Data based on observer reports, extrapolated to total groundfish harvest. Estimates for all weeks may change due to incorporation of late or corrected data.

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2002 BERING SEA/ALEUTIAN ISLANDS FISHERIES
PROHIBITED SPECIES BYCATCH
Week Ending: 05/25/02

TRAWL HERRING, BSAI

Fishery group	Herring (mt)	Cap (mt)	%
Midwater pollock	4	1,184	0%
Pacific cod	0	20	0%
Yellowfin sole	7	139	5%
Rockfish	0	7	0%
Other	10	146	7%
Rock sole/Other flatfish	0	20	2%
GTRB/ARTH/SABL	0	9	0%
Total:	23	1,525	1%

TRAWL SALMON, BSAI

Fishery group	Chinook (#'s)	Other (#'s)	Total (#'s)
Midwater pollock	20,241	1,350	21,591
Bottom pollock	0	0	0
Pacific cod	2,702	120	2,831
Yellowfin sole	187	15	202
Rock sole/Other flatfish	675	143	819
Rockfish	0	0	0
Other	953	294	1,247
Seasonal Total:	24,758	1,930	26,689

TRAWL BAIRDI TANNER CRAB

Fishery group	ZONE 1			ZONE 2		
	Crabs (#'s)	Cap (#'s)	%	Crabs (#'s)	Cap (#'s)	%
Rock sole/Other flatfish	286,732	365,320	78%	171,624	596,154	29%
Pacific cod	137,263	183,112	75%	49,661	324,176	15%
Yellowfin sole	26,014	340,844	8%	139,908	1,788,459	8%
Pollock/AMCK/Other species	1,464	17,224	8%	599	27,473	2%
Rockfish	0	0	0%	0	10,988	0%
GTRB/ARTH/SABL	0	0	0%	3,173	0	0%
Total:	451,472	906,500	50%	364,964	2,747,250	13%

TRAWL C. OPILIO TANNER CRAB in the COBLZ AREA

Fishery group	Crabs (#'s)	Cap (#'s)	%
Rock sole/Other flatfish	55,543	969,130	6%
Pacific cod	5,406	124,736	4%
Yellowfin sole	234,575	2,776,981	8%
Pollock/AMCK/Other species	1,186	72,428	2%
Rockfish	0	40,237	0%
GTRB/ARTH/SABL	0	40,238	0%
Total:	296,710	4,023,750	7%

TRAWL RED KING CRAB

Fishery group	ZONE 1		
	Crabs (#'s)	Cap (#'s)	%
Rock sole/Other flatfish	62,073	59,782	104%
Pacific cod	4,406	11,664	38%
Yellowfin sole	15,146	16,664	91%
Pollock/AMCK/Other species	1	1,615	0%
Total:	81,625	89,725	91%

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2002 BERING SEA / ALEUTIAN ISLANDS FISHERIES
TRAWL HALIBUT BYCATCH MORTALITY (METRIC TONS)

MED	PACIFIC COD	YELLOWFIN SOLE	ROCK SOLE/ FLATHEAD SOLE/ OTHER FLATFISH		PLCK/AMCK/ OTHER	ARROWTOOTH/ SABLEFISH/ TURBOT	
			ROCKFISH	TURBOT			
01/19/02	2	0	0	0	0	0	0
01/26/02	41	0	48	3	0	0	0
02/02/02	110	0	35	6	0	0	0
02/09/02	27	0	37	8	0	0	0
02/16/02	29	0	95	7	0	0	0
02/23/02	46	1	174	4	0	0	0
03/02/02	62	1	200	2	0	0	0
03/09/02	38	54	0	2	0	0	0
03/16/02	19	43	0	4	0	0	0
03/23/02	32	44	0	2	0	0	0
03/30/02	44	26	0	1	0	0	1
04/06/02	43	13	53	0	0	0	0
04/13/02	46	18	57	0	0	0	5
04/20/02	44	20	46	0	0	0	4
04/27/02	39	78	0	0	0	0	1
05/04/02	39	137	0	0	0	0	7
05/11/02	48	41	0	0	0	0	7
05/18/02	44	1	0	0	0	0	4
05/25/02	25	2	0	0	0	0	3
	778	478	745	39	0	0	31
SEASONAL CAP:	1,434	506	612	232	0	0	0
% OF CAP:	54%	95%	122%	17%	0%	0%	0%
REMAINING:	656	28	-133	193	0	0	-31
ANNUAL CAP:	1,434	886	779	232	69	0	0
% OF CAP:	54%	54%	96%	17%	0%	0%	0%

TOTAL HALIBUT MORTALITY : 2,072
TOTAL FINAL HALIBUT CAP : 3,400

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15/30/02

2002 BEARING SEA / ALBERTIAN ISLANDS FISHERIES
FIXED GEAR HALIBUT BYCATCH MORTALITY (METRIC TONS)

WED	PACIFIC COD HOOK & LINE		OTHER SPECIES HOOK & LINE, JIG		ALL GROUND FISH POT GEAR	
	WEEKLY	TOTAL	WEEKLY	TOTAL	WEEKLY	TOTAL
01/05/02	15	15	0	0	0	0
01/12/02	26	41	0	0	0	0
01/19/02	15	56	0	0	0	0
01/26/02	15	72	0	0	0	0
02/02/02	15	87	0	0	0	0
02/09/02	24	108	0	0	0	0
02/16/02	20	128	0	0	0	0
02/23/02	30	158	0	0	0	0
03/02/02	23	181	0	0	0	0
03/09/02	20	201	0	0	0	0
03/16/02	1	202	0	0	0	0
03/23/02	0	202	0	1	0	0
03/30/02	0	202	0	1	0	0
04/06/02	0	202	0	1	0	0
04/13/02	0	202	0	1	0	1
04/20/02	1	203	5	5	0	1
04/27/02	0	204	1	7	0	1
05/04/02	1	205	0	7	0	1
05/11/02	0	205	8	16	0	1
05/18/02	0	205	0	16	0	1
05/25/02	0	205	4	22	0	1
PCOD SEASONAL CAP: 320			OTHER SEASONAL CAP: 58	Pot gear is exempt		
% OF SEASONAL CAP: 64%			% OF SEASONAL CAP: 38%	from bycatch allowances		
REMAINING PCOD:	115	REMAINING OTHER:	36			

2002 BEAR NON-TRAWL PACIFIC COD FISHERY HALIBUT BYCATCH ALLOWANCES

(Jan 01 - Jun 10)	320 MT
(Jun 10 - Aug 15)	0 MT
(Aug 15 - Dec 31)	455 MT
Annual Total	775 MT

AP Report

C-3 BSAI Crab Rationalization

The AP recommends the Council adopt the following alternatives and options to the BSAI Crab Rationalization program:

Fisheries to Include in the Rationalization Program - applies to all programs

Issue 1 **Species to include in the program**

- Bristol Bay red king
- Aleutian Islands (Dutch Harbor/Adak) brown king
- Bering Sea opilio (snow)
- Bering Sea bairdi (Tanner)
- Pribilof red king
- Pribilof blue king
- St. Matthew blue king

Suboptions

- 1. Area/Species exceptions:
 - A. Exclude EAI tanner, WAI tanner, EAI red king, and WAI red king (from Section 1.1, Suboption A and Section 2.3 Option 1, h)

Motion passed without opposition.

Rationalization Program Choice

Amended Option 3 - Voluntary Cooperative with binding arbitration - *Motion passed 17/0* This Motion was reconsider after the development of elements and options (*Motion passed 8/6*), and subsequently tabled (*Motion passed 14/0*).

A motion to adopt a one pie voluntary cooperative with a 20% penalty on harvesters not affiliated with a cooperative failed 7/9

The AP recommends the Council adopt a 2-pie rationalization program model. *Motion passes 9/6/1*
A motion to retain status quo failed 12/1/3

Allocation of Harvest Quota Shares

Eligibility for an allocation

- 1.2 Persons eligible to receive an initial allocation of QS must be:
 - Option 1. Any person that holds a valid, permanent, fully transferrable LLP license *Motion passed 17/0*

Basis for allocation

1.4.1. Calculation of initial QS distribution will be based on legal landings excluding deadloss.

(a) Calculation of QS distribution. The calculation is to be done, on a vessel-by-vessel basis, as a percent of the total catch, year-by-year during the qualifying period. Then the sum of the yearly percentages, on a fishery-by-fishery basis, is to be divided by the number of qualifying years included in the qualifying period on a fishery-by-fishery basis to derive a vessel's QS.

Suboption: For each of the fisheries for which such a vessel holds valid endorsement for any years between the sinking of the vessel and the entry of the replacement vessel to the fishery, allocate QS according to a range of 75% of the vessel's average history for the qualifying years unaffected by the sinking. *Motion passes 17/0.*

(b) Basis for QS distribution.

Option 1. For eligibility criteria in paragraph 1.2, Option 1, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per vessel.

(Option 1) Persons who have purchased an LLP, with GQP, EQP, and RPP qualifications to remain in a fishery may obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both. License transfers for purposes of combining LLPs must have occurred by January 1, 2002.

A motion limiting the above suboption to the brown crab fishery failed 13/4

(Old option 3) In cases where the fishing privileges (i.e. moratorium qualification or LLP license) of an LLP qualifying (i.e GQP EQP, RPP and amendment 10 combination) vessel have been transferred, the distribution of QS to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. Only one catch history per LLP License.

Motion passes 14/4

Qualifying years (from Section 1.4.2)

Select one option for each fishery included in the rationalization program

BS C. opilio (from Section 1.4.2.1)

Option 4 1996-2000
A. Best 4 of 5 seasons

Bristol Bay red king crab (fishery closed in 1994 and 1995)

Option 3 1996-2000
A. Best 4 of 5 seasons

BS C. bairdi (fishery closure since the 1996 season)

Option 2 1991/1992-1996
A. Best 5 of 6 seasons

Pribilof red king crab (fishery closed since 1998)

Option 1 1993-1998
A. Best 4 of 6 seasons

Pribilof blue king crab (fishery closed in 1993 and 1994 and since 1998)

Note that all options are equivalent because of the fishery closures

Option 2 1994-1998
B. Best 4 seasons

St. Matthew blue king crab (fishery closed since 1998)

Option 1 1993-1998
A. Best 5 of 6 seasons

Aleutian Islands brown king crab

- Option 4 1996/7-2000/1
A. Best 4 of 5 seasons
Motion passed 9/7

Suboptions for any of the years selected

B. allocation is based on harvests from each subregion - each participant receives an allocation in each subdistrict based on harvests from that subdistrict.

Motion passed 17/0

Annual Allocations of IFQs are made based on (from Section 1.5)

Option 2 TAC (1.5 Option 2) *Motion passed 17/0*

Transferability of Quota Shares

Eligibility to Receive Shares by Transfer (from Section 1.6)

Option 1 Any persons or entities

A. eligible to document a US fishing vessel (from Section 1.6, Option 1(a))

Suboption B (under Options 1, 2, and 3)

Grandfather recipients of initial allocations (from Section 1.6.1) *Motion passed without objection*

Leasing of Quota Shares (or Sale of IFQ) (from Section 1.6.2)

Option 1 Leasing permitted without restriction (from Section 1.6, Option 1)

Motion passed without objection.

Ownership Caps, Use Caps, and Limits on Vertical Integration

Ownership Caps on OS - (from Section 1.6.3)

Revisit ownership caps, use caps, and limits on vertical integration following the results of a buyback program and a Council mandated ownership survey, to adjust the caps to an appropriate level.

Purchases made consistent with the interim ownership caps may be grandfathered.

Motion passed 19/0

Provisions without Options

1. Initial issues that would receive allocations in excess of the cap as of June 6, 2002 at 9:30 a.m. are grandfathered (subsequent changes in ownership are not grandfathered) (from Section 1.6.3(a)) *Motion passed 18/0*

2. Caps are applied on an individual and collective basis (as in the halibut and sablefish IFQ program) (from Section 1.6.3(b))

Motion passed 19/0

Provisions with options

Selected one option for each fishery included in the rationalization program:

Bristol Bay red king crab (from Section 1.6.3(c))

Option 1 1 percent

Bering Sea *C. opilio* (from Section 1.6.3(c))

Option 1 1 percent

Bering Sea *C. bairdi* (from Section 1.6.3(c))

Option 1 1 percent

Pribilof blue king crab (from Section 1.6.3(c))

Option 1 1 percent

Pribilof red king crab (from Section 1.6.3(c))

Option 1 1 percent

St. Matthew blue king crab (from Section 1.6.3(c))

Option 1 1 percent

Aleutian Islands brown king crab (from Section 1.6.3(d))

Separate Subdistricts

Eastern (Dutch Harbor)

Option 1 10 percent

A motion to set the cap at 30 percent failed 3/15

Western (Adak) brown king crab

Option 1 10 percent

A motion to set the cap at 30 percent failed 3/15

Issue 2 Use caps - (from Section 1.7.4)

Option 2 No use caps (from Section 1.7.4, Option 2)

If the buyback and ownership review amendments are not completed in three years, then the use caps are 3 times the ownership caps. *Motion passed 18/0*

A vessel may use an amount of quota in excess of the ownership cap for that fishery for a period of no more than 3 years. Motion failed 5/12

Issue 3 Limits on Vertical Integration (from Section 1.6.4)

Option 3 Initial recipients of PQS cannot own harvester QS in addition to the harvester QS received in the initial allocation (from Section 1.6.4, Option 3) as of June 7, 2002. *Motion passed 11/5.*

Use of IFO's

Issue 1 Catch accounting and overages

Option 4 Allow discards of incidentally caught crab (from Section 1.7.3, Option 4) and defer to the BOF to develop future modifications to reduce discards of incidentally caught crab. *Motion passes 15/1*

Issue 2 Overages

Subissue 1

Allowances over quota held:

Option 2: 3 percent (from Section 1.8.2(a), Option 2) or,

Subissue 2

Option 1 the same amount as the overage (from Section 1.8.2(b), Option 2)

Motion passes 13/3

Issue 3 Provisions Applicable to Two Pie IFQ and Voluntary Cooperative Program

Processor Delivery Categories for catcher vessel shares- Two types of processing shares will be allocated

1. Class A IFQs, must be delivered to processors (including catcher/processors) with sufficient unused IPQs (from Sections 1.3.3(a) and 1.7.1(a))
2. Class B shares, deliverable to any processor (including catcher/processors) (from Sections 1.3.3(b) and 1.7.1(b))

Motion passed 11/3/2

A motion to adopt a one pie voluntary cooperative with a 20% penalty on harvesters not affiliated with a cooperative failed 7/9

Processing Sector Elements - Applicable to Two Pie IFQ and Voluntary Cooperative Program

Issue 1 Fisheries to Include in Processing Program

Fisheries for which PQS will be distributed (from Section 2.2.1)

Recommend same fisheries as in 1.1:

- Bristol Bay red king
- Eastern Aleutian Islands (Dutch Harbor) brown king
- Western Aleutian Islands (Adak) brown king
- Bering Sea opilio (snow)
- Bering Sea bairdi (Tanner)
- Pribilof red king
- Pribilof blue king
- St. Matthew blue king

Motion passes 13/2/1

Issue 2 Percentage of the TAC/GHL for which POS (and Class A harvest shares) are distributed

(from Section 2.4). Note that any unallocated portion of the TAC/GHL will be open delivery

The AP took a series of votes in a range of 90%-0% discussing the percentage of TAC/GHL for which PQS is distributed

The undersigned support a two-pie rationalization (including a system using the voluntary cooperative system set forth in 6.1 of the Council motion) in which processors receive at least 90% of their processing history as Individual Processing Shares.

Vessels and processing facilities have equally participated in the overcapitalization of the open access crab fisheries. The impacts of rationalizing the crab fisheries will be identical for those who have investments in vessels and those who have investments in processing facilities. Vessels will be greatly devalued because there are far more vessels than necessary to harvest the rationalized fishery and processing plants will become greatly devalued because there is far more processing capacity than necessary.

The reason for allocating quota shares under a rationalized fishery to vessel owners is to compensate those vessel owners for the devaluation of their existing investments caused by adoption of the rationalized system. The exact same rational applies to primary processors who built their facilities based on the race for crab.

There are protections for fair price formation under a system that includes processing interests.

Binding arbitration will assure that there will be a minimum price established by an independent party for every quota shareholder. There will be required cost and revenue data collected from processors. Crab fishermen

have a history of effective collectively bargaining. Class B shares will provide price leverage. The pollock fishery shows that 10% Class B shares are more than enough to protect vessel owners. One reason the AP voted for 23% Class B shares was concern over vessels that are affiliated with processors. Yet the pollock fishery, which has a 10% set aside, has a much higher degree of affiliation than exists in the crab fishery.

We learned from the American Fisheries Act that if both harvesters and processors were included in rationalization, all parties would benefit. A discount of processor history below 90% will also negatively impact the remote communities that are entirely dependent on the crab fisheries.

Signed Dave Benson, Kris Norosz, Dave Boisseau, and Tom Enlow

Amended Option 3: 77 percent of the TAC/GHL (from Section 2.4.1, Option 3) *Motion carries 10/6*

Fraser - Allocation of processor shares are distributed in such a way that non-affiliated (MARAD definition) vessels receive 20% of the TAC/GHL as B shares (approximated total allocation of B shares of 23%)

Motion carries 10/6

Motion to phase out IPQ's at 10% a year – *Motion failed 6/10*

The AP notes that processor shares should be a privilege, not a property right. *Motion carries 15/1*

Issue 3: Initial Allocation of Processor Shares

Processor Eligibility for an Allocation (from Section 2.1)

Processors (including catcher/processors) that are US corporations or partnerships that processed crab from a fishery included in the rationalization program in either one of 3 years 1997, 1998 or 1999 *Motion passed 10/6*

Calculation of Processor Allocations (from Section 2.3)

Allocations are on a fishery basis and are based on a processor's aggregate pounds purchased in the qualifying years divided by the aggregate of all pounds purchased by eligible processors in the qualifying years. *Motion carries 9/7.*

Implementation of the Processor Share Program (from Section 2.5)

Processors must hold unused IPQ for purchases of crab harvested with Class A harvest shares. Any processor may purchase crab harvested with Class B harvest shares. *Motion passed 10/6.*

Transferability of Processing Shares (from Section 2.6)

1. Processing quota shares and IPQs are fully transferable (including leasing)
2. IPQs may be used by any facility of the processor holding those shares (without transfer or lease)

Motion passed 10/6

Issue 4 Processor Qualifying Years (from Section 2.3) - can select from different options for different fisheries

Fisheries with multiple qualifying year options

Bristol Bay red king

Option 2 1996 - 2000 (best 4 seasons) (from Section 2.3, Option 2)

Motion passed 11/4/1

Bering Sea opilio (snow)

Option 2 1996 - 2000 (best 4 seasons) (from Section 2.3, Option 2)
Motion passed 10/5/1

Eastern Aleutian Islands (Dutch Harbor) brown king

Option 2 1996/7 - 2000/1 (best 4 seasons) (from Section 2.3, Option 2) *Motion carries 9/5/2*

Western Aleutian Islands (Adak) brown king

Option 2 1996/7 - 2000/1 (best 4 seasons) (from Section 2.3, Option 2) *Motion passed 9/5/2*

Fisheries with single qualifying year option

Bering Sea bairdi (Tanner)

Bairdi would be a class B only fishery.
Motion carries 8/7

Pribilof red king

Option 1 1996 - 1998 (from Section 2.3, Option 1)
Motion carries 11/2/2

Pribilof blue king

Option 1 1996 - 1998 (from Section 2.3, Option 1)
Motion passed 10/2/3

St. Matthew blue king

Option 1 1996 - 1998 (from Section 2.3, Option 1)
Motion passed 10/2/3

Issue 5 Recipient of Allocation

Option 1 Buyer of record on the ADF&G fish ticket (from Section 2.3, Options 1 and 2)

Option 2 The buyer of the crab, if that buyer is determined to be an entity other than the entity identified on the ADF&G fish ticket (from Section 2.3, Option 4)
Motion passed 14/0/2

Issue 6 Ownership and Use Caps on Processing Shares (from Section 2.7)

Sub-issue 1 Ownership Caps (from Section 2.7.1)

Ownership cap will be:

Option 3 maximum share allocation in the fishery plus 10 percent (of the A share pool) plus 10 percent of that entity's history (from Section 2.7.1, Option 1)
Motion carries 10/5/1

Initial issues that would receive allocations in excess of the cap as of June 7, 2002 at 9:30 a.m. are grandfathered (subsequent changes in ownership are not grandfathered) (from Section 1.6.3(a)) *Motion passed 16/0*

Caps are applied on:

Option 2 a threshold ownership basis (similar to the AFA ownership criteria) with ownership thresholds at 50% to determine entities. Caps are on a company basis with ownership linkages determined by the common ownership threshold (from Section 2.7.1) *Motion passed 8/7/1*

Subissue 2 Use Caps (from Section 2.7.2)

Annual use caps on a company basis of 50 percent of A shares by region for a period of no more than 3 years. Thereafter, 30 percent.

Motion passed 10/5/1

Subissue 3 Additional Options

Penalties (from Section 2.8.2) These penalty provisions may be modified pending decision of a binding arbitration program.

Processors that do not use IPQs will lose the amount that is unused in the next season

Unused and lost quota will be redistributed (Item C.) as Class B open delivery shares (from Section 2.8.2(a), Option 3). If allocated to open delivery shares, Class A IPQs will be reclassified as Class B IPQs

Additionally,

- (3) harvesters holding Class A shares that were not processed would have them be classified as Class B shares the next year (from Section 2.8.2(a), Suboption 1(c))
- (4) Reclassified harvest shares will retain their regional designation (from Section 2.8.2(a))

Suboption - Include a hardship provision for processors that do not use IPQs (from Section 2.8.2(b))

Motion passed 10/6

Community Protection

4. If an owner of PQS decides to sell the PQS, the right of first refusal to purchase the PQS shall be granted to CDQ groups (for PQS in the Bering Sea) or a community organization approved by the local government (for PQS in the GOA), providing that any PQS so purchased is processed at a facility owned at least 50% by the CDQ organization or community group. The nature of the first right of refusal and the community organizations will be outlined in a trailing amendment. *Motion carries 8/7/1.*

5. The amount of PQS in any year shall not exceed the percentage of the TAC for any crab species as follows:

Option 1: PQS percentage times a TAC of 150 million pounds.

Motion passed 9/6

Regionalization - applies to any program

Two regions are proposed, which would be used to classify harvesting and (if adopted) processing shares

- A. Northern Region - All areas on the Bering Sea north of 56°20' N latitude
- B. Southern Region - All areas on the Bering Sea south of 56°20' N latitude and all areas on the Gulf of Alaska (from Sections 1.3.4, 2.2.2, and 3.1)

All PQS allocated to shore base processors (including floating processors) are categorized by region (from Section 3.2.3)

Motion passed 12/2

Harvest and processing shares that are regionally designated cannot be reassigned to another region (from Section 3.2.4)

Crab harvested with IFQs designated for a region must be delivered to a processing facility in that region for processing (from Section 3.3(a))

Crab purchased with IPQs designated for a region must be processed within that region (from Section 3.3(b))

PQS and IPQs categorized for a region cannot be transferred to a processor for use outside that region (from Section 2.6(c))

Motion passed 12/3

Issue 1 Qualifying Years

Option 2 The base years for determining

- A. the allocation of processing shares that will be used for determining the regional designation of processing shares
- B. the allocation of harvest shares that will be used for determining the regional designation of harvest shares

An adjustment will be made to harvest shares to make the regional allocation of harvest shares the same as the regional allocation of processing shares.

The adjustment will be applied only to shares allocated to harvesters that made deliveries to both regions in the qualifying period on a pro rated basis

Class B allocations will not be included in the adjustment (from Section 3.2.5)

Motion passed 15/1

Modification of Regional Allocations

- A. No designation will be made to a region when the allocation would be less than 5 percent (from Section 3.2.1, Option 3)
- B. No regional designation in the Bering Sea Bairdi fishery (from Section 3.2.1, Option 3)
- C. No regional designation in the Bristol Bay red king crab fishery (Section 3.2.1, Option 3)

Motion passed 13/1/2

Issue 2 Provisions Applicable to the Harvest Sector

Regional designation of shares

Option 2 Only Class A catcher vessel shares will be regionally designated (from Section 3.2.2, Option 2)

Motion passed 16/0

Issue 3 Alternative Regionalization/Community Protection Option(from Sections 3.4 and 6.1, 6))

No Recommendation at this time.

Catcher/Processor Elements –

Option A Catcher/Processors Are Allocated Catcher/Processor Shares

Harvest sector allocations of QS and IFQ will be categorized as catcher/processor shares (from Sections 1.3.2(b) and 1.7.2.1.1)

Issue 1 Eligibility for an Allocation of Catcher/Processor Shares

Option Only catcher processors that both caught and processed crab in 1998 or 1999 are eligible for catcher/processor shares (from Section 1.7.2.3, Option 5) *Motion passed 8/7/1*

Issue 2 Processor Share Transfer Options

Option 1 Catcher/processors shall be allowed to sell catcher/processor shares to shore based processors (including floating processors) (from Section 1.7.2.4(c)). *Motion passed 13/0/3*

Option 3 Catcher/processors are allowed to purchase PQS from shore based processors but must process crab purchased with those shares within 3 miles of shore in the designated region (if applicable) (from Section 1.7.2.3, Option 2) *Motion passed 16/0*

Issue 3 Use of Catcher/Processor Shares

A. Crab harvested with catcher/processor shares may be delivered processed or unprocessed. Unprocessed crab harvested with catcher/processor shares may be processed on board or delivered to any processor. (from Section 1.7.2.3, Option 4) *Motion passed 16/0*

C. Unprocessed crab may be sold to any processor if harvested with Class B shares, which do not require processor IPQs (from Section 1.7.2.3, Option 4(b)) *Motion passed 16/0*

Issue 4 Regionalization Options

Option 1 Catcher/processors shares will not be regionally or community designated (from Section 1.7.2.3, Option 6) *Motion passed 16/0*

CP shares sold shoreside would not have a regional designation. *Motion passed 16/0*

Option 3 Harvest shares purchased by catcher/processors will retain their regional or community designation (from Section 1.7.1(d)) *Motion passed 16/0*

Issue 5 Purchases of Harvest Shares by Catcher/Processors

Amend (e) to: Allow for the use of purchased class B share IFQ crab on catcher processor Vessels. *Motion passed 16/0*

Option 2 Catcher/processors may purchase additional catcher vessel harvest shares but must hold unused IPQs to process crab harvested with those shares (from Section 1.7.2.3, Option 3) *Motion passed 16/0*

Additional Provision (could be applied in any program)

Require owners of catcher/processor vessels to pay a fee to the State of Alaska equivalent to the tax that would have been imposed had the catcher/processors operated in State waters. *Motion passed 13/1*

Same use and ownership caps that are applied to harvesters apply also to CV's and CP

Same use and ownership caps that are applied to processors are also applied to CV's. *Motion passed 15/0*

Motion to reconsider the rationalization program choice: Motion passed 8/6

The AP recommends the Council adopt a 2-pie rationalization program model. *Motion passes 9/6/1*

Voluntary cooperative provisions: Motion to table passed 9/5

CDQ allocations - based on existing CDQ program (from Section 3.4.4)

Expand existing program into all rationalized crab fisheries at 7.5% *Motion passed 10/6*

Program duration and review (from Section 3.4, 5) and Section 6.2, 11))

Option 2 Program review every 3 years to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. (Section 3.4, 5) **Option 2) Motion passed 16/0**

The IFQ portion of the program will sunset at the end of 7 years. Motion failed 8/8

Skipper and crew allocations and use provisions (from Section 1.8)

Option A Allocation of Harvest Shares to Skippers/Crew

Motion to allocate harvest shares to Skippers only at 10% failed 6/9/1

Motion to allocate harvest shares to Skippers only at 5% failed 6/10

Minority report Initial Allocation for Skipper Shares

We the undersigned feel that captains are legitimate stakeholders in the BSAI crab fisheries being considered for rationalization. As such, captains should be awarded QS at initial allocation.

The NRC report, "Sharing the Fish", strongly recommends that captains be considered for initial allocation of QS to attain the goals of stewardship, safety and resource conservation. We feel that an initial allocation of QS to Captains would compensate those exiting the fishery due to consolidation of the fleet caused by rationalization.

Based upon the halibut/sablefish IFQ experience, it has been confirmed that significant impacts occur: loss of bargaining power, loss of jobs.

Other options such as first right of refusal and low interest loan programs do not adequately address these concerns during the crucial transition to a rationalized fishery. The minority supported a 10% Captain share at initial allocation.

Dan Falvey, Dave Fraser, Michelle Ridgway

Option B First Right of Refusal on Quota Share Transfers

A percent of initially issued QS would be designated as crew shares, these shares would remain as a separate class of QS. Transfer of initially issued QS must include transfer of the designated percentage of shares to crew for which there will be a first right of refusal for eligible crew to buy. The owner of the QS being offered for sale would have to give notice to NMFS RAM division of the impending sale. RAM in turn could then notify the fleet of the available QS. After this initial transfer crew QS will be available for transfer to any active participant in the fishery.

Percent of shares designated as crew shares:

Options 10%

Timing of first right of refusal

Options 2 months

Eligibility of a U.S. citizen to purchase crew shares would be defined by participation in at least one delivery in the subject crab fishery in the last year as evidenced by ADF&G fish ticket or affidavit from the vessel owner.

If a qualified buyer cannot be found then 50% of the 0-20% crew QS offered for sale would have to be gifted to a pool available to qualified buyers and the remaining 50% of the 0-20% could then be offered for sale on the open

market to any buyer. The crew pool of QS would be overseen by RAM. The proceeds from the sale of this QS by auction to the highest qualified bidder would go into a dedicated low interest loan program for crew.

Motion passed 16/0

Option D Low Interest Loan Program

A low-interest rate loan program, consistent with MSA provisions, for skipper and crew purchases of QS would be established or made part of the existing loan program for IFQ purchases using 25% of the Crab IFQ fee program funds collected. *Motion passed 16/0*

The AP recommends that the Council include the binding arbitration process as part of the crab IFQ program.

Motion passed 15/1.

AFA sideboards

Issue 1 AFA Processing Sideboards

Option The crab processing caps enacted by Section 211(c)(2)(A) of the AFA would be terminated (from Section 2.8.1) *Motion passed 16/0*

Issue 2 AFA Harvester Sideboards

Option Eliminate AFA crab harvester sideboard caps upon implementation of the crab rationalization program (from Section 1.8.5) *Motion passed 16/0*

Observer Program

Status Quo – ADF&G and the BOF will establish vessel and processor observer coverage levels as needed under the rationalized fishery program. *Motion passed 16/0*

A motion to adopt the BSAI rationalization program alternatives failed 5/11

Minority Report on the main motion:

The undersigned feel the framework motion failed precisely because it represented a good solution that required compromise from all parties.

Signed, Lance Farr, Jeff Steele, Al Burch, Teresa Kandianis, Bill Jacobsen.

AP Minority Report on Crab Rationalization

The undersigned believe it is possible to craft a rationalization program that addresses resource conservation priorities and the concerns of harvesters, communities, and processors without the inclusion of IPQs.

Attempts were made in various motions throughout this issue to address the concerns of the processing sector regarding stranded capital and stability in a balanced manner. A motion failed 10-7 to provide for a closed class of processors, with a percentage of the shares restricted for delivery only to processors in the closed class. This was an attempt to address the concerns of the processors, in a manner that would have retained a competitive environment for conducting price negotiations.

The Advisory Panel then voted unanimously in favor of using the State's voluntary cooperative model as the basis for designing a rationalization program.

A motion using the State's voluntary cooperative program was crafted, modeled after the AFA-style cooperatives, which have worked out to be acceptable to both harvesters and processors involved.

This coop motion provided a voluntary choice regarding which cooperative a harvester could join, based on relationships developed in the year prior to implementation of the program. Clear incentives for fishing within

cooperatives and strong disincentives for leaving coops were features unique to this proposal. This fully fleshed out proposal is based upon the elements and options contained within the analysis. It provides for a closed class of processors that guaranteed the eligible processors, in the aggregate, 80% of the overall CV harvest. A substantial disincentive for fishermen to leave a coop (potential loss of 20% of their annual history) was built into the motion in order to provide assurances to the processors that this cooperative model would benefit their interests and guarantee that fishermen would participate.

We, the dissenting members of the Advisory Panel worked very hard to attempt to reach some middle ground, utilizing the elements and options contained in the analysis. It was our hope that this would provide an acceptable solution to all sides, recognizing that neither processors nor harvesters were gaining a disproportionate advantage in this proposal.

This multi-sector effort was undertaken to provide a viable alternative to the two-pie proposal. The motion offered was flatly rejected by the processing sector.

The minority feels that IPQs will:

- Un-necessarily complicate management of the crab fishery
- Create a highly segmented market, negatively impacting competition and prices
- Contribute nothing to achieving resource conservation goals
- Artificially allocate market shares
- Turn fishermen into a commodity, extinguishing their market freedom
- Constitute economic protections rather than rationalization
- Accelerate irreversible consolidation
- Undermine the ability of Kodiak and other communities to benefit from rationalization
- Allocate public fishery resource control to foreign corporations

The processor section of the analysis contained a very narrow suite of elements and options for IPQs, the scope of which will result in significant impacts on the distribution of IPQs. The distribution of IPQs will have secondary impacts on communities, which were not captured due to the lack of contrasting alternative distributional criteria. Analysis of a full suite of community protections is imperative to assessing the implications of IPQs on communities. We are concerned that the range of options was too narrow to satisfy NEPA and other legal requirements for an action of this magnitude.

Through drafting of the AP's advice on crab rationalization, two important issues have been relegated to future development, with little or no information known on the possibility or legality of these issues. The first is binding arbitration, which has clearly been identified as a vital element for ensuring that the two-pie program provides for a more balanced negotiating structure for harvesters. The second is the issue of first right of refusal options for CDQ groups of local governments.

Further, specific means by which to achieve the full benefits of rationalization to address bycatch reduction and other conservation goals have not been clarified. Without these issues being clearly defined and analyzed, it is premature to approve a two-pie program.

Finally, the undersigned request that the Council give thoughtful consideration to the program outlined in the modified voluntary cooperative model.

Signed, Craig Cross, Dan Falvey, Dave Fraser, Hazel Nelson, Michelle Ridgway, Jeff Stephan

Crab EIS

The AP recommends the Council request staff to analyze the following alternatives in the BSAI Crab FMP EIS.

Alternative 1: Status quo

Alternative 2: A 2-pie model such as the suite of elements and options identified in the AP motion

Alternative 3: A 1-pie model, such as the suite of elements and options in the modified voluntary coop proposal

Alternative 4: No fishing

The AP strongly supports the inclusion of mitigation measures within analysis of each alternative. If required by NOAA GC, the no fishing alternative should be labeled as a mitigation alternative, recognizing it is analyzed primarily for contrast purposes.

Motion passed 16/0

The AP recommends the Council adopt the following alternatives and options to the BSAI Crab Rationalization program:

Fisheries to Include in the Rationalization Program

Issue 1 Species to include in the program

- Bristol Bay red king
- Aleutian Islands (Dutch Harbor/Adak) brown king
- Bering Sea opilio (snow)
- Bering Sea bairdi (Tanner)
- Pribilof red king
- Pribilof blue king
- St. Matthew blue king

Suboptions

- 1. Area/Species exceptions:
 - A. Exclude EAI tanner, WAI tanner, EAI red king, and WAI red king (from Section 1.1, Suboption A and Section 2.3 Option 1, h)

Motion passed without opposition.

Rationalization Program Choice

Amended Option 3 - Voluntary Cooperative with binding arbitration - *Motion passed 17/0* This Motion was reconsider after the development of elements and options (*Motion passed 8/6*), and subsequently tabled (*Motion passed 14/0*).

A motion to adopt a one pie voluntary cooperative with a 20% penalty on harvesters not affiliated with a cooperative failed 7/9

The AP recommends the Council adopt a 2-pie rationalization program model. *Motion passes 9/6/1*
A motion to retain status quo failed 2/11/3

Allocation of Harvest Quota Shares

Eligibility for an allocation

- 1.2 Persons eligible to receive an initial allocation of QS must be:
 - Option 1. Any person that holds a valid, permanent, fully transferrable LLP license *Motion passed 17/0*

Basis for allocation

1.4.1. Calculation of initial QS distribution will be based on legal landings excluding deadloss.

(a) Calculation of QS distribution. The calculation is to be done, on a vessel-by-vessel basis, as a percent of the total catch, year-by-year during the qualifying period. Then the sum of the yearly percentages, on a fishery-by-fishery basis, is to be divided by the number of qualifying years included in the qualifying period on a fishery-by-fishery basis to derive a vessel's QS.

Suboption: For each of the fisheries for which such a vessel holds valid endorsement for any years between the sinking of the vessel and the entry of the replacement vessel to the fishery, allocate QS according to 75% of the vessel's average history for the qualifying years unaffected by the sinking. *Motion passes 17/0.*

6/9 2:25 JB DF-Jed

(b) Basis for QS distribution.

Option 1. For eligibility criteria in paragraph 1.2, Option 1, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per vessel.

(Option 1) Persons who have purchased an LLP, with GQP, EQP, and RPP qualifications to remain in a fishery may obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both. License transfers for purposes of combining LLPs must have occurred by January 1, 2002.

A motion limiting the above suboption to the brown crab fishery failed 13/4

(Old option 3) In cases where the fishing privileges (i.e. moratorium qualification or LLP license) of an LLP qualifying (i.e GQP EQP, RPP and amendment 10 combination) vessel have been transferred, the distribution of QS to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. Only one catch history per LLP License.

Motion passes 14/4

Select one option for each fishery included in the rationalization program

BS C. opilio (from Section 1.4.2.1)

- Option 4 1996-2000
 - A. Best 4 of 5 seasons

Bristol Bay red king crab (fishery closed in 1994 and 1995)

- Option 3 1996-2000
 - A. Best 4 of 5 seasons

BS C. bairdi (fishery closure since the 1996 season)

- Option 2 1991/1992-1996
 - A. Best 5 of 6 seasons

Pribilof red king crab (fishery closed since 1998)

- Option 1 1993-1998
 - A. Best 5 of 6 seasons

Pribilof blue king crab (fishery closed in 1993 and 1994 and since 1998)

- Option 2 1994-1998
 - B. Best 4 seasons

St. Matthew blue king crab (fishery closed since 1998)

- Option 1 1993-1998
 - A. Best 5 of 6 seasons

Aleutian Islands brown king crab

- Option 4 1996/7-2000/1
 - A. Best 4 of 5 seasons

Motion passed 9/7

Suboptions for all years selected

B. allocation is based on harvests from each subregion - each participant receives an allocation in each subdistrict based on harvests from that subdistrict.

Motion passed 17/0

Annual Allocations of IFQs are made based on (from Section 1.5)

Option 2 TAC (1.5 Option 2) *Motion passed 17/0*

Transferability of Quota Shares

Eligibility to Receive Shares by Transfer (from Section 1.6)

Option 1 Any persons or entities

A. eligible to document a US fishing vessel (from Section 1.6, Option 1(a))

Suboption B (under Options 1, 2, and 3)

Grandfather recipients of initial allocations (from Section 1.6.1) *Motion passed without objection*

Leasing of Quota Shares (or Sale of IFQ) (from Section 1.6.2)

Option 1 Leasing permitted without restriction (from Section 1.6, Option 1)

Motion passed without objection.

Ownership Caps, Use Caps, and Limits on Vertical Integration

Ownership Caps on QS - (from Section 1.6.3)

Revisit ownership caps, use caps, and limits on vertical integration following the results of a buyback program and a Council mandated ownership survey, to adjust the caps to an appropriate level.

Purchases made consistent with the interim ownership caps may be grandfathered.

Motion passed 19/0

Provisions without Options

1. Initial issues that would receive allocations in excess of the cap as of June 6, 2002 at 9:30 a.m. are grandfathered (subsequent changes in ownership are not grandfathered) (from Section 1.6.3(a)) *Motion passed 18/0*

2. Caps are applied on an individual and collective basis (as in the halibut and sablefish IFQ program) (from Section 1.6.3(b))

Motion passed 19/0

Provisions with options

Selected one option for each fishery included in the rationalization program:

Bristol Bay red king crab (from Section 1.6.3(c))

Option 1 1 percent

Bering Sea *C. opilio* (from Section 1.6.3(c))

Option 1 1 percent

Bering Sea *C. bairdi* (from Section 1.6.3(c))

Option 1 1 percent

Pribilof blue king crab (from Section 1.6.3(c))

Option 1 1 percent

Pribilof red king crab (from Section 1.6.3(c))
Option 1 1 percent

St. Matthew blue king crab (from Section 1.6.3(c))
Option 1 1 percent

Aleutian Islands brown king crab (from Section 1.6.3(d))
Separate Subdistricts

Eastern (Dutch Harbor)
Option 1 10 percent
A motion to set the cap at 30 percent failed 3/15

Western (Adak) brown king crab
Option 1 10 percent
A motion to set the cap at 30 percent failed 3/15

Issue 2 Use caps - (from Section 1.7.4)

Option 2 No use caps (from Section 1.7.4, Option 2)
If the buyback and ownership review amendments are not completed in three years, then the use caps are 3 times the ownership caps. *Motion passed 18/0*

A vessel may use an amount of quota in excess of the ownership cap for that fishery for a period of no more than 3 years. Motion failed 5/12

Issue 3 Limits on Vertical Integration (from Section 1.6.4)

Option 3 Initial recipients of PQS cannot own harvester QS in addition to the harvester QS received in the initial allocation (from Section 1.6.4, Option 3) as of June 7, 2002. *Motion passed 11/5.*

Use of IFQ's

Issue 1 Catch accounting and overages

Option 4 Allow discards of incidentally caught crab (from Section 1.7.3, Option 4) and defer to the BOF to develop future modifications to reduce discards of incidentally caught crab. *Motion passes 15/1*

Issue 2 Overages

Subissue 1

Allowances over quota held:

Option 2: 3 percent (from Section 1.8.2(a), Option 2) or,

Subissue 2

Option 1 the same amount as the overage (from Section 1.8.2(b), Option 2)

Motion passes 13/3

Issue 3 Provisions Applicable to Two Pie IFQ and Voluntary Cooperative Program

Processor Delivery Categories for catcher vessel shares- Two types of processing shares will be allocated

1. Class A IFQs, must be delivered to processors (including catcher/processors) with sufficient unused IPQs (from Sections 1.3.3(a) and 1.7.1(a))
2. Class B shares, deliverable to any processor (including catcher/processors) (from Sections 1.3.3(b) and 1.7.1(b)) *Motion passed 11/3/2*

A motion to adopt a one pie voluntary cooperative with a 20% penalty on harvesters not affiliated with a cooperative failed 7/9

Processing Sector Elements - Applicable to Two Pie IFQ and Voluntary Cooperative Program

Issue 1 Fisheries to Include in Processing Program

Fisheries for which PQS will be distributed (from Section 2.2.1)

Recommend same fisheries as in 1.1:

Bristol Bay red king
Eastern Aleutian Islands (Dutch Harbor) brown king
Western Aleutian Islands (Adak) brown king
Bering Sea opilio (snow)
Bering Sea bairdi (Tanner)
Pribilof red king
Pribilof blue king
St. Matthew blue king
Motion passes 13/2/1

Issue 2 Percentage of the TAC/GHL for which POS (and Class A harvest shares) are distributed
(from Section 2.4). Note that any unallocated portion of the TAC/GHL will be open delivery

The AP took a series of votes in a range of 90%-0% of the percentage of TAC/GHL for which PQS is distributed

Amended Option 3: 77 percent of the TAC/GHL (from Section 2.4.1, Option 3) *Motion carries 10/6*

Fraser - Allocation of processor shares are distributed in such a way that non-affiliated (MARAD definition) vessels receive 20% of the TAC/GHL as B shares (approximated total allocation of B shares of 23%)
Motion carries 10/6

Motion to phase out IPQ's at 10% a year - *Motion failed 6/10*

The AP notes that processor shares should be a privilege, not a property right. *Motion carries 15/1*

Issue 3: Initial Allocation of Processor Shares

Processor Eligibility for an Allocation (from Section 2.1)

Processors (including catcher/processors) that are US corporations or partnerships that processed crab from a fishery included in the rationalization program in either one of 3 years 1997, 1998 or 1999 *Motion passed 10/6*

Calculation of Processor Allocations (from Section 2.3)

Allocations are on a fishery basis and are based on a processor's aggregate pounds purchased in the qualifying years divided by the aggregate of all pounds purchased by eligible processors in the qualifying years. *Motion carries 9/7.*

Implementation of the Processor Share Program (from Section 2.5)

Processors must hold unused IPQ for purchases of crab harvested with Class A harvest shares. Any processor may purchase crab harvested with Class B harvest shares. *Motion passed 10/6.*

Transferability of Processing Shares (from Section 2.6)

1. Processing quota shares and IPQs are fully transferable (including leasing)
2. IPQs may be used by any facility of the processor holding those shares (without transfer or lease)

Motion passed 10/6

Issue 4 Processor Qualifying Years (from Section 2.3)

Fisheries with multiple qualifying year options

Bristol Bay red king

Option 2 1996 - 2000 (best 4 seasons) (from Section 2.3, Option 2)

Motion passed 11/4/1

Bering Sea opilio (snow)

Option 2 1996 - 2000 (best 4 seasons) (from Section 2.3, Option 2)

Motion passed 10/5/1

Eastern Aleutian Islands (Dutch Harbor) brown king

Option 2 1996/7 - 2000/1 (best 4 seasons) (from Section 2.3, Option 2) *Motion carries 9/5/2*

Western Aleutian Islands (Adak) brown king

Option 2 1996/7 - 2000/1 (best 4 seasons) (from Section 2.3, Option 2) *Motion passed 9/5/2*

Fisheries with single qualifying year option

Bering Sea bairdi (Tanner)

Bairdi would be a class B only fishery.

Motion carries 8/7

Pribilof red king

Option 1 1996 - 1998 (from Section 2.3, Option 1)

Motion carries 11/2/2

Pribilof blue king

Option 1 1996 - 1998 (from Section 2.3, Option 1)

Motion passed 10/2/3

St. Matthew blue king

Option 1 1996 - 1998 (from Section 2.3, Option 1)

Motion passed 10/2/3

Issue 5 Recipient of Allocation

Option 1 Buyer of record on the ADF&G fish ticket (from Section 2.3, Options 1 and 2)

Option 2 The buyer of the crab, if that buyer is determined to be an entity other than the entity identified on the ADF&G fish ticket (from Section 2.3, Option 4)
Motion passed 14/0/2

Issue 6 Ownership and Use Caps on Processing Shares (from Section 2.7)

Sub-issue 1 Ownership Caps (from Section 2.7.1)

Ownership cap will be:

Option 3 The maximum share allocation (of the A share pool) in the fishery plus 10 percent of the determining entity's history (from Section 2.7.1, Option 1)
Motion carries 10/5/1

Initial issues that would receive allocations in excess of the cap as of June 7, 2002 at 9:30 a.m. are grandfathered (subsequent changes in ownership are not grandfathered) (from Section 1.6.3(a)) *Motion passed 16/0*

Caps are applied on:

Option 2 a threshold ownership basis (similar to the AFA ownership criteria) with ownership thresholds at 50% to determine entities. Caps are on a company basis with ownership linkages determined by the common ownership threshold (from Section 2.7.1) *Motion passed 8/7/1*

Subissue 2 Use Caps (from Section 2.7.2)

Annual use caps on a company basis of 50 percent of A shares by region for a period of no more than 3 years. Thereafter, 30 percent.
Motion passed 10/5/1

Subissue 3 Additional Options

Penalties (from Section 2.8.2) These penalty provisions may be modified pending implementation of a binding arbitration program.

Processors that do not use IPQs will lose the amount that is unused in the next season

Unused and lost quota will be redistributed (Item C.) as Class B open delivery shares (from Section 2.8.2(a), Option 3). If allocated to open delivery shares, Class A IPQs will be reclassified as Class B IPQs

Additionally,

- (3) harvesters holding Class A shares that were not processed would have them be classified as Class B shares the next year (from Section 2.8.2(a), Suboption 1(c))
- (4) Reclassified harvest shares will retain their regional designation (from Section 2.8.2(a))

Suboption - Include a hardship provision for processors that do not use IPQs (from Section 2.8.2(b))
Motion passed 10/6

Community Protection

4. If an owner of PQS decides to sell the PQS, the right of first refusal to purchase the PQS shall be granted to CDQ groups (for PQS in the Bering Sea) or a community organization approved by the local government (for PQS in the GOA), providing that any PQS so purchased is processed at a facility owned at least 50% by the CDQ organization or community group. The nature of the first right of refusal and the community organizations will be outlined in a trailing amendment. *Motion carries 8/7/1.*

5. The amount of PQS in any year shall not exceed the percentage of the TAC for any crab species as follows:
Option 1: PQS percentage times a TAC of 150 million pounds.

Motion passed 9/6

Regionalization - applies to any program

Two regions are proposed, which would be used to classify harvesting and (if adopted) processing shares

- A. Northern Region - All areas on the Bering Sea north of 56°20' N latitude
- B. Southern Region - All areas on the Bering Sea south of 56°20' N latitude and all areas on the Gulf of Alaska (from Sections 1.3.4, 2.2.2, and 3.1)

All PQS allocated to shore base processors (including floating processors) are categorized by region (from Section 3.2.3)

Motion passed 12/2

Harvest and processing shares that are regionally designated cannot be reassigned to another region (from Section 3.2.4)

Crab harvested with IFQs designated for a region must be delivered to a processing facility in that region for processing (from Section 3.3(a))

Crab purchased with IPQs designated for a region must be processed within that region (from Section 3.3(b))

PQS and IPQs categorized for a region cannot be transferred to a processor for use outside that region (from Section 2.6(c))

Motion passed 12/3

Issue 1 **Qualifying Years**

Option 2 The base years for determining

- A. the allocation of processing shares will be used for determining the regional designation of processing shares
- B. the allocation of harvest shares will be used for determining the regional designation of harvest shares

An adjustment will be made to harvest shares to make the regional allocation of harvest shares the same as the regional allocation of processing shares.

The adjustment will be applied only to shares allocated to harvesters that made deliveries to both regions in the qualifying period on a pro rated basis

Class B allocations will not be included in the adjustment (from Section 3.2.5)

Motion passed 15/1

Modification of Regional Allocations

- A. No designation will be made to a region when the allocation would be less than 5 percent (from Section 3.2.1, Option 3)
- B. No regional designation in the Bering Sea bairdi fishery (from Section 3.2.1, Option 3)
- C. No regional designation in the Bristol Bay red king crab fishery (Section 3.2.1, Option 3)

Motion passed 13/1/2

Issue 2 Provisions Applicable to the Harvest Sector

Regional designation of shares

Option 2 Only Class A catcher vessel shares will be regionally designated (from Section 3.2.2, Option 2)
Motion passed 16/0

Issue 3 Alternative Regionalization/Community Protection Option(from Sections 3.4 and 6.1, 6))

No Recommendation at this time.

Catcher/Processor Elements –

Option A Catcher/Processors Are Allocated Catcher/Processor Shares

Harvest sector allocations of QS and IFQ will be categorized as catcher/processor shares (from Sections 1.3.2(b) and 1.7.2.1.1)

Issue 1 Eligibility for an Allocation of Catcher/Processor Shares

Option 1 Only catcher processors that both caught and processed crab in 1998 or 1999 are eligible for catcher/processor shares (from Section 1.7.2.3, Option 5) *Motion passed 8/7/1*

Issue 2 Processor Share Transfer Options

Option 1 Catcher/processors shall be allowed to sell catcher/processor shares to shore based processors (including floating processors) (from Section 1.7.2.4(c)). *Motion passed 13/0/3*

Option 3 Catcher/processors are allowed to purchase PQS from shore based processors but must process crab purchased with those shares within 3 miles of shore in the designated region (if applicable) (from Section 1.7.2.3, Option 2) *Motion passed 16/0*

Issue 3 Use of Catcher/Processor Shares

A. Crab harvested with catcher/processor shares may be delivered processed or unprocessed. Unprocessed crab harvested with catcher/processor shares may be processed on board or delivered to any processor. (from Section 1.7.2.3, Option 4) *Motion passed 16/0*

C. Unprocessed crab may be sold to any processor if harvested with Class B shares, which do not require processor IPQs (from Section 1.7.2.3, Option 4(b)) *Motion passed 16/0*

Issue 4 Regionalization Options

Option 1 Catcher/processors shares will not be regionally or community designated (from Section 1.7.2.3, Option 6) *Motion passed 16/0*

CP shares sold shoreside would not have a regional designation. *Motion passed 16/0*

Option 3 Harvest shares purchased by catcher/processors will retain their regional or community designation (from Section 1.7.1(d)) *Motion passed 16/0*

Issue 5 Purchases of Harvest Shares by Catcher/Processors

Amend (e) to: Allow for the use of purchased class B share IFQ crab on catcher processor Vessels. *Motion passed 16/0*

Option 2 Catcher/processors may purchase additional catcher vessel harvest shares but must hold unused IPQs to process crab harvested with those shares (from Section 1.7.2.3, Option 3) *Motion passed 16/0*

Additional Provision (could be applied in any program)

Require owners of catcher/processor vessels to pay a fee to the State of Alaska equivalent to the tax that would have been imposed had the catcher/processors operated in State waters. *Motion passed 13/1*

Same use and ownership caps that are applied to CV harvesters apply to CPs
Same use and ownership caps that are applied to processors also apply to CP's. *Motion passed 15/0*

Motion to reconsider the rationalization program choice: Motion passed 8/6

Expand existing ^{CDQ} program into all rationalized crab fisheries at 7.5% *Motion passed 10/6*

Program duration and review (from Section 3.4, 5) and Section 6.2, 11))

Option 2 Program review every 3 years to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. (Section 3.4, 5) Option 2) *Motion passed 16/0*

The IPO portion of the program will sunset at the end of 7 years. Motion failed 8/8

Skipper and crew allocations and use provisions (from Section 1.8)

Option A Allocation of Harvest Shares to Skippers/Crew

Motion to allocate harvest shares to Skippers only at 10% failed 6/9/1

Motion to allocate harvest shares to Skippers only at 5% failed 6/10

Option B First Right of Refusal on Quota Share Transfers

A percent of initially issued QS would be designated as crew shares, these shares would remain as a separate class of QS. Transfer of initially issued QS must include transfer of the designated percentage of shares to crew for which there will be a first right of refusal for eligible crew to buy. The owner of the QS being offered for sale would have to give notice to NMFS RAM division of the impending sale. RAM in turn could then notify the fleet of the available QS. After this initial transfer crew QS will be available for transfer to any active participant in the fishery.

Percent of shares designated as crew shares:

Options 10%

Timing of first right of refusal

Options 2 months

Eligibility of a U.S. citizen to purchase crew shares would be defined by participation in at least one delivery in the subject crab fishery in the last year as evidenced by ADF&G fish ticket or affidavit from the vessel owner. If a qualified buyer cannot be found then 50% of the 10% (i.e. 5%) crew QS offered for sale would have to be gifted to a pool available to qualified buyers and the remaining 50% of the 10% (i.e. 5%) could then be offered for sale on the open market to any buyer. The crew pool of QS would be overseen by RAM. The proceeds from the sale of this QS by auction to the highest qualified bidder would go into a dedicated low interest loan program for crew.

Motion passed 16/0

6/10
2:31
SA
add this
to main
motion

Option D Low Interest Loan Program

A low-interest rate loan program, consistent with MSA provisions, for skipper and crew purchases of QS would be established or made part of the existing loan program for IFQ purchases using 25% of the Crab IFQ fee program funds collected. *Motion passed 16/0*

The AP recommends that the Council include the binding arbitration process as part of the crab IFQ program. *Motion passed 15/1.*

AFA sideboards

Issue 1 AFA Processing Sideboards

Option The crab processing caps enacted by Section 211(c)(2)(A) of the AFA would be terminated (from Section 2.8.1) *Motion passed 16/0*

Issue 2 AFA Harvester Sideboards

Option Eliminate AFA crab harvester sideboard caps upon implementation of the crab rationalization program (from Section 1.8.5) *Motion passed 16/0*

Observer Program

Status Quo – ADF&G and the BOF will establish vessel and processor observer coverage levels as needed under the rationalized fishery program. *Motion passed 16/0*

A motion to adopt the above suite of BSAI rationalization program alternatives failed 5/11

MINORITY REPORTS

Minority report Initial Allocation for Skipper Shares

We the undersigned feel that captains are legitimate stakeholders in the BSAI crab fisheries being considered for rationalization. As such, captains should be awarded QS at initial allocation.

The NRC report, "Sharing the Fish", strongly recommends that captains be considered for initial allocation of QS to attain the goals of stewardship, safety and resource conservation. We feel that an initial allocation of QS to Captains would compensate those exiting the fishery due to consolidation of the fleet caused by rationalization.

Based upon the halibut/sablefish IFQ experience, it has been confirmed that significant impacts occur: loss of bargaining power, loss of jobs.

Other options such as first right of refusal and low interest loan programs do not adequately address these concerns during the crucial transition to a rationalized fishery. The minority supported a 10% Captain share at initial allocation.

Dan Falvey, Dave Fraser, Michelle Ridgway

Minority Report program alternatives

The undersigned support a two-pie rationalization (including a system using the voluntary cooperative system set forth in 6.1 of the Council motion) in which processors receive at least 90% of their processing history as Individual Processing Shares.

Vessels and processing facilities have equally participated in the overcapitalization of the open access crab fisheries. The impacts of rationalizing the crab fisheries will be identical for those who have investments in vessels and those who have investments in processing facilities. Vessels will be greatly devalued because there

are far more vessels than necessary to harvest the rationalized fishery and processing plants will become greatly devalued because there is far more processing capacity than necessary.

The reason for allocating quota shares under a rationalized fishery to vessel owners is to compensate those vessel owners for the devaluation of their existing investments caused by adoption of the rationalized system. The exact same rationale applies to primary processors who built their facilities based on the race for crab.

There are protections for fair price formation under a system that includes processing interests.

Binding arbitration will assure that there will be a minimum price established by an independent party for every quota shareholder. There will be required cost and revenue data collected from processors. Crab fishermen have a history of effective collectively bargaining. Class B shares will provide price leverage. The pollock fishery shows that 10% Class B shares are more than enough to protect vessel owners. One reason the AP voted for 23% Class B shares was concern over vessels that are affiliated with processors. Yet the pollock fishery, which has a 10% set aside, has a much higher degree of affiliation than exists in the crab fishery.

We learned from the American Fisheries Act that if both harvesters and processors were included in rationalization, all parties would benefit. A discount of processor history below 90% will also negatively impact the remote communities that are entirely dependent on the crab fisheries.

Signed Dave Benson, Kris Norosz, Dave Boisseau, and Tom Enlow

Minority Report on the main motion:

The undersigned feel the framework motion failed precisely because it represented a good solution that required compromise from all parties.

Signed, Lance Farr, Jeff Steele, Al Burch, Teresa Kandianis, Bill Jacobsen.

AP Minority Report on Crab Rationalization

The undersigned believe it is possible to craft a rationalization program that addresses resource conservation priorities and the concerns of harvesters, communities, and processors without the inclusion of IPQs.

Attempts were made in various motions throughout this issue to address the concerns of the processing sector regarding stranded capital and stability in a balanced manner. A motion failed 10-7 to provide for a closed class of processors, with a percentage of the shares restricted for delivery only to processors in the closed class. This was an attempt to address the concerns of the processors, in a manner that would have retained a competitive environment for conducting price negotiations.

The Advisory Panel then voted unanimously in favor of using the State's voluntary cooperative model as the basis for designing a rationalization program.

A motion using the State's voluntary cooperative program was crafted, modeled after the AFA-style cooperatives, which have worked out to be acceptable to both harvesters and processors involved.

This coop motion provided a voluntary choice regarding which cooperative a harvester could join, based on relationships developed in the year prior to implementation of the program. Clear incentives for fishing within cooperatives and strong disincentives for leaving coops were features unique to this proposal. This fully fleshed out proposal is based upon the elements and options contained within the analysis. It provides for a closed class of processors that guaranteed the eligible processors, in the aggregate, 80% of the overall CV harvest. A substantial disincentive for fishermen to leave a coop (potential loss of 20% of their annual history) was built into the motion in order to provide assurances to the processors that this cooperative model would benefit their interests and guarantee that fishermen would participate.

We, the dissenting members of the Advisory Panel worked very hard to attempt to reach some middle ground, utilizing the elements and options contained in the analysis. It was our hope that this would provide an acceptable solution to all sides, recognizing that neither processors nor harvesters were gaining a disproportionate advantage in this proposal.

This multi-sector effort was undertaken to provide a viable alternative to the two-pie proposal. The motion offered was flatly rejected by the processing sector.

The minority feels that IPQs will:

- *Un-necessarily complicate management of the crab fishery*
- *Create a highly segmented market, negatively impacting competition and prices*
- *Contribute nothing to achieving resource conservation goals*
- *Artificially allocate market shares*
- *Turn fishermen into a commodity, extinguishing their market freedom*
- *Constitute economic protections rather than rationalization*
- *Accelerate irreversible consolidation*
- *Undermine the ability of Kodiak and other communities to benefit from rationalization*
- *Allocate public fishery resource control to foreign corporations*

The processor section of the analysis contained a very narrow suite of elements and options for IPQs, the scope of which will result in significant impacts on the distribution of IPQs. The distribution of IPQs will have secondary impacts on communities, which were not captured due to the lack of contrasting alternative distributional criteria. Analysis of a full suite of community protections is imperative to assessing the implications of IPQs on communities. We are concerned that the range of options was too narrow to satisfy NEPA and other legal requirements for an action of this magnitude.

Through drafting of the AP's advice on crab rationalization, two important issues have been relegated to future development, with little or no information known on the possibility or legality of these issues. The first is binding arbitration, which has clearly been identified as a vital element for ensuring that the two-pie program provides for a more balanced negotiating structure for harvesters. The second is the issue of first right of refusal options for CDQ groups of local governments.

Further, specific means by which to achieve the full benefits of rationalization to address bycatch reduction and other conservation goals have not been clarified. Without these issues being clearly defined and analyzed, it is premature to approve a two-pie program.

Finally, the undersigned request that the Council give thoughtful consideration to the program outlined in the modified voluntary cooperative model.

Signed, Craig Cross, Dan Falvey, Dave Fraser, Hazel Nelson, Michelle Ridgway, Jeff Stephan

Crab EIS

The AP recommends the Council request staff to analyze the following alternatives in the BSAI Crab FMP EIS.

Alternative 1: Status quo

Alternative 2: A 2-pie model such as the suite of elements and options identified in the AP motion

Alternative 3: A 1-pie model, such as the suite of elements and options in the modified voluntary coop proposal

Alternative 4: No fishing

The AP strongly supports the inclusion of mitigation measures within analysis of each alternative. If required by NOAA GC, the no fishing alternative should be labeled as a mitigation alternative, recognizing it is analyzed primarily for contrast purposes.

Motion passed 16/0

Prologue: The following motion incorporates the preferred portions of the "Draft Council Motion for item C-5 BSAI Crab Rationalization," dated April 14, 2002, as outlined in the Bering Sea Crab Rationalization Program Alternatives – Public review Draft (pages 12-33) issued in May 2002. For ease of reference, the numbering system of the April 14, 2002 motion is retained here. However, only those preferred elements of the April motion are include here. This motion advances a VOLUNTARY THREE PIE COOPERATIVE, designed to recognize the prior economic interests and importance of the partnership between harvesters, processors and communities.

REMEMBER TO GO TO HARD COPY AND MAKE KD'S EDITORIAL CHANGES AS THEY WERE DONE ON THE HARD COPY PRIOR TO ANY MOTIONS/AMENDMENTS BEING DONE ELECTRONICALLY.

C-5 BSAI Crab Rationalization

BSAI Crab Rationalization Problem Statement

Vessel owners, processors and coastal communities have all made investments in the crab fisheries, and capacity in these fisheries far exceeds available fishery resources. The BSAI crab stocks have also been highly variable and have suffered significant declines. Although three of these stocks are presently under rebuilding plans, the continuing race for fish frustrates conservation efforts. Additionally, the ability of crab harvesters and processors to diversify into other fisheries is severely limited and the economic viability of the crab industry is in jeopardy. Harvesting and processing capacity has expanded to accommodate highly abbreviated seasons, and presently, significant portions of that capacity operate in an economically inefficient manner or are idle between seasons. Many of the concerns identified by the NPFMC at the beginning of the comprehensive rationalization process in 1992 still exist for the BSAI crab fisheries. Problems facing the fishery include:

Resource conservation, utilization and management problems;
Bycatch and its' associated mortalities, and potential landing deadloss;
Excess harvesting and processing capacity, as well as low economic returns;
Lack of economic stability for harvesters, processors and coastal communities; and
High levels of occupational loss of life and injury.

The problem facing the Council, in the continuing process of comprehensive rationalization, is to develop a management program which slows the race for fish, reduces bycatch and its associated mortalities, provides for conservation to increase the efficacy of crab rebuilding strategies, addresses the social and economic concerns of communities, maintains healthy harvesting and processing sectors and promotes efficiency and safety in the harvesting sector. Any such system should seek to achieve equity between the harvesting and processing sectors, including healthy, stable and competitive markets.

Alternative Rationalization Programs

6/9 2:08 SM Moves to add following statement, and delete paragraph below. 2nd BP.

Program alternatives for Crab Rationalization are as follows:

~~The Council adopted elements and options for analysis of alternative rationalization programs for the BSAI crab fisheries. The alternative models under consideration include several IFQ style and cooperative style rationalization models that may be structured as either harvester only or harvester processor programs depending on the Council's choice of options. Additional features may be included to address coastal community and skipper/ crew issues. The following elements and options apply to any rationalization model under consideration as applicable:~~

Harvesting Sector Elements

Harvester shares shall be considered a privilege and not a property right.

1.1 Crab fisheries included in the program are the following fisheries subject to the Federal FMP for BSAI crab:

Bristol Bay red king crab
Brown king (AI Golden king) crab
Adak (WAI) red king crab – West of 179° W
Pribilof Islands blue and red king crab
St. Matthew blue king crab
Opilio (EBS snow) crab
Bairdi (EBS Tanner) crab

3. Exclude the EAI Tanner, WAI Tanner, Dutch Harbor (EAI) red king crab, and Adak (WAI) red king crab east of 179° West longitude.
- 1.2 Persons eligible to receive an initial allocation of QS must be:
 - Option 1. Any person that holds a valid, permanent, fully transferable LLP license.
 - 1.3 Categories of QS/IFQs
 - 1.3.1 Crab Fishery Categories - QS/IFQs will be assigned to ~~one each~~ one each of the crab fisheries included in the program as identified in paragraph 1.1 except Dutch Harbor red king, EAI Tanner, and WAI Tanner and WAI red king crab east of 179° West longitude.
 - 1.3.1.1 Brown king crab (AI golden king crab) option.
 - Option 1. Split into two categories: Dutch Harbor (EAI) brown king crab (east of 174° W long.) and Western Aleutian Islands brown king crab (west of 174° W long.).
 - 1.3.2 Harvesting sector categories - QS/IFQs will be assigned to one of the following harvesting sector categories:
 - a. catcher vessel (CV), or
 - b. catcher/processor (CP)

QS-IFQ for the Catcher/Processor sector is calculated from the crab that were both harvested and processed onboard the vessel. This shall confer the right to harvest and process crab aboard a catcher processor in accordance with section 1.7.2.
 - 1.3.3 Processor delivery categories - QS/IFQs for the CV sector shall be assigned to the following two processor delivery categories if processor quota shares (PQs) are included in the program processor delivery categories (options for the percentage split between class A/B shares for initially allocated QS appear is defined under the Processing Sector Elements, 2.4):
 - (a) Class A – allow deliveries only to processors with unused PQs
 - (b) Class B – allow deliveries to any processor, except catcher processors

6/10 3:32P JB: b) delete "except catcher processors". 2nd DA. MOTION W/DRAWN W/DA CONCURRENCE.
 - 1.3.4 Regional Categories - QS/IFQs for the CV sector ~~may is~~ is be assigned to regional categories if: ~~Regionalization is included in the program-~~ The two regions ~~would be-~~ are defined as follows (see Regionalization Elements for a more detailed description of the regions):

North Region - All areas on the Bering Sea north of 56° 20' N. Latitude.

South Region - All areas on the Bering Sea and on the Gulf of Alaska south of 56° 20' N. Latitude ~~and on the Gulf of Alaska. 6/9, 2:17 SM motion, 2nd RS. w/drawn.~~
 - 1.4 Initial allocation of QS
 - 1.4.1 Calculation of initial QS distribution will be based on legal landings excluding deadloss.
 - (a) Calculation of QS distribution. The calculation is to be done, on a vessel-by-vessel basis, as a percent of the total catch, year-by-year during the qualifying period. Then the sum of the yearly percentages, on a fishery-by-fishery basis, is to be divided by the number of qualifying years included in the qualifying period on a fishery-by-fishery basis to derive a vessel's QS.

6/09, 2:21p SM: For each of the fisheries for which such a vessel holds valid endorsement for any years between the sinking of the vessel and the entry of the Amendment 10 replacement vessel to the fishery and was active as of June 9, 2002, allocate QS according to 50% of the vessel's average history for the qualifying years unaffected by the sinking. 2nd RH, CARRIES W/O OBJECTION.

(b) Basis for QS distribution.

6/9 2:25P JB moves to substitute language (3 paragraphs following (b) Basis for QS distribution) from pg 2, AP Report. 2nd DF; MOTION CARRIES 7-4, Option 1. For eligibility criteria in paragraph 1.2, Option 1, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per vessel. However, the initial allocation of quota share will allow stacking or combining of valid, permanent, fully transferable LLP licenses and of histories of vessels as permitted under the LLP.

6/10 10:06A will have to come back to this and clarify (both RS & SM).

Suboption: Persons who have purchased LLP, with GQP, EQP, and RPP qualifications to remain in a fishery may obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both.

Suboption: With the exception of Amendment 10 replacement vessels, catch histories from different vessels shall not be combined for any single fishery, nor shall distribution of QS be based in whole or in part, on any catch history of any vessel not lawfully U.S. documented and endorsed as a fishing vessel at the time such QS distribution is made. License transfers for purposes of combining LLPs must have occurred by January 1, 2002. ~~(Could be applied to any of the above options or suboptions).~~

1.4.2. Qualifying Periods for Determination of the QS Distribution:

1.4.2.1 Opilio (EBS snow crab)

Option 4. 1996 - 2000 (5 seasons)
a. Best 4 seasons

1.4.2.2 Bristol Bay red king crab

Option 3. 1996 - 2000 (5 seasons)
a. Best 4 seasons

1.4.2.3 Bairdi (EBS Tanner crab)

~~Option 3. Based on a 50/50 combination of Bristol Bay red king crab and opilio harvests.~~

6/9 3:40p RH: Option 2. 91/92nd - 1996 (6 seasons)
(a) Best 5 seasons 2nd BP, FAILS 9-2

See 4/14 draft memo, pg 4.

6/10: 8:58A DF: move to reconsider above; 2nd RS.

6/10 9:00A DF: move to Adopt as qualifying years for baridi opt 2 (same as AP & draft motion) 91/92 - 96, best 5 of 6 seasons. 2nd RS. DH POINTS OUT THIS WAS VOTED ON 6/00, OUT OF ORDER. MOTION OFF TABLE.

6/10 9:02A KD: move that Opt 1 from action memo, 92-96, best 4 seasons. 2nd BP. Motion w/drawn w/concurrence from BP.

6/10 9:40A: RS: move to include 91-92 thru 96, best 4 of 6 years. 2nd RH. MOTION CARRIES 10-1. NO VOTE ON RECONSIDERED MOTION?

1.4.2.4 and 1.4.2.5 Pribilof red and blue king crab

- Option 2. 1994 - 1998
- b. Drop one season

1.4.2.6 St. Matthew blue king crab

- Option 2. 1994 - 1998
- b. Drop one season

1.4.2.7 Brown king crab (based on biological seasons)

(Options apply to both Dutch Harbor (EAI) and Adak western Aleutian Island brown king crab)

- 6/9 3:14p RS Motion; 2nd SA: Option 4. 95-96/97 - 98-99/2000/01 (5-4 seasons)
- a. Best 4 seasons drop one season failed 9-2.

6/10 8:21A. SM: move to reconsider years in 1.4.2.7. wants to include year 2000. 2nd BP?? PASSES 8-3.

6/10 8:24a SM: move that opt 4 above, years are 96-97 thru 2000-01 (5 seasons) a) best 4 seasons. . 2nd DF?

6/10 8:35A RS: friendly amendment to SM motion at 1.4.2.7. Opt 4. Move that years be 96-97, 97-98, 99-2000. suboption a) all seasons. 2nd SA.

6/10 8:41A JB: would like to clarify thru friendly amendment... DB: can't amend an amendment. JB asks RS if it includes all 5 seasons? RS: WITHDRAWS MOTION. W/concurrence

6/10 8:44A RS: move to include years 96-97, 97-98, 98-99, and 99-00, 4 seasons. a) all years. 2nd BP. FAILS 9-2. COMMENT by SM: same as original amndt above. Talking about the 00 season.

6/10 8:48A SA: motion to use seasons in SM's motion but use all years in suboption. 2nd RS? PASSES 10-1.

VOTE ON reconsidered amendment? Carries w/o objection.

- Suboption: Award each initial recipient QS based on:
- b. historical participation in each region.

6/09 3:28p SA moves to strike suboption a and insert suboption b from 4/14 draft motion in Agenda Memo. Suboption above 1.4.2.8. pg 5. 2nd JB. Motion fails 9-2.

6/09 3:34p JB motion to amend main motion at 1.4.2.7 (a) Option 4, years 95/96 to 99/00 (5 seasons) suboption a. Best 4 seasons. 2nd RS. PASSES 7-4

6/09 3:40p RH: move to replace KD's main motion at 1.4.2.3 and insert Bairidi, Opt 2, Suboption a, from 4/14 Draft motion, pg 4. 2nd BP.

Failed 9-2

1.4.2.8 Adak (WAI) red king crab - west of 179° west long.

Option 1. 1992/1993 – 1995/1996 (4 seasons)

d. Best 3 seasons

6/09 3:55p DF replace (w/handout) at 1.4.2.8 Adak Red King Crab:

6/09 New suboption for QS distribution

Distribute 50% pro rata to each permanent Adak red crab LLP permit

Distribute 50% QS by historical participation under suboption (a) all four years or (b) best two years.

Clarification by Mark: change "pro rata" above to "equally" and delete (b) best of two years. FAILS 9-2.

1.5 Annual allocation of IFQs:

1.5.1 Basis for calculating IFQs:

Option 2. Convert GHL to a TAC and use the TAC as the basis.

1.6 Transferability and Restrictions on Ownership of QS/IFQs:

1.6.1 Persons eligible to receive QS/IFQs by transfer:

Option 2. US citizens who have had at least:

(b). 150 days of sea time

KD editorial: Option 3 below is shown as Option 4 in Agenda Memo.

Option 3. Entities that have a U. S. citizen with 20% or more ownership and at least:

(b). 150 days of sea time

Suboption: Initial recipients of harvesting quota share grandfathered

*Definition of sea time

Option 1. Sea time in any of the U.S. commercial fisheries in a harvesting capacity.

6/10 3:20P RS: New Option 4:

Allow a CDQ organization to be exempted from the restriction for the 150 days of sea time requirement under 1.6 Transferability and Restrictions on Ownership of QS/IFQs. 2nd SM. MOTION

1.6.2 Leasing of QS (leasing is equivalent to the sale of IFQs without the accompanying QS.)

Leasing is defined as the use of IFQ on vessel which QS owner holds less than 5-50KD Editorial: 10% ownership of vessel or on a vessel on which the owner of the underlying QS is present:

Option 1. Leasing QS is allowed with no restrictions during the first five years after program implementation.

1.6.3 Separate and distinct QS Ownership Caps - apply to all harvesting QS categories pertaining to a given crab fishery with the following provisions:

a. Initial issues that exceed the ownership cap are grandfathered at their current level as of June 9, 2002;

b. Apply individually and collectively to all QS holders in each crab fishery;

c. Percentage-cap options for the Bristol Bay red king crab, Opilio, Bairdi, Pribilof **red and blue** king crab and St. Matthew blue king crab fisheries (a different percentage cap may be chosen for each fishery):

- Option 4. 1.0% of the total QS pool for Bristol Bay red king crab.
- Option 5. 1.0% of the total QS pool for Opilio crab.
- Option 6. 1.0% of the total QS pool for Bairdi crab.
- Option 7. 2.0% of the total QS pool for Pribilof red and blue king crab.
- Option 8. 2.0% of the total QS pool for St. Matthew blue king crab.

d. A percentage-cap of **10% is adopted** for the Dutch Harbor (**EAI**) brown king crab, and a **10%** cap for western Aleutian Island (**Adak**) brown king crab.

e. A percentage-cap of **10%** is adopted for WAI (**Adak**) red king crab **west of 179° West longitude.**

1.6.4 Controls on vertical integration (ownership of harvester QS by processors):

Option 2: A cap of 5% with grandfathering of initial allocations **as of June 9, 2002.**

Option 3: ~~An entity that owns PQs may not own harvester QS in addition to those harvesters QS that owns PQs may not own harvester QS in addition to those harvesters QS that were issued to the PQ holder in the initial allocation.~~ Vertical integration ownership caps on processors **shall be implemented** using both the individual and collective rule using 10%, minimum ownership standards for inclusion in calculating the cap. PQS ownership caps are at the company level.

Catcher Processor Elements

1.7.2.1.1 Catcher/Processors shall be granted CP-QS in the same manner as catcher vessels.

1.7.2.3 Allowance for Catcher/Processors:

6/09 4:43p RS motion to change language as shown. 2nd ???

Option 1. Catcher/Processors are ~~prohibited~~ allowed from to purchase additional PQs from shore based processors ~~as well as but are free to acquire~~ PQs from other Catcher/Processors.

Option 4. Catcher/Processors may sell ~~processed or~~ unprocessed crab to:

b. any processor

6/09 4:45p SM SUBSTITUTE motion for RS Motion above. Option 2, 1.7.2.3 from pg 7, 4/14 Draft Memo 2nd KD. PASSES UNANIMOUSLY.

6/09 4:52p JB wants to add Option 3 from 4/14 draft motion. RH 2nd MOTION WITHDRAWN, 2ND CONCURS

Option 5. Only catcher processors that both caught and processed crab onboard their qualifying vessels in any BSAI crab fishery during 1998 or 1999 will be eligible for any CP QS in any IFQ or Coop program.

Option 6. CP-QS initially issued to a catcher/processor shall not be regionally or community designated.

6/09 5:04p SM: Move to strike Options 7 & 8 entirely. 2ND KD. MOTION WITHDRAWN. 2ND CONCURS.

6/09 5:07p DF: eliminate Option 7. 2nd SM. PASSES 9-2
6/09 5:08p DF Eliminate Option 8; 2nd KD. FAILS 6-5.

Option 7. Holders of CP shares cannot own or lease separate harvesting and/or processing shares in excess of those shares received as an initial allocation.

Option 8. The CP sector is capped at the aggregate level of initial sector-wide allocation.

1.7.2.4 Transfers to shore-based processors:

c. Catcher/Processors shall be allowed to sell CP/QS to shore based processors, without a regional designation.

6/09 4:29p SM moves to replace the above c) with the following: Catcher Processors shall be allowed to sell Catcher Processor QS as separate Catcher Vessel QS and PQS. 2nd RS. PASSES 10-1

6/09 4:40p KD: amends SM motion above to read as "the shares shall be regionally designated when sold. (Both shares to same region)". PASSES UNANIMOUSLY.

Other Harvester Options

1.7.3 Catch accounting under IFQs - All landings including deadloss will be counted against IFQs. Options for treatment of incidental catch are as follows:

6/10 8:15A RS: add Option 5 and modify Option 4 below as follows:

Option 4. Discards of incidentally caught crab will be allowed, ~~as regulated by the Alaska BOF.~~

Option 5. Request ADF&G & BOF & BOF NPC Protocol Committee to address concerns of discard, highgrading, incidental catch and need for bycatch reduction and improved retention in season with monitoring to coincide with implementation of a crab rationalization program. 2nd SM. CARRIES W/O OBJ.

1.7.4 Use caps on IFQs harvested on any given vessel **are provided for those vessels not participating in a voluntary cooperative described under section 6.1.:**

6/09 5:20P DrB: move to add "Initial issues that exceed the use caps are grandfathered at the current level as of June 9, 2002." 2nd JB. MOTION WITHDRAWN W/JB CONCURRENCE.

6/10 8:13A DrB: requests to come back to this item later as language isn't put together yet.

6/10 3:26P DrB: add line under 1.7.4 to read: Those vessels grandfathered above the ownership cap would be allowed to use their own QS but no more. 2nd SM. MOTION W/DRAWN W/SM CONCURRENCE.

Option 1.

c. Two times the ownership cap:

2.0% for BS Opilio crab

2.0% BB red king crab

2.0% BS bairdi crab

- 4.0% for Pribilof red and blue king crab
- 4.0% for St. Matthew blue king crab
- 20% for EAI (Dutch Harbor) brown king crab
- 20% for Adak (WAI) brown king crab
- 20% for Adak (WAI) red king crab west of 179° West longitude

1.8.1 Options for skipper captain and crews members:

1.8.1.2 (H) Percentage to Captain:

1. Initial allocation of ~~40%~~ 5% shall be awarded to qualified captains.

6/10 10:09A BP: move to change 10% to 5% #1. 2nd SM.

6/10 10:17A RS: amendment to BP's amendment to KD's orig motion. 1.8.1.2: change initial allocation to captain from 5% to 3%; 1.8.1.3 remains the same. 1.8.1.4 #1 remains the same. #2 reinstate language removed by KD editorial (vessel owners who are also captains of the vessel will not receive captain shares. A captain is defined as the individual owning the CFE permit.) 2nd SM.

6/10 11:27A DA: substitute amendment OK? DB: no. Rather, everyone w/draw amendments or vote.

RS: w/draw motion and will rephrase motion w/concurrence of SM. (will probably bifurcate).

6/10 11:30A RS: amend 1.8.1.2 percentage change to 3%. 2nd SM. MOTION PASSES 7-4.

6/10 11:37A BP: motion to table 1.8.1 thru 1.8.2. 2nd KD. MOTION W/DRAWN W/KD CONCURRENCE.

6/10 11:44A DH: motion to postpone this portion until 3:00pm. 2nd? Unopposed.

1.8.1.3 (H) Species specific:

1. As with vessels.

1.8.1.4 (H) Eligibility:

1. **A qualified captain determined** on a fishery by fishery basis by 1) having at least one landing in the qualifying years used by the vessels and 2) having recent participation in the fishery as defined by at least one landing per year in the fishery in the last two seasons **prior to June 9, 2002**.
2. **KD editorial: ~~Vessel owners who are also captains of the vessel will not receive captain shares. A captain is defined as the individual owning the Commercial Fishery Entry Permit.~~**

1.8.1.5 (H) Qualification period:

1. As with vessels.

6/10 SA motion handed out

1.8.1.6 (H) Distribution per Captain:

1. Shares based on landings (personal catch history based on ADF&G fish tickets) **using harvest share calculation rule.**
2. **Captains with C/P history shall receive C/P captain shares on initial issuance. CP captain shares are eligible to be used on catcher vessels for harvesting purposes only.**

1.8.1.7 (H) Transferability criteria:

1. Sale of QS.

- a. QS may be purchase only by persons who are US citizens who have had at least 150 days of sea time in any of the US commercial fisheries in a harvesting capacity.
- 2. IFQ leasing
 - a. Captains QS are leasable for three years for the following fisheries only:
 - Pribilof red and blue crab
 - St. Matthew blue crab
 - b. In cases of hardship (injury, medical incapacity, loss of vessel, etc.) a holder of captain quota shares may KD editorial: lease QS, upon documentation and approval, (similar to CFEC medical transfers)KD editorial: for the term of the hardship/disability or a maximum of 2 years.

1.8.1.8 ~~(Option 4)~~ Loan program

- 1. A low-interest rate loan program consistent with MSA provisions, for skipper and crew purchases of QS, shall be established for IFQ purchases by captains and crew members using 25% of the Crab IFQ fee program funds collected.

1.8.1.9 ~~(VII)~~ Captain/Crew on Board requirements

- 1. Holders of captain QS or qualified lease recipients are required to be onboard vessel when harvesting IFQ.

1.8.2 Overage Provisions **for the Harvesting Sector:**

Allowances for overages during last trip:

- Option 2. Overages up to 3% will be forfeited. Overages above 3% results in a violation and forfeiture of all overage.

6/10 1:03p SM: add

1.8.3 AFA Vessel Option. Eliminate harvester sideboard caps 2 years after program implementation. 2nd BP. MOTION CARRIES W/O 2 YEARS . . . SEE RH MOTION BELOW @ 1:17.

6/10 1:17P RH: motion to amend SM's amendment removing "2 years after program implementation". 2nd BP. MOTION PASSES 7-4.

1.8.5 Sideboards. Sideboards shall be addressed through a TRAILING AMENDMENT.

Options:

- 1. Non AFA vessels that qualify for QS in the rationalized opilio crab fisheries would be limited to their
 - a. GOA groundfish catch history excluding sablefish or
 - b. Inshore pcod catch history in the GOA fisheries (with offshore pcod exempt).
- 2. The years for qualification would be the same as the qualifying period selected from 1.4.2.1.
 - b. Sideboard exemptions:
- 3. Exempt vessels from sideboards which had opilio landings in the qualifying years of:
 - Option a. <100,000 pounds
 - Option b. <70,000 pounds
 - Option c. <50,000 lbs
 - Option d. <25,000 lbs
- 4. Exempt vessels with more than 100, 200, or 500 tons of cod total landings in the

- years 95-99
5. Vessels with <10, <50 and <100 tons total groundfish landings in the qualifying period would be prohibited from participating in the GOA cod fishery.

Suboption a: Council staff should analyze economic dependency of participants in the Bering Sea Korean hair crab fishery to determine if sideboards are warranted.

2. Processing Sector Elements

Processor shares shall be considered a privilege and not a property right.

6/10 1:23p DF: move to amend sec. 2.1 to include hardship provisions for processors that didn't process crab in 98 or 99 but meets the following provisions:

A processor, not C-P that processed opilio crab in each season vbetween 88 and 97 and invested significant capital in the processing platform after 95, will be determined to be qualified processor. Significant capital is defined as a direct investment in processing equipment and processing vessel improvements in excess of \$1 million. 2nd DA. MOTION PASSES 6-5

2.1 Eligible Processors - processors (including catcher-processors) eligible to receive an initial allocation of processing quota shares (PQs) are defined as follows:

- (a) U.S. corporation or partnership (not individual facilities) that processed crab during 1998 or 1999, for any crab fishery included in the IFQ program.

2.2 Categories of Processing Quota Shares

2.2.1 Crab fishery categories - processing quota shares **shall may be issued for the same crab species identified in section 1.1**

2.2.2 Regional categories - processing quota shares will be categorized into two regions if regionalization is adopted (see Regionalization Elements for description of regions):

Northern Region - All areas on the Bering Sea north of 56° 20' N. latitude

Southern Region - All areas on the Bering Sea south of 56° 20' N. latitude and all areas on the Gulf of Alaska

2.3 Initial allocation of processing quota shares

Option 1. Processing quota shares shall be initially issued to Eligible Processors based on three-year average processing history¹ for each fishery, determined by the buyer of record listed on ADF&G fish tickets, as follows:

- (a) 1997 - 1999 for Bristol Bay red king crab
- (b) 1996 - 1998 for Pribilof **red and blue** king crab,
- (c) ~~1996 - 1998 for Pribilof blue king crab~~
- (c) 1996 - 1998 for St. Matthew blue crab
- (d) 1997 - 1999 for opilio crab
- (e) **EBS** bairdi crab based on 50/50 combination of processing history for BBRKC and opilio
- (f) 1996/97 - 1999/00 seasons for brown king crab
- (g) The qualifying years for issuance of IPQ in the Adak (WAI) red king crab fishery **west of 179° West longitude** will be:

Option B. Based on Western Aleutian Islands brown king crab IPQ

¹The three-year average shall be the three-year aggregate pounds purchased by each Eligible Processor in a fishery divided by the three-year aggregate pounds purchased by all Eligible Processors in that fishery.

6/10 1:29p SM: 2nd KD. Carried w/o objection.

Option 4. If the buyer can be determined by NMFS using the State of Alaska Commercial Operators Annual Report, fish tax records, or evidence of direct payment to fishermen to be an entity other than the entity on the fish ticket, then the IPQ shall be issued to that buyer.

2.4 Percentage of season's GHIL or TAC for which IPQs are distributed:

2.4.1 IPQs will be issued for a portion of the season's GHIL or TAC for each species to provide open delivery processing as a means to enhance price competition:

Option 3. KD editorial:—90% of GHIL (or TAC) would be issued as IPQs - the remaining KD editorial:—10% would be considered open delivery.

2.5 Implementation of the open delivery-processing portion of the fishery:

Catcher vessel QS/IPQs are categorized into Class A and Class B shares. Purchases of crab caught with Class A shares would count against IPQs while purchases of crab caught with Class B shares would not. Crab caught with Class B shares may be purchased by any processor on an open delivery basis.

2.6 Transferability of processing shares - provisions for transferability include the following:
a. Processing quota shares and IPQs would be freely transferable, including leasing
b. IPQs may be used by any facility of the eligible processor (without transferring or leasing)
c. Processing quota shares and IPQs categorized for one region cannot be transferred to a processor for use in a different region.
d. New processors may enter the fishery by purchasing IPO or by purchasing Class B Share crab.

2.7 Ownership and use caps –

2.7.1 Ownership caps

Option 4. No ownership to exceed 30% of the total PQS pool. KD editorial: add on a fishery by fishery basis with initial issues grandfathered.

PQS ownership caps should be applied using the individual and collective rule using 10% minimum ownership standards for inclusion in calculating the cap. PQS ownership caps are at the company level.

2.7.2 Use Caps.

Option 3. In the Northern Region annual use caps will be at 60% for the opilio crab fishery.

2.8 Other Optional Provisions:

The crab processing caps enacted by Section 211(c)(2)(A) of the AFA would be terminated

6/10 1:43P DF: append minutes/report received from Binding Arbitration Committee as indication of direction we're headed now in implementation w/ ... to 2nd BP. Carried w/o objection. GET REST FROM CHRIS

2.8.3 ~~Option for use of a~~ A private sector managed (non-governmental), binding arbitration process for failed price negotiations, between fishermen and processors **will be implemented through a TRAILING AMENDMENT**. ~~To the extent that this may be a key design feature in a two pie IFQ program, the analysis should consider the mechanics and applicability to a two pie IFQ program.~~

3:43P DA: Move that Council provide the following direction to the Binding Arbitration Committee regarding focus:

- #1. The Committee should continue its efforts to refine the system of Binding Arbitration that will accomplish the goals articulated in the Council Crab Rationalization Problem Statement. The Committee should meet over the course of the summer and return with a report at the October 2002 Council Meeting.
- #2. The Council intends that the system of binding arbitration will create a mechanism to establish a minimum or formula price for all crab delivered using Class A harvesting shares.
- #3. The Council intends this minimum or formula price to be the "safety net" for the "last man standing" facing the last IPQ holder. It is intended to ensure that any harvester without market options has the option of an arbitrated minimum price.
- #4. The Council intends that there be one arbitration event per IPQ holder per season. Once through arbitration of price, price shall not be the subject of arbitration for that IPQ holder again for that season.
- #5. The Council intends that the system of price formation encourage the tradition of harvesters voluntarily engaged in collective bargaining with individual processing firms for the minimum ex-vessel price or formula in large GHL fisheries.
- 2nd SM MOTION WITHDRAWN W/SM CONCURRENCE.

6/10 3:50P BP: amend to strike #4, 2nd KD. MOTION WITHDRAWN W/KD CONCURRENCE.

6/10 3:55P RS: include original DA motion as "direction only" and delete "Council intends" from each focus point. 2nd BP. MOTION CARRIES W/O OBJ.

3. Regionalization Elements

3.1 Two regions are proposed:

- a. Northern Region - All areas on the Bering Sea north of 56° 20' N. latitude. (This region includes the Pribilof islands and all other Bering Sea Islands lying to the north. The region also includes all communities on Bristol Bay including Port Heiden but excludes Port Moller and all communities lying westward of Port Moller.)

6/10 1:34p SM Move to change language so that Southern Region is defined as all areas not in the Northern Region. 2nd KD. CARRIED W/O OBJECTION. Check WITH MARK

- b. Southern Region - All areas on the Bering Sea south of 56° 20' N. latitude and all areas on the Gulf of Alaska (This region includes all parts of the Alaska Peninsula westward of and including Port Moller. All of the Aleutian Islands are included in the South Region as are all ports and communities on the Gulf of Alaska.)

Suboption: Regional categories for deliveries of Aleutian Islands brown king crab are split into a "Western" (west of 174° West longitude) and "Eastern" (east of 174° West longitude) area. 50% of the WAI IPQ brown king crab QS shall be processed in the WAI region:

6/10 4:02P RH: 2nd DF. (CARRIES AS AMENDED BELOW)

6/10 4:10P DF: amend to change language of sentence to "Up to 50% . . . QS may be processed . . ." BP 2nd CARRIES W/O OBJECTION

3.2 Regional categorization of processing and/or harvesting quota shares

- 3.2.1 Categorization will be based on all historical landings. Periods used to determine regional percentages are as follows:

Option 2. 1997 – 1999 except 1996/97 to 1999/00 for brown king crab.

Option 3.

There shall be no regional designation of the bairdi fishery shares. When there is a harvestable surplus of bairdi, an open season, and the vessel has bairdi quota, bairdi will be retained and delivered as incidental catch bycatch in the red/blue king crab and opilio fisheries. There shall be no regional designation of the Bristol Bay red king crab fishery shares.

~~Pribilof red king crab Class A shares shall all be designated for the Northern Region.
Pribilof blue king crab Class A shares shall all be designated for the Northern Region.
All St. Matthew Blue King crab shall be designated to the northern region.~~

3.2.2 Options for the harvesting sector:

Option 2. Only Class A CV quota shares are categorized by region (**applies to point of delivery and not point of harvest**).

3.2.3 Options for the processor sector:

Option 1. Processing quota shares and IPQs are categorized by region

3.2.4 Once assigned to a region, processing and/or harvesting quota shares cannot be reassigned to a different region.

3.2.5 Options for addressing any remaining mismatch of harvesting and processing shares within the region.

1. The base years for determining processing shares and the base period for determining the share assigned to each region shall be the same.
2. If the cumulative harvester quota associated with each region differs from the total regional share, by species, the harvester share, by species, shall be adjusted, up or down, in the following manner:
 - a. The adjustment shall apply only to harvesters with share in both regions.
 - b. The adjustment shall be made on a pro rata basis to each harvester, so that the total share among those harvesters, by region, equals the total share assigned to each region.
3. The adjustment shall only be on shares that carry a regional designation; Class B quota would be excluded from the adjustment.

3.3 Delivery and processing restrictions - the following provisions apply to the delivery and processing of crab with IFQs or IPQs that are categorized by region:

- a. Crab harvested with catcher vessel IFQs categorized for a region must be delivered for processing within the designated region
- b. Crab purchased with IPQs categorized for a region must be processed within the designated region.

6/10 1:45p SM: handout re: Trailing Amendment – Community Protection

1. Transfers of IPQ out of a region are prohibited.
 2. If an owner of IPQ decides to sell the IPQ, the right of first refusal to purchase the IPQ shall be granted to cdq groups (for IPQ in the Bering Sea) or a community organization approved by the local government (for IPQ in the GOA) providing that any IPQ so purchased is processed at a facility owned at least 50% by the CDQ organization or community group.
 3. The amount of IPQ in any year shall not exceed the percentage of the TAC for any crab species as follows:
Option 1: IPQ percentage times a TAC of 150 million pounds.
Option 2: IPQ percentage times a TAC of 200 million pounds.
 4. Regionalization shall apply to "B" shares.
- ... 2nd RS. CARRIED W/O OBJECTION.

6/10 1:51P JB: move to amend by removing #4 from SM motion above, 2nd BP. CARRIED W/O OBJECTION

3.4 Alternative Regionalization/Community Protection Option: **This option in its entirety will be considered as part of the trailing amendment. KD editorial: refer to draft motion of April 14th.**

4. Community Development Allocation (based on existing CDQ program):

Option 2. Expand existing program to all crab fisheries approved under the rationalization program **with the exception of the Western AI brown king crab**

6/10 2:34P JB: move to delete Option 3 below. 2nd SA. MOTION WITHDRAWN w/SA concurrence.

Option 3. Increase for all species of crab to 10%. **A minimum of 25% of the total CDQ allocation must be delivered on shore.**

Option 5. For the WAI brown king crab fishery, the percentage of resource not utilized (difference between the actual catch and GHL) during the base period is allocated to the community of Adak. **In any year, that sufficient processing exists at that location, the percentage of the difference between the GHL and actual catch, that was not harvested in these 4 years is not to exceed 10%.**

5. Program Elements

6/10 1:54p SM amend Option 2 for program review from 5 years to "at first Council Meeting". 2nd RS (Carries after being amended by DF below)

6/10 1:57P DF: amend SM motion so receive annual reports by RAM Div in conjunction with State of Alaska data being gathered w/preliminary review at 3 years and including "at first Council Meeting" after implementation. 2nd SM. Carried w/o objection.

Option 2. Formal program review ~~5~~ years after implementation to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review ~~KD editorial: should-shall~~ include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. **Subsequent reviews are required every 5 years.**

6/10 2:14P DrB: move to amend Option 5 below to read: "A proportional share of fees charged to the harvesting sectors and processing sectors . . ." then carry on w/ "for mgmt & enforcement . . ." 2nd JB. MOTION PASSES 10-1.

Option 5. Not less than 50% of fees charged for management and enforcement of the IFQ/IPQ program shall be forwarded to the State of Alaska for use in management and observer programs for BSAI crab fisheries

6/10 2:00P BP: move to add:

5.5.2: Congress should authorize a fee of up to 7.5% (to be determined by the Council) of the ex-vessel value. The fee will be charged on all landings from fisheries included in the crab rationalization program.

The amount of the fee will be selected by the Council as part of a trailing amendment (like being considered for sideboards). 2nd KD. MOTION FAILS 7-4.

6/10 2:21P SA: move to add "Section 3.5 The IPQ portion of the program will sunset at the end of 7 years." (from AP Report on pg 10) 2nd JB. MOTION FAILS 10-1.

6. Cooperative model options:

6.1 Coop model with the following elements and options:

1) Individual harvesting and processing histories are issued to both catcher and processors. (Harvesters under Section 1.3.2 a) which meet program qualifications. Processors under Section 2.1, 2.3, and 2.4 (Options 1-4) which meet qualifications of the program).

2) Cooperatives may be formed through contractual agreements among fishermen who wish to join into a cooperative KD editorial: associated with one or more processors holding processor history for one or more species of crab. Fleet consolidation within this cooperative may occur either by internal history leasing and vessel retirement or by history trading within the original cooperative or to a different cooperative. A coop agreement would be filed annually with the Secretary of Commerce, after review by the Council, before a coop's catch history would be set aside for their exclusive use.

3.) Suboption only : There must be at least 4 or more unique KD editorial: harvester quota share holders vessels engaged in one or more crab fisheries to form a coop with a processor. Vessels are not restricted to deliver to a particular plant or processing company.

2:45P JB:

4. New processors may enter the fishery by purchasing IPQ or by purchase of crab caught with B share landings or by processing CDQ. 2nd BP. MOTION CARRIES W/O OBJ. New processors entering the fishery may form cooperatives.

5. Custom processing would continue to be allowed within this rationalization proposal.

7. Regional Categories: As adopted earlier

8. Duration of coop agreements.

Option 4. A harvester quota shareholder may exit the cooperative at any time after one season. One season shall mean the season established by the Alaska Board of Fisheries for the fishery associated with the quota shares held by the harvester.

10. Observer requirements: Defer observer requirements to the Alaska Board of Fisheries.

11. Length of program: Same as earlier in Section 5.

6/10 2:48P DE: move to . . . 2nd BP. CARRIED W/O OBJ

12. Option for skipper and crew members: ~~Protection of traditional and historical crew share percentages with no sunset.~~ Same as developed earlier.

13. Catch Accounting - All landings including deadloss will be counted against a vessel's quota. Options for treatment of incidental catch are as follows: Same as developed earlier.

KD edit:

14. Taxes: ~~Require owners of CP vessels to pay a fee equivalent to the tax that would have been imposed had the CP operated in State waters.~~

~~15.14. Require certain socioeconomic data from the crab catching, processing and catcher/processors participants during implementation of the crab rationalization program. This information is to include, but not be limited to: harvest and production costs; expenditure patterns; vessel ownership data including vessel identifiers (name and address files); and employment and earnings data. Individual socioeconomic data will be collected from fishing and processing entities and tabulated by the resource agencies, and maintained in a secure and confidential manner for analysis by the State and Federal fishery management agencies and the NPFMC. A team of Council and agency staff shall be appointed to develop a list of specific data to be collected, and the mechanism by which the data would be collected. Upon development of the draft plan, the team will meet with Council identified industry members to refine the program.~~

6/10 2:50P BP: move to amend as follows: 2nd SM CARRIED W/O OBJ

16.15. Notwithstanding any other provision of law², the North Pacific Fishery Management Council and the National Marine Fisheries Service shall have the authority to implement a mandatory data collection program of cost, revenue, ownership and employment data upon members of the BSAI crab fishing industry harvesting or processing fish under the Council's authority. Data collected under this authority will be maintained in a confidential manner and may not be released to any party other than staffs of federal and state agencies directly involved in the management of the fisheries under the Council's authority and their contractors.

A mandatory data collection program shall be developed and implemented as part of the crab rationalization program and continued through the life of the program. Cost, revenue, ownership and employment data will be collected on a periodic basis (based on scientific requirements) to provide the information necessary to study the impacts of the crab rationalization program as well as collecting data that could be used to analyze the economic and social impacts of future FMP amendments on industry, regions, and localities. This data collection effort is also required to fulfill the Council problem statement requiring a crab rationalization program that would achieve "equity between the harvesting and processing sectors" and to monitor the "...economic stability for harvesters, processors and coastal communities". Both statutory and regulatory language shall be developed to ensure the confidentiality of these data.

Any mandatory data collection program shall include:

A comprehensive discussion of the enforcement of such a program, including enforcement actions that would be taken if inaccuracies in the data are found. The intent of this action would be to ensure that accurate data are collected without being overly burdensome on industry for unintended errors.

² Among other provisions, the Magnuson Stevens Sustainable Fishery Act, currently contains constraints to collection of economic data from processing firms. Protection from releasing any individual entity and firm level information through Freedom of Information Act, is also sought.

KB motion 6/9/02
11:24 AM

DRAFT Council Motion for Item C-5 BSAI Crab Rationalization
June 8, 2002

Prologue: The following motion incorporates the preferred portions of the "Draft Council Motion for item C-5 BSAI Crab Rationalization," dated April 14, 2002, as outlined in the Bering Sea Crab Rationalization Program Alternatives – Public review Draft (pages 12-33) issued in May 2002. For ease of reference, the numbering system of the April 14, 2002 motion is retained here. However, only those preferred elements of the April motion are include here. This motion advances a VOLUNTARY THREE PIE COOPERATIVE, designed to recognize the prior economic interests and importance of the partnership between harvesters, processors and communities.

C-5 BSAI Crab Rationalization

BSAI Crab Rationalization Problem Statement

Vessel owners, processors and coastal communities have all made investments in the crab fisheries, and capacity in these fisheries far exceeds available fishery resources. The BSAI crab stocks have also been highly variable and have suffered significant declines. Although three of these stocks are presently under rebuilding plans, the continuing race for fish frustrates conservation efforts. Additionally, the ability of crab harvesters and processors to diversify into other fisheries is severely limited and the economic viability of the crab industry is in jeopardy. Harvesting and processing capacity has expanded to accommodate highly abbreviated seasons, and presently, significant portions of that capacity operate in an economically inefficient manner or are idle between seasons. Many of the concerns identified by the NPFMC at the beginning of the comprehensive rationalization process in 1992 still exist for the BSAI crab fisheries. Problems facing the fishery include:

- Resource conservation, utilization and management problems;
- Bycatch and its' associated mortalities, and potential landing deadloss;
- Excess harvesting and processing capacity, as well as low economic returns;
- Lack of economic stability for harvesters, processors and coastal communities; and
- High levels of occupational loss of life and injury.

The problem facing the Council, in the continuing process of comprehensive rationalization, is to develop a management program which slows the race for fish, reduces bycatch and its associated mortalities, provides for conservation to increase the efficacy of crab rebuilding strategies, addresses the social and economic concerns of communities, maintains healthy harvesting and processing sectors and promotes efficiency and safety in the harvesting sector. Any such system should seek to achieve equity between the harvesting and processing sectors, including healthy, stable and competitive markets.

Alternative Rationalization Programs

The Council adopted elements and options for analysis of alternative rationalization programs for the BSAI crab fisheries. The alternative models under consideration include several IFQ-style and cooperative-style rationalization models that may be structured as either harvester-only or harvester-processor programs depending on the Council's choice of options. Additional features may be included to address coastal community and skipper/ crew issues. The following elements and options apply to any rationalization model under consideration as applicable:

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Harvesting Sector Elements

Harvester shares shall be considered a privilege and not a property right.

NEW bold underlined from draft Agenda Memo

1.1 Crab fisheries included in the program are the following fisheries subject to the Federal FMP for BSAI **crab**:

- Bristol Bay red king crab
- Brown king (AI Golden king) crab
- Adak (WAI) red king crab – West of 179° W
- Pribilof Islands blue and red king crab
- St. Matthew blue king crab
- Opilio (EBS snow) crab
- Bairdi (EBS Tanner) crab

3. Exclude the EAI Tanner, WAI Tanner, Dutch Harbor (EAI) red king crab, and Adak (WAI) red king crab east of 179° West longitude.

1.2 Persons eligible to receive an initial allocation of QS must be:

Option 1. Any person that holds a valid, permanent, fully transferable LLP license.

1.3 Categories of QS/IFQs

1.3.1 Crab Fishery Categories - QS/IFQs will be assigned to one of the crab fisheries included in the program as identified in paragraph 1.1 except Dutch Harbor red king, EAI Tanner, and WAI Tanner and WAI red king crab east of 179° West longitude. *each*

1.3.1.1 Brown king crab (AI golden king crab) option.

Option 1. Split into two categories: Dutch Harbor (EAI) brown king crab (east of 174° W long.) and Western Aleutian Islands brown king crab (west of 174° W long.).

1.3.2 Harvesting sector categories - QS/IFQs will be assigned to one of the following harvesting sector categories:

- a. catcher vessel (CV), or
- b. catcher/processor (CP)

QS-IFQ for the Catcher/Processor sector is calculated from the crab that were both harvested and processed onboard the vessel. This shall confer the right to harvest and process crab aboard a catcher processor in accordance with section 1.7.2.

1.3.3 Processor delivery categories - QS/IFQs for the CV sector shall be assigned to the following two processor delivery categories if processor quota shares (PQs) are included in the program processor delivery categories (options for the percentage split between class A/B shares for initially allocated QS appear is defined under the Processing Sector Elements, 2.4):

- (a) Class A – allow deliveries only to processors with unused PQs
- (b) Class B – allow deliveries to any processor, except catcher processors

1.3.4 Regional Categories - QS/IFQs for the CV sector may is be assigned to regional categories if Regionalization is included in the program. The two regions would be are defined as follows (see Regionalization Elements for a more detailed description of the regions):

North Region - All areas on the Bering Sea north of 56° 20' N. Latitude.

South Region - All areas on the Bering Sea south of 56° 20' N. Latitude and on the Gulf of Alaska.

1.4 Initial allocation of QS

1.4.1 Calculation of initial QS distribution will be based on legal landings excluding deadloss.

(a) Calculation of QS distribution. The calculation is to be done, on a vessel-by-vessel basis, as a percent of the total catch, year-by-year during the qualifying period. Then the sum of the yearly percentages, on a fishery-by-fishery basis, is to be divided by the number of qualifying years included in the qualifying period on a fishery-by-fishery basis to derive a vessel's QS.

(b) Basis for QS distribution.

Option 1. For eligibility criteria in paragraph 1.2, Option 1, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel on which the LLP license is based

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and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per vessel. ~~However, the initial allocation of quota share will allow stacking or combining of valid, permanent, fully transferable LLP licenses and of histories of vessels as permitted under the LLP.~~

Suboption: Persons who have purchased LLP, with GQP, EQP, and RPP qualifications to remain in a fishery may obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both.

Suboption: With the exception of Amendment 10 replacement vessels, catch histories from different vessels shall not be combined for any single fishery, nor shall distribution of QS be based in whole or in part, on any catch history of any vessel not lawfully U.S. documented and endorsed as a fishing vessel at the time such QS distribution is made. License transfers for purposes of combining LLPs must have occurred by January 1, 2002. ~~(Could be applied to any of the above options or suboptions).~~

1.4.2. Qualifying Periods for Determination of the QS Distribution:

1.4.2.1 Opilio (EBS snow crab)

Option 4. 1996 - 2000 (5 seasons)
a. Best 4 seasons

1.4.2.2 Bristol Bay red king crab

Option 3. 1996 - 2000 (5 seasons)
a. Best 4 seasons

1.4.2.3 Bairdi (EBS Tanner crab)

Option 3. Based on a 50/50 combination of Bristol Bay red king crab and opilio harvests.

1.4.2.4 and 1.4.2.5 Pribilof red and blue king crab

Option 2. 1994 - 1998
b. Drop one season

1.4.2.6 St. Matthew blue king crab

Option 2. 1994 - 1998
b. Drop one season

1.4.2.7 Brown king crab (based on biological seasons) (Options apply to both Dutch Harbor (EAI) and Adak western Aleutian Island brown king crab)

Option 4. 96/97 - 2000/01 (5 seasons)
a. Best 4 seasons

Suboption: Award each initial recipient QS based on:
b. historical participation in each region.

1.4.2.8 Adak (WAI) red king crab - west of 179° west long.

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Hand out

5090 of QS
by Pro-Rata Share
NEW?

Option 1. 1992/1993 - 1995/1996 (4 seasons)
d. Best 3 seasons

1.5 Annual allocation of IFQs:

1.5.1 Basis for calculating IFQs:

Option 2. Convert GHL to a TAC and use the TAC as the basis.

1.6 Transferability and Restrictions on Ownership of QS/IFQs:

1.6.1 Persons eligible to receive QS/IFQs by transfer:

Option 2. US citizens who have had at least:
(b). 150 days of sea time

Option 3. Entities that have a U. S. citizen with 20% or more ownership and at least:
(b). 150 days of sea time

Suboption: Initial recipients of harvesting quota share grandfathered
*Definition of sea time

Option 1. Sea time in any of the U.S. commercial fisheries in a harvesting capacity.

1.6.2 Leasing of QS (leasing is equivalent to the sale of IFQs without the accompanying QS.)
Leasing is defined as the use of IFQ on vessel which QS owner holds less than 50% ownership of vessel or on a vessel on which the owner of the underlying QS is present.

Option 1. Leasing QS is allowed with no restrictions during the first five years after program implementation.

1.6.3 Separate and distinct QS Ownership Caps - apply to all harvesting QS categories pertaining to a given crab fishery with the following provisions:

- a. Initial issues that exceed the ownership cap are grandfathered at their current level as of June 9, 2002;
- b. Apply individually and collectively to all QS holders in each crab fishery;
- c. Percentage-cap options for the Bristol Bay red king crab, Opilio, Bairdi, Pribilof red and blue king crab and St. Matthew blue king crab fisheries (a different percentage cap may be chosen for each fishery):

- Option 4. 1.0% of the total QS pool for Bristol Bay red king crab.
- Option 5. 1.0% of the total QS pool for Opilio crab.
- Option 6. 1.0% of the total QS pool for Bairdi crab.
- Option 7. 2.0% of the total QS pool for Pribilof red and blue king crab.
- Option 8. 2.0% of the total QS pool for St. Matthew blue king crab.

- d. A percentage-cap of 10% is adopted for the Dutch Harbor (EAI) brown king crab, and a 10% cap for western Aleutian Island (Adak) brown king crab.
- e. A percentage-cap of 10% is adopted for WAI (Adak) red king crab west of 179° West longitude.

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as ~~draft memo~~ opt. 4

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exempt from

1090 ✓

1.6.4 Controls on vertical integration (ownership of harvester QS by processors):

Option 2: A cap of 5% with grandfathering of initial allocations as of June 9, 2002.

Option 3: ~~An entity that owns PQs may not own harvester QS in addition to those harvesters QS that owns PQs may no own harvester QS addition to those harvester QS that were issued to the PQ holder in the initial allocation.~~ Vertical integration ownership caps on processors shall be implemented using both the individual and collective rule using 10%, minimum ownership standards for inclusion in calculating the cap. PQS ownership caps are at the company level.

Catcher Processor Elements

1.7.2.1.1 Catcher/Processors shall be granted CP-QS in the same manner as catcher vessels.

1.7.2.3 Allowance for Catcher/Processors:

Option 1. Catcher/Processors are prohibited from purchasing additional PQs from shore based processors but are free to acquire PQs from other Catcher/Processors.

Option 4. Catcher/Processors may sell processed or unprocessed crab to:

b. any processor

Option 5. Only catcher processors that both caught and processed crab onboard their qualifying vessels in any BSAI crab fishery during 1998 or 1999 will be eligible for any CP QS in any IFQ or Coop program.

Option 6. CP-QS initially issued to a catcher/processor shall not be regionally or community designated.

Option 7. Holders of CP shares cannot own or lease separate harvesting and/or processing shares in excess of those shares received as an initial allocation.

Option 8. The CP sector is capped at the aggregate level of initial sector-wide allocation.

1.7.2.4 Transfers to shore-based processors:

c. Catcher/Processors shall be allowed to sell CP/QS to shore based processors, without a regional designation.

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Other Harvester Options

1.7.3 Catch accounting under IFQs - All landings including deadloss will be counted against IFQs. Options for treatment of incidental catch are as follows:

Option 4. Discards of incidentally caught crab will be allowed, as regulated by the Alaska BOF.

1.7.4 Use caps on IFQs harvested on any given vessel are provided for those vessels not participating in a voluntary cooperative described under section 6.1.:

Option 1.

c. Two times the ownership cap:
2.0% for BS Opilio crab

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line re: vessels grandfathered
above ownership cap

- 2.0% BB red king crab
- 2.0% BS bairdi crab
- 4.0% for Pribilof red and blue king crab
- 4.0% for St. Matthew blue king crab
- 20% for EAI (Dutch Harbor) brown king crab
- 20% for Adak (WAI) brown king crab
- 20% for Adak (WAI) red king crab west of 179° West longitude

1.8.1 Options for skipper captain and crews members:

1.8.1.2 (F) Percentage to Captain:

1. Initial allocation of 10% shall be awarded to qualified captains.

1.8.1.3 (H) Species specific:

1. As with vessels.

1.8.1.4 (HH) Eligibility:

1. A qualified captain determined on a fishery by fishery basis by 1) having at least one landing in the qualifying years used by the vessels and 2) having recent participation in the fishery as defined by at least one landing per year in the fishery in the last two seasons prior to June 9, 2002.
2. Vessel owners who are also captains of the vessel will not receive captain shares. A captain is defined as the individual owning the Commercial Fishery Entry Permit.

KD edit

1.8.1.5 (IV) Qualification period:

1. As with vessels.

1.8.1.6 (V) Distribution per Captain:

1. Shares based on landings (personal catch history based on ADF&G fish tickets) using harvest share calculation rule.
2. Captains with C/P history shall receive C/P captain shares on initial issuance. CP captain shares are eligible to be used on catcher vessels for harvesting purposes only.

1.8.1.7 (VII) Transferability criteria:

1. Sale of QS.
 - a. QS may be purchase only by persons who are US citizens who have had at least 150 days of sea time in any of the US commercial fisheries in a harvesting capacity.
2. IFQ leasing
 - a. Captains QS are leasable for three years for the following fisheries only:
 - Pribilof red and blue crab
 - St. Matthew blue crab
 - b. In cases of hardship (injury, medical incapacity, loss of vessel, etc.) a holder of captain quota shares may, upon documentation and approval, (similar to CFEC medical transfers),

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lease QS

1.8.1.8 (Option 4) Loan program

1. A low-interest rate loan program consistent with MSA provisions, for skipper and crew purchases of QS, shall be

for the term of the hardship disability or a maximum of 2 yrs.

established for IFQ purchases by captains and crew members using 25% of the Crab IFQ fee program funds collected.

1.8.1.9 (VII) Captain/Crew on Board requirements

1. Holders of captain QS or qualified lease recipients are required to be onboard vessel when harvesting IFQ.

1.8.2 Overage Provisions **for the Harvesting Sector:**

Allowances for overages during last trip:

Option 2. Overages up to 3% **will be forfeited. Overages above 3% results in a violation and forfeiture of all overage.**

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SM add 1.8.3

1.8.5 Sideboards. Sideboards shall be addressed through a TRAILING AMENDMENT.

Options:

1. Non AFA vessels that qualify for QS in the rationalized opilio crab fisheries would be limited to their
 - a. GOA groundfish catch history excluding sablefish or
 - b. Inshore pcod catch history in the GOA fisheries (with offshore pcod exempt).
2. The years for qualification would be the same as the qualifying period selected from 1.4.2.1.
 - b. Sideboard exemptions:
3. Exempt vessels from sideboards which had opilio landings in the qualifying years of:
 - Option a. <100,000 pounds
 - Option b. <70,000 pounds
 - Option c. <50,000 lbs
 - Option d. <25,000 lbs
4. Exempt vessels with more than 100, 200, or 500 tons of cod total landings in the years 95-99
5. Vessels with <10, <50 and <100 tons total groundfish landings in the qualifying period would be prohibited from participating in the GOA cod fishery.

Less than 2

Suboption a: Council staff should analyze economic dependency of participants in the Bering Sea Korean hair crab fishery to determine if sideboards are warranted.

2. Processing Sector Elements

Processor shares shall be considered a privilege and not a property right.

2.1 Eligible Processors - processors (including catcher-processors) eligible to receive an initial allocation of processing quota shares (PQs) are defined as follows:

- (a.) U.S. corporation or partnership (not individual facilities) that processed crab during 1998 or 1999, for any crab fishery included in the IFQ program.

2.2 Categories of Processing Quota Shares

2.2.1 Crab fishery categories - processing quota shares **shall may be issued for the same crab species identified in section 1.1**

2.2.2 Regional categories - processing quota shares will be categorized into two regions ~~if~~ regionalization is adopted (see Regionalization Elements for description of regions):
Northern Region - All areas on the Bering Sea north of 56° 20' N. latitude

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Southern Region - All areas on the Bering Sea south of 56° 20' N. latitude and all areas on the Gulf of Alaska

2.3 Initial allocation of processing quota shares

Option 1. Processing quota shares shall be initially issued to Eligible Processors based on three-year average processing history¹ for each fishery, determined by the buyer of record listed on ADF&G fish tickets, as follows:

- (a) 1997 - 1999 for Bristol Bay red king crab
- (b) 1996 - 1998 for Pribilof **red and blue** king crab,
- (c) 1996 - 1998 for Pribilof blue king crab
- (d) 1996 - 1998 for St. Matthew blue crab
- (e) 1997 - 1999 for opilio crab
- (f) **EBS bairdi** crab based on 50/50 combination of processing history for BBRKC and opilio
- (g) **1996/97 - 1999/00** seasons for brown king crab
- (g) The qualifying years for issuance of IPQ in the Adak (WAI) red king crab fishery **west of 179° West longitude** will be:

Option B. Based on Western Aleutian Islands brown king crab IPQ

Option 4. If the buyer can be determined **by NMFS** to be an entity other than the entity on the fish ticket, then the IPQ shall be issued to that buyer.

2.4 Percentage of season's GHIL or TAC for which IPQs are distributed:

2.4.1 IPQs will be issued for a portion of the season's GHIL or TAC for each species to provide open delivery processing as a means to enhance price competition:

Option 3. **90%** of GHIL (or TAC) would be issued as IPQs - the remaining **10%** would be considered open delivery.

2.5 Implementation of the open delivery-processing portion of the fishery:

Catcher vessel QS/IPQs are categorized into Class A and Class B shares. Purchases of crab caught with Class A shares would count against IPQs while purchases of crab caught with Class B shares would not. Crab caught with Class B shares may be purchased by any processor on an open delivery basis.

- 2.6 Transferability of processing shares - provisions for transferability include the following:
- a. Processing quota shares and IPQs would be freely transferable, including leasing
 - b. IPQs may be used by any facility of the eligible processor (without transferring or leasing)
 - c. Processing quota shares and IPQs categorized for one region cannot be transferred to a processor for use in a different region.
 - d. **New processors may enter the fishery by purchasing IPQ or by purchasing Class B Share crab.**

2.7 Ownership and use caps - 2.7.1 Ownership caps

Option 4. No ownership to exceed 30% of the total PQS pool.

on a fishery by fishery basis, w/initial issues grandfathered. KA edit

¹The three-year average shall be the three-year aggregate pounds purchased by each Eligible Processor in a fishery divided by the three-year aggregate pounds purchased by all Eligible Processors in that fishery.

PQS ownership caps should be applied using the individual and collective rule using 10% minimum ownership standards for inclusion in calculating the cap. PQS ownership caps are at the company level.

2.7.2 Use Caps.

Option 3. In the Northern Region annual use caps will be at 60% for the opilio crab fishery.

2.8 Other Optional Provisions:

The crab processing caps enacted by Section 211(c)(2)(A) of the AFA would be terminated

2.8.3 Option for use of a A private sector managed (non-governmental), binding arbitration process for failed price negotiations, between fishermen and processors **will be implemented through a TRAILING AMENDMENT**. ~~To the extent that this may be a key design feature in a two pie IFQ program, the analysis should consider the mechanics and applicability to a two pie IFQ program.~~

3. Regionalization Elements

3.1 Two regions are proposed:

- a. Northern Region - All areas on the Bering Sea north of 56° 20' N. latitude. (This region includes the Pribilof islands and all other Bering Sea Islands lying to the north. The region also includes all communities on Bristol Bay including Port Heiden but excludes Port Moller and all communities lying westward of Port Moller.)
- b. Southern Region - All areas on the Bering Sea south of 56° 20' N. latitude and all areas on the Gulf of Alaska (This region includes all parts of the Alaska Peninsula westward of and including Port Moller. All of the Aleutian Islands are included in the South Region as are all ports and communities on the Gulf of Alaska.)

Suboption: Regional categories for deliveries of Aleutian Islands brown king crab are split into a "Western" (west of 174° West longitude) and "Eastern" (east of 174° West longitude) area. ~~50% of the WAI IPQ brown king crab QS shall be processed in the WAI region.~~

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R.H.

3.2 Regional categorization of processing and/or harvesting quota shares

3.2.1 Categorization will be based on all historical landings. Periods used to determine regional percentages are as follows:

the same as 3.2.5. KD edit

~~Option 2. 1997 - 1999 except 1996/97 to 1999/00 for brown king crab.~~

KD edit

Option 3.

There shall be no regional designation of the bairdi fishery shares. **When there is a harvestable surplus of bairdi, an open season, and the vessel has bairdi quota, bairdi will be retained and delivered as incidental catch bycatch in the red/blue king crab and opilio fisheries.**

~~There shall be no regional designation of the Bristol Bay red king crab fishery shares. Pribilof red king crab Class A shares shall all be designated for the Northern Region. Pribilof blue king crab Class A shares shall all be designated for the Northern Region. All St. Matthew Blue King crab shall be designated to the northern region.~~

3.2.2 Options for the harvesting sector:

Option 2. Only Class A CV quota shares are categorized by region **(applies to point of delivery and not point of harvest).**

3.2.3 Options for the processor sector:

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Option 1. Processing quota shares and IPQs are categorized by region

- 3.2.4 Once assigned to a region, processing and/or harvesting quota shares cannot be reassigned to a different region.
- 3.2.5 Options for addressing any remaining mismatch of harvesting and processing shares within the region.
 - 1. The base years for determining processing shares and the base period for determining the share assigned to each region shall be the same.
 - 2. If the cumulative harvester quota associated with each region differs from the total regional share, by species, the harvester share, by species, shall be adjusted, up or down, in the following manner:
 - a. The adjustment shall apply only to harvesters with share in both regions.
 - b. The adjustment shall be made on a pro rata basis to each harvester, so that the total share among those harvesters, by region, equals the total share assigned to each region.
 - 3. The adjustment shall only be on shares that carry a regional designation; Class B quota would be excluded from the adjustment.
- 3.3 Delivery and processing restrictions - the following provisions apply to the delivery and processing of crab with IFQs or IPQs that are categorized by region:
 - a. Crab harvested with catcher vessel IFQs categorized for a region must be delivered for processing within the designated region
 - b. Crab purchased with IPQs categorized for a region must be processed within the designated region.

3.4 Alternative Regionalization/Community Protection Option: This option in its entirety will be considered as part of the trailing amendment.

Refer to motion of April 14th (CKD)

4. Community Development Allocation (based on existing CDQ program):

Option 2. Expand existing program to all crab fisheries approved under the rationalization program with the exception of the Western AI brown king crab

Option 3. Increase for all species of crab to 10%. A minimum of 25% of the total CDQ allocation must be delivered on shore.

Option 5. For the WAI brown king crab fishery, the percentage of resource not utilized (difference between the actual catch and GHLL) during the base period is allocated to the community of Adak. In any year, that sufficient processing exists at that location, the percentage of the difference between the GHLL and actual catch, that was not harvested in these 4 years is not to exceed 10%.

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5. Program Elements

Option 2. Formal program review 5 years after implementation to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review ~~should~~ include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. Subsequent reviews are required every 5 years.

Option 5. Not less than 50% of fees charged for management and enforcement of the IFQ/IPQ program shall be forwarded to the State of Alaska for use in management and observer programs for BSAI crab fisheries

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SM as amend by JB Add trailing Amnd.

1:54 SM: amend DF amend to SM motion shall

6/10 2:21P SA - Add sunset date from AP pg. 10 ital.

6. Cooperative model options:

6.1 Coop model with the following elements and options:

1) Individual harvesting and processing histories are issued to both catcher and processors. (Harvesters under Section 1.3.2(a) which meet program qualifications. Processors under Section 2.1, 2.3, and 2.4 (Options 1-4) which meet qualifications of the program).

2) Cooperatives may be formed through contractual agreements among fishermen who wish to join into a cooperative with one or more processors holding processor history for one or more species of crab. Fleet consolidation within this cooperative may occur either by internal history leasing and vessel retirement or by history trading within the original cooperative or to a different cooperative. A coop agreement would be filed annually with the Secretary of Commerce, after review by the Council, before a coop's catch history would be set aside for their exclusive use.

3.) Suboption only : There must be at least 4 or more unique harvest quota share holders vessels engaged in one or more crab fisheries to form a coop with a processor. Vessels are not restricted to deliver to a particular plant or processing company.

4. New processors may enter the fishery by purchasing IPQ or by purchase of crab caught with B share landings. New processors entering the fishery may form cooperatives.

5. Custom processing would continue to be allowed within this rationalization proposal.

7. Regional Categories: As adopted earlier

8. Duration of coop agreements.

Option 4. A harvester quota shareholder may exit the cooperative at any time after one season. One season shall mean the season established by the Alaska Board of Fisheries for the fishery associated with the quota shares held by the harvester.

10. Observer requirements: Defer observer requirements to the Alaska Board of Fisheries.

11. Length of program: Same as earlier in Section 5.

12. Option for skipper and crew members: Protection of traditional and historical crew share percentages with no sunset. Same as developed earlier.

13. Catch Accounting - All landings including deadloss will be counted against a vessel's quota. Options for treatment of incidental catch are as follows: Same as developed earlier.

~~14. Taxes: Require owners of CP vessels to pay a fee equivalent to the tax that would have been imposed had the CP operated in State waters.~~

~~15. Require certain socioeconomic data from the crab catching, processing and catcher/processors participants during implementation of the crab rationalization program. This information is to include, but not be limited to: harvest and production costs; expenditure patterns; vessel ownership data including vessel identifiers (name and address files); and employment and earnings data. Individual socioeconomic data will be collected from fishing and processing entities and tabulated by the resource agencies, and maintained in a secure and confidential manner for analysis by the State and Federal fishery management agencies and the NPFMC. A team of Council and agency staff shall be appointed to develop a list of specific data to be collected, and the mechanism by which the data would be~~

collected. Upon development of the draft plan, the team will meet with Council identified industry members to refine the program.

- BP 2:50P
16. Notwithstanding any other provision of law², the North Pacific Fishery Management Council and the National Marine Fisheries Service shall have the authority to implement a mandatory data collection program of cost, revenue, ownership and employment data upon members of the BSAI crab fishing industry harvesting or processing fish under the Council's authority. Data collected under this authority will be maintained in a confidential manner and may not be released to any party other than staffs of federal and state agencies directly involved in the management of the fisheries under the Council's authority and their contractors.

A mandatory data collection program shall be developed and implemented as part of the crab rationalization program and continued through the life of the program. Cost, revenue, ownership and employment data will be collected on a periodic basis (based on scientific requirements) to provide the information necessary to study the impacts of the crab rationalization program as well as collecting data that could be used to analyze the economic and social impacts of future FMP amendments on industry, regions, and localities. This data collection effort is also required to fulfill the Council problem statement requiring a crab rationalization program that would achieve "equity between the harvesting and processing sectors" and to monitor the "...economic stability for harvesters, processors and coastal communities". Both statutory and regulatory language shall be developed to ensure the confidentiality of these data.

Any mandatory data collection program shall include:

A comprehensive discussion of the enforcement of such a program, including enforcement actions that would be taken if inaccuracies in the data are found. The intent of this action would be to ensure that accurate data are collected without being overly burdensome on industry for unintended errors.

² Among other provisions, the Magnuson Stevens Sustainable Fishery Act, currently contains constraints to collection of economic data from processing firms. Protection from releasing any individual entity and firm level information through Freedom of Information Act, is also sought.

6/10/02 7:00pm
SLV

Prologue: The following motion incorporates the preferred portions of the "Draft Council Motion for item C-5 BSAI Crab Rationalization," dated April 14, 2002, as outlined in the Bering Sea Crab Rationalization Program Alternatives – Public review Draft (pages 12-33) issued in May 2002. For ease of reference, the numbering system of the April 14, 2002 motion is retained here. However, only those preferred elements of the April motion are include here. This motion advances a VOLUNTARY THREE PIE COOPERATIVE, designed to recognize the prior economic interests and importance of the partnership between harvesters, processors and communities.

C-5 BSAI Crab Rationalization

BSAI Crab Rationalization Problem Statement

Vessel owners, processors and coastal communities have all made investments in the crab fisheries, and capacity in these fisheries far exceeds available fishery resources. The BSAI crab stocks have also been highly variable and have suffered significant declines. Although three of these stocks are presently under rebuilding plans, the continuing race for fish frustrates conservation efforts. Additionally, the ability of crab harvesters and processors to diversify into other fisheries is severely limited and the economic viability of the crab industry is in jeopardy. Harvesting and processing capacity has expanded to accommodate highly abbreviated seasons, and presently, significant portions of that capacity operate in an economically inefficient manner or are idle between seasons. Many of the concerns identified by the NPFMC at the beginning of the comprehensive rationalization process in 1992 still exist for the BSAI crab fisheries. Problems facing the fishery include:

- Resource conservation, utilization and management problems;
- Bycatch and its' associated mortalities, and potential landing deadloss;
- Excess harvesting and processing capacity, as well as low economic returns;
- Lack of economic stability for harvesters, processors and coastal communities; and
- High levels of occupational loss of life and injury.

The problem facing the Council, in the continuing process of comprehensive rationalization, is to develop a management program which slows the race for fish, reduces bycatch and its associated mortalities, provides for conservation to increase the efficacy of crab rebuilding strategies, addresses the social and economic concerns of communities, maintains healthy harvesting and processing sectors and promotes efficiency and safety in the harvesting sector. Any such system should seek to achieve equity between the harvesting and processing sectors, including healthy, stable and competitive markets.

Elements of the Crab Rationalization Program

Harvesting Sector Elements

Harvester shares shall be considered a privilege and not a property right.

1.1 Crab fisheries included in the program are the following fisheries subject to the Federal FMP for BSAI crab:

- Bristol Bay red king crab
- Brown king (AI Golden king) crab
- Adak (WAI) red king crab – West of 179° W
- Pribilof Islands blue and red king crab
- St. Matthew blue king crab
- Opilio (EBS snow) crab
- Bairdi (EBS Tanner) crab

3. Exclude the EAI Tanner, WAI Tanner, Dutch Harbor (EAI) red king crab, and Adak (WAI) red king crab east of 179° West longitude.
- 1.2 Persons eligible to receive an initial allocation of QS must be:
 - Option 1. Any person that holds a valid, permanent, fully transferable LLP license.
- 1.3 Categories of QS/IFQs
 - 1.3.1 Crab Fishery Categories - QS/IFQs will be assigned to each of the crab fisheries included in the program as identified in paragraph 1.1 except Dutch Harbor red king, EAI Tanner, and WAI Tanner and WAI red king crab east of 179° West longitude.
 - 1.3.1.1 Brown king crab (AI golden king crab) option.
 - Option 1. Split into two categories: Dutch Harbor (EAI) brown king crab (east of 174° W long.) and Western Aleutian Islands brown king crab (west of 174° W long.).
 - 1.3.2 Harvesting sector categories - QS/IFQs will be assigned to one of the following harvesting sector categories:
 - a. catcher vessel (CV), or
 - b. catcher/processor (CP)

QS-IFQ for the Catcher/Processor sector is calculated from the crab that were both harvested and processed onboard the vessel. This shall confer the right to harvest and process crab aboard a catcher processor in accordance with section 1.7.2.
 - 1.3.3 Processor delivery categories - QS/IFQs for the CV sector shall be assigned to the following two processor delivery categories (the percentage split between class A/B shares is defined under the Processing Sector Elements, 2.4):
 - (a) Class A – allow deliveries only to processors with unused PQs
 - (b) Class B – allow deliveries to any processor, except catcher processors
 - 1.3.4 Regional Categories - QS/IFQs for the CV sector is assigned to regional categories. The two regions are defined as follows (see Regionalization Elements for a more detailed description of the regions):

North Region - All areas on the Bering Sea north of 56° 20' N. Latitude.
South Region - All areas not included in the North Region.
- 1.4 Initial allocation of QS
 - 1.4.1 Calculation of initial QS distribution will be based on legal landings excluding deadloss.
 - (a) Calculation of QS distribution. The calculation is to be done, on a vessel-by-vessel basis, as a percent of the total catch, year-by-year during the qualifying period. Then the sum of the yearly percentages, on a fishery-by-fishery basis, is to be divided by the number of qualifying years included in the qualifying period on a fishery-by-fishery basis to derive a vessel's QS.

For each of the fisheries for which such a vessel holds valid endorsement for any years between the sinking of the vessel and the entry of the Amendment 10 replacement vessel to the fishery and was active as of June 10, 2002, allocate QS according to 50% of the vessel's average history for the qualifying years unaffected by the sinking.
 - (b) Basis for QS distribution.

Option 1. For eligibility criteria in paragraph 1.2, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel on which the LLP license is based and shall be on a fishery-by-fishery basis. The underlying principle of this program is one history per vessel.

(Option 1) Persons who have purchased an LLP, with GQP, EQP and RPP qualifications to remain in a fishery may obtain a distribution of QS on the history of either the vessel on which the LLP is based or on which the LLP is used, NOT both. License transfers for purposes of combining LLPs must have occurred by January 1, 2002.

(Old Option 3) In cases where the fishing privileges (i.e. moratorium qualification or LLP license) of an LLP qualifying (i.e. GQP, EQP, RPP and Amendment 10 combination) vessel have been transferred, the distribution of QS to the LLP shall be based on the aggregate catch histories of (1) the vessel on which LLP license was based up to the date of transfer, and (2) the vessel owned or controlled by the LLP license holder and identified by the license holder as having been operated under the fishing privileges of the LLP qualifying vessel after the date of transfer. Only one catch history per LLP license.

1.4.2. Qualifying Periods for Determination of the QS Distribution:

1.4.2.1 Opilio (EBS snow crab)

Option 4. 1996 - 2000 (5 seasons)
a. Best 4 seasons

1.4.2.2 Bristol Bay red king crab

Option 3. 1996 - 2000 (5 seasons)
a. Best 4 seasons

1.4.2.3 Bairdi (EBS Tanner crab)

Option 2. 91/92 - 1996 (best 4 of 6 seasons)

1.4.2.4 and 1.4.2.5 Pribilof red and blue king crab

Option 2. 1994 - 1998
b. Drop one season

1.4.2.6 St. Matthew blue king crab

Option 2. 1994 - 1998
b. Drop one season

1.4.2.7 Brown king crab (based on biological seasons)

(Options apply to both Dutch Harbor (EAI) and Adak western Aleutian Island brown king crab)

Option 4. 96/97 2000/01 (all 5 seasons)

Suboption: Award each initial recipient QS based on:
b. historical participation in each region.

1.4.2.8 Adak (WAI) red king crab - west of 179° west long.

Option 1. 1992/1993 - 1995/1996 (4 seasons)
d. Best 3 seasons

1.5 Annual allocation of IFQs:

1.5.1 Basis for calculating IFQs:

Option 2. Convert GHLL to a TAC and use the TAC as the basis.

1.6 Transferability and Restrictions on Ownership of QS/IFQs:

1.6.1 Persons eligible to receive QS/IFQs by transfer:

Option 2. US citizens who have had at least:
(b). 150 days of sea time

Option 3. Entities that have a U. S. citizen with 20% or more ownership and at least:
(b). 150 days of sea time

Suboption: Initial recipients of harvesting quota share grandfathered
*Definition of sea time

Option 1. Sea time in any of the U.S. commercial fisheries in a harvesting capacity.

Option 4. Allow a CDQ organization to be exempted from the restriction for the 150 days of sea time requirement under 1.6 Transferability and Restrictions on Ownership of QS/IFQs.

1.6.2 Leasing of QS (leasing is equivalent to the sale of IFQs without the accompanying QS.)
Leasing is defined as the use of IFQ on vessel which QS owner holds less than 10% ownership of vessel or on a vessel on which the owner of the underlying QS is present:

Option 1. Leasing QS is allowed with no restrictions during the first five years after program implementation.

1.6.3 Separate and distinct QS Ownership Caps - apply to all harvesting QS categories pertaining to a given crab fishery with the following provisions:

a. Initial issues that exceed the ownership cap are grandfathered at their current level as of June 10, 2002;

b. Apply individually and collectively to all QS holders in each crab fishery;

c. Percentage-cap options for the Bristol Bay red king crab, Opilio, Bairdi, Pribilof red and blue king crab and St. Matthew blue king crab fisheries (a different percentage cap may be chosen for each fishery):

Option 4. 1.0% of the total QS pool for Bristol Bay red king crab.

Option 5. 1.0% of the total QS pool for Opilio crab.

Option 6. 1.0% of the total QS pool for Bairdi crab.

Option 7. 2.0% of the total QS pool for Pribilof red and blue king crab.

Option 8. 2.0% of the total QS pool for St. Matthew blue king crab.

d. A percentage-cap of 10% is adopted for the Dutch Harbor (EAI) brown king crab, and a 10% cap for western Aleutian Island (Adak) brown king crab.

e. A percentage-cap of 10% is adopted for WAI (Adak) red king crab west of 179° West longitude.

1.6.4 Controls on vertical integration (ownership of harvester QS by processors):

Option 2: A cap of 5% with grandfathering of initial allocations as of June 10, 2002.

Option 3: Vertical integration ownership caps on processors shall be implemented using both the individual and collective rule using 10% minimum ownership standards for inclusion in calculating the cap. PQS ownership caps are at the company level.

Catcher Processor Elements

1.7.2.1.1 Catcher/Processors shall be granted CP-QS in the same manner as catcher vessels.

1.7.2.3 Allowance for Catcher/Processors:

Option 2. Catcher/Processors are allowed to purchase additional PQS from shore based processors as well as PQS from other Catcher/Processors.

Option 4. Catcher/Processors may sell unprocessed crab to any processor

Option 5. Only catcher processors that both caught and processed crab onboard their qualifying vessels in any BSAJ crab fishery during 1998 or 1999 will be eligible for any CP QS in any IFQ or Coop program.

Option 6. CP-QS initially issued to a catcher/processor shall not be regionally or community designated.

Option 8. The CP sector is capped at the aggregate level of initial sector-wide allocation.

1.7.2.4 Transfers to shore-based processors:

c. Catcher/Processors shall be allowed to sell CP/QS as separate Catcher Vessel QS and PQS. The shares shall be regionally designated when sold (both shares to same region).

Other Harvester Options

1.7.3 Catch accounting under IFQs - All landings including deadloss will be counted against IFQs. Options for treatment of incidental catch are as follows:

Option 4. Discards of incidentally caught crab will be allowed

Option 5. Request ADF&G & BOF & BOF/NPFMC Joint Protocol Committee to address concerns of discard, highgrading, incidental catch and need for bycatch reduction and improved retention in season with monitoring to coincide with implementation of a crab rationalization program.

1.7.4 Use caps on IFQs harvested on any given vessel are provided for those vessels not participating in a voluntary cooperative described under section 6.1.:

Option 1.

c. Two times the ownership cap:
2.0% for BS Opilio crab
2.0% BB red king crab
2.0% BS bairdi crab
4.0% for Pribilof red and blue king crab
4.0% for St. Matthew blue king crab
20% for EAI (Dutch Harbor) brown king crab

20% for Adak (WAD) brown king crab
20% for Adak (WAD) red king crab west of 179° West longitude

1.8.1 Options for captain and crews members:

1.8.1.2 Percentage to Captain:

1. Initial allocation of 3% shall be awarded to qualified captains.

1.8.1.3 Species specific:

1. As with vessels.

1.8.1.4 Eligibility:

1. A qualified captain is determined on a fishery by fishery basis by 1) having at least one landing in the qualifying years used by the vessels and 2) having recent participation in the fishery as defined by at least one landing per year in the fishery in the last two seasons prior to June 10, 2002.
2. A captain is defined as the individual owning the Commercial Fishery Entry Permit.

1.8.1.5 Qualification period:

1. As with vessels.

1.8.1.6 Distribution per Captain:

1. Shares based on landings (personal catch history based on ADF&G fish tickets) using harvest share calculation rule.
2. Captains with C/P history shall receive C/P captain shares on initial issuance. CP captain shares are eligible to be used on catcher vessels for harvesting purposes only.

1.8.1.7 Transferability criteria:

1. Sale of QS.
 - a. QS may be purchase only by persons who are US citizens who have had at least 150 days of sea time in any of the US commercial fisheries in a harvesting capacity.
2. IFQ leasing
 - a. Captains QS are leasable for three years for the following fisheries only:
 - Pribilof red and blue crab
 - St. Matthew blue crab
 - b. In cases of hardship (injury, medical incapacity, loss of vessel, etc.) a holder of captain quota shares may lease QS, upon documentation and approval, (similar to CFEC medical transfers) for the term of the hardship/disability or a maximum of 2 years.

1.8.1.8 Loan program

1. A low-interest rate loan program consistent with MSA provisions, for skipper and crew purchases of QS, shall be established for IFQ purchases by captains and crew members using 25% of the Crab IFQ fee program funds collected.

1.8.1.9—Captain/Crew on Board requirements

1. Holders of captain QS or qualified lease recipients are required to be onboard vessel when harvesting IFQ.

1.8.2 **Overage Provisions for the Harvesting Sector:**
Allowances for overages during last trip:

Option 2. Overages up to 3% will be forfeited. Overages above 3% results in a violation and forfeiture of all overage.

1.8.3 **AFA Vessel Option. Eliminate harvester sideboard caps.**

1.8.5 **Sideboards. Sideboards shall be addressed through a TRAILING AMENDMENT.**

Options:

1. Non AFA vessels that qualify for QS in the rationalized opilio crab fisheries would be limited to their
 - a. GOA groundfish catch history excluding sablefish or
 - b. Inshore pood catch history in the GOA fisheries (with offshore pood exempt).
2. The years for qualification would be the same as the qualifying period selected from 1.4.2.1.
 - b. Sideboard exemptions:
3. Exempt vessels from sideboards which had opilio landings in the qualifying years of:
 - Option a. <100,000 pounds
 - Option b. <70,000 pounds
 - Option c. <50,000 lbs
 - Option d. <25,000 lbs
4. Exempt vessels with more than 100, 200, or 500 tons of cod total landings in the years 95-99
5. Vessels with <10, <50 and <100 tons total groundfish landings in the qualifying period would be prohibited from participating in the GOA cod fishery.

Suboption a: Council staff should analyze economic dependency of participants in the Bering Sea Korean hair crab fishery to determine if sideboards are warranted.

2. Processing Sector Elements

Processor shares shall be considered a privilege and not a property right.

2.1 Eligible Processors - processors (including catcher-processors) eligible to receive an initial allocation of processing quota shares (PQs) are defined as follows:

(a.) U.S. corporation or partnership (not individual facilities) that processed crab during 1998 or 1999, for any crab fishery included in the IFQ program.

Hardship provisions for processors that did not process crab in 1998 or 1999 but meet the following provisions:

- A processor (not Catcher/Processor) that processed opilio crab in each season between 1988 and 1997 and
- Invested significant capital in the processing platform after 1995, will be determined to be a qualified processor.
- Significant capital is defined as a direct investment in processing equipment and processing vessel improvements in excess of \$1 million.

2.2 Categories of Processing Quota Shares

2.2.1 Crab fishery categories - processing quota shares shall be issued for the same crab species identified in Section 1.1

2.2.2 Regional categories - processing quota shares will be categorized into two regions (see Regionalization Elements for description of regions):

Northern Region - All areas on the Bering Sea north of 56° 20' N. latitude

Southern Region - All areas not in the Northern region

2.3 Initial allocation of processing quota shares

Option 1. Processing quota shares shall be initially issued to Eligible Processors based on three-year average processing history¹ for each fishery, determined by the buyer of record listed on ADF&G fish tickets, as follows:

(a) 1997 - 1999 for Bristol Bay red king crab

(b) 1996 - 1998 for Pribilof red and blue king crab,

(c) 1996 - 1998 for St. Matthew blue crab

(d) 1997 - 1999 for opilio crab

(e) EBS bairdi crab based on 50/50 combination of processing history for BBRKC and opilio

(f) 1996/97 - 1999/00 seasons for brown king crab

(g) The qualifying years for issuance of IPQ in the Adak (WAI) red king crab fishery west of 179° West longitude will be:

Option B. Based on Western Aleutian Islands brown king crab IPQ

Option 4. If the buyer can be determined, by NMFS using the State of Alaska Commercial Operators Annual Report, fish tax records, or evidence of direct payment to fishermen, to be an entity other than the entity on the fish ticket, then the IPQ shall be issued to that buyer.

2.4 Percentage of season's GHL or TAC for which IPQs are distributed:

2.4.1 IPQs will be issued for a portion of the season's GHL or TAC for each species to provide open delivery processing as a means to enhance price competition:

Option 3. 90% of GHL (or TAC) would be issued as IPQs - the remaining 10% would be considered open delivery.

2.5 Implementation of the open delivery-processing portion of the fishery:

Catcher vessel QS/IPQs are categorized into Class A and Class B shares. Purchases of crab caught with Class A shares would count against IPQs while purchases of crab caught with Class B shares would not. Crab caught with Class B shares may be purchased by any processor on an open delivery basis.

2.6 Transferability of processing shares - provisions for transferability include the following:

a. Processing quota shares and IPQs would be freely transferable, including leasing

b. IPQs may be used by any facility of the eligible processor (without transferring or leasing)

c. Processing quota shares and IPQs categorized for one region cannot be transferred to a processor for use in a different region.

d. New processors may enter the fishery by purchasing IPQ or by purchasing Class B Share crab.

¹The three-year average shall be the three-year aggregate pounds purchased by each Eligible Processor in a fishery divided by the three-year aggregate pounds purchased by all Eligible Processors in that fishery.

2.7 Ownership and use caps –
2.7.1 Ownership caps

Option 4. No ownership to exceed 30% of the total PQS pool on a fishery by fishery basis with initial issues grandfathered.

PQS ownership caps should be applied using the individual and collective rule using 10% minimum ownership standards for inclusion in calculating the cap. PQS ownership caps are at the company level.

2.7.2 Use Caps.

Option 3. In the Northern Region annual use caps will be at 60% for the opilio crab fishery.

2.8 Other Optional Provisions:

The crab processing caps enacted by Section 211(c)(2)(A) of the AFA would be terminated

Append Binding Arbitration Committee minutes/report to the Report to Congress as indication of direction of the Committee.

2.8.3 A private sector managed (non-governmental), binding arbitration process for failed price negotiations, between fishermen and processors will be implemented through a TRAILING AMENDMENT .

Council provides the following direction to the Binding Arbitration Committee regarding focus:

- continue its efforts to refine the system of Binding Arbitration that will accomplish the goals articulated in the Council Crab Rationalization Problem Statement. The Committee should meet over the course of the summer and return with a report at the October 2002 Council Meeting.
- that the system of binding arbitration will create a mechanism to establish a minimum or formula price for all crab delivered using Class A harvesting shares.
- this minimum or formula price to be the "safety net" for the "last man standing" facing the last IPQ holder. It is intended to ensure that any harvester without market options has the option of an arbitrated minimum price.
- that there be one arbitration event per IPQ holder per season. Once through arbitration of price, price shall not be the subject of arbitration for that IPQ holder again for that season.
- that the system of price formation encourage the tradition of harvesters voluntarily engaged in collective bargaining with individual processing firms for the minimum ex-vessel price or formula in large GHL fisheries.

3. Regionalization Elements

3.1 Two regions are proposed:

a. Northern Region - All areas on the Bering Sea north of 56° 20' N. latitude. (This region includes the Pribilof islands and all other Bering Sea Islands lying to the north. The region also includes all communities on Bristol Bay including Port Heiden but excludes Port Moller and all communities lying westward of Port Moller.)

b. Southern Region - All areas not in the Northern Region.

Suboption: Regional categories for deliveries of Aleutian Islands brown king crab are split into a "Western" (west of 174° West longitude) and "Eastern" (east of 174° West longitude) area. Up to 50% of the WAI IPQ brown king crab QS may be processed in the W AI region.

- 3.2 Regional categorization of processing and/or harvesting quota shares
- 3.2.1 Categorization will be based on all historical landings. Periods used to determine regional percentages are the same as in Section 3.2.5.

There shall be no regional designation of the bairdi fishery shares. When there is a harvestable surplus of bairdi, an open season, and the vessel has bairdi quota, bairdi will be retained and delivered as incidental catch in the red /blue king crab and opilio fisheries.

- 3.2.2 Options for the harvesting sector:

Option 2. Only Class A CV quota shares are categorized by region (applies to point of delivery and not point of harvest).

- 3.2.3 Options for the processor sector:

Option 1. Processing quota shares and IPQs are categorized by region

- 3.2.4 Once assigned to a region, processing and/or harvesting quota shares cannot be reassigned to a different region.

- 3.2.5 Options for addressing any remaining mismatch of harvesting and processing shares within the region.

1. The base years for determining processing shares and the base period for determining the share assigned to each region shall be the same.

2. If the cumulative harvester quota associated with each region differs from the total regional share, by species, the harvester share, by species, shall be adjusted, up or down, in the following manner:

- a. The adjustment shall apply only to harvesters with share in both regions.
- b. The adjustment shall be made on a pro rata basis to each harvester, so that the total share among those harvesters, by region, equals the total share assigned to each region.

3. The adjustment shall only be on shares that carry a regional designation; Class B quota would be excluded from the adjustment.

3.3 Delivery and processing restrictions - the following provisions apply to the delivery and processing of crab with IFQs or IPQs that are categorized by region:

- a. Crab harvested with catcher vessel IFQs categorized for a region must be delivered for processing within the designated region
- b. Crab purchased with IPQs categorized for a region must be processed within the designated region.

3.4 Alternative Regionalization/Community Protection Option: This option in its entirety will be considered as part of the trailing amendment.

Options for this trailing amendment are defined in the April 14, 2002 Council Motion plus the following options:

Trailing Amendment – Community Protection

1. Transfers of IPQ out of a region are prohibited.
2. If an owner of IPQ decides to sell the IPQ, the right of first refusal to purchase the IPQ shall be granted to cdq groups (for IPQ in the Bering Sea) or a community organization approved by the local government (for IPQ in the GOA) providing that any IPQ so purchased is processed at a facility owned at least 50% by the CDQ organization or community group.

3. The amount of IPQ in any year shall not exceed the percentage of the TAC for any crab species as follows:

Option 1: IPQ percentage times a TAC of 150 million pounds.

Option 2: IPQ percentage times a TAC of 200 million pounds.

4. Community Development Allocation (based on existing CDQ program):

Option 2. Expand existing program to all crab fisheries approved under the rationalization program with the exception of the Western AI brown king crab.

Option 3. Increase for all species of crab to 10%. A minimum of 25% of the total CDQ allocation must be delivered on shore.

Option 5. For the WAI brown king crab fishery, the percentage of resource not utilized (difference between the actual catch and GHIL) during the base period is allocated to the community of Adak. In any year, that sufficient processing exists at that location, the percentage of the difference between the GHIL and actual catch, that was not harvested in these 4 years is not to exceed 10%.

5. Program Elements

RAM Division in conjunction with State of Alaska will produce annual reports regarding data being gathered with a preliminary review of the program at 3 years.

Option 2. Formal program review at the first Council Meeting in the 5th year after implementation to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review shall include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts. Subsequent reviews are required every 5 years.

Option 5. A proportional share of fees charged to the harvesting sectors and processing sectors for management and enforcement of the IFQ/IPQ program shall be forwarded to the State of Alaska for use in management and observer programs for BSAI crab fisheries

6. Cooperative model options:

6.1 Coop model with the following elements and options:

1) Individual harvesting and processing histories are issued to both catcher and processors. (Harvesters under Section 1.3.2 a) which meet program qualifications. Processors under Section 2.1, 2.3, and 2.4 (Options 1-4) which meet qualifications of the program).

2) Cooperatives may be formed through contractual agreements among fishermen who wish to join into a cooperative associated with one or more processors holding processor history for one or more species of crab. Fleet consolidation within this cooperative may occur either by internal history leasing and vessel retirement or by history trading within the original cooperative or to a different cooperative. A coop agreement would be filed annually with the Secretary of Commerce, after review by the Council, before a coop's catch history would be set aside for their exclusive use.

3.) Suboption only: There must be at least 4 or more unique harvester quota share holders engaged in one or more crab fisheries to form a coop associated with a processor. Vessels are not restricted to deliver to a particular plant or processing company.

4. New processors may enter the fishery by purchasing IPQ or by purchase of crab caught with B share landings or by processing CDQ crab. New processors entering the fishery may associate with cooperatives.

5. Custom processing would continue to be allowed within this rationalization proposal.

7. Regional Categories: As adopted earlier

8. Duration of coop agreements.

Option 4. A harvester quota shareholder may exit the cooperative at any time after one season. One season shall mean the season established by the Alaska Board of Fisheries for the fishery associated with the quota shares held by the harvester.

10. Observer requirements: Defer observer requirements to the Alaska Board of Fisheries.

11. Length of program: Same as earlier in Section 5.

12. Option for skipper and crew members: Same as developed earlier.

13. Catch Accounting - All landings including deadloss will be counted against a vessel's quota. Options for treatment of incidental catch are as follows: Same as developed earlier.

14. The North Pacific Fishery Management Council and the National Marine Fisheries Service shall have the authority to implement a mandatory data collection program of cost, revenue, ownership and employment data upon members of the BSAI crab fishing industry harvesting or processing fish under the Council's authority. Data collected under this authority will be maintained in a confidential manner and may not be released to any party other than staffs of federal and state agencies directly involved in the management of the fisheries under the Council's authority and their contractors.

A mandatory data collection program shall be developed and implemented as part of the crab rationalization program and continued through the life of the program. Cost, revenue, ownership and employment data will be collected on a periodic basis (based on scientific requirements) to provide the information necessary to study the impacts of the crab rationalization program as well as collecting data that could be used to analyze the economic and social impacts of future FMP amendments on industry, regions, and localities. This data collection effort is also required to fulfill the Council problem statement requiring a crab rationalization program that would achieve "equity between the harvesting and processing sectors" and to monitor the "...economic stability for harvesters, processors and coastal communities". Both statutory and regulatory language shall be developed to ensure the confidentiality of these data.

Any mandatory data collection program shall include:

A comprehensive discussion of the enforcement of such a program, including enforcement actions that would be taken if inaccuracies in the data are found. The intent of this action would be to ensure that accurate data are collected without being overly burdensome on industry for unintended errors.

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Processing Vessel NORTHLAND

Preamble:

- 1. Given the public testimony that we have heard, the recommendations from the A/P and the narrow qualification period, and the sentiments of the council members to recognize historic participation, investments in the industry I'd like to offer the following amendment to Section 2.1**

Include a hardship provision for a Processor that did not process crab in 1998 or 1999, but meets the following provisions:

A processor – not a catcher/processor – that processed opilio crab in each season between 1988 and 1997, and;

Invested significant capital in the processing platform after 1995, will be determined to be a qualified processor.

Significant capital is defined as a direct investment in processing equipment and processing vessel improvements in excess of \$1 million dollars.

1.1.3

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no obj.

6.1 Coop model with the following options.

Catch Accounting

Option 4. Discards of incidentally caught crab will be allowed. (This option would allow, for example, incidental catch of bairdi crab in a red king crab fishery to be discarded without counting against a vessel's bairdi quota.)

Option 5. Request ADF&G and BOF to address to address the concerns of discards, highgrading, incidental catch and the need for Bycatch reduction and improved in season monitoring to coincide with implementation of a rationalization program. **(The goal is to take advantage of a rationalized fishery to reduce bycatch mortality in the crab fisheries.)**

CONFIDENTIAL - SECURITY INFORMATION

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SA
never made motion?

Motion: I move to strike section 1.8.1.6 and insert a new section.

1.8.1.6 (V) Distribution per Captain:

1. QS Shares based on landings (personal catch history based on ADF&G fish tickets) using harvest share calculation rule.
2. Captain with C/P history shall receive C/P captain QS at initial issuance. ~~C/P captain share are eligible to be used on catcher vessels for harvesting purposes only.~~ The same rules apply to C/P Captain QS if they leave the C/P sector as in 1.7.2.3.
3. Captain QS have the same A / B designation and ratio as vessel owner QS. Regional designation apply the same as owner designation are assigned.

Insert new elements 2 & 3 in to section 1.8.1.9:

1.8.1.9 (VII) Captain/Crew on Board requirements:

1. Holders of captain QS or qualified lease recipients are required to be onboard vessel when harvesting IFQ.
2. Captain QS ownership caps for each species are the same as vessel caps for each species. (i.e. 1.7.4)
3. Use caps on IFQs harvested on any given vessel shall not include Captain QS in the calculation.

Range of QS Initial Allocation based on historical Captains Compensation

	Low		High		Average	Source
Historical Captains Compensation Range	10%		15%		12.50%	Public
Adjusted Gross						
Food, Fuel, Bait expense	10%	20%	10%	20%	15.00%	Public
Adjustment of non-eligible Captains						
228 vessels 188 eligible Captains	82%	82%	82%	82%	82%	Page 353
Vessel equity transfer to QS estimate	20%	40%	20%	40%	30.00%	Public
Range initial allocation	5.94%	3.96%	8.91%	5.94%	6.13%	

2:21 SM 2nd R+H carried

For each of the fisheries for which such a vessel holds valid endorsement for any years between the sinking of the vessel and the entry of the Amendment 10 replacement vessel to the fishery and was active as of June 9, 2002, allocate QS according to 50% of the vessel's average history for the qualifying years unaffected by the sinking.

insert @ 1.4.1(a)
sub option

6/10
SM

1:45P Add
© 3.4 in main motion

Trailing Amendment - Community Protection

1. Transfers of IPQ out of a region are prohibited.
2. If an owner of IPQ decides to sell the IPQ, the right of first refusal to purchase the IPQ shall be granted to CDQ groups (for IPQ in the Bering Sea) or a community organization approved by the local government (for IPQ in the GOA) providing that any IPQ so purchased is processed at a facility owner at least 50% by the CDQ organization or community group.
3. The Amount of IPQ in any year shall not exceed the percentage of the TAC for any crab species as follows:
 - Option 1: IPQ percentage times a TAC of 150 million pounds
 - Option 2: IPQ percentage times a TAC of 200 million pounds.
4. Regionalization shall apply to "B" shares

6/10
2:00
BP motion

Section 5.5.2

Congress should authorize a fee of up to 7.5% (to be determined by the Council) of the ex-vessel value. The fee will be charged on all landings from fisheries included in the crab rationalization program.

The amount of the fee will be selected by the Council as part of a trailing amendment (like being considered for side boards).

DA
old
3:43P
6/10
2.8.3
~~of~~
of
Council intent regarding the focus of the Binding Arbitration Committee:

1. The Committee should continue its efforts to refine the system of Binding Arbitration that will accomplish the goals articulated in the Council Crab Rationalization Problem Statement. The Committee should meet over the course of the summer and return with a report at the October, 2002 Council meeting.
2. The Council intends that the system of binding arbitration will create a mechanism to establish a minimum or formula price for all crab delivered using Class A harvesting shares.
3. The Council intends this minimum or formula price to be the "safety net" for the "last man standing" facing the last IPQ holder. It is intended to ensure that any harvester without market options has the option of an arbitrated minimum price.
4. The Council intends that there be one arbitration event per IPQ holder per season. Once through arbitration of price, price shall not be the subject of arbitration for that IPQ holder again for that season.
5. The Council intends that the system of price formation encourage the tradition of harvesters voluntarily engaged in collective bargaining with individual processing firms for the minimum ex-vessel price or formula in large GHL fisheries.

w/drawn

Motion: Ref: 1.8.1.2

6/10
SA
7:37AM

Move to insert: New Element 2)

~~1.8.1.2 2)~~

- A) ~~1.8.1.6.2)~~ Holders of Captain QS are required to be onboard vessel when harvesting IFQ.
- B) Formulate a trailing amendment to include elements contained in sections 1.8.1.3 -- 1.8.1.7
- C) **Move to strike section 1.8.1.6 and insert a new section.**

1.8.1.6 (V) Distribution per Captain:

1. ~~QS Shares~~ based on landings (personal catch history based on ADF&G fish tickets) using harvest share calculation rule.
2. Captain with C/P history shall receive C/P captain QS at initial issuance. ~~C/P captain share are eligible to be used on catcher vessels for harvesting purposes only.~~ The same rules apply to C/P Captain QS if they leave the C/P sector as in 1.7.2.3.

≡

Insert new elements 2 & 3 in to section 1.8.1.9:

1.8.1.9 (VII) Captain/Crew on Board requirements:

1. Holders of captain QS or qualified lease recipients are required to be onboard vessel when harvesting IFQ.
2. Captain QS ownership caps for each species are the same as vessel caps for each species. (i.e. 1.7.4)
3. Use caps on IFQs harvested on any given vessel shall not include Captain QS in the calculation.

June 10, 2002
John Bundy

— did not
make motion 6/10

Option B **First Right of Refusal on Quota Share Transfers Crew Buy in Program**

A percent of initially issued QS would be designated as crew shares—these share would remain as a separate class of QS. Transfer of initially issued QS, *unless transferred to eligible crew*, must include transfer of the designated percentage of shares to crew for which there will be a first right of refusal for eligible crew to buy. The owner of the QS being offered for sale would have to give notice to NMFS RAM division of the impending sale. RAM in turn could then notify the fleet of the available QS. After this initial transfer crew QS will be available for transfer to any active participant in the fishery.

Percent of shares designated as crew shares:

Options 10%

Timing of first right of refusal to buy

Options 2 months

Eligibility of a U.S. citizen to purchase crew shares would be defined by participation in at least one delivery in the subject crab fishery in the last year as evidenced by ADF&G fish ticket or affidavit from the vessel owner. If a qualified buyer cannot be found *the shares shall be returned to the owner and may be sold, subject to continuation of the crew share designation.* ~~then 50% of the 10% (i.e. 5%) crew QS offered for sale would have to be gifted to a pool available to qualified buyers and the remaining 50% of the 10% (i.e. 5%) could then be offered for sale on the open market to any buyer.~~ The crew pool of QS would be overseen by RAM. The proceeds from the sale of this QS by auction to the highest qualified bidder would go into a dedicated low interest loan program for crew.

Option D **Low Interest Loan Program**

A low-interest rate loan program, consistent with MSA provisions, for skipper and crew purchases of QS would be established for made part of the existing loan program for IFQ purchases using 25% of the Crab IFQ fee program funds collected.

For purposes of the Q5 ownership cap (1.6.3a.), and for any PQS ownership cap the Council may adopt, the "current level of ownership" shall be determined with respect to transfers that have been affected, and contracts for transfers that have been entered into, as of the date and time of Council action identifying the Preferred Alternative for Cab Rationalization ~~Act~~ package.

3:55P
69

Replace @ 1.4.2.8 of KD
main no.
+ ails 9-2

DF 3:55
2nd BP

FOR ADAK RED KING CRAB

NEW SUBOPTION FOR QS DISTRIBUTION 1.4.2.8(d)

DISTRIBUTE 50% PRO RATA TO EACH PERMANENT ADAK RED CRAB LLP PERMIT
DISTRIBUTE 50% QS BY HISTORICAL PARTICIPATION UNDER SUBOPTION (a) all four years or
(b) best two years

of not part
motion

ASSUMED EFFECTS DUE TO CONFIDENTIALITY

Largest recipient reduced from @50% to @31%

CP offshore sector reduced from @ 60% to 35%

Other 24 permit holders get about 2% each

Allows rationalization without excessive shares and offshore problems with new ADAK plant

DATE 6/10

start @ TIME 8:15A

AGENDA ITEM C-3

①

*****BALSIGER VOTES LAST ON EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	✓ ✓	+
AUSTIN	✓ ✓	+
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓ ✓	+
BUNDY		✓ +
DUFFY (or Krygier)	✓ ✓	+
DR. FLUHARTY	✓	+ ✓
HYDER	+ ✓	✓
MADSEN	✓ ✓	+
PENNEY	✓ ✓	+
SAMUELSEN	+ ✓	✓
BENTON	✓ ✓	+

MOTION RS: 8:15A - Add Opt. 5 & modify Opt. 4 - no obj

8:24 ✓ SM: ~~Add yr 2000 to 1.4.7.2 (recors.)~~ ^{motion to} S-3 passes

8:24 ✓ SM: Opt. 4 96-97, then 2000-01 - never voted?

8:35 RS: Opt. 4 inc yrs 96-97, 97-98, 99-00, all years
Shown as "+" in votes above Fails 9-2

✓ SA: passes 10-1, same as SM motion above, all years

DATE 6/10

start at
TIME 8:58A

AGENDA ITEM C-3

(2)

*****BALSIGER VOTES LAST ON
EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	✓	
AUSTIN	✓	
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓	
BUNDY		✓
DUFFY (or Krygier)	✓	
DR. FLUHARTY	✓	
HYDER	✓	
MADSEN	✓	
PENNEY	✓	
SAMUELSEN	✓	
BENTON	✓	

MOTION DF: 8:58 (passes 10-1) to reconsider years
 in 1.4.2.3
 +9:00 DF: years are 91-92 thru 96; best 5 of 6 (see opt. 2 in draft motion)
 ✓ Ruled out of order - motion Rejected 6/09.
 (can't bring back to table).
 9:02 - KD → Opt. 1 from draft motion 92-96, best
 4 seasons → withdrawn

DATE 6/10

start at
TIME 9:40A

AGENDA ITEM C-3

8

*****BALSIGER VOTES LAST ON
EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	✓	
AUSTIN	✓	
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓	
BUNDY	✓	
DUFFY (or Krygier)	✓	
DR. FLUHARTY	✓	
HYDER	✓	
MADSEN		✓
PENNEY	✓	
SAMUELSEN	✓	
BENTON	✓	

MOTION 9:40A - RS - 1.4.2,3 years to inc 91-92 thru 96,
best 4 of 6 seasons - passes 10-1.

10:09A - BP - 10% to 5% @ 1.8.1.2, #1

10:17A - RS - and to BP above: chg 5% to 3% &
reinstate lang @ 1.8.1.4 #2, removed
by KD in editorials. — withdrawn.

DATE 6/10

Start
TIME 11:31A

AGENDA ITEM C-3

(4)

*****BALSIGER VOTES LAST ON
EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON		✓ +
AUSTIN	✓ +	
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓ +	
BUNDY	✓ +	
DUFFY (or Krygier)	✓	+
DR. FLUHARTY	+	✓
HYDER	✓ +	
MADSEN	✓ +	
PENNEY	+	✓
SAMUELSEN	✓	+
BENTON		✓ +

MOTION ✓ 11:31A - RS - 1.8.1.2 - Change percent to 39%. ^{passes} 7-4
+ 11:37A - BP to table 1.8.1 thru 1.8.2. - withdrawn
~~11:44A - DH: move to postpone ^{this} until 3:00pm - unopposed~~
✓ 1:03P - SM ^{add} 1.8.3 - AFA vessel option, to main KD motion.
+ 1:17P RH: amend SM [↑] to remove "2 years after implementation" ^{passes 7-4}

carries due to ↑

DATE 6/10

TIME _____

AGENDA ITEM C-3

5

*****BALSIGER VOTES LAST ON EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON		✓
AUSTIN	✓	
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓	
BUNDY	✓	
DUFFY (or Krygier)		✓
DR. FLUHARTY	✓	
HYDER	✓	
MADSEN		✓
PENNEY		✓
SAMUELSEN		✓
BENTON	✓	

MOTION 1:23P DF (passes 6-5) amend 2.1

+ ~~1:45P SM: @ 3.4 - Add Trailing Amend. - carried w/o obj~~
~~w/o #4 as amend by JB @ 1:51p. carried~~

1:51p JB: Am SM @ 3.4 to remove #4 - carried w/o obj

DATE 6/10

start
TIME 2:00p

AGENDA ITEM C-3

(6)

*****BALSIGER VOTES LAST ON
EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON		✓ +
AUSTIN	+	✓ ✓
DR. BALSIGER (or Salveson) EMERGENCY RULE?	+	✓ ✓
BUNDY	+	✓ ✓
DUFFY (or Krygier)	✓ +	✓ ✓
DR. FLUHARTY	+	✓ ✓
HYDER	+	✓ ✓
MADSEN	✓ +	✓ ✓
PENNEY	✓ +	✓ ✓
SAMUELSEN	+	✓ ✓
BENTON	✓ +	✓ ✓

MOTION 2:00p - BP add 5.5.2. handout re: 7.5% fee fails 7-4
 + 2:14P DrB: Amend Opt. 5 under 5. Prgm Elements (pg. 10) of main motion
2:21 SA - add italics on pg 10, AP Rpt. at end of program elem. in main motion, pg. 10. - Fails 10-1

DATE 6/10

start 2:34p
TIME

AGENDA ITEM C-3 (7)

*****BALSIGER VOTES LAST ON EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	+	
AUSTIN	+	
DR. BALSIGER (or Salveson) EMERGENCY RULE?	+	
BUNDY	+	
DUFFY (or Krygier)	+	
DR. FLUHARTY	+	
HYDER		+
MADSEN	+	
PENNEY	+	
SAMUELSEN	+	
BENTON	+	

MOTION 2:34 - w/drawn. JB - delete Opt. 3 @ 4. (pg 10 of Main) - Comm. Dev. Alloc.

3:20 RS: New Opt. 4, 1.6.1 - passes 10-1

~~3:23 RS: 1.7.2, 3, Opt. 8~~

~~3:26 Deb: 1.7.4 - add line re: ownership cap - w/drawn~~

4:02 P RH 3.1, delete sentence in Suboption ←

4:10P DF Amends as "up to 50%" - carries w/o obj. (both)

DATE 6/10

Start at
TIME 7:04pm

AGENDA ITEM C-3

*****BALSIGER VOTES LAST ON
EMERGENCY RULES**

ROLL CALL TALLY

	✓ YES	✓ NO
ANDERSON	✓	✓ +
AUSTIN	✓ + ✓	
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓ + ✓	
BUNDY	✓ + ✓	
DUFFY (or Krygier)	✓ +	✓
DR. FLUHARTY	✓ + ✓	
HYDER	✓	✓ +
MADSEN	✓	✓ +
PENNEY	✓ +	✓
SAMUELSEN	✓	✓ +
BENTON	✓ + ✓	

MOTION 7:04: RS @ Old Opt. 3, Unanimous
+ 7:14 - JB add "transfers by contract" @ 1.6.3(a) Passes 5-74.
✓ 7:22 " Same @ 1.6.12, Opt. 2 - Fails 6-5
+ 7:24 BP: amend to read "active 30 days after enactment of this motion"
Withdrawn

DATE 6/10

TIME 7:27P

AGENDA ITEM C-3

*****BALSIGER VOTES LAST ON EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	✓ +	✓
AUSTIN	✓ +	✓
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓ +	
BUNDY	✓ +	
DUFFY (or Krygier)	✓ +	
DR. FLUHARTY	✓ +	
HYDER		✓ +
MADSEN	✓ +	✓
PENNEY	✓ +	
SAMUELSEN	✓ +	
BENTON	✓ +	

MOTION 7:27-SM Recons of JB mo @ 7:22 - passes 8-3
✓ 7:37-SA - hand out he. 1, 8, 1, 2. - passes 9-2
+ 7:44 BF - amendment to ↑ passes 10-1.

DATE 6/10

TIME 7:55p

AGENDA ITEM C3

*****BALSIGER VOTES LAST ON EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	✓	+
AUSTIN	✓	+
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓	+
BUNDY	✓	+
DUFFY (or Krygier)	✓	+
DR. FLUHARTY	✓	+
HYDER	✓	+
MADSEN	✓	+
PENNEY	✓	+
SAMUELSEN	✓	+
BENTON	✓	+

MOTION 7:55p - SA re: 3,1,b - No obj.
 ✓ KD Main motion as amended - UNANIMOUSLY
RS: ~~obj~~ Reconsider - FAILS UNANIMOUSLY
MAIN MOTION.

DATE 6/9

TIME _____

AGENDA ITEM C3

①

*****BALSIGER VOTES LAST ON EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	✓	✓
AUSTIN	✓ ✓	✓
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓	✓
BUNDY	✓	✓
DUFFY (or Krygier)		✓ ✓
DR. FLUHARTY	✓	✓
HYDER	✓ ✓	
MADSEN		✓ ✓
PENNEY		✓ ✓
SAMUELSEN	✓ ✓	
BENTON		✓ ✓

MOTION KD Main Motion (1:35)

SM: 2:21p carries, no obj

✓ JB: 2:25p - passes 7-4; @ 1.4.1(b) AP Report

✓ RS: 3:26 - fails 9-2 (shown in Elec. file as 3:14 pm?)

DATE 4/9

TIME _____

AGENDA ITEM C-3

(2)

*****BALSIGER VOTES LAST ON EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	✓ ✓	✓
AUSTIN	✓	✓ ✓
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓	✓ ✓
BUNDY	✓	✓ ✓
DUFFY (or Krygier)		✓ ✓ ✓
DR. FLUHARTY		✓ ✓ ✓
HYDER	✓ ✓	✓
MADSEN	✓	✓ ✓
PENNEY		✓ ✓
SAMUELSEN	✓ ✓	✓
BENTON		✓ ✓ ✓

MOTION SA @ 3:28p 4/14 draft mo pg. 5, above
 1.4.2.8, strike subop a, insert subop. b
 3:34 passes 7-4 JB mo @ Opt. 4 1.4.2.7
 3:40 RH - 1.4.2.3, Opt. 2(a) draft/memo - delete K/S
 fails 9-2 Agenda motion portion

DATE 6/9

TIME _____

AGENDA ITEM C-3

(3)

*****BALSIGER VOTES LAST ON EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	✓ ✓ ✓	
AUSTIN	✓ ✓ ✓	
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓ ✓ ✓	
BUNDY	✓	✓ ✓
DUFFY (or Krygier)	✓ ✓ ✓	✓
DR. FLUHARTY	✓ ✓ ✓	
HYDER	✓ ✓ ✓	
MADSEN	✓ ✓ ✓	
PENNEY	✓ ✓ ✓	
SAMUELSEN	✓ ✓ ✓	
BENTON	✓ ✓ ✓	

✓ MOTION 3:55p - DF - 1.4.2.8 - fails 9-2
 ✓ 4:29 - SM - 1.7.2.4 c 10-1 PASSES
4:40 - RD and to SM PASSES ~~unanimously~~ unanimously

DATE 6/9

TIME _____

AGENDA ITEM C-3

(4)

*****BALSIGER VOTES LAST ON EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON	✓ ✓	+
AUSTIN	✓ +	✓
DR. BALSIGER (or Salveson) EMERGENCY RULE?	✓ ✓ +	
BUNDY	✓ ✓ +	
DUFFY (or Krygier)	✓	✓ +
DR. FLUHARTY	✓ ✓ +	
HYDER	✓ ✓ +	
MADSEN	✓ ✓ +	+
PENNEY	✓ ✓	+
SAMUELSEN	✓ ✓	+
BENTON	✓ ✓	+

MOTION 4:45 - SM @ 1.7.2,3, Opt 2. - unanimous

4:52p - JB - 1.7.2,3 - w/drawn

5:04p - SM - 1.7.2,3, Opt. 7 & 8 (delete them both) w/drawn

✓ 5:07 DF - passes 9-2, delete Opt. 7

+ 5:08 DF - delete Opt. 8 - fails 6-5

DATE 6/9

Starts at
TIME 5:20p

AGENDA ITEM C-3

(5)

*****BALSIGER VOTES LAST ON
EMERGENCY RULES**

ROLL CALL TALLY

	YES	NO
ANDERSON		
AUSTIN		
DR. BALSIGER (or Salveson) EMERGENCY RULE?		
BUNDY		
DUFFY (or Krygier)		
DR. FLUHARTY		
HYDER		
MADSEN		
PENNEY		
SAMUELSEN		
BENTON		

MOTION 5:20p - DrB: 1.7.4-add Sent re: Use Caps grandfathered
WITHDRAWN, w/ JB Concurrence