


Public Testimony Sign-Up Sheet

Agenda Item D-2 (b,c,d) CRAB

	NAME (PLEASE PRINT)	AFFILIATION
1	Joe Sullivan	Mundt Mac / Kodiak
2	Armi Thompson	A.C.C.
3	Ray Toste	WA. Dungeness Crab Assn
4	Jake Jacobsen	Bering Sea Arbitration Assn
5	Tim Henket	Deep Sea Fishermans Union
6	Alyssa McDonald	Independent Processors Ind Fishers AK
7	Pawl Pytomy	BBODC
8	Mike Sherrin	crewman ASSOC.
9	JIMMIE C. DOCHTERMANN	FISH HEADS
10	Steve MINOR	CBSFA
11	LUDGER DOCHTERMANN	SFAZ
12	JOE KYLE	APICDA / CITY OF ATKA
13	Gay Painter	
14	Linda Kozak	Crabs Group
15	DAVE FRASER	Adak Seafoods / city
16	Clem Tillion	AEC
17	CHRIS HECKER	Bering Sea Crabs Coop
18	Russ more	Self
19		
20		
21		
22		
23		
24		
25		

NOTE to persons providing oral or written testimony to the Council: Section 307(1)(I) of the Magnuson-Stevens Fishery Conservation and Management Act prohibits any person "to knowingly and willfully submit to a Council, the Secretary, or the Governor of a State false information (including, but not limited to, false information regarding the capacity and extent to which a United State fish processor, on an annual basis, will process a portion of the optimum yield of a fishery that will be harvested by fishing vessels of the United States) regarding any matter that the Council, Secretary, or Governor is considering in the course of carrying out this Act.

MEMORANDUM

TO: Council and AP Members
FROM: 
Chris Oliver
Executive Director
DATE: January 29, 2007
SUBJECT: Crab Management

ESTIMATED TIME
3 HOURS

ACTION REQUIRED

- (b) Discussion paper on use cap exemption for Aleutian Islands custom processing
- (c) Discussion paper on BSAI crab vessel use caps
- (d) Proposed contents of the 18-month review

BACKGROUND

Discussion paper on use cap exemption for Aleutian Islands custom processing

The recent reauthorization of the Magnuson Stevens Act (MSA) included a provision to exempt custom processing in the North region of the Bering Sea *C. opilio* fishery from processing use caps established under the crab rationalization program. At its December 2007 meeting, the Council heard public testimony requesting that this exemption be extended to include processing of West region shares in the Western Aleutian Islands golden king crab fishery and the Western Aleutian Island red king crab fishery. In response to that testimony, the Council requested staff to prepare the attached discussion paper (**Item D-2(b)(1)**) describing possible approaches to developing an amendment for this West region custom processing activity and the potential integration of such an amendment with any analysis that would be required to implement the Bering Sea *C. opilio* custom processing exemption included in the MSA reauthorization.

The paper suggests that the analysis of the proposed exemption for the Aleutian Islands fishery could be incorporated into the analysis of the parallel exemption for the Bering Sea *C. opilio* fishery that was included in the MSA. Combining the two analyses will save on staff resources, and could be used to ensure that the two exemptions are interpreted in a consistent manner.

Discussion paper on BSAI crab vessel use caps

At its October 2006 meeting, the Council staff presented a discussion paper concerning the potential elimination of the use cap exemption for vessels fishing cooperative allocations under the Bering Sea and Aleutian Islands crab rationalization program. Under the current program, vessels fishing cooperative allocations are exempt from use caps. The Council expressed concern that the rapid fleet consolidation that occurred under the program in its first year may have displaced crew and caused economic disruption for communities. The Council requested staff to examine a range of caps, from the same caps applicable to vessels fishing individual allocations to caps of 150 percent of the level applicable to vessels fishing individual allocations. The caps that apply to vessels fishing individual allocations are:

- 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

After reviewing the discussion paper and hearing public testimony, the Council requested staff to revise the discussion paper for this meeting to include relevant additional information that was unavailable when the Council received the first draft. The attached revision (**Item D-2(c)(1)**) is updated to include information concerning the 2005-2006 seasons for Bering Sea *C. bairdi* and Aleutian Islands golden king crab. Additional information concerning crew from the economic data collection, which the Council suggested be included in the paper, is unavailable.

Proposed contents of the 18-month review

As a part of the rationalization program adopted for the Bering Sea and Aleutian Islands crab rationalization program, the Council developed a strategy for review of the program to ensure oversight of the effects of the program. As a part of that review, the Council requested an analysis to be delivered to the 18 months after implementation of the program. Specifically, the Council requested:

The analysis is to examine the effects of the 90/10 A share/B share split and the binding arbitration program on the distribution of benefits between harvesters and processors. After receiving the analysis, the Council will consider whether the A share/B share split and the arbitration program are having their intended effects and, if not, whether some other A share/B share split is appropriate. In addition, staff shall the prepare an analysis of the application of the 90/10 Class A/Class B split and regionalization to captain and crew shares (C shares) for consideration by the Council 18 months after fishing begins under the program. The analysis is to examine the landings patterns of C shares to determine whether the distribution of landings among processors and communities of C shares differs from the distribution of landings of the general harvest share pool. After receiving the analysis, the Council will consider whether to remove the 90/10 Class A/Class B split from C shares, which is scheduled to take effect three years after the beginning of fishing under the program.

The first issue to be examined in the review is the effects of the 90/10 A share/B share allocation and the binding arbitration system. To the extent feasible, the analysis will examine both the process and outcome of the arbitration system. The arbitration system functions annually with a market report and non-binding price formula developed in the preseason, followed by a system for binding proceedings, in the event parties cannot reach a negotiated price settlement. The ability of participants in the fishery to effectively navigate the process is critical to the fairness of the system. The procedure for selecting of analysts and arbitrators, preparing the market report and formula, and initiating and carrying out proceedings are all complex. Timing of the different aspects can add to the complexity of participants wishing to make use of the system. These different aspects of the system will be discussed in light of the experience of participants in the first two years of the program. Particular attention will be given to the arbitration standard, which is the basis for substantive findings in the non-binding price formula and binding arbitration proceedings. The effect of the 90/10 A share/B share allocation will also be considered, including both its potential to affect price negotiations and limit entry opportunities in the fisheries. Since less than two full seasons of fishing have been completed under the program, limited data are available for analysis. In addition, confidentiality protections limit the extent of any pricing information that may be released specific to any binding arbitration proceeding. Due to these limitations, the analysis is largely qualitative.

The second aspect of the program that will be analyzed is the landing pattern of C shares (shares available only to captains and crew) in comparison to A shares and B shares. This analysis is intended to assist the Council in determining whether application of the 90/10 A share/B share split to C shares (which is scheduled to occur after the third year of fishing under the program) is needed to ensure that landing patterns for those shares is similar to the landing pattern of A shares. The analysis will examine landing patterns in the first year of fishing to the extent permitted by confidentiality limitations, as well as examine reasons for ~~any~~ differences in landings patterns observed across share types.

any

**Exemption of Custom Processing from Crab Processing Caps
North Pacific Fishery Management Council
February 2006**

The recent reauthorization of the Magnuson Stevens Act (MSA) included a provision to exempt custom processing in the North region of the Bering Sea *C. opilio* fishery from processing use caps established under the crab rationalization program. At its December 2007 meeting, the Council heard public testimony requesting that this exemption be extended to include processing of West region shares in the Western Aleutian Islands golden king crab fishery and the Western Aleutian Island red king crab fishery. In response to that testimony, the Council requested staff to prepare this discussion paper describing possible approaches to developing an amendment for this West region custom processing activity and the potential integration of such an amendment with any analysis that would be required to implement the Bering Sea *C. opilio* custom processing exemption included in the MSA reauthorization.

Background

To understand the use cap exemptions adopted under the MSA reauthorization and the proposed to the Council requires a basic understanding of the current processing share allocations and processing share use caps. Under the program, processor quota shares (PQS) were allocated to eligible processors in each fishery based on qualified processing history. Holders of PQS receive annual allocations of individual processor quota (IPQ), which authorize the holder to accept delivery of a specific number of pounds of crab harvested with Class A individual fishing quota (IFQ). Class A IFQ have one-to-one correspondence with IPQ and are issued for 90 percent of the annual total allowable catch (TAC) in each fishery. In the Bering Sea *C. opilio*, fishery Class A IFQ and IPQ are regionalized, with each share designated for landing either North or South of 56°20' N latitude (i.e., North region or South region). Allocations to North are approximately one-half of the total IPQ allocation in the fishery.

As adopted by the Council, the use caps prevent a single processor from using more than 30 percent of the processing shares in a fishery. An additional provision limits any processor from using in excess of 60 percent of the processing shares in the Northern region in the Bering Sea *C. opilio* fishery. No regional processing cap applies in any other fishery. So, a processor in the North would be restricted to processing 60 percent of the North IPQ allocation and to processing no more than 30 percent of the total allocation (including all processing in the North and South). Depending on the amount and North/South distribution of a processor's activity, either or both of these caps could be constraining. In most cases, though, the roughly equal allocation of shares in the North and South implies that if the North processing cap is binding, the overall cap will also bind.

The caps are interpreted to prohibit a processor from holding either the long term PQS or the annual IPQ yielded by PQS in excess of the cap. Under the original rule, any crab delivered to and processed by a plant (including any custom processing) would be attributed to the plant owner for purposes of applying the cap. Construed in this manner, the caps require at least two processors to operate in the North region.

In the Western Aleutian Islands red king crab and Western Aleutian Islands golden king crab fisheries, 50 percent of the Class A IFQ and IPQ are regionalized, with landings from those shares required to be made west of 174° W longitude (the West region). These West region shares in this fishery were issued proportionally to history, since qualified history in the West region was less than 50 percent of the total qualified history. The 30 percent share cap effectively requires two processors to operate in the West region for these fisheries.

MSA exemption of North custom processing in the Bering Sea *C. opilio* fishery from processing use caps

The suggested revision to the use caps in the Western Aleutian Islands fisheries would be based on the exemption developed in the MSA for the Bering Sea *C. opilio* fishery. Generally, that provision would exempt custom processing in the North region from the use caps. Provided processing share holders comply with the custom processing exemption, all North processing could be undertaken at a single facility. The rationale for the provision is that the slow rate of landings under the rationalization program has reduced processing efficiencies, particularly in low TAC years. Allowing all North processing to occur at a single platform would improve efficiencies. Limiting the exemption to custom processing is intended to prevent consolidation of holdings that could occur, if the processing of held or owned shares were included in the exemption. The specific provision in the MSA affecting the *C. opilio* fishery processing caps provides:

- (1) IN GENERAL. – Notwithstanding sections 680.42(b)(ii)(2) and 680.7(a)(ii)(7) of title 50, Code of Federal Regulations, custom processing arrangements shall not count against any use cap for the processing of *opilio* crab in the Northern Region so long as such crab is processed in the North region by a shore-based crab processor.
- (2) SHORE-BASED CRAB PROCESSOR DEFINED. – In this paragraph, the term “shore-based processor” means any person or vessel that receives, purchases, or arranges to purchase unprocessed crab, that is located on shore or moored within the harbor.

MSA §122(e).

The provision references two sections of the crab rationalization program regulations. Section 680.7 defines prohibitions, including the prohibitions on use of processing shares from which custom processing in the North region would be exempt. Section 680.42 sets out the specific caps, which include both a use cap of 30 percent on Bering Sea *C. opilio* processing shares and a use cap of 60 percent on North region Bering Sea *C. opilio* processing shares. The provision is believed to be intended to exempt custom processing arrangements from both of these caps.

Implementation of this provision raises a few questions. First, ‘custom processing’ must be defined for purposes of applying the exemption. Currently, federal regulations do not contain a definition of custom processing. Generally, custom processing is understood to be an arrangement under which a person processes crab on behalf of another, never taking ownership of the crab. Alaska regulations define a “custom processor” as a person who sells or offers for sale the service of seafood processing but who does not own the seafood being processed (18 AAC 34.990). This provision is implemented by identifying the actual owner of the crab (rather than the person processing the crab under the custom processing arrangement) on the fish ticket. Section 680.5(d)(8) contains a provision requiring a processor of crab to identify the party for which custom processing is being undertaken. This requirement could be used to identify processing that falls within the use cap exemption. Such an approach parallels the State of Alaska’s treatment of custom processing arrangements (which is used, in part, for determining liability for fish tax payments).

A second issue that arises is the interpretation of “moored within the harbor”. The provision is somewhat ambiguous, since no definition of “harbor” is contained in the current regulations. Legislative intent is believed to be lacking concerning this definition. Since the North region contains several harbors – for example, St. Paul, St. George, and Nome are all in the North region and have harbors – the provision will require development of a workable definition of “moored within the harbor”.

To implement the use cap exemption, NOAA Fisheries will need to adopt conforming regulations. The revision will also require analysis of the interpretation of these specific cap exemptions. The timing of the analysis is not currently scheduled, but is likely to begin in the near future. The analysis and rule making process are likely to proceed in the usual timeline, which will encompass several months prior to finalization in regulation. In the meantime, NOAA General Counsel has issued the guidance letter attached concerning its interpretation of the MSA Bering Sea *C. opilio* custom processing exemption. That guidance will be superseded by future regulations addressing the exemption.

Exemption of custom processing in the Western region of the Western Aleutian Islands golden king crab and Western Aleutian Island red king crab fisheries from processing use caps

The crab rationalization program limits processing by a person to 30 percent of the processing shares in a fishery (including both the Western Aleutian Islands golden king crab fishery and Western Aleutian Island red king crab fishery). At the same time, 50 percent of the processing shares in each of the two Western Aleutian Islands crab fisheries are designated for landing in the region west of 174° W longitude. Some participants in the fishery believe that this constraint on processing has led to diseconomies in the fisheries, similar to those reported in the Bering Sea *C. opilio* fishery. In the Western Aleutian Islands golden king crab fishery these diseconomies are asserted to have contributed to a portion of the fishery being left unharvested. To address this issue, the Council could consider adopting a provision for the Western Aleutian Islands crab fisheries similar to the MSA provision, such as:

Custom processing of crab by a processor operating onshore or moored in a harbor the Western Aleutian Islands golden king crab fishery or Western Aleutian Islands red king crab fishery will not count toward processing use caps.

? In the Region of the West of the ?
? Need to clarify whether ?
? once wants to ?
? to exemp

Although slightly revised, this provision would effectively relax the use cap in the Western Aleutian Islands fisheries under the same circumstances as is done for the Bering Sea *C. opilio* fishery by the MSA provision. This provision differs substantively from the provision proposed in public testimony in one respect. That proposal removed the exemption for processing platforms moored in a harbor. The removal of that provision provides the owners of existing shore plants with a much stronger position in the market by limiting the ability of floating processors to compete on the same terms (i.e., subject to the same exemption). Instead, for another processor to compete on equivalent terms with the existing shore plant would require the capital investment to develop a crab processing shore plant in the region. Compelling the development of additional shore facilities to induce competition would seem inappropriate and inconsistent with the stated rationale for the exemption. If the Council disagrees with this interpretation, it could include the provision exempting custom processing when moored in a harbor as an option.

An approach to development of an amendment

If the Council elects to advance this option for analysis, including fully defining custom processing and specifying the criteria for determining whether a vessel is moored in a harbor, could be accomplished in the same analysis of those issues for the MSA exemption for the Bering Sea *C. opilio* fishery. This approach would save on staff time, simplify the development of consistency between the MSA provision and any amendment the Council wished to develop, and simplify public participation in the development of these changes.



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
Office of General Counsel
P.O. Box 21109
Juneau, Alaska 99802-1109

The NOAA Office of General Counsel for Enforcement and Litigation, Alaska Region, issues the following statement:

On October 15, 2006, the opilio crab fishery season in the Bering Sea subarea opened and, as of the date of this statement, is still open.

On January 12, 2007, the Magnuson Stevens Fishery Conservation and Management Act was reauthorized by the U.S. Congress and signed by the President. (PL 109-479, HR 5946, January 12, 2007).

The following two provisions relating to the processing and use of individual processor quota (IPQ) for the *C. opilio* crab fishery in the Bering Sea subarea are contained in that Act:

SEC. 122. CONVERSION TO CATCHER/PROCESSOR SHARES.

(e) USE CAPS.—

(1) **IN GENERAL.**--Notwithstanding sections 680.42(b)(ii)(2) and 680.7(a)(ii)(7) of title 50, Code of Federal Regulations, custom processing arrangements shall not count against any use cap for the processing of opilio crab in the Northern Region so long as such crab is processed in the Northern Region by a shore-based crab processor.

(2) **SHORE-BASED CRAB PROCESSOR DEFINED.**--In this paragraph, the term "shore-based crab processor" means any person or vessel that receives, purchases, or arranges to purchase unprocessed crab, that is located on shore or moored within the harbor.

For purposes of assisting fishermen and processors in complying with the above provisions, the NOAA Office of General Counsel for Enforcement and Litigation, Alaska Region, provides the following guidance:

(1) The phrase "custom processing arrangements" as used in Section 122(e)(1) refers to:

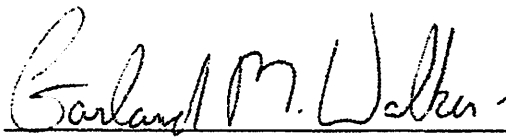
(a) a binding and legal contractual arrangement for the processing of crab that is entered into prior to the occurrence of the processing of the crab and;



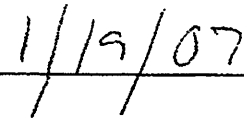
(b) in which the processed crab is debited from an IPQ account other than the IPQ account belonging to the owner of the processing plant at which the contract processing occurs.

- (2) The phrase "any use cap" as used in Section 122(e)(1) refers to the IPQ use cap as defined in 50 CFR 680.42(b)(1)(ii), or 50 CFR 680.42 b)(2), and calculated as defined in 50 CFR 680.7(a)(7).
- (3) The phrase "Northern Region" as used in Section 122(e)(1) refers to IPQ derived from processor quota share designated for the North Region as defined in 50 CFR 680.40(d)(2)(i).
- (4) The phrase "shore-based crab processor" as used in Section 122(e)(2) includes the terms "shoreside crab processor" or "stationary floating crab processor" as those terms are defined in § 680.2.
- (5) The phrase "moored within the harbor" as used in Section 122(e)(2) means moored within the harbor of St. George Island or St. Paul Island, located in the Pribilof Islands as those harbors are defined in NOAA marine charts 16381 and 16382 respectively.

This guidance is issued under the prosecutorial discretion authority inherent to this office. A formal rule making process is expected to be undertaken in the future to refine the above sections. Publication of a formal rule in the Federal Register constitutes constructive notice to all regulated parties of a rule promulgation. Upon publication of a rule addressing the above sections, this guidance is automatically rescinded and may no longer be relied upon.



Date



Garland M. Walker

NOAA Office of General Counsel for Enforcement and Litigation, Alaska Region

**DISCUSSION PAPER ON
COOPERATIVE VESSEL USE CAPS
UNDER THE CRAB RATIONALIZATION PROGRAM**

**NORTH PACIFIC FISHERY MANAGEMENT COUNCIL
FEBRUARY 2007**

In August of 2005, fishing began under the rationalization program developed by the North Pacific Fishery Management Council for the Bering Sea and Aleutian Islands crab fisheries. In recent years preceding implementation of the program, in excess of 200 vessels typically participated in the Bristol Bay red king crab, while over 150 vessels typically participated in the Bering Sea *C. opilio* fishery. In the first year of fishing under the new rationalization program, fewer than 100 vessels participated in each of these fisheries. Under the rationalization program, the amount of crab that may be caught by a vessel is limited to a percent of the annual TAC. Vessels fishing cooperative allocations, however, are exempt from the limit. The large, rapid drop in the number of participating vessels has caused concern for economic and social disruptions in coastal communities, as well as effects on crew employment. Community disruption could occur through a few different means. Fishery support business could lose revenues, if a decline in demand for their goods and services accompanies the decline in vessels in the crab fisheries. Overall economic activity in communities may decline, if local purchases by either resident or non-resident crewmembers decline. Reduction in crew jobs could also contribute to social disruptions in remote communities, if resident crew who lose jobs are unable to find alternative employment locally.

Because the considered action relates to the recent change in management of the fishery, this paper must describe transitional changes in the fishery arising from that management change. The breadth of discussion at times may distract the reader from the issue at hand (i.e., the application of caps to vessels fishing cooperative allocations). To help the reader develop an understanding of the issue of vessel caps in the context of the current management, this paper begins with a draft problem statement and a description of the alternatives proposed by the Council. A brief description of the issues raised by the proposed action, including both potential benefits and costs, follows. The paper goes on to layout the background conditions in the fisheries relative to the consolidation intended to be addressed by the proposed vessel caps. The paper concludes with a discussion of potential effects of the vessel caps. These conclusions are very preliminary and will be further scrutinized and developed, if the Council elects to proceed with this action and directs staff to prepare regulatory analyses of alternatives.

Draft Problem Statement/Objective:

A starting point for any analysis of alternatives to modify management is the development of a problem statement. The following is a draft problem statement that the Council could consider for development of alternatives for this action:

[The Bering Sea crab fisheries began fishing under a rationalized management program in August of 2005. The Environmental Impact Statement analyzing that program included a discussion on fleet consolidation. In the previously rationalized halibut and sablefish fishery, consolidation occurred in the first few years following implementation of the rationalization program. Some displacement of crew took place. Fleet consolidation under the cooperative management of the crab rationalization program took place immediately on implementation of the program. Although the program contains limits on the amount of crab that a vessel may harvest, vessels fishing cooperative allocations are exempt from those limits. This exemption may have contributed to the magnitude and speed of consolidation of catch. The rapid consolidation may have resulted in economic and socioeconomic disruption for displaced crew and coastal communities. This action considers applying harvest caps to vessels fishing cooperative allocations to mitigate potential negative impacts of consolidation.]

Range of Alternatives:

Currently, the rationalization program limits vessels fishing individual allocations to the following percentages of the respective fishery TACs:

- 2.0 percent for Bering Sea *C. opilio*
- 2.0 percent Bristol Bay red king crab
- 2.0 percent Bering Sea *C. bairdi*
- 4.0 percent for Pribilof red and blue king crab
- 4.0 percent for St. Matthew blue king crab
- 20 percent for EAI (Dutch Harbor) brown king crab
- 20 percent for Adak (WAI) brown king crab
- 20 percent for Adak (WAI) red king crab west of 179° West longitude

The Council has initially proposed examining a range of possible vessel caps from the same caps applicable to vessels fishing IFQs (outside of cooperatives) to 150 percent of the caps applicable to vessels fishing IFQs (outside of cooperatives). So, the Council is currently considering the following caps:

Alternative 1 – status quo

Vessels fishing cooperative allocations are exempt from vessel use caps.

Alternative 2 – cooperative vessel use caps

Vessels fishing cooperative allocations are subject to a use cap selected from the following ranges (100 – 150 percent of the individual caps):

- 2.0 – 3.0 percent for Bering Sea *C. opilio*
- 2.0 – 3.0 percent Bristol Bay red king crab
- 2.0 – 3.0 percent Bering Sea *C. bairdi*
- 4.0 – 6.0 percent for Pribilof red and blue king crab
- 4.0 – 6.0 percent for St. Matthew blue king crab
- 20 – 30 percent for EAI (Dutch Harbor) brown king crab
- 20 – 30 percent for Adak (WAI) brown king crab
- 20 – 30 percent for Adak (WAI) red king crab west of 179° West longitude

Issues:

As is frequently the case, this action will require the Council to balance competing considerations (or impacts). Part of the rationale for imposing vessel caps is to increase or maintain employment in the fisheries. Contraction of the fleet when the rationalization program was implemented resulted in the loss of several fishing jobs. The loss of these jobs has a particularly acute impact on remote communities with few job opportunities. Vessel use caps can be used to disperse fishing activity across a larger fleet. If the number of vessels in a fishery is increased, the number of crew employed in the fishery will also rise. Adding crew jobs could have a few effects, beyond the obvious employment of more persons. Increasing the number of persons employed could also create additional demand that changes negotiating leverage of crew. This effect is likely to have a greater influence on more experienced and skilled crew, who could be in shorter supply. A second competing effect is that dispersion of catch across more vessels (and more crews) will decrease the average harvests of each crew. Deriving crew shares from lower average vessel revenues would tend to reduce the pay of the average crew. The extent to which these effects are realized depends on the specific cap levels and the tendency of participants to consolidate catch in general.

Although the transition to a rationalized fishery often results in some vessels leaving a fishery, remaining vessels often increase their catch, extending their stays in communities close to fishing grounds from which they operate. These extended stays can add stability to spending patterns, but peak spending by fishery participants under rationalization will often be less than peak spending in the pre-rationalization fishery. If

the vessel use caps result in additional vessels in the fisheries, total purchases from support industries in coastal communities could increase, contributing to local economies. These effects include spending on goods and services that directly support fishery operations, as well as general spending of crewmembers. As with other more direct effects in the fisheries, dispersing activity across a larger fleet could reduce spending by some vessels that are fishing smaller allocations and may spend less time in communities close to the grounds.

Limiting the catch allowed by a single vessel using a vessel cap could impact production efficiency gains in the fishery, if stacking quota beyond the cap could be more cost effective. In addition, some vessel owners have likely made financial commitments and business plans based on fishing in cooperatives with catch in excess of the proposed caps. These vessel owners could be disadvantaged by changes in the use caps.

Background:

Prior to the implementation of the rationalization program, the BSAI crab fisheries were prosecuted as a limited access, derby fishery, under which the participants raced for crab after the opening with the fishery closing once managers estimated that the guideline harvest level (GHL)¹ was fully taken. This management is noted for its tendency to reduce production efficiency, since participants often improve individual returns from the fishery by increasing catch rates and costs. Safety may also be compromised by participants who take greater risks to increase catch. The limited access management also increases the incentive for all license holders to participate in the fishery, since a person cannot receive a return from the fishery without participating. This progression was evident in the crab fisheries. For the last several years of limited access management, seasons in the two largest fisheries ranged from a few days to a few weeks. During this time, harvest levels have been near historic lows. From the 2000 season through 2005-2006 season, Bristol Bay red king crab fishery harvests ranged from a low of 7.5 million pounds to high of 18.3 million pounds, while Bering Sea *C. opilio* harvests ranged from 22.2 million pounds to 30.8 million pounds. Between 150 and 250 vessels participated annually in each fishery. Some participants allege that financial pressures of boat payments ensured their participation, since revenues from the fisheries were their primary source of income from their vessels. Participants also likely remained in the fishery, in part, to reinforce their stake in any future history-based allocation.

Under the rationalization program implemented in the fall of 2005, participants are allocated fixed shares of the annual total allowable catch (TAC). Under the revised management, allocations are exclusive. So, participants do not need to race to prevent others from preempting their catch. To improve returns from the fisheries participants, instead, have an incentive to reduce costs. One obvious means of reducing costs is to stack quota on fewer vessels, potentially saving on costs not only of capital, but also on maintenance, insurance, crew, fuel, and other variable input costs. High lease rates have likely contributed greatly to consolidation in the first two years of the program. In the first year of the program, Bristol Bay red king crab lease rates were as high as 70 percent of the ex vessel price, while Bering Sea *C. opilio* lease rates reached 50 percent of the ex vessel price in some cases. In the Western subdistrict Bering Sea *C. bairdi* fishery lease rates were in the range of 35 percent of the ex vessel price. The lower rate in this fishery is likely a reflection of the fact that the fishery is primarily an incidental catch fishery with relatively lower catch rates and a low TAC. Lease rates in the Eastern Aleutian Islands golden king crab fishery were approximately 50 percent of the ex vessel prices, while lease rates in the Western Aleutian Islands golden king crab fishery were approximately 25 percent of the ex vessel price. The low price in the Western Aleutian Islands fishery likely has resulted from the high operating costs and low ex vessel price in that remote fishery. Lease rates have dropped by as much as 10 percentage points in the various fisheries this year. Demand for shares in the Western Aleutian Islands golden king crab fishery has reportedly not supported a lease market this year. Examining data from

¹ Historically, the GHL specified a range of allowable catch, providing in-season managers with some discretion to close the fishery based on their assessment of stock conditions. In making these assessments, managers would rely on survey information, as well as in-season and cross-season variations in catch rates. In recent years, managers have stated GHLs as specific amounts, managing the fishery in-season to allow harvest of that specific amount.

the first year of the program and the years immediately preceding implementation show a drastic reduction in the fleet under the program.

Table 1 shows some simple statistics of the fleet participating in the Bristol Bay red king crab from the 2001 season through the 2005-2006 season. Figure 1 shows the distribution of catch across the fleet during those years, with each point showing the average catch of four vessels to protect confidentiality. The table and histogram show considerable consolidation occurred in the first year of the rationalization program. In the Bristol Bay red king crab fishery, the fleet contracted to slightly more than one-third its pre-rationalization size. The median vessel harvested slightly more than twice the pre-rationalization median harvest, while the largest harvests in the fleet grew to more than double the pre-rationalization levels. Owners have registered 81 vessels for the 2006-2007 fishery, slightly fewer than participated in the 2005-2006 fishery.

Table 1. Simple statistics of the fleet participating in the Bristol Bay red king crab fishery (2001 through 2005-2006).

BBR

Season	Number of vessels in the fishery	Total Catch	Average vessel harvest		Median vessel harvest		Average of highest four vessel harvests	
			as percent of total allocation	in pounds	as percent of total allocation	in pounds	as percent of total allocation	in pounds
2001	230	7,681,106	0.43	33,396	0.37	28,747	1.28	98,202
2002	241	8,770,348	0.41	36,391	0.40	35,316	0.82	71,911
2003	250	14,237,375	0.40	56,950	0.33	47,540	1.40	198,892
2004	251	13,889,047	0.40	55,335	0.38	52,780	0.86	119,599
2005 - 2006	89	16,469,100*	1.12	185,132	0.85	140,669	3.91	643,786

* Total allocation
Source: ADFG fish tickets

Figure 1. Catch by vessel as a percent of the total allocation in the Bristol Bay red king crab fishery (2001 through 2005-2006).

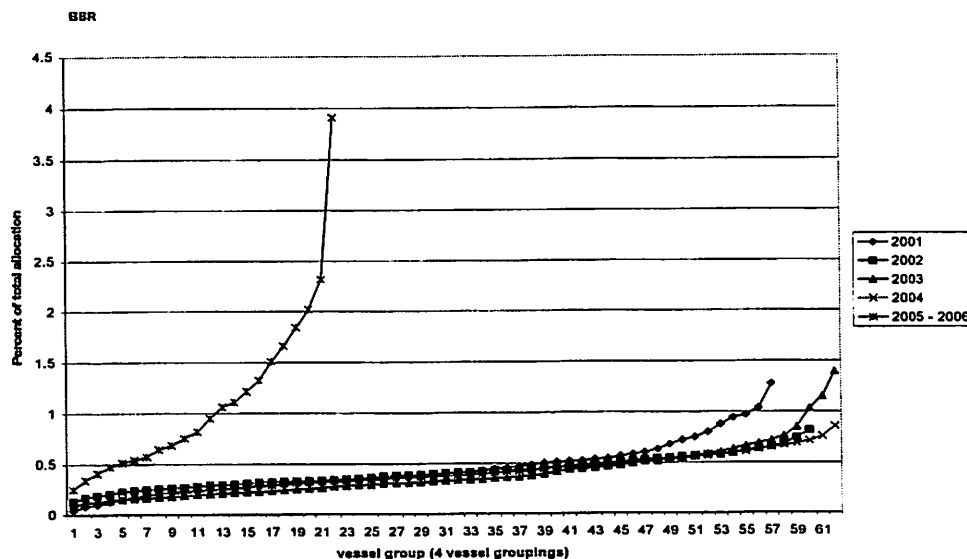


Table 2 shows simple catch statistics of the fleet participating in the Bering Sea *C. opilio* fishery from the 2001 season through the 2005-2006 season. Figure 2 is a histogram showing the distribution of catch across

the fleet during those years, with vessels grouped in fours to protect confidentiality. In the Bering Sea *C. opilio* fishery the fleet contracted to levels similar to those in the Bristol Bay red king crab fishery, but the contraction was of smaller magnitude because this fleet had contracted to some degree prior to implementation of the program. The relatively fewer vessels in the *C. opilio* fishery prior to the 2005-2006 season likely occurred because GHGs in that fishery were at historic lows leading up to implementation of the rationalization program. In the first year of the program, the harvests of the largest vessels in the fleet greatly exceeded the largest pre-rationalization harvests.² In assessing the numbers of vessels in the *C. opilio* fishery, it should be borne in mind that the catch in that fishery dropped substantially since 2000. In the *C. opilio* fishery in years from 1997 through 1999, the average vessel harvest was approximately 617,000, substantially higher than the average vessel harvest in the 2005-2006 season. Registration numbers are currently not final for the 2006-2007 fishery.

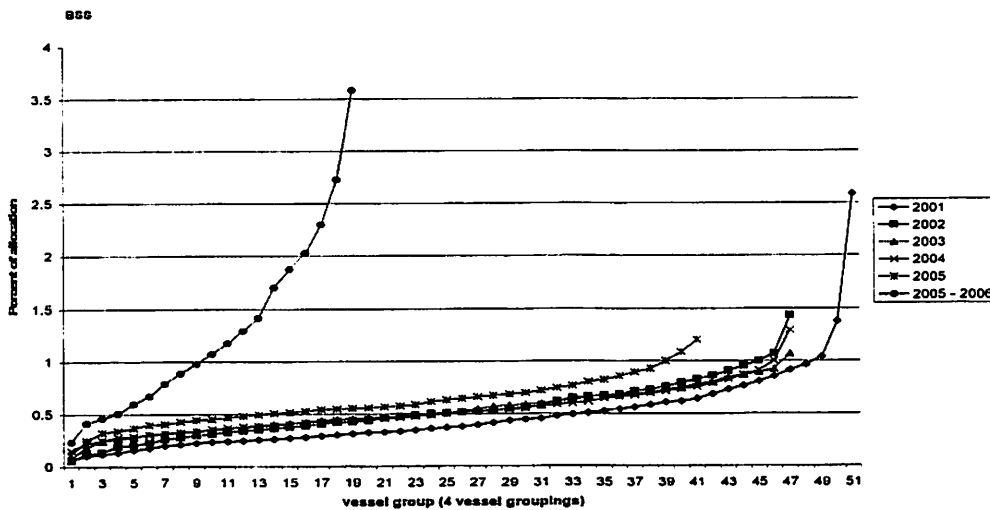
Table 2. Simple statistics of the fleet participating in the Bering Sea *C. opilio* fishery (2001 through 2005-2006).

Season	Number of vessels in the fishery	Total Catch	Average vessel harvest		Median vessel harvest		Average of highest four vessel harvests	
			as percent of total allocation	in pounds	as percent of total allocation	in pounds	as percent of total allocation	in pounds
2001	207	22,940,704	0.48	110,825	0.38	86,479	2.59	593,306
2002	190	29,609,702	0.53	155,841	0.50	147,730	1.44	425,538
2003	190	25,410,122	0.53	133,737	0.49	125,655	1.07	271,901
2004	189	21,939,493	0.53	116,082	0.49	106,791	1.30	284,844
2005	167	22,655,777	0.60	135,663	0.57	128,122	1.21	273,237
2005 - 2006	78	33,465,600*	1.27	426,361	1.05	352,169	3.59	1,199,822

* Total allocation

Source: ADFG fish tickets

Figure 2. Catch by vessel as a percent of the total allocation in the Bering Sea *C. opilio* fishery (2001 through 2005-2006).



² The four largest vessels in the fishery in 2001 harvested a substantially greater share than the four largest harvests in any other year. This likely occurred because some catcher processors did not acknowledge a catcher vessel strike in the fishery that year.

Table 3 shows simple statistics for the Western subdistrict Bering Sea *C. bairdi* fishery for the 2005-2006 season. The fishery was closed for several years leading up to the rationalization program implementation. In 2005-2006, the fishery was opened with a TAC of approximately 1.5 million metric tons – a catch limit substantially smaller than any previously permitted in the fishery. The fishery would have likely remained closed, if limited entry management has been continued, as inseason managers questioned their ability to control harvest of such a small quantity of crab, given the number of eligible vessels. The fishery is generally prosecuted incidentally to the *C. opilio* fishery. The relatively low median vessel catch and high average of the high four vessel catches is a reflection of the tendency of few vessels to actively target *C. bairdi*.³

Table 3. Simple statistics of the fleet participating in the Western subdistrict Bering Sea *C. bairdi* fishery (2005-2006).

WBT

Season	Number of vessels in the fishery	Total Allocation	Average vessel harvest		Median vessel harvest		Average of highest four vessel harvests	
			as percent of total allocation	in pounds	as percent of total allocation	in pounds	as percent of total allocation	in pounds
2005 - 2006	42	1,458,000	1.29	18,835	0.36	5,209	6.98	101,726

Source: ADFG fish tickets

Approximately 10 fewer vessels participated in the *C. opilio* fishery than in the Bristol Bay red king crab fishery in the first year of the program. Consequently, the mean and median harvests shares were slightly larger than in the Bristol Bay red king crab fishery. A few factors could have led to fewer vessels participating in the *C. opilio* fishery than in the Bristol Bay red king crab fishery in the first year of the program. Although the TAC in the *C. opilio* fishery exceeded the red king crab TAC, the comparatively low price of *C. opilio* may require greater catch volumes to achieve production efficiencies. Additionally, since the *C. opilio* is prosecuted later in the year than the red king crab fishery, some share holders may have developed greater familiarity with the leasing arrangements and cooperative fishing opportunities. Also, some operators may have decided to lease shares in the *C. opilio* fishery after experiencing the added operating costs (primarily resulting from high fuel prices) in the Bristol Bay red king crab fishery. This additional consolidation likely carried over to the Bristol Bay red king crab fishery this year. The *C. bairdi* fishery had approximately half the number of participants in the *C. opilio* fishery. The small TAC likely discouraged most vessels from actively targeting that species.

Table 4 and Table 5 show simple statistics for vessels participating in the Eastern Aleutian Islands golden king crab and Western Aleutian Islands golden king crab fisheries, respectively. These fisheries also showed considerable consolidation in the first year of the program. Both fisheries' fleets consolidated to half or fewer vessels than pre-rationalization levels. The harvest amount of the average vessel in the rationalized fisheries are substantially greater than harvests in the rationalized Bristol Bay red king crab fishery. The average vessel's harvests in the Eastern fishery are comparable to the average harvests in the *C. opilio* fishery, which are half of the harvests of the average vessel in the Western fishery. These harvest levels are not surprising given the relative catch rates, manner of prosecution (i.e., longline pots), limited grounds, and relative price. These factors all contribute to greater levels of concentration than in the Bristol Bay red king crab fishery, while all except price contribute to greater consolidation than in Bering Sea *C. opilio* fishery. The substantially greater concentration in the Western fishery results from the remoteness of those grounds, which

³ Because the Western subdistrict *C. bairdi* fishery was close for several years preceding implementation of the rationalization program, a histogram of catch in the fishery (similar to Figure 1 or Figure 2) is not revealing of consolidation in the fishery.

together with high fuel prices and low crab prices in recent years has substantially reduced economic returns in that fishery. Seven vessels have registered to fish Aleutian Islands golden king crab in the 2006-2007 season.

Table 4. Simple statistics of the fleet participating in the Eastern Aleutian Islands golden king crab fishery (2001 through 2005-2006).

EAG

Season	Number of vessels in the fishery	Total Catch	Average vessel harvest		Median vessel harvest		Average of highest four vessel harvests	
			as percent of total allocation	in pounds	as percent of total allocation	in pounds	as percent of total allocation	in pounds
2001 - 2002	19	3,128,409	5.26	164,653	5.19	162,353	9.65	302,015
2002 - 2003	19	2,765,436	5.26	145,549	5.05	139,601	8.90	246,047
2003 - 2004	18	2,900,247	5.56	161,125	5.28	153,039	8.76	254,082
2004 - 2005	20	2,846,273	5.00	142,314	5.47	155,654	7.97	226,772
2005 - 2006	7	2,700,000*	13.59	366,828	10.99	296,732	18.85	508,930

* Total allocation

Source: ADFG fish tickets

Table 5. Simple statistics of the fleet participating in the Western Aleutian Islands golden king crab fishery (2001 through 2005-2006).

WAG

Season	Number of vessels in the fishery	Total Catch	Average vessel harvest		Median vessel harvest		Average of highest four vessel harvests	
			as percent of total allocation	in pounds	as percent of total allocation	in pounds	as percent of total allocation	in pounds
2001 - 2002	9	2,693,221	11.11	299,247	4.46	120,155	21.70	584,538
2002 - 2003	6	2,605,237	16.67	434,206	13.59	354,129	24.50	638,228
2003 - 2004	6	2,637,161	16.67	439,527	13.99	368,959	23.80	627,711
2004 - 2005	6	2,639,862	16.67	439,977	14.17	374,012	24.18	638,314
2005 - 2006	3	2,430,000**	32.71	794,855	*	*	*	*

* Withheld for confidentiality

** Total allocation

Source: ADFG fish tickets

Table 6 shows the percent of catch and number of participants by vessel type in the Bering Sea and Aleutian Island crab fisheries. The table shows that catcher processor participation dropped slightly less than participation of catcher vessels, given the relative fleet sizes prior to implementation of the program. The table also shows that participating catcher processors averaged less than the proposed vessel caps in all fisheries, except the Western Aleutian Islands golden king crab fishery. Only three vessels prosecuted that fishery in the first year of the program. Anecdotal reports from the fishery are that a substantial portion of the TAC could be left unharvested this season because of low product prices and high costs of operation for harvesters and processors. Processors, in particular, have argued that the combination of processing share use caps together with the Western regional landing requirements in the fishery severely damage economic returns for that portion of the fishery.⁴

⁴Since the two Aleutian Islands golden king crab fisheries both had fewer than 7 vessels participating in the 2005-2006 season, histograms showing the distribution of catch among vessels in the fishery (similar to Figure 1 or Figure 2) are not revealing of consolidation.

Table 6. Percent of catch and participation by operation type (2001 through 2005-2006).

Fishery	Season	Catch (as percent of total) by		Number of vessels participating	
		catcher vessels	catcher processors	catcher vessels	catcher processors
Bering Sea <i>C. opilio</i>	2001	88.5	11.5	200	6
	2002	94.4	5.6	182	8
	2003	96.8	3.2	185	5
	2004	97.0	3.0	183	6
	2005	97.1	2.9	161	6
	2005 - 2006	91.6	7.8	74	4
Bristol Bay red king crab	2001	95.0	5.0	222	8
	2002	95.6	4.4	231	9
	2003	95.2	4.8	241	8
	2004	95.7	4.3	243	8
	2005 - 2006	96.4	3.7	85	4
Western Bering Sea <i>C. bairdi</i>	2005 - 2006	*	*	40	2
Eastern Aleutian Islands golden king crab	2001 - 2002	100.0	0.0	19	0
	2002 - 2003	100.0	0.0	19	0
	2003 - 2004	100.0	0.0	18	0
	2004 - 2005	100.0	0.0	20	0
	2005 - 2006	*	*	6	1
Western Aleutian Islands golden king crab	2001 - 2002	*	*	8	1
	2002 - 2003	*	*	5	1
	2003 - 2004	*	*	5	1
	2004 - 2005	*	*	5	1
	2005 - 2006	*	*	2	1

* Withheld for confidentiality

Source: ADFG fish tickets

The changes in participation patterns in the crab fisheries arising after rationalization have had noticeable impacts on both crew in the fisheries and some communities that depend economically and socially on the fisheries. The drastic reduction in participation has decreased the number of crew employed in the fisheries. Anecdotal reports are that crew sizes have changed minimally (at most one person per vessel) since implementation of the program. As a result, the removal of vessels from the fisheries provides a direct estimate of the number of crew jobs lost. Assuming approximately 6 crew members per vessel, approximately 850 fewer crew (including captains) were employed in the Bristol Bay red king crab fishery in the first year of the rationalization program, in comparison to the 2001 to 2004 season average. Approximately 600 fewer crew were employed in the Bering Sea *C. opilio* fishery during the first year of the program, when compared to the 2001 to 2005 season average. These rough estimates are consistent with a recent study of fisheries employment conducted by the Alaska Department of Labor and Workforce Development. The study estimated monthly crew positions in the crab fisheries from 2000 through 2005 (see Table 7).⁵ Since the rationalization program was implemented in August 2005, the study only assesses employment under the program in the last half of 2005. Notably, monthly employment in crab fisheries dropped substantially in October of 2005 in comparison to previous years – the month of peak employment in the Bristol Bay red king crab fishery in recent years. A less substantial increase in estimated employment occurred in November. Additionally, a slight rise in employment occurred in December.

⁵ These estimates are generated based on fishery specific crew factors applied to active permits in the fishery on a monthly basis.

Table 7. Estimated monthly harvesting employment in Alaska crab fisheries from 2000 to 2005.

Year	August	September	October	November	December
2000	434	174	1,707	304	72
2001	575	156	1,748	506	129
2002	658	204	2,052	564	77
2003	615	184	1,978	566	91
2004	568	110	1,836	304	82
2005	420	91	688	834	190

Source: Alaska Economic Trends, Alaska DLWFD, December 2006.

Although these job losses are substantial in number, in assessing their importance, one must consider the nature of the employment. Few crab deck jobs fully supported the crewmember. Because of the small size of the fisheries in years leading up to implementation of the rationalization program, most crew worked only a month or so in the crab fisheries. Notwithstanding the relatively short term of these jobs, for many deck crew, their crab fishing jobs are reported to have provided important contributions to annual income. Particularly in the case of crew from remote communities, replacing income from lost crab crew jobs is reported to be problematic.⁶ Most captains, who make substantially larger shares than crew, also supplemented their crab income with income from other activities. Several crab captains also captain their crab vessels for cod fishing and salmon tendering. Others work in other fisheries or in other jobs unrelated to fishing.

Most crew (including captains) who retained their positions under the new management faced a change in terms of employment. Based on anecdotal evidence, many crew received full crew share on quota owned by the vessel owner. In most cases, shares paid on leased quota fished by a vessel were computed after deduction of any lease payments. So, the base revenues used to compute a crew payment for catch of leased shares were reduced by as much as 70 percent in the Bristol Bay red king crab fishery and as much as 50 percent in the Bering Sea *C. opilio* fishery in the first year of the program. The effects of this change vary to the extent that the amount of leased quota varied across the fleet. In some instances, vessels reportedly leased a substantial portion of the quota fished, with little held quota. In these instances, crew received virtually all share payments from the discounted revenue base. In some other instances, vessels reportedly fished almost all owned quota, in which case crew received a share similar to their historic share. Some vessels held substantial amounts of quota, but also leased substantial quota. In most of these instances, crew are reported to have received historic share payments for vessel owned quota, supplemented with shares from the discounted base revenues on leased quota. In some cases, however, vessel owners are reported to have charged royalties on owned quota, lowering the base on which shares are calculated for all quota fished on the vessel. Depending on the level of royalty charged, crew could receive substantially reduced payments.

No reliable source of data shows crew satisfaction. Anecdotal reports from the fleet vary. Many crew receiving historic shares for quota owned by the vessel owner and shares computed based on the reduced base after lease payments are reportedly satisfied with the arrangement. Although the reduced basis on leased quota does affect overall crew payments relative to ex vessel revenues, in many instances a significant portion of revenues may not be subject to basis reduction. Some crew are reportedly dissatisfied with royalty arrangements that result in reduced crew payments. Most of these crew fish on vessels that lease a large majority of the quota fished on the vessel. Reports of the greatest dissatisfaction are from crew that fish on vessels that charge royalties on all quota fished on the vessel. In extreme cases, these crew are reported to have walked off their vessels before or during the season. In general, market and fishery conditions likely contributed to crew dissatisfaction in the first year of the program. Specifically, low ex vessel prices and poor

⁶ Some long term crew who lost positions in the fisheries due to vessel owners leasing shares were reportedly compensated despite not fishing. These payments certainly eased the transition for those crew. Payments of this type are likely not the norm and are unlikely to continue for extended periods.

fishing conditions, especially in the *C. opilio* fishery, affected satisfaction of some crew with terms and conditions of their employment.

The change in terms of crew employment have also affected the ability of some vessel owners to find crew. With the change in management of the fisheries and consolidation of catch, many of the vessel owners have attempted to employ crews that work longer periods on their vessels. This extended employment often includes not only working during an extended crab season, but also working on the vessel in other fisheries or in tendering. While these jobs may provide more stable employment, some experienced crew are reportedly reluctant to enter these arrangements, since they conflict with other work (including work in other fisheries). Some halibut and sablefish IFQ holders and crew are reported to be reluctant to fish crab for an extended season, if it interferes with their work in that fishery.

Long term effects of the change in terms of employment for crew are uncertain, but could be more troubling. As initial recipients depart from the fisheries and sell off their interests, new quota holders will not have an initial allocation with which to buffer their crew payments. If current compensation trends continue, all shares would be effectively acquired shares, which in the holder's eye could justify charging royalties prior to crew compensation. Whether vessel owners could still attract crew with acceptable skill and ability at these payment levels is uncertain. If not, the payment structure would likely to change, with commensurate changes in quota values and lease rates.

Community effects of the rationalization program are harder to discern. Many of those effects are less direct and difficult to estimate, in part due to data shortages. To date, two studies have examined the effects of the program on four communities. One, undertaken on behalf of the City of Kodiak, examines effects on crew employment and support businesses in that city; the other, undertaken on behalf of the Aleutians East Borough, examines economic and social effects on King Cove, Akutan, and False Pass (Knapp, 2006; Lowe, et al., 2006). The most evident local impacts arise from the reduction in crew. Declines in crew positions are believed to be in direct proportion to declines in vessel participation. No specific data are available concerning residence of crew, compelling analysts in the recent studies to rely on the knowledge of local residents for estimating crew job losses. Those studies estimate that 25 residents of the three Aleutians East Borough communities lost crab crew positions, while Kodiak crew are estimated to have lost 125 positions in the Bristol Bay red king crab fishery and approximately 60 positions in the Bering Sea *C. opilio* fishery in the first year of the program. Estimates of job losses in other communities are unavailable at this time. Although crab crew typically are short term positions that account for only a portion of a person's income, the loss of this income to residents of remote communities is likely of greater consequence than job losses in larger economies, since job markets in remote areas are more limited. In most cases, these job losses will be transitional for individuals, as they work to find substitute income or adjust their lifestyles to account for losses of income. In remote communities, with fewer job opportunities, the potential for losses of income to result in a decline in living standards is increased. In some instances, the absence of opportunities could compel out migration. Whether any outmigration from remote fishing communities attributable to loss of crab crew jobs has occurred is not known.

In small economies, the loss of crew jobs can also have indirect effects, if local spending of resident crew declines. Declines are exacerbated, if job losses induce migration of residents to other areas (removing all spending of the departing residents from the area). In addition, social disruptions can also occur through several effects. Clearly, if job losses affect a noticeable portion of the community, the community will suffer socially. Small fishing dependent communities, however, are particularly vulnerable, since the fishing industry is often synonymous with the local identity. This local identity will suffer to the extent that any loss of fishing opportunities threatens the ability of residents to make a living in the industry. At this point, the extent and longevity of these effects is uncertain.

Fleet contraction is also felt by communities whose businesses have suffered because of a drop in demand for goods and services from their businesses. Attribution of these effects to the change in crab management is difficult, since data isolating spending of crab vessels and fishery participants from spending associated with other fishery and non-fishery activities are not available. In the Kodiak study, anecdotal evidence suggest declines in spending at some businesses, but evidence of a broad decline in total local spending could not be identified. In the Aleutians East Borough study, King Cove was found to have suffered large declines in revenues from harbor and moorage fees. In addition, declines in revenues of many support industries are cited (although the magnitude of these declines is not specified). At the same time, one business in King Cove – a support industry business owned the local processor – has experienced an increase in revenues during the first crab season under the program. This increase may have resulted from activities other than crab fishing. Some vessel owners assert that they have increased their purchases from communities proximate to the fishing grounds since the program was implemented. These owners state that their extended stays in the communities require them to make local purchases to sustain their fishing activities. Most of these owners assert that they prefer to make these purchases prior to positioning their vessels near the fishing grounds, because of the comparatively high prices in remote Alaskan communities. The extent to which these additional purchases have offset declines in spending because of the removal of vessels from the fleet is uncertain.

Both studies caution that effects may lag. For example, vessels that did not fish in the first year of the program may still buy some inputs to allow their use in other fisheries. If these vessels are retired over time, effects may not be felt until some time in the future.

Discussion:

The only change in management considered by this action would be the application of vessel use caps to vessels fishing cooperative allocations. Vessels fishing individual allocations (rather than cooperative allocations) are currently limited by caps. Since the provision would establish new caps applicable to vessels fishing in cooperatives, the action would only have effect to the extent that cooperative participants who would otherwise choose to fish in excess of the cap would be limited by the cap.

Effects of proposed caps on fleet size and consolidation

Table 8 below shows the number of vessels fishing inside and outside of cooperatives, as well as the average amount fished by these vessel groups and the number of cooperative vessels that would have exceeded the proposed caps. The table shows that 4 vessels in the Bristol Bay red king crab and *C. opilio* fisheries exceeded the three percent cap, while 9 vessels in the Bristol Bay red king crab fishery and 13 vessels in the Bering Sea *C. opilio* fishery exceeded the proposed 2 percent cap. More vessels exceeded these caps in the Western subdistrict Bering Sea *C. bairdi* fishery, as most vessels in that fishery did not engage in the directed fishing. On average vessels fishing a cooperative allocation harvested less than the lowest proposed cap in all fisheries except the Western Aleutian Islands golden king crab fishery, suggesting the cooperative allocations could have been redistributed among cooperatives in all but that one fishery to comply with the caps (without entering additional vessels in the fisheries).

Table 8. Number of vessels fishing and average catch inside and outside of cooperatives and number of cooperative vessels exceeding proposed cap percentages (in the 2005-2006 season).

Fishery	Number of vessels fishing			Average catch ^a of a vessel fishing			Number of cooperative vessels fishing over	
	outside of a cooperative	inside of a cooperative	total	outside of a cooperative	inside of a cooperative	in the fishery	the current cap applicable outside of cooperatives	150 percent of the current cap applicable outside of cooperatives
Bristol Bay red king crab	18	71	89	0.61	1.20	1.12	9	4
Bering Sea <i>C. opilio</i>	15	63	78	0.96	1.35	1.28	13	4
Western subdistrict Bering Sea <i>C. bairdi</i>	11	31	42	0.77	1.48	1.29	7	5
Eastern Aleutian Islands golden king crab	1	6	7	8.36	14.46	13.59	2	0
Western Aleutian Islands golden king crab	0	3	3	-	32.71	32.71	**	**

^a as a percent of the total allocation

** Withheld for confidentiality

Source: ADFG fish tickets

An alternative approach to examining cooperative behavior relative to the proposed caps is to examine the activities within each cooperative relative to the caps. Table 9 shows the number of cooperatives with vessels exceeding the proposed caps during the 2005-2006 season and the number of cooperatives with their average vessel exceeding the proposed caps. The table shows that many of the cooperatives had vessels exceeding the current cap applicable outside of cooperatives, while few had vessels exceeding the 1.5 times that cap (the maximum cap under proposed). Fewer than 4 cooperatives would need to redistribute catch beyond their participating vessels to comply with the current cap in all fisheries except the *C. bairdi* fishery. No cooperatives would have needed to enter additional vessels to the Bering Sea *C. opilio* or the Eastern Aleutian Islands golden king crab fishery to comply with a 3 percent cap.

Table 9. Number of cooperatives, number of cooperatives with a vessel exceeding the proposed caps, and number of cooperatives with their average vessel exceeding the cap (in the 2005-2006 season).

Fishery	Number of cooperatives	Number of cooperatives with a vessel over the proposed		Number of cooperatives with their average vessel over the proposed	
		the current cap applicable outside of cooperatives	150 percent of the current cap applicable outside of cooperatives	the current cap applicable outside of cooperatives	150 percent of the current cap applicable outside of cooperatives
Bristol Bay red king crab	13	7	*	*	*
Bering Sea <i>C. opilio</i>	13	9	4	*	0
Western subdistrict Bering Sea <i>C. bairdi</i>	13	6	5	4	*
Eastern Aleutian Islands golden king crab	3	*	0	*	0
Western Aleutian Islands golden king crab	3	*	*	*	*

* withheld for confidentiality

Source: ADFG fish tickets

Table 10 shows the leasing of IFQ pounds during the 2005-2006 season. The table shows that most allocations were to cooperatives. More IFQ pounds were exchanged between cooperatives than between persons not in cooperatives.⁷ Since intra-cooperative exchange of quota does not require a lease, it is not surprising that a greater percentage of the non-cooperative allocations were leased. Internal exchanges within cooperatives likely exceed those of non-cooperative, but no standard is available for defining and estimating those internal exchanges (which are not administered by NOAA Fisheries). Agency administered exchanges of *C. bairdi* IFQ exceed those of all other species as a percentage of the total allocation (at almost 30 percent). Notwithstanding these exchanges, 46 percent of the total allocation in that fishery was left unharvested. In all other fisheries, 95 percent or more of the total allocations were harvested.

⁷ The program rules as defined by NOAA Fisheries do not permit exchanges between cooperatives and persons not in cooperatives.

A few factors likely affected (and will continue to affect) distribution of *C. bairdi* catch. In 2005-2006 only the area west of 166° W longitude was open for *C. bairdi*. In that area, harvests would be incidental to Bering Sea *C. opilio* harvests. The Council amended the program so that allocations of QS and PQS in this fishery are now divided to support two fisheries, one east of 166° W longitude and the other west of 166° W longitude. These revised allocations were made by providing each share holder with equal shares in the two fisheries. So, a person holding one-half of one percent of the *C. bairdi* QS prior to the amendment would receive one-half of a percent of the east QS and one-half of a percent of the west QS. Until TACs rise substantially, managers expect the east fishery to be prosecuted primarily incidentally to the Bristol Bay red king crab fishery, while the west fishery is expected to be prosecuted primarily incidentally to the Bering Sea *C. opilio* fishery. The *C. bairdi* fishery had a relatively small TAC – approximately 1.2 million pounds. Several factors likely contributed to leaving this crab unharvested. Fishery conditions (including ice and low *C. opilio* catch rates) likely contributed. Some participants report that they believed the fishery closed in May simultaneously with the *C. opilio* fishery. The fishery, in fact, closed March 31st, shutting out IFQ holders that hoped to fish in April and May. Some participants assert that independently targeting *C. bairdi* is cost prohibitive at the current prices and TAC levels. Participants expect that more of the TAC to be harvested in future years, as participants learn to coordinate their fishing. Some participants also expect quota to be stacked on fewer vessels to accommodate directed fishing and to reduce costs of catching the relatively small TAC.

Table 10. Allocations and leases of IFQ by fishery (2005-2006 season).

Fishery	Total allocation in the fishery (in pounds)	Non- cooperative allocations (in pounds)	Cooperative allocations (in pounds)	IFQ pounds leased between					
				persons not in cooperatives			cooperatives		
				In pounds	as percent of non- cooperative allocations	as percent of all allocations	In pounds	as percent of cooperative allocations	as percent of all allocations
Bristol Bay red king crab	16,496,100	2,738,548	13,757,552	384,171	14.0	2.3	1,030,949	7.5	6.2
Bering Sea <i>C. opilio</i>	33,465,600	5,486,186	27,979,414	781,554	14.2	2.3	3,240,703	11.6	9.7
Bering Sea <i>C. bairdi</i>	1,458,000	255,027	1,202,973	28,793	11.3	2.0	260,760	21.7	17.9
Eastern Aleutian Islands golden king crab	2,700,000	237,365	2,462,635	6,853	2.9	0.3	125,605	5.1	4.7
Western Aleutian Islands golden king crab	2,430,000	0	2,430,000	0	0.0	0.0	192,207	7.9	7.9

Source: NOAA Fisheries, Alaska Region, RAM Division

A few factors likely contributed to the substantial consolidation that occurred in the first year of the program. Consolidation was simplified by the cooperative structure that reduces administrative burdens for in-season quota exchanges among members. Quota leasing (inside and outside of cooperatives) was particularly attractive in the 2005-2006 season. Lease rates were reported to be substantially higher than most participants expected, ranging as high as 70 percent of the ex vessel price in the Bristol Bay red king crab fishery and 50 percent of the ex vessel price in the Bering Sea *C. opilio* fishery. Fuel prices were also extraordinarily high last season, rising by more than 50 percent of the price in recent years. Several participants also reported increases in insurance costs, in part, because many purchased cargo insurance to cover the quota landings committed to IPQ holders and lease payments committed to other quota holders. In the face of exceptionally favorable quota lease rates and high operational costs many participants elected to lease their quota holdings.

Whether additional consolidation will occur in the future is uncertain. Fleet size is likely to change with TAC levels. Recent harvests from the fisheries are relatively low in comparison to historic highs (or even average) harvests. TAC increases could lead vessels to reenter the fishery. Other factors could also affect decisions to participate. As share holders become more comfortable with cooperative arrangements, it is possible that persons fishing individual allocations could join cooperatives. In addition, consolidation within cooperatives could increase, as cooperative members become more comfortable with cooperative management.

Future quota lease rates and operational costs are uncertain. Most participants believe that lease rates are

unlikely to rise from the high levels observed in the first year. Noticeable drops in lease rates are reported to have occurred in the second year of the program (i.e., drops of as much as 10 percent of ex vessel revenues are believed possible in some fisheries). Some vessel operators who leased quota reported financially successful seasons in the first year, despite the high lease rates, weak crab markets, and high operating costs. Given these relative successes and the unusually strong incentives for consolidation in the first year, it is possible that little consolidation will occur in the future, in the absence of the caps.

Applying caps to vessels fishing cooperative allocations could have a few effects. Clearly, vessels that would have fished over the cap will need to redistribute a portion of their allocations to avoid exceeding the limit. Whether this redistribution would lead to additional vessels entering the fisheries is another question. Many of the vessels participating in the fisheries last year fished allocations well below the proposed caps – the median vessel harvest in both the Bristol Bay red king crab and the Bering Sea *C. opilio* fisheries is approximately 1 percent. Given these harvest patterns, the redistribution necessary to avoid exceeding the cap could occur within the current fleet. The caps would only have an impact on fleet size, if the current fleet were to contract further in the absence of the caps.

In the smaller fisheries, the caps are more likely to affect fleet size. As noted earlier, participants in the *C. bairdi* fisheries believe that more consolidation could occur to support targeting of the relatively small TACs expected in the near future in those fisheries. These same participants also point to the large share of last year's TAC left unharvested as an indication that consolidation is necessary to ensure harvesting the *C. bairdi* TAC is economical.

The Pribilof red and blue king crab and the St. Matthew blue king crab fisheries have been closed since 1998 because of stock concerns. In the immediately preceding years when the Pribilof fishery was open, harvests as low as 500,000 pounds were shared by approximately 50 vessels (approximately 10,000 pounds per vessel on average). Vessel caps of between 4 and 6 percent would compel between 17 and 25 vessels to fish in the fisheries. Vessels fishing at the cap on a TAC of 500,000 pounds would each be permitted to harvest between 20,000 and 30,000 pounds. Although the average vessel harvests permitted under the proposed caps exceed average vessel harvests in the last years the fisheries were open, some participants assert that economic prosecution of the Pribilof and St. Matthews fisheries will require consolidation beyond that permitted by the proposed caps.

Applying vessel caps in these smaller fisheries (the St. Matthews and Pribilof fisheries and *C. bairdi* fisheries at the current TAC levels), however, could have no effect on the total number of vessels fishing crab. These fisheries are likely to be prosecuted only by vessels that already participate in the larger fisheries. Using caps to require additional vessels to participate in these fisheries will likely draw additional vessels into the fisheries, but may not result in more vessels participating in crab fisheries overall.

The Aleutian Island golden king crab fisheries have had substantially lower participation rates than the other crab fisheries. Approximately 20 unique vessels participated in these two fisheries in the years immediately preceding the implementation of the rationalization program. In the first year of fishing under the new program, 3 vessels participated in the Western fishery, while 7 participated in the Eastern fishery. As in the other fisheries, participants in the golden king crab fisheries are concerned that low prices and increased costs require stacking of quota to economically prosecute the fishery. Particularly in the more distant Western fishery, fuel costs are said to have added considerably to operating costs. Participants report that some quota in the Western fishery will remain unharvested this year due, in part, to the high costs of operating in the fishery and the relatively low price of golden crab. The majority of the unharvested quota is likely to be regionalized for delivery West of 174° W longitude. Processors have suggested that processing in the region is not economical because of their inability to consolidate under the current 30 percent processing cap. The proposed vessel caps in these fisheries range from 20 to 30 percent of the TAC. Clearly, either cap would

require the introduction of additional vessels into the Western fishery. As in the other fisheries, it is difficult to determine whether additional vessels would be operated in the fisheries under the proposed caps. If the fleet does not consolidate beyond last year's level, it is possible that redistribution of catch among vessels in the fisheries might be sufficient for compliance with the caps. Some participants believe that additional consolidation may be economically beneficial under current conditions because of the low price of golden king crab and the high fuel costs (particularly in the Western area).

Effects on production efficiency in the harvest sector

Substantial production efficiency gains were realized by the removal of vessels from the fisheries under the rationalization program. Perhaps the best evidence of these gains is the high quota lease rates observed in the first year of the program realized by vessel owners that removed vessels from the fisheries. Most vessel owners believe that the imposition of caps on vessels fishing cooperative allocations will limit production efficiency gains intended to be realized under the program. Specifically, caps that limit fleet consolidation would require introduction of additional vessels, the costs of which include fuel costs of positioning and operating the vessel, vessel and gear maintenance costs, insurance costs, and the costs of employing and supplying a crew. Production efficiency losses, albeit less substantial, would also arise from the redistribution of catch among the participating fleet, as larger more powerful vessels would be forced to divest of some shares. The cooperative structure should reduce transaction costs of this redistribution. In general, the fluid lease market, which seems to have developed in the first year of the program, should ensure that these production efficiency losses are distributed across all share holders. Owners of large vessels, however, are likely to be disproportionately affected, if their vessels require allocations greater than the caps to operate at maximum production efficiency. These vessels could lose any competitive advantage, if caps prevent their achieving production efficiencies. Caps in the smaller, ancillary fisheries (the St. Matthews, Pribilof, and *C. bairdi* fisheries under current TAC levels) are most likely to lead to the greatest losses of production efficiency. Participants believe that consolidation in these fisheries beyond the proposed caps is important to achieving production efficiencies.

Effects on crew

Downsizing of the crab fleet under the rationalization program had the clear effect of reducing crew jobs. A more subtle effect, however, occurred through the changes in the nature of and compensation for remaining jobs. Whether application of caps to vessels fishing in cooperatives will affect either of these changes is uncertain. Application of the proposed caps would likely lead to some redistribution of shares among vessels and could lead to a few additional vessels participating in the fisheries. The redistribution will likely have effects on some crew employed in the fishery. Crew on vessels receiving shares by transfers from vessels otherwise over the caps are likely to receive additional income from fishing those shares, while crews on vessels that reduce fishing to comply with the caps would lose some income. The losses from this redistribution are most likely to affect crews employed on the largest vessels with the greatest catching power.

The caps are most likely to have effects only if fleets would contract beyond first year levels in future years. The extent of any possible additional contraction is uncertain. The current high fuel prices, low ex vessel prices, and high lease rates have motivated participants to remove vessels from the fisheries. Whether these conditions will continue or is uncertain. If additional contraction would occur in the absence of the caps, the caps would prevent loss of additional crew jobs. If added demand for crew arises from the caps, the terms and conditions of employment for some crew that are currently employed.

Effects on communities

Two potential effects on coastal communities could arise from this action. First, the application of vessel caps to cooperatives could lead to more crew employment than would be the case in their absence. Given the current distribution of catch, it is unlikely that a substantial number of additional vessels would enter the fisheries because of the proposed caps. It is possible, however, that the caps could prevent future

consolidation. The effects of any added crew employment on employment in remote communities is uncertain. The study of the three Aleutians East Borough communities states that residents of those communities perceive no job opportunities in the fisheries. This assertion is at direct odds with statements of some vessel owners, who report that they have been unable to locate crew to work on their vessels. A possible explanation of these inconsistent perceptions is that residents of remote communities are unaware of the openings. Alternatively, these residents of remote communities may believe the terms of these positions are unacceptable. The extent to which those beliefs are based on accurate information concerning the positions (or inaccurate inferences drawn from anecdotes concerning poor compensation of some crew positions in the fisheries) is not known. For some crew in remote communities, it is possible that extending employment in the crab fisheries over the longer season conflicts with participation in other fisheries. The proposed caps are unlikely to affect this conflict, since they would still allow vessels to extend fishing for a substantially longer period than the former derby openings.

The second possible effect on coastal communities would arise from increased spending by vessels than would have occurred in the absence of the caps. Most of any added spending would benefit fishery support industries, such as marine suppliers and fuel suppliers. Additional benefits may accrue to businesses that provide goods and services to crews, including hotels, restaurants, and bars. Depending on the community and the activities of the local crab fleet these impacts vary. The effects of the proposed caps, which are unlikely to increase the number of vessels in the fisheries, are limited to prevent further reductions in spending that could arise, if additional consolidation were to occur.

Conclusion

In considering the information in this paper, the Council should bear in mind that much of the analysis is based on anecdotal evidence received from fishery participants. Data for assessing impacts of the rationalization program and for analyzing the potential impacts of the proposed vessel caps are unavailable at this time. The Council should also consider that with a single year of fishing under the rationalization program, only weak conclusions should be drawn.

If the council wishes to proceed with consideration of this action, potential actions that it could take at this meeting include adoption of a problem statement, identifying its rationale for considering this action, and adoption of alternatives for analysis.

Persons Consulted

Edward Poulsen
Ken Tippet
Kevin Kaldestad
Keith Colburne
Joe Sullivan
Forrest Bowers
Gretchen Harrington
Arni Thomson
Gunnar Knapp
Marie Lowe
John Iani
Lenny Herzog
Jeff Steele
Jeff Stephan
Tom Suryan
Jorn Kvinge

References

Lowe, Marie, Gunnar Knapp, and Steve Langdon (2006) Social and Economic Impact Assessment of BSAI Crab Rationalization on the Communities of False Pass, King Cove, and Akutan, Institute of Social and Economic Research, University of Anchorage Alaska.

Knapp, Gunnar (2006) Economic Impacts of BSAI Crab Rationalization on the Kodiak Fishing Employment and Earnings and Kodiak Businesses: A Preliminary Analysis, Institute of Social and Economic Research, University of Anchorage Alaska.

Robinson, Dan and Neal Gilbertsen (December 2006) Fish are Alaska's Bread and Butter, Alaska Economic Trends, Alaska Department of Labor and Workforce Development.

D-2 Crab Program, Cooperative Vessel Use Caps

Ms. Stephanie Madsen, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 300
Anchorage AK. 99501

Keith H. Colburn
F/V Wizard Owner/Operator
3117 E. Ames Lake Dr. N.E. Redmond WA. 98053
crabwizard@cablespeed.com

January 28, 2007

Madame Chair,

In July 2005 prior to the first crab season under the new Crab Program rules, I purchased the crab vessel Wizard, without the QS associated with its catch history. The main criteria in justifying my purchase of a vessel with no quota was that the Program allowed me to cooperatively lease and fish IFQ's. **I strongly oppose Vessel Use Caps in cooperatives.**

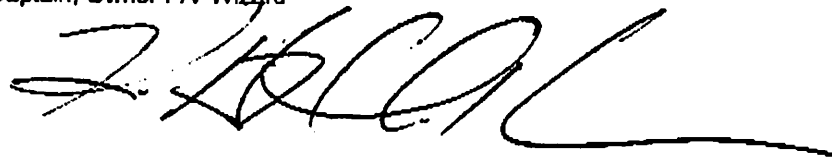
The Wizard is a 155 foot crab specific vessel, and has a crew of 6 to 7. I have leased in excess of 2% of the BBR, BSS, and BST in both years since implementation of the program. I have managed to maintain a well-qualified crew that appreciates the added security of income derived from the full time nature of the new fishery, as opposed to the short, seasonal, and unpredictable nature of the previous derby style fishery. My crew's income this year is above average wages for the same fisheries in years past, and well above the fleet average for past Derby fisheries.

Vessel Caps would eliminate the Wizard from the BSAI crab fisheries given the current economic structure of revenue sharing with IFQ leaseholders, IPQ ownership, and current TAC levels. It would become economically unfeasible to operate this vessel with limits on leased IFQs. Vessel use caps in cooperatives would substantially reduce crew shares by reducing the vessel's ability to harvest crab and make the vessel unable to compete in the current IFQ fishery.

The ability to maintain a qualified, and professional crew is based on my ability to lease in excess of 2% of the resource. I was not an initial recipient of CVO shares, but have made a large investment to remain in the fishery. I, and future participants would be at a disadvantage trying to compete with vessels that were allocated initial CVO shares. Vessel Caps would discourage potential participants from buying into the fishery at any level other than pure IFQ purchases.

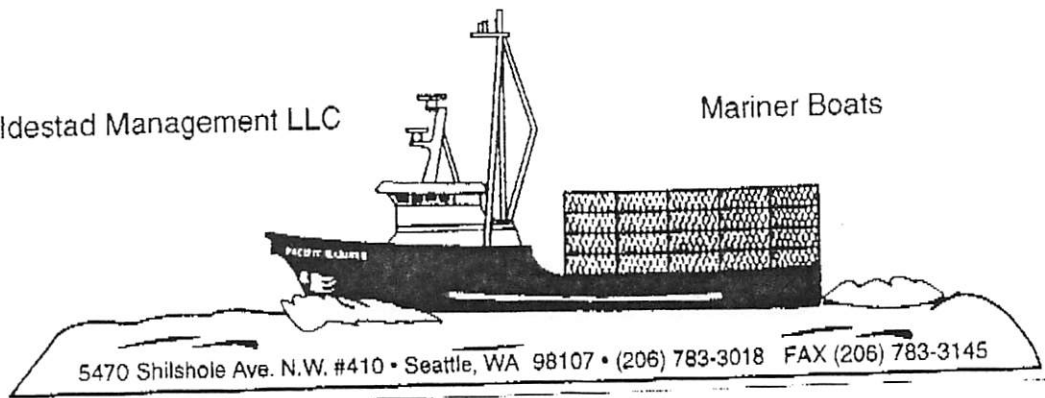
The Council discussion paper does not include considerations for the small class of vessel owners currently fishing, that are exceeding the caps out of necessity to maintain a viable business. Should the Council choose to proceed with Vessel Use Caps inside cooperatives, **a full analysis should include a provision for: a Grandfather clause or exemption** for vessels that have leased crab that has put them over the proposed caps based on their harvest in the first 2 years of the fishery.

Sincerely,
Keith H Colburn
Captain, Owner F/V Wizard



Kaldestad Management LLC

Mariner Boats



Date: January, 29, 2007

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

Re: D-3² BSAI Crab Management

Dear Council Members,

I am writing concerning the proposed use caps in co-ops being considered by the Council. Currently one of the benefits of joining a co-op for a harvesting vessel is the lack of a use cap. Implementing a use cap inside co-ops would eliminate this benefit and reduce the efficiency for harvesting vessels. Low ex-vessel crab prices and high operating costs (especially fuel costs) already negatively impact harvesting vessels economic performance.

Enforcement of use caps in co-ops would add another layer of complexity for NMFS and vessel operators in an already extremely complex enforcement environment.

Use caps for co-ops in fisheries that have just reopened with small quotas (i.e. BS Tanner) or fisheries that may open in the future with small quotas (i.e. St Matthew Blue Crab and Adak Red Crab) could severely restrict vessels ability to economically harvest the TAC. These caps should not be implemented until this effect is known.

As for the crewmember impacts, implementing use caps in co-ops will have little effect on increasing any crew positions. Currently there is a shortage of quality crewmembers who are willing to work the longer seasons resulting from rationalization.

The Council should end any discussion on implementing use caps in co-ops at this time. Crab Rationalization is still in it's infancy and changes which would harm harvesters should not be moved forward.

Sincerely,

A handwritten signature in black ink that reads "Kevin L. Kaldestad".

Kevin L. Kaldestad
Mariner Boats

January 4th, 2007

Stephanie Madsen, Chair
North Pacific Fishery Management Council
605 W. 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

RECEIVED
JAN 25 2007
N.P.F.M.C.

RE: Agenda Item D-2(c) BSAI Crab Review of Vessel Use Caps

Dear Ms Madsen:

At the October Council meeting in Dutch Harbor, you heard supporting testimonies regarding the BSAI Crab Rationalization program from some of the active crew and skippers. In addition, we voiced our concern regarding any form of vessel use caps within cooperatives. All of the signers of this letter are currently at work in the Bering Sea fishing cod or crab. We cannot make it to the meeting, but we would like to have our voices heard.

First off, the crab program, although not perfect, created a better environment for the remaining crew. Prior to rationalization, there were far too many vessels chasing too few crab and the jobs were quite simply, not very good. The risk of injury or death was high as was the risk of making very little money. For many crew, crab was just a secondary income as the revenue was not enough to live on, and most of them had secondary occupations in the trades.

The crab program is not perfect, and it has resulted in many vessels staying in town and quite a few crew losing jobs. However, for those that remain, the crab fisheries are much better. We no longer have the competitive pressures which created safety issues. Now, when the weather gets bad, we don't feel compelled to keep fishing because others are, and we are all competing for the same crabs. Instead we can just anchor up and get some rest. In addition, we have a pretty good idea as to what we will make before we go fishing. Finally, because of the ability to stack other vessels' quotas and to consolidate, the remaining vessels and crew now make more money than before. The crew are dedicated to crab fishing and are professional crabbers. There is no need and no time for secondary jobs.

We do have major concerns with the analysis regarding use caps within cooperatives as this would be a step backwards to recreate inefficiencies, which will ultimately make it more difficult for the Alaska crab industry to compete in the world market, particularly with the Russian crab industry, which is characterized and dominated by a handful of vertically integrated companies that operate highly efficient catcher processors.

Thank you for your consideration.

NAME

SKIPPER OR CREWMAN

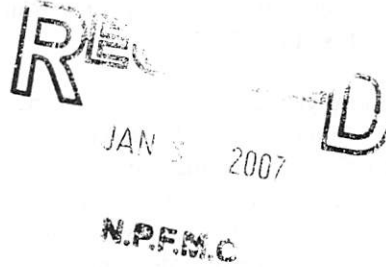
VESSEL NAME

<i>Jan Jans</i>	SKIPPER	ARCTIC SEA
<i>Jan Grooten</i>	CREW	Arctic Sea
<i>R. J.</i>	CREW	Arctic Sea
<i>Jan B. Jans</i>	CREW	ARCTIC SEA
<i>Michiel R. Jans</i>	CREW	ARCTIC SEA
<i>Jan Jans</i>	CREW	Arctic Sea



January 30, 2007

Ms. Stephanie Madsen / Chris Oliver
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK



RE: Custom Processing Use Caps

Dear Stephanie/Chris,

The discussion paper on Custom Processing Use Caps makes the following observation:

“That (*Adak's*) proposal removed the exemption for processing platforms moored in a harbor. The removal of that provision provides the owners of existing shore plants with a much stronger position in the market by limiting the ability of floating processors to compete on the same terms (i.e., subject to the same exemption). Instead, for another processor to compete on equivalent terms with the existing shore plant would require the capital investment to develop a crab processing shore plant in the region. Compelling the development of additional shore facilities to induce competition would seem inappropriate and inconsistent with the stated rationale for the exemption.”

The Problem we identified at the December 2006 meeting was one of diseconomies and inefficiency. We offered a problem statement that said: “The resulting Use Caps are lower than the regional landing requirements for the Western region, leading to inefficiencies that inflate the cost of processing in the Western region.

In doing so, we were not focused on the issue of competition, and thus didn't offer alternatives designed to foster more competition. We offered a narrowly focused option that was designed to increase employment in the region and reduce processing and harvesting costs.

This is not to say that we are opposed to competition. In fact at the October NPFMC meeting we stated that “Adak Fisheries is prepared to compete in the free enterprise system.”

At that meeting we testified together with AEC and the City of Adak that the Processor Quota element of the crab plan works counter to stated objectives of the plan.

We stated that “By forcing brown crab fishermen to travel an extra 400 miles to Dutch Harbor to deliver their catch, the allocation of Processing Quota: Undermines Safety, Increases Deadloss, Reduces Quality (and) Increases Expenses”

We requested “that the Council eliminate the requirement for harvesters of Aleutian Islands Golden King Crab and Petrel Bank Red King Crab to deliver their crab to processors holding individual processing quota for that crab...by changing the 90/10 A/B share ratio, to issue 100% of the IFQ for those crab as “Class B IFQ” shares.”

It remains our hope that in the 18 month review the Council will consider alternatives that allow us to compete to buy Aleutian Island crab on an equal footing with other processors. We did so very effectively from the time our doors opened in 1999, until the implementation of the Crab Plan in 2005.

During those years, on average, we processed 1.6M lbs of WAG crab per year, compared to the 1.3M lbs ultimately allocated catcher vessels. The vast majority of this crab was purchased on our own account, and the remainder was custom processed. While no data on the distribution of WAG crab processing history was available to the Council at final action due to confidentiality, we are willing to waive confidentiality for any future analysis. In the interim the best available data we can compile from our records shows the following processing history.

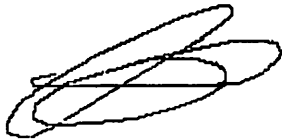
WAG brown crab	Processing in Adak
Quota Year	best available data
1999/00	1,040,532
2000/01	1,270,458
2001/02	1,858,199
2002/03	1,606,635
2003/04	2,064,180
2004/05	1,808,723

Despite the fact that we processed roughly 90% of catcher vessel harvests for the 6 years prior to implementation of the Crab Plan, we received an allocation of mere 61,732 lbs of Processing Quota.

If the Council undertakes an action limited to custom processing without re-opening the broader question of allowing real competition to purchase Aleutian Island King crab, we do believe it is appropriate to limit the exemption to the Processing Use Cap to those processors that do all their crab processing at a single geographic location west of 174.

Thank you for considering our comments.

Sincerely,



dave fraser

Adak Fisheries

Handler Corporation

12189 Greenhaven # 109 Mukilteo WA 98275

(425)-315-8817 phone (425) 315-8819 fax

January 30, 2007

Dear Council Members,

My name is Calista Songstad and I am the Vice President of the Handler Corporation. Our company owns the F/V Handler and F/V Alicia Jean. We have had a few interesting scenarios play out in the past couple of seasons that we would like to bring to the council members attention.

Golden King Crab -West designated

During the qualifying years of Western Brown crab, the Handler fished out West, but always brought this catch into Dutch Harbor. When the fishery was rationalized we ended up with a portion of our IFQ designated to be delivered in Adak. With the grounds for this fishery so far away and the price of fuel so high right now, we decided to lease our IFQ inside of our cooperative to the F/V Alaska Trojan.

As I am sure you know Adak has only one processing plant. According to our harvester, (F/V Alaska Trojan) the plant closed their doors early in the season. The F/V Alaska Trojan had been harvesting their undesignated shares to Dutch Harbor first, and was intending to finish harvesting their West designated shares next. They will be unable to do so now. If Adak isn't going to process it, why can't we have exception paperwork in place to take the catch to Dutch Harbor or another town that wants the product?

Red Crab -North Designated

For Red Crab we have a small portion of our IFQ designated North. We matched up with a north plant, and were told that they would like us to come North before we harvested our South Shares to save them in operating costs in their Northern Plant. We agreed. When our delivery date got close we said we needed to come in the night of our delivery date instead of the morning in order to catch all of our A shares, not to mention if they had hoped for any B or C shares. Because they were operating with a skeleton crew,

their flexibility was limited. They said be there by 6am or you will have to get to the back of the line which is 3 weeks out. Well between dead loss and 3 weeks of fuel, that wasn't an option. So, we left crab in the water to come in and had to find a co-op member to catch the remaining crab to run up North with.

Opilio Crab – North Designated

In the 2007 Opilio season I am sure you are all well aware of the strike and of the Stellar Sea fire. We have both North and South shares of this fishery. We delivered our South shares and instructed to wait in town until the strike settled. In the mean time, the weather came up, the Stellar Sea had a fire, and we were told we would be in violation of abandoning our gear if we didn't go back out and pick it up.

I hope that the board will be able to support us and help us obtain some leeway for special situations such as, weather and loss of market. Please call me if you have any further questions.

Thank you for your time and consideration.



Calista Songstad

V.P. Handler Corporation

KOZAK & ASSOCIATES, INC.

P. O. Box 2684 - Kodiak, Alaska 99615
PHONE 907-486-8824 - Cell 907-539-5585 - Fax 907-486-6963
E-Mail - kozak@alaska.com

January 30, 2007

Ms. Stephanie Madsen, Chair
North Pacific Fishery Management Council
P. O. Box 103136
Anchorage, Alaska 99510

Sent by Fax: 907-271-2817

RE: Agenda Item D-2(c)

Ms. Madsen:

The Council is scheduled to review for the third time the issue of vessel consolidation in the rationalized crab fisheries of the Bering Sea/Aleutian Islands. Previously I have provided extensive comments regarding this issue, as well as references found in the crab EIS regarding crew and vessel consolidation.

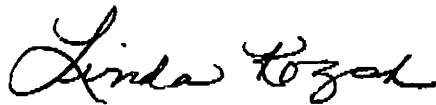
The Final Crab EIS referenced the issue of crew jobs and vessel consolidation many times. The fact that the crab fisheries were severely overcapitalized was the reason the Council unanimously asked Congress, on at least one occasion, to expedite a buyback for the crab fleet vessel owners, many of whom were struggling financially. The EIS clearly stated that a goal and anticipated result of rationalization would be consolidation.

It is clear that the number of vessels participating in the crab fisheries will be directly relational to the amount of quota the fleet is allowed to harvest. The higher the quota, the more vessels will be involved in the fishery. Fuel costs are also a contributing factor.

I would suggest the Council address this issue again at the three-year full program review. However, in the event the Council determines that some analysis and possible action is desired, it is my recommendation that a floating cap, based on TAC, be considered. As the TAC increases, the number of vessels would increase as well. At low levels of TAC, there would be no vessel cap for those quota share holders in a cooperative.

Thank you for reviewing my comments.

Sincerely,



Linda Kozak

THE CRAB GROUP OF INDEPENDENT HARVESTERS

COMMUNICATIONS DIVISION - P. O. Box 2684, Kodiak, Alaska 99615

DATE: January 30, 2007

TO: Ms. Stephanie Madsen, Chair
North Pacific Fishery Management Council
Fax: 907-271-2809

FROM: Kale Garcia, President 

SUBJ: Crab Vessel Caps – Agenda Item D-2(c)

The members of the Crab Group of Independent Harvesters participate in all of the crab fisheries in the Bering Sea/Aleutian Islands. Many of our members are long-time crab fishermen, who intend to stay active in these fisheries.

The discussion paper before the Council at this meeting is the third time the Council will have reviewed the issue of vessel consolidation and reviewed the possibility of setting vessel use caps inside cooperatives.

The Crab Group members remain convinced that the consolidation of the crab fleet following rationalization was not only anticipated and discussed extensively in the analysis, but was considered to have positive effects on reducing costs and creating economic efficiency.

The crab vessel buyback should not be considered part of the rationalization consolidation. It is perhaps unfortunate that the buyback was completed in the same year as rationalization. In addition, some of the "lost jobs" being discussed are not lost at all, but the vessel is simply operating in another fishery and the crew is busy doing something other than crab.

There are many issues to address, but the most important thing to consider is that when the stocks are down and catch limits are set low, the number of vessels that can economically operate will also be a lower number. As catch limits increase, the number of vessels will increase as well.

It is our recommendation that the Council request staff to include this issue at the scheduled three-year review of the crab rationalization program.

D-2 BSAI Crab, proposed contents of Crab Rationalization, 18-month review

Ms. Stephanie Madsen, Chairman
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 300
Anchorage AK. 99501

Keith H. Colburn
F/V Wizard Owner/Operator
3117 E. Ames Lake Dr. N.E. Redmond WA. 98053
crabwizard@cablespeed.com
January 29, 2007

Madame Chair,

In year two of the BSAI Crab Program it has become apparent that fleet consolidation has eliminated crew jobs. However, the jobs that remain are suited to longer term, more stable employment, and have helped many of the remaining vessels in the fishery retain a professional work force. I am against caps in cooperatives, but I believe that crews have not been fairly compensated in the new program. Two items could be addressed to help Captains and crew.

1. Initiate the federal Loan Program for crab IFQ purchases for crew.

During the creation of the Crab Program one of the primary items to help crew maintain jobs, and ultimately become shareholders in the fishery was the promise of a loan program. In all of the drafts of the program the language stated that there "shall" be a loan program. Upon approval of the program, the language was changed to "may" be a loan program. The loan program has been dead in the water ever since. NMFS Financial Services, the agency charged with developing the loan program, gave this response (1-29-07, Earl Bennet): " At this time Congress has not provided a loan authority to implement this program".

2. Work with NMFS to eliminate the Buyback Tax on CVC shares.

CVC share recipients did not vote in the buyback referendum, nor was there a reduction in the CVC pool after the referendum passed. Yet the buyback tax at the time of landing crab is assessed to all CVC shares. CDQ shares were initially taxed but now are not, and CVC shares should be treated in the same manner.

I urge the Council to include these two items in the 18 month review in order to help the captains and crews that are actively participating in the BSAI crab fisheries continue to do so.

Thank you,
Keith H. Colburn
Captain, Owner F/V Wizard

**Madam Chairperson and Members of the North Pacific Fisheries
Management council.**

D-2

- 1. The Pacific Coast Dungeness landings in Washington, Oregon and California were well in excess of the Opelio landings in the Bearing Sea. (70 million Dungeness versus 20 million Opelio)**
- 2. The single market co ops failure to settle a price for fishermen before they go fishing is unfair to crews who do not know what they are fishing for and to the boat owners that do not know what they are getting paid. It is disruptive to the markets for Opelio and Dungeness as Alaska processors are settling final first wholesale prices with the North American and Japanese markets without knowing what their product cost is.**

The uncertainty of the market being offered wholesale prices without the fleet knowing what they are fishing for have cost the lower coast dungeness fishermen 50 cents a pound or 100 million dollars when you factor in the entire economic impact.

- 3. The lack of a competitive price being negotiated up front for Opelios is what the Bush administration has suggested is a non-competitive situation what with the single market co ops for crab. This is an issue we are looking into for damage to our dungeness markets and the 1200 dungeness permit holders that deliver 70 plus million pounds of dungeness a year.**

This letter represents not only the view of the Washington Dungeness Crab Fishermen's Association, but that of every Dungeness crab association from Westport Washington to Bodega Bay California.

Thank you,

Ray Toste, President and C.E.O.

**W.D.C.F.A.
P. O. Box 2678
Westport, WA 98595**

Phone 360-268-1515

Fax 360-268-1513

rltoste@aol.com

Tim Henkel
D-2(b-d)

1.8.1 Options for captain and crews members (from December 2002 motion):

1.8.1.2 Percentage to Captain:

1. Initial allocation of 3% shall be awarded to qualified captains as C shares.
 - a. Allocation from QS pool

1.8.1.3 Species specific:

1. As with vessels.

1.8.1.4 Eligibility:

Option 1

1. A qualified captain is determined on a fishery by fishery basis by

- 1) having at least one landing in 3 of the qualifying years used by the vessels and
- 2) having recent participation in the fishery as defined by at least one landing per season in the fishery in two of the last three seasons prior to June 10, 2002.

Suboption: For recency in the Adak red king, Pribilof, St. Matthew, and bairdi fisheries a qualified captain must have at least one landing per season in the opilio, BBRKC, or AI brown crab fisheries in two of the last three seasons prior to June 10, 2002 (operators of vessels under 60 feet are exempt from this requirement for the Pribilof red and blue king crab fishery).

2. A captain is defined as the individual named on the Commercial Fishery Entry Permit.

For captains who died from fishing related incidents, recency requirements shall be waived and the allocation shall be made to the estate of that captain. All ownership, use, and transfer requirements would apply to C shares awarded to the estate.

1.8.1.5 Qualification period:

1. As with vessels.

1.8.1.6 Distribution per captain:

1. C QS based on landings (personal catch history based on ADF&G fish tickets) using harvest share calculation rule.

Regionalization and Class A/B Designation

- Option 2: C shares shall be a separate class of shares not subject to the Class A share delivery requirements during the first three years. But, at the end of three years, C shares shall be subject to A/B designations with regionalization unless the Council determines (after review) not to impose these designation.

Initial Allocation Regionalization

If C shares are regionalized, at the initial allocation regional designations shall be made based on the captain's history, with an adjustment to the allocation to match the PQS regional ratio made based on the same scheme used for regional adjustment of harvest shares.

1.8.1.7 Transferability criteria:

Purchase of C QS.

- a. C QS may be purchased only by persons who are

Option 1. US citizens who have had at least 150 days of sea time in any of the US commercial fisheries in a harvesting capacity and

Please move to delete

Option 2. active participants

An "active participant" is defined by participation as captain or crew in at least one delivery in a crab fishery included in the rationalization program in the last 365 days as evidenced by ADF&G fish ticket, affidavit from the vessel owner, or evidence from other verifiable sources.

C share leasing

- a. C QS are leasable for the first three seasons a fishery is prosecuted after program implementation.
- b. In cases of hardship (injury, medical incapacity, loss of vessel, etc.) a holder of C shares may lease C QS, upon documentation and approval, (similar to CFEC medical transfers) for the term of the hardship/disability for a maximum of 2 years over a 10 year period.

1.8.1.8 Loan program for crab QS

A low-interest rate loan program consistent with MSA provisions, for skipper and crew purchases of QS, shall be established for QS purchases by captains and crew members using 25% of the Crab IFQ fee program funds collected. These funds can be used to purchase A, B, or C shares.

Loan funds shall be accessible by active participants only.

Any A or B shares purchased under the loan program shall be subject to any use and leasing restrictions applicable to C shares (during the period of the loan).

National Marine Fisheries Service (NOAA Fisheries) is directed to explore options for obtaining seed money for the program in the amount of \$250,000 to be available at commencement of the program to leverage additional loan funds.

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.
- 2) C QS ownership caps for each species are
Option 2. the same as the vessel use caps for each species

C share ownership caps are calculated based on the C QS pool (i.e. section 1.7.4). Initial allocations shall be grandfathered.

- 3) Use caps on IFQs harvested on any given vessel shall not include C shares in the calculation.

1.8.1.10 C/P Captains

Captains with C/P history shall receive C/P C QS at initial issuance. C/P C shares shall carry a harvest and processing privilege.

Option 3. C/P C shares may be harvested and processed on C/Ps or harvested on catcher vessels and delivered to shore based processors.

1.8.1.11 Cooperatives

C share holders shall be eligible to join cooperatives.

C shares shall be included in the IFQ fee program.

Alaska Crab Coalition
3901 Leary Way N.W. Suite #6
Seattle, Washington 98107
206.547.7560
Fax 206.547.0130
accrabak@earthlink.net

For Council
Members
ARW1

January 31, 2007

Stephanie Madsen, Chair
North Pacific Fishery Management Council
605 West 4th Avenue
Anchorage, AK 99501-2252

RE: Agenda Item D-2(a), Discussion Paper on BSAI Crab Vessel Use Caps
ACC recommendation: Status Quo, no action

Dear Ms. Madsen:

NPFMC's consideration of imposing economic inefficiency in the form of restrictive use caps on vessels in cooperatives has caused tremendous concern and raised a lot of questions in terms of the rationale for such action. This is particularly so in light of the fact that the Bering Sea and Aleutian Islands crab fleet was tremendously overcapitalized in the five years preceding implementation of the rationalization program. Crab stocks plummeted in 2000 and they have not recovered, while insurance, shipyard work, gear and fuel costs have dramatically risen. Many small operators on the brink of bankruptcy during the rationalization process, maintained participation in the fisheries as they were hopeful that with the onset of rationalization, they could enter cooperatives, instead of selling out of the industry.

The efficiencies that have been created by the development of cooperatives have clearly enabled small and medium quota share holders to continue to survive, particularly in the years of low TACs such as we are still experiencing.

The Bering Sea/Aleutian Islands (BSAI) crab rationalization plan went into effect only 18 months ago, on August 15, 2005 for the Aleutian Islands Golden King Crab fishery and on October 15, 2005 for the Bering Sea King and Snow and Tanner Crab Fisheries. To stop the race for fish, and thereby gain critically needed conservation, safety and economic improvements, there had to be fewer boats in the fishery. Everyone knew that there was going to be consolidation, that vessel owners were going to stack licenses and quotas, and that captain and crew jobs would be lost. These eventualities, which occur in consolidation of modern day industries struggling to remain competitive in world markets, were all given extensive consideration in the EIS, especially with the low crab quotas extant for the last five years.

The problem statement developed for the comprehensive rationalization analysis covers the spectrum of concerns that led to rationalization, and stands on its own as a reminder for maintaining flexibility in the program:

“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 Council 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;
 5. And, high levels of occupational loss of life and injury. “
- (EIS 1-4)

With the program having only been in effect for 18 months, to initiate an action that starts to limit flexibility and to reduce efficiency would be unwarranted. Although the intent is to increase the number of boats participating in coops and to increase the number of jobs, the discussion paper shows it would more likely only result in a redistribution of QS amongst the existing participants in coops. (Discussion Paper, p. 11, 14)

The Discussion Paper also notes in the conclusion that “the analysis is based on anecdotal evidence received from fishery participants”. Data for assessing impacts of the rationalization program and for analyzing the potential impacts of the proposed vessel use caps are unavailable at this time. The Council should also consider that with a single year of fishing under the rationalization program, only weak conclusions should be drawn.” (Discussion Paper, p. 16)

In light of the criticism about lost jobs and the proposal to implement vessel use caps in cooperatives, additional background information needs to be revisited.

- The Bristol Bay Red King Crab Fishery from 1996 though 2004 lasted an average of four days with 250 vessels fishing each year. This has been bad for the resource, bad for safety, tough on vessel owners, and hardly much of a job for many of the skippers and crew members.

- The Bering Sea Snow Crab fishery, the State's largest crab fishery from 2001 to 2005, lasted an average of ten days with an average of 190 vessels fishing and it has been experiencing some of the same problems as the Bristol Bay Red King Crab Fishery.
- The fact is, and the plan responded to it, that captains, crewmembers, and vessel owners could not earn a decent living on a sustainable basis, if they were fishing crab only 14 days a year. The industry agreed at the outset of the rationalization process that it needed to move away from the Olympic system and that a rationalization program had to be developed that included all stakeholders.
- In the last few years preceding implementation of the rationalization program, the average ex vessel revenue for the two major Bering Sea crab fisheries has been about \$100 million dollars, shared by 250 boats, for an average gross revenue per vessel of \$400,000. This represents a poor return on investment for the majority of the vessel owners. Crew shares for 5 deck men, excluding the captain, on a per boat basis, at twenty-five percent of the gross revenue, results in an average deck man receiving \$20,000 per man (less two round trip air fares to Unalaska or Kodiak) for risking his life at sea in the most dangerous occupation in the United States.
- While consolidation was not only expected, but also planned, it is true that substantially fewer vessels registered to fish this year than most could predict. A combination of factors came into play much faster than many boat owners, who planned to operate their vessels, could have predicted. Soon after the formation of the FCMA cooperatives, the royalties bid for Bristol Bay king crab went much higher than anticipated, up to 70 percent of the ex vessel value of Bristol Bay king crab. The price of fuel doubled between December 2005 to December of 2006; and insurance rates and the anticipation of status quo on the king crab quota and the possibility of no snow crab season all played into only 89 vessels registering to fish the Bristol Bay and Aleutian Islands king crab fisheries in the fall of 2005. In addition, people need to understand that vessel owners have incurred tremendous risks and liabilities, for marginal returns on their investments the last three years, when they have taken the responsibility to operate their fishing vessels in the Bering Sea and Aleutian Islands crab fisheries.
- Most estimates of job loss have been overstated, and most of these estimates do not take into consideration the Crab Vessel Buyback Program, in which 125 direct jobs were lost with the buyback of 25 boats, and this occurred in January of 2005, prior to the startup of the first rationalized fisheries in the fall of 2005. In addition, 30 pollock catcher boats that normally fish the Bristol Bay king crab fishery, chose to continue fishing Pollock and leased their quota to cooperatives. There are another 150 jobs involved with the pollock boats, but they were not lost jobs, the boats continued to fish in their primary fishery. Although Alaskan residents and their representatives have complained extensively about the loss of jobs on crab boats, the State of Washington has by far lost most of the jobs. A

jobs on crab boats, the State of Washington has by far lost most of the jobs. A recent ACC analysis of job loss shows that in the 2004 Bristol Bay king crab fishery in which 248 boats fished, 164 boats were from Washington State and 58 boats were from Alaska.

- The Discussion Paper notes that with rationalization, crab fishing jobs have changed; they are no longer two, sporadic, ten-day, potential opportunities to make a lot of money. A number of fishermen who were working short term crab derbies in with sablefish and halibut IFQ fishing have made a choice not to work the now elongated king, snow and golden king crab fisheries. In addition, there are numerous other crewmen, who left the industry in the years immediately preceding rationalization, due to low quotas and poor wages. They transitioned into other sectors of the maritime industry or moved full-time into other off-season careers in which they were already occupied. Consequently, the vessel owners who are operating vessels in cooperatives are routinely experiencing a shortage of experienced crewmen.
- The ACC has been actively supporting legislative efforts in Washington D.C. with the Deep Sea Fishermen's Union to obtain additional federal funding for adjustment training, plus a \$250,000 subsidy that would open up a \$25 million federally guaranteed loan fund for skippers and crew members to purchase crab IFQs. We are continuing this effort with DSFU throughout the Magnuson-Stevens Act reauthorization and appropriations processes.
- In Alaska, the ACC is supporting the efforts of the Alaska Department of Labor, and the Seafarers International Union (SIU) to place dislocated crab fishermen in deep sea maritime-related training and good-paying jobs.
- The number of vessels participating in these fisheries may increase in the future, with the growth in the total allowable catch amounts (TACs). Even with a reduced fleet, the vessels left in the fishery will be making more trips, and the seasons will be lasting longer, which will off-set impacts. Jobs on crab vessels will be stretching out for several months in the year, the resource will benefit, and men will be working in a much safer environment. Vessel owners will achieve greater financial stability, as will the processors and crab-dependent communities.
- World crab markets are challenging and meeting the challenges requires efficiency in the harvesting and processing sectors. It is a well-known fact that the world market price for king crab has been adversely affected by the influx of Russian red king crab from both the Sea of Okhotsk and most recently, the Barents Sea (John Sackton, 2006 Market Analyst Report on Red King Crab, August 2006, pages 9-11). Alaska is no longer a price leader in the world market for either king crab or snow crab. It is now characterized as a "price taker". (Alaska Crab Markets an Integrated Perspective, Joshua Greenberg and Mark Herrmann, University of Alaska Fairbanks; Presented to the Crab Plan Team, Anchorage, Alaska, September 27-30, 2006)

In the one year period from 2005 to 2006, Russian king crab imports to the U.S. jumped 98% in volume and 78% in value. The 2006 year to date figures from the NMFS Fisheries Statistics and Economics Division shows, through November 2006, Russian king crab imports at 51.5 million pounds, USD value of \$277,800,00. By comparison, the entire BSAI king and snow crab pack (2005-2006) is valued at approximately \$130,000,000.

- It is reliably reported that there are 15-20 highly efficient vertically-integrated catcher processors harvesting an estimated 80 percent of the Russian sector Barents Sea king crab. Reducing the efficiency of the Bering Sea crab catcher vessels, will adversely impact the Alaska industry's competitiveness and could trigger more consolidation as a result of marginal small Quota Share holders selling out of the business.

Arni Thomson

A handwritten signature in cursive script that reads "Arni Thomson" followed by the initials "ART".

Executive Director
Alaska Crab Coalition

Alaska Crab Coalition
3901 Leary Way N.W. Suite #6
Seattle, Washington 98107
206.547.7560
Fax 206.547.0130
accrabak@earthlink.net

February 6, 2007

Ms Stephanie Madsen, Chair
North Pacific Fishery Management Council
605 West 4th Avenue
Anchorage, Alaska 99501-2252

**RE: Agenda Item D-2(a),
ACC Analysis of Harvesting Jobs By Homeport of Bering Sea Crab Vessels**

Executive Summary:

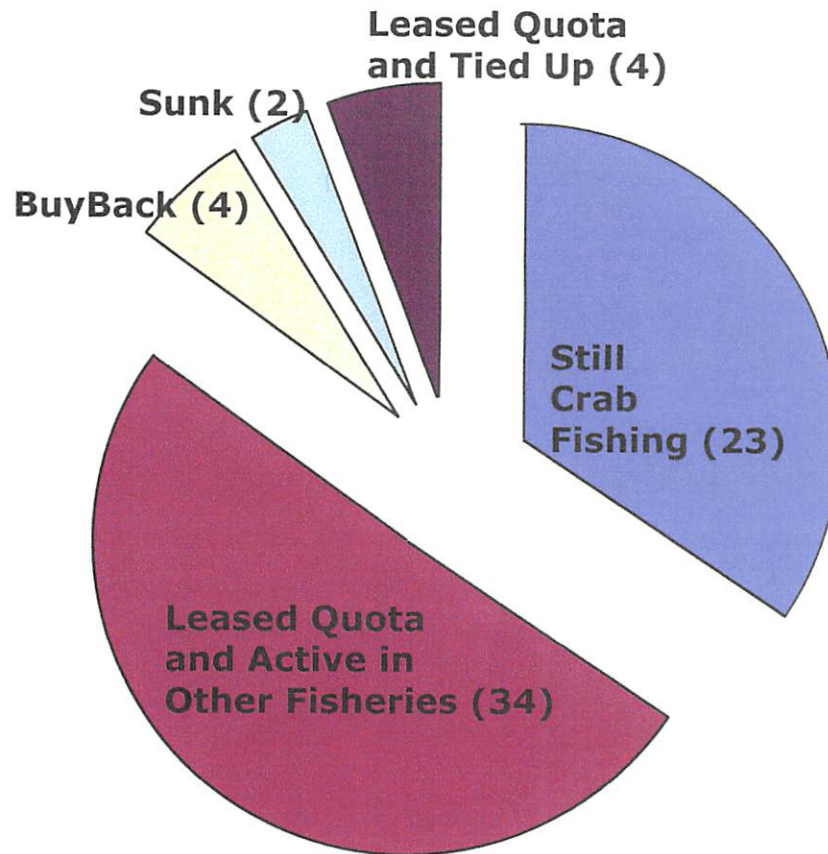
Sources, Background Information and Assumptions:

The ACC has been tracking and analyzing the Bering Sea crab fleet for twenty years. The attached Excel analysis is the most recent in a series of analyses the ACC has presented to the NPFMC. It is based on the Bering Sea, Bristol Bay king crab fishery (BBRKC) for 2004 and 2005, for comparative purposes. It does not include the Aleutian Islands Golden king crab fisheries. The data is based on the NMFS LLP data base as of June, 2005 and ADFG vessel registration lists for 2004 and 2005. Vessel usage information has been compiled from cooperative managers and vessel owners from Washington, Oregon and Alaska. In particular, the ACC wishes to acknowledge the contributions of Tim Kennedy, Jerry Bongen and Jeff Steele to the list of "vessels active in other fisheries, and/or tendering for salmon."

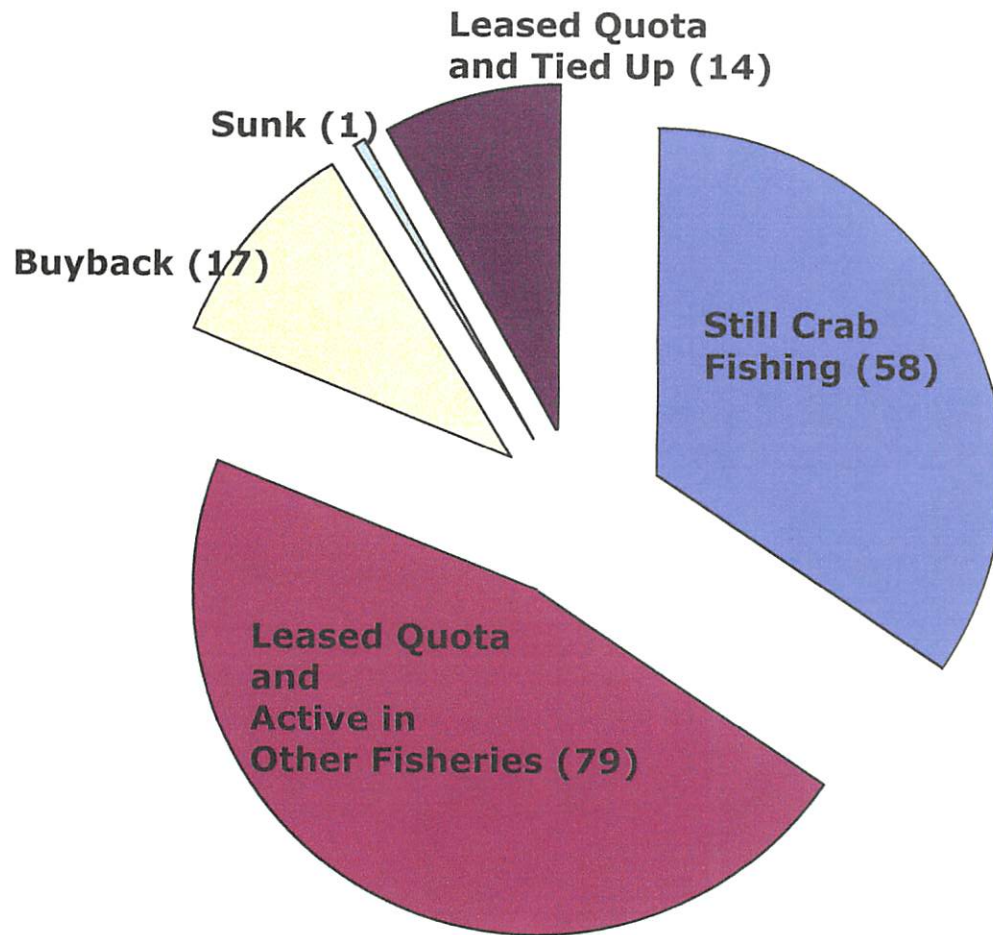
It is the intent of the analysis to document the activities of 2004 pre-rationalization crab boats that are still fishing in other fisheries and that also do salmon tendering during the summer months. For illustrative purposes, the analysis does not show the number of active crab boats involved in other fisheries. However, a large number of the active crab boats also fish for cod with pots in the Bering Sea and tender in the summer for salmon. They are working almost year-round. The estimate of lost harvesting jobs assumes the Alaska Department of Labor and NPFMC standard of six men per vessel.

Summaries of the individual columns approximates, but does not equal the 2004 pre-rationalization vessel total of 250 vessels, as numerous crab pot boats have diversified operations portfolios that often include crab and cod pot fishing, halibut and sablefish IFQ fishing, tendering and the Pollock fisheries.

Where did the 2004 Alaska Fleet go?
Actual Estimated Seasonal Alaska Jobs Lost - 24
Crab Jobs Retained are Now Full Time, Family Wage Jobs



Where did the 2004 Washington Fleet Go?
Actual Estimated Seasonal Washington State Jobs Lost - 84
Crab Jobs Retained are now Full-time, Family-wage Jobs



Summary:

Total vessels registered for BBRKC in 2004:	250
Total vessels registered for BBRKC in 2005:	89
Total vessels that are inactive:	18
Total lost harvesting jobs (assuming AK DOL average of 6 per vessel):	108

Alaska:

Registered for BBRKC in 2004:	63
Registered for BBRKC in 2005:	23
Vessels active in other fisheries and/or tendering salmon:	34

Vessels that are inactive:	4
Alaska lost harvesting jobs:	24
Vessels sold in Buyback:	4
Vessels sunk:	2

Washington:

Vessels registered for BBRKC in 2004:	165
Vessels registered for BBRKC in 2005:	58
Vessels active in other fisheries and/or tendering salmon:	79

Vessels that are inactive:	14
Washington lost harvesting jobs:	84
Vessels sold in Buyback:	17
Vessels sunk:	1

Oregon:

Vessels registered for BBRKC in 2004:	16
Vessels registered for BBRKC in 2005:	6
Vessels active in other fisheries and/or tendering salmon:	11

Vessels that are inactive:	0
Oregon lost harvesting jobs:	0
Vessels sold in Buyback or sunk:	0

Other States:

Vessels from other states registered for BBRKC in 2004:	6
Vessels from other states registered for BBRKC in 2005:	2
Vessels from other states active in other fisheries and/or tendering salmon:	2

Vessels from other states that are inactive:	0
Vessels from other states sold in Buyback:	2

Arni Thomson, Executive Director, Alaska Crab Coalition

Vessel	ADFL	Homeport	Vessel Length	Other Info.	RKC 04	RKC 05	Active in Pollock	Buyback	Active in Other Fisheries	Sunk/Scrapped	Tender/Character	Non-Active Vessel
Alaska Dawn		98765 AK	90		1	1						0
Alcha Jean		60865 AK	115		1	1						0
Alliance		31944 AK	100	vessel sunk	1	1						0
Alsea		40749 AK	125	AFA pollock also	1	1						0
American Way		47839 AK	89		1	1						0
Anna Marie		6858 AK	88		1	1						0
Arctic Lady		37210 AK	133		1	1						0
Argosy		38547 AK	124		1	1						0
Adanico		37 AK	88		1	1						0
Big Valley		23460 AK	88	vessel sunk	1	1						0
Buccarner		25 AK	87	not qualified for crab program	1	1						0
Deception		55640 AK	128		1	1						0
Determined		35306 AK	111		1	1						0
Diamond Head		56140 AK	130		1	1						0
Diligence		56024 AK	85		1	1						0
Elizabeth F		14787 AK	90	AFA pollock also	1	1						0
Farar Sea		61854 AK	87		1	1						0
Guiding Star		21730 AK	86		1	1						0
Hardier		62436 AK	126		1	1						0
Incentive		63000 AK	100		1	1						0
Iceland		2 AK	100		1	1						0
Jeanne H		6710 AK	82		1	1						0
Jeanne H		14663 AK	82		1	1						0
Kathna Em		38872 AK	101		1	1						0
Kodiak		3525 AK	111		1	1						0
Kustlan		60210 AK	100		1	1						0
Lady Alaska		61351 AK	136		1	1						0
Lady Alutian		41715 AK	116		1	1						0
Lady Blackie		58129 AK	79		1	1						0
Lady Klaka		35522 AK	158		1	1						0
Lady Kodiak		61352 AK	126		1	1						0
Lady Simpson		30061 AK	86		1	1						0
Last Frontier		47828 AK	88		1	1						0
Mar Del Sud		21652 AK	110		1	1						0
Marcy J		55 AK	87	AFA pollock also	1	1						0
Misty Blue		48892 AK	102		1	1						0
North Point		53800 AK	90		1	1						0
Northern Spirit		58576 AK	90		1	1						0
Nuka Island		35640 AK	105		1	1						0
Obession		34374 AK	107		1	1						0
Pacific Solom		48068 AK	72		1	1						0
Pacific Venture		888 AK	102		1	1						0
Perseverance		63219 AK	85		1	1						0
Providence		52119 AK	70		1	1						0
Provider		58 AK	135		1	1						0
Rambin Rose		59686 AK	103		1	1						0
Ruff & Ready		53 AK	87		1	1						0
Saga		11022 AK	107		1	1						0
Seabrooke		36800 AK	109		1	1						0
Storm Bird		4654 AK	90		1	1						0
Sushna		36361 AK	85		1	1						0
Theresa Marie		34 AK	94		1	1						0
Time Bandit		65577 AK	110		1	1						0
Vekoda Bay		57971 AK	98		1	1						0
Zoloto		40917 AK	98		1	1						0
Jennifer A		35277 AK	98		1	1						0
Katherine		58133 AK	96	not qualified for crab program	1	1						0
Isa Marie		70221 AK	76		1	1						0
Lucky Lady		6485 AK	59	not qualified for crab program	1	1						0
Yor Quest		56482 AK	110		1	1						0
Ocean Bay		68008 AK	59	not qualified for crab program	1	1						0
Rondys		3725 AK	120	not qualified for crab program	1	1						0
Tempo Sea		40817 AK	134	ex Blue Alutian	1	1						0
AK Total		34189 AK	98		63	23	3	4	17	2	14	4
Al. Total		6700 CA	88		1	0	0	0	1	0	0	0
CA Total		35877 CA	121		2	1	0	0	1	0	0	0
MA		39196 MA	108	E coast lobster fishery	1	1						0
MA Total		4144 MN	90		1	1						0
MN Total					1	1						0

January 4th, 2007

Stephanie Madsen, Chair
North Pacific Fishery Management Council
605 W. 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

LATE COMMENT

RE: Agenda Item D-2(c) BSAI Crab Review of Vessel Use Caps

Dear Ms Madsen:

At the October Council meeting in Dutch Harbor, you heard supporting testimonies regarding the BSAI Crab Rationalization program from some of the active crew and skippers. In addition, we voiced our concern regarding any form of vessel use caps within cooperatives. All of the signers of this letter are currently at work in the Bering Sea fishing cod or crab. We cannot make it to the meeting, but we would like to have our voices heard.

First off, the crab program, although not perfect, created a better environment for the remaining crew. Prior to rationalization, there were far too many vessels chasing too few crab and the jobs were quite simply, not very good. The risk of injury or death was high as was the risk of making very little money. For many crew, crab was just a secondary income as the revenue was not enough to live on, and most of them had secondary occupations in the trades.

The crab program is not perfect, and it has resulted in many vessels staying in town and quite a few crew losing jobs. However, for those that remain, the crab fisheries are much better. We no longer have the competitive pressures which created safety issues. Now, when the weather gets bad, we don't feel compelled to keep fishing because others are, and we are all competing for the same crabs. Instead we can just anchor up and get some rest. In addition, we have a pretty good idea as to what we will make before we go fishing. Finally, because of the ability to stack other vessels' quotas and to consolidate, the remaining vessels and crew now make more money than before. The crew are dedicated to crab fishing and are professional crabbers. There is no need and no time for secondary jobs.

We do have major concerns with the analysis regarding use caps within cooperatives as this would be a step backwards to recreate inefficiencies, which will ultimately make it more difficult for the Alaska crab industry to compete in the world market, particularly with the Russian crab industry, which is characterized and dominated by a handful of vertically integrated companies that operate highly efficient catcher processors.

Thank you for your consideration.

NAME

SKIPPER OR CREWMAN

VESSEL NAME

<i>Joseph Gustafson</i>	<i>Alutian Mariner</i>
<i>Ray Taylor</i>	<i>Pacific Mariner</i>
<i>Wayne Simpson</i>	<i>Bristol Mariner</i>
<i>Paul Harte</i>	<i>Arctic Mariner</i>
<i>Joe E. Fan</i>	<i>Kevleen K</i>

Alaska Crab Coalition
3901 Leary Way N.W. Suite #6
Seattle, Washington 98107
206.547.7560
Fax 206.547.0130
accrabak@earthlink.net

January 31, 2007

Stephanie Madsen, Chair
North Pacific Fishery Management Council
605 West 4th Avenue
Anchorage, AK 99501-2252

LATE COMMENT

RE: Agenda Item D-3(a), Discussion Paper on BSAI Crab Vessel Use Caps

Dear Ms. Madsen:

NPFMC's consideration of imposing economic inefficiency in the form of restrictive use caps on vessels in cooperatives has caused tremendous concern and raised a lot of questions in terms of the rationale for such action. This is particularly so in light of the fact that the Bering Sea and Aleutian Islands crab fleet was tremendously overcapitalized in the five years preceding implementation of the rationalization program. Crab stocks plummeted in 2000 and they have not recovered, while insurance, shipyard work, gear and fuel costs have dramatically risen. Many small operators on the brink of bankruptcy during the rationalization process, maintained participation in the fisheries as they were hopeful that with the onset of rationalization, they could enter cooperatives, instead of selling out of the industry.

The efficiencies that have been created by the development of cooperatives have clearly enabled small and medium quota share holders to continue to survive, particularly in the years of low TACs such as we are still experiencing.

The Bering Sea/Aleutian Islands (BSAI) crab rationalization plan went into effect only 18 months ago, on August 15, 2005 for the Aleutian Islands Golden King Crab fishery and on October 15, 2005 for the Bering Sea King and Snow and Tanner Crab Fisheries. To stop the race for fish, and thereby gain critically needed conservation, safety and economic improvements, there had to be fewer boats in the fishery. Everyone knew that there was going to be consolidation, that vessel owners were going to stack licenses and quotas, and that captain and crew jobs would be lost. These eventualities, which occur in consolidation of modern day industries struggling to remain competitive in world markets, were all given extensive consideration in the EIS, especially with the low crab quotas extant for the last five years.

The problem statement developed for the comprehensive rationalization analysis covers the spectrum of concerns that led to rationalization, and stands on its own as a reminder for maintaining flexibility in the program:

“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 Council 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;
 5. And, high levels of occupational loss of life and injury. “
- (EIS 1-4)

With the program having only been in effect for 18 months, to initiate an action that starts to limit flexibility and to reduce efficiency would be unwarranted. Although the intent is to increase the number of boats participating in coops and to increase the number of jobs, the discussion paper shows it would more likely only result in a redistribution of QS amongst the existing participants in coops. (Discussion Paper, p. 11, 14)

The Discussion Paper also notes in the conclusion that “the analysis is based on anecdotal evidence received from fishery participants”. Data for assessing impacts of the rationalization program and for analyzing the potential impacts of the proposed vessel use caps are unavailable at this time. The Council should also consider that with a single year of fishing under the rationalization program, only weak conclusions should be drawn.” (Discussion Paper, p. 16)

In light of the criticism about lost jobs and the proposal to implement vessel use caps in cooperatives, additional background information needs to be revisited.

- The Bristol Bay Red King Crab Fishery from 1996 though 2004 lasted an average of four days with 250 vessels fishing each year. This has been bad for the resource, bad for safety, tough on vessel owners, and hardly much of a job for many of the skippers and crew members.

- The fact is, and the plan responded to it, that captains, crewmembers, and vessel owners could not earn a decent living on a sustainable basis, if they were fishing crab only 14 days a year. The industry agreed at the outset of the rationalization process that it needed to move away from the Olympic system and that a rationalization program had to be developed that included all stakeholders.
- The Bering Sea Snow Crab fishery, the State's largest crab fishery from 2001 to 2005, lasted an average of ten days with an average of 190 vessels fishing and it has been experiencing some of the same problems as the Bristol Bay Red King Crab Fishery.
- In the last few years preceding implementation of the rationalization program, the average ex vessel revenue for the two major Bering Sea crab fisheries has been about \$100 million dollars, shared by 250 boats, for an average gross revenue per vessel of \$400,000. This represents a poor return on investment for the majority of the vessel owners. Crew shares for 5 deck men, excluding the captain, on a per boat basis, at twenty-five percent of the gross revenue, results in an average deck man receiving \$20,000 per man (less two round trip air fares to Unalaska or Kodiak) for risking his life at sea in the most dangerous occupation in the United States.
- While consolidation was not only expected, but also planned, it is true that substantially fewer vessels registered to fish this year than most could predict. A combination of factors came into play much faster than many boat owners, who planned to operate their vessels, could have predicted. Soon after the formation of the FCMA cooperatives, the royalties bid for Bristol Bay king crab went much higher than anticipated, up to 70 percent of the ex vessel value of Bristol Bay king crab. The price of fuel doubled between December 2005 to December of 2006; and insurance rates and the anticipation of status quo on the king crab quota and the possibility of no snow crab season all played into only 89 vessels registering to fish the Bristol Bay and Aleutian Islands king crab fisheries in the fall of 2005. In addition, people need to understand that vessel owners have incurred tremendous risks and liabilities, for marginal returns on their investments the last three years, when they have taken the responsibility to operate their fishing vessels in the Bering Sea and Aleutian Islands crab fisheries.
- Most estimates of job loss have been overstated, and most of these estimates do not take into consideration the Crab Vessel Buyback Program, in which 125 direct jobs were lost with the buyback of 25 boats, and this occurred in January of 2005, prior to the startup of the first rationalized fisheries in the fall of 2005. In addition, 30 pollock catcher boats that normally fish the Bristol Bay king crab fishery, chose to continue fishing Pollock and leased their quota to cooperatives. There are another 150 jobs involved with the pollock boats, but they were not lost jobs, the boats continued to fish in their primary fishery. Although Alaskan residents and their representatives have complained extensively about the loss of jobs on crab boats, the State of Washington has by far lost most of the jobs. A

recent ACC analysis of job loss shows that in the 2004 Bristol Bay king crab fishery in which 248 boats fished, 164 boats were from Washington State and 58 boats were from Alaska.

- The Discussion Paper notes that with rationalization, crab fishing jobs have changed; they are no longer two, sporadic, ten-day, potential opportunities to make a lot of money. A number of fishermen who were working short term crab derbies in with sablefish and halibut IFQ fishing have made a choice not to work the now elongated king, snow and golden king crab fisheries. In addition, there are numerous other crewmen, who left the industry in the years immediately preceding rationalization, due to low quotas and poor wages. They transitioned into other sectors of the maritime industry or moved full-time into other off-season careers in which they were already occupied. Consequently, the vessel owners who are operating vessels in cooperatives are routinely experiencing a shortage of experienced crewmen.
- The ACC has been actively supporting legislative efforts in Washington D.C. with the Deep Sea Fishermen's Union to obtain additional federal funding for adjustment training, plus a \$250,000 subsidy that would open up a \$25 million federally guaranteed loan fund for skippers and crew members to purchase crab IFQs. We are continuing this effort with DSFU throughout the Magnuson-Stevens Act reauthorization and appropriations processes.
- In Alaska, the ACC is supporting the efforts of the Alaska Department of Labor, and the Seafarers International Union (SIU) to place dislocated crab fishermen in deep sea maritime-related training and good-paying jobs.
- The number of vessels participating in these fisheries may increase in the future, with the growth in the total allowable catch amounts (TACs). Even with a reduced fleet, the vessels left in the fishery will be making more trips, and the seasons will be lasting longer, which will off-set impacts. Jobs on crab vessels will be stretching out for several months in the year, the resource will benefit, and men will be working in a much safer environment. Vessel owners will achieve greater financial stability, as will the processors and crab-dependent communities.
- World crab markets are challenging and meeting the challenges requires efficiency in the harvesting and processing sectors. It is a well-known fact that the world market price for king crab has been adversely affected by the influx of Russian red king crab from both the Sea of Okhotsk and most recently, the Barents Sea (John Sackton, 2006 Market Analyst Report on Red King Crab, August 2006, pages 9-11). Alaska is no longer a price leader in the world market for either king crab or snow crab. It is now characterized as a "price taker". (Alaska Crab Markets an Integrated Perspective, Joshua Greenberg and Mark Herrmann, University of Alaska Fairbanks; Presented to the Crab Plan Team, Anchorage, Alaska, September 27-30, 2006)

In the one year period from 2005 to 2006, Russian king crab imports to the U.S. jumped 98% in volume and 78% in value. The 2006 year to date figures from the NMFS Fisheries Statistics and Economics Division shows, through November 2006, Russian king crab imports at 51.5 million pounds, USD value of \$277,800,00. By comparison, the entire BSAI king and snow crab pack (2005-2006) is valued at approximately \$130,000,000.

- It is reliably reported that there are 15-20 highly efficient vertically-integrated catcher processors harvesting an estimated 80 percent of the Russian sector Barents Sea king crab. Reducing the efficiency of the Bering Sea crab catcher vessels, will adversely impact the Alaska industry's competitiveness and could trigger more consolidation as a result of marginal small Quota Share holders selling out of the business.

Sincerely,

Arni Thomson MAT

Arni Thomson
Executive Director
Alaska Crab Coalition