AGENDA D-3(a)
OCTOBER 2006

MEMORANDUM

TO: Council and AP Members

FROM: Chris Oliver
Executive Director

ESTIMATED TIME
1 HOUR

DATE: September 25, 2006

SUBJECT: Crab Management

ACTION REQUIRED

Review discussion paper on BSAI crab vessel use caps.

BACKGROUND

At its April 2006 meeting, the Council tasked staff to write a discussion paper that it could use to specify options to eliminate 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 (which 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% for BS Opilio crab
2% BB red king crab
2% BS bairdi crab
4% for Pribilof red and blue king crab
4% for St. Matthew blue king crab
2% for EAI (Dutch Harbor) brown king crab
2% for Adak (WAI) brown king crab
2% for Adak (WAI) red king crab west of 179° West longitude

The staff discussion paper (**Item D-3(a)(1)**) includes the Council's draft problem statement, outlines the Council's draft alternatives, and provides a preliminary discussion of issues, background description, and summarizes the most obvious potential impacts of the proposed action. If the Council wishes to proceed with consideration of this action, it could finalize its problem statement and alternatives and task staff to develop an analysis for preliminary or initial review.

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

NORTH PACIFIC FISHERY MANAGEMENT COUNCIL OCTOBER 2006

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 socioeconomic 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 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 economic 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 quo on fewer vessels, potentially saving on costs not only of capital, but also on maintenance, insurance, crew, fuel, and other variable input costs. Examining data from the first year of the program and the years immediately proceeding implementation show a drastic reduction in the fleet under the program. In interpreting the data in this paper, the Council should note that at this time most verifiable data are available only for the two largest fisheries, the Bristol Bay red king crab and the Bering Sea *C. opilio* fisheries. In addition to these large fisheries, the Aleutian Islands golden king crab fisheries and the Bering Sea *C. bairdi* fishery have been open under the new management. Since the smaller fisheries have very different fleets, seasons, and characteristics, care should be taken in extending any interpretation of these data to those fisheries.

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

[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.

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.

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

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).

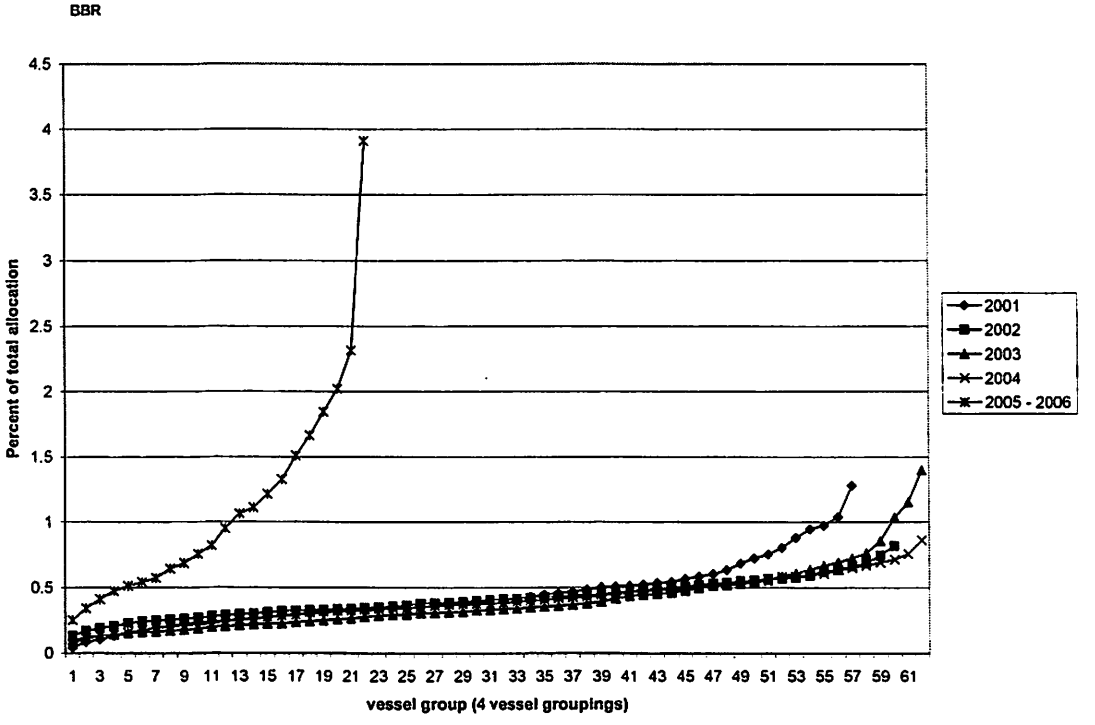


Table 2 shows simple catch statistics of the fleet participating in the Bering Sea *C. opilio* fishery from the 2001 season through the 2005-2006 season. Figure 2 is a histogram showing the distribution of catch across the fleet during those years, with vessels grouped in fours to protect confidentiality. 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 GHLs 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.

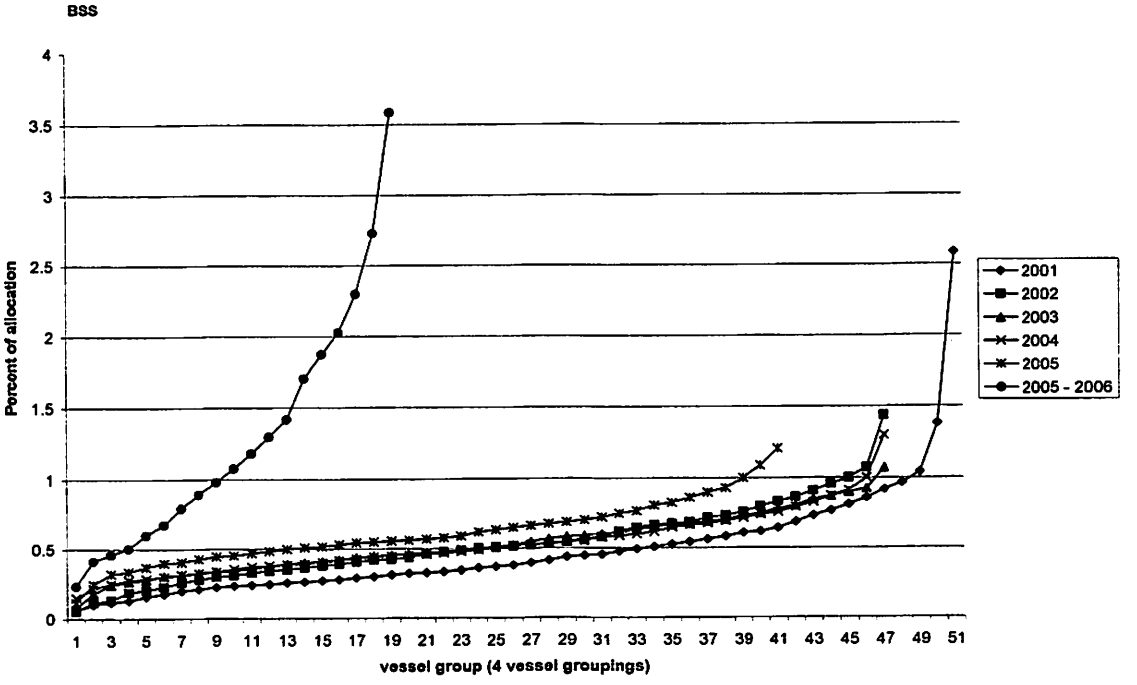
Table 2. Simple statistics of the fleet participating in the Bering Sea *C. opilio* fishery (2001 through 2005-2006).

BSS

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

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.

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 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.

Table 3 shows the catch and number of participants by vessel type in the Bristol Bay red king crab and Bering Sea *C. opilio* 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 both fisheries. Catch was substantially more concentrated in the *C. opilio* fishery, with the average vessel catching slightly less than 2 percent of the TAC.

Table 3. Catch and participation by vessel type (2001 through 2005-2006).

		Catch (as percent of total) by		Number of vessels participating	
Fishery	Season	catcher vessels	catcher processors	catcher vessels	catcher processors
Bering Sea *C. opilio*	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

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. 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 recent years, 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.[3] 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. 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 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

[3] 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.

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 in not known.

In small economies, the loss of crew jobs can also has 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 4 below shows the number of vessels fishing inside and outside of cooperatives, as well as the average amount fished by these vessels and the number of cooperative vessels that would have exceeded the proposed caps. The table shows that 4 vessels in each fishery 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. On average a vessel fishing a cooperative allocation harvested slightly less than 1.5 percent, suggesting the cooperative allocations could have been redistributed among cooperatives to comply with the caps (without entering additional vessels in the fishery).

Table 4. 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).

	Number of vessels fishing			Average catch* of a vessel fishing			Number of cooperative vessels fishing over	
Fishery	outside of a cooperative	inside of a cooperative	total	outside of a cooperative	inside of a cooperative	in the fishery	2 percent of the total allocation	3 percent of the total allocation
Bristol Bay red king crab	18	71	89	0.81	1.20	1.12	9	4
Bering Sea *C. opilio*	15	63	78	0.96	1.35	1.28	13	4

* as a percent of the total allocation

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 5 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 most of the cooperatives had vessels exceeding the proposed two percent cap, while few had vessels exceeding the three percent cap. Fewer than 4 cooperatives could redistribute catch among their participating vessels to comply with a two percent cap in both fisheries and a 3 percent cap in the Bristol Bay red king crab fishery. No cooperatives would have needed to enter additional vessels to the Bering Sea *C. opilio* fishery to comply with a 3 percent cap.

Table 5. Number of cooperatives, number or cooperatives with a vessel exceeding the proposed caps, and number of cooperatives with their average vessel exceeding the cap (in the 2005-2006 season).

	Number of cooperatives	Number of cooperatives with a vessel over the proposed		Number of cooperatives with their average vessel over the proposed	
Fishery		2 percent cap	3 percent cap	2 percent cap	3 percent cap
Bristol Bay red king crab	13	7	*	*	*
Bering Sea *C. opilio*	13	9	4	*	0

* withheld for confidentiality

Source: ADFG fish tickets

Table 6 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.[4] 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.

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 6. 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 *C. opilio*	33,465,600	5,486,186	27,979,414	781,554	14.2	2.3	3,240,703	11.6	9.7
Bering Sea *C. bairdi*	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	6,953	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

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

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 last year. Drops in lease rates are starting to appear in some fisheries. Some participants believe that rates will noticeably drop over the next few years, but not precipitously (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 last 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 fishery has had substantially lower participation rates than other fishery. Approximately 20 unique vessels have participated in these two fisheries since the 2000-2001 season. In the first year of fishing under the new program, approximately 10 to 12 vessels participated in the fisheries. As in the other smaller 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 in the fishery. The proposed caps in these fisheries range from 20 to 30 percent of the TAC. 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 efficiency in the harvest sector

Substantial 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 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 the vessel, insurance costs, and the costs of employing and supplying a crew. Efficiency costs, 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 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 efficiency. These vessels could lose any competitive advantage, if caps prevent their achieving optimum efficiency. Caps in the smaller, ancillary fisheries (the St. Matthews, Pribilof, and *C. bairdi* fisheries under current TACs) are most likely to lead to the greatest losses of efficiency. Participants believe that consolidation in these fisheries beyond the proposed caps is important to achieving economic 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

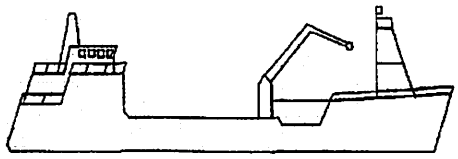
References

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.

AGENDA D-3(a)
SUPPLEMENTAL
OCTOBER 2006

F/V Trailblazer Partnership
Alaska Seafood Producers, Inc.



Gary L. Painter
F/V Sea Pearl

PO Box 1027 - Newport, OR 97365
(541) 574-0256 - Fax: (541) 574-0380
gpainter@midnitepacific.com

9/22/06

To: North Pacific Fisheries Management Council
Via: Fax: 907/271-2817
Attn: Chair Madsen
Re: D-3 BSAI Crab Management (a) Vessel Use Caps

Dear Ms. Madsen and other Council members,

The original intent of the Council in devising the Crab Rationalization plan was related primarily to concerns about resource conservation, safety of the participants, and economic viability of the participants. D-3 (a) is related to economics, and I will restrict the majority of my comments to that issue.

In the mid and latter 90's, reduction in stocks and new management plans (And their resultant reductions in GHL's.) drove crab harvesters to the brink of extinction. The Crab Rationalization plan has since brought us back. While we currently suffer through low prices, the implemented plan has greatly stabilized the industry. A great portion of that stability in the harvesting fleet has been achieved because of consolidation. When vessels can catch more of the resource, the additional cashflow increases the profit potential to all participants. The participants in my organization are all doing better. They are spending more time on the ocean, but their earnings are increased. That coupled with the safety benefit is a winning combination

As past changes have proven, and as the Council anticipated, it takes a while for new programs to settle out. We are currently going through

that settling out process. A knee-jerk reaction for change is not called for in any facet of your program.

I urge you to take no action on vessel caps. But if action is chosen, I ask you to expand the analysis to include additional options of more than 150% of the level applicable to vessels fishing individual allocations.

Bottom line is that those remaining participants—both active and passive—have a much more stable economic base. It would be unwise to change this equation.

Sincerely,

Gary Painter

Gary Painter, FV Trailblazer

James Stone
7216 Interlaaken Dr. SW
Lakewood, WA 98499
(253) 582-2580
Fax 589-0508
jstonecrab@aol.com

Date: September 24, 2006
To: North Pacific Fishing Management Council
RE: BSAI Crab Vessel Use Caps

I have been an Alaska Crab fisherman since 1978 and a Crab boat owner/ operator since 1986.

The major reason for the cut in crab jobs and services in the local crab communities is the dramatic decrease in crab quotas, high prices at the fuel pump and the drop in worldwide crab prices.

Crab Rationalization was a by-product and hopefully an answer to the above problem. Many Crab boats in the last few years before rationalization went into effect, were only fishing to make sure they would be included once the rationalization program began. These last years (before rationalization) the boat owners were either breaking even or loosing money. If there had been no Rationalization Program on the horizon many of these boats would have tied up and the jobs and services with them.

The Jobs we had pre-rationalization where only offering 2 to 3 weeks of highly dangerous work. Frequently with little or no pay depending on how your individual vessel did in the "derby" style fishery. One breakdown during a 3 day King Crab opening meant you would go home with no money.

Post- Rationalization the Jobs are up to several months long (depending on the quota leased on your boat). A man can calculate exactly how much he will make and determine whether he wants to fish the boat or not. These jobs are much less dangerous as we have a known quota for our boat and a much larger window to catch the crab in. We are no longer fishing 75 mph storms to try to catch more then the next boat.

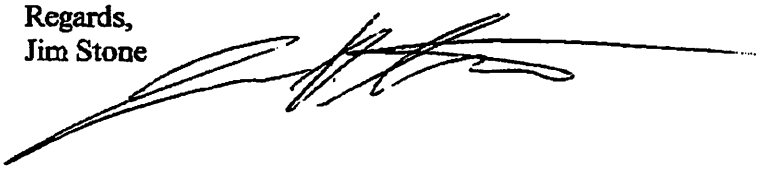
Many boats have been bought, sold and rebuilt using business plans based on the new realities from the rules (Use Caps) in Crab Rationalization. The vessels bought and rebuilt are much safer vessels as they can now show a profit and put some of these funds into ensuring that these are safe platforms to work on. A lot of the vessels sold and no longer fishing where some of the older, weaker (therefore more dangerous) crab boats.

The remaining vessels in the fishery will be spending much more time then before in the local communities using the products and services provided. These vessels being profitable should be spending much more money then the pre-rationalization vessels did that could only afford to buy the bare minimum to get by on.

There are now indications that lease rates are headed down from last years levels. This will result in a few more vessels harvesting instead of leasing. Every year as Quota levels, Crab Prices and Fuel costs adjust the number of boats and jobs will change and hopefully increase. To me this is the best way to determine the number of boats fishing. In lean years only a few boats will harvest. In years with huge quotas many more boats will harvest (perhaps with all less then even 1% of the quota).

This program is only one year old, leaving us with weak conclusions. To look at only last year to make regulation changes is a mistake. Looking at history we see that our quotas, crab prices and fuel costs all can change dramatically in a very short time. Given some time we can observe how these different factors effect all the parties concerned and come up with some solid conclusions. If we force boats to go fishing now by lowering Use Caps we could decrease safety and local spending by making crabbing less profitable. Please do not change the Use Cap rules now, before we fully understand how this system is working as it has been implemented.

Regards,
Jim Stone



KRIS POULSEN & ASSOCIATES COMMERCIAL FISHING VESSELS • M/V BERING SEA • M/V ARCTIC SEA • M/V NORTH SEA

1143 N.W. 45TH STREET • SEATTLE, WASHINGTON 98107 • OFFICE: 206-783-6708 • FAX: 206-784-2502

September 25, 2006

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

RE: Agenda Item D-3(a) BSAI Crab Vessel Use Caps

Dear Stephanie,

I am the owner and manager of three Bering Sea crab vessels. All three of these vessels exceeded the proposed vessel use cap under either scenario that is currently being analyzed as part of the Bering Sea Crab Rationalization Program. I am strongly opposed to a vessel use cap applied to vessels within a cooperative. I ask the Council to reconsider the direction it is heading on this issue and drop the current analysis on vessel use caps and any future action regarding vessel use caps.

I am opposed to a vessel use cap within a cooperative for the following reasons:

- Consolidation was not only expected under the program, it was encouraged through the ability to form cooperatives and is extensively mentioned as part of the crab EIS.
- Establishing a vessel use cap within cooperatives would result in vessels using fewer pots leading to less soak time and higher discard mortality.
- A vessel use cap within cooperatives does not work for Bering Sea crab fisheries which have extremely volatile quotas.
- A vessel use cap within cooperatives would disadvantage larger vessels and thus would result in an increase of smaller less safe vessels fishing crab.
- Implementation of caps will not result in any meaningful increase in the number of vessels fishing crab.

Extensive consolidation was necessary for the health of the Bering Sea crab industry. Vessel owners had been losing money since the decline of the opilio stocks in 2000 and the situation was only getting worse with declining wholesale prices and increasing fuel prices. I feel strongly that if rationalization had not happened when it did, the fleet would have gone through massive consolidation through bankruptcies. The problem statement of the EIS specifically lists "Excess harvesting and processing capacity, as well as low economic returns" as a reason for rationalization. Consolidation was not only expected, it was encouraged within the structure of the program. As a result of the consolidation,

our crew now have full time jobs which pay considerably more than the pre-rationalization days of 10 days of fishing for the entire year with little money made. One final often forgotten point is the fact that fleet reduction also occurred as a result of the buyback program which retired 25 active vessels.

A vessel use cap would be in opposition to another specific issue raised in the problem statement of the EIS, "Bycatch and its associated mortalities, and potential landing deadloss". Consolidation in the crab fleet will be a positive longer term specifically in regards to discard mortality. During the pre-rationalized years, a pot limit was in place which resulted in short soak times of pots on the bottom and as a result small crab would not have time to crawl out. Some amount of discard mortality occurs due to this which limits the future recruitment of the resource. During the first rationalized year, vessels that had multiple trips of crab to deliver generally fished with more gear than in the past since the pot limits were greatly relaxed. For example, we fished with 250 pots during the pre-rationalized years which resulted in less than 2 days of soak time. This year we will be fishing over 400 pots per vessel resulting in more than 3 days of soak time. Three days is really the minimum amount of soak time needed as the bait in the pots continues to attract crab to the pot until around three days. If a vessel use cap were implemented, we would not be fishing as much quota and would not take as much gear to the grounds and our average soak time would decrease resulting in greater discard mortality. The objective for the Council should be to encourage greater soak time, not discourage it.

A vessel use cap does not work for fisheries with extremely volatile quotas. If the opilio quota were to increase as everyone hopes, then we would either have to get more vessels active or lease less crab or we would not be able to catch all of our crab. On the other hand, with small quotas it simply doesn't make financial sense for many vessels to operate. A great example is last years bairdi fishery where the IFQ TAC was just under 1.5M lbs. It did not make financial sense for very many vessels to harvest this crab. Because it was such a low quota and the ex-vessel price was low, not all the quota was caught even with the ability to consolidate. Both red king crab and opilio have shown a tremendous variability in the TAC and any sort of vessel use cap would be unnecessary in many years and in other years would simply result in crab not even being caught as it could be uneconomical.

A vessel use cap as it is currently being contemplated would disadvantage larger vessels. Our largest vessel can carry 500 pots and 500,000 lbs of crab which is well over twice the capacity of the average crab vessel. It is an extremely efficient vessel. A flat use cap for all vessels would greatly disadvantage our vessel as it is more expensive to operate than the average vessel and needs more pounds to make it worthwhile to operate. If a flat use cap were implemented for all vessels we would have to move pounds from our most efficient vessel to a less efficient, smaller, and less seaworthy vessel. This would go against another issue brought up in the problem statement of the EIS, "High levels of occupational loss of life and injury".

The final point I would like to make regarding vessel use caps is that even if a 2% vessel use cap where implemented within cooperatives, it would not result in an increase in

vessels fishing. Last year, approximately 80 vessels were fishing. A 2% use cap could result in as few as 50 vessels fishing. If harvesters found that the efficient point to operate last year based on the lease rates, expenses, and quota to be 80 vessels, then even if a 2% use cap were in place, 80 vessels would still operate as that number exceeds the minimum vessel number of 50. In our case, we simply would have had another vessel that was already operating but not yet at the 2% cap fish some of our crab.

In summary, a 2% or 3% vessel use cap within cooperatives will not meet the stated objective to increase the number of vessels and crew on the water and will in fact result in outcomes that are contradictory to the problem statement of the crab rationalization EIS.

Sincerely,

Kris Poulsen

Owner
F/V Arctic Sea
F/V North Sea
F/V Bering Sea

MSDH, LLC
A WHOLLY-OWNED SUBSIDIARY OF CBSFA
A WESTERN-ALASKA CDQ ORGANIZATION
ST. PAUL ISLAND, ALASKA

September 25, 2006

Stephanie Madsen, Chair
NPFMC
605 West 4th Avenue
Anchorage, AK 99501-2252

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

Dear Ms. Madsen:

I am writing you today in opposition to the proposed crab cooperative vessel use caps.

Our CDQ group has invested in six different vessels that have crab IFQ rights, including some significant shares in the Golden King Crab fisheries as well as the major Bering Sea fisheries.

Given the significant rise in fuel costs in the last 18 months, combined with the decline in ex-vessel and wholesale value for Alaska crab, any reintroduction of economic inefficiency seems unwise and unwarranted at this time.

There is no doubt that Alaska's active crab fleet has consolidated under the IFQ program. But that consolidation was anticipated in the analysis, and was just as likely to have happened through bankruptcy if the program had not been put in place.

Under the new program crew jobs are now safer and also more stable. There is no doubt that some crew members preferred the old derby style, get rich quick approach to crab fishing, and it is true that those days are gone.

We are currently working under intense market pressures. We ask that the Council reject attempts to force inefficiency back into the program at this time.

Sincerely,

Margo Poetter for Steve Minor

Steven K Minor
General Manager

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

September 25, 2006

Stephanie Madsen, Chair
NPFMC
605 West 4th Avenue
Anchorage, AK 99501-2252

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 about one year ago, on August 15th for the Aleutian Islands Golden King Crab fishery and on October 15, 2005 for the Bering Sea King and Snow 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 about one year, 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 numbers 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)

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. 13)

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, per boat at 25 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 from a year ago to December of 2005; 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 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. 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 these boats, but they were not lost jobs, the boats continued to fish in their primary fishery.

  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. The fishermen who were working short term crab derbies in

with sablefish and halibut IFQ fishing do not wish 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 problematic. 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. 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 jumped 98% in volume and 78% in value. The year to date figures from the NMFS Fisheries Statistics and Economics Division shows, through July 2006, Russian king crab imports at 37,520,233 pounds, USD value of $228,672,858. By comparison, the entire Alaska king crab pack is valued at approximately $130,000,000.

- Production of red king crab from the Barents Sea alone, in 2005, far exceeded the Alaska production, and the most recent information indicates production exceeded over 50 million pounds. A substantial amount of this crab, according to verifiable

reports in Seafood.com, as recent as December 6, 2005, is illegal, unregulated or unreported (IUU) product that is being sold in the U.S. market and it has contributed to 15-23 percent decline in the market price in 2006. Reportedly there are 15-20 highly efficient catcher processors harvesting the bulk of the Barents Sea king crab. Reducing the efficiency of the Bering Sea crab catcher vessels, will adversely impact the industry's competitiveness and could trigger more consolidation as a result of marginal small Quota Share holders selling out of the business.

- With rationalization, fishermen, through FCMA cooperative price negotiations now have not one, but two market price options, from which to choose, the ex vessel price or a negotiated share of the value added first wholesale price. The arbitration process has also proven to work in resolving price disputes.

- But the most important benefit we've seen so far is in safety. At the start of the October 15th Bristol Bay King Crab fishery, there was storm after storm in the Bering Sea and the Aleutian Islands, with gusts of over 100 miles per hour on the fishing grounds. A conversation with a State of Alaska Department of Public Safety officer, who was on the State of Alaska enforcement Vessel *Stimson* for the start of the season, was startling. The officer reported it was a week from hell on the grounds, with gusts of wind up to 100 mph and 40-foot seas. He said that, if this fishery were still Olympic style, vessels would have gone down with lives lost and countless injuries. He prayed that neither the troopers' vessel, nor the Coast Guard, would have to respond to an emergency in that weather. As it turned out, many vessels stayed in port at the start of the fishery, and the ones on the grounds just rode out the storm by jogging, without sending their crews out on deck. There were no deaths and only one minor injury on the 89 vessels fishing, and no capsized vessels, even though the conditions were some of the worst in many years. It is impossible to put a price or value on a life saved.

  Another noteworthy situation developed in early February in the opilio crab fishery; one of the worst months for ice buildup occurred that we have seen in the winter fishery since the late 1990s. Under the old open access rules, vessels would have stayed on the grounds, increasing both the risk to deckmen and vessels, and crab handling mortality while deck sorting during bitter cold weather. There would have been substantial loss of pots too, as a result of fast-moving ice.

  Instead, under the new IFQ program, vessels were able to leave the grounds and tie up, or pursue other fishing activities until the ice receded. Many of the vessels that tied up are just returning to the fishing grounds this week. Very few pots were lost. Almost forty vessels chose to fish cod during the ice event, and then they returned to crab fishing. Because we now have IFQ's, everyone will still be able to harvest his share of the crab fishery at his own pace. This is a huge improvement in fishing behavior.

- A fishery for bairdi Tanner crab of 1.6 million pounds was reopened this year in the Western subdistrict of the Bering Sea for the first time since 1996, due in large part to rationalization and the reduced fleet enabling ADFG to open the fishery without fear of a large open access fleet exceeding the TAC before the fishery could be closed. In addition, the Board of Fisheries has recently approved eliminating the four million pound minimum TAC for reopening the Eastern subdistrict (Bristol Bay). Given that there was a potential harvest of one million pounds last fall, in the Eastern subdistrict, and the 2006 preliminary survey estimates show a continuation in the rebuilding of the stocks, it is likely the Eastern subdistrict will reopen this fall with a TAC of at least 1.5 million pounds. There will likely be a similar TAC for the Western subdistrict. Given the excess capacity issues that existed under the open access fisheries, neither of these fisheries would be able to open due to the high probability of overfishing the TACs.

- Of special interest to Kodiak: ADF&G/Dutch Harbor reported landings of 774,000 pounds of king crab by ten vessels to town, roughly four percent of the 16.3 million pound catch limit. ADF&G said they were "surprised" to see landings that are very similar to Kodiak's averages for the past ten years.

- Pot usage in 2004. Pot usage in the Bristol Bay king fishery in 2004 was estimated at about 49,000 pots, for 248 boats. In the Aleutian Islands GKC fishery in 2004, pot usage was an estimated 20,000 pots, for 22 boats.

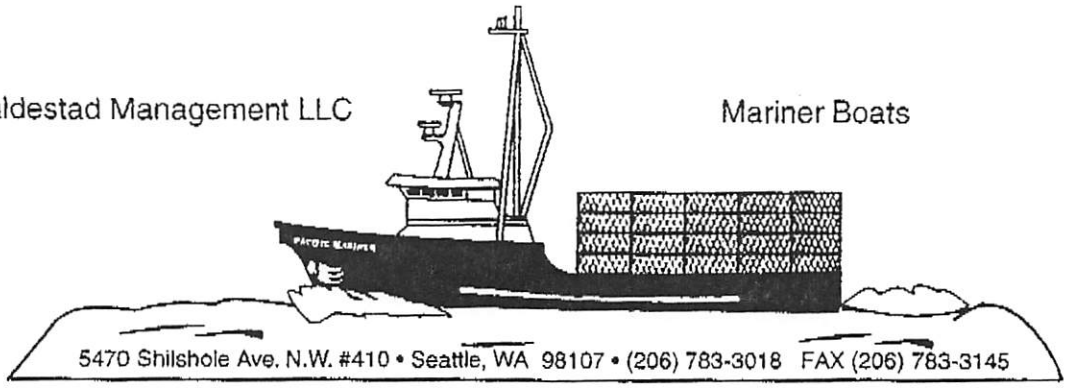
- Combined usage of pots in the 2005 fall BSAI crab fisheries, as a result of rationalization was reduced from 69,000 pots in 2004 to an estimated 24,000 pots, total. A reduction in the number of pots used means a reduction in lost pots too. There were 89 boats registered for the Bristol Bay king crab fishery, with 15,700 pots and 8 boats registered for the Aleutian Islands golden king crab fishery with an estimated 9,000 pots. Bering Sea pot usage from fall 2004 to fall 2005 was reduced over 65%; and Aleutian Islands pot usage was reduced more than 50%.

- The ACC concludes that the new program has, right from the outset started to prove its worth. For the critics, the ACC asks, would you have preferred no rationalization program, and that men continue to live and die in the race for fish? And that was the only real alternative.

Arni Thomson

Arni Thomson
Executive Director
Alaska Crab Coalition

Kaldestad Management LLC Mariner Boats



5470 Shilshole Ave. N.W. #410 • Seattle, WA 98107 • (206) 783-3018 FAX (206) 783-3145

Date: September 25, 2006

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

Re: D-3 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,

Kevin L. Kaldestad

Kevin L. Kaldestad
Mariner Boats

COASTAL VILLAGES COOPERATIVE

3900 Railway Avenue
Everett, Washington 98201
Phone (425) 742-8609
Fax (425) 742-8699

September 25, 2006

North Pacific Fishery Management Council
605 West 4th Avenue, Suite 305
Anchorage, AK 99501-2252

Re: BSAI Crab Vessel Use Caps in Cooperatives

Dear Council Members and Staff:

I am writing to express the strong opposition of the members of Coastal Villages Cooperative to possibility of eliminating the exemption from vessel use caps within cooperatives. The elimination of this exemption would have severe and negative impacts on members of our cooperative.

I do not yet have access to the discussion paper regarding this issue that will be presented at the October 2006 Council meeting. This forces me to anticipate the arguments in favor of eliminating the exemption, but I trust the Council will allow future opportunities for opponents of such elimination to provide additional input to the Council's decision.

The motion directing the analysis of eliminating the exemption from use caps in cooperatives reads in part:

> Consolidation under crab rationalization, although anticipated through cooperative formation, took place immediately upon implementation of the program in August 2005. The rapid consolidation of vessels may have resulted in economic disruption in some coastal communities.

I find it very interesting that the issue is stated to be the rapidity of the consolidation rather than the consolidation itself. The rapid or immediate fleet consolidation and community impacts of the rationalization program were both foreseeable and foreseen by the Council. The Final EIS for BSAI Crab Fisheries clearly and correctly anticipated that the rationalization program would result in fleet consolidation and that this consolidation would result in a loss of crew positions and potentially "community and social impacts." The Final EIS states beginning at page 4-196:

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> All of the rationalization alternatives are expected to result in significant harvest fleet consolidation. As detailed elsewhere, under the three-pie alternative the fleet is expected to consolidate the least, but perhaps not at the slowest initial rate. A lesser degree of consolidation would result from the fact that processing shares, regional landing requirements, and community protections would all likely contribute to a broader geographical distribution of landings that would require the use of additional vessels. The pace of consolidation is likely to be quicker at the outset than under the IFQ alternative, however, as a result of the co-op feature of the three-pie alternative. Since harvester cooperative formation and operation is so much more flexible under the three-pie than under the cooperative alternative, it may be expected that fleet consolidation will also proceed more quickly under the former than the latter, but this is uncertain.
>
> Fleet consolidation has the potential to result in community and social impacts as the pattern of vessel ownership (or operation) changes, and this will have different impacts in different communities, as described in Appendix 3. Accompanying the consolidation of vessels will be a loss in crew positions…

Harvest efficiency is one of the primary reasons for the rationalization of the BSAI crab fisheries. Immediate and significant fleet consolidation was the obvious response in the recent environment of low quotas and high fuel prices. With regard to crew positions, I believe the Final EIS got it exactly right at page 4-42:

> The most dramatic effects of the rationalization alternatives on captains and crew will occur because of the reduction in the number of vessels and the slowing of the pace of fishing. Any fleet consolidation will reduce the number of captains and crew active in the fisheries. The concentration of harvests on the vessels remaining in the fisheries, however, could provide more stable employment to captains and crew that are able to retain positions in the fisheries. Jobs should be for longer seasons since fishing should take place over a longer period of time.

That is precisely what happened among the members of our cooperative. Fewer vessels operating for longer periods of time resulted in fewer, but better paying crew positions. Some crew members working on vessels in our cooperative were able to work six months or more in the 2005 – 06 season. With fewer boats preparing for fishing and traveling to the grounds, tens of thousands of dollars and gallons of fuel were saved. The harvest efficiencies of crab rationalization were actually realized. Now after only one season of rationalized fisheries, the Council is considering imposing a major restriction on harvesting efficiency because the efficiency was attained more quickly than some had anticipated.

BSAI crab rationalization program incorporates and recognizes measures to reduce or mitigate community and social impacts associated with harvest efficiencies. I do not agree with the concept of processing quotas, but it is my understanding that the program's

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restrictions on transferring processing quota outside of certain communities is intended to limit negative effects on those communities.

I hope that the discussion paper provides specific and quantified estimates of how many crew jobs will be added, how compensation for current positions will be reduced, and how identified communities will benefit if the exemption is eliminated. I expect that eliminating the exemption from vessel use caps within cooperatives would have a minimal effect on the number of crew jobs available, that the addition of crew jobs would reduce compensation for current positions, and that benefits to communities will either be minimal or not subject to reasonable estimation.

Thank you for your consideration of these comments.

Sincerely,

John R Boggs

John R. Boggs
President, Coastal Villages Cooperative

Alan Bing Henkel
FV Erla N
1736 205th Place N.E.
Sammamish, Washington 98074
425 503 5120

September 25, 2006

Ms Stephanie Madsen, Chair
NPFMC
605 West 4th Avenue
Anchorage, Alaska 99501-2252

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

Dear Ms Madsen:

I have been fishing crab in the Bering Sea and Aleutian Islands for thirty years and I have experienced the numerous cyclical swings of the resources and the markets. I was actively involved throughout the development of the rationalization program and I firmly believe we needed to downsize the fleet. Jobs for deck men in the crab fleet were exceedingly dangerous and men were only getting two to three weeks of work in the Bering Sea king and snow crab fisheries. Many of the men, depending on how well boats did in the short derbies, were making little or no money, because the quotas were so low. In the years immediately preceeding rationalization, a lot of the vessel owners were only fishing for history and to make sure they were included in the rationalization program. If the rationalization program had not been under development, many of the boats would have tied up and their would have been a larger number of lost jobs and services prior to implementation of the rationalization program.

The rationalization program is beginning to accomplish what it was intended to do. The amount of gear being deployed and the number of pot lifts has decreased and there are going to be positive benefits to the crab resources over time. In the Aleutian Islands golden king crab fishery, in which I participate, in addition to the Bering Sea crab fisheries, pot usage has dropped from 20,000 pots in 2004 to 9,000 pots in 2005.

The gains in economic efficiency that have developed with the rationalization program in terms of the allowance for stacking of quota shares, is very much needed for us to compete in today's world markets for king, tanner and snow crab. Canada now dominates the snow crab market and Russia, with production in the Western Bering Sea and the Barents Sea, now dominates the king crab market. The market for Alaska red and golden king crab has been dramatically impacted by the huge increase in imports to the US. The red king crab market has declined about 20 percent and the golden king market has declined almost 40 percent in the past year. In the meantime, fuel prices and other

operating costs have increased tremendously putting more pressure on vessel owners to improve efficiency. Imposing vessel use caps in coops will impede our ability to compete with the price leaders in the world crab markets and could lead to more consolidation in the ownership of QS if independent vessel owners like myself are forced to sell out.

In conclusion, the Discussion Paper on BSAI Crab Vessel Use Caps shows that although the intent of establishing new caps is to increase the number of boats and jobs, instead it will likely only result in a redistribution of QS amongst the existing participants in coops. The Discussion Paper also notes that the analysis is only based on anecdotal information from interviews and that data for assessing the potential impacts of the proposed caps is unavailable---meaning there is no substantive information available with which to conduct an analysis.

Sincerely,

Alan Bing Henkel

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

September 25, 2006

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

Sent by Fax: 271-2817

RE: Agenda Item D-3 (a) – BSAI Crab Vessel Use Caps

Ms. Madsen:

When the North Pacific Council determined in April to review the vessel use caps inside cooperatives for the Bering Sea/Aleutian Islands crab fisheries, it took many crab harvesters by surprise.

The history of the crab fisheries of the BSAI is that they were severely overcapitalized. In fact, the NPFMC sent several letters to Congress and National Marine Fisheries Service supporting the buyback program, in order to reduce the level of effort. That program was implemented and the first season with those vessels out of the fishery was for the Bristol Bay red king crab fishery in 2005. This was also the first major season under the rationalization program.

In the first year of the crab rationalization program, with low TAC's, high fuel prices, and an anticipated lower price for product, the crab fleet did what any fisherman in any fishery would do. They tried to cut costs wherever possible and to keep expenses down. Many of these vessel owners were on the edge of bankruptcy and this was an opportunity to make a full boat payment.

In my salmon fishery in Bristol Bay, if the projection for the season is for a large run, we tend to add an extra crewmember or two. If the projection is for a small run, we work hard to cut costs and are likely to cut a crew position. Like any business owner, at the end of the day, we cannot afford to leave the fishing grounds owing money. Processors will do the same. If the season for an area is projected to be a large one, they will bring in more workers than they normally would. This is very common sense.

The crab fishery has experienced some difficult times and will continue to do so in the near future. With a huge influx of crab imports, the price for crab in the BSAI is projected to be low this year. With low prices, a low TAC, and continued high fuel prices, the consolidation levels

will remain. This is just common sense. As the TAC increases and/or prices improve, the obvious response by the fleet is to increase the level of effort.

Many factors contributed to the level of fleet consolidation this past year. Some of these points have already been identified and others are listed below:

- Initial allocation of quota share benefited Seattle and Newport, while Kodiak harvesters received a decrease of 10.34% and King Cove/Sand Point received a decrease of 23.39% of their recent historical share.

- The CDQ program for the BSAI crab fisheries was increased to 10%.

- Some quota share holders received IFQ in amounts too low to harvest with a single vessel. With high fuel prices and low ex-vessel prices, they had no choice, but to lease their IFQ. Many of these harvesters do not want to sell their quota and are anticipating larger TAC's in the future, which will allow them to once again participate in the fishery.

- New costs, including buyback fees, binding arbitration, cooperative fees, and crab management fees, contributed to higher operating costs for the fleet.

I am attaching a breakdown of some sections of the EIS where this issue is addressed. The anticipated changes in fleet size were clearly identified in the EIS, and even considered to be positive for the health of the fleet.

This is an extremely emotional issue for many and I respect that. However, the Council needs to focus on the facts, not emotion in this case. Creating a socially engineered fix to this issue will not be in the best interest of the harvesters who fish crab in the Bering Sea and Aleutian Islands. The crab fishery is very cyclical, like many fisheries in Alaska. The number of boats and size of crew needed is expected to change from year to year.

Thank you for reviewing my comments.

Sincerely,

Linda Kozak

Linda Kozak
Kodiak Fisheries Consultant

CRAB HARVESTER FLEET CONSOLIDATION ISSUES IDENTIFIED BY THE FINAL CRAB EIS – AUGUST 2004

Prepared by Linda Kozak, March 2006

The following is taken from the Final Environmental Impact Statement for the Bering Sea/Aleutian Islands King and Tanner Crab Fisheries, dated August 2004. These statements relate to the consolidation of the crab fleet, as well as impacts to crew jobs.

PAGE	STATEMENT
ES-2	The Council's Problem Statement for the crab program outlined several issues that were considered problems to justify the development of crab rationalization. These problems referenced that capacity far exceeds available resources, the crab stocks have experienced significant declines, and a significant portion of the harvesting and processing capacity is operating in an economically inefficient manner.
ES-3	The preferred alternative would allow harvesters to form cooperatives to realize efficiencies through fleet consolidation.
ES-5	Changes to fleet composition was addressed and it was assumed that the BSAI crab fleet would experience reductions in fleet size. Allocation of harvest shares under the rationalization alternatives would allow for the use of allocations by the most efficient operators and would encourage the removal of marginal vessels from the fleet.
ES-10	The preferred alternative would result in extended seasons with fewer vessels and provide employment to fewer crew. Competition for jobs could reduce compensation or result in a change to the wage system for some crew.
ES-12	The rationalization alternatives allow the removal of vessels from the fisheries, reducing the number of captains and crew employed.
1-20	Crab abundance is cyclical and fishing effort in the crab fisheries increased during times of abundance. This level of fishing capacity was retained during periods of low abundance. The very short seasons in recent years suggested that the fleet had substantial excess capacity.
2-40	Share allocations to harvesters and processors, together with incentives for cooperation, are intended to increase efficiencies, provide economic stability, and facilitate compensated reduction of excess capacities in both harvesting and processing sectors.
2-42	IFQ would both be transferable under the program and subject to limits including caps on the amount of shares a person may hold or use. The possible limit on leasing by persons not in cooperatives was intended to create an incentive for cooperative membership.

2-43 This page outlines the caps on QS and the limit that can be used onboard a vessel. For red king crab, the use (ownership) cap is 1% and the limit for use on a specific vessel outside of a cooperative is 2%. The narrative states that the cap levels were intended to prevent "excessive" consolidation.

2-53 This page references that the preferred alternative will "tackle the issues of excess harvesting and processing capacity causing poor economic returns, while solving problems regarding the lack of economic stability for harvesters, processors, and coastal communities."

4-21-45 This entire section deals with the projected fleet composition and fishing practices, and it references the following:

a) Stock size and harvest levels determine size of the fleet.

b) While awaiting an IFQ program, marginal vessels continued to operate. I infer from that statement that those marginal vessels likely received small IFQ shares. It is referenced that some were operating in order to gain history.

c) The reference is made that crab fishing in recent years has not created crew jobs that could sustain a person year-around, and that under an IFQ fishery, the number of jobs would go down.

d) The statement is made that harvest share allocations are based on historic participation in the fisheries to preserve existing distribution of interests in the fisheries and the value of capital investments.

e) The discussion of caps states that this is intended to prevent excessive consolidation of shares. The term excessive is used to indicate that there is an understanding that consolidation will occur. The discussion references why CDQ groups received a higher cap than did individual or corporate QS holders.

f) The leasing rules under cooperatives are addressed, while referencing that vessel caps are in place for those not in a cooperative.

g) There is a two-page discussion (beginning on 4-33) regarding the fleet composition in an IFQ fishery with cooperatives. The discussion specifically references the corporate nature of this fleet.

h) The relaxation of pot limits is also likely to contribute to capacity reductions.

i) Page 4-42 states that the most dramatic effects of rationalization on captains and crew will occur because of the reduction in the number of vessels and the slowing of the pace of fishing. Any fleet consolidation will reduce the number of crew jobs. Different crew skills and type of compensation will likely occur as a result of rationalization and the slowed pace of the fishery.

4-143 Entry to the fishery is discussed and it is suggested that individuals could acquire small amounts of IFQ and either fish it on someone's vessel, or lease it to a vessel owner.

4-176 This section addresses the effects on captains and crew. Impacts, which are addressed include:

a) An expected decrease in the number of vessels in the fleet will decrease the number of captains and crew.

b) This change, along with the general slowing of the fishery could affect the bargaining power of captains and crew relative to vessel owners.

c) Remaining participants are likely to be active for substantially longer periods of time.

d) Competition for jobs could lead to decreased compensation, at least at the outset.

e) The professionalism of crew jobs could rise.

f) Turnover should be limited.

4-179 Excessive share caps were developed in consideration of historical participation levels. The Bristol Bay red king crab, opilio, and C. bairdi fisheries are set at a limit that is approximately equal to the largest initial allocations.

4-180 The exemption on vessel caps within a cooperative could result in consolidation of shares on vessels in excess of the caps, particularly in years of low total harvest.

The relatively high limits on share holdings of CDQ groups could allow for substantial consolidation of shares by these groups.

4-193 Tables 4.6-15 shows the summary of harvest allocations by community and fishery. Under the preferred alternative, Kodiak and King Cove/Sand Point received less than the historical percent of the Bristol Bay red king crab harvest from 1991-2000. The share for Seattle and Newport was increased.

4-195 The decrease for Bristol Bay red king crab to Kodiak was 10.34%. The decrease to Sand Point/King Cove was 23.39%. The increase to Seattle was 4.8%. The increase to Newport was 4.46%.

4-196 A discussion in the EIS states that the fleet consolidation will have a number of community or social impacts. These impacts will be in direct relation to the importance of crab to the specific communities.

4-197 The levels of consolidation are discussed. The degree of consolidation might be least under the three-pie alternative. However, the initial rate might be the fastest of the alternatives due to the cooperative elements. This section discusses the potential impacts of a slower-paced fishery on support services.

COASTAL VILLAGES COOPERATIVE

3900 Railway Avenue
Everett, Washington 98201
Phone (425) 742-8609
Fax (425) 742-8699

September 25, 2006

North Pacific Fishery Management Council
605 West 4th Avenue, Suite 305
Anchorage, AK 99501-2252

Re: BSAI Crab Vessel Use Caps in Cooperatives

Dear Council Members and Staff:

I am writing to express the strong opposition of the members of Coastal Villages Cooperative to possibility of eliminating the exemption from vessel use caps within cooperatives. The elimination of this exemption would have severe and negative impacts on members of our cooperative.

I do not yet have access to the discussion paper regarding this issue that will be presented at the October 2006 Council meeting. This forces me to anticipate the arguments in favor of eliminating the exemption, but I trust the Council will allow future opportunities for opponents of such elimination to provide additional input to the Council's decision.

The motion directing the analysis of eliminating the exemption from use caps in cooperatives reads in part:

> Consolidation under crab rationalization, although anticipated through cooperative formation, took place immediately upon implementation of the program in August 2005. The rapid consolidation of vessels may have resulted in economic disruption in some coastal communities.

I find it very interesting that the issue is stated to be the rapidity of the consolidation rather than the consolidation itself. The rapid or immediate fleet consolidation and community impacts of the rationalization program were both foreseeable and foreseen by the Council. The Final EIS for BSAI Crab Fisheries clearly and correctly anticipated that the rationalization program would result in fleet consolidation and that this consolidation would result in a loss of crew positions and potentially "community and social impacts." The Final EIS states beginning at page 4-196:

> All of the rationalization alternatives are expected to result in significant harvest fleet consolidation. As detailed elsewhere, under the three-pie alternative the fleet is expected to consolidate the least, but perhaps not at the slowest initial rate. A lesser degree of consolidation would result from the fact that processing shares, regional landing requirements, and community protections would all likely contribute to a broader geographical distribution of landings that would require the use of additional vessels. The pace of consolidation is likely to be quicker at the outset than under the IFQ alternative, however, as a result of the co-op feature of the three-pie alternative. Since harvester cooperative formation and operation is so much more flexible under the three-pie than under the cooperative alternative, it may be expected that fleet consolidation will also proceed more quickly under the former than the latter, but this is uncertain.
>
> Fleet consolidation has the potential to result in community and social impacts as the pattern of vessel ownership (or operation) changes, and this will have different impacts in different communities, as described in Appendix 3. Accompanying the consolidation of vessels will be a loss in crew positions...

Harvest efficiency is one of the primary reasons for the rationalization of the BSAI crab fisheries. Immediate and significant fleet consolidation was the obvious response in the recent environment of low quotas and high fuel prices. With regard to crew positions, I believe the Final EIS got it exactly right at page 4-42:

> The most dramatic effects of the rationalization alternatives on captains and crew will occur because of the reduction in the number of vessels and the slowing of the pace of fishing. Any fleet consolidation will reduce the number of captains and crew active in the fisheries. The concentration of harvests on the vessels remaining in the fisheries, however, could provide more stable employment to captains and crew that are able to retain positions in the fisheries. Jobs should be for longer seasons since fishing should take place over a longer period of time.

That is precisely what happened among the members of our cooperative. Fewer vessels operating for longer periods of time resulted in fewer, but better paying crew positions. Some crew members working on vessels in our cooperative were able to work six months or more in the 2005 – 06 season. With fewer boats preparing for fishing and traveling to the grounds, tens of thousands of dollars and gallons of fuel were saved. The harvest efficiencies of crab rationalization were actually realized. Now after only one season of rationalized fisheries, the Council is considering imposing a major restriction on harvesting efficiency because the efficiency was attained more quickly than some had anticipated.

BSAI crab rationalization program incorporates and recognizes measures to reduce or mitigate community and social impacts associated with harvest efficiencies. I do not agree with the concept of processing quotas, but it is my understanding that the program's

restrictions on transferring processing quota outside of certain communities is intended to limit negative effects on those communities.

I hope that the discussion paper provides specific and quantified estimates of how many crew jobs will be added, how compensation for current positions will be reduced, and how identified communities will benefit if the exemption is eliminated. I expect that eliminating the exemption from vessel use caps within cooperatives would have a minimal effect on the number of crew jobs available, that the addition of crew jobs would reduce compensation for current positions, and that benefits to communities will either be minimal or not subject to reasonable estimation.

Thank you for your consideration of these comments.

Sincerely,

John R. Boggs
President, Coastal Villages Cooperative

The Bering Sea Crab Cooperative
PO Box 98, Cascade Locks, OR 97014
541 374-8255 ph 503 212-5515 fx

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

Ms. Madsen,

I am writing to you in regards to implementing a vessel cap inside of coops. As an independent fisherman belonging to a coop, I believe it to be counter productive and would not be beneficial to the rationalized crab fishery.

There are many factors involved in consolidation:

1. The TAC. As the TAC or quota goes up so will the jobs, vessels and processing capacity. Before rationalization the crab vessel owners were forced to participate in the fishery no matter what the quota was for fear of losing out on something moving forward, such as a qualifying year.
2. The price is related to the overall health of the fishery.
3. The buyback directly took almost 30 vessels out of the fishery. Some towns such as King Cove were hit much harder in the buyback with a proportionally higher number of vessels being removed from the fishery.
4. Fees.
    a. CDQ went from 7 to 10%.
    b. NMFS management fee 1.5%.
    c. Buyback fee 1.9% to 5%.
    d. Arbitration fee $.01 per pound.
    e. Arbitration membership $500.00 per member and $500.00 per coop.
    f. Attorney and legal fees over $150,000.00 the first year alone.
    g. Taxes are 2 – 3%.
5. Costs in general are much higher. Insurance keeps going up and fuel is hovering around $3.00 per gallon. Higher costs affect all sectors of the fishery.

The Bering Sea Crab Cooperative
PO Box 98, Cascade Locks, OR 97014
541 374-8255 ph 503 212-5515 fx

Right now under the new rationalization you, the council has put in checkpoints for looking at the new system in the 18, 36 and 60 month reviews. There were and are some inherent problems with the system and some such as binding arbitration required immediate attention which to your credit the council responded rapidly. To do something just for the sake of doing something makes no sense at all. I don't want to see people loosing jobs but, we all should be honest about what type of job was lost under the "Olympic style" of crab fishing. There will be a time in the future as the fishery rebuilds and the TAC grows, that more vessels and crew will be necessary in order to harvest the quota. Until that time we should not force people to fish no matter what the outcome.

Thank you for your time.

Best regards,

Kale Garcia

Independent vessel owner operator
Co-founder and vice president of The Bering Sea Crab Cooperative

D-3

COASTAL VILLAGES COOPERATIVE

3900 Railway Avenue
Everett, Washington 98201
Phone (425) 742-8609
Fax (425) 742-8699

September 26, 2006

North Pacific Fishery Management Council
605 West 4th Avenue, Suite 305
Anchorage, AK 99501-2252

Dear Council Staff:

I faxed the attached written comments to your office yesterday, September 25, 2006. In accordance with your guidelines for submission of written comments, I am providing the enclosed 25 copies of my comments.

Sincerely,

John R. Boggs

enclosures

COASTAL VILLAGES COOPERATIVE

3900 Railway Avenue
Everett, Washington 98201
Phone (425) 742-8609
Fax (425) 742-8699

September 25, 2006

North Pacific Fishery Management Council
605 West 4th Avenue, Suite 305
Anchorage, AK 99501-2252

Re: BSAI Crab Vessel Use Caps in Cooperatives

Dear Council Members and Staff:

I am writing to express the strong opposition of the members of Coastal Villages Cooperative to possibility of eliminating the exemption from vessel use caps within cooperatives. The elimination of this exemption would have severe and negative impacts on members of our cooperative.

I do not yet have access to the discussion paper regarding this issue that will be presented at the October 2006 Council meeting. This forces me to anticipate the arguments in favor of eliminating the exemption, but I trust the Council will allow future opportunities for opponents of such elimination to provide additional input to the Council's decision.

The motion directing the analysis of eliminating the exemption from use caps in cooperatives reads in part:

> Consolidation under crab rationalization, although anticipated through cooperative formation, took place immediately upon implementation of the program in August 2005. The rapid consolidation of vessels may have resulted in economic disruption in some coastal communities.

I find it very interesting that the issue is stated to be the rapidity of the consolidation rather than the consolidation itself. The rapid or immediate fleet consolidation and community impacts of the rationalization program were both foreseeable and foreseen by the Council. The Final EIS for BSAI Crab Fisheries clearly and correctly anticipated that the rationalization program would result in fleet consolidation and that this consolidation would result in a loss of crew positions and potentially "community and social impacts." The Final EIS states beginning at page 4-196:

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BSAI crab rationalization program incorporates and recognizes measures to reduce or mitigate community and social impacts associated with harvest efficiencies. I do not agree with the concept of processing quotas, but it is my understanding that the program's

restrictions on transferring processing quota outside of certain communities is intended to limit negative effects on those communities.

I hope that the discussion paper provides specific and quantified estimates of how many crew jobs will be added, how compensation for current positions will be reduced, and how identified communities will benefit if the exemption is eliminated. I expect that eliminating the exemption from vessel use caps within cooperatives would have a minimal effect on the number of crew jobs available, that the addition of crew jobs would reduce compensation for current positions, and that benefits to communities will either be minimal or not subject to reasonable estimation.

Thank you for your consideration of these comments.

Sincerely,

John R. Boggs
President, Coastal Villages Cooperative

D-3

ADAK Fisheries LLC

September 25, 2006

Ms. Stephanie Madsen
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK
99501-2253

Dear Madame Chair,

No community or company has been harder hit than we have by the experience of living through the first year of the crab rationalization plan.

Prior to crab rationalization, brown crab accounted for roughly one third of the city's landing tax revenue and the revenue of the processing plant. That has been largely lost under rationalization.

The magnitude of the problem was obscured prior to implementation by the appearance of mitigating measures – the 10% community allocation and the requirement to delivery 50% of the Western Aleutian Island Golden King Crab west of 174 west longitude.

Neither of these measures provides a meaningful offset to the impacts. A 10% allocation is a token measure for a community that was processing virtually all of the WAG crab prior to rationalization. The regional delivery requirement is made moot by the "use cap" provision that drastically limits our ability to even custom process.

We request the Council initiate immediate action to address this issue. We have attached a summary document that highlights the problem, the issues that need to be addressed in the analysis, and our proposed solution.

Thank you for considering our comments.

dave fraser

Adak Fisheries, LLC
100 Supply Road
Adak, Alaska 99546

cc:
Governor Frank Murkowski
Congressman Don Young
Senator Lisa Murkowski
Senator Ted Stevens

ADAK
Fisheries LLC

The Crab Rationalization Plan has had a devastating impact on the community of Adak, golden king crab fishermen and our business.

New Market Western Aleutian Islands Golden King Crab (WAG crab) was under-utilized prior to the Navy's decision to turn over control of Adak to the Aleut people. After Adak "opened for business" in 1999, we processed virtually 100% of the catcher vessel harvest of WAG crab until the crab rationalization plan was adopted.

Though we had processed up to two million pounds of brown crab a year before rationalization, under the plan our processing quota is only 67,000 pounds, or roughly 3% of the total processing quota.

Adak's Recent History Excluded from Consideration The reason we received such a small processing quota is simple. Recent participation and dependence were not given due consideration for Aleutian Island crab fisheries. Instead the decision makers looked much further into the past, to seasons before Adak was returned to the Aleuts and when processing in Adak was prohibited by military operations, as the qualifying years for making the allocations. Adak's operating years were excluded from the allocation process.

Adak's Dependence of Revenue The decision process also failed to consider our community's dependence on this species of crab for its revenue. Prior to adoption of the plan, brown crab accounted for over 1/3rd of Adak's landing tax revenue. For other communities with processors who received the lion's share of the processing quota, brown crab made up only a very small percentage of their revenue.

Allocations Go Against Plan Design By forcing brown crab fishermen to run an extra 400 miles to Dutch Harbor to deliver their catch, the allocation of processing quota:

- **Undermine Safety, Increase Risk of Loss of Life at Sea**
- **Increase Deadloss**
- **Reduce Quality**
- **Increase Expenses**

Eliminate IPQ Shares for AI Golden King Crab We request 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.

Simple Solution This could be accomplished by changing the 90/10 A/B share ratio, to issue 100% of the IFQ for those crab as "Class B IFQ" shares.

Free Enterprise Let the fishermen sell to highest bidder whether that is in Adak, Dutch Harbor or Kodiak. Adak Fisheries is prepared to compete in the free enterprise system.

This Is a Broadly Supported Proposal. Repealing Processor Quotas for AI Golden King crab is supported by the City of Adak, the Aleut Enterprise Corporation, Adak Fisheries, and Aleutian Island crab fishermen.

CITY MANAGER
POST OFFICE BOX 1397, KODIAK, ALASKA 99615
TELEPHONE (907) 486-8640
FAX (907) 486-8600

September 28, 2006

Via Fax (907) 271-2817

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

Re: October Council Meeting Agenda Item D-3(a)
BSAI Crab Management - BSAI Crab Vessel Use Caps

Dear Ms. Madsen:

As you know, the Kodiak City Council is concerned about the effects of Bering Sea crab rationalization on the City of Kodiak. Specifically, the Council is concerned about the effects of the consolidation of the crab harvesting fleet on Kodiak. Unfortunately, given the City Council's meeting schedule and its desire to give the Kodiak public an opportunity to comment before the City Council takes a position on this issue, it is not possible for the City Council to submit substantive comments on the discussion paper concerning crab vessel use caps in time for the North Pacific Fishery Management Council's October meeting. We respectfully request an opportunity to submit the City Council's comments on the discussion paper for consideration at the North Pacific Council's December meeting. Therefore, we request that the North Pacific Fishery Management Council not take definitive action on this issue until after the City of Kodiak and others have an opportunity to study the discussion paper and provide you with substantive comments at your December 2006 meeting.

Respectfully,

Linda L. Freed
City Manager

c. Mayor and Council

Crewmen's Association

October 5, 2006

" Fishermen that actually fish"

Steve Branson
President
Crewmen's Association
Box 451
Kodiak, AK.
99615

To; NPFMC members

Re; BSAI crab vessel cap removal

I regret that my fishing habit keeps me from attending council meetings, so much goes on that affects the harvesters while they are busy doing the actual work of the industry. As I write this any crabbers that still have jobs are currently busy preparing for red crab.

It has come to our attention that the AP passed a motion to remove the BSAI crab vessel cap. Crab rationalization is already an affront to the sensibilities, livelihoods and rights of crabbers.

The majority of fishermen involved in pre-rat BSAI crab have already been cast off without compensation or consideration. Most of those that remain now work for greatly reduced shares. The contracts being given some of the crewmen for the upcoming red crab season are effecting a 70% lease fee, 8% tax and cargo insurance. Couple this with the predicted low price due to Barrents Sea crab imports and you can easily see why some boats are having trouble finding crew. My accountant said it best when he pointed out that a fry cook at Mc Donald's has a better job than that of a co-op boat crewman. After lease fees, fish taxes, insurance, federal income tax and risk of death or dismemberment, I must admit the apron and paper hat look pretty enticing...

It has been widely acknowledge, even by the council chair herself, that such rapid initial consolidation was unexpected and unprecedented. Removing vessel caps will only multiply the problem.

It is an insult to the communities which have been negatively impacted by crab rationalization and have testified at numerous council meetings that coastal communities are suffering from the effects of consolidation not to do something about it. Coastal communities that depend upon the number of boats and people fishing are suffering immense economic losses.

To encourage consolidation through lack of vessel caps clearly benefits the quota owners only while sending out the message that the crew are expendable. The crew received nothing in this program and now unrestricted leasing further diminishes the opportunity to earn a fair crew share. Why pay a crew when one can lease the shares into perpetuity and don't have too?

Consideration of vessel cap removal clearly demonstrates how removed from the reality of the fishery the council process has become.

From an actual fisherman's perspective, reducing the amount of quota allowed per co-op vessel would be a better step in addressing the damage incurred by skippers and crew.

I can only hope that your decisions on these matters will be fair and equitable to all American fishermen.

Respectfully , Steve Branson

Dave Fraser
10/6/06

ADAK Fisheries LLC

Average % of Western Aleutian Golden King (WAG) Crab GHL Processed by Adak Fisheries in the Five Seasons Prior to Final Council Action on Crab Rationalization	**55%**

% of the WAG GHL for which Adak Fisheries Received Allocation of PQ	**2.30%**

Adak Fisheries WAG PQ Allocation	**61,732 Lbs**

PQ Use Cap for WAG Crab	**342,234 Lbs**

Maximum Custom Processing of WAG PQ Possible by Adak Fisheries	**280,502 Lbs**

Companies Holding More Aggregate Crab PQs than the WAG use cap	Amount of Aggregate Crab PQs Holdings
TRIDENT SEAFOODS CORPORATION	10,529,552
PETER PAN SEAFOODS, INC.	6,997,702
WESTWARD SEAFOODS, INC.	5,362,349
UNISEA, INC.	4,972,273
ICICLE SEAFOODS, INC.	4,827,401
ARCTIC SEA HOLDINGS, INC	3,523,134
ALYESKA SEAFOODS, INC.	2,390,078
SNOPAC PRODUCTS, INC.	1,824,866
YARDARM KNOT, INC.	1,724,185
ROYAL ALEUTIAN SEAFOODS, INC.	1,334,189
NORQUEST SEAFOODS, INC.	954,400
OCEAN BEAUTY SEAFOOD, INC.	566,608

Number of Companies That Hold More Than 342,234 lbs of PQ by Fishery	Top Amount of PQ Lbs by Fishery
Bristol Bay Red King Crab -- 9	3,182,985
Bering Sea Snow Crab - South -- 9	2,599,849
Bering Sea Snow Crab - North -- 9	4,135,816
Bering Sea Tanner Crab -- 2	576,004
Eastern Aleutian Golden King Crab -- 2	1,029,931
Western Aleutian Golden King Crab -- 1	718,416

ADAK
Fisheries LLC

September 25, 2006

Ms. Stephanie Madsen
North Pacific Fishery Management Council
605 West 4th Avenue, Suite 306
Anchorage, AK
99501-2253

Dear Madame Chair,

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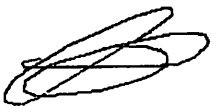
Thank you for considering our comments.

dave fraser



Adak Fisheries, LLC
100 Supply Road
Adak, Alaska 99546

cc:
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Congressman Don Young
Senator Lisa Murkowski
Senator Ted Stevens

ADAK
Fisheries LLC

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Arnie Thomson
10/06/06

ALASKA Journal of Commerce
ALASKA'S STATEWIDE BUSINESS NEWS

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Web posted Friday, August 11, 2006

Crab harvesters pledge to reduce wast due to high-grading

By Margaret Bauman
Alaska Journal of Commerce

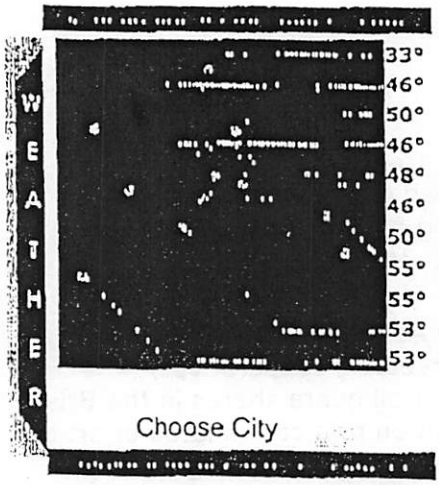
Crab industry officials, still smarting from reports that thousands legal male red king crab were dumped durlng the first season of privatlzed federal fishery, are rallying harvesting cooperatives to a commitment for improved harvest retention.

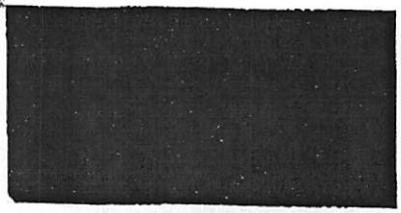
The Pacific Northwest Crab Industry Advisory Committee said in a statement issued Aug. 2 that 13 harvesting cooperatives, representing more than 80 percent of all quota shares in the Bris Bay red kIng crab fishery, had signed on to a coordinated effort t reduce discard and handling mortality in the upcoming fishery.

"The collective response of the crab fleet was taken due to the hi discards that occurred last year, and the threat of significant reductions in harvest quotas that could result," the advisory committee said, in the statement released in Seattle. "Historically the fleet has retained between 95 percent and 98 percent of lega male crab," the statement said. "By taking declsive corrective act the crabbing community hopes to see a return to these levels."

While there is no mandatory retention policy, the concept of high grading - In which old-shell crab and those with barnacles are dumped overboard - was noted in the environmental impact statement for crab privatization plan as a potential issue, said Wa Donaldson, the state's regional management biologist for shellfis for the western region of Alaska. That was one reason that obser coverage of catcher vessels doubled once the so-called crab rationalization program went into effect in 2005, he said.

Still, this summer, the state Department of Fish and Game issued report stating that an estimated 5.8 million red king crab, includi some 677,000 legal male red king crab, were discarded during th first season the fishery was privatized.





The highest previous discard rate of legal males, from 1999 throu 2004, was 80,000 crab in the 2002 season, said Alaska Departm of Fish and Game biologists Doug Pengilly and David Barnhard.

The other discarded crab were females and males too small - call "sub-legal" - to be legally harvested.

The report lent credence to growing concerns of high-grading, th practice of retaining new-shell crab for processing, which is likely garner a higher price in the marketplace.

"It is something we haven't had to deal with in this fishery before because it hadn't occurred before," Pengilly said.

Pengilly said the state agency started getting some hints of this developing in the community development quota fishery in the la couple of years. In the fishery that began last Oct. 15, 19 to 20 percent of the legal male king crab caught were not kept, he said

While nobody knows with certainty the mortality rate of discarded crab, the state assumes 20 percent mortallty from handling and discard, he said. Should the current discard practice continue, "w would have to re-evaluate the harvest strategy," Pengilly said.

Donaldson agreed. "It's up to them (the industry) to solve it," he said. "If they don't solve it, and it's an issue for the long-term productivity of the stock, we will probably have to go to the Boar Fish and request a change in the harvesting strategy.

"Another scenario could be reduction to the catch level this year, based on what we believe the magnitude of the problem is," he s "The bottom line for us is we have not made a decision yet on th harvest level for this coming year."

The National Marine Fisheries Service is currently conducting a survey to determine what harvest level to declare to sustain the fishery for consumption by commercial fishermen. The departme should have the results by late August, Donaldson said.

Arni Thomson, executive director of the Alaska Crab Coalition, sa processors want to resolve this problem, and other marketing iss as well. "Regardless of the economic circumstances, the industry recognizes the need for improved handling and reduced mortality maintain long-term sustainability," he said.

Thomson said that while Alaska king crab has a good name, buye offer less for old-shell crab or crab with barnacles on it. "The mar is extremely sensitive to clean shell, but the meat (despite shell appearance) is every bit as good," he said.

"We have to put our best foot forward and market the crab. We h asked the Alaska Seafood Marketing Institute to help us, and ASM going to invigorate a campaign to promote Alaska king crab," he

said.

ASMI spokeswoman Laura Fleming said the state agency's shellfi committee is working with retail and food service directors to put together a marketing proposal to talk about with the Alaska Fishe Marketing Board. The promotion would enhance efforts already in motion in the food service, restaurant and grocery businesses, sh said.

The big problem, Thomson said, is Russian interests dumping the crab on U.S. domestic markets, often under the label of Alaska k crab. When supermarket chains selling Russian king crab under a generic label call it Alaska king crab, "it hurts the good name and quality brand name that we have spent almost 30 years developi Thomson said.

Margaret Bauman can be reached at margie.bauman@alaskajournal.com.

Over 80% of king crab harvest co-ops sign no discards pledge for upcoming season says ACC

SEAFOOD.COM NEWS [ACC Press Release] Aug 7, 2006- Seattle -In an impressively quick response to the crab discard problems of 2005, nearly all of Alaska's crab harvesting cooperatives have made written pledges to improve retention of legal crab through a number of individual and industry-wide measures. To date, thirteen harvesting cooperatives representing over 80% of all quota shares in the Bristol Bay Red King Crab fishery have signed onto a coordinated effort to reduce discard and handling mortality in the upcoming fishery. "We see this as a significant first step," says Alaska Crab Coalition Executive Director, Arni Thomson. "Now, we will turn our attention to implementing the measures in the industry plan."

The collective response of the crab fleet was taken due to the high discards that occurred last year, and the threat of significant reductions in harvest quotas that could result. Historically, the fleet has retained between 95%-98% of legal male crab. By taking decisive, corrective action, the crabbing community hopes to see a return to these levels.

Following the Pacific Northwest Crab Industry Advisory Committee (PNCIAC) meetings held last February and May, which resulted in the Committee taking formal action to unanimously endorse the improved retention, Arni Thomson, Secretary of the PNCIAC and Executive Director of the Alaska Crab Coalition (ACC) began working with all of the harvester cooperatives to develop the improved retention program. "Last year, fishermen found themselves squeezed financially on the one hand by falling crab prices and rising fuel prices on the other," explains Thomson. "Regardless of the economic circumstances, the industry recognizes the need for improved handling and reduced mortality to

maintain long term sustainability. I want to especially recognize Gary Painter, Chris Heucker, Louie Lowenberg, Mike Woodley, and John Jorgensen for helping to lead this drive."

ACC Board Chairman Ed Poulsen added, "The new Crab Rationalization Program provides us with the tools to respond to problems such as this when they arise. Our improved retention effort will include things like longer soak times, changes in gear design, improved communication between coops regarding areas to avoid, and improved training of deck hands to reduce handling mortality".

The improved retention program includes commitments to increased soak times (to allow for more escapement of small crab), improved fleet communications on the grounds about which areas to avoid, increased use of "escape mesh" in the pots and increased education of deckhands to reduce handling mortality.

John Sackton, Editor And Publisher
Seafood.com News 1-781-861-1441
Email comments to jsackton@seafood.com

ALASKA CRAB COALITION

3901 Leary Way (Bldg.) N.W., Suite #6 • Seattle, WA 98107 • (206) 547-7560 • FAX (206) 547-0130

TELECOPIER COVER LETTER

DATE: 9/7/2006

TO: Hegby Lloyd, Wayne Donaldson, Forrest Bowers

FROM: Dan Thurman

TOTAL NUMBER OF PAGES (including cover page): 16

MESSAGE/COMMENTS:

- On behalf of the PNCIAC, I am submitting copies of the red king crab full-retention pledge signed by managers of 13 crab coops representing 80% of the harvesting Quota Shares in the fishery.
- I am also resending the August 2, 2006 memo on the subject.

YOUR TELECOPIER DIRECT LINE IS : (206) 547 0130

Revised, May 23 2006

Discussion Paper on Industry Proposed Solutions to the Bristol Bay King Crab Discard and Bycatch Issues That Occurred in The First Rationalized Fishery in the Fall of 2005

Introduction:

The Alaska Department of Fish and Game (ADFG) has identified significant increases in the discard of legal size king crabs and the bycatch of sub-legal male king crabs and female king crabs in the first rationalized Bristol Bay king crab fishery in the fall of 2005. * ADFG, through personal communications, is encouraging industry solutions to minimize discard and bycatch concerns related to ADFG biological concerns about resource sustainability.

The BSAI crab industry acknowledges there were unanticipated discard and bycatch increases that occurred in the fishery, and expresses its intent to develop immediate voluntary actions that will be implemented for the fall 2006 Bristol Bay Red King Crab Fishery, to remedy the resource concerns identified by ADFG.

I. Voluntary solutions to consider regarding the discards of legal size king crabs:

Recommendation: Improve retention of legal size animals, to the level of the pre-rationalized fishery in the years 1999 through 2004.

Strategies and tactics:

Encourage industry acceptance of NMFS annual survey estimates of new and old shell legal BBRKC crabs to form the basis to establish shell condition standards.

Need commitments from all participants on retention goals.

Encourage the development of new king crab markets.

Encourage fleet communication on the fishing grounds in an effort to avoid old shell crab areas, when possible.

Encourage education of all industry participants to familiarize themselves with ADFG shell condition classifications as described in Biological Field Techniques for Lithodid and (Snow) Chionoecetes Crabs, published by Alaska Sea Grant.

* Estimates of Red King Crab Bycatch....., ADFG, Barnard and Pengilly, May 2006

II. Voluntary solutions to consider for reducing the bycatch of females and sub legal king crabs:

Recommendations:

Encourage fleet communication on the fishing grounds to avoid areas, when possible, of high bycatch.

Encourage fishery participants to maximize pot soak times throughout the season.

Encourage immediate experimentation and analysis of bycatch with varying escape mesh panels in use, and seek to increase vertical surface area and horizontal surface area of escape mesh and then consider adoption of new recommendations.

Encourage vessel owners to improve vessel discard chutes, to reduce handling mortalities, but also insure safety measures to prevent injuries on deck when chutes are revamped.

Need commitments from all fishery participants to reduce bycatch rates.

Encourage use of discard decal placards to educate deck men on the need for careful return of all discards:
"Fragile! Handle With Care, Discards are <u>your</u> future. Help protect your resource by REDUCING HANDLING MORTALITY."

The undersigned agree to the long-term recommendations proposed by PNCIAC and incorporated into this letter.

NAME	COMPANY/ORGANIZATION
Mr Woodley	Manager Advanced Hamsters Co-op

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NAME	COMPANY/ORGANIZATION
JOHN G. JORGENSEN - MANAGER	ALASKA CRAB. PRODUCERS CO-OP
(206) 250-7142	
2442 N.W. MARKET ST. #397	
SEA. WA. 98107	

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NAME	COMPANY/ORGANIZATION
Craig Cross	Aleutian Island Cooperative

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John R Burger	Coastal Villages Co-op

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[signature]	FISHING ASSOCIATES CO-OP

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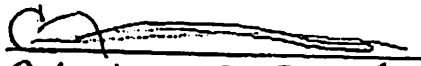
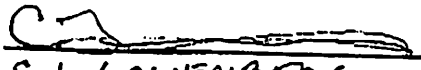
 C L LOWENBERG	KBO CO-OP
 C L LOWENBERG	F/V ARCTIC LADY

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Kevin Valdestad	Marine Crab Harvesting Co-Op.

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Edward Poulsen	President, Sea Boat Cooperative

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Greg Tweedy President The Bering Sea Crab Group

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Kim Hansen	The Crab Co-op

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[illegible]	AC Crab Harvesting Cooperative

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Nick Stanford	ALASKAN Fishermans Crab Co/op

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Leonard Herzog	for Alaska King Crab Harvesters Coop

Main Identity

From: "Arni Thomson" <acccrabak@earthlink.net>
To: "Marit Thomson" <maritthomson@earthlink.net>
Sent: Wednesday, August 02, 2006 10:09 AM
Subject: Fw: PRELIMINARY REPORT ON BSAI CRAB COOP IMPROVED RETENTION PLEDGES

lease print and file copy in correspondence, copy for my desk, and a spare copy. Arni
— Original Message —
rom: Arni Thomson
o: Wayne Donaldson ; Forrest Bowers
c: Earl Krygier ; Herman Savikko
ent: Wednesday, August 02, 2006 10:08 AM
ubject: PRELIMINARY REPORT ON BSAI CRAB COOP IMPROVED RETENTION PLEDGES

Vayne and Forrest: We would appreciate it if this preliminary information could be held within ADFG, for the time being. The NCIAC and ACC drive to obtain signatures from crab cooperative representatives has resulted in 13 cooperatives endorsing ıe PNCIAC sponsored improved retention commitment to reduce hygrading and bycatch of undersize and female king crab in this ıll's Bristol Bay red king crab fishery. The total amount of QS represented in these cooperatives in the 2005 fishery is 79 percent. ee the additional information below, whereby with the NMFS coop application deadline having just closed and coop membership ıst having been posted on the NMFS web site, we anticipate that the amount of QS pledged to improved retention for the 2006 shery will increase to 83 percent, or more. The percentages are based on NMFS published data for individual QS holders.

COOPS THAT HAVE SIGNED RETENTION PLEDGES
1. Advanced Harvesters Coop 8%
2. AK Crab Producers Coop 3%
3. Aleutian Island Coop- 2%
4. Coastal Villages Coop 3%
5. Fishing Assoc. Coop 3%
6. KBO Crab Coop 9%
7. Mariner Crab Harvesting Coop 6%
8. Sea Boat Coop 5%
9. Bering Sea Crab Coop 18%
10. The Crab Coop 2%
11. AC Crab Harvesting Coop 4%
12. AK Fishermens Crab Coop 8%
13. AK King Crab Harvesters Coop 8%

Total: 79%

COOPS WITHOUT PLEDGES
14. Professional Crab Harvesters Coop- 2%
15. Aleutian Island Golden Crab Coop ----not needed, golden king crab only
16. Trident Coop--6%

DDITIONAL INFORMATION:
The Kodiak Cooperative will not be in existence for 2006 but the red crab from these entities will most likely be in one of the coops above. The Kodiak Cooperative had 2% of red crab last year bringing the total to 81%.

Sea Boat Cooperative will be gaining members this year. It will be at 7% instead of 5% as it has gained IFQ from ntities that did not belong to a coop last year.

So including the 2% from Kodiak Coop and an additional 2% in the Sea Boat Coop, pledges have been signed for 83% of the BBRKC.

Professional Crab Harvesters, the only coop with RKC that has not signed, (they are out of communication) have 2%. are unsure what their status is.

That leaves 15% outstanding that may not be in a coop for next year.

However, we have just found out that Trident formed a coop for next year (that and Aleutian island Golden Crab Coop appear to be the only new coops). If the Trident coop signs, that's another 6% that will be pledged, with only 9% outside of coops and only 11% of the QS not covered under the improved retention pledge.

Best regards,
Arni Thomson