

MEMORANDUM

TO: Council, SSC, and AP Members

FROM: Clarence Pautzke
Executive Director

ESTIMATED TIME
4 HOURS

DATE: November 29, 2001

SUBJECT: Crab Rationalization

ACTION REQUIRED

Review work to date and provide clarification of specific elements and options.

BACKGROUND

At its June 2001 meeting, the North Pacific Fishery Management Council (Council) adopted a suite of alternatives, elements and options for analysis of a rationalization program for the Bering Sea and Aleutian Islands (BSAI) crab fisheries (Item C-4(a)). The Council tasked staff to bring back a status report and materials that are available from the analysis for a pre-initial review at this meeting. A document was provided to the Council family prior to the meeting. Under the current timeline, the Council is scheduled to have an initial review of the complete document in February. If the document is deemed to be sufficient, final action on the proposed crab rationalization alternatives would then be scheduled for the April 2002 Council meeting.

Final action for this package is unlike most final actions taken by the Council, since Congress may need to modify their moratorium on IFQ programs (and perhaps jurisdiction over inshore processors) before the Council could submit either an IFQ or cooperative alternative to the Secretary of Commerce (SOC). Once the Council's preferred alternative is in compliance with Federal law, it would then need to be melded with a crab EIS that is also currently being developed. It is expected that this can be completed during the summer of 2002, so that the formal EIS/RIR/IRFA package could be submitted to the SOC in the fall.

At this meeting staff will provide an update on the work that they have completed to date as well as an update on the contracts that have been let out to provide insights on specific aspects of the program. Staff will also be requesting clarification on several issues that need to be resolved before the initial review analysis can be completed.

The Council has entered into two contracts to help facilitate the completion of this analysis. Drs. Milon and Hamilton have been contracted to provide an analysis of the economic impacts of the various IFQ and cooperative structures. Their analysis will be available for review at the February meeting. Dr. Downs has been contracted to provide an analysis of the social and community impacts of the proposed management measures. His report will also be available for the February meeting.

CLARIFICATION OF ALTERNATIVES

The following issues have been identified by staff for clarification at this meeting. Each of the issues is derived from the Council's list of alternatives developed at the June Council meeting.

1. Staff requests Council clarification of the alternatives for determining eligibility to receive an initial allocation. Section 1.2 Option 1 of the Council Motion provides:

Option 1. Persons that own NMFS certified BSAI crab vessels based on the catch history that gave rise to that vessel's certification, including NMFS approved Amendment 10 combinations, provided PL 106-554 is amended. To qualify as a certified vessel, a vessel must not at any time since October 10, 1998, been ineligible for a U.S.C.G. fishing endorsement. NMFS/RAM approved replacement vessels, qualified under the Amendment 10 exception for replacement vessels that have not at any time since October 1998 been ineligible for a U.S.C.G. fishing endorsement, would also qualify.

Since the adoption of the Council motion, Congress amended PL 105-554 removing any vessel certification requirements for participation in the crab fisheries. Consequently, vessel certification cannot be used for determining eligibility to receive an initial allocation under the rationalization program. Two alternatives for determining eligibility are 1) persons holding valid, permanent LLP licenses and 2) persons owning a vessel that was used to meet the requirements to obtain an LLP license. (See pp. 35-39).

Provisions for determining the initial allocation (in Section 1.4.1(b) of the Council motion) also rely on vessel qualification, and therefore must be modified consistently with the modification to Section 1.2. The current section would base the allocation on the catch history of the certified vessel. Alternative provisions would rely on 1) the catch history of the vessel on which the LLP license is based or 2) the catch history of the vessel on which eligibility is based. (See pp. 46-47).

The current provision which must be modified (Section 1.4.1(b)) would not permit stacking of histories of vessels that are "not currently participating in the BSAI fisheries," except as permitted by Amendment 10. Clarification is requested, as to the purpose of including the phrase "not currently participating in the BSAI fisheries" and whether it is intended to permit stacking among vessels that are currently participating in BSAI fisheries. (See pp. 46-7).

2. The Council motion contains no direct requirement that a person be a citizen of the U.S. to be eligible to receive an initial allocation of QS. The Council may wish to consider including a requirement that only persons or entities eligible to document a U.S. fishing vessels are eligible to receive an initial allocation. (See p. 40).
3. Staff requests Council clarification concerning the application of PQS ownership caps (Section 2.7.1 of the Council motion) and the application of vertical integration caps on processors (Section 1.6.4 of the Council motion). The question specifically is, if a person owns a share of a company (or other collective interest) that owns PQS, when and how will that PQS be counted toward the person's ownership cap. The alternatives for harvesters provide that the caps are imposed individually and collectively, as in the halibut IFQ program. The Council motion contains no provision for the application of any of these caps. Two alternatives for applying the caps would be:
 - A) Applying the individual and collective rule of the halibut and sablefish IFQ program. Under this method a person owning a 10 percent share in a corporation would be considered to own 10 percent of the PQS owned by the corporation. For example, if a person owns 25 percent of 1000 QS held by a group of investors, it could be assumed that person owns 250 QS.
 - B) Applying a threshold level of ownership, after which the entire ownership share would be attributed to a person, similar to the AFA ownership standards. For example, if the Council determined that a person holding a minimum of 25 percent ownership would have shares counted against any ownership cap, a person that owned 25 percent of a company holding 1000 PQS, would have 1000

shares counted against the cap. If the Council determined the appropriate level was 50 percent that person would not have any of the 1000 shares counted against their cap.

Other possible alternatives may exist.

4. Staff requests Council clarification concerning the application of IPQ use caps (Section 2.7.2 of the Council motion). Specifically, will those caps be applied on a company basis or plant basis? If applied on a company basis the Council will need to decide whether to apply the cap on an individual and collective basis, using a threshold ownership level, or some other method.
5. Staff requests clarification of method for establishing the initial allocation in the EAI (Dutch Harbor) red king and the EAI *C. bairdi* and WAI *C. bairdi* fisheries. The Council motion does not specify years to be used for determining the initial allocation in these fisheries. The EAI (Dutch Harbor) fish has been closed since the mid-1980s. The EAI *C. bairdi* has been closed since 1994. The WAI *C. bairdi* has had landings in one year since the 1992-1993 season.

Staff also requests clarification of whether the ownership cap option for *C. bairdi* is intended to be applied to the EAI and WAI *C. bairdi* fisheries and the BS *C. bairdi* fishery? In addition, no ownership cap option is specified for the EAI (Dutch Harbor) red king crab fishery. Staff requests clarification of whether an ownership cap is intended to be applied to the EAI (Dutch Harbor) red king crab fishery. If so, what cap levels should be analyzed? (See pp. 55-56).

6. Section 1.7.4 of the Council motion contains the following two options for limiting the use of IFQs on a single vessel:

1.7.4 Use caps on IFQs harvested on any given vessel:

Option 1. Range from average to highest of annual catch by vessel by species

Option 2. No use caps

Option 1 is actually a range of options and will require clarification. It states that the cap will be based on a range that is determined by a vessel's average or highest annual catch by species.¹ The Council could select either the vessel's average catch or their best year of catch over some time period. The years that would be used to determine the caps must be specified. The most apparent choices would be either (1) the IFQ qualifying years or (2) the IFQ qualifying years plus the years from the end of the qualifying period through year of final Council action. Other viable alternatives may also exist. Without providing the years to be studied these alternatives cannot be analyzed.

Problems could also arise basing caps on pounds instead of a percentage of the overall quota. Caps in the past have been based on a percent of the QS pool to avoid these types of problems. If the cap is based on pounds, fluctuations in the GHL could create problems associated with the magnitude of the cap. If the GHL is much smaller than the years the cap was based upon, the caps would not be as binding as might have been intended. If the GHL has a large increase, relative to the base period used to determine the caps, then the aggregate cap of the vessels in the fishery may too small to harvest the quota. (See p. 56).

7. The Council's motion at Section 2.3 contained three options for determining PQS. Option 3 states that:

Option 3: Processing quota shares shall be initially issued to Eligible Processors based on the 1995-1999 processing history for each fishery, determined by the buyer of record listed on ADF&G fish tickets.

Suboption: Processor able to choose the best 4 of 5 years.

¹It is assumed that "species" should be read as "fishery".

Option 3 makes no provision for fisheries that were closed for the entire period between 1995 and 1999, inclusive. Staff requests Council direction on options for issuing PQS for the Eastern and Western Aleutian Islands *C. bairdi* and the Eastern Aleutian Islands (Dutch Harbor) red king crab fisheries—three fisheries that have been closed during the qualifying periods, but options for allocating harvest QS are included in the analysis.

Fisheries that were closed at least one year during the specified period are the Bristol Bay red king crab (1995), the Pribilof red king crab (1999), the Pribilof blue king crab (1995 and 1999), the St. Matthew blue king crab (1999), the WAI red king crab (1996/7, 1997/8, 1998/9, 1999/2000), the BS *C. bairdi* (1997, 1998, and 1999), and the WAI *C. bairdi* (1996/7, 1997/8, 1998/9, 1999/2000). Staff requests Council clarification on whether the initial allocation in each fishery under this option would be limited to the years in which the fishery was open between 1995 and 1999, inclusive. Also would a processor still be allowed to drop their worst year in fisheries that were not open every year from 1995-99. (See p. 59).

8. The Council selected the following options for analysis to limit processor ownership of harvester QS.

1.6.4 Controls on vertical integration (ownership of harvester QS by processors):

- Option 1: No controls*
- Option 2: All purchases up to a cap of 1%, 5% or 8%*
- Option 3: An entity that owns IPQs may not own harvester QS in addition to those harvester QS that were issued to the IPQ holder in the initial allocation.*

Staff requests that the Council clarify if the intent of Option 2 is to only apply to QS that are “purchased” or to all owned QS (including those received in the initial allocation). If the option also applies to QS that were initially allocated to processors (as the owner of harvest vessels), is it the Council’s intent that grandfather provisions also be included?

9. The Council motion contains the following provision concerning the use of IPQs by processors:

2.8.2 Penalties - Eligible Processors must fully utilize their processing quota shares in the season while a fishery is open or lose the amount that is not utilized for one season in the next season.

- 1. Distribution of unused quota:*
 - Option 1. Distributed to other processors proportionally*
 - Option 2. Distributed to other processors equally*
 - Option 3. Allocate to open access*
- 2. Hardship provisions*

Under the third option, the forfeited PQS would become open access shares. In other words, the PQS would be forfeited and would cease to exist. To implement this option, RAM would have to change the classification of a portion of the QS in the fishery. An amount of QS equal to the amount of forfeited PQS would change from Class A (under which harvested crab must be delivered to a processor with unused IPQs) to Class B (under which harvested crab can be delivered to any processor). Council staff requests clarification concerning the implementation of this option. The following three options could be adopted for the reclassification of QS from Class A to Class B:

- a) reclassification of Class A QS proportionally among all Class A QS holders
- b) reclassification of Class A QS equally among all Class A QS holders
- c) reclassification of the unused Class A QS

Clarification is also requested on the application of the regionalization program to this option. Staff requests the Council to clarify whether Class A shares that are reclassified as Class B shares would retain any regional categorization.

10. Options for allocations to catcher/processors are included in section 1.7.2.3 of the Council's motion. Those options are:

1.7.2.3 Allowances for Catcher/Processors:

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

Staff requests clarification whether this option is intended to prevent catcher processors from processing crab harvested under class B IFQ (for which no IPQ is required of shore based processors).

11. The Council must also determine how to treat catch history in cases when a vessel is eligible to join more than one cooperative, but elects not to join all of the cooperatives for which they are eligible. The first question is, will vessels be allowed to join only part of the cooperatives for which they are eligible? If they are allowed to join some, but not all, of the cooperatives for which they are eligible, what will happen to their catch history associated with the cooperatives they did not join. There are at least two options. The first being that the catch history is added to the open access pool. In that situation all vessels in the open access pool would be allowed to harvest their history. However, since the vessel had already joined another cooperative they would not be allowed to participate in the open access fishery during the same year they are in a cooperative for a specific target fishery. Another alternative would be to assign all of a person's catch history for a specific target fishery to the respective cooperatives if they join one cooperative. Individual cooperatives would then need to determine how the harvest rights should be divided internally among their members. Because the vessel owner is not a member of that cooperative and is not bound by the cooperative's bylaws, they would not be eligible to participate in the harvest of that cooperative's allocation. Both of the alternatives result in the vessel owner giving up the rights to harvest the crab assigned to cooperatives they elect not to join. (pp. 69-75).

Given the above discussion, does it capture the alternatives the Council will wish to consider for dividing a person's catch history between cooperatives and the open access fisheries? If additional options should be included in the analysis, they should be added at this time. (See p. 72).

12. Calculation of a cooperative's allocation, as stated in the State's proposal, is the total qualifying catch history of the cooperative members divided by the total catch history of all qualifying cooperative participants. This method would determine the percentage of the overall cooperative allocation each cooperative would receive. However, this method of calculating each cooperative's allocation does not account for any history assigned to the open access pool. Because the open access allocation is not accounted for in this formula, it may make sense to alter the calculation to mirror that in the pollock cooperatives. Under the AFA formula any crab not allocated to a cooperative would be assigned to the open access fishery. (p. 75-6).
13. The current options for determining harvesting, processing, and regional shares in the fisheries in some instances rely on different qualification years. The use of different years for determining the distribution of shares could present an impediment to the coordination of fishing and processing activities in the fisheries.

Two methods to reach the same regional division of harvest shares and processing shares are:

- 1) use the same years for determining the harvest shares, processing shares and the regional distribution
- 2) apply the regional distribution to each initial allocation of harvesting and processing shares.

Either of these methods will result in harvesters and processors being able to utilize all of the QS that are allocated. If the harvester and processor shares are not properly matched, it could result in a given percentage of the GHL not being harvested and processed. Option 2 would require vessels to operate in areas where they may not have traditionally operated. Transferability may mitigate this effect to some extent over time. (See pp. 89-90).

14. Staff requests clarification on whether the Council intends the provision against leasing (Section 1.6.2 of the Council motion) to prohibit the use of skipper or crew owned QS, on any vessel that is not owned by the QS owner. Exempting from the definition of a lease, the use of IFQs on a vessel on which the owner of the underlying QS is present would avoid this difficulty. (see p. 54).
15. Clarification of the skipper qualification criteria is needed. Under Option 1(a) it is unclear whether a threshold level of participation is required for a person to be eligible for an initial allocation. For example, would a crewmember with one day of sea time during the vessel owner qualification period be entitled to an allocation. As worded, the provision suggests that a person with a single day crew time would receive the same allocation as a person that participated during all of each season.

1.8.1 Options for skippers and crews members:

- Option 1. An initial allocation of 0%, 10% or 20% of harvesting quota shares distributed to qualified skippers and crew members as a separate class of QS with an owner on board stipulation. Qualification criteria for skipper and crew would require participation in the same years as the vessel owner qualification period. Initially allocated crew QS will be distributed:*
- a. *equally*
 - b. *using a point system based on historical crew share percentages and years of qualification during the qualifying period for each fishery*

In addition, the provision contains no limitations on the sale of this initial allocation. The sale of these crewmember shares to vessel owners could limit their effectiveness in protecting crewmember interests, if the shares ultimately end up owned or controlled by vessel owners. (See pp. 93-4)

16. Clarification of a few issues with the point system proposed for crew shares (see p. 95) are requested.
 - A. The rules for qualification when aggregating crew points from more than one vessel owned by a company require clarification. To qualify for an initial allocation the person must meet the minimum level of points on a vessel. Aggregation of crew points are permitted for persons that crewed on different vessels of a single company but individuals would be prohibited from combining points from vessels with different owners.
 - B. The provision for a first right of refusal for vessel owners would need to be more fully specified, including the time during which the option could be exercised, the method for determining the price, whether leasing would be subject to the first right of refusal.

ISSUES FOR WHICH NO CLARIFICATION IS REQUIRED, IF OUR INTERPRETATION IS CORRECT

1. In Section 1.1 the Council motion refers to the "Opilio (EBS snow crab)" and the "Bairdi (EBS tanner)" as two fisheries to be considered for inclusion in the rationalization program. The Alaska Bering Sea fisheries are often referred to as the "eastern Bering Sea" fisheries. The Alaska Bering Sea fisheries for *C. bairdi* and *C. opilio*, however, are divided into Eastern and Western Subdistricts, which are subject to separate stock assessments. The reference to the "EBS" in the motion creates an ambiguity concerning the specific fishery to be included in the program. Staff interprets the references to the "EBS" *C. bairdi* and "EBS" *C. opilio* as including all both the Eastern and Western Bering Sea Subdistricts of these fisheries. (See p. 34).
2. The following sections of the Council motion identify the geographic regions of the proposed regionalization program:

3.1 *Two regions are proposed:*

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

The proposed regionalization alternative would divide the fishery into two areas: one including all areas on the Bering Sea north of 56° 20' N. latitude and the other including all areas on the Bering Sea south of 56° 20' N. latitude and all areas in the Aleutian Islands and Gulf of Alaska. Since several areas of the Gulf of Alaska are north of 56° 20' N. latitude, a more accurate wording of (b) would be the following:

- (b) **Southern Region - All areas on the Bering Sea south of 56° 20' N. Latitude and all areas on the Gulf of Alaska** (This region includes all parts of the Alaska Peninsula westward of and including Port Moller. All of the Aleutian Islands are included in the South Region as are all ports and communities on the Gulf of Alaska.)

Staff interprets the motion as intending to include all areas on the Gulf of Alaska in the Southern region and will assume that the southern region is as defined by the revised wording in the preceding paragraph.

3. The eligibility criteria of Section 1.2 Option 1 of the Council motion do not state whether eligibility of a person to receive QS (or cooperative shares) for the different fisheries included in the rationalization program is determined on a fishery-by-fishery basis. Since a person must meet the endorsement qualification requirement for an area/species endorsement to be eligible for an initial allocation, it would appear that the eligibility is defined on a fishery-by-fishery basis and that qualification in one fishery is independent of qualification for any other fishery. Staff will interpret these provisions as applying on a fishery-by-fishery basis, unless otherwise directed. (See pp. 36-7).
4. The Eastern and Western subdistricts of the Aleutian Island king crab fisheries also present a difficulty in that the boundary between the two subdistricts was moved in recent years. Prior to the 1996/97 season, the boundary was located at 171° west longitude. The boundary was moved to 174° west longitude at the beginning of the 1996/97 season. The analysis of the suboption (b), which divides qualifying catch between the Eastern and Western subdistricts will rely on the current boundary for assessing the initial allocation of QS. Since this will credit fishers for their participation based on the location of their harvests with respect to the current boundary, all fishers will receive credit only in areas where they actually fished under this interpretation. (See p. 51).
5. Option 1 of Section 2.7.1 of the Council motion concerning PQS ownership caps provides that caps are determined on a fishery basis. Options 2 and 3 do not state the basis for determining caps. Staff intends to assume those caps are to be implemented on a fishery basis. (See p. 60).
6. The wording to 1.7.2.3 option 2 (below) provides for catcher/processor processing of shares "within 3 miles of shore in the designated region or community." Since the options refer only to a regional program (not a community program) the inclusion of the reference to a community is confusing. Staff requests clarification of the intent with respect to use of the words "or community" in 1.7.2.3 Option 2, and would suggest dropping the phrase "or community" if it is unnecessary.

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

7. The provisions of Section 1.7.2.3 Options 1 and 3 of the Council motion apply to the purchase of PQS and QS by catcher/processors, respectively. These provisions are assumed to also apply to the purchase of IPQs and IFQs, respectively. The provisions of Option 2 apply to the purchase of IPQs. This provision is assumed to apply to the purchase of PQS, as well. In all cases, purchase is assumed to include any transfer. (see p. 66).

NOTE ON BINDING ARBITRATION

At the June Council meeting industry agreed to develop a binding arbitration option for the Council. The ACC provided council staff with a description of a binding arbitration program prior to this meeting (see Appendix 2-A). That description is currently being discussed by the ACC representatives and processor representatives. The provision generally outlines a program for binding arbitration but lacks specificity concerning several details. Staff believe that further definition is required to provide the Council with a meaningful analysis of this option in February.

NOTE ON OWNERSHIP DATA

At the June Council meeting, industry representatives agreed to provide the Council with vessel ownership identification. Three different efforts have secured portions of the information.

Processor Vessel Ownership

A processor group has delivered to Council staff a list of vessels owned by each major crab processor or its subsidiaries or affiliates. The information provided is vessel and owner specific, enabling Council staff to combine the information with vessel harvest information in the ADF&G fish ticket file to determine participation patterns and potential distribution of shares under the rationalization alternatives. Owners of 38 vessels provided information.

ACC Survey

The Alaska Crab Coalition has delivered to Council staff ownership information for a number of vessels. The information collected by the ACC survey shows only groupings of vessel ownership by fishery without vessel identification. For example, the data show that in the Pribilof Islands red and blue king crab fishery two different owners control four vessels, two owners control three vessels, and 12 owners control a single vessel. Similar information is provided for each of the other LLP fisheries. Because of the summary nature of the information, staff will be unable to combine the information with the ADF&G fish ticket file limiting the effectiveness of the ownership information for analyzing the potential distribution of shares under the rationalization alternatives. Owners of 55 vessels have responded to this survey.

C.R.A.B. Group Survey

The CRAB Group contracted a survey of all vessels in the crab fisheries to obtain ownership information. CRAB Group reported that the survey response rate was poor due to the potential loss of confidentiality on delivery of the results to Council staff. To overcome the poor response rate the survey was modified so that only summary findings without vessels identification would be delivered to Council staff. It is anticipated that the specificity of the information will be similar to that provided by the ACC. Because of the summary nature of the information, staff will be unable to combine the information with the ADF&G fish ticket file limiting the usefulness of the ownership information for analyzing the rationalization alternatives. Owners of approximately 120 vessels are reported to have responded to this survey. The summary results are expected to be delivered to Council staff prior to this meeting.

DRAFT

**Draft Council Motion for Item C-2 BSAI Crab Rationalization
June 10, 2001**

C-2 BSAI Crab Rationalization

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

1. **Harvesting Sector Elements**

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

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

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

Option 1. Persons that own NMFS certified BSAI crab vessels based on the catch history that gave rise to that vessel's certification, including NMFS approved Amendment 10 combinations, provided PL 106-554 is amended. To qualify as a certified vessel, a vessel must not at any time since October 10, 1998, been ineligible for a U.S.C.G. fishing endorsement. NMFS/RAM approved replacement vessels, qualified under the Amendment 10 exception for replacement vessels that have not at any time since October 1998 been ineligible for a U.S.C.G. fishing endorsement, would also qualify.

Option 2. Persons that own the catch history and/or fishing rights of BSAI crab vessels that satisfied: (i) the General Qualification Period and Endorsement Qualification Period landings requirements of the License Limitation Program ("LLP"), and (ii) either the Recent Participation Period landings requirement, or one or more of the specific exemption requirements of Amendment 10 to the LLP.

1.3 **Categories of QS/IFQs**

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

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

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

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

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

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

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

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

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

1.4 Initial allocation of QS

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

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

(b) Basis for QS distribution.

Option 1. For eligibility criteria outlined in paragraph 1.2, Option 1, the distribution of QS shall be based on the catch history of the certified vessel on a fishery-by-fishery basis. The underlying principle of this program is one history per vessel and that the initial allocation of quota share will disallow stacking or combining histories of vessels that are not currently participating in BSAI fisheries, with the exception of Amendment 10 exemptions and replacement vessels with fishery endorsements since October 10, 1998.

Option 2. For eligibility criteria outlined in paragraph 1.2, Option 2, the distribution of QS shall be based on the catch history of the qualified vessel on a fishery-by-fishery basis. The underlying principle of this program is one history per vessel. However, the initial allocation of quota share will allow stacking or combining of histories of vessels that each satisfied (i) the General Qualification Period and Endorsement Qualification Period landings requirements of the License Limitation Program ("LLP"), and (ii) either the Recent Participation Period landings requirement, or one or more of the specific exemption requirements of Amendment 10 to the LLP.

1.4.2 Qualifying Periods for Determination of the QS Distribution:

1.4.2.1 Opilio (EBS snow crab)

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

1.4.2.2 Bristol Bay red king crab

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

1.4.2.3 Bairdi (EBS tanner crab)

- Option 1. 1992 - 1996 (5 seasons)
 - (a) All seasons
 - (b) Best 4 seasons
- Option 2. 91/92* - 1996 (6 seasons)
 - (a) Best 5 seasons

*The biological season extended over a calendar year

1.4.2.4 Pribilofs red king crab

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

1.4.2.5 Pribilofs blue king crab

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

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

1.4.2.6 St. Matthew blue king crab

Option 1. 1993 - 1998

(a) Best 4 seasons

Option 2. 1994 - 1998

(a) All seasons

(b) Drop one season

1.4.2.7 Brown king crab (based on biological season)

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

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

(a) All seasons

(b) Drop one season

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

(a) All seasons

(b) Drop one season

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

(a) All seasons

(b) Drop one season

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

(a) Best 4 seasons

Suboption: Award each initial recipient QS based on:

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

(b) historical participation in each region.

1.4.2.8 Adak Red King Crab

Option 1. 1992 - 1995

(a) All seasons

(b) Best 2 seasons

1.5 Annual allocation of IFQs:

1.5.1 Basis for calculating IFQs:

Option 1. GHL

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

1.6 Transferability and Restrictions on Ownership of QS/IFQs:

1.6.1 Persons eligible to receive QS/IFQs by transfer:

Option 1.

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

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

Suboption: Initial recipients of harvesting quota share are grandfathered

- Option 2. US citizens who have had at least (3 options):
- a. 30 days of sea time*
 - b. 150 days of sea time*
 - c. 365 days of sea time*
- Suboption: Initial recipients of harvesting quota share are grandfathered

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

*Definition of sea time (3 options):

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

1.6.2 Leasing of QS (Leasing is equivalent to the sale of IFQs without the accompanying QS.)

Leasing is defined as use of IFQ on vessel which QS owner holds less than 5-50% ownership of vessel:

- Option 1. Leasing QS is allowed with no restrictions
- Option 2. Leasing QS is not allowed

1.6.3 Separate and distinct QS Ownership Caps - apply to all harvesting QS categories pertaining to a given crab fishery with the following provisions:

- (a) initial issues that exceed the ownership cap would be grandfathered;
- (b) apply individually and collectively to all QS holders in each crab fishery;
- (c) percentage-cap options for the Bristol Bay red king crab, Opilio, Bairdi, Pribilofs red king crab, Pribilofs blue king crab and St. Matthew blue king crab fisheries (a different percentage cap may be chosen for each fishery):
 - Option 1. 1 % of the total QS pool for the fishery
 - Option 2. 5% of the total QS pool for the fishery
 - Option 3. 8% of the total QS pool for the fishery
- (d) percentage-cap ranging from 20%-40% for the Dutch Harbor and western Aleutian Island brown king crab (a different percentage cap may be chosen for each fishery or may be applied to the combined fisheries if not categorized separately).
- (e) percentage-cap ranging from 10%-30% for Adak red king crab (if QS for this fishery are issued).

1.6.4 Controls on vertical integration (ownership of harvester QS by processors):

- Option 1: No controls
- Option 2: All purchases up to a cap of 1%, 5% or 8%
- Option 3: An entity that owns PQs may not own harvester QS in addition to those harvester QS that were issued to the PQ holder in the initial allocation.

1.7 Use of IFQs

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

- (a) "A" class CV-IFQs may be processed by either a shoreside processor or a catcher/processor so long as sufficient processor shares are held by the processor.
- (b) "B" class CV-IFQ's may be processed by either a shoreside processor or a catcher/processor.
- (c) "A" or "B" class CV-QS initially issued to a catcher/processor shall not be regionally or community designated.
- (d) "A" or "B" class CV-QS purchased or obtained by catcher/processers shall retain their regional or community designation.

1.7.2 Catcher/Processor shares:

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

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

1.7.2.3 Allowances for Catcher/Processors:

- Option 1. Catcher/Processors are prohibited from purchasing additional PQs from shore based processors but are free to acquire PQs from other Catcher/Processors.
- Option 2. Catcher/Processors shall be allowed to purchase additional PQs from shore based processors as long as the shares are processed within 3 miles of shore in the designated region or community.
- Option 3. Catcher/Processors may purchase additional CV-QS but cannot process unless sufficient unused IPQs are held.
- Option 4. Catcher/Processors may sell processed or unprocessed crab. Depending on the type of model (one-pie, two-pie, etc.), unprocessed crab may be delivered to:
 - (a) processors that hold unused IPQs, or
 - (b) any processor

1.7.2.4 Transfers to shore-based processors:

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

1.7.3 Catch accounting under IFQs - All landings including deadloss will be counted against IFQs. Options for treatment of incidental catch are as follows:

- Option 1. No discards of legal crab will be allowed and sufficient IFQs for legal crab must be available.
- Option 2. No discards of "marketable" crab will be allowed for opilio crab and sufficient IFQs for "marketable" crab must be available. (Legal size for opilio is 3.1 inches but the industry standard is 4 inches.)
- Option 3. No discards of opilio crab with a carapace of 4 inches or greater in width.

Option 4. Discards of incidentally caught crab will be allowed. (This option would allow, for example, incidental catch of bairdi crab in a red king crab fishery to be discarded without counting against bairdi IFQs.)

1.7.4 Use caps on IFQs harvested on any given vessel:

Option 1. Range from average to highest of annual catch by vessel by species

Option 2. No use caps

1.8 Other Optional Provisions

1.8.1 Options for skippers and crews members:

Option 1. An initial allocation of 0%, 10% or 20% of harvesting quota shares distributed to qualified skippers and crew members as a separate class of QS with an owner on board stipulation. Qualification criteria for skipper and crew would require participation in the same years as the vessel owner qualification period. Initially allocated crew QS will be distributed:

(a) equally

(b) using a point system based on historical crew share percentages and years of qualification during the qualifying period for each fishery (attached).²

Option 2. First right of refusal on transfers

(a) Range of 0-20% of harvesting QS would be designated as crew shares. Transfers of harvesting QS must include transfer of 0-20% crew shares for which there will be first right of refusal for eligible crew to buy.

(b) Time-frame for first right of refusal is 1-2 months.

(c) Eligibility of U.S. citizens to purchase crew shares would be defined by a range of sea time of 30, 150 or 365 days.

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

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

1.8.2 Overage Provisions:

(a) Allowances for overages during last trip:

Option 1. 1%

Option 2. 3%

Option 3. 5%

(b) Any overage would be deducted from the QS holder's IFQs (during the next season) at:

Option 1. same amount as overage

Option 2. twice the amount as overage

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

1.8.4 Discussion in the analysis of season opening dates under an IFQ program and the potential for concurrent seasons and multi-species fishing to reduce bycatch.

²Based on the point system presented by Tony Lara during public testimony on 6/09/01 (attached).

2. Processing Sector Elements

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

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

2.2 Categories of Processing Quota Shares

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

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

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

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

2.3 Initial allocation of processing quota shares

Option 1. Processing quota shares shall be initially issued to Eligible Processors based on three-year average processing history³ for each fishery, determined by the buyer of record listed on ADF&G fish tickets, as follows:

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

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

³The three-year average shall be the three-year aggregate pounds purchased by each Eligible Processor in a fishery divided by the three-year aggregate pounds purchased by all Eligible Processors in that fishery.

Option 3. Processing quota shares shall be initially issued to Eligible Processors based on the 1995-1999 processing history for each fishery, determined by the buyer of record listed on ADF&G fish tickets.

Suboption: Processor able to choose the best 4 of 5 years.

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

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

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

Option 2 90% GHL (or TAC) would be issued as IPQs - the remaining 10% would be considered open access.

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

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

Option 5 0% - no processing shares

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

Catcher vessel QS/IPQs are categorized into Class A and Class B shares. Purchases of crab caught with Class A shares would count against IPQs while purchases of crab caught with Class B shares would not. Crab caught with Class B shares may be purchased by any processor on an open-access basis.

2.6 Transferability of processing shares - provisions for transferability include the following:

(a) Processing quota shares and IPQs would be freely transferable, including leasing

(b) IPQs may be used by any facility of the Eligible Processor (without transferring or leasing)

(c) Processing quota shares and IPQs categorized for one region cannot be transferred to a processor for use in a different region.

2.7 Ownership and use caps - different percentage caps may be chosen for each fishery:

2.7.1 Ownership caps

Option 1. based on maximum share for processors by fishery plus a percentage of 5%, 10% or 15%.

Option 2. Ownership cap equal to largest share issued to processor at initial issuance.

Option 3. Range of caps from average to maximum with grandfather clause.

2.7.2 Use caps

Option 1 Annual use caps ranging from 30% - 60% of the GHL (or TAC) by fishery.

Option 2. Annual use caps of quota share equal to the largest PQ holder's share in each specific fishery.

2.8 Other Optional Provisions:

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

2.8.2 Penalties - Eligible Processors must fully utilize their processing quota shares in the season while a fishery is open or lose the amount that is not utilized for one season in the next season.

- (a) Distribution of unused quota:
 - Option 1. Distributed to other processors proportionally
 - Option 2. Distributed to other processors equally
 - Option 3. Allocate to open access
- (b) Hardship provisions

2.8.3 Option for use of a private sector managed (non-governmental), binding arbitration process, for failed price negotiations, between fishermen and processors. To the extent that this may be a key design feature in a two pie IFQ program, the analysis should consider the mechanics and applicability to a two pie IFQ program.

Considerations for analysis of binding arbitration:

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

Elements of the binding arbitration process:

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

Option 2. Formula approach similar to some Bering Sea pollock operations, where the fleets share in the percentage of the sale price of the products. In this case, the arbitrator would decide the formula percentage.

3. Regionalization Elements

3.1 Two regions are proposed:

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

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

3.2 Regional categorization of processing and/or harvesting quota shares

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

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

3.2.2 Options for the harvesting sector:

- Option 1. all CV quota shares are categorized by region
- Option 2. only Class A CV quota shares are categorized by region

3.2.3 Options for the processor sector:

- Option 1. Processing quota shares and IPQs are categorized by region
- Option 2. Regional restrictions apply to deliveries made on an open access basis

3.2.4 Once assigned to a region, processing and/or harvesting quota shares cannot be reassigned to a different region.

3.3 Delivery and processing restrictions - the following provisions apply to the delivery and processing of crab with IFQs or IPQs that are categorized by region:

- (a) Crab harvested with catcher vessel IFQs categorized for a region must be delivered for processing within the designated region
- (b) Crab purchased with IPQs categorized for a region must be processed within the designated region.

4. Community Development Allocation (based on existing CDQ program):

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

5. Program Duration and Review

The following options apply to all program elements:

Option 1. Program review after 2 years and every 3 years thereafter to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts.

Option 2. Program review every 3 years to objectively measure the success of the program, including benefits and impacts to harvesters (including vessel owners, skippers and crew), processors and communities by addressing concerns, goals and objectives identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards. This review should include analysis of post-rationalization impacts to coastal communities, harvesters and processors in terms of economic impacts and options for mitigating those impacts.

Option 3. No program review

Option 4. Sunset in 5 or 7 years

6. Cooperative model options:

6.1 Use a coop model that would have similar elements (qualifying years, ownership caps, skipper provisions, etc) as the IFQ program alternative as appropriate and the following options for comparison with the IFQ model:

- Option 1. AFA-style coop
- Option 2. Dooley-Hall style coop

6.2 Coop model with the following elements and options:

6.2.1 Harvest Sector Elements

- (a) Eligibility of Cooperative participants as defined in paragraph 1.2 options
- (b) Crab fisheries are the same as those listed in paragraph 1.3.1, differentiated by sector as in 1.3.2.
- (c) Regional Categories:

Option 1. No regional categories.

Option 2. Harvester cooperatives' regional categories for deliveries of Bering Sea crab as in paragraph 1.3.4.

Option 3. Harvester cooperatives' regional categories for deliveries of Aleutian Islands brown king and Adak red king crab split into a "Western" (west of 174 degrees West longitude) and "Eastern" (east of 174 degrees West) area.

(d) Histories to determine distribution of quota for cooperative participants mirror those under paragraph 1.4.2 "Qualifying Periods." Processor owned vessels may join a coop but may not vote.

(e) Mode of Operation:

- Catch history of C/P vessels may be delivered inshore or processed by that CP.
- Catch history of catcher vessels will be delivered to the approved processor from which its catch history was created.
- If a processor is no longer involved in crab fisheries, then that delivery history will be divided equally or on a pro rata basis among qualifying processors.

(f) Overage provisions. Not allowed for any species/fishery.

(g) Underage provisions. Not allowed for any species/fishery.

6.2.2. Processor Sector Elements.

- (a) Eligible processors as defined under paragraphs 2.1 and 2.3 Option 1, a-g. In addition:
1. C/P vessels may process their own history and the history of those who made deliveries to them, or may deliver their catch to inshore processors;
 2. inshore processing sector (floaters, mother-ships and shore-based) is restricted to its qualifying processing history and may not convert such history to C/P operations.
- (b) To set up Cooperatives, harvesters shall be members of cooperatives with processor(s), to whom they historically delivered crab during the base period. The cooperative shall be deemed formed when 70% of the eligible harvesters and their processor agree to form a coop. A vessel may have historical participation with multiple processors and, thus, may be in multiple coops.
- Option 1. Percentages at 100% of delivery history to historical processor.
 - Option 2. Percentages at 90% of delivery history to historical processor.
 - Option 3. Percentages at 80% of delivery history to historical processor.
 - Option 4. No restriction on delivery (harvester-only coop)
- (c) Hardship provisions. Coops shall be allowed to deliver to other processors for hardship reasons (e.g. plant burns down or mothership sinks).

6.2.3 Other Options/Considerations.

- (a) Calculation of Coop Catching and Processing History. A coop consists of some number of vessels delivering to a processor. Catch histories assigned to each vessel will be determined by analysis of catch and delivery patterns. Processing histories shall be determined in an identical fashion:

$$\frac{\text{Cumulative history of coop participant (harvester or processor)}}{\text{Total history of all qualifying coop participants (harvester or processor)}}$$

- (b) Initial Cooperative Formation.
- To form a coop, there must be at least 4, 6, or 10 unique Vessel/owners per coop.
- Option 1. Vessels are assigned to the specific processor where the majority of its qualifying history was delivered.
 - Option 2. Vessels are assigned to one or more processors based on their historical pattern of delivery. Cooperating vessels and the processor may trade catching and processing histories within sectors to best suit the initial cooperative formation. Any movement of catching and processing history through sale or lease carries with it the historical characteristics.⁴
- (c) Subsequent Movement Within Cooperatives.
- Option 1. When a vessel shifts history to a different processor, no lease agreement between processors is necessary.
 - Option 2. When a vessel shifts history to a different processor, it must be accompanied by a lease agreement between the processors that compensates for movement of history.
- (d) Movement - to leave a coop. Movement between coops must include:
- Option 1. No movement through open access.
 - Option 2. Vessels move through open access for 1 year.

⁴Crab harvesters may have made deliveries to one or many different processors to develop their catch histories. They may wish to take these diverse delivery histories and trade them to allow them to deal with only one processor.

- Option 3. Vessels move through open access for 2 years.
- (e) Duration of coop agreements.
- Option 1. 2 years
 - Option 2. 4 years
 - Option 3. 6 years
- (f) Community Development Allocation (under existing CDQ program)
- Option 1. No change from existing program
 - Option 2. Expand existing program to all crab fisheries under this analysis.
 - Option 3. Increase for all species of crab to 10%
 - Option 4. Increase for all species of crab to 12.5%
 - Option 5. For the Aleutian Islands brown king crab fishery, the percentage of resource not utilized (difference between actual catch and GHLL) during base period is allocated to the community of Adak.
- (g) Observer requirements. For crab vessels greater than 60' in length, maintain observer coverage at:
- Option 1. Status quo.
 - Option 2. 10%
 - Option 3. 20%
 - Option 4. 30%
- (h) Length of program:
- Option 1. Sunset in 5 years
 - Option 2. Program review to objectively measure the success of the program by addressing concerns identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards.
 - Suboption 1. Program review after 2 years
 - Suboption 2. Program review every 3 years
- (i) Option for skipper and crew members: Protection of traditional and historical crew share percentages with no sunset.
- (j) Catch Accounting - All landings including deadloss will be counted against a vessel's quota. Options for treatment of incidental catch are as follows:
- Option 1. No discards of legal crab will be allowed, and sufficient quota for legal crab must be available.
 - Option 2. No discards of "marketable" crab will be allowed for opilio crab and sufficient quota for "marketable" crab must be available. (Legal size for opilio is 3.1 inches, but the industry standard is 4 inches.)
 - Option 3. No discards of opilio crab with a carapace of 4 inches or greater in width.
 - Option 4. Discards of incidentally caught crab will be allowed. (This option would allow, for example, incidental catch of bairdi crab in a red king crab fishery to be discarded without counting against a vessel's bairdi quota.)

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

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

- A. Processor ownership interest in BSAI crab harvesting vessels
- B. CV ownership interest in processors
- C. Processor ownership interest in BSAI crab fishing history
- D. CV ownership interest in BSAI processing history
- E. Foreign ownership interest in the BSAI crab processing sector
- F. Foreign ownership in the BSAI crab harvesting sector
- G. The percentage of Harvester QS that will be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab harvesting vessels and BSAI crab fishing history.
- H. The percentage of processor PQs that will be allocated to the harvesting sector as a result of harvesting sector ownership interests in the BSAI crab processing sector and BSAI crab processing sector history including CPs.
- I. The anti-competitive impacts and economic barriers that may result from the cumulative and combined impacts of Individual Processing Quotas (IPQs) coupled with Regionalization. For example, are the combined impacts and barriers of IPQs and Regionalization different than the individual and respective impacts of IPQs or Regionalization and, if so, to what extent.
- J. The general economic and social impacts and the impacts on free and open competition and markets of IPQs, including the Halverson report and Matulich report on a 2-pie IFQ-type program.
- K. The impacts of IPQs on free markets and vigorous competition in the BSAI crab industry that may result from (1) processor sector ownership interest in BSAI crab harvesting vessels, (2) processor sector ownership interest in BSAI crab fishing history, and (3) the percentage of harvester QS that may be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab vessels and BSAI crab fishing history.
- L. The general impacts of IPQs on free markets and vigorous competition, price mechanisms, costs, distribution of rents and other competitive mechanisms:
 - (1) in the BSAI crab processor sector
 - (2) in the BSAI crab harvester sector.
 - (3) in the BSAI crab industry,
 - (4) in the non-AFA processor sector,
 - (5) in the Kodiak processor sector,
 - (6) in the BSAI and GOA fishing industry,
 - (7) that may result from mergers, acquisitions, combinations and concentrations in the processing sector,
 - (8) that may result from foreign ownership interest in the processing sector.
- M. Restrictions of ownership of Harvester QS by processing entities that have more than 25% foreign ownership interest.
- N. Spillover effects on other fisheries.
- O. Include a discussion of the percent of GHL purchased by non-eligible processors on an annual basis and the effect on the final QS pool.
- P. Include a conceptual discussion on how co-op management might work in the harvesting and processing sectors and a comparison of IFQs/IPQs, to co-ops including the Dooley-Hall co-op structure in addressing the problem statement.
- Q. Conservation benefits and other implications of each component of the program (IFQ, IPQ, Regionalization Co-ops). Present the analysis of these issues in a consolidated section in the EA/RIR.

Attachment

Proposed Point System for Allocating Quota Share to Skippers and Crew Members
(Based on public testimony provided by K. Anthony Lara 6/9/01)

- A-1. Definitions:
- (a) Crew member. A crew member is defined as a U.S. citizen who held a commercial fishing landing permit or crew license during the qualifying period.
 - (b) Crew share. The crew share is defined as the percentage of a vessel's net fish sales paid to crew members excluding management fees.
- A-2. Point system for initial allocation of crew QS - points will be awarded on a fishery-by-fishery basis as follows:
- A-2.1 Total points available. Each vessel will have a total possible number of points for the qualifying period. The total possible points will be calculated by totaling the non-management crew shares of that particular vessel for each of the qualifying seasons.
- A-2.2 Points awarded to qualified crew member.
- (a) Each qualified crew member will be awarded points for each season of the qualifying period he or she fished aboard a qualified vessel. The points will be based on the crew share of the applicant (i.e., a captain who was paid 14% will be awarded 14 points for each season fished).
 - (b) If the crew member was aboard the vessel for only x% of the total crab catch for a season, he or she will be awarded x% of the points for that season.
 - (c) For options that include a vessel's "best seasons," the qualifying seasons for crew members will be the same as used for calculating the initial allocation of QS to the vessel owner or qualified recipient.
 - (d) Points awarded to a crew member cannot be transferred from the qualifying vessel or company. However, points earned by fishing aboard several qualified vessels that were owned by the same person during the qualifying period may be aggregated.
 - (e) The burden of documenting points will be the responsibility of the crew member.
- A-2.3 Initial allocation of crew QS based on a crew member's points.
- (a) A crew member must document points totaling at least 10% of an individual vessel's possible points.
 - (b) A crew member who meets the minimum point requirement would be awarded crew QS based on his or her percentage of the vessel's total points multiplied by the vessel's average non-management crew share percentage during the qualifying period.
 - (c) Any portion of the crew QS allocation not awarded to crew members will be awarded directly to the vessel owner or qualified recipient.
 - (d) Crew QS earned by owner/operators based on the point system may be awarded directly to the vessel owner or qualified recipient.
- A-3. Transferability of crew QS.
- (a) Owner of vessel has first-right-of-refusal on transfers.
 - (b) The analysis should address whether a separate class of QS for crew members would be necessary if lease restrictions are placed on harvester QS.

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

Board of Fisheries

TONY KNOWLES, GC

AGENDA C-4
DECEMBER 2001
Supplemental

P.O. BOX 25526
JUNEAU, AK 99802-5526
PHONE: (907) 465-4110
FAX: (907) 465-6094

November 13, 2001

David Benton, Chairman
North Pacific Fishery Management Council
605 West 4th Ave., Suite 306
Anchorage, AK 99501

RECEIVED
NOV 14 2001
N.P.F.M.C

Re: Bering Sea Crab Rationalization

Dear Mr. Benton:

During our November 13-14, 2001 meeting the Alaska Board of Fisheries directed me to write you regarding our concerns about and position on Bering Sea Crab Rationalization. The Board of Fisheries concurs with the Council's BSAI Crab Rationalization Problem Statement and recognizes that many of the regulatory issues faced by the Board are directly related to problems identified therein.

The Alaska Board of Fisheries strongly encourages the North Pacific Fishery Management Council to expedite consideration of Bering Sea crab rationalization and to provide whatever resources are need to see that crab rationalization is finalized as soon as possible. We also encourage you to continue current work on Bering Sea crab fleet reduction.

If you or any member of the Council has additional questions regarding Board support for your efforts to rationalize the Bering Sea crab fishery, please do not hesitate to contact me.

Sincerely,

Ed Dersham, Chair
Alaska Board of Fisheries


cc: Commissioner Frank Rue

SPENCER BRONSON

18202 Bellflower Road
Bothell, Washington
98012

425 776 2552 phone
425 776 0471 fax
fisherman.jo@gte.net

November 27, 2001

Mr. David Benton
Chairman NPFMC
605 West 4th Ave.
Suite 306
Anchorage, Alaska
99501-2252

Dear Mr. Benton,

I am writing to ask for your attention to the portion of the crab rationalization plans which covers initial allocation of Quota Shares for qualified skippers. I would ask that consideration for further analysis be given to this very important portion of the plan.

The skippers that have produced the product which will ultimately be divided into QS should not be swept under the rug and disregarded. The vessel owners have injected capital into the fisheries, while the hands-on day to day operators have invested their lives in the fisheries. Without some form of initial allocations for the vessel operators, the system will have failed to address the needs of this group. The skippers of the Bering Sea crab fleet are loosely organized and not well represented. They should not however be ignored or overlooked in the rationalization process.

Sincerely,



Spencer Bronson
F/V Bulldog

RECEIVED

NOV 28 2001

N.P.F.M.C

F/V ERLA-N

Alan Bing Henkel, Owner/Operator

October 30, 2001

David Benton, Chairman
North Pacific Fishery Management Council
605 West 4 th Avenue, Suite306
Anchorage, Alaska 99501-2252

RECEIVED

NOV - 9 2001

N.P.F.M.C

Mr. Chairman,

I am the owner operator of the F/V Erla-N, a 117 crab catcher operating out of Dutch Harbor, Alaska. The Erla-N has participated in the Aleutian Island brown crab fishery from 1981 to the present time except for the years 1992-1995.

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

When we were notified that the Erla-N would not meet the EQP requirement for its own brown crab endorsement, the Erla-N LLC purchased a crab catcher which had an Aleutian Island brown crab endorsed LLP. We have taken this USCG documented Vessel out of the fishery, but the Erla-N LLC held the LLP so that the Erla-N could continue to fish for brown crab.

The draft rules for BSAI crab rationalization, dated June 10, 2001, do not anticipate our circumstance and may prevent us from receiving a brown crab quota share for the Erla-N (See item C-2, Par.1.2). This letter is to request that the council amend its rules so that they would allow the Erla-N or any other vessel in the same situation to qualify for a quota share allocation based upon 1.) a transferred brown crab endorsement LLP plus 2.) the vessel's own catch history. The proposed amended rule would consider only the catch histories of qualifying vessels and would not permit the stacking of catch histories of other vessels.

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

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

Sincerely,



Bing Henkel

J. Barney Olsen
16338 74th Avenue NE
Kenmore, WA 98028-4227
Phone: (425) 488-6298
Fax: (425) 481-8896

November 28, 2001

Mr. David Benton
Chairman
North Pacific Fishery Management Council
605 West 4th, Suite 306
Anchorage, Alaska 99501-2252

RE: Crab Rationalization

Dear Mr. Benton

I am writing this letter on behalf of over fifty crab operator/owner-operators. These captains have a long history of participation in the BSAI fishery. I have been fishing crab in Alaska for twenty-seven years and am 50% partner of the F/V Sea Spray, which has been consistently active in the BSAI fishery since 1980. Additionally, I am an active member of SEA (Skippers for Equitable Access).

As the Council moves forward with crab rationalization, we urge the council to include operators and owner/operators in the initial allocation of Quota Shares (QS).

We feel that a fair and equitable distribution of resource allocation must include the captains who created the catch history.

We would endorse whichever option the NPFMC selects for determination of vessel QS distribution.

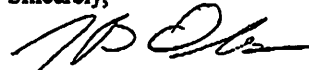
In order to safeguard fair acquisition and prevent over consolidation by any one segment of the industry, we propose that a separate class of QS be established. This distinct pool of QS to be transferable to or used only by captains active in the fishery. Thereby avoiding the creation of a class of absentee landlords.

Additionally, we feel that a low interest NMFS loan program, available to qualified captains and crew, is also necessary to provide entry-level opportunity to those individuals working themselves toward ownership positions.

We feel that captain participation in any rationalization program is essential. Therefore, we strongly urge the Council to continue with their analysis of all Optional Provisions under BSAI Crab Rationalization C2 paragraph 1.8.

Several of us will be in Anchorage next week for the Council meetings and would welcome an opportunity to meet and discuss our concerns at that time.

Sincerely,



J. Barney Olsen
Captain
Owner, F/V Sea Spray

cc: SEA members

1128-02

RECEIVED
NOV 28 2001
N.P.F.M.C.

ALASKA SEA, INC.

A.O. NORDHEIM
PRESIDENT

RECEIVED

NOV 27 2001

N.P.F.M.C

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

November 16, 2001

Mr. Chairman,

I am writing you this letter in behalf of twelve vessels that participate in the Aleutian Island brown crab fishery. We are unique in the fact that in recent years we have made substantial investments to be more competitive and have progressively strengthened our catch histories. Most of our vessels have long fishing histories in the Aleutian Island brown crab fishery although there are two that have more recent participation.

In the draft rules for BSAI crab rationalization, dated June 10, 2001, there are five options that we would like the council to adopt pertaining to the Aleutian Island brown crab fishery. They are as follows:

1. Item C-2, Par. 1.3, Sub. Par. 1.3.1.1 Brown King crab (A.I. golden king crab)
Option 1 Split into two categories: Dutch Harbor brown king crab and Western Aleutian Islands brown king crab (A number of smaller vessels have not participated in the Western Aleutian Islands because of economic and safety reasons)
2. Item C-2, Par. 1.4, Sub. Par. 1.4.2.7 Brown king crab (based on biological season)
Suboption: Award each initial recipient QS based on :
(b) historical participation in each region.
3. Item C-2, Par. 1.4, Sub. Par. 1.4.2.7. Brown king crab (based on biological season)
(Options apply to both Dutch Harbor and western Aleutian Island brown king crab)
Option 4. 96/97-2000/01 (5 seasons) (a) Best 5 seasons
(Alternative option 96/97 = final action by the council)
4. Item C-2, Par. 1.6.3 Separate and distinct QS ownership caps.
(d) maximum percentage cap of 15% for each of the Dutch Harbor and Western Aleutian Island brown crab fishery.
5. Item C-2, Par. 2.4.1 IPQs will be issued for a portion of the season's GHJ or TAC for each species to provide open access processing as a means to enhance price competition:
Option 4 70% of GHJ (or TAC) would be issued as IPQs - the remaining 30% would be considered open access. (There are only two major processors buying brown crab in the Dutch area. A minimum of 30% open access could be a means to enhance price competition)

Our objective is to have a fair and equitable allocation of quota shares, which would take into account present participation as well as historical fishing practices. Unfair consolidation is very likely. There needs to be a mechanism in place that would prevent any person or entity from acquiring an excessive share of individual quota shares issued in the Aleutian Island Brown crab fishery.

Thank you for giving our concerns your careful consideration.

Sincerely,



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

- F/V Alaska Sea, Owner - Ozzie Nordheim
- F/V Andronica, Owner - Gary Howe
- F/V Arctic Dawn, Owner - Olie Helgevold
- F/V Aleutian No. 1, Owner - Jostein Karlsen, Bill Peterson
- F/V Ballyhoo, Owner - John Sjong
- F/V Early Dawn, Owner - Rick Mezich
- F/V Erla-N, Owner - Bing Henkel
- F/V Lady Alaska, Owner - Kevin Suydam
- F/V Pacific Star, Owner - Teresa Hjele
- F/V Shishaldin, Owner - John Sjong
- F/V Western Viking, Owner - Gordon Rush
- F/V Sea Venture, Owner - Dan Gunn

Nov. 28. 2001

Mr. David Benton
Chairman NPFMC
605 West 4th Ave. Suite 306
Anchorage, AK. 99501-2252

RECEIVED

NOV 28 2001

N.P.F.M.C

I am writing to you regarding the upcoming council meeting in Anchorage. After 30 years of fishing in Alaska and a permit cardholder for 25 years I would like the council to study the concerns we, the skippers, have. The catch history on all these boats is from our hard work and dedication. I feel this should be left on the agenda for you to study so we don't get left out of the crab rationalization process.

Sincerely,

Jostein J. Karlsen

Jostein J. Karlsen
725 175th st sw
Bothell Wa. 98012
Phone 425-745-3135
Fax 425- 745-1389
Jostein.ka@gte.net

J. Barney Olsen
16338 74th Avenue NE
Kenmore, WA 98028-4227
Phone: (425) 488-6298
Fax: (425) 481-8896

November 28, 2001

Dr. Richard Marasco
Chair, Scientific and Statistical Committee
605 West 4th, Suite 306
Anchorage, Alaska 99501-2252

RECEIVED
NOV 28 2001
N.P.F.M.C.

Dear Dr. Marasco:

I am writing this letter to the SSC to express my concerns about crab rationalization. I have fished BSAI for 27 years and have been captain for 20 years. I hold a USCG 1600 ton Master's License and am a major owner of a fishing vessel that operates in Alaskan waters.

Under draft rules C2, paragraph 1.8 (subparagraph 1.8.1) the Council will decide whether or not to continue with their analysis of options for review. Option 1 provides for initial allocation of harvesting quota shares to qualified captains. Options 2, 3 and 4 provide avenues for entry-level opportunity. There are many reasons why captains should be included in these plans. First and foremost is responsible stewardship. Those who have a vested interest in a resource will have far more incentive to protect it than those who don't. Looking down the road is the issue of future ownership. I feel, as does congress, the need for entry-level opportunity for individuals participating in the BSAI fisheries. This next generation of owners will be faced with the prospect of not only financing the \$1-2 million dollar vessel, but also the added cost of purchasing quota shares. The total price tag could easily be five to ten times the cost of today's venture. This scenario can clearly be demonstrated in the longline and trawl fleet industry.

I have included a letter from Jan Standaert which illustrates how rationalization has affected skippers in the longline industry. It clearly outlines issues that should be addressed by the Council.

I feel it would be morally correct and financially responsible to include those who have spent lifetimes determining the very catch history that the council will consider under rationalization. Given the number of people whose lives will be greatly effected as a result of this process it is imperative that the Council not eliminate any of the Options as set forth in draft rules C2.

I strongly ask that you recommend to the Council to keep Options 1-4 on the agenda for analysis.

Sincerely,



Barney Olsen

attachment

cc: Skippers for Equitable Access (SEA) Members

1128-01

Jan Standaert
11431 N. Dogwood Lane
Edmonds, WA 98020
425 775 9919

November 26, 2001

Attachment

To whom it may concern,

I am a fisherman. I have fished as a crewman, a boat lessee, and a skipper for nearly 25 years. The last 16 years I have longlined for groundfish, predominately sablefish and halibut. Thirteen of those years were spent aboard vessels who hired crewmen from the Deep Sea Fishermans Union or "Union Boats". Ten of those years I have skippered. These boats were top rate producers and had the reputation of being professional. As the fisheries under the derby system became more crowded, the greater the need for highly skilled crewmen. We filled that niche and were rewarded for our efforts as was the boat owner. We use to call those days the glory days with rising prices and increasing CPUE's. In the late 80's the longline fleet expanded tremendously. Soon there were gears conflicts, shortened seasons, conservation problems, safety issues, product quality questions which all added up to a dim outlook in the fisheries for those of us who had been in it for awhile and had enjoyed the "Glory Years". Most of us felt something had to change. The concept of IFQ's (ITQ's, IVQ's) seemed to be traveling around the world and was introduced to the North Pacific Fisheries Management Council. Ten years earlier a limited entry system was introduced for the halibut fishery but failed to develop. Now with a full head of steam and a near autonomous and biased management council an IFQ system was adopted and implemented in 1995 which rewarded the owners of fishing vessels during the qualifying years with saleable grandfather rights to the fisheries. The crewmen and skippers of these vessels were considered ancillary to the operation and rewarded with nothing. The Union immediately dwindled the first year from 325 members to 140 members. Earlier in the debate the union had negotiated an attractive 8 year contract with the Vessel Owners Association in exchange for the unions support at the council level. Many believe this proved to be the force behind its passing. If labor would support it then it stands a good chance of working. There were close to forty vessels in the union which controlled more than 50 million dollars in gifted fishing rights, IFQ's. By the end of the first year about 16 boats had dropped out or violated the union contract. Seven years later there are less than 18 boats who follow the contract. And after next year, 2002, the contract expires.

I have been the skipper of the halibut schooner Eclipse since 1993 and had been very active in the union. When we negotiated with the vessel owners for a fair contract we all believed in the sincerity of the vessel owner as a group. We felt as though we locked all the boats and quota into our organizations for eight years, as was the job of any good union. It wasn't long before we discovered the frailty of our agreement and the predicament we got ourselves into. On the one hand were flagrant contract breakers and on the other hand were vessel owners threatening our jobs if we took legal action against the violators. We folded to the pressure and allowed the violators their way.

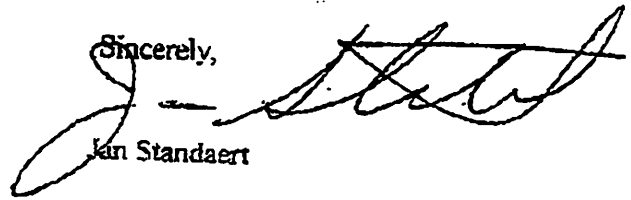
Aboard the Eclipse we were lulled into complacency by the lucrative contract we had negotiated while non union boats were going through tumultuous times. Most Alaska boats immediately began charging royalties for the gifted rights which usually came off the top (a gross stock expense). These royalties ranged from 10% to 50%. Suddenly crew shares were cut in half. There was envy and anger among boats, the camaraderie of earlier years had disappeared. We continued under the contract for 6 years until last year, two weeks before the season the owner of the Eclipse called me and informed me that he had sold the boat to an accountant in Anchorage. I was very surprised because for two years I had been attempting to negotiate with the owner to buy into his operation and without warning or consideration he sold it to someone else for close to two and a half million dollars.

The new owner contacted me and in a short period of time we hammered out a contract which pretty much cut the crew percentage in half. Quite a large cut so suddenly. Immediately I lost three crewmen who were either upset or found other work. Of the two remaining crewmen one stayed the entire season and the other quit half way through. Their reasons were short pay and uncertain future. I went through eight crewmen in 12 trips and found it difficult to keep the high quality crewmen. Keep in mind that I had fished with the same guys for eight years prior. I finally felt the constraints with which the IFQ system has shackled us. We really are ancillary to the operation.

As time goes on and more cash leaves the industry in favor of investments in less risky, more consistent enterprises, our fishery will be "owned" by banks and big business' who lend money and shift the risk to the individual fisherman. I truly believe that all that money that the federal government gave away in the form of fishing rights will leave the industry and leave the industry at the threshold of bankruptcy, only again to be bailed out by the federal government in the form of liberal grants and interest forgiven loans.

My future is uncertain which is an irony because the IFQ program was touted as a system which fosters certainty. I don't think that I can thrive in a job where every time I come into port I have to look for a qualified crewman. Where lack of experience can cause injuries which can pester you with paperwork. Where capital is rewarded more than craft even though it's a quality driven industry. I suggest that any future program take a closer look at the qualitative issues first and foremost and that any quantitative issues concern themselves more with keeping original issue money in the system rather than allowing it to leave the system.

If you have any questions feel free to call me.

Sincerely,

Jan Standaert

Alaska Crab Coalition

3901 Leary Way N.W. Suite #6
Seattle, Washington 98107
206 547 7560
Fax 206 547 0130
acc-crabak@msn.com

RECEIVED

NOV 28 2001

N.P.F.M.C

November 28, 2001

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

(TOTAL: 9 Pages)

**RE: AGENDA ITEM C-4, —CRAB RATIONALIZATION REVISED
CLARIFICATIONS ON ACC PROPOSED OPTIONS, SECTIONS 1.2 OPTION 1,
AND 1.4 OPTION 1, RELATED TO ELIGIBILITY AND DISTRIBUTION OF CRAB
QUOTA SHARE (Reference attached ACC correspondence to NPFMC dated
September 25, 2001)**

Dear Mr. Benton:

Background:

The attached letter for record of September 25, 2001 provided the Council with a list of twenty-five LLP qualified Bering Sea crab vessels that the USCG on September 20, 2001, has verified no longer hold U.S. Certificates of Documentation. Seventeen of these vessels are large catcher processors. The USCG email memorandum of September 20, 2001 is also enclosed.

Clarification and Restatement of the ACC Proposal:

The ACC would like to further clarify the intent of its proposal embodied in Sections 1.2 and 1.4. of the BSAI crab rationalization options, particularly in light of the fact Congress has amended PL 106 554 this past summer regarding crab LLP eligibility and the October 1, 2001 MarAd implementation of the AFA 75% U.S. ownership standard for fishing vessels.

- **The ACC continues to support inclusion of ownership of a fishing vessel that meets the American Fisheries Act, Section 202, Standard for Fishery Endorsements, to include appropriate amendments in 2001 and U.S.C.G. documentation as part of the eligibility requirements for initial allocation of fishing quotas and—processing quotas (if adopted)—in the case of catcher processors.**
- **In addition, the catch history upon which the fishing quotas have been derived, must have been earned on vessels that are currently AFA and/or USCG qualified in terms of ownership and documentation.**

Rationale for the Proposal:

Depending on how the NMFS interprets Amendment 10-which is to be implemented January 1, 2002, the LLPs and catch histories derived from 18 of these non-U.S. documented vessels, could be stacked on current participating LLP vessels, enabling these vessels to "double-dip" quota shares for the catch history period 1990-1994. By 1995, most of these vessels had reflagged and they were fishing in the Russian EEZ. Stacking of the quotas could add significantly to the quota shares of a handful of multiple vessel owners. On the other hand, it will dilute the quota shares for the remainder of the U.S. owned crab vessels by an estimated 5 - 7%.


Notably, 8 of the LLPs have been transferred under the provisions of the original LLP, or the provisions of Amendment 10 to current legitimate participating vessels that are dependent on the LLPs for their fishing operations. (In its letter of September 25, the ACC estimated 5 of the LLPs had been transferred to replacement vessels.)

As in its original proposal submitted at the June 2001 Council meeting, the ACC restates its intent to recognize NMFS approved transfers of original LLPs, endorsements and/or catch histories from the above 8 vessels that are no longer listed in the U.S. registry. Those vessels and the current transfer vessels (to the best of our information at this time) are listed below. Recognition of these transfer vessels, the original LLPs and catch histories should be consistent with the NMFS recommended underlying principle of one history per vessel.

ORIGINAL VESSEL	ADFG	TRANSFER VESSEL	ADFG
Arctic Discovery	55175	Lady Alaska	61351
Bering Empire	59501	Mystery Bay	62920
Pacific Orion	62776	Mr. B	34905
Sea Producer	52014	Arctic Buruna II	68869
Seawind (1)	54744	Aleutian No. 1	05992
Shelikof	59118	Arctic Buruna I	68870
Windance	56524	Spirit of the North	39002
Windy Bay	54094	Windy Bay (sunk 2001)	54642

In conclusion, the ACC is hopeful the NPFMC will take the appropriate action to incorporate current language from the American Fisheries Act Section 202 Standard(s) For Fishery Endorsements in the Crab Rationalization analysis, and, if necessary clarify this in Sections 1.2 and 1.4 of the analysis.

Sincerely,


Arni Thomson
Executive Director

Alaska Crab Coalition
3901 Leary Way N.W. Suite #6
Seattle, Washington 98107
206 547 7560
Fax 206 547 0130
acc-crabak@msn.com

September 25, 2001

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

(TOTAL: 7 Pages)

**RE: AGENDA ITEM D-2 CRAB MANAGEMENT—CRAB RATIONALIZATION
CLARIFICATION ON ACC PROPOSED OPTIONS, SECTIONS 1.2 OPTION 1, AND
1.4 OPTION 1, RELATED TO ELIGIBILITY AND DISTRIBUTION OF CRAB
QUOTA SHARE**

Dear Mr. Benton:

Background:

At the June Council meeting, the ACC proposed that initial allocation of quota share be only to persons that own NMFS certified vessels based on the criteria of PL 106-554 and in addition, that the vessels must not at any time since October 10, 1998, been ineligible for a U.S.C.G. fishery endorsement. NMFS/RAM approved replacement vessels, qualified under the Amendment 10 exception for replacement vessels that have not at any time since October 1998 been ineligible for a U.S.C.G. fishing endorsement, would also qualify. (Section 1.2, option 1)

Section 1.4, Option 1, calls for distribution of quota share based on the underlying principle of one history per vessel and the initial allocation of quota share will disallow stacking or combining histories of vessels that are not currently participating in BSAI fisheries, with the exception of Amendment 10 exemptions and replacement vessels with fishery endorsements since October 10, 1998.

Recently, PL 106-554 was amended and dispensed with the concept of "certified vessels" and recognized Amendment 10 replacement vessels and the limited authorization to combine catch histories on replacement vessels.

Clarification and Restatement of the ACC Proposal:

At this time the ACC would like to clarify the intent of its proposal embodied in Sections 1.2 and 1.4. of the BSAI crab rationalization options.

- **Implicit in the concept of NMFS crab certified vessels is the requirement that vessels must be GQP/EQP and RPP qualified LLP vessels to receive initial quota share.**
- **The ACC supports and proposes to incorporate qualifications of vessels for BSAI crab fishing quotas on the basis of U.S. ownership and U.S.C.G. documentation**

criteria as provided in the American Fisheries Act, Section 202, Standard for Fishery Endorsements, to include appropriate amendments in 2001.

Rationale for the Proposal:

There are 25 LLP qualified Bering Sea crab vessels that have left the U.S. vessel registry between 1994-1998. Seventeen of these vessels are large catcher processors (CPs), and thirteen of these are greater than 165' in registered length. All 25 of the LLPs derived from the vessels are currently registered on the NMFS LLP data base, and they are registered to U.S. companies involved in the BSAI crab fisheries with other GQP/EQP/RPP-LLP qualified vessels. Depending on how the NMFS interprets Amendment 10-which is to be implemented January 1, 2002, the LLPs and catch histories derived from these non-U.S. documented vessels, could be stacked on current participating LLP vessels. This could add significantly to the quota shares of a handful of vessel owners, some of whom hold the rights to two to eight vessels. On the other hand, it will dilute the quota shares for the remainder of the U.S. owned crab vessels currently participating in the Bering Sea and Aleutian Islands crab fisheries.

Notably, five of the LLPs have been transferred under the provisions of Amendment 10 to current replacement vessels.

On September 4, 2001, the ACC office addressed a memo to the United States Coast Guard Vessel Documentation Center in Washington D.C. requesting verification of U.S. C.G. documentation and fishery endorsements for 24 vessels (and subsequently added an additional vessel, the original Seawind, USCG 610220). (Attachment, memo from Arni Thomson to Joan Woody, NVDC/USCG.)

On September 20, 2001 the USCG responded back to the ACC office with a memorandum and verification that 24 of the 25 vessels are currently deleted from the U.S. registry, the Mr. B being the only vessel that has current operational endorsements, and it just returned to the U.S. registry in June 2001. (See the attached memo from Joan Woody NVDC/USCG to Arni Thomson and the attached list of vessels.)

In conclusion, the ACC is hopeful the NPFMC will take the appropriate action to incorporate current language from the American Fisheries Act Section 202 Standard(s) For Fishery Endorsements in the Crab Rationalization analysis, and, if necessary clarify this in Sections 1.2 and 1.4 of the analysis.

Sincerely,



**Arni Thomson
Executive Director**

**cc: Honorable Ted Stevens
Phil Smith, NMFS/RAM/AKR**

ARNI THOMSON

From: "ARNI THOMSON" <acc-crabak@msn.com>
To: "Joan Woody" <jwoody@nvd.c.uscg.mil>
Sent: Wednesday, September 05, 2001 7:09 AM
Attach: Crab Boats Ineligible for USCG endorsements 9-4.doc
Subject: Fw: FISHING VESSELS THAT HAVE LOST U S DOCUMENTATION AND ENDORSEMENTS

Resent this morning, address incorrect yesterday.

----- Original Message -----

From: Arni Thomson
Sent: Tuesday, September 04, 2001 3:57 PM
To: Joan Woody
Subject: FISHING VESSELS THAT HAVE LOST U S DOCUMENTATION AND ENDORSEMENTS

Joan: Good morning.

I look forward to your call tomorrow. I have been referred by John Marquez at MARAD.

I am attaching a list of 24 reflagged vessels, with their accompanying USCG numbers, most of which reflagged and left U.S. Bering Sea crab fisheries in 93, 94, 95, 96, and a few in 98. I am requesting vessel documentation verification on the vessels. I can fairly accurately provide the year in which the vessels would have reflagged, if that will be of assistance.

All of these vessels are over 100 feet registered length, and you will note that several are over the AFA standard of 165 feet registered length.

All of them may currently-- not be U.S. documented, except the Mr. B.

Can USCG verify to me (or to the North Pacific Fishery Management Council) the U.S. documentation status and whether these vessels currently have a USCG fishery endorsement? and have these vessels continuously held these endorsements since October 10, 1998?

The North Pacific Fishery Management Council (and NMFS) is in the process of further developing a limited entry program and contemplating IFQs for Bering Sea crab fishing vessels. One of the elements to be considered for eligibility is U.S. documentation and USCG fishery endorsements since October 10, 1998. The intent of the proposal is to establish some consistency with the American Fisheries Act U.S. documentation standards as regards eligibility for the Bering Sea pollock fishery.

Some
 The owners of the fishing vessels still hold title to the fishing rights and they are currently registered with the NMFS as the holders of the fishing rights. However, the vessels are no longer active in the U.S. fisheries.

Awarding quota share to the title holders of the fishing rights--for inactive boats--that are not U.S. documented, effectively dilutes the entitlements of over 250 U.S. vessels and their owners.

Regards,

Arni Thomson
 206 547 7560

Revised 9-4-01

LIST OF BERING SEA CRAB VESSELS THAT REFLAGGED, AND THAT HAVE NOT CONTINUOUSLY HELD USCG FISHERY ENDORSEMENTS SINCE OCTOBER 10, 1998, CURRENTLY LISTED WITH NMFS/RAM DIVISION, MOST OF THESE VESSELS HAVE BEEN IN RUSSIA AND LOST U.S. DOCUMENTATION

Fishing vessels, that have not continuously held USCG fishery endorsements since October 10, 1998. The NMFS License Limitation Permits (LLPs) are currently being held by U.S. companies involved in the BSAI crab fisheries with other qualified crab LLP vessels. Depending on how NMFS Amendment 10 is interpreted, the LLPs and catch histories derived from these foreign flagged vessels, could be stacked on current participating LLP Vessels, thus diluting the quota share (IFQ) for the remainder of the U.S. owned crab vessels currently participating in the Bering Sea crab fisheries.

Vessel Name	USCG	ADF&G	LOA	Recency	Additional Information
Arctic Discovery	572452	55175	180	No	CP (Catcher Processor)
Bering Empire	636416	59501	166	No	CP
Deep Sea Harvester	627840	54822	180	Yes	CP
Jacquelyn R	612288	54677	154	Yes	CP
Mr. B	600325	34905	154	Yes	CP
Northern Enterprise	629978	53764	180	Yes	CP
Seawind #2	597261	04067	185	Yes	CP
American Champion	527411	00049	201	No	CP
Arctic Orion	596653	56155	166	No	CP
Atka Enterprise	555416	62911	190	No	CP
Karla Faye	960004	62525	180	No	CP
Olympic	599434	56174	180	No	CP
Pacific Orion	960005	62776	180	No	CP
Sjovind	587409	56963	180	No	CP
Western Enterprise	629826	56139	180	No	CP
Windance	577231	56524	185	No	CP

(Note: The above CPs, a total of 16, with the exception of Jacquelyn R, Mr. B, and Arctic Orion, are greater than 165' in "registered length" and barred to reentry into U.S. fisheries by the provisions of the American Fisheries Act (AFA). The above lengths are "length overall", but the registered lengths have been verified.)

ADDITIONAL BERING SEA CRAB FISHING VESSELS THAT HAVE NOT CONTINUOUSLY HELD USCG FISHERY ENDORSEMENTS SINCE OCTOBER 10, 1998, CURRENTLY LISTED WITH NMFS/RAM DIVISION, THESE VESSELS HAVE BEEN IN RUSSIA AND THEY NOT BEEN CONTINUOUSLY U.S. DOCUMENTED:

Alaska Trader	567664	35843	132	No	CV (Catcher Vessel)
Juno	260614	06460	124	No	CV
Magnum	529675	60832	126	No	CV
Ocean Tempest	509743	55044	156	No	CV
Rondys	291085	03725	124	No	CV
Sea Producer	284437	52014	172	No	CV
Shelikof	597967	59118	150	No	CV
Sourdough	597229	35523	166	No	CV

ARNI THOMSON

From: "Woody, Joan" <JWoody@NVDC.uscg.mil>
To: "ACC-CRABAK@MSN.COM" <ACC-CRABAK@msn.com>
Sent: Thursday, September 20, 2001 3:25 PM
Attach: FISHING VESSELS.doc
Subject: FISHING VESSELS

<<FISHING VESSELS.doc>>

Attachment is a follow-up to our e-mails and telephone conversation.

If you need additional information, send a fax to our data administration dept. at 304-271-2500. Fees may apply.

Dear Mr. Arni Thomson:

This letter is written in response to your inquiry that involved 24 vessels. You were requesting vessel documentation status on these vessels. Our findings are as follows:

<u>VESSEL NAME</u>	<u>OFFICIAL NUMBER</u>	<u>COD STATUS</u>
Arctic Discovery	ON: 572452	Deleted
Bering Empire (Kapitan Basov)	ON: 636416	Deleted
Deep Sea Harvester	ON: 627840	Deleted
Jacquelyn R (Atamah)	ON: 612288	Deleted
Northern Enterprise	ON: 629978	Deleted
Seawind #2 (Northern Wind)	ON: 597261	Deleted
American Champion (Geco Triton)	ON: 527411	Deleted
Arctic Orion	ON: 596653	Deleted
Atka Enterprise	ON: 555416	Deleted
Karla Faye	ON: 960004	Deleted
Olympic	ON: 599434	Deleted
Pacific Orion	ON: 960005	Deleted
Sjovind	ON: 587409	Deleted
Western Enterprise	ON: 629826	Deleted
Windance (Vindans)	ON: 577231	Deleted
Seawind	ON: 610220	Deleted
Alaska Trader	ON: 567664	Deleted
Juno	ON: 260614	Deleted
Magnum	ON: 529675	Deleted
Ocean Tempest	ON: 509743	Deleted
Rondys	ON: 291085	Deleted
Sea Producer	ON: 284437	Deleted
Shelikof	ON: 597967	Deleted
Sourdough	ON: 597229	Deleted

In addition the to vessels listed above, you also wanted verification for the vessel named Mr. B. with the official number 600325. Currently this vessel has the operational endorsements of Coastwise, Fishery and Registry. The Certificate of Documentation is valid .

We are unable to find any information for the vessel named ADF&G 54744. If you can provide a 6 or 7-digit official number, we will search again.



Office of the Mayor

710 Mill Bay Road, Room 211, Kodiak, Alaska 99615

November 20, 2001

RECEIVED

NOV 20 2001

N.P.F.M.C

Mr. David Benton, Chairman
North Pacific Fishery Management Council
605 West Fourth, Suite 306
Anchorage, AK 99501-2252

Dear Mr. Benton:

The City of Kodiak urges the North Pacific Fishery Management Council to consider the recent landings of crab in Kodiak in any future rationalization of the Bearing Sea Crab Fisheries.

City Councilmembers discussed this issue at a recent work session, and we feel that the volume of Bering Sea King and Opilio Crab landed in Kodiak should be preserved based upon the following facts:

- Kodiak is the birthplace of the American King Crab Fisheries, beginning with Wakefield Fisheries' sale of frozen crab meat in the late 1940's.
- Kodiak is the home port for the largest portion of the Alaskan Bering Sea Crab Fleet, and fishermen participating in the Bering Sea Crab Fisheries have historically brought home their catch.
- State of Alaska Department of Fish and Game and the Bering Sea crab rationalization team records document the history of total landings in Kodiak from the Bering Sea Crab Fisheries. Those records document the most recent total landings in Kodiak in calendar year 2000 for Bristol Bay Red King Crab at 874,252 pounds, or 11.59% of the harvest total, and Opilio Crab landings for 2000 of 1,451,842 pounds, or 4.77% of the harvest total.
- Kodiak has the largest resident work force directly employed in fish processing in the State of Alaska. These workers have limited employment alternatives due to our island location.
- Any reduction in the volume of product coming to island processors will have a dramatic long-term effect on the local economy, a legitimate interest that should be protected by the NPFMC.

Should any rationalization of the Bering Sea Crab Fishery take place, we ask that the above facts be taken into consideration and that the allocation for Kodiak be an amount representative of current levels.

Sincerely,

CITY OF KODIAK

THOMAS D. WALTERS
Deputy Mayor

To : North Pacific Fisheries Management Council

From : Randy Walton

Regards To : Implementing I.F.Q.s in the B.S.A.I. Crab Fisheries

Again I am writing to you with some of my concerns if the option of I.F.Q.s are the next step in the management of the crab fisheries in the Bering Sea and Alut. Is.. My position is that the skippers need to be included, not just the holders of the L.L.Ps.

One of the major down falls of the I.F.Q. system that was put into place for the halibut & blackcod fisheries was that the skippers and crew were not included. I am a good example of this, I lost a good portion of my income because I did not lease the vessel that I fished halibut & blackcod. Allot of skippers and former crew was also hurt due to this, and allot of them have sense then moved out of Alaska because the cost of living is so much higher. This hurt the down of Kodiak and allot of other coastal comminutes in Alaska.

I realize that a portion of the skippers in the crab fisheries do not live in Alaska, but there are allot that still do live in Alaska. By not including them in any further I.F.Q. system, you will be hurting these coastal communities once again and forcing these skippers to seek employment elsewhere. With the cost of living so much greater in Alaska, they will most likely be looking in the lower 48 and not in Alaska.

By not including skippers in any allocation, the process will be jeopardizing the next generation of fisherman by limiting thier options to participate in a program that is put into place.

By including the skippers in the process, they will become a working asset to the operation of the vessel that they operate, not just a bus driver.

This is just some of my concerns that I have and needed to express if I.F.Q.s are the next step in the management in the crab fisheries in the Bering Sea & Alut. Is..

Sincerely;

**Randy Walton
F/U Snug Harbor**

November 30, 2001

Chairman David Benton and the North Pacific Fishery Management Council
P. O. Box 20735
Juneau, Alaska 99802

Dear Chairman Benton and Council Members

On October 17, 2001--The news release from the U.S.Coast Guard read "Man dies after wave hits boat, Coast Guard investigates". I got my call about 10:00 A.M., October 17th telling me my son was dead. On October 18, 2001 - Anchorage Daily News, article headlines reads "Man swept off boat in Bering Sea".

I am Carroll Van Horn, mother of Scott Powell -- the young man that was swept off the boat and died while working on board the FV EXITO in the Bering Sea while fishing for red king crab.

Although my son was the first fatality in the fall red king crab fishery in three years, there are 70 other fatalities in the Alaska's crab fisheries in the past ten years that some other mother, father, wife, child or other family member has had to face.

On October 9th the U.S. Coast Guard and the Alaska Department of Fish and Game signed a Memorandum of Agreement establishing a procedure for delaying Bering Sea crab fisheries when bad weather threatens, but it came too late for my son.

I don't pretend to understand all the objectives of the Crab Rationalization Committee. But I understand the human cost of the continued race for crab - especially when the entire fleet is sent out to get whatever it can in a frenzy that lasts fewer than four days.

I don't understand what impact a longer season will have on the bycatch rates or enforcement or juvenile crab mortality. I can't calculate the political cost of negotiating a co-op or IFQ fishery. I don't know how it will affect the GHL or the CPUE or the price of product. But I do understand the heart break of losing a loved one when, perhaps, it could have been prevented by managing this fishery in a sensible fashion.

I do know that it is your duty as Council members to provide a responsible skipper not only the opportunity to be cautious but also the incentive to be cautious. And if you act on that obligation, you can establish a safer working environment in the Bering Sea and provide fishermen a better chance to make a living without sinking or capsizing or washing overboard.

I understand the rationalization of the halibut and blackcod fisheries and most recently the pollock fishery has resulted in safer working conditions for thousands of Alaska fishermen. I urge you to take the necessary steps, as quickly as possible, to make similar changes in the crab fisheries, for safety sake.

Yours truly,



Carroll Van Horn
1316 "I" Street
Springfield, OR 97477-4115
(541) 746-1325

John Wantha
C-3
12/01

Line Shooters

What is a line shooter? A line shooter is a device that hydraulically pulls longline gear through an automatic baiter at a speed faster than the vessel is traveling through the water during setting operations. The result is that the baited gear enters the water immediately behind the stern of the vessel and is less vulnerable to bird attacks than normal setting operations where the groundline is stretched out in the air behind the vessel. The Mustad line shooter was specifically developed as seabird avoidance device.

Prowler Fisheries requested the change that is contained in the AP motion in regards to line shooters. As a result of the WSGP study, the EA recommends that line shooters should not be considered a seabird reduction device at this time. Based in part on an other study (Lokkeberg, 2000), but mostly based on the experience and success Prowler Fisheries has had with the line shooter, the change we are requesting is that line shooters simply be considered a seabird reduction device but not used as a sole deterrent.

This means that the line shooter should be used in conjunction with an other bird avoidance device such as a buoy or a streamer line. At this time it would be used in conjunction with paired streamer lines. This would make it consistent with the recommendation regarding lining tubes. Even though we think it is appropriate, we are not asking that the line shooter replace the proposed regulations in regards to requiring streamer lines. We just want line shooters be considered a seabird deterrent and kept it in the mix for future consideration for the following reasons:

- The WSGP study states that line shooters increased the rate of bird bycatch. However, on page 56 of the EA, there is a reference to a previous study conducted in Norway (Lokkeberg, 2000) that compared line shooters, lining tubes, and paired streamer lines. In that study, Lokkeberg states that "*Seabird bycatch was reduced by 59% for lines set with a line shooter [as compared to no deterrents].* Criticisms have been made of both studies, but what you have is two studies with two different conclusions.
- In the Bering Sea, the F/V Bering Prowler uses a line shooter (and tows a buoy) and is currently well below the fleet average in seabird bycatch rates (source: Fisheries Information Services). In 2000, the Bering Prowler

was 92% below the fleet average and 73% below the fleet average in the first half of 2001.

- In higher winds, a line shooter can be more effective than streamer lines. The line shooter can be used in all wind conditions. The regulations for streamer lines allows that only one line will be deployed in winds exceeding 35 knots, and no lines would be deployed in winds in excess of 45 knots. The EA (p. 15) also calls for development of novel technologies that could eliminate the need to fly streamer lines.
- The line shooter has safety benefits for the crew as it is located on the enclosed deck of the vessel and does not require a crewmember to go topside as deployment of streamer lines does.
- The EA (p. 15) also calls for hand baited gear to develop methods of weighting the gear to minimize tension to deployed gear. This is what a line shooter accomplishes in an auto-bait system.

Freezer-Longliner Bycatch Rates

FIS Program: Prowler Fisheries (birds/1000 hooks)

<u>Vessel</u>	<u>Type</u>	<u>2000</u>	<u>2001</u>
One	Stern	0.021	0.010
Two	Stern w. line shooter	0.007	0.011
Three	Side-setter	0.023	0.017
All FIS (35 vessels) average		0.090	0.041

NMFS Data: from Table 17, draft EA: Average rates for 36 vessels (birds/1000 hooks in sampled hauls)

<u>Year</u>	<u>Rate</u>	<u>Annual % Change</u>
1998	0.140	n/a
1999	0.084	-40%
2000	0.088	+5%
2001	0.037	-58%

% change from 1998 - 2001 = -74% reduction

A RESOLUTION OF
THE ALASKA LONGLINE FISHERMENS ASSN.
URGING THE NORTH PACIFIC FISHERY MANAGEMENT COUNCIL, THE STATE OF
ALASKA AND THE UNITED STATES CONGRESS,

TO REQUIRE STRONG STANDARDS FOR CONSERVATION AND COMMUNITY HEALTH
BEFORE ANY NEW INDIVIDUAL QUOTA PROGRAM OR OTHER LIMITED ACCESS
PROGRAMS ARE ADOPTED FOR OUR FISHERIES RESOURCES IN ALASKA.

WHEREAS; The Alaska Longline Fishermen's Assn. believes that strong conservation goals should be integrated into any new rationalization program and,

WHEREAS; The Alaska Longline Fishermen's Assn. believes that a mechanism must be incorporated so if the conservation goals are not met there is a means to change the program to meet the goals and,

WHEREAS; The Alaska Longline Fishermen's Assn. believes that an independent review process needs to be incorporated into any new rationalization program and,

WHEREAS; The Alaska Longline Fishermen's Assn. believes that any privatization program should include opportunities for fisherman to convert to gear types which have low by-catch rates and minimal impact to the sea floor habitat and;

WHEREAS; The Alaska Longline Fishermen's Assn. believes that any rationalization plan should include measurable reductions in by-catch and fisheries waste and;

WHEREAS; The Alaska Longline Fishermen's Assn. believes that good stewardship of the public's marine resources should be a condition for continuing participation in IFQ's programs or other limiting access programs and,

WHEREAS; The Alaska Longline Fishermen's Assn. believes valid entry level opportunities for future generations of independent fisherman must be included in any rationalization program and,

WHEREAS; The Alaska Longline Fishermen's Assn. believes that the allocation of fishery resources must include independent fisherman such as hired skippers, operators, and crewmembers based on historic participation and,

WHEREAS; The Alaska Longline Fishermen's Assn. believes that any new rationalization program must promote healthy community fishing economics and maintain diverse independent fishing fleets.

WHEREAS; The Alaska Longline Fishermen's Assn. recognizes the National Research Councils recommendations concerning processor allocations contained in the 1999 report to congress entitled " Sharing The Fish: Toward a National Policy On IFQs " p 205 Recommendation: ... " Nor did the committee find a compelling reason to establish a separate, complementary processor quota system (the " two-pie" system)". and,

WHEREAS; The Alaska Longline Fishermen's Assn. believes that the allocation of fishery resources to processors will threaten the competitive balance between independent fishermen and processors and,

WHEREAS; The Alaska Longline Fishermen's Assn. believes that any privatization programs created should not create an exemption to federal anti-trust laws and,

WHEREAS; The Alaska Longline Fishermen's Assn. believes that any rationalization plan include eligibility for coastal communities and;

WHEREAS; The Alaska Longline Fishermen's Assn. believes any rationalization plan maintain a high level of participation in fisheries by active fisherman and;

WHEREAS; The Alaska Longline Fishermen's Assn. believes that any rationalization plan include mechanisms to promote and maintain a high level of professionalism and,

WHEREAS; The Alaska Longline Fishermen's Assn. supports a funding mechanism to adequately support management and enforcement requirements of these fisheries

NOW THERE FOR BE IT RESOLVED; that the Alaska Longline Fishermen's Assn. strongly urges the North Pacific Fishery Management Council, State of Alaska and the United States Congress to developed the above elements into standards for any rationalization plan, to ensure that conservation and community stability are met when establishing any new individual quota, CO-OP or other limited access programs in our fisheries resources in Alaska.

Signed This Day November 30, 2001

Steve Fish, Board Member

2001 BERING SEA/ALEUTIAN ISLANDS CRAB FISHERIES SURVEY

PREPARED FOR:
**NORTH PACIFIC FISHERIES
MANAGEMENT COUNCIL**

CRAB RATIONALIZATION AND
BUY BACK (CRAB) GROUP



Research-Based Consulting

Juneau
Anchorage

DECEMBER 2001

December 3, 2001

North Pacific Fisheries Management Council:

Please find following this cover letter a brief analysis of survey results concerning ownership structures and financing of BSAI crab vessels.

McDowell Group, Inc. of Juneau, Alaska contracted with the Crab Rationalization And Buyback (CRAB) group in August 2001 to conduct the survey. An electronic data file containing aggregated results has been submitted to the client and to NMFS staff, accompanied by this cover letter and analysis. Survey data and results are to be submitted to the North Pacific Fisheries Management Council.

Survey results represent the ownership structures of 102 crab vessels that participate in BSAI crab fisheries, approximately 36% of the active fleet.

In 1997 McDowell group surveyed Bristol Bay red king crab and Bering Sea Tanner crab permit holders. Results from that survey represent 92 vessel owners holding 146 permits, 63% of current permit holders at that time. Data and analysis from the 1997 survey were also submitted to the Council.

The CRAB group has pre-authorized McDowell Group to prepare an aggregated total catch history, by fishery and year, for the vessels represented in this survey. Provided with catch history by vessel, McDowell could easily prepare an aggregated total and identify significant ownership characteristics, if such analysis would be of use to the Council. As with this survey, McDowell would serve as a confidentiality "firewall" between the Council, CRAB group and vessel owners. Confidentiality concerning vessels' catch history would remain intact. Neither the Council nor the CRAB group would have access to individual vessels' history.

Chris McDowell

Seafood Industry Analyst

2001 BERING SEA/ALEUTIAN ISLANDS CRAB FISHERIES SURVEY

**PREPARED FOR:
NORTH PACIFIC FISHERIES
MANAGEMENT COUNCIL**

**CRAB RATIONALIZATION AND
BUY BACK (CRAB) GROUP**

PREPARED BY:



ANCHORAGE • JUNEAU

DECEMBER 2001

INTRODUCTION

McDowell Group, Inc. contracted with the Crab Rationalization And Buyback (CRAB) group in August 2001 to field a crab vessel owner survey and report the results. Results are to be delivered to CRAB group officers, National Marine Fisheries Service (NMFS) staff and to the North Pacific Fisheries Management Council.

The survey asks for vessel ownership information that is highly confidential. To protect confidentiality of respondents, the data is aggregated and reported as group totals only. McDowell Group staff are the only ones to have seen the individual "raw" survey information. No other organization or agency will have access to the individual data, including CRAB group officers, NMFS staff and Council members and staff.

This analysis refers to individuals, corporations, partnerships or other legal entities that own a vessel simply as "vessel". Rather than saying that the individuals, corporations, partnerships and/or other legal entities comprising ownership structures of 102 vessels returned completed surveys to McDowell Group, we simply say that 102 vessels returned completed surveys.

A copy of the cover letter, survey instrument and a letter clarifying sponsorship of the survey are included in the appendix.

METHODOLOGY

A 12-question survey was designed jointly by the CRAB group and McDowell Group to determine the financial dependency or non-dependency of Alaska crab vessels on processors. The survey gathered specific information regarding ownership structures, debt instruments and guarantees and other information that may indicate financial dependence of crab vessels on processors.

In early August a permit-holder list was provided by the CRAB group to McDowell Group survey staff. The list contained 375 names and addresses of individual vessel owners, corporations, LLC's and partnerships. It was later determined the list contained some latent permit holders and some permit holders who no longer owned or operated vessels in the BSAI (Bering Sea Aleutian Island) crab fishery.

Surveys were mailed in mid-August 2001. A cover letter explaining the survey purpose was included with all surveys along with a stamped envelope addressed to McDowell Group. Respondents were offered the option of returning the survey via fax. Two weeks after the initial survey mailing, a letter was mailed to all recipients clarifying sponsorship of the survey. This served as a first reminder.

Follow-up reminder calls were conducted from September through mid November. Calls were made to those permit holders on the list provided by the CRAB group, where phone numbers could be obtained through telephone information sources. The survey was closed November 21, 2001. McDowell Group received a total of 204 surveys, representing ownership structures of 102 crab vessels. The data were entered and analyzed after closure of the survey. Results and analysis are to be delivered to NMFS staff December 3, 2001 following review by the client, CRAB group.

Due to the sensitive nature of information being collected, respondents were assured that all information would be reported as group totals only. Surveys were assigned a control number corresponding to a master list held only by McDowell Group. Completed surveys received at our offices became property of McDowell Group and are not available for review by the client or general public. Completed surveys are stored in a locked file. To further protect confidentiality, vessel tracking numbers in the data file were randomized.

Limitations of the Survey

Self-selection Bias

Unlike a random-sample survey, one of the faults inherent to mail-out surveys is self-selection bias. Survey recipients' motivations for returning or *not* returning it has a bearing on results. Self-selection bias becomes less significant as response-rate percentage increases. Results outlined

here are based on 204 surveys, representing 102 vessels or approximately 36% of the active BSAI crab fleet.

The issue at hand is contentious and self-selection bias, while not quantifiable, is particularly significant in this instance. The organization that sponsored this survey actively encouraged vessel owners to complete it, while another organization actively encouraged vessel owners to not complete it.

This survey was designed and funded by an organization that is critical of the necessity for the two-pie system now under consideration for crab fishery rationalization. As such, their membership has an interest in maximizing disclosure of ownership information that could demonstrate the degree to which processors may exert financial control over crab vessels, beyond the scope of crab fishery assets held in processors' name. Such information might logically weaken the rationale for a two-pie system if such control were leveraged over a substantial percentage of the fleet.

However, if most of the fleet proved to be independent of such control, then the processing sector might demonstrate a need for protection from autonomous vessels. This would logically support the rationale for a two-pie system. Processor-owned vessels or vessels whose ownership has direct financial linkages to processors would logically benefit more from a two-pie system. Absent survey responses from these owners, the balance of ownership-related survey data would shift away from processor-owned/processor-linked vessels towards vessels that are not affiliated with processors. This would logically strengthen the rationale for a two-pie system.

In either case, vessel owners have compelling reasons to either complete the survey or not to complete it. The result is a doubly accentuated self-selection bias.

General Survey Results

- Six of 102 vessels had an individual or legal entity within their ownership structure that owned shares in a processing plant.
- Only one vessel specified that crab fishing licenses/rights were held by an individual or entity other than the vessel owners.
- Slightly over half (57 of 102) of vessels have an ownership share in at least one other crab vessel.
- Most vessels did not rely on processor financing for fuel, maintenance, repairs or "preseason" costs. Only one vessel owed money to a processor for capital cost such as purchase of vessel, gear or fishing licenses/rights or permits.
- No vessel stated their fishing licenses/rights or permits were encumbered by debt or were otherwise held by a processor. Similarly, no vessel stated that individuals within its ownership structure owed money to processors. Only two specified that individuals within their

ownership structure were employed by or contracted services with a processor.

- Only three vessels had a delivery contract with a processor, but almost half (43 of 102) had a tendering contract or charter lease agreement with a processor.

Survey Results, Individual Questions

Brief summaries of responses to substantive questions follows. Questions resulting in information deemed to be confidential or irrelevant to analysis are excluded. A complete copy of the survey instrument is included in the appendix.

What is the Ownership Structure of the Vessel?

About half (49 of 102) of vessels are owned by corporations, 25 are owned by limited liability corporations, 15 by individuals and 13 by partnerships.

What is the ownership structure of the crab fishery licenses and other fishery rights or endorsements held by the vessel?

Composition of license ownership structures was consistent with vessel ownership: 50 were held by corporations, 21 held by limited liability corporations, 17 by individuals and 13 by partnerships. Only one of 102 vessels specified that crab fishing licenses/rights were held by an entity other than the vessel owners.

Do any of the shareholders/members/partners or individuals own shares in other crab vessels or partnerships owning crab vessels?

Fifty-seven vessels had an individual or legal entity within their ownership structure that owned a share in at least one other crab vessel. The number of other vessels owned ranged from one to five. Most common was ownership of a single additional vessel (24 respondents answered this way). Thirteen survey respondents claimed an ownership share in four additional vessels, twelve respondents claimed ownership in two additional vessels and four respondents claimed to own a share in three other crab vessels. Three survey respondents claimed ownership in five additional vessels.

In the absence of complex controls to prevent double-counting, the total number of vessels represented by claims of multiple ownership is not valid. The total number would be 183 vessels, which exceeds the sample size. However, the results do make clear that multiple-vessel ownership is a significant component within the crab fleet represented by this sample.

Owners' "fleets" tend to be small: 79% of the total sample owned three vessels or less and no survey respondent owned more than six vessels. Single-vessel owners accounted for 44% of the total sample. This contrasts

with the 1997 survey, which showed 61% of those surveyed owned only one vessel.

Do any of the shareholders/members/partners or individuals own shares in processing plants?

Six vessels indicated that a principle within their ownership structure owned shares in a processing plant.

Does the vessel have a preferred marine mortgage?

Half the vessels (50 of 102) had a preferred marine mortgage.

Who owns the debt instrument?

Specific responses are confidential, but 49 of 50 vessels with a mortgage identified the owner of the debt instrument. Forty-three were held by banks, two by individuals, two by government entities and two by corporations.

Are there guarantors for loans or debt outstanding?

Thirty-two vessels indicated there were guarantors for loans or debts outstanding.

Who provides these guarantees?

Specific responses are confidential, but most guarantors were owners of the vessel. Only two of 32 guarantors were not owners.

Does the vessel rely on processor financing of fuel, maintenance and repairs or other "preseason" costs?

Eighteen vessels indicated they rely on processor financing of fuel, maintenance and repairs or other "preseason" costs.

Does the vessel owe money to a processor(s) for capital costs, such as vessel, gear, or fishing licenses/rights or permits?

Only one vessel indicated they owe money to a processor for capital costs.

Has guarantee or security been provided to secure debt to processor(s)

Two vessels had provided guarantee or security to secure debt to a processor.

Are crab fishing licenses/rights or permits encumbered or otherwise held by a processor?

Every vessel that responded to this survey indicated their crab fishing license/rights or permits were *not* encumbered by debt or otherwise held by a processor.

Do the individuals listed as shareholders/members/partners, officers, directors or managers of the vessel:

Owe money to processors?

None of the individuals owed money to processors.

Hold positions of employment or contract services to a processor(s)?

Two individuals held positions of employment or contracted services with a processor.

Does the vessel have a delivery contract with a processor?

Only three vessels had a delivery contract with a processor.

Does the vessel have a tendering contract or other charter lease agreement with a processor?

Forty-three vessels had a tendering contract or other charter lease agreement with a processor.

CRAB RATIONALIZATION AND BUYBACK (CRAB) GROUP SURVEY

Conducted by:



416 Harris Street, Suite #300
P.O. Box 21009
Juneau, Alaska 99802-1009

Mark Stopha or Chris McDowell
1-888-860-6126 – fax 1-907-586-2673

Information requested in this questionnaire will be used to assess the current levels of fishery participation in an effort to provide equitable distribution of the resource in any IFQ program. Further, responses will provide for a baseline of data, to measure changes if a program is put in place. The Bering Sea crab fisheries are currently under a license limitation program. The fishery is in a "rationalization process."

The Juneau based research firm McDowell Group is conducting this confidential questionnaire. The McDowell Group has been involved in Alaska fisheries data collection for nearly 30 years. This is a voluntary submission of data and is not an official survey by the National Marine Fisheries Service. This survey is being conducted for the *Crab Rationalization and Buyback Group*, with support from the *United Fishermen's Marketing Association*, *The United Catcher Boats*, the *Alaska Crab Coalition* and other groups involved in Alaska's Bering Sea crab fishery.

All data collected by McDowell Group, will be compiled and reported as group totals only. The compilation of data will be forwarded to the North Pacific Fishery Management Council. Again, information will not be identified to the Council individually by vessel, partnership, LLC or corporation.

If a Corporation, LLC or Partnership owns more than one vessel operating in the Bering Sea Crab fishery, please complete a survey for each vessel (provided in packet). Additional surveys, if needed, can be obtained by calling Mark Stopha or Chris McDowell at 1-888-860-6126.

Thank you for participating in this important project.
Please use the envelope provided to return the survey(s) to McDowell Group.
If you prefer, please fax the survey(s) to McDowell Group at (907) 586-2673.

August 29, 2001

To: CRAB Group Survey Recipients

From: Eric McDowell

Senior Partner, McDowell Group, Inc

R.E. Correction to survey cover letter concerning Alaska Crab Coalition

To whom it may concern:

The purpose of this letter is to clarify a statement made in the cover letter accompanying the Crab Rationalization and Buyback (CRAB) Group Survey recently sent to you.

The cover letter listed the Alaska Crab Coalition as one of the organizations sponsoring the survey. That statement was incorrect. The Alaska Crab Coalition was not a sponsor of the survey.

We regret the error and extend our apologies to Alaska Crab Coalition.

Sincerely,



Eric McDowell

Senior Partner

Vessel Name: _____

1. What is the ownership structure of the vessel?

- 1 Corporation 2 LLC 3 Partnership 4 Individual

1a. Who are the shareholders, members or partners in the vessel? 1b. What is the % of interest held?

<input type="checkbox"/>	_____	_____ %
	Address: _____	
	Phone # _____	
<input type="checkbox"/>	_____	_____ %
	Address: _____	
	Phone # _____	
<input type="checkbox"/>	_____	_____ %
	Address: _____	
	Phone # _____	
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	Address: _____	
	Phone # _____	
<input type="checkbox"/>	_____	_____ %
	Address: _____	
	Phone # _____	
<input type="checkbox"/>	_____	_____ %
	Address: _____	
	Phone # _____	

↑
Please check the box in front of each name(s) for those who are the **officers and directors** of the entity owning the vessel.

2. Who manages the day-to-day business for the vessel?

Name: _____

Address: _____

Phone # _____

3. **What is the ownership structure of the crab fishing licenses and other fishery rights or endorsements utilized by the vessel?**

- 1 Corporation 2 LLC 3 Partnership 4 Individual

3a. **If the crab fishing licenses/rights are differently owned than the vessel, please provide ownership information for the owners of the licenses/rights.**

	Percent of Ownership
Name: _____	_____ %
Address: _____	
Phone #: _____	
Name: _____	_____ %
Address: _____	
Phone #: _____	

4. **Do any of the shareholders/members/partners or individuals own shares in other crab vessels or partnerships owning crab vessels?**

- 1 Yes 2 No

4a. **Which crab vessels?**

Vessel: _____	Vessel: _____	Vessel: _____
Vessel: _____	Vessel: _____	Vessel: _____
Vessel: _____	Vessel: _____	Vessel: _____

5. **Do any of the shareholders/members/partners or individuals own shares in processing plants?**

- 1 Yes 2 No

5a. **Which processing plant(s)?**

Plant Name: _____	Plant Name: _____
Plant Name: _____	Plant Name: _____

5b. **What are the approximate percentages of processor plant interest, by individual?**

	Percent of Interest
Name: _____	_____ %
Name: _____	_____ %
Name: _____	_____ %
Name: _____	_____ %

6. **Does the vessel have a preferred marine mortgage?**

- 1 Yes 2 No

6a. **Who owns the debt instrument?**

Name: _____	
Address: _____	
City, St. Zip _____	Phone # _____
Name: _____	
Address: _____	
City, St. Zip _____	Phone # _____

7. Are there guarantors for loans or debt outstanding?

1 Yes 2 No



7a. Who provides these guarantees?

Name: _____

Address: _____

City, St. Zip _____ Phone # _____

Name: _____

Address: _____

City, St. Zip _____ Phone # _____

8. Does the vessel rely on processor financing of fuel, maintenance and repairs or other "preseason" costs?

1 Yes 2 No

9. Does the vessel owe money to a processor(s) for capital costs, such as vessel, gear, or fishing licenses/rights or permits?

1 Yes 2 No



9a. Which processor(s) does the vessel owe?

Name: _____

Address: _____

City, St. Zip _____ Phone # _____

Name: _____

Address: _____

City, St. Zip _____ Phone # _____

9b. Has guarantee or security been provided to secure vessel debt to processor(s)?

1 Yes 2 No

9c. Are crab fishing licenses/rights or permits encumbered or otherwise held by a processor(s)?

1 Yes 2 No

10. Do the individuals listed as shareholders/members/partners, officers, directors or managers of the vessel:

10a. Owe money to a processor(s)?

1 Yes 2 No

10b. Hold positions of employment or contract services to a processor(s)?

1 Yes 2 No

11. Does the vessel have a delivery contract with a processor(s)?

1 Yes 2 No

12. Does the vessel have a tendering contract or other charter lease agreement with a processor?

1 Yes 2 No

To: Dave Benton, Chairman NPFMC
Council Members

From: Paula Brogdon, Fishermen of Alaska

Date: December 8, 2001

RE: CRAB RATIONALIZATION

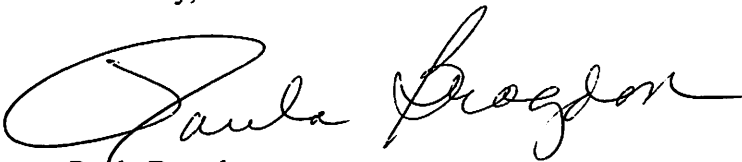
I want to commend the staff on their hard work on the "white paper" presented at this Council meeting and would like to see the wide range of options for IFQ's remain in the analysis for February.

In regard to owner on board requirements – the crab fleet is a very diverse and unique fleet. I understand that a goal of crab rationalization was to maintain the "character" of the crab fleet as it is today, rather than to change the social character of the fleet. I believe that an owner on board requirement would present additional safety and resource protection problems rather than resolve them.

I agree with the AP to replace the AFA style co-op and the Dooley-hall co-op with the recommended co-op model listed in their motion.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Paula Brogdon". The signature is written in black ink and is positioned above the typed name and title.

Paula Brogdon
Executive Director
Fishermen of Alaska



North Pacific Fisheries Association, Inc.

HEADQUARTERS:
BOX 796 • HOMER, ALASKA 99603

A RESOLUTION OF THE NORTH PACIFIC FISHERIES ASSOCIATION (NPFA) OF HOMER, ALASKA, URGING THE NORTH PACIFIC FISHERY MANAGEMENT COUNCIL, THE UNITED STATES CONGRESS AND THE STATE OF ALASKA TO REQUIRE STRONG STANDARDS FOR CONSERVATION AND COMMUNITY HEALTH BEFORE ANY NEW INDIVIDUAL QUOTA OR OTHER LIMITED ACCESS PROGRAMS ARE ADOPTED IN OUR FISHERIES RESOURCES IN ALASKA.

1. WHEREAS; The North Pacific Fisheries Assn. believes that strong conservation goals should be integrated into any new rationalization program and,
2. WHEREAS; The North Pacific Fisheries Assn. believes that a mechanism must be incorporated in a rationalization program so if the conservation goals are not met there is a means to change the program to meet the goals and,
3. WHEREAS; The North Pacific Fisheries Assn. believes that an independent review process needs to be incorporated into any new rationalization program and,
4. WHEREAS; The North Pacific Fisheries Assn. believes that any privatization program should include rewards to fisherman who convert to gear types that have low bycatch rates and minimal impact to the sea floor habitat and,
5. WHEREAS; The North Pacific Fisheries Assn. believes that any rationalization plan include measurable reductions in by-catch and fisheries waste and,
6. WHEREAS; The North Pacific Fisheries Assn. believes that good stewardship of the public's marine resources is a condition for continued participation in IFQ programs or other limited access programs and,
7. WHEREAS; The North Pacific Fisheries Assn. believes that any rationalization plan include viable entry-level opportunities to coastal community residents be incorporated and;
8. WHEREAS; The North Pacific Fisheries Assn. believes that the allocation of fishery resources be to independent fisherman, including hired skippers, operators, and crewmembers based on historic participation and,

9. WHEREAS; The North Pacific Fisheries Assn. believes that any new rationalization program should promote healthy community fishing economics and maintain diverse independent fishing fleets and,

10. WHEREAS; The North Pacific Fisheries Assn. recognizes the National Research Councils recommendations concerning processor allocations contained in the 1999 report to Congress entitled "Sharing The Fish: Toward a National Policy on IFQ's" p.205 **Recommendation: ...***"Nor did the committee find a compelling reason to establish a separate, complementary processor quota system (the "two-pie" system)".* and,

11. WHEREAS; The North Pacific Fisheries Assn. believes that the allocation of fishery resources to processors will threaten the competitive balance between independent fishermen and processors and,

12. WHEREAS; The North Pacific Fisheries Assn. believes that any privatization programs created should not require an exemption to federal anti-trust laws and,

13. WHEREAS; The North Pacific Fisheries Assn. believes that any rationalization plan include eligibility for coastal communities and,

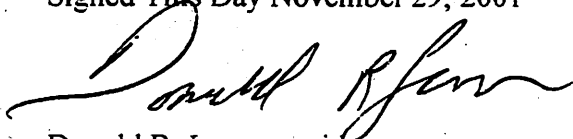
14. WHEREAS; The North Pacific Fisheries Assn. believes any rationalization plan maintain a high level of participation in fisheries by active fisherman and,

15. WHEREAS; The North Pacific Fisheries Assn. believes that any rationalization plan include mechanisms to promote and maintain a high level of professionalism and,

16. WHEREAS; The North Pacific Fisheries Assn. supports a funding mechanism to adequately support management and enforcement requirements of these fisheries.

NOW THEREFORE BE IT RESOLVED; that the North Pacific Fisheries Association of Homer, Alaska strongly urges the North Pacific Fishery Management Council, State of Alaska, and the United States Congress to develop the above elements into standards for any rationalization plan to ensure that conservation and community stability are met when establishing new individual quota or other limited access programs for our fishery resources in Alaska.

Signed This Day November 29, 2001



Donald R. Lane, president
North Pacific Fisheries Assn.
Homer, Alaska

Introduced by:
Requested by:
Drafted by:
Introduced:
Adopted:

Manager Carlson
KIB Assembly
Manager Carlson
November 15, 2001
November 15, 2001

**KODIAK ISLAND BOROUGH
RESOLUTION NO. 2001-50**

**A RESOLUTION OF THE KODIAK ISLAND BOROUGH ASSEMBLY REQUESTING
THE NORTH PACIFIC FISHERIES MANAGEMENT COUNCIL TO CONSIDER THE
HISTORIC LANDINGS OF CRAB IN THE KODIAK ISLAND BOROUGH IN ANY
FUTURE RATIONALIZATION OF THE BERING SEA CRAB FISHERIES**

WHEREAS, Kodiak is the pioneer community of the American Commercial King Crab Fisheries beginning with Wakefield Fisheries in the late 1940's; and

WHEREAS, Kodiak is the home port for the largest portion of the Alaskan Bering Sea Crab Fleet; and

WHEREAS, Fisherman participating in the Bering Sea Crab Fisheries have historically brought home their catch to Kodiak; and

WHEREAS, The State of Alaska Department of Fish and Game records document the history of total landings in Kodiak from the Bering Sea Crab Fisheries; and

WHEREAS, those records document the most recent total landings in Kodiak in calendar year 2000 for Bristol Bay Red King Crab of 874,252 lbs. or 11.59% of the harvest total and Opilio Crab landings for 2000 of 1,451,842 lbs. or 4.77% of the harvest total; and

WHEREAS, it is expected that the landings in Kodiak in 2001 of Bering Sea Crab will equal or exceed the percentage of harvest landed in 2000; and

WHEREAS, Kodiak has the largest resident work force directly employed in fish processing in the State of Alaska who have limited options due to their island location; and


WHEREAS, any reduction in the volume of product coming to the island processors has a dramatic long term affect on the local economy; and

WHEREAS, the socio-economic affects of Council actions are a true and legitimate interest to be protected,

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH that the North Pacific Fisheries Management Council is hereby respectfully requested to ensure that the volume of Bering Sea Red King Crab and Bering Sea Opilio Crab that has been delivered to the Kodiak Island Borough be preserved and maintained in any future rationalization programs for the Bering Sea crab fisheries.


**ADOPTED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
THIS FIFTEENTH DAY OF NOVEMBER, 2001**

KODIAK ISLAND BOROUGH



Gabrielle LeDoux, Borough Mayor

ATTEST:



Judith A. Nielsen, CMC, Borough Clerk

F/V ERLA-N

Alan Bing Henkel, Owner/Operator

November 6 2001.

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

Mr. Chairman,

I am the owner operator of the F/V Erla-N, a crab catcher operating out of Dutch Harbor, Alaska. The Erla-N has participated in the Aleutian Island brown crab fishery from 1981 to the present time except for the years 1992-1995. The Erla-N fishing history dates back longer then any other vessel that is curently participating in the Aleutian Island brown crab fishery.

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

When we were notified that the Erla-N would not meet the EQP requirement for its own brown crab endorsement, the Erla-N LLC purchased a crab catcher which had an Aleutian Island brown crab endorsed LLP. We have taken this USCG documented Vessel out of the fishery, but the Erla-N LLC held the LLP so that the Erla-N could continue to fish for brown crab.

The Advisory panel recently allowed for a suboption that pertains to our situation to be included for analyse.(Sec. 1.2 Sub Option. A and 1.4.1 Sub. Option A) This option would allow the Erla-N to receive initial allocation of quota share that justifies its participation. I request that this sub-option remain in the final draft or have the final draft include any other provision that would allow the Erla-N to maintain the fishing practices it has for many years

To simplify this process the council may consider having this sub-option apply on a fishery by fishery basis. The council could also consider a cut off date such as January 1, 2002 the final date on which LLP licenses could be assigned to vessels.

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

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

Sincerely,

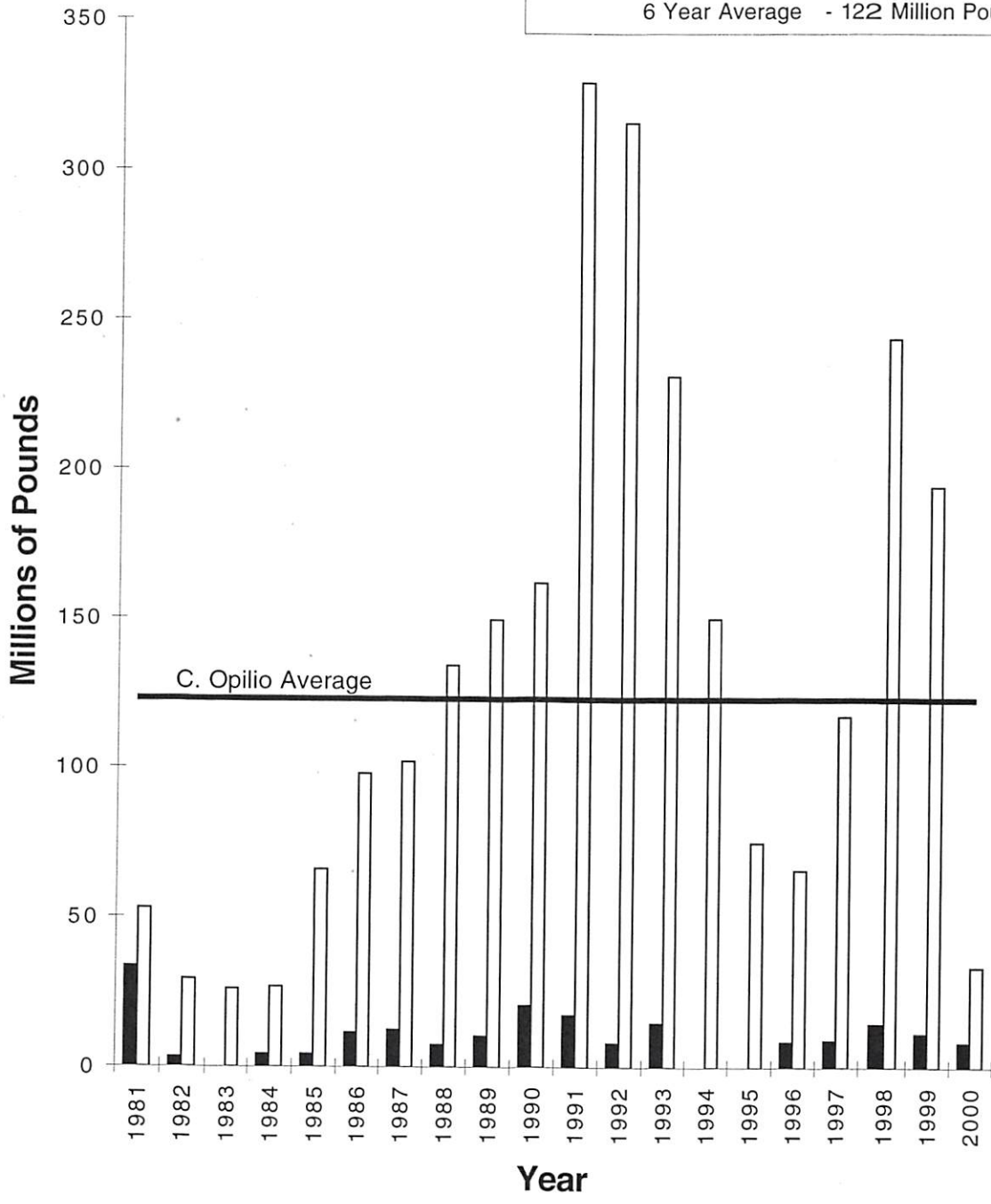


Bing Henkel

Bering Sea Crab Catch 1981 - 2000

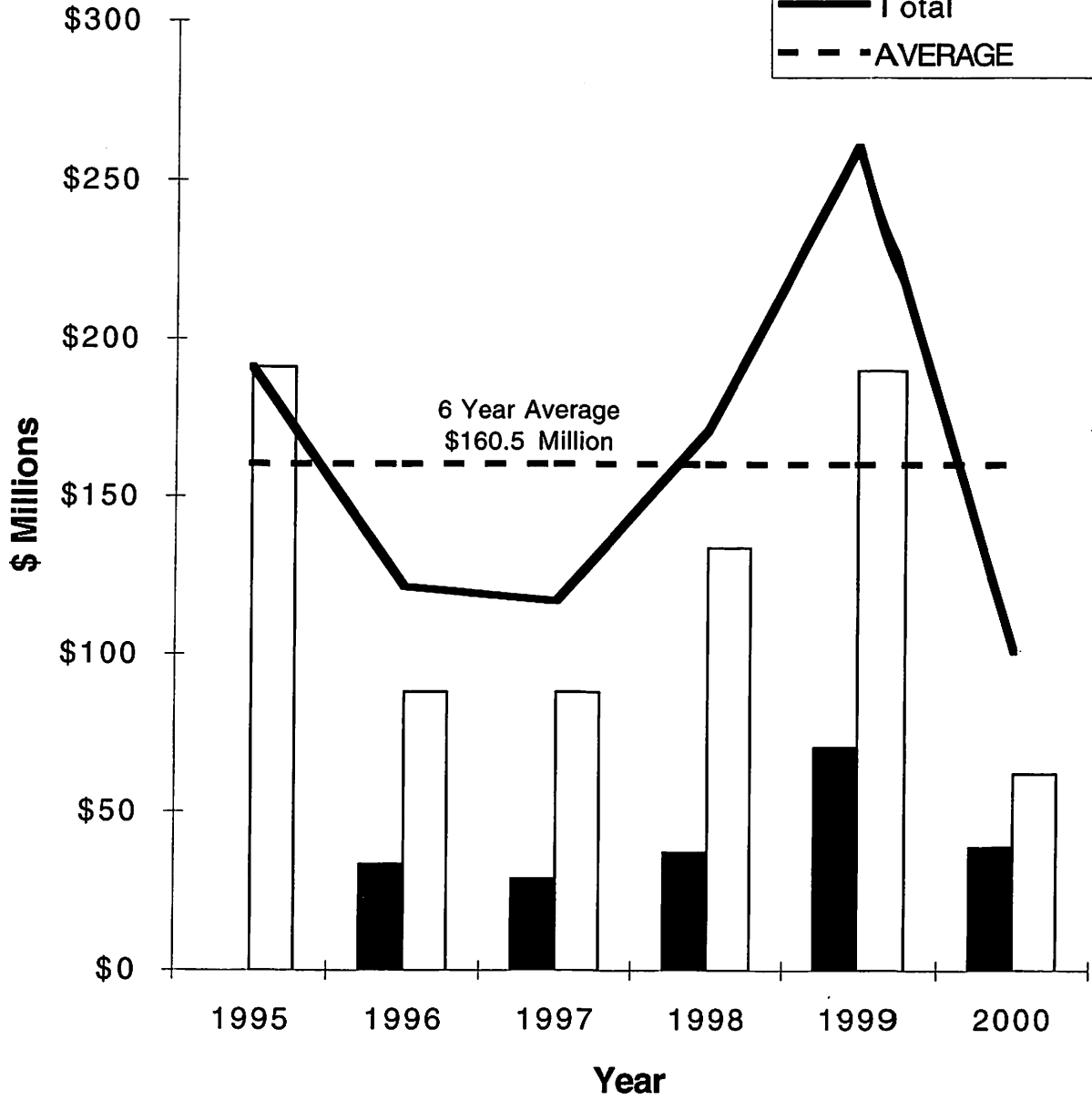
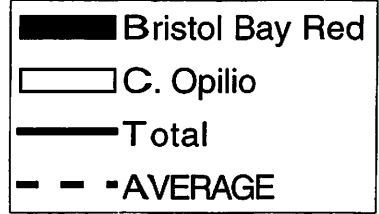
Bristol Bay Red King
 20 Year Average - 9.8 Million Pounds
 6 Year Average - 8.5 Million Pounds

 C. Opilio
 20 Year Average - 124 Million Pounds
 6 Year Average - 122 Million Pounds



12/01
 Tony Lara
 C-4

Ex-Vessel Value 1995 - 2000



Existing Open Access Economic Structure

Average Ex-Vessel Value (Millions)	\$160.5
Gross Stock of Average Vessel (225 boats)	\$715,000
Value of Vessel w/ Fishing Rights	\$1,500,000
Total Investment (Boat and Rights)	\$1,500,000
Amount Financed (75%)	\$1,125,000
Gross Stock	\$715,000
Shared Expenses (Fuel+Bait=10%)	\$71,500
Historical Crew Share (40%)	\$257,400
Balance	\$386,100
Boat Payment(15 year / 10% Loan)	\$145,200
Remaining for Operating Expenses	\$240,900

Comparison After Implementing IFQ System

	IFQ's	Open Access
Average Ex-Vessel Value (Millions)	\$160.5	\$160.5
Gross Stock of Average Vessel (225 boats)	\$715,000	\$715,000
Estimated Cost of Quota (3.5 x Gross Stock)	\$2,500,000	
Value of Vessel	\$1,200,000	\$1,500,000
Total Investment (Boat and Rights)	\$3,700,000	\$1,500,000
Amount Financed (75%)	\$2,775,000	\$1,125,000
Gross Stock	\$715,000	\$715,000
Shared Expenses (Fuel+Bait=10%)	\$71,500	\$71,500
Historical Crew Share (40%)	\$257,400	\$257,400
Balance	\$386,100	\$386,100
Boat Payment(15 year / 10% Loan)	\$358,000	\$145,200
Remaining for Operating Expenses	\$28,100	\$240,900

"I'm worried about the IFQ's from the point of view of having another piece of paper that must be purchased by an entrant to the fishery, to the point where only the corporations or the very wealthy can become real participants in the fishery."

Senator Ted Stevens

ALASKA CRAB COALITION PUBLIC COMMENTS TO THE NORTH PACIFIC FISHERY
MANAGEMENT COUNCIL
December 9, 2001

Based on NPFMC staff memorandum on Crab Rationalization, Agenda item C-4, dated November 29, 2001 and Preliminary Draft Analysis of BSAI Crab Rationalization Program Alternatives, November 26, 2001, and Advisory Panel Minutes, Crab Rationalization

Reference:

ACC correspondence to David Benton, NPFMC, November 28, 2001, Agenda item C-4.)

General Recommendation: With the exception of the AP recommendation to analyze a new cooperative proposal, the ACC endorses the suite of recommendations developed by the AP for additional clarification and analysis. The ACC recommends deleting the new coop proposal from the analysis and continuing the analysis of the State voluntary coop proposal, as well as the IFQ proposals.

1.2. Option 1: Eligibility to Receive an Initial Allocation of QS (or Cooperative Shares)
(Pages 35-37 in the Analysis):

ACC Preferred Option

ADVISORY PANEL REVISED OPTION 2: A person, defined as a U.S. citizen that owns a MarAd certified and/or USCG documented BSAI crab vessel that: (i) was used to satisfy the General Qualification Period and Endorsement Qualification Period landings requirements of the License Limitation Program ("LLP"), and (ii) either was used to satisfy the Recent Participation Period landings requirement of Amendment 10.

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

1.4.1.(b) Basis for QS distribution. (Pages 45-46)

ACC Preferred Option

ADVISORY PANEL REVISED OPTION 2: For eligibility criteria in paragraph 1.2, the distribution of QS to the LLP license holder shall be based on the catch history of the vessel (including replacement vessels) on which the LLP license and endorsements are based and shall be on a fishery by fishery basis. **The catch history upon which the fishing quota shares are derived, must have been earned on vessels that are currently MarAd certified and/or USCG documented fishing vessels.** The initial allocation of quota share will allow stacking or combining of LLPs and histories that satisfied (i) the General Qualification Period and Endorsement Qualifying Period landings requirements of the License Limitation Program ("LLP"), and (ii) either the Recent Participation Period landings requirement, or one or more of the specific exemption requirements of Amendment 10 to the LLP.

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

Rationale:

1.2.1 and 1.4.1 U.S. Ownership and MarAd Provisions:

Core components of the crab rationalization program will require Congressional legislation, IFQs, coops and/or a two pie quota system, regionalization and authority for binding arbitration. Although NOAA GC and the USCG have legal concerns related to U.S. ownership and MarAd and USCG documentaton linkage to fishing history, the requirement for U.S. citizenship and MarAd certification and/or USCG documentation can be Congressionally authorized along with other aspects of the program

NMFS/RAM is currently in the process of implementing the Crab LLP Amendment 10 recent landing provision. Depending on the outcome of the appeals process, there are up to 18 LLPs with catch histories based on vessels that are no longer U.S. documented, that could be combined with the catch histories of other current crab vessels owned by the same LLP holders. Thus the catch histories and LLPs could be eligible for an initial allocation of IFQs and 12 of the vessels which are catcher processors, could also be eligible for processing quotas. Four of these are definitively qualified under Amendment 10, even though the vessels have been deleted from the USCG registry.

Current U.S. laws and regulations, as implemented by MarAd on October 1, 2001, require that all U.S. fishing vessels 100' or greater in registered length must file an affidavit of U.S. citizenship with MarAd. Fishing vessels under 100' in registered length must be able to demonstrate U.S. citizenship with the USCG if asked to do so. Curent U.S. fishing vessels are actively listed in the vessel documentation registry.

Eligibility for the AFA pollock cooperatives is based on vessel eligibilty. The AFA required as eligibility for BSAI pollock coop history, that vessels be 75% U.S. owned (MarAd) and/or USCG documented. The AFA also required for initial allocations of pollock catch history, that eligible vessels be U.S. documented at the time of passage of the AFA, September 25, 1998. Four pollock factory trawlers that were not U.S. documented at the time of passage of the AFA were disqualified from initial allocation in the pollock cooperatives.

1.4 .1 Initial Allocation and Stacking of LLPs

Recently implemented Amendment 10 to the Crab LLP requires attaching a vessel name to LLPs, however, regulations currently allow for more than one LLP to be attached to a vessel name. This provides a regulatory basis for simplifying the eligibility criteria for initial allocation of quota shares and stacking of catch histories in a quota share program. Allowance to combine and stack permanent fully-transferrable LLPs, and their respective endorsements, should be the basis for allocation and combining of catch histories.

9. Options for Catcher/Processors: (Page 66)

1.7.2.3. Allowance for processing of class B share IFQs (for which no IPQ is required of shore based processors). Yes, allow for purchase and processing of B share IFQ crab, as there are no restrictions on buyer eligibility for B shares.

Add an option under section 1.7.2.3: Basic eligibility criteria for initial allocation of IPQ quota shares to mirror the eligibility for processors, see section 2.1, page 58. (Eligibility for initial allocation of IFQ quota shares remains the same.) **See attached latent CP summary analysis.**

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

12. 6.2.3 Calculation of a cooperative's allocation, as stated in the State's proposal is the total qualifying catch history of the cooperative members divided by the total catch history of all the qualifying cooperative participants. This does not account for any catch history assigned to the open access pool. Staff recommends altering the calculation to mirror that in the pollock cooperatives. Under the AFA formula any crab not allocated to a cooperative would be assigned to the open access fishery. The calculation is done using poundage, not a percent of the annual catches.

Recommendation:

However, the more equitable formula, that weights each qualifying year on an equal basis, is found in 1.4.1, the formula for developing catching and processing history as is used in the IFQ and IPQ elements and options. (Pages 41-42)

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

18. 6.1 Cooperative Alternative Program Elements: (Page 67)

Delete the AFA, Dooley-Hall and the new Lead Fishery Co-op Proposals submitted on December 7, 2001 to the Advisory Panel.

Retain the State voluntary co-op proposal in the analysis.

Rationale:

1. The AFA structure is specifically designed for the Bering Sea pollock fishery. The basic eligibility requirement for a vessel to join a coop would be based on where the vessel delivered the majority of its catch from each fishery during the qualifying period. This would create a mismatch between catch history and processing history and when overlaid with regionalization requirements would create an impractical model for crab.

The fact that inshore pollock vessels had stable long term market arrangements with a single processor market led to the development of the AFA inshore coop model. However, crab vessels in many cases have multiple markets, particularly if this is viewed within the context of a five to eight year catch history period.

2. The Dooley-Hall style cooperative is a variant of the AFA cooperative model. Under this model, vessels would receive initial allocations of catch history based on a qualifying period. A vessel could choose to join a cooperative with other vessels of choice. In any case, vessels would be free to elect where to deliver their catches without restriction. Essentially, this is a single pie IFQ situation, combined with a fishermen's cooperative. It is in essence an IFQ program, the significant aspects of which are being analyzed under the single pie IFQ option, thus making analysis of the Dooley-Hall model redundant.

3. The CRAB Group cooperative proposal was submitted to the AP on December 7 without any prior discussion with industry. The public was unable to comment on the proposal, that was hastily prepared as a substitute, in anticipation of the AP deleting the AFA and Dooley Hall proposals. It should be noted the proposers have been involved in the rationalization process for two years. It is the same group who asked the NPFMC in October of 2000 to set up a formal crab rationalization committee to expedite development of proposals for submission to the Council by February 2001. This is the first proposal the CRAB Group has submitted since requesting the development of the committee, and as such obviously represents yet another overt attempt to disrupt and polarize the industry as part of a strategy to delay the rationalization process.

Few, if any of the concepts imbedded in the new AP proposal have sufficient merit to warrant the expenditure of staff limited analytical time, if the Council is to be able to take final action at the June Council meeting. The core concept of a single multi-species cooperative is impractical and ill-suited to the crab industry. It ignores the need for flexibility to accommodate the multi-market nature of many crab vessels---which requires single species based cooperatives that recognize historic market relationships between harvesters and processors, and enables recognition of the historic landings in communities. Similarly, using the concept of the processor to whom you sold the highest value of landings as the criterion for establishing the harvester processor coop relationship is a similar flawed basis for coop development.

4. Retain option 6.2, the State voluntary cooperative model for analysis. The State proposal is an amalgam of options and elements-some AFA style cooperative elements, some Dooley-Hall style cooperative elements, and some unique to the State proposal. The proposal is intended to provide the Council with several options for development of a cooperative program. The State proposal has elements and options that provide flexibility and allow for creative development of a workable, practical model for crab. (See the draft discussion paper, pages 70-72.)

1.4.2.7 Options for Dutch Harbor and western Aleutian Island brown king crab:
(Page 51)

Delete suboption (a) GHL split Dutch Harbor/western Aleutian Island brown king crab.

Rationale: A number of smaller vessels have not participated in the more remote Western Aleutian Islands fishery due to higher costs and for safety reasons. The area generally requires larger boats that can pack more pots. Combining both sub districts for purposes of initial allocation ignores the established precedents of designating allocations based on the areas a vessel fished during the qualifying period. Exvessel values of crab are higher for the Dutch Harbor district crab.

1.6.3 Options for capping the ownership of QS:

Adjust suboption (d) the percentage cap ranging from 20-40% for the Dutch Harbor and western Aleutian Island brown king crab fishery---to 15-40%.

Rationale: Consolidation of QS ownership in the western Aleutians district already exceeds the proposed cap and consolidation is occurring through mergers in the eastern district.

CATCHER PROCESSOR (CP) SUMMARY ANALYSIS:

Revised 8-13-01

13: NUMBER OF CURRENT CATCHER PROCESSORS WITH CP ACTIVITY IN 1998 OR 1999

22: ADDITIONAL POTENTIAL CATCHER PROCESSORS, GOP AND EOP LLP QUALIFIED, SOME OF THESE VESSELS HAVE TRANSFERRED LLPS AND CATCH HISTORY, 1990-1994, WITHIN COMPANIES THAT HAVE OTHER CURRENT CRAB CATCHER VESSELS

35: TOTAL POTENTIAL CATCHER PROCESSORS

22: TOTAL AMENDMENT 10 QUALIFIED CATCHER PROCESSORS

13: TOTAL CATCHER PROCESSORS ,GOP AND EOP QUALIFIED THAT HAVE NOT BEEN CONTINUOUSLY U.S DOCUMENTED AFTER OCTOBER 10, 1998, AND ARE INELIGIBLE FOR A USCG FISHERY ENDORSEMENT.

4: TOTAL AMENDMENT 10 RECENCY QUALIFIED CATCHER PROCESSORS THAT ARE NOT U.S. DOCUMENTED FISHING VESSELS

CATCHER PROCESSOR CATCH HISTORY: (References: ADF&G Westward Region, and NMFS RAM Division)

Opilio crab:

2001: 7 vessels 13% of the GHL
2000: 9 vessels 4% of the GHL
1999: 11 vessels 5% of the GHL
1998: 14 vessels 7% of the GHL

1995-1999 Average: 10.2% of the GHL

1995-1999 Average vessels: 15

1990-1994 Average vessels: 23 8.2% of the GHL

Bristol Bay king crab:

2000: 6 vessels 2.7% of the GHL
1999: 8 vessels 5.4% of the GHL

1993-1999: 8 vessels 5.7% of the GHL

Total live weight pounds harvested by catcher / processors

season	<i>c.opilio</i>		king crab	
	vessels	pounds	vessels	pounds
2000	9	1,356,553	6	209,181
1999	11	10,205,956	8	602,279
1998	14	17,100,704	10	847,103
1997	15	13,199,735	8	306,392
1996	15	10,539,213	4	422,926
1995	19	8,623,460	NO FISHERY	
1994	22	21,525,092	NO FISHERY	
1993	19	13,234,771	17	1,292,314
1992	29	22,127,433	NA	NA
1991	28	24,920,334	NA	NA
1990	17	12,827,586	NA	NA

DID NOT APPEAR
IN PERSON

Kris Poulsen and Associates
1143 Northwest 45th Street
Seattle, Washington
205 783 6708

December 9, 2001

Agenda Item C - 4, BSAI Crab Rationalization

Mr. Chairman and members of the Council:

I would like to extend my support to the Council for its role in rationalizing the Bering Sea crab industry. Many lives have been lost and the resource has steadily declined due to the race for fish. I ask the Council to complete the analysis of crab rationalization and make a final decision in favor of rationalization as soon as possible.

I believe Issue 18 from the Advisory Committee notes to replace the AFA and Dooley-Hall style cooperatives in option 6.1 with a new proposal. This is unnecessary and will burden the analysis and delay rationalization. The new AP recommended cooperative proposal creates a multitude of problems for harvesters and processors alike. The core concept of the proposal, the multi-species single cooperative, for example, ignores the historical market relationships between not only harvesters and processors, but communities.

Under the new AP recommended coop proposal, harvesters are eligible to form a coop with the processor that they delivered the highest dollar value of crab to during the qualifying year. Some smaller processors may receive a much smaller allocation versus what they would have received from a straight allocation. Many vessels in the past have made small deliveries to processors around the Pribilof Islands in the middle of the season. The processor would not receive its deserved history since this harvester did not deliver the highest dollar value of crab to this processor.

It also appears that the new AP recommended cooperative proposal creates a disconnect between harvesting quota and regionalization. If a harvester delivered the highest dollar value of crab to a processor in Dutch Harbor, he would need to belong to a cooperative with this processor. However, if this harvester had delivered 30% of his crab to the Pribilofs, there would be no way for regionalization to occur for this quota, as all of the quota would need to be delivered to Dutch Harbor instead of the Pribilofs. This creates the disconnect between harvesters and regionalization for communities.

The new AP recommended cooperative proposal also includes options that are open-ended and would be difficult to analyze. For example, under Issue 18, #2, B, ii states the processor would get a guaranteed amount of cooperative crab to be delivered, with the amount ranging from 10%-100%. It would be difficult to analyze all options between 10% and 100%.

The new AP recommended cooperative proposal was not made available to the industry for discussion prior to its submission to the Advisory Panel. This is rather disingenuous, since the makers of the proposal have been involved in the rationalization process for over two years.

In conclusion, the new AP recommended cooperative proposal creates serious problems for processors, harvesters, and communities. This revised option has many elements that have not been widely discussed by industry and appears to be difficult to analyze and implement. I urge the Council to remove the new AP recommended coop proposal from the analysis.

Sincerely,
Edward Poulsen
Kris Poulsen & Associates



Gulf of Alaska Coastal Communities Coalition
Testimony Regarding
Item C-4 Crab Rationalization

Mr. Chairman, members of the Council, residents from a number of our member communities participate in the Bering Sea crab fisheries and the coalition believes that the structure of Bering Sea crab rationalization may create a template that will be used for the rationalization of fisheries in the Gulf of Alaska.

The Coalition is generally supportive of the AP motion and the answers that the AP provided to staff in response to the 16 questions or issues raised by staff. In addition, we have supported inclusion of another co-op model for the analysis. On one issue, however, we strongly disagree with the AP's direction. The GOAC³ has consistently maintained that the Crab Rationalization analysis should include discussion of options for Owner on Board requirements. Attached to my testimony is a draft motion for the Council to consider.

The proposed motion presents a range of Owner of Board options for analysis. The first option tracks the halibut/sablefish IFQ program and would grandfather initial issues in the fishery with leasing rights. However, subsequent purchasers would need to be aboard the vessel to fish their shares. The second two options provide for a gradual transition of quota shares toward having the quota share owner on board.

I believe the Council is familiar with these Owner on Board options. The Council is also familiar with the recommendations of the National Academy of Science indicating that, for new IFQ/ITQ type programs, owner on board requirements should be considered. We believe that Owner of Board requirements will ensure entry into the fishery, stewardship of the resource, vessels and crew as well as provide current participants with security for their current business operations. An analysis of Owner of Board requirements may show the Council the wisdom of including Owner of Board standards in your final action on crab rationalization. Consequently, the Gulf of Alaska Coastal Communities Coalition urges you to include this issue in the Crab Rationalization analysis.

Draft Language

Owner on Board Provisions

1.8 Other Optional Provisions

1.8.1 Options for Skippers and crew members:

Option ____ Owner on Board requirements

- a. No owner on board requirements
- b. Initial issueses of quota share would not be required to be aboard the vessel, subsequent transferees would be required to be aboard the vessel when harvesting IFQs. (Transfer rules similar to halibut/sablefish IFQs)
- c. Phase in a portion of initially issued QS to owner on board QS using the following schedule:

Year 5 - 10% of initially issued QS

Year 10 - 20% of initially issued QS

Year 15 - 30% of initially issued QS

Upon sale of initially issued QS require 20-50% of transferred QS to convert to owner on board QS.

Suboption – Phase in a portion of initaly issued QS to owner on borad QS using the following schedule:

Year 5 - Gift 5% of initially issued QS to owner on board “pool”.¹

Year 10 - Gift 10% of initially issued QS to owner on board “pool”.

Year 15 - Gift 15% of initially issued QS to owner on board “pool”.

Upon sale of initially issued QS require 20-50% of transferred QS to convert to owner on board QS.

¹Receipts from sale of QS gifted to QS pool would create a dedicated fund for qualifying purchasers to borrow from — analogous to the 3% loan fund with halibut and sablefish IFQs.

North Pacific Crab Association
4335 Leary Way NW
Seattle, WA 98107

Representing:

Alyeska Seafoods
Icicle Seafoods
NorQuest Seafoods
Peter Pan Seafoods
Snopac Products
Trident Seafoods
Westward Seafoods
Unisea
Yardarm Knot

Comments on the "Preliminary Draft Analysis of the BSAI Crab Rationalization Program Alternatives", dated November 26, 2001

The North Pacific Crab Association hereby submits the following comments on, and responses to questions posed by, the Draft Analysis.

The crab-processing sector has a legitimate stake in the management of the people who harvest, process and market Bering Sea and Aleutian Islands crab. The processing sector invested in not only crab processing equipment, but also the infrastructure required to process and sell crab in the world market.

The crab-processing sector, like the harvesting sector, has significantly greater capacity than the crab available under current GHs. In order to become competitive in the market place, the costs of production must be less than the market value of the product. That means that, like the harvester, a system of rationalizing the crab fisheries must provide processors with appropriate incentives and a structure designed to achieve a better balance of capacity and production, and recognition of the role the processing community has played in the development of the fishery.

The processors participated in both the "ad hoc" crab rationalization committee and on the Committee formally recognized by the Council. We support the position developed by the majority of the Committee members, and options reflecting the "majority report" of the committee are ones we support.

The Draft Analysis raises many questions for clarification before a substantive analysis can be undertaken. Certain options that may be considered in the final analysis require data analysis for meaningful commentary to occur. These comments are intended to provide our input on those sections which effect the processor interest in a crab rationalization program.

The draft analysis does not include any section describing the potential impact of a buyback program on the fishery, and how buyback might effect rationalization under each option. It would seem appropriate to include that analysis assuming that buyback becomes authorized by the harvesting sector.

Specific matters from the staff analysis include:

Page 56 "The Two-Pie Quota Program"

Category of processor shares. Issuance of processor quota share for fisheries that have been closed for a significant period of time requires further analysis, as does issuance of harvester quota shares. We would note that in three of the four fisheries, no LLPs were issued (Western and Eastern Aleutian C. Baridi and Dutch Harbor red king crab). We would note that in the case of Bering Sea C. Baridi, where the fishery was not open in recent years, our position is the processing quota should be distributed based upon participation in other fisheries. This is because the infrastructure required for buying, processing and selling C. Baridi exists among the processors involved in the Bristol Bay red king crab and Bering Sea C. Opilio fisheries, and because the most recent Baridi fisheries were schedule to coincide with one or the other of those two fisheries.

Page 58, option 2.1 We agree with the definition of "Eligible Processor".

Page 58, option 2.3 We support Option 1. Option 2 is unclear (is history based on the combined history of the three listed fisheries, and if so, is the history going forward for those fisheries jointly, and exclusively?). Option 2 further incorporates a "best 4" out of 5 seasons approach. We do not know what that means for an individual processing company, when the dust settles, and it would be necessary for staff to provide data allowing an understanding of what the result would be, by company, before we could comment on it. Option 2 includes the year 2000, which the Council has already declared clearly would not count, and 2000 is a year in which the crab processing sideboards implemented under the AFA artificially changed delivery patterns. Option 3 includes stale history (1995 and 1996) before the dramatic shrinkage of the processing sector occurred, and incorporates a problematic "best 4 of 5 years" approach, as with Option 2. It also seems to count some years when a fishery was closed, and the option should be clarified for that reason.

Page 59. The formula for calculating processing share (PQS) should be based on eligible catcher vessels; crab caught and processed by catcher processors should not be included in the denominator.

Page 60. The paper raises the issue of when harvester quota shares are calculated based upon a different year set than the processors base years. In the context of the two-pie system, no harvester is matched up to a specific processor, so this would not result in a mismatch. The mismatch could have substantive impact in a cooperative type system.

Transferability: PQS must be transferable, on both a short term (lease) and permanent (sale) basis if the objective of becoming efficient processors of crab is to be achieved.

Ownership and Use caps: We do not have sufficient information to respond to the specific proposals, and would request that staff provide an analysis of the result that would occur under each of the options under consideration, including the specific cap that would apply for each fishery. If staff is unable to provide specific data due to confidentiality provisions, it should recommend analysis of set levels that approximate the intent of each option. Only then can meaningful public input and comment occur.

It is important to recognize that if very small GHGs are the norm going forward, there may be a need for consolidation beyond the current level in the crab-processing sector. Crab processing ownership and use caps need to be designed in a manner that reflects the current dismal state of the fishery. For example, if the Pribilof red king crab fishery quota were 500,000 pounds, it would not make sense to force multiple processors for that small quota.

It would make no sense, in our opinion, to establish use caps that are lower than ownership caps. In fact, use caps should be set higher than ownership caps to accommodate short-term instances of leasing processing share. The analysis notes the instance of late season deliveries being effected, and we would note similar instances where one processor neared its cap and would have to transfer a portion to a second processor to avoid exceeding its quota share. We also question the need for use caps if ownership caps are set at some reasonable level.

It is our belief that ownership and use caps should be applied on a company basis, not on a facility basis. Many crab processing companies have deployed multiple processing platforms when quotas were relatively large, and reduced the number of platforms when GHGs shrank. Caps on facilities would not reflect the company internal consolidation that occurred to become more cost effective in light of the lower GHGs.

Page 62-63, class A and B quota share. It should be noted throughout this discussion that only quota issued to catcher vessels will have an A/B designation. Catcher processors share are excluded from this category.

The justification given for A and B quota share is to ensure a relative marketing power for harvesters. Harvesters would use their B quota to leverage both B quota and A quota value. B quota also creates the opportunity for new processing firms entering the fishery without compensation to the existing processing community. In both cases, the notion is that B quota (so called "free" quota) is required to ensure harvesters (including the last one to deliver) receive a "fair price" from the processors.

Staff analysis of this concept needs to take into consideration the impact that binding arbitration may have on the price received by harvesters. It would seem that if the binding arbitration provision is adopted, the price concerns of harvesters would be addressed. Is B quota necessary with Binding Arbitration?

As part of the compromise incorporated in the Crab Rationalization report to the Council, the processing community agreed to accept a Two-Pie program, including an "open class" of processors, which included a ten percent allocation of One-Pie IFQ to the harvesters (and the harvesting groups agreed to accept a twenty percent allocation of One-Pie IFQ). We still agree with that. We accepted this compromise understanding that B Quota will devalue our historical crab investment since we will be unable to recoup any profit from that share of the harvest.

Page 64, Vertical Integration. Catcher processors are vertically integrated mobile processors. Shore based and floating processors have similarly invested in crab harvesting vessels, and crab vessel owners have also invested in shore based and floating crab processors. This degree of vertical integration of catcher vessels and processors is small but reflective of the "industrial" "large boat" nature of the BSAI crab fishery. Most vessels are owned, in whole or in part, by a corporate entity and operated, mostly, by hired crew. This pattern is also reflective of the "industrial" "large boat" nature of the BSAI crab fishery. Controls imposed on vertical integration may be unrealistic given the nature of the fishery and participants. A careful analysis of the reasons for prohibiting or limiting vertical integration will be helpful in responding to this option. It is important to note that to the extent that the processor does not receive recognition of its history, either in the form of processor quota or its history in a coop, the more there will be an incentive for the processor to become vertically integrated. That is, in fact, the only way the processor can be assured of maintaining share and the only way to capture some of the profits that would invariably flow to the harvester as a result of a One-Pie harvester only system.

Staff request clarification of whether the options to limit processor ownership of harvester quota share applied to shares initially issued or subsequent to issuance. It is our opinion that ownership that exists currently must be grandfathered (no divestiture required), and that the cap would therefore only apply to subsequently acquired harvester share. Secondly, staff needs to take into consideration that the proposed buyback program may result in an inadvertent and unintended increase in harvester share owned by processors because of the voluntary retirement of catcher vessel share by harvesters in the buyback program. Lastly, we would ask that an acquisition of catcher processor share by processors be exempted from the ownership and use caps. Public policy would promote the processing of crab inshore, and acquisition of catcher processor share by in shore processors is the only mechanism available to processors to achieve that.

Option 2.8.2 failure to use processor quota. A processor may not use quota for many reasons and staff should include a section in the analysis referring to those reasons. They could include physical inability (e.g. plant breakdown); harvesters being unable to deliver when the processor is able to process; bona fide price disagreement; concern over exceeding the processor quota allotment (when there is only a small amount of processor quota remaining); bona fide dispute over quality of the crab; and many other reasons. However, the processor has no opportunity to profit unless it accepts delivery of crab, just as the harvester has no opportunity of profit unless it delivers the crab to the processor.

The processors will have substantial incentive to find agreement with the harvester, for without that, it will not receive crab. Would it make sense to any one that a harvester could cause a forfeiture of processor quota because the harvester decided that it needed to have twice as much money for its crab as the guy before it? Of course not, yet this option would allow exactly that to happen. This would give added leverage against a processor worried not about forfeiting the pounds to be delivered that year, but forfeiting the quota share forever. Would harvesters be willing to forfeit unused harvester quota if a processor offered them only half of what others had received? Not likely. It would seem that what is good for one group should be good for the other, and visa versa.

Allowing this "unused" quota to be allocated to open access (option 2.82.i.Option 3) is just another means of punishing the processor that does not accept delivery from a harvester. It is also unclear to us if "Open Access" is the same as Class B quota. It is also unclear how this would work if a harvester delivered some, but not all, of his Class A shares.

Page 66, 1.7.2.4 second (a). If catcher/processor quota share (which has no regional tag) is transferred to a shore-based processor and then becomes designated by region, then the rules determining which regional tag will apply must be spelled out. It is also not clear how a shore-based processor could compete with another catcher/processor for this history; if a catcher processor buys that share, it may process the crab in any region, while a shore based processor would have some regional processing requirement associated with it. The net result is, likely, that no catcher processor share would ever be acquired by, and used for, inshore processing.

Page 67, alternative cooperative programs.

AFA style cooperative. The AFA style cooperative may provide a structure that accomplishes rationalization for the Pollock fishery (although we have yet to see it operate in the case of low TACs compared to processing and harvesting capacity), but it is doubtful that it can accomplish the economic goals of crab rationalization. Further, assigning harvesters to processors using the same rules as used in the AFA would cause significant shifts in processing history because of the flexible delivering patterns seen in the multiple crab fisheries compared to the Pollock fishery. Alternative crab cooperatives would have similar problems unless they incorporate an element of alignment of harvester and processor history.

Page 69, eligibility to join a cooperative. 6.2.3(b) Option 2 at least recognizes that many crab harvesters split their deliveries in season among multiple processors, and it avoids stripping that processing history away from the "minority" processing entity. Having said that, it is difficult for processors to comment on the options without specific data showing the impact for each facility or entity. As noted on page 70 of the analysis, using the AFA rule of "majority of product delivered" will eliminate a number of facilities and entities from eligibility to process. Likewise, the minimum number of vessels required to form a coop causes an unknown shift in market share, making it further difficult to assess the impact on individual processing entities. As staff notes on pages 71-72, creation of

multiple cooperatives to reflect the variability of crab deliveries over time will result in a structure within which rationalizing operations (both harvester and processor) will be difficult.

Staff points out in the analysis that Dooley-Hall is in essence a one-pie system wrapped in the clothes of a cooperative. We agree with that. The discussion does not however address one crucial question, and that is, are the cooperative options, including the Coop with Dooley-Hall option, intended to emulate the AFA model by restricting the class of eligible crab processors to those now existing or acknowledged in the final regulation. Is the "free quota" in the options "open access" crab in the same sense as the AFA, or is the intent to structure a cooperative program that includes the right of any buyer to process the "free quota" (similar to Class B quota shares under the Two-Pie proposal)? Council direction of intent is needed on this point. This question must be asked both as to the "free quota" that a harvester joining a cooperative might receive, and "free quota" or "open access" quota resulting from an election by a harvester to not join a cooperative.

Page 72, Mode of operation (6.2). This option states that a processor no longer involved in the crab fisheries will in effect forfeit its history. Clarification of what "no longer involved in crab fisheries" means is needed. This includes not only the question raised by staff of "active in one fishery or the fishery", but also what constitutes active (fish tickets by the processor?), and what period of inactivity (12 months? One season?) results in forfeiture.

Staff has done an excellent job of outlining the complications with the various cooperative alternatives, as they apply to the multiple crab fisheries and multiple regions, factors that the Pollock fishery did not have to contend with.

It is also worth pointing out that as a generalization the inshore Pollock processors are far more homogenous than are the inshore crab processors. All of the Pollock processors include some crab processing activity, while many of the crab processors do not have Pollock operations. All of the AFA operators process every species covered by the AFA – Pollock – while many of the crab processors or specific crab facilities do not engage in all available crab fisheries. The inshore Pollock processors operate within a relatively tight geographic range, with relatively similar cost structures; crab processors are geographically dispersed and have processing costs that are quite varied depending on geography and diversification of the facility. This relative heterogeneity among crab processors creates imbalances among them that could be exaggerated in a fishery where the harvester has exclusive quota rights.

Page 74, coop formation. In addition to the comments of staff, we would suggest that the rules for coop formation must be developed on a fishery-by-fishery basis, as the appropriate measures for the Opilio fishery might be completely different than the measures, for example, for the brown crab fishery. The number of vessels required, the percentage of vessels required to approve the coop, the role of vessels owned by a

processor, or vessels which own the processor, must be assessed in the context of the specific fishery.

Page 78, Delivery requirements. The staff notes that a Dooley-Hall cooperative is a “harvester-only cooperative”. That is the same as a One-Pie IFQ. The effect of implementing this in the crab fishery would be to transfer all value and rent in the fishery to the harvesting sector. For fully integrated seafood plants, the only way to afford this is to extract revenues out of the other resources it processes; to in effect subsidize the crab harvester with revenues from another source. For a crab only facility, there is no option to do that, and we should expect those facilities to be disadvantaged. Of course, the lower the percentage of “delivery history to the historical processor” allowed, the greater the risk that the crab processor will have insufficient crab margins to support a crab operation.

Page 70, Amendment 69. Amendment 69 authorizes a Pollock cooperative to make a lease arrangement with a Pollock vessel from another cooperative to harvest some of the first cooperative’s Pollock and deliver it to the first cooperative’s processor. For example, Pollock cooperative A might lease a vessel from Pollock cooperative B to harvest a portion of cooperative A’s Pollock and deliver it to cooperative A’s processor. The lease requires the approval of Cooperative A and Cooperative A’s processor in advance. Amendment 69 does not authorize the transfer of Pollock from Cooperative A to Cooperative B – that remains limited by the 10% AFA option.

Page 80, Dooley Hall shifting of vessel history. Option 6.2.3(c) Option 1 allows a transfer of vessel history with no compensation to the processor losing share. The nature of a cooperative arrangement should include the concept that the harvester gets his history, the processor gets its history, and they part company when they mutually agree to do that. The AFA allows a harvester to depart a processor without the agreement of the first processing entity, putting it entirely at the risk of every other processor that might want that share. The race of fish helped balance that, especially when quotas were large, by a match of capacity of processing to harvesting. When a cooperative has the ability to schedule deliveries the balance among processors is changed. The harvester receives a windfall for the option of moving because of its ability to extract all revenues over the variable cost of the most aggressive processor.

Page 82, hardship provisions. The options include the right of a coop to deliver to an alternative processor if the primary processor cannot receive the product. We believe that the market will solve such situations by the processor experiencing the hardship arranging for delivery to an alternative processor. It is sufficient for the Council to authorize the processor to make such arrangement. Compensation, if any, should be between the two entities. Similar rules of “hardship” should exist between harvesting vessels, allowing the shifting of history within the cooperative without concern by the government.

Page 84, Taxes. It is important for everyone to keep in mind that the crab resource, and those involved in it, is suffering the worst crisis in the history of the industry. Comparing

the crab fishery to the Pollock fishery is like comparing the oil reserves of Nigeria to the oil reserves of Saudi Arabia. They are completely different circumstances, and the tax extracted from one should not be compared to the tax extracted from the other.

Page 85. Regionalization. We support the Regionalization component as part of the rationalization program reported by the Crab Rationalization committee to the council. It is recommended that the Regionalization shares be calculated using the same base period as the processor share is calculated, as the processors will be required to process according to the regional tag on the harvester quota. Harvesters would receive quota based upon their own base periods. Each harvesters' regional tag would be adjusted to match the share needed for each region on a pro rata basis according to the difference in regional shares one would derive using the processor base period and using the harvester base period.

We would also like to offer the following observation.

The Council appointed an ad hoc crab rationalization committee that meet for over a year working primarily on developing a cooperative structure to rationalize the crab fishery. After much discussion and effort, it became apparent that a cooperative similar to the AFA structure would not work in the context of the crab fisheries, and would be unsatisfactory to many of the harvesters and processors currently involved in the fishery. The formal committee established by the Council therefore developed a quota based system – the so called “Two-Pie” system -, which included measures for harvesters, communities, skippers and processors. It was, in the end, an “artful compromise” intended to give the council an industry solution to a vexing industry problem.

While we recognize the need to develop and analyze other alternatives, it is important to remember that the many elements contained within the “two-pie” proposal are a series of measures and countermeasures intended to achieve a balance of interests for all concerned parties. Any significant changes from that system means, at the least, revisiting the balance of interests issue, and therefore further delay in achieving an industry consensus around a particular proposal. Delay, in the context of the BSAI crab fisheries, means severe economic hardship, if not bankruptcy, for many vessel owners, crew, communities and processors. The majority of the Crab Rationalization Committee arrived at its recommendation to the Council considering the many competing interests and knowing that it was critical to implement rationalization soon to avoid further harm to all participants. We are all willing to take a risk that our assessment of, and incorporation of, elements from prior rationalization systems into the Two-Pie proposal better suit the Bering Sea Aleutian Islands crab fisheries than any prior model.

Kozak
C-4
12/01

AREA O BROWN CRAB FISHERY POSITION

For the Aleutian Islands brown crab fishery allocation of IFQ, we support the qualifying poundage to be determined, regardless of years selected, by the catch for the entire Area O.

For the initial allocation of quota share, we support the quota share to be split for each participant based on the Guideline Harvest Limit split between the eastern and western sub-areas.

We further support the ability for Area O IFQ holders to annually trade quota without restriction between the two sub-areas. Ownership and vessel caps would apply to the entire Area O, without sub-area caps.

Russell G Moore
Signature

F/V North Pacific
Vessel Name

Richard Powell
Signature

CP Patricia Lee
Vessel Name

Wim Hansen
Signature

F/V Ocean Olympic
Vessel Name

Jul Painter
Signature

F/V Alaska Trojan
Vessel Name

Jeff Davis
Signature

Irelander
Vessel Name

Kozak
Signature

F/V Alaskan Beauty
Vessel Name

Signature

Vessel Name

Signature

Vessel Name