

June 2008

Public Testimony Sign-Up Sheet

Agenda Item C-3 BSAI CRAB ISSUES

	NAME (PLEASE PRINT)	AFFILIATION
1	DR. BOB JOHNSON	SELF
2	JACK MAKER	KODIAK BUSINESS OWNER
3	Edward Poulsem	Sea Boat Cooperative
4	Owen Kvinge	F/V North Sea
5	Bob Thelen	F/V North Sea
6	Damien Catala	F/V North sea
7	Steve Fraser	Adak Fisheries / City of Adak
8	XXXXXXXXXXXX	XXXXXXXXXXXX
9	MIKE STANLEY	GOLDEN KING CRAB HARVESTING ASSN
10	GENE LEDOUX	CRABBER CAPT.
11	DAN POWELL	CRABS CAPT
12	KIM DOCHTERMANN	
13	TERRY HAINES	FISH HEADS
14	Jim Henkel	Deep Sea Fishermen's Union
15	Jeff Steele	Bering Hunter LLC
16	Lewis May	Crabber
17	ALEXIS KWACHIKO	GGFA
18	PAUL DUFFY	GOLDEN SHAM ROCK INC.
19	Anni Thomson	ACC
20	Kick Shelford	ALUTIAN LADY
21	Clem Tillion	Alut Corp
22	Jim Stone	Deep Fisheries
23	Brett Robinson	F/V Arctic Hunter
24	David Fisher	F/V Arctic Hunter
25	Mike Haymaker	displaced crabber

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

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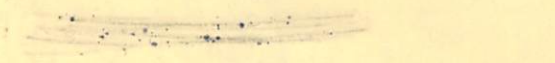
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June 2008

Public Testimony Sign-Up Sheet

Agenda Item C-3 BSAI CRAB ISSUES Page 2

	NAME (PLEASE PRINT)	AFFILIATION
1	Rhonda Maken	Owner - The Treasury, The Treasury Home
2	Lu Dochtermann	F/V North Point / Stormbird
3	Frank Kelly	City of LUNA
4	Todd Hiner	F/V SAGA
5	TOM MILLER	CRAB, CREW, BOAT OWNER
6	TIM MILLER	BOAT OWNER
7	Steve Minor	NPCA
8	Margaret Hall	Crab Group of Independent Harvesters
9	Jerry Lutzell / Jerry Hennig	Ad Hoc Coalition
10	Simone Swetzoff / MATEO PAZ-SOLDAN	CITY OF ST. PAUL
11	TONY LARA	DISFRANCHISED CRABBER
12	Mike Woodley , Bill Prout	Advanced Harvesters' Crab Co-op
13	Steve Branson	CREWMAN 955
14	ROB TRUMBUE	F/V DENALI
15	Marlon Branson	self
16	Mike Woodley	F/V Atlantic
17	Stephen Taufen	Groundswell Fisheries Movement
18	MARK ALBERT	FISHERMAN
19	UHANW O. DOCHTERMANU	CREWMAN FOR EQUAL ACCESS
20	HEATHER McARTY	CBSFA
21	BOB McGARNEY	CREW
22	PAT HARDINHA	TOX
23		
24		
25		

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Page 5

C-3 PAGE 5

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MEMORANDUM

TO: Council, SSC and AP Members
FROM: Chris Oliver *DO for*
Executive Director
DATE: May 28, 2008
SUBJECT: Crab management

ESTIMATED TIME 8 HOURS (all C-3 items)
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BACKGROUND

(b) Report of the Crab Advisory Committee

At its April 2008 meeting, the Council tasked its Crab Advisory Committee to examine the following four issues:

1. Underutilization of Western Aleutian Islands golden king crab;
2. Adequacy of rights of first refusal to provide long-term community protection;
3. Long-term protection of crew under the program; and
4. Emergency relief from regional landing requirements.

The committee met April 29 to discuss these issues. A copy of the minutes from that meeting are attached as Item C-3(b)(1).

For reference, a copy of the Council's larger motion is attached as Item C-3(b)(2).

**Crab Advisory Committee Meeting Minutes
April 29, 2008
Swedish Cultural Center
Seattle, WA**

Committee Members – Sam Cotton, Lenny Herzog, Florence Colburn, Jerry Bongen, Dave Hambleton, Phil Hanson, Linda Freed, John Moller, Simeon Swetzof, Rob Rogers, Kevin Kaldestad

Staff – Mark Fina (NPFMC), Chris Oliver (NPFMC), Glenn Merrill (NMFS SF), Herman Savikko (ADFG), Brian Garber-Yonts (NMFS AFSC), Stefanie Moreland (ADFG)

Public – Einar Sorvik, Linda Kozak, Steve Minor, Margo Posten, Pat Hardina, Heather McCarty, Florence Colburn, John Sackton, Brett Reasor, Edward Poulsen, Dale Schwarzmiller, Paul Duffy, Oystein Lone, David Sheldon, Lou Leferriere, Ted Painter, Louie Lowenberger, Kale Garcia, John Iani, Owen Kvenge, Jake Jacobsen, Sara Chapman, Joe Plesha, Mike Stanley, Lance Farr, Ted Painter, Roger Thomas, David Capri, John Jorgensen, Tom Suryan, Doug Wells, Jim Stone, Margaret Hall, Keith Colburn, Walt Casto, Mateo Paz-Soldan, Mark Casto

Minutes

Arbitration changes

Changes to the arbitration system were briefly discussed by the committee. Representatives of the arbitration organizations suggested that any changes be deferred until the Council took action on major program changes, rather than develop changes that may not be applicable, in the event that the Council chooses to make changes to the larger program. It was suggested that the minutes reflect that the industry is satisfied with the current operation of the arbitration system.

Western Aleutian Islands golden king crab

The committee reviewed the Council's direction concerning the Western Aleutian Islands golden king crab fishery (see attachment A). Specifically, the committee discussed the options that are not in the Council's current alternatives to revise the program. The current alternatives remove all PQS from the fishery (with an option to maintain regionalization). The Council suggested that the committee discussion alternatives that:

- 1) remove PQS only in the west region
- 2) reallocate PQS, if that PQS is not used in 3 of 5 years (use it or lose it)
- 3) reallocate PQS and CP shares to address community concerns and processor investments.

One committee member suggested the reallocation of PQS to address community concerns and processor investment should be maintained for analysis to address perceived inequity in the initial allocation of PQS, because of the possibility that the Council could choose not to adopt an alternative that removes PQS from the fishery. It was suggested that the inclusion of the reallocation of CP shares to address community concerns as advanced by the Council is inappropriate, since that sector has no involvement in the distribution of benefits among shoreside participants. It was also suggested that the large catcher processor allocation has affected community benefits. It was suggested that the reallocation could be based on the history in the fishery during years that the fishery was fully prosecuted, removing years when the fishery was underutilized. It was suggested that attention should also be given to the activity of Adak in selecting qualifying years under this reallocation alternative, to ensure that community receives adequate protection (i.e., years after 1999). It was also suggested that an AFA cap violation that is

currently under dispute for processing in Adak could result in little reallocation, if that violation is upheld and only legal deliveries are considered in determining the reallocations. In any case, the Council would need to address the potential that little reallocation might occur in the event that deliveries are found to have exceeded the cap.

Community rights of first refusal

The committee reviewed the Council's direction concerning the rights of first refusal (see attachment A). Specifically, the motion suggests extending the time period for exercising rights of first refusal and performing under the right and the development of a loan program to assist communities with funding of share purchases under the rights of first refusal.

It was also suggested that the right of first refusal may be ineffective because the right extends to all items included in a transaction involving PQS that is subject to the right. This could include facilities outside of the community holding the right, which would be of no interest to that community and could be very costly. The committee discussed the potential to isolate PQS when applying the right (so that the right extends only to the PQS). It was suggested that it could be required that PQS be valued independently in any transaction that involving PQS to establish a price for purchasing PQS under the right of first refusal. It was also suggested that the rights could be made more effective by redefining the term, so that the rights do not lapse through intra-company transfers. Concern was also expressed over the effects on communities of intra-company transfers, which are not subject to the rights of first refusal and may harm communities through removal of processing from the community of origin. It was also pointed out that consolidation of processing by a single company was contemplated by the Council and limits on the ability of processors to engage in that consolidation would jeopardize their interests under the program. It was also observed that revision of the rights of first refusal may be moot, in the event the Council chooses to remove all PQS from the fisheries.

Long term crew opportunities

The committee reviewed both the Council direction to the committee (to consider provision for a crew purchase opportunity on a portion of any transfers of owner QS) and the options in the Council's motion for analysis (which would increase the C share pool through conversion of owner QS and PQS to C share QS either on transfer or at a time certain) (see attachment A). Some committee members expressed concern about the magnitude of share conversion in the Council motion (i.e., 33 percent). In addition, it was suggested that this high share conversion, together with potential limited access to funds (even with loan funds available to eligible persons), could result in oversaturation of the market for C shares, artificially reducing the price of those shares for a period of time. Several committee members expressed concern with a mechanism that establishes a conversion on a date certain (as in the Council motion for analysis), as opposed to a mechanism that would convert shares at the time of transfer (as in the Council direction to the committee and in the Council motion for analysis). Committee members expressed concern that the time period for sale of converted shares be sufficiently long to allow the market to adapt without a large price shock, in the event the redesignation takes place at a time certain (instead of on transfer). If a large portion of the QS pool is converted to C shares, greater time periods may be desirable for sale of shares to eligible active participants. It is also suggested that the higher ranges, not only change crew opportunities, but would also change the nature of share holdings in the fishery, toward a captain/crew owned fishery from an industrial fishery. Also, the Council should consider whether the new active participation requirements would need to be considered to ensure that divestiture because of those new requirements does not compound any flooding of the market from redesignated C shares. Use of an incremental process for redesignation was suggested to mitigate this effect. For these reasons, several committee members suggested that any C share conversion provision convert shares on transfer (as opposed to a provision that would convert shares at a time or date certain).

It was suggested that a modest C share conversion might address crew concerns, while preserving the basis of the program, and limiting the complication of program revisions (i.e., minor changes may not require processor compensation or revision to the arbitration program). Concern was expressed that several factors should be considered when changing the C share pool size, including current crew compensation, number of people in the pool (i.e., loan eligibility), and the practicability of those different magnitudes of the C share pool increases.

It was also suggested that the need to create C shares for crew benefits should be distinguished from other changes that occur because of the terms governing C share allocations. For example, crew concerns might be addressed by adding an option that retains the 90/10 A share/B share split on any newly created C shares, if the Council wishes to preserve that share split to ensure community and processor interests are protected. Some suggested that a small increase might not merit the development of a new C share type that is encumbered by the A share/B share split.

The committee also discussed the potential for including a provision in the program that requires a person to either be active fishing on a vessel or own a vessel that is active in the fishery to reduce the number of persons removed from the fishery who own shares. It was suggested that initial recipients could be exempted from the provision, if the Council wishes to advance such a provision, because many of the recipients of initial allocations had long histories in the fisheries. Committee members suggested that the administrative burden and difficulty of policing compliance with such a requirement may prevent the goal of the provision from being achieved.

Emergency relief from regionalization

St. Paul representatives presented a revised proposal for emergency relief from regionalization to the committee (see attachment B). The revision included the following changes:

- 1) clarified the status quo, under which NMFS is unable to grant relief from regionalization requirements,
- 2) Added requirements for attempting to use an inter-cooperative arrangement to avoid the circumstance,
- 3) Suggests a possible provision for an agreement of the affected harvester, processor, and community,
- 4) Removed a provision for season extension, which is not feasible because of biological concerns,
- 5) Removed references to localized depletion because that is not a biological concern,
- 6) Add a provision for review of the program.

The proposers also suggested that expert opinions could aid in verification of a finding of a circumstance meriting relief, assisting the agency in administration of the provision.

A second proposal of the harvesters was presented (see attachment C). The proposal presents discussion points, including circumstances that might merit relief, circumstances that do not merit relief, and possible remedies to mitigate community effects of the exemption.

A third proposal was presented that defines a new mechanism for relief from regionalization (see attachment D). The proposal suggests that decisions concerning safety could be best and most reliably made by the captain of the affected vessel, because that captain is in the best position to assess circumstances affecting the vessel and the agency may not wish to be an arbiter of findings concerning safety. This determination could be attested to in an affidavit of the captain, that would be filed with the agency to establish the existence of an emergency. This proposal also defines the time period of the exemption and the compensation for the exemption (which is delivery of an equal amount of crab as was subject to the emergency at a later time).

It is suggested that a system of captain determination would be easiest for the agency to administer. Establishing other criteria that could be administered by the agency would be very problematic and could be inappropriate, since different vessels may be subject to different operational constraints and could be affected differently at any given time. In response, it was suggested that the rationalization program in its current form may offer sufficient flexibility to harvesters to avoid most emergencies (particularly ice conditions), which should make emergency relief an infrequent occurrence. In addition, the concern is that some vessel operators may use a minimal requirement as an opportunity to make flippant decisions concerning the existence of conditions justifying an emergency finding. Requiring some agreement among affected parties (i.e., the harvester, processor, and community) may avoid potential unilateral, self interested determinations, without overly burdening the operator of the affected vessel. It was suggested that development of specific criteria defining an emergency could be useful for determining the scope of any agreement required for a finding an emergency. Some believe that the need to file for the exemption and the required compensation would deter frivolous use any exemption provision. It was also suggested that a provision that allows a year or two to experiment with an approach, which could then be reassessed and modified to address any problems, might be appropriate.

It was also suggested that any emergency relief provision should consider the effects of that relief on matched IPQ. The provision should be developed to ensure that the IPQ interests are addressed. In any case, all commercially reasonable actions should be required to be taken prior to the finding of an emergency. Determining compliance with the provision could be difficult to oversee. In addition, it was pointed out that any regional compensation requirement might not be administrable. For example, IFQ holders may change over years, so compensation in the year following an emergency declaration may not be feasible.

Overall, the committee agreed that progress was being made on this issue, but that the proposals, in their current forms, were not ready for Council consideration. To further develop and synthesize the proposals it was suggested that the workgroup could meet prior to the Council meeting. The product of those meetings could be presented to the Council in June, if the workgroup believes that is appropriate.

Next meeting

The committee suggested that it could next meet in September. It was also suggested that the issue of vessel use caps be included on its next agenda.

Attachment A

Crab Advisory Committee Minutes
April 29, 2008

Council motion from April 2008

C-2(a) BSAI Crab Rationalization Program

The Council tasks its crab advisory committee to continue the development of the following purpose and need statement and elements and options:

Purpose and need statement

The Bering Sea Crab Rationalization program was designed by the Council and authorized by Congress to recognize the prior economic interests and importance of the partnership between harvesters, processors and communities. The program was developed at a time that harvesting and processing capacity had expanded to accommodate highly abbreviated seasons, and significant portions of that capacity operated in an economically inefficient manner or were idle between seasons.

There have been continuing philosophical differences concerning the Program, but there have also been a number of targeted amendments to improve the Program. Recently, the Council, industry and crab-dependent communities have come to recognize that additional targeted amendments concerning Western AIGKC, community ROFR, long term crew participation in the program, and Emergency Relief from Landings requirements may be required to address the following specific problems:

1. Under-utilization of west-designated WAIGKC. A significant portion of the west designated WAIGKC TAC was left in the water during the 2006/7 season. It is not known if the Council's recent action to create a custom processing use cap exemption for this fishery will be sufficient to solve this problem. Given the potential impact on all participants, the Council has determined that this problem requires additional analysis.
2. Community ROFRs may be inadequate for long-term community protection. The Council has heard from several crab-dependent communities that the current ROFR regulations may be inadequate for long-term community protection under some circumstances. The Council's intent in establishing Community ROFRs was to insure that the PQS earned in a region created long-term benefits for that region, and that community ROFRs provided each community in that region with an adequate opportunity to acquire specific PQS if faced with the prospect that the PQS would move to another community within the region through a sales transaction. Communities have also indicated that they are unable to make their ROFR rights effective due to the lack of funding and because a ROFR may involve processing company's entire holdings and assets in a particular region which may be financially beyond the capacity and interest of a community to undertake, as the community is only interested in the processor holdings within the community boundaries. The current ROFR regulations allow for the expiration of the ROFR under certain circumstances. The Council has determined that this problem requires additional analysis.
3. Long-term crew participation in the program. The initial issuance of C shares was limited to skippers and, although the skipper/crew loan program was recently implemented to support long-term investments, the high cost of IFQ and low turnover rate in IFQ ownership provide very few actual investment opportunities and made it difficult for some long-term participants to secure and maintain their full position in the fisheries. The Council has determined that this problem requires additional analysis.
4. Unexpected events may require some relief from regionalization and other landings requirements. Recent ice events, a processing platform fire and an oil spill have all raised the possibility of temporary emergencies, natural or man-made, preventing delivery and/or processing in certain communities or

regions. The challenge is to protect the balance of the program – including the investments of crab-dependent communities – while providing flexibility to industry during extraordinary events. The Council has determined that this problem requires additional analysis.

Elements and Options

Western AIGKC

1. WAG king crab options

1.1 Status Quo

1.2 Convert IFQ A shares to B shares

Suboption 1. with compensation to PQS holders

Suboption 2. without compensation to PQS holders

1.3 Convert West Designated IFQ A shares to B shares

Suboption 1. with compensation to PQS holders

Suboption 2. without compensation to PQS holders

Suboption: new B shares retain west area designation using landing requirements defined under the Custom Processing Amendment

Suboption: new B shares have no regional designation

1.4 Reallocation of PQS among other PQS holders if not utilized 3 years out of 5 years

1.5 Reallocation of PQS, CP, and CPO shares to more adequately address community concerns and processing investment

Suboption 1. with compensation to PQS holders

Suboption 2. without compensation to PQS holders

Community ROFRs

1. Status Quo

2. Establish a new ROFR with a starting date of October 1, 2009

Community entity has more than 60 days and 120 days but no more than 90 and 150 days, respectively, to indicate interest and to finalize agreement

A loan program is to be established to be administered by the Secretary to allow communities to exercise their ROFRs

Long-term crew opportunities

Alternative 1

Status quo

Alternative 2

Establish a market-based program to create additional quota share investment opportunities for active crew.

Element 1: Qualified crew access to shares.

A percentage of all A/B share IFQ sales (range of 3, 5, and 10 percent) shall be made available first to qualified crew.

Suboption 1: Those shares shall remain on the market until sold to qualified crew.

Suboption 2: Those shares may be made available to other potential buyers, if not purchased by qualified crew in (range of 60, 120, 180) days.

Element 2: Eligibility

Eligibility will be based on the "Active Participant" requirements of the program.

Element 3: Share Conversion

Suboption 1: Upon acquisition the shares shall be converted to "C" shares and retain that designation. An aggregate cap of (range of 5, 10, 15 percent) will be established for this program.

Suboption 2: To maintain other program goals, there shall be no share conversion provisions.

Emergency Relief from Landings Requirements:

The Council requests the Crab Committee to develop elements and options for Emergency relief for the June Council meeting.

Attachment B
Crab Advisory Committee Minutes
April 29, 2008

From: St. Paul entities: CBSFA, City of St. Paul and TDX
To: NPFMC Crab Advisory Committee
Re: **Proposed provision for emergency exemption from regional delivery requirements**

For the Committee's consideration, attached is a new draft of the proposed provision for emergency exemption from regional delivery requirements. We have made several changes—detailed below—to the draft of the provision that we presented to the CAC at the last meeting. We responded to concerns expressed by other members of industry, and expanded somewhat on the potential process to arrive at emergency exemption. We have also had discussions with NMFS and ADF&G regarding current regulatory authority and other management issues.

Changes from previous version:

Under Alternative 1, we changed the status quo to indicate that there was currently no regulatory authority for NMFS to grant emergency relief.

Under Element 2, we added under number (A) a section (iii) that refers to inter-coop transfer; added another criterion as number (C), and added an option for discussion suggesting a bipartite or tripartite agreement.

Under Element 4, we removed the second option suggesting the crab season be extended if necessary, as recent information from ADF&G indicates that the end of the season is not able to be extended for biological reasons.

However, some crab fisheries actually begin well after the season is officially open. We have discussed the possibility—subject to market and other considerations—of altering when harvesters and processors begin prosecuting the Opilio fishery, for example, to enable harvest of the TAC before the time of year when ice could become a problem for harvesters and processors. **We believe this may be a good topic of discussion for the Crab Advisory Committee.**

We removed the old Element 6 referring to avoiding localized depletion, as inquiries to ADF&G resulted in a reply that localized depletion was not a concern for the agency.

We added a new Element 6 that provides for a review of this provision after one year.

Temporary Emergency Exemption from Regionalization Requirement

DRAFT, April 29, 2008

Alternative 1:

Status Quo: The National Marine Fisheries Service has no regulatory authority to grant emergency relief from the regionalization requirement.

Note: This information is based on a discussion with NMFS headquarters regulatory staff.

Alternative 2:

Emergency exemption from the regionalization requirement may be granted under the following circumstances, and in the following manner:

IFQ may not be used to deliver crab, and IPQ may not be used to process crab, derived from QS based on activities in a region, except in the geographic boundaries of that region, except that IFQ may be used to deliver crab and IPQ may be used to process crab outside of the region for which the IFQ and IPQ were designated if an unavoidable circumstance prevents crab delivery and crab processing within that region.

Element 1:

An unavoidable circumstance exists if the specific intent to conduct delivery and processing for a crab QS species in that region was thwarted by a circumstance that was:

- (A) Unavoidable;
- (B) Unforeseen and reasonably unforeseeable to the IFQ and IPQ holders; and
- (C) The circumstance that prevented the IFQ permit holder from delivering crab and the IPQ holder from processing that crab in the designated region actually occurred.

Element 2:

The IFQ and IPQ permit holder must provide written verification to NMFS that they took all reasonable steps to overcome the circumstance that prevented the IFQ permit holder from delivering crab, and/or the IPQ permit holder from processing that crab in the designated region, including, but not limited to:

(A) for an IFQ permit holder:

- (i) Delivering the crab to another processor for processing, or custom processing, in the designated region;
- (ii) Transferring quota to one or more IFQ permit holder(s) within the permit holder's cooperative to provide for a later delivery in the designated region, or intra-coop transfer;
- (iii) Transferring quota to one or more IFQ permit holder(s) in one or more cooperatives other than the one to which the permit holder belongs, to provide for a later delivery in the designated region, or inter-coop transfer;

(B) for an IPQ permit holder:

- (i) Arranging with another processor to have the crab custom processed in the same region;
- (ii) Bringing in another processing platform if the intended receiving processing facility is not operational;
- (iii) Providing a vessel to ensure passage in and out of the harbor if necessary to maintain the delivery and processing operation.

(C) for IFQ and IPQ permit holders:

Agreeing to stand down from harvesting and processing until the emergency circumstance is resolved.

Written verification to NMFS shall include the names and other contact information for those persons and/or entities contacted, and a description of the efforts undertaken in order to mitigate the circumstances, prior to requesting emergency relief.

Option for discussion:

An agreement will be reached between affected harvester and processor, or among affected harvester, processor and community, confirming that all above steps have been taken, before emergency relief can be considered.

Element 3:

Neither the IFQ nor the IPQ holder will be exempt from any regional designation that may apply once the initial unavoidable circumstance is resolved.

Element 4:

If sufficient opportunity remains during the season, after the unavoidable circumstance is resolved, an amount equal to the total amount of IFQ crab that was delivered and IPQ crab that was processed outside of the designated region during the period of the unavoidable circumstance is required to be delivered and processed in the region where the unavoidable circumstance earlier occurred.

Element 5:

In the event that the unavoidable circumstance can not be resolved to allow for compensatory delivery during that season, as in Element 4, then the amount of crab processed in that season (Season A) outside of the geographic region in which it was designated to be processed, shall be added to the subsequent season's (Season B's) quota share for the geographic region in which the unavoidable circumstance earlier occurred.

Element 6:

The emergency relief provision shall be reviewed after one year.

Attachment C

Crab Advisory Committee Minutes

April 29, 2008

Emergency Exemption from Regionalization Requirement

If IFQ and IPQ have a regional designation then the IFQ may only be used to deliver crab in that region and the IPQ may only be used to process crab in the that region unless an emergency exemption from the regionalization requirement is obtained from NOAA.

NOAA shall grant an emergency exemption from regionalization when requested by an IFQ or IPQ holder if unavoidable circumstances prevent crab delivery or crab processing within that region.

For purposes of this section, unforeseen circumstances include, but are not limited to, ice, weather, fire, and mechanical breakdowns that thwart crab delivery or crab processing within a given region.

SECTION 1: AFFIDAVIT

To obtain an emergency exemption an IFQ or IPQ holder shall provide by mail or fax an affidavit stating the following: [THIS SECTION COULD CONTAIN ADDITIONAL ELEMENTS]

- 1) Unforeseen circumstances prevent crab delivery or crab processing in a given region.
- 2) The unforeseen circumstance is _____.
 - a. If the unforeseen circumstance is ice
 - i. A statement indicating the captain of the vessel does not feel it is safe to navigate to and or from the delivery point.
 - ii. A photocopy of a NOAA ice map indicating the ice edge is near the delivery point.
- 3) Commercially reasonable actions have been taken to avoid the request for emergency exemption including transfers of quota between willing parties that would allow for a later delivery of all the regionalized crab in its region.
 - i. Such actions shall include the use of B and C shares
 - ii. Such actions shall not require the use of B and C shares
- 4) Commercially reasonable actions have been taken to deliver crab to another processor in the region that would allow for a later delivery of all the regionalized crab in its region.

Upon receipt of the affidavit NOAA shall within [one, two} business days fax proof of receipt of the affidavit for exemption. This proof of receipt shall act to provide the emergency exemption requested through the affidavit.

SECTION II Duration of Exemption

1. When the unforeseen circumstances no longer thwart the commercially reasonable delivery or processing of crab for more than five business days, the exemption shall lapse and a new application for exemption must be filed.
- 2 [Other choice]

SECTION III Compensation

1. If the circumstances allow the commercially reasonable delivery of the exempted crab deliveries to be delivered later in the same crab season, the emergency exemption shall allow for the delivery or processing of an equal amount of crab from the region it was processed in under the emergency relief to the region from which the emergency exemption was provided.
2. If delivery of the amount of exempted crab is not made within the same season then that amount of crab will be reallocated to that region the following year up to _____ Per cent.
3. Other possible forms of compensation that the communities might want to input for review

NOTE: THIS A VERY PRELIMINARY DRAFT THAT HAS NOT BEEN REVIEWED BY OTHERS AND IS SUBJECT TO MAJOR CHANGES OR MAY BE WITHDRAWN FROM CIRCULATION IF FEEDBACK IS NOT POSITIVE

Options:

Application for exemption by individual coops or industry wide?

Additonal language on ending exemptions?

Attachment D
Florence Colburn
April 29, 2008

**Temporary Emergency Exemption from Regionalization Requirements
Harvester Proposal #2**

Special protections afforded communities for regional landing requirements are causing safety, environmental, and resource conservation issues. There must be an established basis for emergency relief provisions based on a balance between threats to vessels and crew safety, and the social/economic/political basis for the initial establishment of the regional landing requirement policy.

- 1) Identification of problems that require emergency relief
 - A. What is an unavoidable circumstance? What is acceptable risk? How much exposure to danger is warranted?
 - B. Ice conditions that put vessel safety at risk
 - a) Determinations made by vessel captains, using prudent mariner rules
 - C. Natural events: earthquakes, tsunamis that preclude processing
 - D. Man made events: oil spills, medical catastrophes (flu epidemic, plague)

- 2) Identification of problems that do not require emergency relief
 - A. Market issues (price differentials between regions, competing foreign markets)
 - B. Loss of gear resulting from unavoidable circumstance
 - C. Reduction of fishing grounds from excessive ice coverage
 - D. Sudden desire, unusual or unexplained change of mind to deliver elsewhere

- 3) Possible remedies
 - A. Transfer of shares to holders of IFQ in another region willing to accept those shares from affected region.
 - B. Re-issuance of QS in following year to the region that did not receive shares due to emergency relief
 - C. Increase the proportion of B shares allowed by the program
 - D. No compensation to affected region

C-2(b) BSAI Crab Rationalization Program
Analysis of A/B Share Split, Alternatives for Analysis

Purpose and need statement:

The Bering Sea/Aleutian Islands (BSAI) Crab Rationalization Program is a comprehensive approach to rationalize an overcapitalized fishery in which serious safety and conservation concerns needed to be addressed. Conservation, safety, and efficiency goals have largely been met under the program. Many aspects of the program are complex. Moreover, unintended consequences have occurred through rapid consolidation. Dependencies on the binding arbitration system and inadequate data have complicated the implementation and assessment of this program beyond the Council's expectations at the time of development. The current rationalization program requires government monitoring and enforcement of many aspects of fishery operations that are typically, and perhaps more appropriately, managed through private negotiation and contractual agreements.

Experience under the BSAI Crab Rationalization Program has made apparent the need to analyze alternatives to status quo to achieve: a higher level of competition and efficiency in the processing sector; in-season flexibility; entry-level investment opportunities for active participants; and retention of rents by active participants. Elements of the program that have failed to provide anticipated benefits, such as some community protections, need to be recognized and re-crafted to reduce complexities and uncertainties experienced under the program.

Alternative 1: No action, status quo.

Alternative 2: Extinguish processor quota shares (POS).

Remove the PQS component from all BSAI rationalized crab fisheries. Maintain the following regionalization components for harvester quota shares:

Option 1) No regionalization.

Option 2) North region *C. opilio*, Pribilof red and blue king crab, St. Matthew Island blue king crab, and Bristol Bay red king crab owner shares. Assign a North region delivery requirement to a portion of *C. opilio*, Pribilof red and blue king crab, St. Matthew Island blue king crab, and Bristol Bay red king crab owner harvesting quota share (QS) holdings. C shares shall not be regionalized. The portion of regionalized QS shall be set such that 37 percent of all *C. opilio* harvesting QS are North region. The portion of the regionalized QS for species other than *C. opilio* to be delivered in the North region shall be set at the same percentage of the TAC as is currently established for those species. North region share deliveries will be subject to a system of binding arbitration.

Suboptions: Apply the North region designation as follows:

- a) based on initial allocation (adjusted proportionally by owner QS holdings such that the appropriate percentage of QS is designated North region).
- b) as a constant percentage to all *C. opilio*, Pribilof red and blue king crab, St. Matthew Island blue king crab, and Bristol Bay red king crab owner share holdings.

Option 3) North region *C. opilio*, Pribilof red and blue king crab, St. Matthew Island blue king crab, and Bristol Bay red king crab owner and C shares. Assign a North region delivery requirement to a portion of all *C. opilio*, Pribilof red and blue king crab, St. Matthew Island blue king crab, and Bristol Bay red king crab harvesting QS holdings. C shares shall be subject to a

North region delivery requirement in the same proportion as owner shares. North region share deliveries will be subject to a system of binding arbitration.

Suboptions: Apply the North region designation as follows:

- a) based on initial allocation.
- b) across all *C. opilio*, Pribilof red and blue king crab, St. Matthew Island blue king crab, and Bristol Bay red king crab QS holdings. The portion of regionalized QS shall be set such that the appropriate percentage of the listed species' QS holdings are North region.

Option 4) Maintain existing West/Undesignated regionalization of the Western Aleutian Islands golden king crab fishery.

Alternative 3: Increase proportion of open delivery shares; extinguish PQS in select fisheries.

Increase the proportion of open delivery shares in the Bristol Bay red king crab and *C. opilio* fisheries and remove the PQS and regionalization components in all other BSAI rationalized crab fisheries.

Suboption: Do not remove regionalization in other fisheries (where PQS is removed).

Option 1) Increase the proportion of B class IFQ (individual fishing quota) for owner shares in the *C. opilio* and Bristol Bay red king crab fisheries. Change the A/B split to

- a) 80/20.

Suboption: regionalize additional B shares

- b) 70/30.

Suboption: regionalize additional B shares

Option 2) Increase the proportion of C share quota in the *C. opilio* and Bristol Bay red king crab fishery. Change the 3 percent C share allocation to

- a) 6 percent
- b) 8 percent
- c) 11 percent
- d) 14 percent.
- e) 25 percent
- f) 33 percent.

Suboption: Regionalize additional C shares created

Suboptions: Use the following mechanism to achieve the increase:

- i) A pro-rata reduction in owner shares (distributed over a period not to exceed 5 years) to create C shares available for active participants to purchase. Owner share holders who meet active participation requirements would be able to retain their converted C shares.
- ii) A percentage re-designation of owner shares to C shares at the time of each transfer. The purchasing owner is required to comply with the active participation definition or divest of the C shares.
- iii) A pro-rata reduction of PQS (distributed over a period not to exceed 5 years) and conversion into C shares available for active participants to purchase through market transactions.

Option 3) Establish IPQ thresholds. The amount of IPQ (individual processing quota) issued in any year shall not exceed,

Suboption a) in the *C. opilio* fishery,

- i) 26 million pounds.
- ii) 45 million pounds.
- iii) 64 million pounds.
- iv) 112 million pounds.
- v) 157.5 million pounds (status quo).

Suboption b) in the Bristol Bay red king crab fishery,

- i) 12 million pounds.
- ii) 15 million pounds.
- iii) 18 million pounds (status quo).

Option 4) Allow harvesting quota holders to purchase PQS in the *C. opilio* and Bristol Bay red king crab fisheries as a means to increase the percentage of B designated owner shares through market transactions.

Increased level of B shares would be distributed to the purchasing parties (individuals or cooperatives). Allow a variable A/B share split by quota holder to reflect the buyers' purchases of PQS.

Suboption: Additional B shares would be subject to regionalization requirements.

Component 1 (applicable to non-PQS fisheries under Alternatives 2 or 3) – Increase the percentage of IFQ available exclusively to active participants in fisheries where PQS has been removed.

Options: Increase the amount of C share quota from 3 percent of IFQ to

- 1) 6 percent.
- 2) 8 percent.
- 3) 11 percent.
- 4) 14 percent.
- 5) 25 percent.
- 6) 33 percent.

Suboption: Regionalize additional C shares created

Suboptions: Use the following mechanism to achieve the increase:

- a) A pro-rata reduction in owner shares (spread over a period not to exceed 5 years) to create C shares available for active participants to purchase. Owner share holders who meet active participation requirements may retain their converted C shares.

- b) Re-designate a percentage of owner shares to C shares at the time of each transfer. The purchasing owner is required to comply with the active participation definition or divest of the shares.

Component 2 (applicable to non-PQS fisheries under Alternatives 2 or 3) – Restrict offshore movement of BSAI crab processing in fisheries where PQS has been removed.

Option 1) Except in the community of Atka, all processing must take place at a shorebased processing facility or on a stationary floating processor at a dock or docking facility (e.g., dolphins, permanent mooring buoy) in a harbor in a community that is a first or second class city or home rule city, except for CP-IFQ (catcher/processor individual fishing quota).

Option 2) All processing on catcher/processors (except for CP-IFQ) must take place while at a dock or docking facility (e.g., dolphins, permanent mooring buoy) in a harbor in a community that is a first or second class city or home rule city. A catcher/processor is any vessel that operates as a catcher/processor during the crab fishery year.

Component 3 (applicable to all Alternatives) – Impose a fixed vessel use cap on all vessels fishing C. opilio and Bristol Bay red king crab IFQs (cap would apply to vessels fishing inside or outside of cooperatives).

Options: Vessels are subject to use caps equal to the following poundage threshold, determined by fishery and season, averaged across the 2005/2006, 2006/2007, and 2007/2008 seasons:

- 1) 150 percent of the median vessel harvest (in pounds)
- 2) 200 percent of the median vessel harvest (in pounds)
- 3) 300 percent of the median vessel harvest (in pounds)
- 4) the average of the highest four vessel harvests (in pounds)

Component 4 (applicable to Alternatives 2 or 3, only where reductions in IPQ are not achieved through market transactions with IPQ holders) – Provide compensation to processors through harvester royalty payments.

Note that Congressional authority will be required to authorize NMFS administration of such a system. The annual rate paid by harvesters is to be no more than 5 percent of ex-vessel value, which is also the statutory rate cap for the fishing capacity reduction program in the BSAI crab fisheries.

Options: The total compensation per unit of PQS removed from a fishery shall not exceed

- 1) 0.75
- 2) 1.0
- 3) 1.5
- 4) 2.0
- 5) 2.5
- 6) 5.0
- 7) 7.0

multiplied by the average ex-vessel price per pound (by fishery and region) standardized to PQS units, averaged across the most recent 3 seasons. Since PQS is to be removed from the fishery, not IPQ, standardization to PQS units is necessary.

Suboption a) Select a single maximum multiplier to be applied in all fisheries to which this provision may be relevant.

Suboption b) Select a distinct maximum multiplier for each individual fishery to which this provision may be relevant.

Component 5 (applicable under Alternatives 2 or 3) –

Analyze options to compensate processors by reallocating PQS as CVO QS. Converted CVO QS would retain regional designations. This converted CVO QS would be added to the existing CVO QS pool.

Analyze different ratios for assigning PQS as CVO QS based on the following ratios. Each crab fishery may have a different conversion ratio. These ratios are based on rough estimates of the relative value of each PQS to CVO QS. This range could be expanded or modified based on further analysis.

- a) 1 PQS unit =- 0.5 CVO QS unit
- b) 1 PQS unit =- 0.4 CVO QS unit
- c) 1 PQS unit =- 0.3 CVO QS unit
- d) 1 PQS unit =- 0.2 CVO QS unit
- e) 1 PQS unit =- 0.1 CVO QS unit
- f) 1 PQS unit =- 0.075 CVO QS unit

Option: Regional Designation (different suboptions may apply to each fishery).

Suboption a) Assign regional designations to converted CVO QS

Suboption b) Do not assign regional designations to converted CVO QS.

Economic Data Reporting

The Council concurs with the industry and public review process for EDR metadata recommended by PNCIAC and outlined in its testimony and recommends the following:

1. That, consistent with Council direction, a public meeting between PNCIAC and staff be convened upon completion of the draft metadata table, to inform PNCIAC and other industry members about the draft table, underlying assumptions and related audit results;
2. That immediately following that meeting, a public review and comment period of no less than 45 days be established to provide feedback to staff;
3. That the staff evaluate the comments and recommendations provided by PNCIAC and the public, and incorporate those comments and recommendations where appropriate as a "second draft" to the metadata table;
4. That upon completion of the second draft, PNCIAC will organize a public meeting for a staff presentation of the revised metadata table; and
5. It is anticipated that final comments and recommendations resulting from this process will be provided to the Council by PNCIAC after the presentation of the second draft.

**PACIFIC NORTHWEST CRAB INDUSTRY ADVISORY
COMMITTEE (PNCIAC)**

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Date: May 6, 2008

Meeting Notes: PNCIAC Economic Data Report (EDR) Sub-Committee and Brian Garber-Yonts Meeting held Monday, April 21 at NPCA offices

In Attendance: Kevin Kaldestad, Ed Poulsen, Brett Reasor, Brian Garber-Yonts, Arni Thomson, Steve Minor, Doug Wells, Mark Gleason.

In our first meeting with Brian Garber-Yonts, the PNCIAC EDR sub-committee came to an agreement with Brian that there are significant problems with both the pre-rationalization data and the post-rationalization data; and that our first goal is to amend the EDR forms to collect better data going forward.

Introduction:

These comments are based on our first meeting, which lasted about two hours and only covered the first 9 pages of the 54-page metadata table. We look forward to our next meeting, on May 19.

Based on that first meeting and subsequent conversations, it is the opinion of the PNCIAC EDR sub-committee that (a) pre-rationalization data has significant problems, making portions unusable, but we think there are some additional/substitute data sets that can be used for near-term analysis; (b) there are a lot of problems with post-rationalization data (some detailed below) that should be addressed going forward by major revisions to the EDR forms.

Our first goal should be to get good data going forward.

Major Conclusions:

1. A lot of pre-rationalization data is of very limited or no value.

Example/Brian: "General findings about data quality are that validation of the '98 and 2001 data were limited by available support. Data submitters did not provide documentation for a large number of the variables that we audited, or I should say a large number of submitters did not provide adequate documentation and as a result we were not able to assess the accuracy of their data."

There were many other similar observations throughout the meeting as we discussed specific metadata table issues (see notes below).

2. There are also a lot of problems with post-rationalization data, because (a) EDR forms that are not capturing what is really needed/intended, (b) inconsistent accounting practices throughout the fleet that need to be (for the purposes of data collection) standardized, (c) unanticipated market-place behavior that can only be reconciled through redesigned EDR forms (lease rates, for example) and (d) the staff is still going through a "learning curve" regarding industry practices and program-driven behavior, which has led to the collection of some data that is irrelevant and some that lacks specificity for analysis.

Example/Brian: "Over the last few months we've been migrating the data from multiple sources into a relational database that we'll use for analysis..." Brian noted that during this process they've uncovered many problems, for instance "processor ID's changing...processor operations physically moving when that is not possible..."

PNCIAC will be recommending that, for purposes of the Council's 3-year review and other short-term analysis, staff consider using more reliable pre- and post-rationalization data to determine the success of the current program, including such measures as:

- i. For the harvest sector: Vessel participation, CPUE's, length of season (fishing days) SAR's and related reports, landings per vessel, total pots, , share of first wholesale values, etc.
 - ii. For crab-dependent communities: crab landings, processing days, vessel moorage, crab-related tax revenues, etc
 - iii. For the processing sector: Processing days, employment levels, share of first wholesale values, share of global market, taxes paid, etc
3. All agreed that it is important that the industry work with AFSC staff beginning in July to modify the EDR forms for Council approval no later than June, 2009; which will then allow better data collection to begin with the Fall 2010 fisheries. PNCIAC committed to developing a working group to do this.

When Edward Poulsen asked "what data that we're being asked for is important and what is not important?" Brian indicated that he wants to implement "major revisions to EDR process in order to par down info that is either not useful or can't be reliably determined..." Shortly afterward he proposed a 'Best Practices of Metadata Collection' effort. This led to the discussion about a working group, with a June 2009 deadline for Council action.

4. PNCIAC has called for a meeting on May 19 to discuss in detail the EDR metadata table. Materials for that meeting will be distributed the week of May 12. It is our understanding that AFSC staff will participate, and use the input from that meeting to undertake appropriate revisions to keep the metadata table development process moving.

Some Specific Issues from Meeting Notes:

1. AFSC has not taken into account the fact the a CP owner can in fact choose to operate as a floater or to deliver its CP IFQ to a shore plant on a fishery by fishery and year by year basis. There are also special CP conversion rules in the Northern Region. These business alternatives need to be understood and appropriate data collected; because they give rise to several potential problems, including:
 - A. In the Northern Region, CP's who also have ownership affiliations with initial recipients of QS and PQS holders are allowed more consolidation flexibility; and in a given year some shore-based IFQ and PQS may in fact be converted on a short-term basis to CP shares. The potential impacts – which range from community benefits to binding arbitration results - do not appear to be understood or accounted for in the data collection.
 - B. While operating as a CP, the vessel does not “pay” an ex-vessel price to a fishing vessel. While operating as a floater, they do.
 - C. While operating as a CP, the vessel is most likely producing an Ocean Run pack; while operating as a floater it is more likely the pack may vary.
 - D. Community impacts and benefits may be greater when a CP is operating as a floater, or electing to deliver its CP IFQ to a shore-based facility. Careful consideration to these relationships is necessary.

2. To better understand the context of the EDR process, the PNCIAC sub-committee has also reviewed the original (June 10, 2002) Council motion and has these questions concerning the relationship of that motion and the current metadata table and EDR process:
 - A. Section 6.1.14.B.1 states: *Information will be specific to the crab fisheries ...*

While PNCIAC understand that it may be necessary to collect some information beyond the rationalized crab fisheries (for instance, because some of the fleet also fishes cod or tenders salmon and this impacts the allocation of variable costs); we are concerned that AFSC may be reaching beyond the “necessary”. We would like to suggest:
 - i. A “Best Practices” approach to collecting EDR data be developed to see if we can realistically limit “reaching” into other fisheries and or extrapolating data with all of the inherent flaws that introduces.
 - ii. Any collection of non-crab fisheries data be clearly justified in the metadata table documents.
 - B. Section 6.1.14.B.3.a states: *Non-variable cost data shall be collected only as needed to explain and analyze variable cost data.*

We do not understand this one. Please be prepared to give specific examples.

C. Section 6.1.14.B.3 states: *Verification of Data. The third party collection agency shall verify data in a manner that assures accuracy of the information supplied by the private parties.*

Given the numerous comments in meetings, reports and documents about the lack of documentation, and the difficulty this has presented (particularly for the pre-rationalization data), PNCIAC believes there is very little allowance for arbitrary allocation of costs and revenues, unexplainably large deviations, the use of affidavits in place of original documentation and the like.

D. The use of COAR data to validate EDR data raises special concerns: because EDR data is collected based on a “crab year” (July 1 – June 30) and the COAR data is collected on a calendar year, it is likely that revenues and variable costs can be inappropriately assigned. *This was backward Coar is Calendar, EDR is crab year.* Further and maybe more significant disconnects exist in that: 1. COAR asks for estimated value of total calendar year pack regardless of actual completed sales (actual value of sales may be at significantly different price levels from COAR estimations), EDR wants only sales completed in crab year, value of inventory not captured, potentially for years; 2. COAR data will capture catch, pack and price data over two EDR cycles because EDR collects data across two calendar years fall and winter/spring of different years.

3. The use of pot cod for bait (“free bait”) vs. purchased bait. Some vessels use cod, some purchase bait, some do both; and with the recent increase in allowance for the use of pot cod for bait the inconsistencies in this data will grow. This is a significant issue for the industry/AFSC working group to address.

In addition, it is unclear to us how the AFSC will reconcile bait costs across fisheries and fishing years. In our meeting a number of alternatives already in use by the industry were discussed: by days fishing, by days operating and by “actual” cost. We believe this is another example of the need for a “Best Practices” guide for consistent EDR data collection.

4. Harvesting and processing sector lease rates are not accurately captured under the current EDR process. The lease rates are captured on the Transfer Application prior to fishing/processing, but most leases are based on post-season revenue sharing agreements, which are not currently captured. One must conclude that the current lease rate data is therefore practically unusable.
5. In addition to the *method* for capturing lease rate data, we believe that there also needs to be a distinction between *affiliated vessel leases* and *unaffiliated vessel leases* for analytical purposes. These discrete data sets are not currently captured.

6. Multi-vessel fleets use internal lease rates to reconcile other business issues, and we do not see how this information can be accurately captured. At a minimum, there must be significant consideration to the unintended consequences of trying to develop policy analysis without a full understanding of these sorts of internal business decisions. For instance:
 - A. Multi-fleet vessels that include both AFA vessels and “crab only” vessels often tinker with internal lease rates so that the crews on all of the fleet’s vessels are paid similar wages. Without these “internal adjustments” crewmembers that only fish one species often perceive themselves as underpaid in relation to their co-workers.
 - B. A similar situation exists within multi-vessel fleets that fish a lot of CDQ and/or leased IFQ; to spread the costs of those leases across all vessels, all landings and all crews.
7. As we understand it, AFSC has been using COAR data (along with other data sources) to validate the EDR data. Please be aware that there are significant COAR data problems that have come to light since implementation of the program, including:
 - A. Red King Crab data is highly suspect because it appears that the RKC data has been aggregated by some entities with the Pribilof Red and Blue King Crab and St. Matthews King Crab data. Those other king crab fisheries are distinctly different in value, harvesting location and levels of participation. The Council has directed industry to undertake an effort to clean up this data.
 - B. The “regionalized” Opilio data has significant problems, but for a different reason: a lot of the Northern Region Opilio history was developed on floating processors, but for several years the State was not capturing the precise locations for those operations. This is another issue, which the Council has asked industry to try to untangle.
 - C. Likewise, we believe that there are wide variations in some of the pre-rationalization data sets because of the nature of the compressed “race for fish” in the late-1990’s; characterized by one-trip seasons that lasted from a few to several days. The use of this data for comparative purposes should be undertaken with great caution.
8. We wish to acknowledge the AFSC’s “Quality Notes” pertaining to “days at sea” and “days fishing” data sets. As you point out, these data are not directly comparable. This is pretty basic data, and we think the problems associated with such straight forward data sets indicates the potential problems with data sets related to more complex industry behavior.
9. We note that some of the metadata table categories have significant audit-identified errors. In some cases it appears that these errors are a result of the lack of supporting

documentation, in other cases there appear to be a significant number of statistical outliers that raise concerns about the entire aggregated data set. As a first step towards better understanding these issues, we would ask that you include "audit charts" showing outliers in the metadata so that people can understand the scope and range of the problem and the specific method by which these errors are calculated.

10. We remain concerned about confidentiality issues raised by this process. As we understand it, Pacific States strips out specific identifiers (vessel name, quota holder id's, etc) but that the data still includes specific fish ticket identifiers. We believe that the use of fish ticket numbers to track data through the system is a very weak defense of confidentiality, particularly given the fleet's consolidation into larger and larger coop's that use the same fish ticket numbers for their own management purposes, and the general availability of that information within those large coops.
11. We believe that some consideration should be given to the idea of re-tasking Observer's to improve data collection. Over time, this may help limit the errors that are likely to continue to result from variations in industry accounting practices and statistical deviations because of audit issues.

Additional Notes:

The single biggest problem with drawing any conclusions from this data is that the time frame is too short. Because these data only include the first year of the rationalized fishery any attempt to reach conclusions will be seriously flawed.

The 2005-2006 crab year is by any measure an outlier itself marked by:

1. Lowest wholesale King crab prices in many years. (due to Russian imports)
2. Bottom of Opilio stock cycle, TACS at bottom of range. Historically low total pack value. TAC is now nearly double!
3. First year of rationalization only! All sectors going through major changes. Absolutely need 2006/2007 and 2007/2008 to understand trends.

PNCIAC EDR subcommittee comments and questions for meeting of May 19, 2008

General:

- Need to have statistical terms defined, what variables they are using to calculate the results, the actual formula they are using should be defined, mean % error should be ignored and instead only Mean(absolute(% error)) should be used otherwise average together error that is + and - and may make error look not as bad.
- There is lots of error in the data and not much is supported. What is supported? I've submitted scratch notes which I'm sure they say is supported.
- Are CP and Catcher vessel data combined in any of this? That will screw it up.
- When errors in the data were found, did they get corrected or are they still there?
- Using this data without stratifying based on vessel size class will give poor results... a 58' limit seiner is being lumped in with a 200' mud boat and they are completely different.
- Did any of the pre-rat EDRs include a prolonged strike? This was pretty normal and was a big expense for boat owners and prolonged the days away from home for crew.
- The EDR does not capture costs from salaried employees (port engineer, bookkeeper, etc.), management fees, office expense, debt, etc. so foolish to think that there is any way to compare pre and post rat and these overhead costs are probably drastically different pre and post rat (people buying quota, hiring a formal manager, attorneys, accountants, etc).

of Days Crab Fishing, Travelling, Offloading, etc:

- Pre Rat, data is not good especially for red crab. Is a 50 hr red crab season 2 or 3 days? Can cause 50% error depending on how NMFS wants the data.
- Most people used fish ticket data to determine this and that data includes running time and waiting time at processor.
- Are days on strike included? If not, data is not accurate pre-rat.
- If owners don't have good logbook data, this is worthless.
- EDR doesn't capture time travelling between Dutch/Seattle. This is expensive for owner and are extra days crew is on boat.
- Comments say that Days Fishing is not comparable pre and post rat which is huge as any analysis of pre and post rat should be looking at revenue and expense per day, not in total as that is skewed by quota size.
- CPUE of post rat fisheries is much higher than pre rat and if you can't compare days fishing pre and post rat, this won't come out in the EDR analysis and is critical to determine if crew in particular have a "good deal" or not (i.e. money made for time spent).
- EDRs don't capture days crew spent rigging up/working on boat in homeport or rigging gear in Dutch pre-season. Again, this costs boat owner money and is more days crew spends on job that isn't captured.
- Lots of error in this data.

Fish Ticket #:

- Can NMFS link to actual fish tickets for a majority of the crab and actually tie out the EDR data?

Crab Landing Revenue:

- Why no validation results for this?

Owner IFQ Allocation:

- Can be difficult to separate out LBS owned by vessel owner when the owner may own interest in many boats and LBS in one entity- have to allocate lbs between boats owned.
- If transferring IFQ during season, not always easy to determine if owner lbs or leased lbs are being transferred.
- No validation results.

Quota Lease Cost:

- How to deal with overage when vessel catches crab but receives no income. Some vessels in coops purposefully fish last since vessels before it had overages and will have to give 100% of income to last vessel who owned the overage quota so last boat fishes less with less expense but gets 100% of income. This skews data.

- Can't compare CDQ lease cost pre rat to post rat lease cost as it is not directly comparable as in most cases CDQ groups own portion of boat fishing CDQ quota pre rat.
- Does aggregate lbs of leased and owned lbs match TAC to tie out the info submitted?
- How to deal with situation where crab is "pooled". For example, my 3 boats pool revenue and crew is paid based on the % of quota that boat delivered out of our fleet total so that crew of a particular boat doesn't get impacted if they deliver a majority of crab to a poor paying processor etc. Or in the past, we pooled opilio and bairdi together between our 3 boats so that we could motivate a boat to fish opilio- this has a huge impact as we fished 25% of the bairdi that year and we are absolutely skewing data on bairdi.
- Can't use EDRs to calculate the average royalty rate as the royalty changes every year and generally is based on ex-vessel. So this year, ex-vessel was \$1.80 or so and royalty was 50%, but if ex-vessel had been \$1.00 royalty would have been much less. Simplistic to say royalty on opilio is 50% or 70% on red crab as it is only true if ex-vessel is high.
- No validation results.

Coop/Program/Landing Tax Fees:

- In regards to coop, program, and landing tax fees, these are generally shared between the boat owner and quota owner leasing out quota but I don't think that is captured accurately in EDRs. I think it will appear that these costs are 100% born by boat owner. If red crab royalty is 70%, then owner of the quota is technically paying 70% of these fees.

Crab Labor:

- # of crew metric is useless as every vessel that does multiple trips has crew coming and going either through quitting/firing or a rotation. This will drastically overstate the true amount of crew and understate the true crewshare on the vessel at any one point in time. Also, sometimes we have started a season with 8 guys but ended with 5 guys. Skews EDR data.
- EDR data also doesn't track how hard crew works pre/post rat. Pre rat for a 3 day red crab season, crew doesn't sleep. Post rat vessel shuts down and less effort per day for crew.
- Brian's comments say the data is good but mean absolute error and Standard Deviation are not good at all.
- Pooling quota between boats owned by the same entity skews results.

Vessel Costs:

- All this stuff creates problems with allocating cost between fisheries and is highly suspect.
- Error in the Insurance category is huge and totally worthless. This is a significant vessel expense that is not accurate.
- Also, post rat, insurance claims won't be settled by the time EDRs need to be submitted.
- Bait is also worthless. Everyone allocates different. Huge error in validation results.
- Fuel is also worthless. Everyone allocates different. Huge error in validation results. I'd guess standard practice is that during a good year, owners would fill the boat up after red crab for tax planning purposes skewing results.

Tax Costs:

- Comments says no known data quality concerns but error is 30% in 1998.

Coop Costs:

- I'm sure this isn't consistent between submitters. Shows owner of boat paying 100% of fees when in reality it is shared with owner of quota.

EDR Questions (May 19, 2008 PNCIAC Meeting)

PSMFC developed a process to review the data contained within submitted EDRs, including verification of audits for those EDRs containing odd or suspicious data values, and conducting random audits for a certain percentage of those submitted EDRs [1, p. 1].

- Why did you audit only a percentage of vessels with suspicious data?
- What was done about “*odd and suspicious data?*”

Review/Audits

Critical Review

- What does ... *the EDR database was synthesized and analyzed to identify data outside of relevant ranges* [1, p. 3] mean?
- How were *relevant ranges* of all variables determined within and across the **heterogeneous** CV and CP fleets and the processing sector?
- Exactly how were outliers determined and for which variables?
- What was done when outliers were found?

Random Audits

- Why were random audits conducted on only a subset of variables, referred to as “*key*” data [1, p. 3]? What distinguishes a “*key*” variable from other, non-key variables?
- Which variables were audited/unaudited and why?
- If a variable is deemed non-key, why was that data collected at all?
- How were errors determined?
- How were the audit results judged within and across the **heterogeneous** fleets and processors?
- Did the audit process change over time? If so, why?
- Since non-key variables were unaudited, wouldn’t one presume greater unknown errors persist? If so, how is that accommodated in subsequent analysis?
- The finding data that data generally were supported by documentation raises a question about consistency of documentation across firms. Was documentation standardized across firms?
- What types of documentation were offered? Please provide percentages totaling 100%.
- Which types of documentation were deemed acceptable/unacceptable and why?
- If different audit documentation standards were applied, how can one infer consistent data quality?

Validation/Outlier Audits

- Validation of certain variables was based on outside sources, like fish ticket and COAR data. Yet, these data are known to be flawed. How do you validate based on flawed data?
- ... *the relationship of EDR data to fish tickets was close to one, indicating limited variations in revenue reporting on the EDR* [1, p. 4]. Since variations can be offsetting, were these comparisons on an individual enterprise level or for the aggregate fleet?
 - Were any entities not close to one? If so, what did you do about that?
- *The outlier audits focused on EDRs that had a significant number of outliers in the analytical review. Once a vessel was identified as an outlier audit, it was subject to the same variables as the random audit* [1, p. 5].
 - What constitutes a significant number of outliers and in which variables?
 - Why did you focus the audit on the limited set of “key” variables?
 - Were other non-key variables subjected to the outlier test during the analytical review and if so, did outlier tests on these non-key variables ever help qualify a vessel for an outlier audit?

It would appear that one of the audit goals was to help improve the survey design.

- Please explain how?
- If it was found that the survey needed to change, doesn't that imply the prior year's data is suspect?
- What variables were affected by the change in survey design?

No supporting documentation

- What was done about unsupported data?
- The statement that lack of support ... *does not indicate that the information is incorrect* [1, p. 6] does not address the flip side. It certainly does not indicate that the unsupported data is correct. Moreover, lack of support certainly is cause for concern. If not, why not?

No Data

- What was done about this?

Summary Findings

- An audit summary is reported for “*All Variables-by Fishery* [1, pp. 7-9], yet only *key* variables were audited. How can any claim be made about the quality of unaudited, non-key variables?
- The summary does not provide any insight *by Fishery*. Were the results identical across all fisheries? If not, how did the results differ by fishery?

- *The incidence of unsupported data frequently lies within one or two variables requested* [1, p. 7]. Which variables and which fisheries/regions?
- *Unsupported data generally appears reasonable relative to other data ...*[1, p. 11]. What does *reasonable* mean in both a quantitative sense and qualitative sense?

Other

- One would expect substantially different operating costs and even revenues (especially in a long opilio season) across the northern and southern regions. Yet, there is no mention of regionalization in the EDR reports. Why?
- How were regional data collected/differentiated?
- If regional data were not collected, how can the EDR data be used to address its statutory goal of analyzing the impact of the crab rationalization program?
- How is IFQ Lease Cost measured when there is no standard payment method (e.g., with or without crew share deductions)?
- How can the IFQ Lease Cost be measured when it is proportional to the final price and binding arbitration results are not known prior to the May 1 EDR submission deadline?
- Is there a lease cost differential in the open market vs inside of a co-ops?
- If so, was this differential captured in the data?
- Labor information and revenue sharing is not standardized across the fleet.
 - How is the true cost of labor known when only the share is requested?
 - Crew shares differ depending on deductions from gross revenue. How was this captured in the EDR data before and after IFQs?
 - Some vessels charge an IFQ deduction on all IFQ pounds, others charge a deduction for only leased or purchased IFQ pounds. How was this accounted for in the EDR?
 - If not accounted for in EDR, how can the impact of the crab rationalization program be measured/defended?
- Calendar year crab pot/line purchases were recorded.
 - How is this information to be used?
 - Since fleet consolidation led to much more gear being fished on active vessels, how do you know the purchase of additional pots has anything to do with the variable cost of pot loss?
- How is hull insurance a variable cost item?
 - Aren't vessels insured whether or not they are crab fishing?
 - How should one attribute insurance costs to particular seasons/off-seasons?
- How are bait purchases attributable to a particular fishery when it is kept frozen and held over to a different fishery?
 - How is bait cost calculated for vessels that catch their own bait?
 - Is bait cost paid by the vessel owner or is it deduction before crew share payment?

- How are fuel and lubrication purchases attributable to a particular fishery when time of purchase does not mean time of use and travel to and from Seattle is not allowed in EDR?
- How are food provisions for crew treated when, in many cases, they are deducted from the gross before crew share settlement?
 - How do you know when such deduction does/does not occur?
- What are freight costs for landed crab?
- What are storage, wharfage and delivery?
 - Why are these variable costs?
- How are Repairs and Maintenance:
 - Defined consistently across the fleet?
 - Attributable to crab only?
- Please explain how all *Annual Vessel Costs, Annual Totals for All Fisheries* [Annual Surveys, various years] or any other fixed costs that are collected by EDR) are justified as ... *needed to explain and analyze variable cost data* [Amended Motion §680.6.1.B.a, p. 21].”
 - If not *Crab Only Costs*, how can these data be used to *explain and analyze variable cost data*.

Data Improvement by 2006 Calendar Year

- There appears to be consistency and quality differences between the 2006 calendar year and the prior years. How might this impact a credible analysis of how the crab rationalization program affected CVs, CPs and processors?
- How many variables were collected for CVs, CPs and processors?
- How many *key* variables were collected for CVs, CPs and processors?
- The fact that an approximately equal number of errors were above and below the mean provides no insight into magnitude of errors. Can you provide ranges and means?
- It seems the graphical representation of precision misrepresents statistical precision for a variety of reasons, not the least of which is ... *unsupported EDR values were not included in the graphs* [2, p. 13].
 - Doesn't this statement imply the graphical depiction of results overstates precision, possibly in a large way?
 - Doesn't an audit of only *key* variables also lead to an overstatement of precision?

PSMFC Report “Historic Economic Data Report (EDR) Data Collection Difficulties [3]”

General observation: This is a very insightful document that raises a number of serious questions concerning EDR reliability for use in assessing whether the program goals were achieved. The document mostly can stand alone but a few issues deserve amplification and further explanation.

May 1 due date

- The EDR due date of May 1 means binding arbitration results are largely absent from the data. Has the data been corrected for BA results?

Days at Sea [3, p. 8]

- Since travel to and from Seattle was improperly included in the EDRs, was it removed?
- If removed, how was the travel expense determined for different vessels?
- If not removed, why not?

Number of Pots Lost [3, pp. 5, 7]

- The suggestion by some vessel owners that number of pots lost is meaningless and should be replaced by number purchased does not address: a) pot purchases to fish additional quota and b) life of a pot. How were these issues addressed so as not to over- or understate variable operating costs?

Deadloss

- How was deadloss handled and was it consistently reported across years?
- What are the implications of including deadloss?

Total Crew Share Payment

- Did EDR capture (for all vessels) the actual total payment to crew, by fishery, regardless of vessel-specific share and deduction policy?
 - Please explain why/why not and how you know?
 - Is this cost category consistent across years for all vessels?

Citations

1. Pacific States Marine Fisheries Commission. Alaska Crab Economic Data Reprt Validatioin; 1998, 2001,2004, 2005. May 2007.
2. AKT. Alaska Crab Economic Data Report Data Validation (Prepared for Pacific States Marine Fisheries Commission); 2006 Calendar Year. January 2008.
3. Tyler, Gena. Historic Economic Data Report (EDR) Data Collection Difficulties. February 22, 2008.

**PACIFIC NORTHWEST CRAB INDUSTRY ADVISORY
COMMITTEE (PNCIAC)**

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May 19, 2008

PNCIAC meeting minutes for May 19, 2008

Committee area and species: Bering Sea and Aleutian Islands king, tanner and snow crab

Committee present: Steve Minor, Chair; Keith Colburn, Tom Suryan, Kevin Kaldestad, Garry Loncon, Lance Farr, Phil Hanson, Arni Thomson, Secretary (non ~~Advisag~~): Gary Stewart, Rob Rogers, Vic Scheibert, Gary Painter.

NMFS and NPFMC present: Ron Felthoven, Brian Garber-Yonts, Pat Livingston, Dave Colpo, Mark Fina.

Industry present: Walt Casto, FV Pinnacle; Dale Schwartzmiller, PPSI; Mark Gleason, NPCA; Edward Poulsen, Sea Boats Coop; Brett Reasor, UNISEA; Doug Wells, Kanaga Fisheries.

Meeting notes:

Agenda: In reference to the PNCIAC meeting minutes of February 28, 2008, and to the North Pacific Fishery Management Council newsletter from the April 2008 meeting, page 4, the PNCIAC plans to initiate the process of industry review of the the Metadata table and related documentation, which is part of the mandatory economic data reporting (EDR) process for the BSAI Crab Rationalization program. Following the review, PNCIAC will develop recommendations and report back to the Council on the output of that process. NMFS representative, Brian Garber-Yonts will attend to summarize the Metadata table, and respond to questions regarding content and revision of the EDRs.

Call to order: 9:16 a.m.

Discussion:

At the opening of the meeting, the Chair of PNCIAC, Steve Minor noted that per the agenda, the purpose of the meeting was to discuss and evaluate the NMFS BSAI Crab Economic Data Report Data Base METADATA table.

The Chair, on behalf of members expressed concern about the late arrival of the METADATA Database from staff, via email, just two hours prior to the meeting, and insufficient time to review and analyze the complex tables. Therefore, this meeting is to be considered an introduction/overview of the metadata table by PNCIAC. Comments and questions arising from the meeting will be collected by the

PNCIAC EDR sub-committee and submitted to NMFS staff in late June. Following incorporation of the comments into the draft metadata table, another PNCIAC-sponsored meeting between staff and industry will be held at a mutually convenient time and location.

The real issue at hand is the industry is questioning the general nature and relative accuracy of the metadata, and subsequently the EDRs, to accurately characterize the BSAI crab industry, pre-rationalization years, versus post-rationalization years going forward.

PNCIAC submitted two sets of questions and comments prepared by the subcommittee and asked NMFS staff to respond back at the next meeting of the PNCIAC EDR subcommittee. The two sets of questions are attached to these minutes, along with the notes from the PNCIAC subcommittee meeting with Brian Garber-Yonts on May 6, 2008.

The two sets of PNCIAC questions cover the gamut of questions and responses between PNCIAC members and the NMFS at the May 19th meeting, and it would be redundant to repeat the exchange in these minutes. However, for the sake of brevity a partial list of the concerns is provided to give readers a sense of the issues:

- The METADATA Database handout is printed on 11 x 17 inch paper and there are 24 pages, to illustrate the breadth and depth of information that is needed for the EDR forms.
- Have links been constructed between the data bases so they are relational? Not yet.
- There are questions about audited variables and those that are not audited.
- There is only a single universe of vessels, with no breakdown by size class or capacity, and how this relates to today's active fleet.
- AKFIN is starting to build metadata into data collection to ease analysis by other data users that may be less familiar with the industry, therefore the datasets must provide an accurate snapshot of the industry.
- Definitions are unclear, one big concern is the term "days-at-sea"; the impact of strikes and layups due to ice on this type of measure, and the capture and calculation of rigging gear and other vessel work as it relates to
- ~~labor analysis~~ Compensation of crew is a major thrust of the EDRs, so reporting on this issue needs to accurately represent the issue.
- Fina suggested a check box to determine if compensation was for fishing, or does it also include gear/vessel preparation. Data collection method must be
- ~~NMFS~~ noted that when focusing on metadata, we need to make sure trust is in place, industry needs to think of EDR improvement as an ongoing
- ~~Fina~~ stated that one of the purposes of the EDRs is to determine whether owners are charging royalties on the quota they own as well as the quota they lease. There are so many different types and reasons for internal, external and intra-fleet transactions it is difficult to determine how much a person ultimately being paid for the crab he harvests. One participant

pointed out that this entire effort may be misplaced, since the real question is “how much is crew being compensated”.

- It was noted that getting at royalty rates is going to be extremely difficult, this is due in part to most royalty agreements being tied to ex-vessel prices and revenue sharing agreements rather than a single price.
- It was further noted that over time with enough observations, the analysts will be able to pick this up, but it will not be available for the 3 year review.
- Fina also noted that currently there is not enough crew data available to be worthwhile. This needs to be addressed in the EDR re-design. The State of AK and SWAMC crew data base could be a good venue, but it will not be operational for some time.

The meeting closed with plans for the PNCIAC subcommittee to provide comments on the METADATA tables to NMFS by June 28th. Following that, NMFS will post changes to their EDR web site. A public notice will identify the web site, which will be circulated to industry by the NPFMC and the NMFS.

The meeting was adjourned at 11:50 a.m.

Respectfully submitted,

Steve Minor, Chair
PNCIAC

Chairman, Members of the Council.

My name is Owen Kvinge and I am the Captain of the crab vessel North Sea. I've been fishing crab in the Bering Sea and Aleutian Island for the past 25 years. I made the decision to become a crab fisherman 25 years ago and with my wife pregnant with our third child. It looks like I'll be fishing for another 25 years.

During my career I've seen many changes in the industry from 72 hr. derbies to months long Opie seasons.

Crab fishing has never been a steady income or steady employment until now. Rationalization has created steady jobs and a more secure income for myself and crew.

We're able to hire crew for year round employment not one trip derbies. Our crew turnover has become minimal because of the steady year round jobs

The program the council spent years developing is working well and benefiting the participants in the fishery.

Capping the individual boats is taking away our ability to have good paying jobs

The intent of the program was to improve the industry which it has.

I urge you to keep the program status quo.



F/V North Sea

My name is Damien Catala and I started crabbing in January 2001. Between that time and the start of rationalization, crabbing was a part time job. With that came other part time jobs to make ends meet. I do not want to see a vessel cap limit put into place. For one I am in this for the long haul this is my future.

If there is a cap put on vessels many crabbers will only see this as short term. There is no sense in crabbing just to work and push your body to the limits as well as leaving wives and children if you're not compensated for it. Believe me if there was a volunteer program to crab fish I guarantee no one who has had experience crabbing would volunteer. As a result you will see and lose many experienced crabbers who will find other jobs outside of fishing that will financially benefit their families. In result inexperienced deckhands will find their way aboard boats to only gain a quick paycheck. In return, less time on the water results in a higher risk of danger. You can argue that more time on the water will increase the chance of injury. But as a crew and team with experience you quickly find out how to handle yourselves in adverse conditions and stick the experienced ones were needed.

Also with a vessel cap limit you will see more boats come into play. Was the vessel buyback program pointless? How much more complicated can this get?

If there are numerous displaced crabbers where are they? I have yet to see people lining up on the docks trying to get a job. We have been in many situations where it took an awful lot to get a replacement. If I was out of a job I'd go to where the money and demand was. I would make my contact information available.

Do not impose a fixed vessel use cap. A vessel use cap may make sense to someone who doesn't go out and crab fish for a living, but for me it doesn't. Issues concerning human lives should not be taken lightly. Statistics have shown that the mortality rate has decreased from what it was before. Putting a vessel use cap on crabbing will punish men for choosing this occupation.

Damien Catala

F/V NORTH SEA

June 6, 2008

Mr. Eric Olson, Chairman
NPFMC
Anchorage, Alaska

Testimony on Agenda Item C3(b) Long Term Protection of Crew

My name is Robert Thelen, I am the engineer on the crab fishing vessel North Sea. I currently work for the Coastal Villages Region Defense Fund and I have spent the last 23 years in the Bering Sea crab fisheries. After 3 years of rationalization, I believe the program is working well.

Prior to rationalization, I was having to supplement my crabbing income by working other non-fishing jobs. Now I can finally support my family by crab fishing, which is what I want to do. Instead of barely getting by, I now make a decent living from crab fishing.

To put vessel use caps on the crab quotas, would likely drive me out of the fishery, or at least force me to once again pick up other work to supplement my income. Vessel caps would be a step backward for rationalization as it will limit the boat's revenue and reduce my income.

Long term crew protection of the crew has been talked about a lot lately. I think it can be agreed upon that a long term crew means a more professional crew. This is what we are striving for. Vessel use caps that limit the amount of quota a vessel can fish will discourage the long term protection of the crew.

We all knew rationalization was going to eliminate some jobs, the buyback alone displaced 125 crewmen, but that was planned for.

I honestly believe that the professional crabbers are still crabbing. Most of what we eliminated were the so-called "Hollywood" or "turn key" deck men. These were the guys that didn't do shipyard work and didn't do the gear work. They flew in before the season opened, and flew out right after the closure. A professional crew man does shipyard work on the boat, gets the pots ready for the next season and puts the gear away after the season closes, and brings the boat home, or readies it for the next season. I believe the professionals are what we have now. Most of the lost jobs were the "hollywoods and the turn keys."

We still have jobs opening up on our boats, and we still have trouble filling those jobs with qualified people who have the desire to be professionals. After 23 years in the industry, I have seen a lot of faces come and go. The people that I have known throughout the years that were solid fishermen, they are still crabbing.

I receive phone calls before each season, people asking if I know anyone looking for a man because they have a position to fill.

I plan on being a long term crew member. I own C shares and I plan on buying more in the near future. I hope the NMFS guaranteed loan program is put in place soon that will enable me to purchase more C shares while I am still an active participant in the fishery.

Rationalization may not be perfect, but it is working well. I feel I am working in a safer environment, we now come inside to ride the storms out. Because of the increased revenue since rationalization, the boat is in much better condition than it was prior to rationalization and it is a safer platform.

Robert Thelen
FV North Sea



Assumptions:	
% of TAC Owned (No Royalties)	0.50%
Days traveling from/To Dutch	15
Days working on gear/boat	20
Total Net Crew Share %	36%
Number of Crew	6

Pre and Post Crab Rationalization Revenue Analysis

Prepared by Edward Poulsen

May 29th, 2008

Source: NPFMC Crab SAFE Document 2007

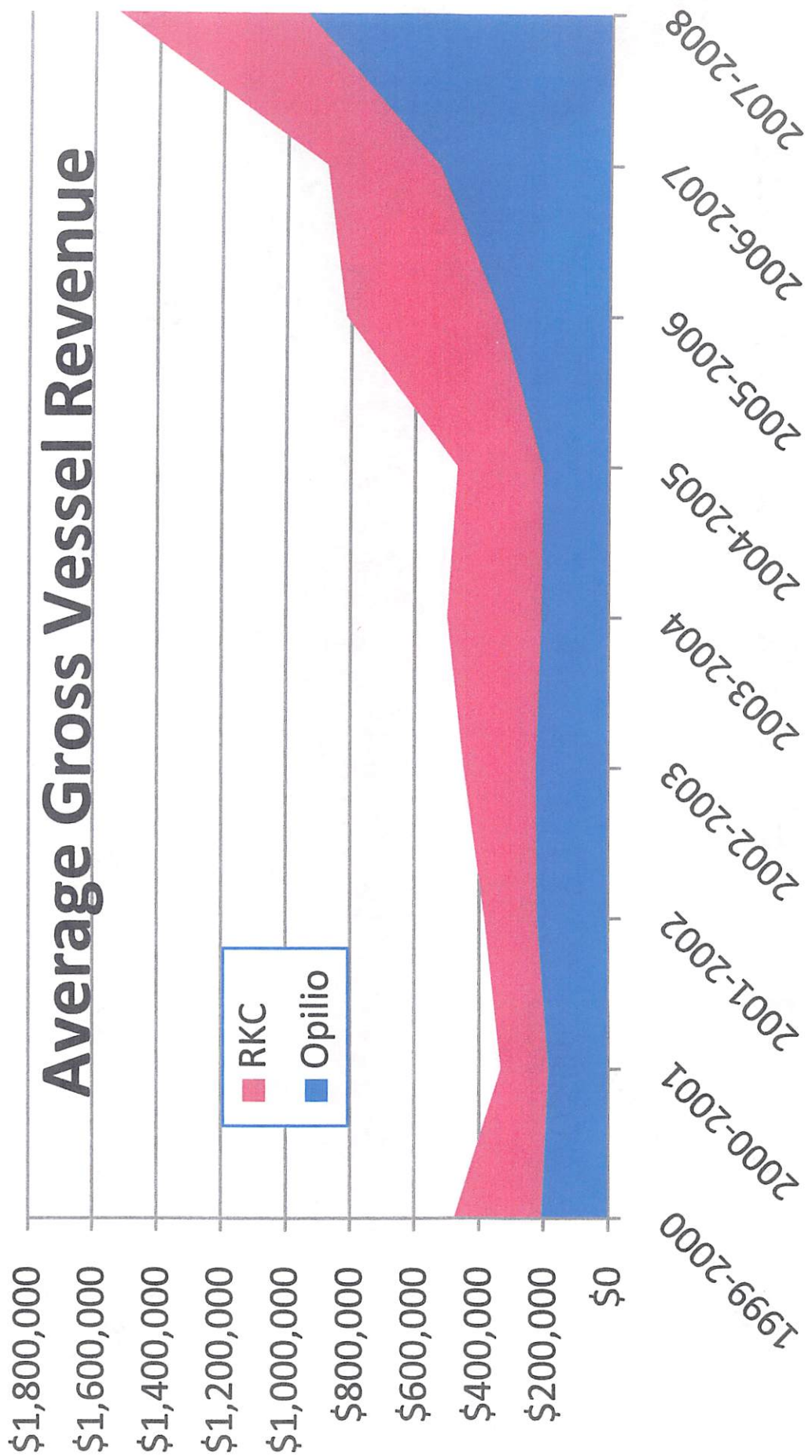
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Bea Opilio Crab	Pre-Rationalization						Post-Rationalization		
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Vessels Fishing	229	207	191	192	189	169	78	69	73
CPUE	137	97	76	154	157	239	204	332	340
Price	\$1.81	\$1.53	\$1.49	\$1.83	\$2.05	\$1.80	\$1.13	\$1.65	\$1.78
Royalty	0%	0%	0%	0%	0%	0%	50%	50%	50%
Lbs/Crab	1.3	1.4	1.3	1.2	1.3	1.4	1.5	1.3	1.3
Pots/Day	92	30	63	74	63	57	55	55	55
Average Catch	115,284	122,222	149,215	123,438	102,116	114,793	429,487	478,261	776,712
Amt Caught Non-Royalty	115,284	122,222	149,215	123,438	102,116	114,793	167,500	165,000	283,500
Amt Caught Royalty	-	-	-	-	-	-	261,987	313,261	493,212
Days Actually Fishing	7	30	24	9	8	6	26	20	32
Gross Revenue for Opilio	\$208,664	\$187,000	\$222,330	\$225,891	\$209,339	\$206,627	\$337,298	\$530,690	\$943,589
Revenue/Fishing Days Opilio	\$29,809	\$6,233	\$9,264	\$25,099	\$26,167	\$34,438	\$13,217	\$26,340	\$29,533
Opilio Total Crew Share	\$75,119	\$67,320	\$80,039	\$81,321	\$75,362	\$74,386	\$121,427	\$191,048	\$339,692
Opilio Average Crew Share	\$12,520	\$11,220	\$13,340	\$13,553	\$12,560	\$12,398	\$20,238	\$31,841	\$56,615
Opilio Crew Share/Days Working	\$10,731	\$2,244	\$3,335	\$9,036	\$9,420	\$12,398	\$4,758	\$9,483	\$10,632
Opilio Average Crew Share/Days Working	\$1,789	\$374	\$556	\$1,506	\$1,570	\$2,066	\$793	\$1,580	\$1,772
Pots Pulled Per Boat Opilio	647	900	1,510	668	500	343	1,404	1,108	1,757
Crewman \$ Earned Per Pot Pulled Opilio	\$19	\$12	\$9	\$20	\$25	\$36	\$14	\$29	\$32

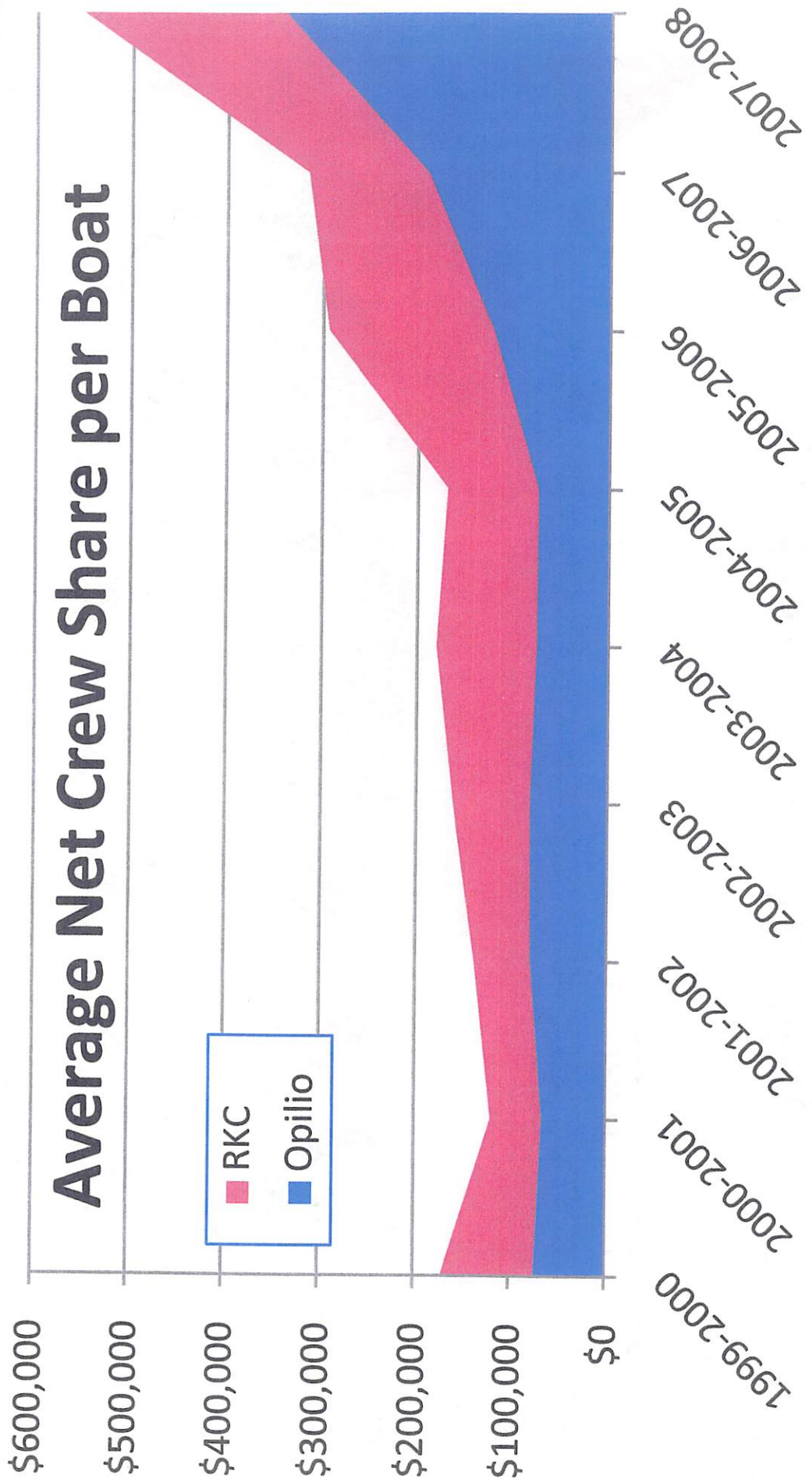
Red King Crab	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Vessels Fishing	257	246	230	242	252	251	89	81	81
CPUE	12	12	19	20	18	23	25	34	28
Price	6.26	4.81	4.81	6.14	5.08	4.71	4.24	3.48	4.46
Royalty	0%	0%	0%	0%	0%	0%	70%	70%	70%
Lbs/Crab	6.1	6.5	6.5	6.4	6.2	6.8	6.7	6.4	6.7
Pots/Day	118	98	83	102	101	109	90	90	90
Average Catch	43,077	30,675	33,854	36,598	57,655	56,225	185,151	171,507	225,926
Amt Caught Non-Royalty	43,077	30,675	33,854	36,598	57,655	56,225	82,500	69,460	91,500
Amt Caught Royalty	-	-	-	-	-	-	102,651	102,046	134,426
Days Actually Fishing	5	4	3	3	5	3	12	9	13
Gross Revenue for RKC	\$269,661	\$147,549	\$162,838	\$224,715	\$292,889	\$264,819	\$480,372	\$348,258	\$587,952
Revenue/Fishing Days RKC	\$53,932	\$36,887	\$49,345	\$80,255	\$57,429	\$80,248	\$39,112	\$39,767	\$43,939
RKC Total Crew Share	\$97,078	\$53,117	\$58,622	\$80,897	\$105,440	\$95,335	\$172,934	\$125,373	\$211,663
RKC Average Crew Share	\$16,180	\$8,853	\$9,770	\$13,483	\$17,573	\$15,889	\$28,822	\$20,895	\$35,277
RKC Crew Share/Days Working	\$19,416	\$13,279	\$17,764	\$28,892	\$20,674	\$28,889	\$14,080	\$14,316	\$15,818
RKC Average Crew Share/Days Working	\$3,236	\$2,213	\$2,961	\$4,815	\$3,446	\$4,815	\$2,347	\$2,386	\$2,636
Pots Pulled Per Boat RKC	588	393	274	286	517	359	1,105	788	1,204
Crewman \$ Earned Per Pot Pulled RKC	\$27	\$23	\$36	\$47	\$34	\$44	\$26	\$27	\$29

Combined Opilio/Red King Crab	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Total Days Working	47	69	62	47	48	44	73	64	80
Gross Revenue for Year	\$478,324	\$334,549	\$385,168	\$450,605	\$502,227	\$471,446	\$817,670	\$878,948	\$1,531,541
Total Revenue/Total Days	\$10,177	\$4,849	\$6,182	\$9,628	\$10,441	\$10,642	\$11,232	\$13,754	\$19,065
Total Crew Share	\$172,197	\$120,437	\$138,661	\$162,218	\$180,802	\$169,721	\$294,361	\$316,421	\$551,355
Average Crew Share for Year	\$28,699	\$20,073	\$23,110	\$27,036	\$30,134	\$28,287	\$49,060	\$52,737	\$91,892
Total Crew Share/Total Days Worked	\$3,664	\$1,745	\$2,226	\$3,466	\$3,759	\$3,831	\$4,043	\$4,951	\$6,864
Average Crew Share/Total Days Worked	\$611	\$291	\$371	\$578	\$626	\$639	\$674	\$825	\$1,144

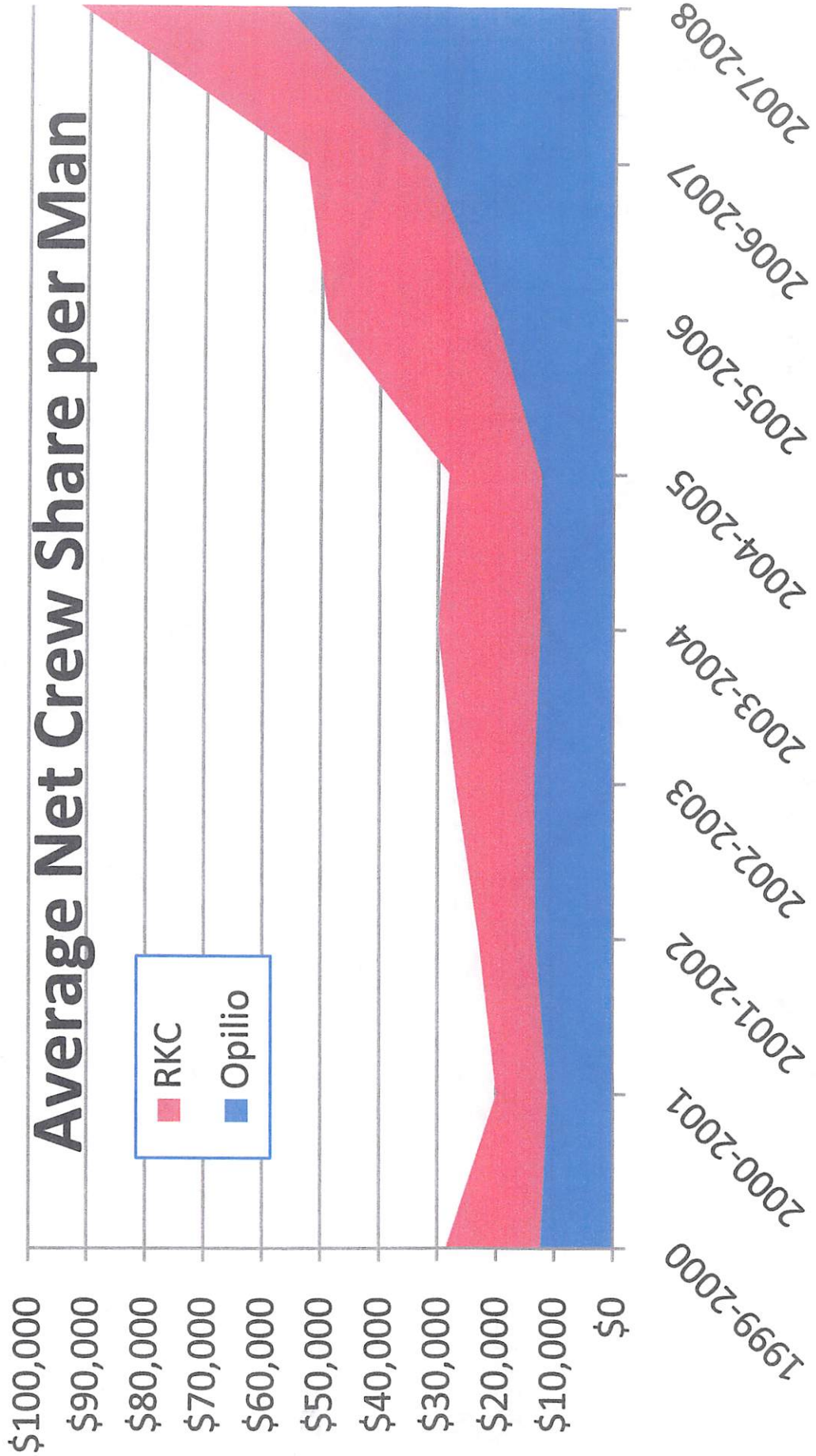
Average Gross Vessel Revenue



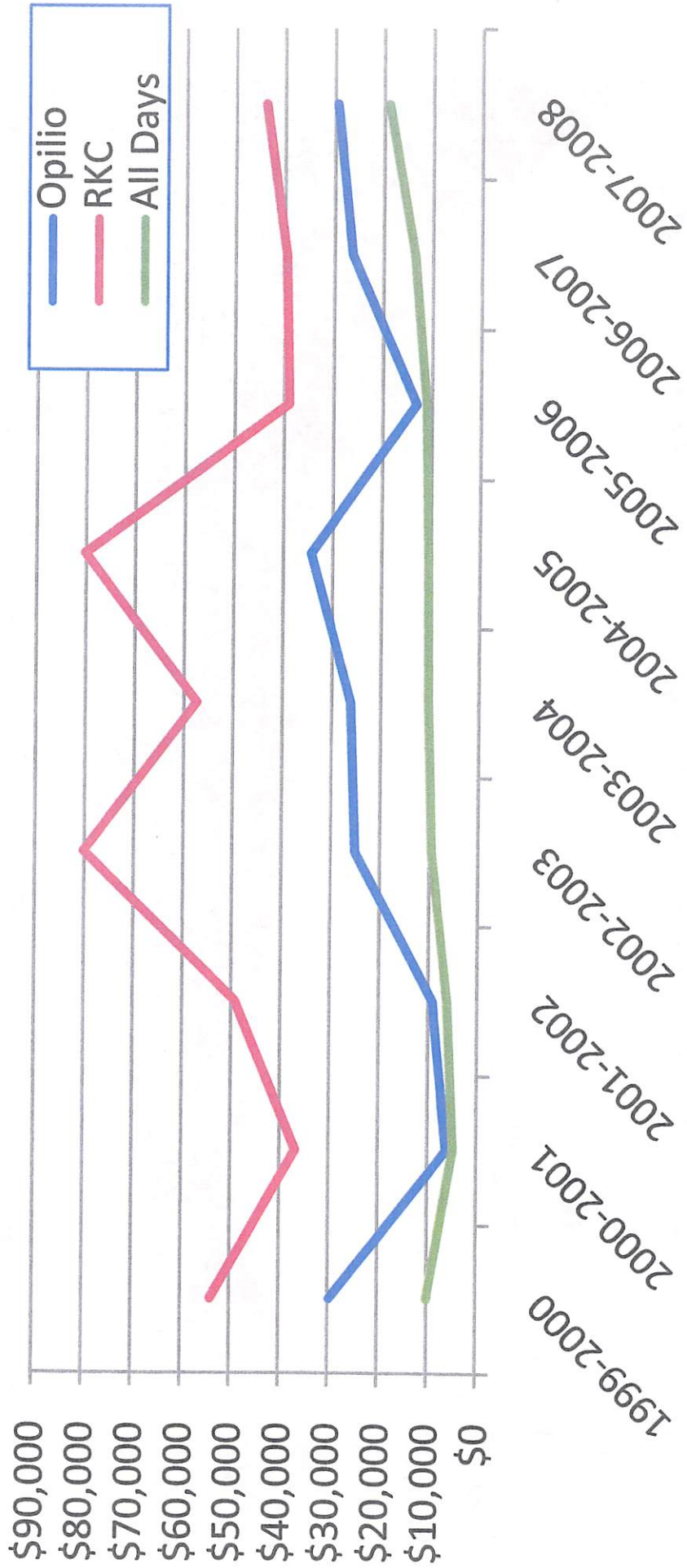
Average Net Crew Share per Boat



Average Net Crew Share per Man

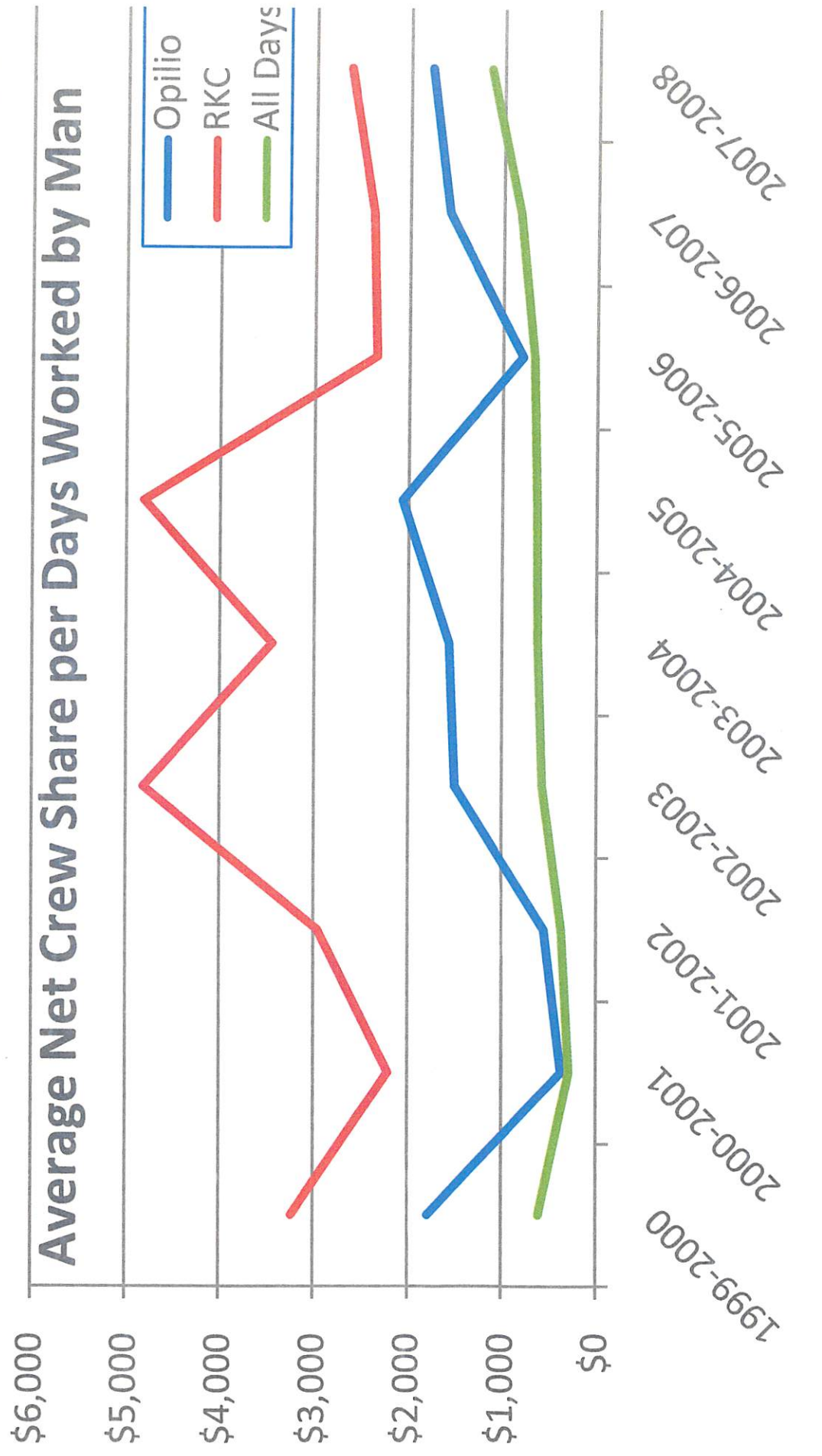


Average Vessel Revenue/ Day



Average Net Crew Share per Days Worked by Man

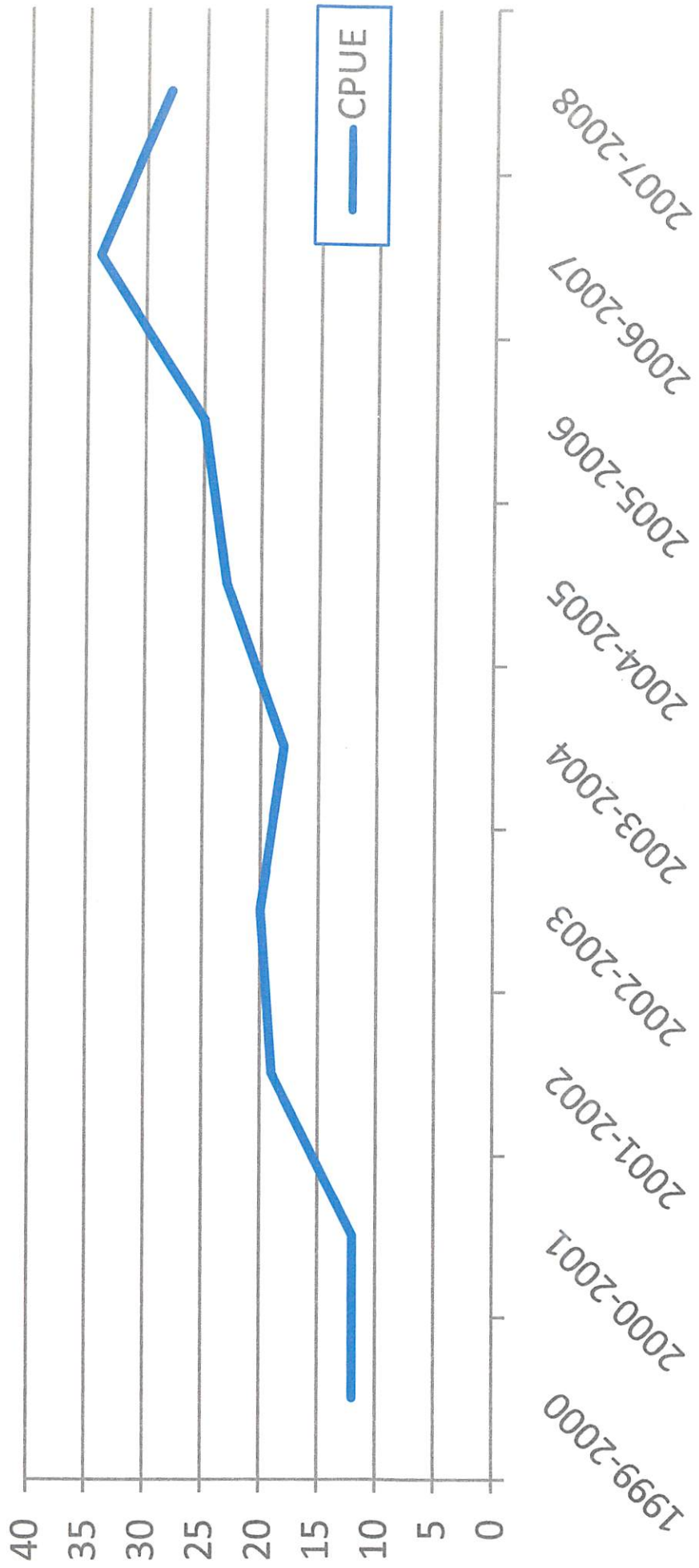
- Opilio
- RKC
- All Days



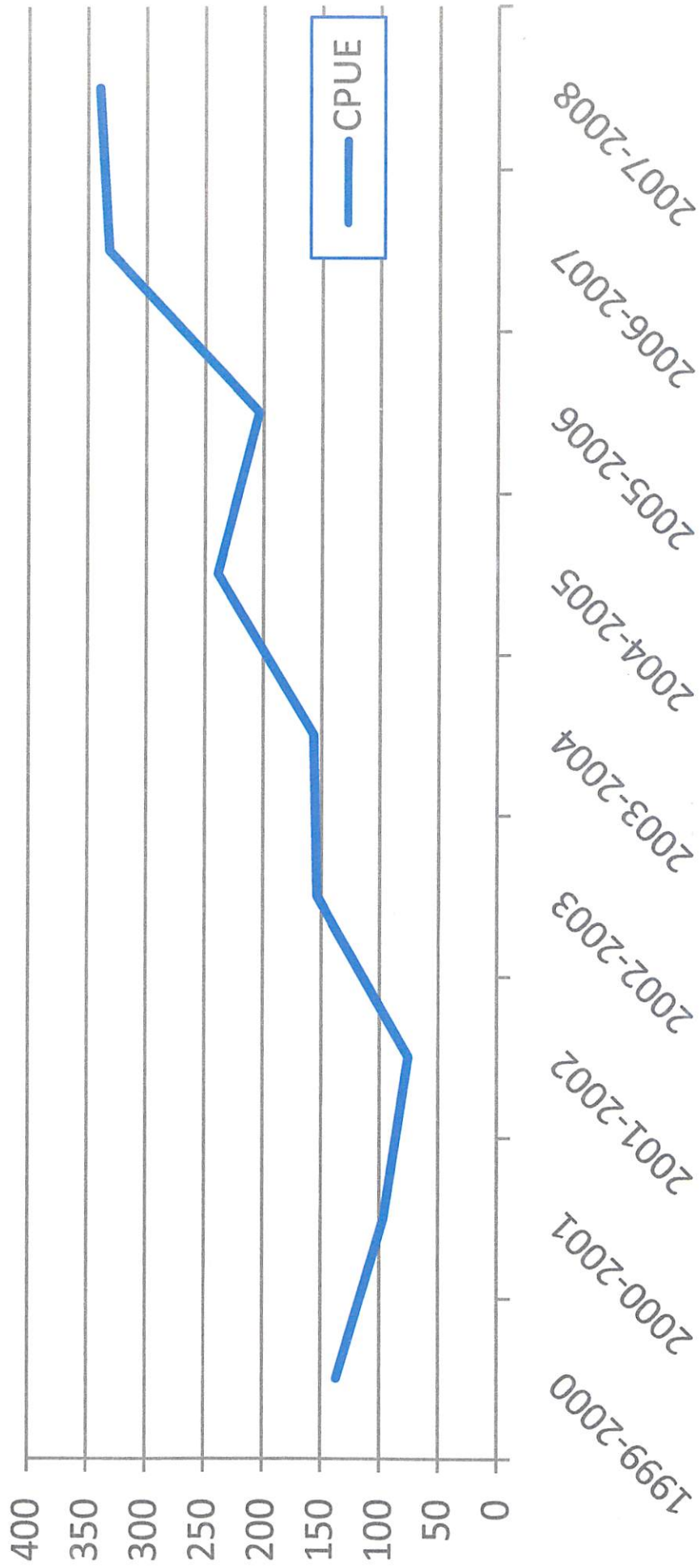
Average Crew Earnings per Pot Hauled



Red King Crab CPUE



Opilio CPUE



Independent Economic Overview

Bering Sea Crab Operating Costs

Presented to:
North Pacific Fisheries Management Council
June 6, 2008
Kodiak, AK

Tony Lara
P.O. Box 8082
Kodiak, AK 99615
(907) 486-4303
(907) 486-4329 Fax

Post Privatization Crab Economics (2008 Update)

(2 month Season)

	(Pre IFQ)	2006	2008	2009 (Projected)
Gross Stock	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
50% Opilio Lease Fee (70% for Red Crab)		\$ 500,000	\$ 500,000	\$ 500,000
"Off the Top" Expenses	(Pre IFQ)	2006	2008	2009 (Projected)
Fuel Price	\$ 1.25	\$ 2.60	\$ 3.80	\$ 4.50
Fuel Consumed	40,000 gal	40,000 gal	40,000 gal	40,000 gal
Total Fuel Costs	\$ 50,000	\$ 104,000	\$ 152,000	\$ 180,000
Bait Expense	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Net Proceeds	\$ 925,000	\$ 371,000	\$ 323,000	\$ 295,000
<i>Historical Crew Shares are 40% of the gross stock minus fuel and bait expense</i>	(Pre IFQ)	2006	2008	2009 (Projected)
Crew Compensation Total (40%)	\$ 370,000	\$ 148,400	\$ 129,200	\$ 118,000
Captain (14%)	\$ 129,500	\$ 51,940	\$ 45,220	\$ 41,300
Full Share Deckhand (6%)	\$ 55,500	\$ 22,260	\$ 19,380	\$ 17,700
Vessel Net	\$ 555,000	\$ 222,600	\$ 193,800	\$ 177,000
Insurance Costs	(Pre IFQ)	2006	2008	2009 (Projected)
P&I	\$ 50,000	\$ 66,000	\$ 66,000	\$ 66,000
Hull and Machinery	\$ 30,000	\$ 24,000	\$ 25,000	\$ 25,000
Pollution	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Total Insurance	\$82,000	\$92,000	\$93,000	\$93,000
Misc. Expenses	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000
Includes moorage, pot storage, etc.				
Balance Remaining for Maintenance & Profit Margin	\$ 443,000	\$ 90,600	\$ 50,800	\$ 24,000

Crab Capitalization

	Pre Ratz	2006	2008
Vessels Actively Fishing	200	120	80
Average Vessel Cost	\$1,800,000	\$1,200,000	\$1,500,000
Total Steel	\$360,000,000	\$144,000,000	\$120,000,000

Quota Share Value		2006	2008
Opilio Quota		33,465,000 lbs	56,730,600 lbs
A Share Value	-	\$10 / pound	\$12 / pound
C Share Value	-	\$7 / pound	\$9 / pound
Total	-NA-	\$331,638,150	\$661,904,276
Bairdi Quota		1,458,000 lbs	5,058,900 lbs
A Share Value	-	\$12 / pound	\$12 / pound
C Share Value	-	\$10 / pound	\$10 / pound
Total	-NA-	\$17,408,520	\$60,403,266
Red Crab Quota		16,496,000 lbs	18,344,700 lbs
A Share Value	-	\$25 / pound	\$26 / pound
C Share Value	-	\$22 / pound	\$22 / pound
Total	-NA-	\$410,915,360	\$474,760,836

Industry Capitalization	Pre Ratz	2006	2008
Total Steel	\$360,000,000	\$144,000,000	\$120,000,000
Total Paper	-NA-	\$759,962,030	\$1,197,068,378
Total Capitalization	\$360,000,000	\$903,962,030	\$1,317,068,378

A note of interest: At current prices, when the opilio TAC returns to a total of 160 million pounds, the market cap for the opilio industry alone will reach \$2 billion.

In comparison, Ford Motor Company has a current market cap of \$13.5 billion.

The 20 year average Opilio TAC from 1980 to 1999 is 124 million pounds.

North Pacific Fishery Management Council
188th Plenary Session
June 4 – 10, 2008 – Kodiak, Alaska

For the Record: Public Comment of Lewis May
RE: C-3 Crew's Historical Participation – Preference for Crew Reallocation

Mr. Secretary, Chairman Olson and Council members:

God bless you and Thank you for being here today. My name is Lewis May. I have worked hard, struggling my way up to a good position on what I consider to be the best crab boat and skipper in the fleet. I have been dedicated to this vessel for 11 of the 13 years I have invested in the Alaskan crab industry.

With the guarantee of crab quota rights the owners can and are selling their vessels, retiring, and renting quota to the remaining fleet for 70% off of the top for king crab, likely to reach 80% this coming winter.

The vessel I fished on and its quota rights were sold soon after Crab rationalization was implemented. It was sold for a price that far exceeded its historical pre-rationalization value. This job is no longer available to me. Approximately 65% of the American jobs are no longer available to any of us former Alaskan crabbers.

My opportunity to prosper in my historical career in the Crab industry has been greatly diminished by Crab Rationalization. My Civil Rights have been violated by this unfair and unjust management regime.

I believe that crab rationalization was forced into law without Due Process in a flawed special interest earmark by an appropriations senator with questionable motives. I believe it ignored the labor portion of historical participants. And because you know crewmembers were overlooked, we are here today to work together to fix it.

I love fishing! I've been over the rail and looked up at the surface from under the water, and I was rescued by fellow crewmembers. And I have rescued fellow deckhands in the water. But safety is not enhanced by keeping us on dangerous waters for months longer.

I am not asking for a handout – it was already all given away. But I would like and expect the same opportunity to prosper that quota owners had as they once worked their way up in the fishery. Your committee motions do not address any solutions that satisfy me. I should not have to buy back my

June 6, 2008

13 years of my stranded labor invested, even if someone will even sell me quota.

The pots weigh the same. The weather and waves remain uncertain, but now weigh on us more than ever. And the deckhands carry no political weight, no say so. And our historical crewshares have been greatly reduced by quota leases off-the-top before we even leave shore. While harvests have increased, I hear no mention of sharing this bounty equitably with the crews.

Processor shares have also increased fuel costs as we run to deliver to distant communities. Many of those coastal towns also were severely harmed by crab rationalization. Restoring an open and fair market is imperative to the increased value of our catch.

I ask the Council to please fix these problems caused by earlier Council actions and the failure to address reapportionments. If I asked for your jobs to be reduced by 65% in the name of efficiency, I would expect some negative outcry from its members. But the prior council cost me my job and increased my days-at-sea for less pay – it's the grandest example of making me bear new inefficiencies, while no vessel owner or plant does. This is why I am speaking here today.

If quota owners don't want to fish crab anymore, they are free to leave, but please, for God's sake, DON'T take our future's crab with you.

In summary, We have never had a fair system for crewmembers to bring up solutions. I support the idea of a separate Agenda item for Crew Reallocation based on the historical participation percentage that belongs to crewmembers.

Again, my God bless and guide you all. Thank you, and may we FISH ON!


Lewis V. May

P.O. Box 877362; Wasilla, AK 99687

**RE: BERING SEA/ALEUTIAN ISLANDS CRAB RATIONALIZATION FMP
REALLOCATION OF HISTORICAL PARTICIPATION TO ALL VESSEL OPERATORS**

**CREWMEN'S BS/AI CR CRAB
REALLOCATION PROPOSAL**

June 3-10, 2008, 188th Plenary Session
North Pacific Fishery Management Council
Tel: (907) 271-2809 Fax: (907) 271-2817

Name of Proposer: Crewman's Association
/Crewmembers for Equal Access to BS/AI Crab

Date: June 5, 2008

Brief Statement of Proposal:

Reallocation of IFQ Crab Quota Shares to restore Crewmembers' historical participation rights and opportunities for the nine species listed in the BS/AI fisheries under Crab Rationalization (CR).

A. This proposal Requires:

1. **a regulatory placeholder in the Council agenda** (new amendment), and
2. **provide overdue EDR data for analysis of crew reallocation alternatives;**
3. **abandonment of the "compensated reallocation" approach** — it's unjust and inhumane.

B. Objectives & Goals:

4. restore opportunities (civil liberties) for crew access, provide for new entrants; and
5. improve the economic health of family-based fishery-dependent communities.
6. ensure **active participation** in order to hold or carry-to-vessel any crew IFQ rights; and
7. eliminate 'high rent' leases off-the-top, including disallow future crew IFQ 'leasing'.
8. improve crab communities positive economic shocks (regional multiplier effects)
9. **overturn 'resource spoilation'** of crab FMP to serve the public good, not private greed
10. provide for **prospective 'limited duration' to 'limited entry'** transition;

C. Alternatives — Outlined in General:

- i. **Threshold Increase Approach** — Step-up from current TAC until crew parity is attained.
- ii. **Sector IFQ Reapportionment** — Assigned Shares, Buyback-My-Back provisions+;
- iii. **Sector Pool Reapportionment** — Crewmembers Pooled, Points System Assigned; with Buyback-My-Back and Re-entry provisions etc.
- iv. **Combined Threshold & Pool Reapportionment** (i. & iv.);
Note: reapportionment approaches prioritize active participation, recognize pre-ratz 'vessel operators' combined share & settlement concepts, and eliminate "high rents" and stress owner-operators over absentee investors.
- v. **State Controlled Severance Tax Approach** — respecting "common use" law; replacing current multiple 'taxes' with severance, state possession & economic management. A plan for divestiture for socially responsible management & separate emergency relief.
- vi. ... Allow for **other hybrid alternatives**, including other divestiture approaches etc.

Problem Statement — D). Needs & Justification:

The crewmembers' historical participation rights are not recognized in the existing FMP. The existing crab committee scheme contains no reallocation alternatives. Not a single pound of crab was landed without the crew; and "stranded human capital" was not recognized as significant and vital to good policy in the crab FMP.

"Labor is prior to, and independent of, capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is superior to capital, and deserves the much higher consideration." – Abraham Lincoln

D. A crew reallocation placeholder (amendment) needs to be motioned and placed on the Council agenda because:

1. Regulation-negotiation (& legislative end-runs) occurred without all stakeholders being represented for a "fair and equitable" allocation to those with historical participation.

The NPFMC recognized the historical stake held by deck fishermen and skippers, by creating trivial "C" shares — a three percent (3%) allocation to skippers. Throughout all phases of FMP development, implementation and review, the frequently repeated use of the term "**skippers and crew**" clearly demonstrates that the boots-on-deck (active participants) crewmembers' rights were intentionally excluded.

2. the existing review process and restrictive Crab Advisory Committee approach has no evenhanded place for crewmembers **reallocation** dialogue, related discussion paper, and analysis — this belongs at the Council level and in a separate arrangement.
3. economic stability was not enhanced — both the MSA and Alaska State 'Resource Article' emphasis on maximizing the net economic benefits from fishery resources was downgraded in favor of private interests, inconsistent with the public's interests and 'common use' tenets; and the use of crab resources has been allowed to be contracted away with high rent leases that severely jeopardized regional economic benefits;
4. reallocation can correct concentration and make regional benefits larger and more dispersive;
5. The original crab rationalization FMP left out viable alternatives; and the 'preferred alternative' was identified prior to analysis being completed and made public so that crewmembers could participate with respect to Due Process.

Background/General Framework:

E. The NPFMC's FMP for "BSAI crab rationalization program" was an attempt to:

6. slow the rate of harvest for better management
7. increase its value and utilization;
8. address economic ills such as alleged "overcapitalization" and "stranded capital"
9. improve 'safety' and enhance 'economic stability' – yet creating an unstable '3-legged stool' comprised of processors linked to vessel quotas with minor skipper quotas, instead of including the traditional 'fourth-leg' of crewmembers: a safer and more stable regime.
10. deliberately establish disparate civil rights – by grandfathering lesser constitutional rights for North Pacific fishermen than those accorded to other national regions where LAPPs cannot take place without a two-thirds referenda of the participating stakeholders, and
11. discriminate against active participants and others by use of the unwarranted and excessive "taxes off-the-top" programs — taxation without representation.

- F. The FMP created both intended and unintended negative consequences affecting crews:
1. Anti-competitive and trade restraining “**industry capture**” of the regulatory agency occurred, narrowing market access, creating a de facto monopoly, and driving consolidation.
 2. Exclusive IFQs (leaving out crew) resulted in oppressive access fees (“high rents”) paid by working fishermen of up to seventy percent — creating a “resource curse” situation.
 3. The C and B shares were demonstrably inadequate to achieve stated goals.
 4. Regulations intruded into corporate decision-making (season length & delivery planning) in a way that disadvantaged processors and extended crew time at-sea to no benefit.
 5. The arbitration (excluding crew participation) under 90/10 linkage of PQs and IFQs stifled both competition and prevented significant value-added improvement.
 6. Pre-season sales commitments and transfers to foreign-parent firms (price lowering mechanisms) and sales of primary processed crab between IPQ holders (anticompetitive activity) created negative impacts on ex-vessel prices, in turn diminishing revenues to active vessels that are shared with crew.
 7. ... among other inefficiencies & harms to crew and economic shocks to their communities.

Foreseeable Impacts of Proposal (Who wins, who loses?):

The question of “who wins and who loses?” is highly important under the undeniable logic that the Public resource is an invaluable asset of the Nation and its States, and no one loses when we all participate in a fair economic arena, except those who unfairly usurped all IFQ rights to the exclusion of the crew, and who now extract the unjustified and inequitable high rents.

Everyone wins when regulations are based on the best historical data. Also, all win when regulators follow the Constitution, National Standards in the Magnuson-Stevens and Sustainable Fishery Act and other applicable, in their spirit and intent — especially when the regulatory process proceeds on best science, not merely politics and greed.

Are there Alternative Solutions? If so, what are they and why do you consider your proposal the best way of solving the problem?:

Besides the crew sector reapportionment alternatives, one alternative listed above is to consider the State of Alaska managing the economic aspects of the BS/AI crab fisheries. This would include the State paying the Council for costs of management, buying out the existing rights and retiring them in favor of a severance tax approach, and providing for assistance to crewmembers that lost jobs and allowing for re-entrants, as well as state mechanisms emergency relief.

The proposed newly-minted “one-pie approach” — (not what one-pie originally meant as fishermen only IFQs on the active on-water harvester level) whereby all sectors (incl. processors and absent investors) somehow divide up the current rights pie — is unacceptable.

The Council must recognize the implications of the current economic structure because “structure implies strategy.” This may mean a radical restructuring but a practicable one, guided by a more active Congress, especially through the appropriate committees and with full due process.

In the words of Richard Posner, a leading Antitrust legal expert,

“If effective and workable relief requires a radical structural reformation of the industry, this indicates that it was the structural situation, not the behavior of the industry members, which was fundamentally responsible for the unsatisfactory results.”

Initial Comments on MSA/SFA National Standards:

National Standard 2 requires that management measures be based upon the best scientific evidence available. Having the multi-state PSMFC/AkFIN statisticians immediately provide the EDR analysis, including historical crew split data, is essential to developing alternatives. The past year of metadata stumbling block dodges, failures to demand contracts,

National Standard 4 states that allocations shall be fair and equitable to all such fishermen, and carried out in such a manner that no particular individual, corporation, or other entity acquires an excessive share of such privileges.

National Standard 5 notes that no management measure shall have economic allocation as its sole purpose, yet that is what occurred with the selection of two discreet groups or classes in the original FMP – processors and vessel owners – with a meager recognition for skippers-only sub-portion on the side of actual participants/harvesters. This proposal aims to rectify the problems of the existing FMP failing to meet NS5 and NS4 requirements.

National Standard 8 requirements have been minimized in the existing FMP to addressing concerns such as regionalization protection, and processor quotas — encompassing processing workers. But to ‘(A) provide for the sustained participation of such communities, and (B) to the extent practicable, minimize adverse economic impacts on such communities,’ foremost consideration must be given to the economic benefits from crew incomes spent within Alaska’s fishery dependent communities.

National Standard 10 states that management measures shall, to the extent practicable, promote the safety of human life at sea. There is a strong argument that the existing FMP is highly flawed and incapable of meeting the NS10 requirement when compared with a system which invests the entire class of highly-experienced vessel operators in the actual fishery’s conduct. The approach to safety needed is already in place through Coast Guard and other measures, as already proven in the 1999-2000 fisheries.

Current magnitude of shares involved:

Table 4. IFQ allocation by share type (2006-2007). RIR/IFRA for C-Shares, Dec. 2007

FISHERY	Owner Class A	Owner Class B	Captain/Crew	CP Owner	CP Capt/Crew	TOTAL
Bristol Bay red king crab	11,647,090	1,294,110	402,768	615,655	14,669	13,974,292
Bering Sea C. opilio	26,121,324	2,902,364	929,338	2,898,453	57,982	32,909,461
Eastern Bering Sea C. bairdi	1,374,311	152,697	46,358	109,989	4,146	1,687,501
Western Bering Sea C. bairdi	801,857	89,097	27,047	64,175	2,419	984,595
Eastern Aleutian Islands golden king crab	2,245,212	249,468	80,075	125,227	0	2,699,982
Western Aleutian Islands golden king crab	1,140,787	126,752	41,914	1,089,563	30,989	2,430,005

Source: NMFS Restricted Access Management IFQ database, crab fishing year 2006-2007.

Eric Olson, Chair
North Pacific Fisheries Management Council
605 W. 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

Agenda 3-C
Crab Issues
6/5/2008

My name is Brett Robinson I have been fishing Bering Sea Crab for 20 years and Captain of the Arctic Hunter for 2 years.

I wanted to come before the Council as an active participant in the Crab rationalization program. I feel the IFQ system is working and shouldn't be tinkered with at this time.

For the first time in my crabbing career I have the financial stability. When I leave home I have a good idea of what my earnings will be. We are finally off the financial roller coaster we used to be on. The Olympic style system was an adventure and was exciting but at the same time it could turn into a terrible experience if you were not catching crab, knowing that you let down your crew, their families and the boat owners. It was not something you could plan your future on.

Last year the Arctic Hunter ran aground and sustained enough damage that our insurance company would not let the boat go out fishing. Because of IFQ's we were able to take the Arctic Hunter's crab quota and Crew over to the Ocean Hunter after their trawl season and salvage our season. If this had happened pre-IFQ, me and my crew members and the boat owners would not have made any money. This would have been devastating for all involved.

We just came off an Opilio season with the highest CPUE in the history of Snow Crab. I have seen King crab pots with more crab in them than I ever saw in all my years fishing. We were sleeping 8 hours a night. We shut down if the weather gets unsafe. These were all goals of rationalization.

I hear some rumors that there are some people want Caps on the quotas that the vessels can fish. I do not agree with this. I feel that the industry will take care of itself. The vessels and/or Coops will take on only as much crab as they can comfortably catch. Limits would directly affect earning abilities of the vessels and Crew. As the quotas increase the so will the number of boats.

To summarize things, at the end of the 2008 Opilio season, I took my crew out to dinner and the first toast of the evening was, To the Easiest Million Pounds we ever caught!

Cheers!

Brett Robinson, Captain, F/V Arctic Hunter
9126 46th Ave W
Mukilteo, WA 98275



Eric A. Olson,
Chairman

North Pacific
Fisheries Marine
Council

The Cost to Crab Harvesters of Crab Price Negotiations Before and After Rationalization

Agenda C-3
Crab Issues
6/2/2008

BBR 2007/08		A,B & C Shares	
	IFQ Allocation	Avg Price	Value
	18,334,750	\$4.45	\$81,589,638
Arbitration fee	\$0.005	\$79,756	

BSS 2007/08		A,B & C Shares	
	IFQ Allocation	Avg Price	Value
	53,128,629	\$1.75	\$92,975,101
Arbitration fee	\$0.005	\$231,110	

BBR & BSS Value	\$174,564,738		
BBR & BSS Arbitration fee	\$310,866	0.1781%	
ICE annual cost	\$194,000	0.1111%	
Total Negotiating Cost	\$504,866	0.2892%	

This Negotiating cost is paid for by a raise in price per pound of only; \$0.00706

Cost of One boat tied up for a day, Generator running and fully crewed on Strike, Pre-Rationalization.

	Day 1	Day 2	Day 3	Day 4	Day 5	Day 10
Fuel 100 gals	400	800	1,200	1,600	2,000	4,000
Groceries 6 men	150	300	450	600	750	1,500
P& I Ins	132	264	396	528	660	1,320
Engine wear	7	14	22	29	36	72
Total one boat	689	1,378	2,068	2,757	3,446	6,892
200 Boats	\$137,840	\$275,680	\$413,520	\$551,360	\$689,200	\$1,378,400

This would not include the Cost to the catcher boats of Catcher Processors harvesting during a Strike. CP's could easily take up to \$1,000,000 per day and more.

Conclusion;

The Post-Rationalization price of negotiating is \$505,000 annually. This is only .29% of the harvester value of the crab. This is much less then Pre-Rationalization cost of negotiating prices. In some years Pre-Rationalization, Striking would have cost Fishermen several million dollars and a much higher percentage of the first wholesale price.

Jim Stone- F/V Arctic Hunter, Professional Crab Harvesters Coop
7216 Interlaaken Dr
Lakewood, WA 98499



C-3
JEFF STEELE

Date:

Eric Olson, Chair
NPFMC
605 West 4th Ave. Ste. 306
Anchorage, AK 99501-2252

Fax: 907 271 2817

Comment on Agenda Item: C1(s), Report from Crab Committee; action as necessary

Dear Chairman Olson:

I am the Skipper on the Bering Sea crab vessel Bering Hunter, Home port Kodiak Alaska, and I have been working in the crab fisheries for several years.

Prior to the startup of the rationalization program in 2005, when we were fishing in the short derbies, I found myself scrambling to work other jobs onshore in order to make a living and stay in crab fishing.

Safety, working conditions and my income have all improved since rationalization began and I hope to remain on deck for several more years now, thanks, in large part to the rationalization program. I am married and we have 2 children and so the rationalization program with its new benefits and improved economic stability has also made life better overall for our family.

Sincerely, *Dennis Donohoe, Captain F/V Bering Hunter*

First and last name
Street address
City, State and Zip
Position:

*P.O. Box 3476
Kodiak AK 99613*

Date:

Mr. Eric Olson, Chair
NPFMC
605 West 4th Avenue, Ste 306
Anchorage, AK 99501

Fax: 907 271 2817

Agenda Item: C1(a) Report from Crab Committee; action as necessary

Dear Mr. Chairman:

We the undersigned are crewmembers on the Bering Sea crab fishing vessel Bering Hunter -
Home Port Kodiak, Alaska

Before the rationalized program began in 2005, we were down to fishing two crab derbies a year,
and we could not make enough from crab fishing to make a living. We were working other jobs,
both fishing and onshore, to survive.

Since the beginning of the rationalized program, our jobs have greatly improved, they are much
safer, we are working several months a year and our income has improved.

Sincerely,

Name	Address	Position
Mike Rockstad	po box 3476 Kodiak AK 99615	Deckhand Emb.
Domenick Dushkin	P.O. Box 25 King Cove AK 99612	Deckhand
Matt House	28039 N. 95th St.	Scottsdale Az: 85262
Joshua [Signature]		

DENNIS DONOHOE										
		11.5%							52426.89	
		2.0%							9117.72	
								crew share	61544.62	
Draws										
	cannery cash	500.00								
	10/31 cannery check	9500.00								
	11/14 cannery check	12000.00								
	11/23 cannery check	13000.00								
	3 boxes crab	793.80								
	permit advance 9/7	975.00								
		36768.80								
								total draws	-36768.80	
								groceries	-1001.62	
								net settlement	23774.19	

Skipper Perry Hurler
 King Coals 07

12/18/2007

Donohoe, Dennis

**16,935.75

Sixteen Thousand Nine Hundred Thirty-Five and 75/100*****

DENNIS DONOHOE
2297 E. REDWOOD CT.
CHANDLER, AZ 85249

Bonus on Jeff's shares King Crab

Donohoe, Dennis
Bonus on Quota Shares

12/18/2007

16,935.75

FNBA Checking #810 Bonus on Jeff's shares King Crab

16,935.75

Donohoe, Dennis
Bonus on Quota Shares

12/18/2007

16,935.75

*Stipend Being taken
to my Crabs <>*

FNBA Checking #810 Bonus on Jeff's shares King Crab

16,935.75

Stripper For Opilios + Cod 08

DENNIS DONOHOE

CREW SHARE REGULAR

BONUS SHARE

12%

2%

\$ 88,698.37

\$ 14,783.06

TOTAL CREW SHARE \$ 103,481.43

DRAWS

1	1/28/2008 CHECK REQUEST - PETER PAN - TO KATHY	5000.00
2	2/8/2008 PETER PAN CHECK #2325781	500.00
2	2/8/2008 PETER PAN CHECK #2325782	9000.00
	22-Mar PETER PAN CHECK #2326483	500.00
	24-Mar CHECK REQUEST - PETER PAN - TO KATHY	6000.00
	11-Apr CHECK REQUEST - PETER PAN - TO KATHY	30000.00
	4/9/2008 PETER PAN CHECK #2326875	500.00
	Glentel marine phone charges	821.26
	credit tags	-260.00
	credit KMS invoice	-205.64
		<hr/>
		51855.62

TOTAL DRAWS \$ (51,855.62)

GROCERIES \$ (1,629.70)

NET SETTLEMENT \$ 49,996.11

Engineer Deckhand Phillips + Cod 08

MIKE ROCKSTAD

CREW SHARE REGULAR

BONUS SHARE

5%

1%

\$ 36,957.65

\$ 7,391.53

TOTAL CREW SHARE \$ 44,349.19

DRAWS

1	1/22/2008 PETER PAN CHECK 2325409	500.00
	22-Mar PETER PAN CHECK #2326483	500.00
	29-Mar PETER PAN STORE - GLOVES, CHEW	87.24
	9-Apr PERSONAL CRAB - PETER PAN #16763	707.20
	4/9/2008 PETER PAN CHECK #2326875	500.00
	9-Apr PETER PAN CHECK 2326869	12000.00
		<u>14294.44</u>

TOTAL DRAWS \$ (14,294.44)

GROCERIES \$ (1,629.70)

NET SETTLEMENT \$ 28,425.04

JASON BECK											
		4.0%								18235.44	
		2.0%								9117.72	
									crew share	27353.16	
Draws:											
		cannery cash	500.00								
		11/23 cannery check	15000.00								
		10/18 -gloves	35.64								
		2 boxes crab	529.20								
			16064.84								
									total draws	-16064.84	
									groceries	-1001.62	
									net settlement	10286.70	

Deck hand Coste
 King Crab 07

RICHARD GREGOIRE													
		4.0%										18235.44	
		1.5%										6838.29	
										crew share		25073.73	
Draws													
cannery cash		500.00											
11/23 cannery check		12000.00											
4 boxes crab		1058.40											
		13558.40											
										total draws		-13558.40	
										groceries		-1001.62	
										net settlement		10513.71	

Deck hands
Kerry Coakley

GARRETT EVRIDGE											
		3.0%								13676.58	
		1.5%								6838.29	
Draws:									crew share	20514.87	
cannery cash		500.00									
11/23 cannery check		12000.00									
2 boxes crab		529.20									
		13029.20							total draws	-13029.20	
									groceries	-1001.62	
									net settlement	6484.05	
									net check	6484.05	

Deck had
king crab 07

CLAYTON WEATHERLY										
		3.0%								13676.58
		1.5%								6838.29
								crew share		20514.87
Draws:										
		cannery cash	500.00							
		11/23 cannery check	12000.00							
		3 boxes crab	793.80							
		BH check	2000.00							
			15293.80							
								total draws		-15293.80
								groceries		-1001.62
								net settlement		4219.45

Debt had - King Crab 07

JOB APPLICATION FORM

FV BERING HUNTER

NAME

ADDRESS

CONTACT INFORMATION

E-mail

Cell phone number

QUALIFICATIONS AND EXPERIENCE

PREVIOUS EMPLOYMENT INFO

PLEASE FAX TO: 907 4872515

Comments on WAIGKC Purpose & Needs Statement and Elements & Options

The community of Adak and Adak Fisheries view the WAI brown crab issue as a matter of some urgency which we brought to the Council's attention in the 1st year of the program.

No other community or processor experienced as large a negative impact from the implementation of Crab Rationalization as Adak and Adak Fisheries.

At its April 29th meeting the Crab Committee did not further develop the problem statement or refine the elements and options beyond what was presented to the Council at the April Council meeting.

We would like to offer the following suggestions on the problem statement and options:

Purpose and Need Statement

Under-utilization is one symptom of the problem, but not the source of the problem. A refined problem statement should be explicit about the need for meaningful community protection, recognizing present participation and dependence on the fishery; it should also recognize the investment and relative dependence on brown crab in the processing sector that existed when Council action was taken.

We suggest adding language to the Purpose and Needs statement as follows:

The Crab Program, as it applies to WAIGKC, did not adequately recognize the existing economic interests and importance of the partnership between harvesters, processors and communities in the case of Adak.

Elements and Options

We urge the Council to select a preferred alternative as soon as possible. Our preference is:

1.2 Convert IFQ A shares to B share

Suboption 2. without compensation to PQS holders

Suboption: new B shares (in the western region) retain west area designation using landing requirements defined under the Custom Processing Amendment for North Region Opilio

We think the Council should consider dropping some of the alternatives do not address the problem or are unworkable.

The sub-option of "no regionalization" guts any community protection.

Option 1.4, the "use it or lose it" option pushes an even partial solution 3 years beyond the point of implementation. There is no reason to include this option.

The sub-options of "compensation" to PQS holders beg the question of who pays. It would take an act of Congress to provide federally funded compensation. In authorizing the program Congress already said allocations were not a property right and could be modified without compensation. It also begs the question of the appropriate level of compensation, since there have been very few PQS transactions and the prices are not public information.

The "re-allocation" option also has problems. There are so few participants in WAI king crab processing that the confidentiality issues prevented the Council from foreseeing the consequences of the original decision. The same issue will obscure the analysis of a "re-allocation" option.

Eric Olson, Chair
North Pacific Fisheries Management Council
605 W. 4th Avenue, Suite 306
Anchorage, Alaska 99501-2252

Agenda 3-C
Crab Issues
6/5/2008

Council Members,

I am David Fisher and have been fishing an active crab crewman without missing a season since 1998 in the Bering Sea Pot fisheries for Red Kings and Opilio. I have been asked to testify my opinion of the brand new Rationalization program.

Unfortunately my knowledge of the actual policies involved is rudimentary at best. I will Concentrate on what I believe are some of the original objectives defined by the rationalization program, that I have directly observed to be successful. I will use two of the more predominate reasons for rationalization.

- 1) Safety
- 2) Environmental Benefits

But first I would like to state that for the duration of the development of the Program, from the beginning, through the qualifying years to implementation, I believed it to be just another method for the organizations in power to benefit at our the crewmembers cost. But three years into it I have developed an appreciation of the embryonic system.

First of all I will describe my views as to vessel and crew Safety. The statistics must show a dramatic reduction in injuries, not to mention fatalities, since program implementation. The new program helps to eliminate a primary cause of accidents; Fatigue. I've heard it said that Rationalization or not that a vessel will run its gear just as fast as ever because of cannery offload timelines, desire to finish and go home, old ingrained habits, etc. But from what I can I've experienced canneries are more flexible with timelines then expected. Concern for ones safety usually overrides desire to go home and operational habits evolve and adapt. In short the program does in fact, in our vessels case anyway, provide us with options to reduce fatigue. Most importantly the option of sleep, which went from the Derby days of no sleep or at best 2 to 4 hours, to Rationalization routinely 6 to 8 hours of sleep. Anybody who has been there can attest is a huge step towards reducing accidents.

Second, Environmental Benefits.

Biomass health comes first to mind and this one is straight forward. CPUE's are higher then they have been for a long time maybe even ever, since implementation. That to me seems like a very good benefit. Now I suppose that can be attributable to less pots on the water. But for the people on the water biomass volume is assuredly on the rise since implementation.

Another environmental benefit that could be illustrated is the reduction of greenhouse gases due to the thinning of the fleet. The maritime industry is a major contributor to the production of greenhouse gases according to Professional Mariner Magazine. So fleet reduction is a very important benefit to be appreciated.

Also I will include one more thing that I am not sure if it will be insensitive to some of the detractors here or not. But three years into the program I've had the most monetarily rewarding year of my career, despite rumors to the contrary.

In closing I would like to say that this program took years to engineer and is still in its infancy and should be allowed to mature.

David Fisher, Engineer, F/V Arctic Hunter.
7226 208th Apt.#2
Edmonds, WA 98026



SWAMC Presentation - January 2007

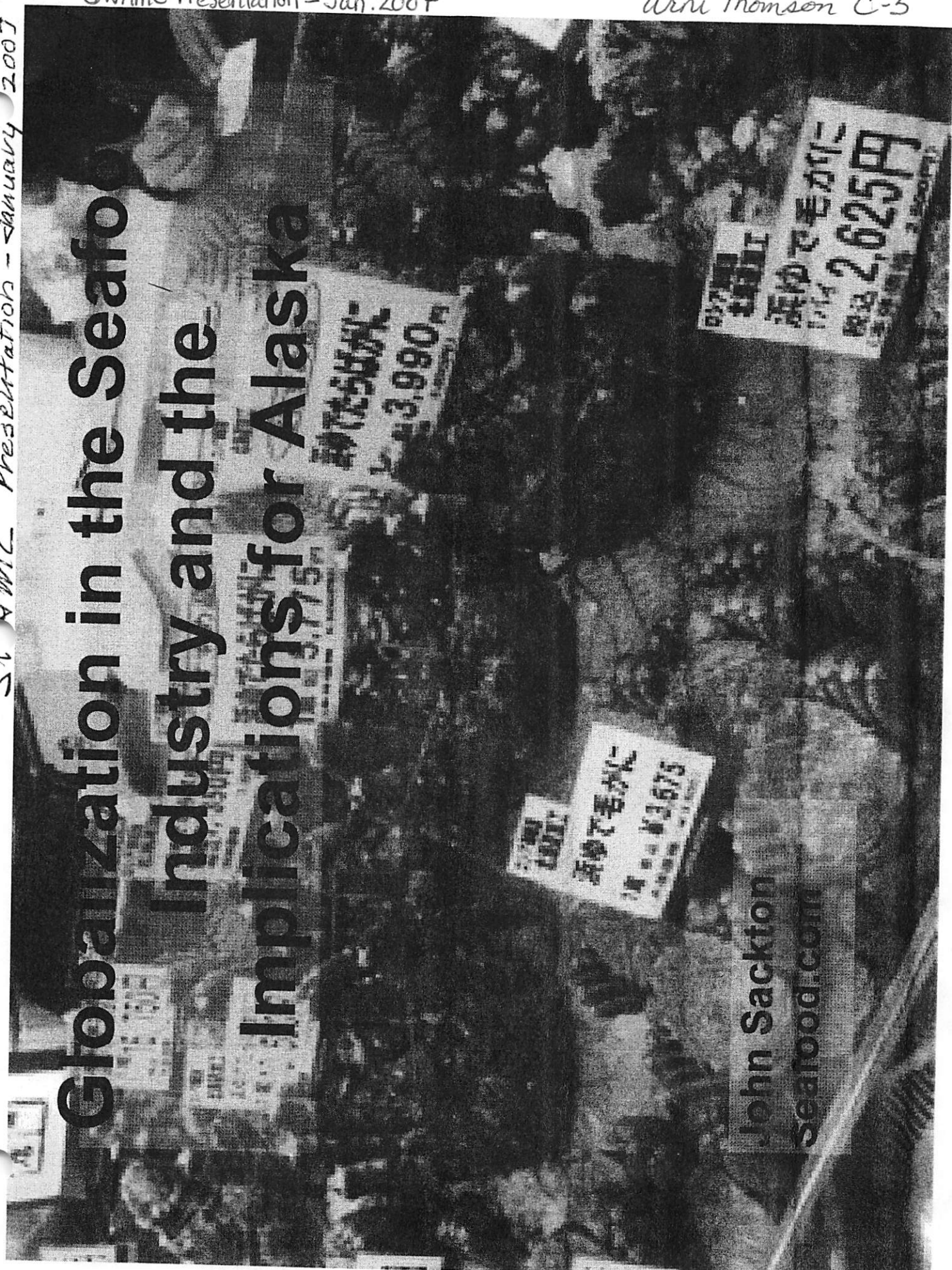
Globalization in the Seafood Industry and the Implications for Alaska

John Sackton
Seafood.com

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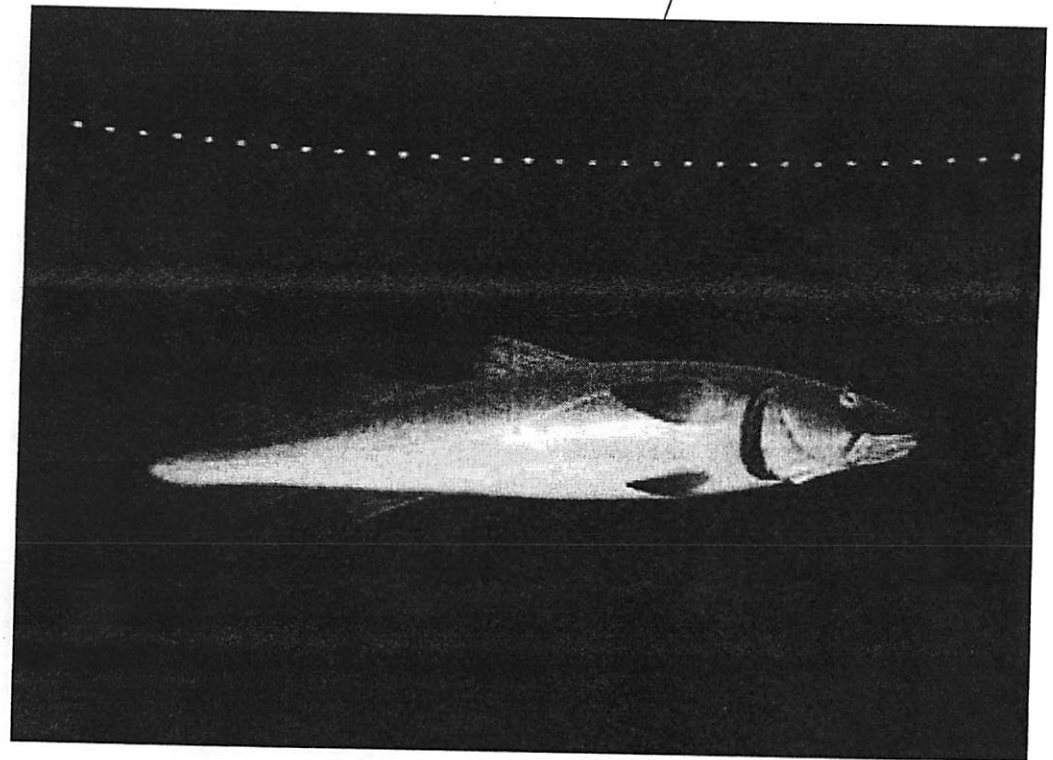
Background



- 30 Years in Seafood Industry; market research and consulting for past 13 years. Founded Seafood.com news in 1998.
- Seafood.com is largest daily seafood industry news service in North America
- Non-binding price formula arbitrator and market analyst for Alaskan king crab, snow crab, tanner crab and brown crab (since 2005).
- Consulting on markets and pricing for shrimp, crab, salmon, lobster, whitefish, catfish, and other shellfish.

Seafood has always been a global commodity

- Cod brought English and Portuguese to North America
- Trade In Salt Cod Founded New England
- Alaska was also developed for its seafood resources: halibut and salmon



The 'Sacred Cod' has hung in the Mass. Legislature for 310 years

Trade has always been part of the Seafood Industry

- ⑩ What's new is change in balance of power between producing and consuming regions
- ⑩ No longer can Alaska expect to set price for its own seafood commodities



Globalization issues

- Current period of high prices for seafood may not last
- Growth of aquaculture is single most important factor changing the seafood industry.
- Consolidation among buyers and processors having major impact: global sourcing reduces importance of producing regions
- Currency issues very important for local economies; but have no control
- Alaska has some positive strategies to deal with these problems

Consolidation among buyers driving processors to merge

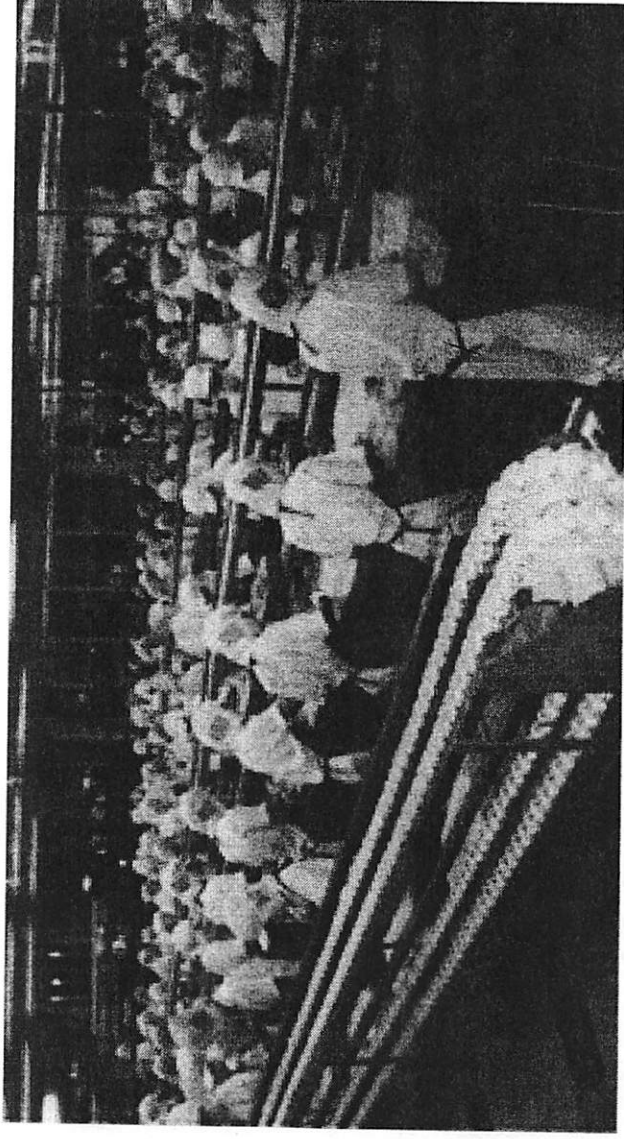
- Bigger buyers (Wal-Mart, Costco, Ahold, Carrefour) force sellers to consolidate
- 2006 saw:
 - Trident / Ocean Beauty (called off)
 - Maruha / Nichiro (Westward / Peter Pan)
 - Pan Sfd/Marine Harvest / Fjord: One company now controls 25% of world farmed salmon

Sellers get bigger to protect margins

All sellers give the same reason for their acquisitions:

They need to be bigger to protect their margins by meeting major

customers demand for greater efficiency, lower prices





Larger companies have:

- Global sourcing
- Ability to target different markets
- Manufacture in different locations
 - Some Alaskan Salmon Processing moving to China
 - Crab processing moving to China also
- Divorced from local product
 - Example of Iceland Seafoods vs. Trident

Consolidation among buyers is pushing prices down

- Retail buyers have become stronger in Japan; U.S. and Europe
- For some items, they set the price: king crab in U.S. is good example
 - Their benchmark is not seafood -- its everything
 - They heavily depend on promotions.
- Retail demand is a big factor in increasing sales of seafood
- Seafood sellers need to consolidate to be able to effectively sell to retailers

Retailers and Seafood

- Depend on promotions for some items like crab, shrimp
- Need consistent supply
- Always comparing seafood to other products they can sell for more profit
- Consumer interest in seafood driving some retail behavior; expansion of retail seafood sales.

Market strategies to maintain Alaska Seafood Value

- Support Consolidation among major players:
 - Trident / Ocean Beauty
 - Maruha / Nichiro (Westward/Alyeska and Peter Pan)
- Market wild Alaskan products (consumer preference for wild)
- Ecolabeling and MSC Certification
- Expand Marketing in new areas (Eastern Europe)
- All of these being done by ASMI

Alaska strategies that can maintain value

- Product differentiation (wild)
- Continue with ecolabeling (MSC) program
- Product integrity issues
- Regulatory approaches



Embrace Aquaculture

- Very Controversial, I Know
- Among major world producing regions, only Alaska and Russia not seeing huge growth in Aquaculture
- Norway, Iceland, New Zealand, China, Thailand, Vietnam, Chile, Canada: all have significant aquaculture production as well as wild fish production

Aquaculture will come to dominate seafood supplies

- Must have a pro-active, as well as defensive strategy to maintain Alaska's market position
- Key Problem: would more Alaskan aquaculture undermine market for Alaskan wild fish. I don't think so.

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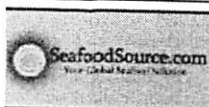
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Merge ahead - June 12, 2007

NEWS ARCHIVE

By James Wright

Take a spin through the 2006 issues of *SeaFood Business* and you'll notice a trend: Since the year began, SFB has reported on more than 20 mergers, acquisitions or strategic alliances involving some of the biggest names in the business.

You'll also read about a failed deal that would have been one of the biggest mergers in the industry's history, one that would have created a company generating nearly \$1.5 billion in annual sales. It also could have indelibly changed seafood-sourcing dynamics in the Pacific Northwest and beyond (SFB May '06, p. 1 and June '06, p. 1).

Consolidation throughout the food industry is not a new phenomenon. In 1998, 10 of the nation's largest supermarket chains were reorganized with more than \$41 billion in transactions.

As a result, retailers took a hard look at their purchasing, with some scaling back their seafood departments' variety and square footage. More recently, consolidation shook the foundations of the farmed-salmon industry.

The road ahead will likely be filled with more maneuvering by seafood suppliers; that pool may soon shrink to a select few for any given species, whether wild or farm-raised. How the buyer-seller dynamic evolves is what everyone will be watching. Further consolidation in the seafood-supply chain seems inevitable, considering the merger activity in the food industry as a whole.

According to The Food Institute of Elmwood Park, N.J., 323 mergers and acquisitions closed in 2005 in a category that includes food processors, retailers, restaurants, packaging and equipment suppliers, investment firms and banks, with another 75 announced deals that had not closed by year's end.

That total was actually down from a frenzied 2000, when 637 such agreements were finalized.

"Activity may have declined compared to previous years, but there were a number of significant transactions," says Danielle Breuel, research and education director at TFI, which has tracked food-industry merger and acquisition activity for 25 years.

Atop that list were the sale of Albertson's to a consortium of investors including Supervalu, and the bankruptcy of Winn-Dixie that led to its fire sale of more than 100 units, says Breuel.

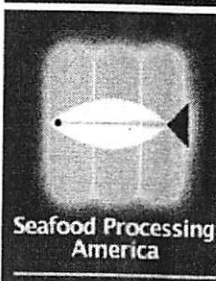
Why are so many big fish gobbling up their competitors? For one, an acquisition or merger is often a low-risk move that can kindle growth and enhance the bottom line.

"Examination of certain deals illustrates the use of acquisitions to strengthen current operations or to enter new areas of business," notes Breuel. "Meanwhile, divestitures enable firms to exit underperforming areas."

Consolidation alters landscape for seafood

Look to strong species for future organizational changes

What's more, a diversified supplier can offer unmatched product lines and services while also ensuring access to increasingly finite supplies. As seafood consumption

UPCOMING SEAFOOD
INDUSTRY TRADE SHOWS

increases in the United States and abroad, the competition for market share and marine resources — as well as farm-raised species — will intensify. In most cases, the bigger fish rule the pond.

For example, supply-side consolidation has begun in Alaska, where the crab fisheries were rationalized in 2005. The introduction of sellable fishing and processing quotas led to the sale of several companies that held desirable shares. Since sourcing seafood is now played out in a global arena, some companies became commodities, swept up by large overseas corporations. But what's still uncertain is if consolidation has actually benefited a fragmented seafood industry.

"It makes sense from the standpoint of companies wanting to offer a broader array of products with the deepest integration of services possible," says Matt Fass, VP of Maritime Products International, a seafood importer in Newport News, Va.

"However, those who try to become integrated may miss out on quick developments in other areas, like aquaculture. Things may not work out quite as some envision, which may lead to a pullback."

"There's got to be strategic reasons for it," says Richard Mullins, senior marketing manager at Orca Bay Seafoods in Renton, Wash., which markets a variety of wild-caught species. "The huge story will be access to resources in the next 10 to 15 years. [In Alaska], there's only a handful of big players right now."

A real beauty

Few players are bigger today than Trident Seafoods, with an estimated \$800 million in sales in 2005, ranking third among North American seafood suppliers. The industry was buzzing when, on March 27, Trident announced its bid to acquire Ocean Beauty Seafoods' processing operations and merge the two Seattle rivals' smoked-fish and distribution businesses. The potential gain was big: Ocean Beauty's 2005 sales were \$500 million, a nice catch for Trident founder and CEO Chuck Bundrant.

The arrangement would have spawned a salmon- and pollock-buying mega-firm that could have tightened its pricing controls on Alaska's seafood bounty. Trident already operates 25 fishing vessels and at-sea processors and 18 processing plants throughout the Pacific Northwest. (Trident recently announced it is restructuring operations with several staff hires and promotions, see Late News, page 4). Adding Ocean Beauty's nine distribution facilities and eight processing plants in Alaska and Seattle would have been a major move indeed.

But it didn't happen. On May 3, Bundrant said the deal was off and offered little insight as to why.

"We simply were not able to reach an agreement on this transaction," he said at the time.

While the real reason it fell through is hotly speculated, some say the merger would have been a boon to Alaska's seafood industry.

"It also would have given an advantage to consumers," says Clem Tillion, a semi-retired fisheries-management veteran of Halibut Cove, Alaska. He believes only an entity of large proportions could effectively market Alaska seafood as a whole.

"That kind of consolidation doesn't hurt anything, it still [puts product] on the open market on a daily basis. If you pay enough, you can still get it. You have to have a competitive system," Tillion adds.

"I've always had one guiding principle in fisheries management, and that's getting quality product to the consumer at an affordable price. Consolidations that allow you to provide a better product throughout the year are good for the consumer."

A number of companies on the annual SeaFood Business Top 25 Seafood Suppliers list have grown through consolidation. Nippon Suisan USA of Redmond, Wash., a part of Nissui of Tokyo, owns UniSea and Gorton's of Gloucester and recently bought frozen-seafood importer and distributor F.W. Bryce, also of Gloucester, Mass. Nippon also took on King & Price Seafood Corp. last year, adding \$130 million in sales to its portfolio.

Further, the Bumble Bee-Connors Bros. merger of 2004 created North America's largest branded seafood company.

Just three days after Trident announced its bid to acquire Ocean Beauty, it closed on a deal with ConAgra Foods of Omaha, Neb., for the Louis Kemp brand of retail surimi products. The sale was part of ConAgra's attempt to further shed its struggling seafood, refrigerated meats and cheese businesses. Seafood was clearly outside ConAgra's core product categories; conversely, adding Louis Kemp and its Motley, Minn., plant augmented Trident's production of its SeaLegs® brand of surimi, the bulk

of which is sold to foodservice operations.

Trident spokesman John van Amerongen says acquiring Louis Kemp and its market recognition gives Trident access to the U.S. retail market for summi, comprising 170 million pounds annually.

"We'd like a bigger share of that market, and it takes a big plant and good people to fill that demand," van Amerongen said via e-mail.

At the time of the sale, however, the Louis Kemp ship was taking on water. Sales of its Crab Delights® had fallen 24 percent in the 52-week period through Feb. 19, to \$19.3 million. Sales of Lobster Delights® and Scallop Delights® were also tumbling. Trident is confident of a turnaround, however.

The Louis Kemp saga is illustrative of the current marketing culture, where the name on the bag is as much of a sellable product as its contents. Since its inception in 1985, the brand has been owned by five separate entities yet has managed to remain one of the most trusted names in retail for analog-seafood products. Whatever company has owned Louis Kemp, it's Louis Kemp that's been at the top of the product category.

James Deltore, president and CEO of The Brand Institute of Miami, which conducts branding and marketing research for large corporations, says Louis Kemp's success is precisely what made it an attractive acquisition.

"We see it time and again with top brands. A lot of seconds and thirds will buy No. 1 to become No. 1," Deltore says. "If the investment is good and the brand is No. 1, it's a lot easier decision than buying the No. 10 brand. There are a lot of upside to being on top. It makes sense if it's the right time to sell, and it was the right time [for Conagra]."

Some win, some lose
The big fish eat the little ones. The axiom about life under the sea also applies to the industry that depends on the oceans' creatures as its commodities. And the companies that are closest to the resource have a strategic advantage.

Just ask Dave Keene, who has been in the crab business since 1977. Last year, Keene and his partners sold Royal Aleutian Seafoods to a group headed by UniSea. Keene says the sale might not have happened if Sen. Ted Stevens hadn't rationalized Alaska's king and snow crab fisheries.

"The biggest reason d'etre [for rationalization] was to prevent over-capitalization on both sides," Keene says. "There was too much gear chasing too little fish, too much gear processing too little fish. It created a dangerous operating environment."

Under the old derby-style system, harvesting crab was a race rife with risk: boat versus boat, processor versus processor and everybody versus Mother Nature. With typically just three and a half days to fish, often in inhospitable conditions in the Bering Sea, there were winners and losers.

"And with a derby, all you could do was ram the max amount of pounds through your plant each day, 24 hours a day," Keene adds. "The biggest downside, though, was that the type of product was one-dimensional. No added value, just bulk packs that need further processing."

Alaska's crab fisheries now operate in a somewhat controversial two-pie system intended to benefit both harvesters and processors. Both receive quotas that can be sold, which ultimately eliminated many small boats from the fishery. And since Royal Aleutian at the time had some of the largest quotas in the state, especially for brown crab, the Dutch Harbor processor was ripe for the picking.

"Our crab quotas were very attractive to larger companies — the Japanese companies, Peter Pan, UniSea, etc.," Keene says. "Pollock sustains them, and crab is a small blip on their radar, but from their standpoint, after rationalization was introduced, and given the size of our quotas, we became an acquisition target."

The face of Alaska's crab industry changed: whereas 10 years ago there were upwards of 20 major crab processors in Alaska, today there are just six, four of them owned by large Japanese corporations: Alyeska Seafoods and Westward Seafoods of Seattle, both owned by Maruha Group; Peter Pan of Seattle, owned by Nichiro Corp.; and UniSea. Rationalization strank the pool of suppliers, but Keene notes that it also improved product quality and increased safety in one of the world's deadliest professions.

Of course, not everyone is happy with the new system.

"Do I think the crab fishermen got screwed? Yes," says Tillon. "I also think it was bad

for the crab-consuming public. Exclusive rights are detrimental to the consumer."

But Keene, who now owns WOW! Crab Co. in Seattle, says consolidation has obvious benefits for both the buyer and the seller.

"By consolidating, [UniSea's] fixed costs went down, and they go from a middle-of-the-road crab player to the largest one in Alaska right now, with pricing power and other advantages."

On the farm

Farm-raised species pose another set of concerns when it comes to consolidation. Harvesting quotas and price negotiations with fishermen make way for pond-acreage output, disease control and feed costs, for example. Major moves have been made recently in the tilapia and Atlantic salmon markets, proving that size does matter.

Take Pan Fish. The Norwegian salmon producer, along with many of Norway's seafood companies, fell on hard times a few years ago, posting losses of \$360 million, and its stock value fell 98 percent. But those days appear to be over, thanks to the power of consolidation and an extremely wealthy entrepreneur named John Fredriksen, a Norwegian shipping magnate.

This March, Pan Fish, with 2005 sales of \$300 million, took a big step forward by purchasing rival Marine Harvest for \$1.6 billion from Nutreco and Stolt-Nielsen, forming the world's largest aquaculture company. Pan Fish now expects to produce 346,000 metric tons, roughly one-fifth of global farmed-salmon production.

How did Fredriksen, who holds a 47.3 percent stake in Pan Fish, manage to buy Marine Harvest, which posted sales of \$1.3 billion? By trading up: As part of the transaction, he sold his 25.7 percent stake in Fjord Seafood, the world's fourth-biggest salmon-farming company. And Geveran Trading, indirectly controlled by Fredriksen, had just acquired Marine Harvest from Nutreco and Stolt-Nielsen.

Other big moves may loom for the farmed-salmon industry, but which others may see a shuffling of suppliers? Look to sources of strength, like tilapia (U.S. consumption is expected to top 500 million pounds this year).

At the International Boston Seafood Show in March, Miami-based producers Enaca USA (RioMar Tilapia) and Mountain Stream Tilapia announced an alliance of their Central and South American farming operations, forming a new company, Aquamericas. The companies gained an estimated 25 percent share of the U.S. market for fresh tilapia filets. According to Roger Duarte-Rodriguez, Aquamericas' managing director, the move paid dividends.

"The merger has allowed us to gain efficiencies in distribution and logistics, and the increased supply has given us much more flexibility in meeting our customers needs," says Duarte-Rodriguez. As for future consolidation in the global tilapia market, "anything can happen," he says. "It is a very competitive environment, especially in light of the growing imports of frozen filets from China."

Why consolidate? Supply, selection, service and the bottom line can all improve. But for many seafood buyers, it's still all about trust. So, when Tampa Maid Foods acquired Cox's Wholesale Seafood of Tampa, Fla., this May, it was noteworthy that Cox's 80 employees kept their jobs. As it turns out, Cox's kept its customers too.

"You build relationships [with vendors], especially with seafood," says Denise Englade, seafood buyer for the seven-unit Central Markets of Dallas, owned by HEB.

Englade buys pink shrimp from Cox's and was happy to see that, despite the merger, it would be business as usual. If not, "it would have been like starting over," she says.

Today, as sourcing seafood goes global, only the largest may be allowed to play. Therefore, further consolidation can be expected.

"Consolidation is the name of the game," says Tillion. "I'm not worried about who in the industry takes the hit," he says. "Look at each merger or acquisition and ask, 'Will this create a better airline? Cheaper bread? Better fish?' If it benefits the consumer, then I'm all for it."

Assistant Editor James Wright can be e-mailed at jwright@divcom.com

September 2006

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Glacier Fish acquires Alaska Ocean Seafood and adds Nippon Suisan as a strategic investor

SEAFOOD.COM NEWS [BUSINESS WIRE] - May 21, 2008 - Glacier Fish Company LLC and Nippon Suisan Kaisha, Ltd. (TYO:1332), through its wholly owned subsidiary Nippon Suisan (U.S.A.), Inc., announced today the signing of a comprehensive agreement to purchase Alaska Ocean Seafood LP (AOS).

Nippon Suisan simultaneously agreed to make an investment in Glacier Fish to attain a 25% ownership stake through contribution of its interest in AOS and an additional equity investment. Further details of the transaction were undisclosed.

The transaction has been approved by the board of directors of each company and is subject to clearance under the Hart-Scott-Rodino Antitrust Improvements Act and approval of U.S. Department of Transportation Maritime Administration, with an expected closing in early part of June this year.

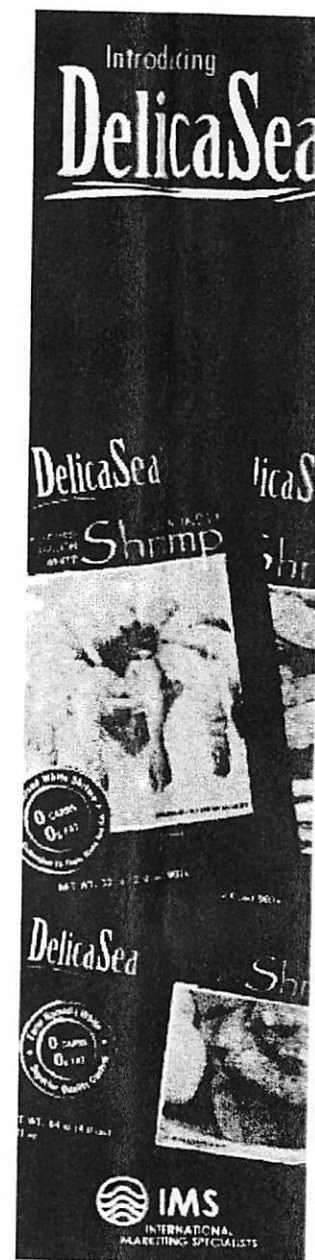
AOS owns and operates the fishing vessel Alaska Ocean, the largest and most sophisticated pollock catcher/processor in the United States. The vessel is 376 feet in length and has a hold capacity of 6 million pounds. With this transaction, Glacier Fish will accretively grow its prominent position in the Bering Sea pollock and Pacific west coast whiting fisheries.

The combined company will have projected 2008 revenues greater than USD\$100 million and over 400 employees. The transaction creates significant operating synergies and provides an optimal platform for future growth and expansion.

Glacier Fish will become the third largest at-sea harvester/processor of Alaska pollock and U.S. west coast whiting. With the strategic investment and relationship with Nippon Suisan, Glacier Fish will further expand its reach as a global provider of high quality pollock roe, fillets, surimi and cod under the ongoing brands Glacier Fish and Alaska Ocean.

'This transaction is a very significant event for Glacier Fish Company and will serve to further solidify our prominent position in the Bering Sea and west coast fisheries while strengthening our ability to provide our long-term customers with the highest quality products,' stated Erik Breivik, Chairman and Chief Executive Officer of Glacier Fish. 'Through this transaction, we are able to add a vessel unmatched in capability and scale and a team of experienced operators while partnering with a highly respected global industry leader to further expand the scale and reach of our company.'

'As a new strategic partner to Glacier, we could not be more pleased with the opportunity to be a part of a leading seafood harvester and supplier with such high standards for quality, which will allow us to better meet our customers' stringent requirements,' stated Akiyo Matono, President of Nippon Suisan (U.S.A.), Inc.



The transaction will immediately add value to the ongoing operations of Glacier Fish according to company president, John Bundy. 'This combination of enterprises will enhance our existing customer relationships, expand our markets and improve our ability to add value and quality to our products as the market has come to expect from the Glacier and Alaska Ocean brands. The combined company will provide a strong foundation for growth and expansion,' he said.

Glacier Fish Company harvests pollock, cod and whiting from the Bering Sea and Northwest fishery resources to produce products such as frozen-at-sea fillets, surimi, roe and headed and gutted fish. The company owns and operates a fleet of three catcher processors and two freezer long-liners. The company has been managed by Erik Breivik since inception. It is owned by Norton Sound Economic Development Corporation (NSED), an Alaska Community Development Quota organization, and by Erik Breivik and John Bundy. The company is headquartered in Seattle, Washington and has over 400 employees.

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Icicle-Smoki deal 'a great fit'

Deal gives Icicle access to markets where it hasn't been strong.

BY BEN DIPIETRO

The principals involved in last month's sale of Smoki Foods to Icicle Seafoods say it's a perfect fit of two companies that complement each other, and the deal will add value to their customers and their businesses.

"They bring a resource that Smoki doesn't have, and Smoki has a resource they didn't have. You combine those two things and it's a win-win for both companies and a win for the customer base," said Rodger May, CEO of Seattle-based Smoki. "Several people were looking at us but they were the best fit. [Icicle CEO] Don Giles and I made the decision it was a perfect fit."

Icicle approached Smoki — which has been looking for a buyer for at least two years — about six months ago, May said.

Under the deal announced April 22, Icicle acquired Smoki and its subsidiaries, American Gold Seafoods, the only U.S. owned and operated salmon farming company, and Cypress Island Seafoods, a processing plant in Blaine, Wash.

Private-equity effect?

The \$300 million (£192 million) Seattle-based Icicle was sold last year to private-equity firm Fox Paine — now Paine & Partners — for an estimated \$200 million (£128 million). That deal provided capital for further acquisitions, but Giles couldn't say for certain whether the deal would have occurred even without the sale to Paine & Partners.

"It's hard to say, we've been talking for a while. It was something that made a business sense, what they were doing and what we were doing," said Giles. "Certainly with the Paine folks it allowed

us to probably get the thing done."

Smoki is as good as there is in the industry when it comes to adding value to wild salmon, said Giles, and the deal allows Icicle to move into markets where it wasn't as strong, while providing Smoki with a more certain supply of wild Alaska salmon from Icicle.

"He [May] does a good job cutting fish and we've got a good supply of fish. It's a good fit for that business going forward; they probably have more supply behind it than what they had before, certainly on the wild seafood side," said Giles. "He was actually a customer of ours, so putting us together allows his business to grow with our resource and allows us to move into markets we weren't as active in prior to this."

End of an era

Smoki will gain from having access to fish processed by Icicle's three floating processor vessels, and the deal opens the company to other products outside of salmon such as pollock, hake and crab, said May, whose role will be key accounts and production of those items.

May said he would like to stay on in what he calls his "dream job" of handling Smoki's top 10 to 15 customers, or "the friends I've grown to know in this business the last 25 years."

"This is the end of an era for the family business but an exciting start for a new one" said May.

Giles said it remains to be determined whether the two companies will continue to operate as separate entities under individual names.

The deal won't have any impact on Icicle's entrance in the farmed salmon industry last year through its creation of Chile-based formed Salmoes Aysen with former Salmoes founder executive Radio Baraona, said Giles.

Smoki Foods was founded in 1994 by May and his wife, Lisa. In 2003, Smoki Foods entered



YIN FINDS YANG: Icicle Seafoods' purchase of Smoki Foods combines two companies whose strengths complement each other. PHOTO: SMOKI FOODS

the aquaculture sector through its acquisition of Pan Fish's U.S. salmon farming operations, which included a 500-acre fresh water hatchery and eight salt-water grow-out sites in Washington state.

This acquisition now operates under the American Gold Seafoods banner. American Gold Seafood's operates the nation's only U.S. owned and operated Atlantic salmon farms.

In February of 2007 Smoki Foods acquired the former Sea K Fish plant in Blaine, Wash., on a long-term lease with the Port of Bellingham. The facility processes crab, salmon, bottom fish and other value-added items.

At the time it bought Icicle, Paine officials said they had hundreds of millions to spend on further acquisitions at Icicle. This is the company's first purchase since it took over.

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Electronic lobster trading on its way

American Seafoods buys into Japan, cuts back in U.S.

American plans on increasing its stake in two Japanese seafood firms in the coming year, and is trimming back catfish operations in the United States.

BY JOHN FIORILLO

Within a year, Seattle-based American Seafoods expects to up its stake in two Japanese companies to 50 percent, Bernt Bodal, CEO of American Seafoods, said in early May.

In April, American bought a 25 percent stake in both Fukuoka Marusui (FM) and Hakata Tomimaru (HT).

The two firms are separate companies but have shared ownership.

Both firms are suppliers of pollock roe to the Japanese market and long-time customers of American.

HT sells into Japanese retail outlets, while FM sells to customers for further value-added processing of roe into high-end gift packs, Bodal said.

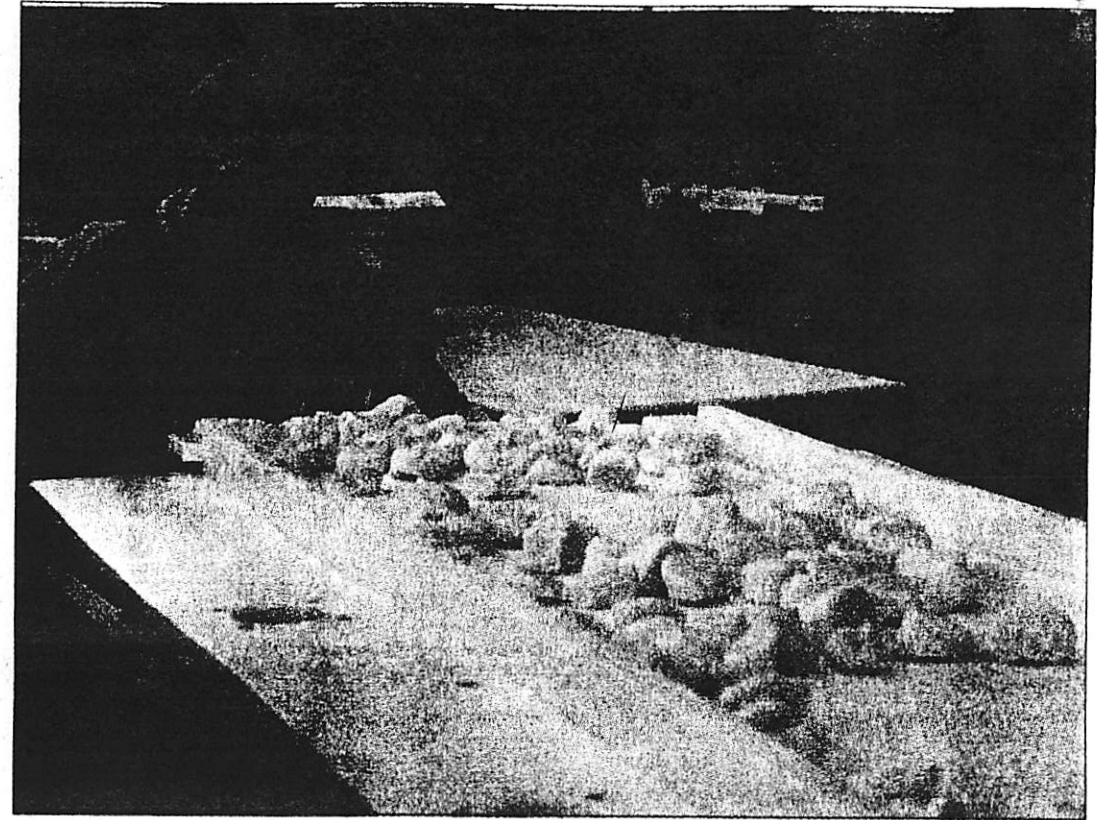
The move gives American new depth in Japan's retail market and greater control over the two companies supplying that market.

"The closer we can get to the end user, the better," said Bodal.

Cuts in the U.S.

In the United States, meanwhile, American is cutting back at its farmed catfish subsidiary in Greensboro, Ala.

High fuel costs forced Southern Pride Catfish to do away with its in-house fleet of delivery



LOOKING OVERSEAS: Among its U.S. operations, American Seafoods operates a scallop processing and a secondary processing plant for frozen pollock in New Bedford, Mass. The company is now ramping up its presence in Japan.

PHOTO: AMERICAN SEAFOODS

trucks. Southern Pride is using an outside trucking firm to ship its products.

The decision to outsource the service was made in late April, Southern Pride's David Bleth said in May.

Southern Pride historically used a mix of in-house and outside transportation services.

"By outsourcing you pay one way and don't have to pay for the truck to come back empty," Bleth

said, adding the rising cost of fuel made it impractical to continue operating the aging 28-truck Southern Pride fleet.



The closer we can get to the end user, the better,"

—American Seafoods CEO Bernt Bodal

The company's drivers were laid off, he said, but were given "nice severance packages" and offered opportunities to stay on with the company in other jobs.

American Seafoods is one of North America's largest seafood

firms, and one of the world's largest suppliers of whitefish.

It's unclear what other overseas investments could be on the horizon for American.

The company has been relatively quiet since abandoning plans for an Initial Public Offering, or IPO, a few years ago.

American Seafoods' pollock resources, for which it owns quota rights in Alaska, have become increasingly valuable as global whitefish supplies have decreased and demand for pollock in particular has surged worldwide during the past several years.

The TOP NEWS stories of 2007

Newsmakers and noisemakers, you'll find them all in our recap of the top news of 2007

BY JOHN FIORILLO AND DREW CHERRY

Well, another year is in the books and, boy, was it a busy one. It's too soon to know just what the new year will bring to the global seafood industry, but we can take a look back at 2007 to see what trends are shaping the industry.

What follows is a collection of the biggest news stories from 2007. Trends such as consolidation, eco-certification and food safety drove much of the news last year.

What will happen in 2008?

Stay tuned to IntraFish and you'll be the first to know.

Salmon wars are over

Early in 2007, two of the largest wild, Alaska salmon suppliers - Trident and Iclde - came out of the closet to tell the world they are partnering with salmon farmers.

Iclde Seafoods partnered with former Salmenes Tecmar executive Pablo to form Salmenes Aysen in Chile.

Trident is selling product it is buying from the world's largest salmon farmer, Marine Harvest.

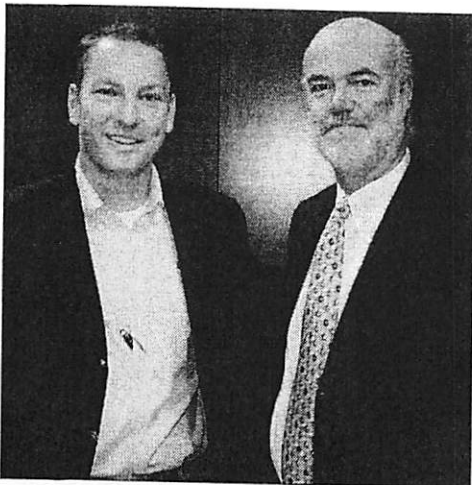
It's about time. Plenty of folks in Alaska still believe farmed salmon is the enemy and if it somehow disappeared all would be right with the world.

So why would two leading seafood firms long associated with wild Alaska seafood partner with salmon farmers?

Because their customers are telling them to! Their customers want efficiency in the supply chain and they want their suppliers to provide a one-stop shop for their seafood needs. It's just good business.

Honestly, most, if not all, of the wild salmon suppliers have been quietly dealing farmed salmon for some time. Trident and Iclde just made it official.

The move shows just how influential the buy-side of the business has become. Consolidation among retailers and distributors is forcing consolidation and new business partnerships on the supply-side of seafood.



WE CAN ALL GET ALONG: Trident Seafood's Joe Bundrant and Marine Harvest's Rafael Puga share a smile as they announce in March a partnership that bridges the divide between wild and farmed salmon. PHOTO: INTRAFISH

Private equity buys Iclde

Is this the start of something big? That's what lots of seafood professionals were asking in September, when U.S. private equity firm Fox Paine snapped up Seattle-based Iclde Seafoods for an estimated \$200 million (£297 million).

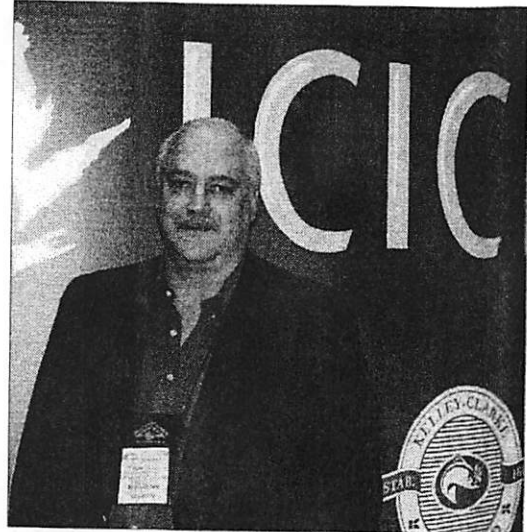
Private equity firms have been busy consolidating Europe's seafood industry over the past couple years, and now signs are they are moving into North America.

"We've had a long-standing interest in the seafood industry. We've been looking at the space for close to 10 years now," Chris Ruetters, a principal with Fox Paine said.

Fox Paine would like to do more investing in the seafood industry, Ruetters said. "But our focus at the moment will certainly be on Iclde and supporting Iclde in its growth plan," he said.

"We have several hundred millions of dollars of growth capital available to [Iclde] to go out and make acquisitions. We see a consolidation opportunity," Ruetters said. "We're looking at both large and small acquisition opportunities in Alaska, and opportunistically I think there are probably some businesses outside the Alaska market that would fit well with Iclde."

A bit north in eastern Canada, seafood giant Clearwater was also talking about hopping off the stock market and taking the company private. "The market is very impatient, wants perfor-



GOING, GOING, GOING! GONE: The largely employee owned Iclde Seafoods is now in the hands of private equity firm Fox Paine, and Iclde CEO Don Giles couldn't be happier. PHOTO: INTRAFISH

mance on a quarterly basis, and frankly Clearwater Fine Foods looks at this as a long-term investment," said John Risley, who founded the company with Colin MacDonald, his brother-in-law, almost 30 years ago.

Sick salmon rock Chile

An outbreak of disease at the country's salmon farms cost Chile's famed salmon industry an estimated \$592 million (P400.4 million) this year, and many expect the costs to go even higher.

The world's No. 1 salmon farmer, Marine Harvest, said in November it's closing several Chileo-area farms and moving operations south toward the less-crowded, disease-free waters of Region III.

The planned closures are the latest in a series of clues suggesting that Chile's recent difficulties with infectious salmon anemia (ISA), a highly contagious virus that can be lethal to fish but does not affect humans, may be far more serious than either the Chilean government or the country's major salmon producers are willing to admit.

ISA was detected in Chile in July when scientists confirmed outbreaks in four Chileo-area salmon farms, three of which belong to Norway-based Marine Harvest.

To combat the problem, the government's National Fish Service (SERNAPECSA) implemented an extensive quarantine of the area and ordered all infected fish to be slaughtered.

The World Organization for Animal Health says approximately one million fish were sacrificed.



RESEARCH: Fish-health researchers are on the hunt for answers to fish farming disease outbreaks. PHOTO: INTRAFISH

Going into 2008, the global farmed salmon market is unsettled and most seafood execs are waiting for more clarity on just how bad Chile's problems truly are.