

DRAFT AP MINUTES

ADVISORY PANEL MINUTES

April 9-13, 2001

Hilton Hotel

Anchorage, Alaska

Advisory Panel members in attendance:

Alstrom, Ragnar
Benson, Dave
Boisseau, Dave
Bruce, John (Chair)
Burch, Al
Cross, Craig
Ellis, Ben
Falvey, Dan
Farr, Lance
Fields, Duncan
Fraser, David

Fuglvog, Arne
Henderschedt, John
Jones, Spike
Madsen, Stephanie (Vice Chair)
Nelson, Hazel
Norosz, Kris
Ridgway, Michelle
Steele, Jeff
Stephan, Jeff
Ward, Robert
Yeck, Lyle

Election of Officers

Without objection, the AP agreed to continue current officers through June 2001.

C-1 Halibut Charter IFQ

The following motion failed 6-15.

The AP recommends the Council urge NMFS to proceed immediately with approval and implementation of the GHL. Furthermore, the AP recommends the Council adopt Alternative 3 with the following guidelines:

Issue 1. Issuee

An area specific moratorium license would be issued to the owner/operator or lessee of the charter vessel/business who fished during the eligibility period.

Issue 2. Qualification Criteria

The owner/operator or lessee of the charter vessel/business who fished in 1998 or 1999 and 2000.

- 1. No hardship provisions*
- 2. No purchasing of catch history*
- 3. 75% US ownership*

Issue 3. Evidence of Participation

- 1. CFEC vessel license*
- 2. ADF&G logbook*
- c) All other legal requirements*

Issue 4. Vessel Upgrade

License designation limited to 6-pack, if currently a 6-pack or inspected vessel owner limited to current inspected certification.

Issue 5. Transfers

Permanent and temporary transfers will be allowed within regulatory area

Issue 6. Duration of Moratorium

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Review in two years

This moratorium would be implemented immediately in regulatory area 2C and 3A.

The AP also supports an expedited local area management planning (LAMP) process by the Alaska Board of Fisheries to address localized depletion and user group conflicts. The AP asks the Council to encourage the Board to complete this process and report back to the Council as soon as possible.

Minority Report:

The following members of the AP voted in support of the failed proposal above and submit the following as a minority report.

It should be noted that discussion during the AP on this issue reflected near unanimous support of the Council's passage in February 2000 of the guideline harvest level (GHL) measures and urged a speedy approval by the Secretary of Commerce. It was also pointed out that a GHL in combination with some form of a halibut charter boat moratorium is supported by with the Alaska Department of Fish and Game, the Governor of the State of Alaska, the leadership of the State Legislature and the Alaska Board of Fisheries.

Furthermore, it should be emphasized that numerous sportfishermen, as well as many individuals in the halibut charter boat industry and the commercial halibut fishermen support a GHL-moratorium rather than the issuance of IFQs to the halibut charter boat industry.

We are in agreement that the failed proposal was framed in an overly restrictive manner in order to present it as a working document and would urge the Council to craft the best moratorium to fit with the GHL.

The minority concurs that the approval of the GHL and implementation of a moratorium should be closely linked to the creation of local area management plans (LAMPS). It is our opinion the implementation of the moratorium would be of short duration and lifting of the moratorium will be pursued upon adoption of LAMPS in the affected region.

In conclusion, we urge the Alaska Board of Fishery to develop or refine regulations (i.e. bag limits, specific harvest areas for sport and commercial, etc.) to augment LAMPS in order to address the many various issues related to the prosecution of the fishery.

Signed: Ben Ellis, Spike Jones, Michelle Ridgway, Stephanie Madsen, Lyle Yeck and Dave Benson

The AP recommends the Council adopt Alternative 2.

Alternative 2. Include the halibut charter sector in the existing halibut IFQ program.

Issue 1. Initial QS may be based on:

Option 1. Equal to **115%** of corrected average 1995-99 charterboat harvest
(12.04% in Area 2C and 12.89% in Area 3A of a combined charter and commercial quota)
Motion passed 16-4

Suboption: **100%** of an individual's QS initial issuance would float with abundance. *Motion passed 18-2*

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Issue 2. Initial allocation of QS would be issued to U.S. citizens or to U.S. companies on the following basis: U.S. ownership based on: b) 75% ownership

- Option 1. Charter vessel owner - person who owns the charterboat and charterboat business
- Option 2. Bare vessel lessee - person that leases a vessel and controls its use as a charterboat for this fishery. May operate the vessel or may hire a captain/skipper. Lessee determines when the vessel sails and by whom captained.

Issue 3. Qualification Criteria

Option 2. Initial issues who carried clients in 1998 or 1999 and who submitted ADF&G logbooks for an active vessel (as received by ADF&G by February 12, 2000)

Suboption: Require that initial issues be currently participating (meeting all legal requirements including filing a logbook) during season prior to final action and any year claimed during the qualifying period (currently May- Sept 2000).

Issue 4. Distribution of QS may be based on:

Option 1. 70% of 1998 and 1999 logbook average with an additional 10% added for each year of operation 1995-97 (longevity reward). (Excess would be distributed equally.)

Issue 5. Transferability of QS (permanent) and IFQs (on annual basis [leasing])

Option 1 and 2 modified as follows:

A. Leasing of Charter QS

1. Charter QS is non-leasable

B. Transfer of Charter QS

1. Initially issued Charter QS is fully transferrable within the charter sector

2. For purposes of transfer to commercial sector, 75% if an individual's initially issued charter QS is permanently nontransferable and 25% is transferrable upon Council review after 2 years

3. Commercial QS purchased by charter operator is fully transferable (two-way) across sectors and retains original designations.

C. Leasing of Charter IFQ

1. 20% of a charter operators' annual IFQ is leasable within the charter sector for the first 3 years of the program

2. Leasing is defined as the use of Charter IFQ on a vessel which the owner of the QS has less than a 50% ownership interest

3. 10% of a charter operators' annual IFQ may be leased to the commercial sector for the first 5

years

Option 3. Block restrictions

a) any initially issued (i.e., unblocked) charter QS once transferred to commercial sector shall be: 3. unblocked

b) allow splitting of commercial blocks to transfer a smaller piece to the charter sector - split blocks retain original designations.

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- Option 4. Vessel class restrictions
- a) from A, B, C, and/or D commercial vessel category sizes to charter sector
 1. Leasable
 - b) from charter to commercial:
 3. B, C, and D category
 - c) initial transfer from undesignated charter to a particular commercial vessel category locks in at that commercial category

Issue 6. To receive halibut QS and IFQ by transfer:

- Option 1. For the charter sector, must be either
- a) a initial charter issuee or
 - b) qualified as defined by State of Alaska requirements for registered guides or businesses*
 - c) fulfill all legal obligations of the charter sector
- Option 2. For the commercial sector, must have a commercial transfer eligibility certificate.
Suboption: All commercial rules apply to any provision that may permit the use of commercial QS/IFQ for commercial purposes by any entity in the Charter IFQ sector.

Issue 7. Caps

- Option 2. Caps:
- a) use cap for charter QS owners only of 1% of combined QS units in Area 2C and ½, of combined QS units in Area 3A (for all entities, individually and collectively) and grandfather initial issues at their initial allocation
 - b) use caps for charter QS owners only of ½ of combined QS units for combined Areas 2C and 3A (for all entities, individually and collectively) and grandfather initial issues at their initial allocation

Issue 8. Miscellaneous provisions

- Option 1. Maximum line limit of 12 in Area 3A (remains at 6 lines for Area 2C), grandfather initial issuees
- Option 2. 10% underage provision of total IFQs
- Option 4. A one-year delay between initial issuance of QS and fishing IFQs.

Issue 9. IFQs associated with the charter quota shares may be issued in:

- Option 2. Numbers of fish (based on average weight determined by ADF&G)

Issue 10. Reporting:

The AP recommends that the Council defer design of an improved reporting and enforcement strategy to an IFQ technical implementation team, working with the IPHC, NMFS, ADF&G and other authorities as needed. It is the intent of the AP that a more comprehensive reporting system will address:

1. More timely, verifiable reporting of catch
2. Enforcement concerns
3. More accurate geographic referencing of catch location which provides for analysis of halibut harvest in LAMP districts.

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The AP also supports an expedited local area management planning (LAMP) process by the Alaska Board of Fisheries to address localized depletion and user group conflicts and other issues as appropriate. The AP asks the Council to encourage the Board to complete this process and report back to the Council as soon as possible.

Motion passed 15-5.

Issue 11. Community set-aside (revised)

Option 2 - Set aside of 1% with a 1/4% incremental increases annually if utilized with a maximum of 2%

Suboption 1 Source of the set-aside

A. Equal pounds from the commercial and charter sectors (14/4/2)

(A motion to adopt c. 100% of the pounds taken out of the charter sector failed 6/10/1)

Suboption 2 Sunset provisions

C. Sunset in 10 years (the count would start the first year of issuance)

D. Persons currently participating in the set-aside program at the time of sunset would be allowed to operate within the guidelines of the program.

Motion passed 12/7.

The AP further recommends the charter IFQ be included in the IFQ fee recovery program. *Motion passed 19/0.*

C-2 Steller Sea Lion Measures

(a) Status reports on analysis, alternatives, and independent scientific review.

The AP recommends that the Council not include a separate and specific analysis of the options included in the September 2000 SSL cod fishery EA in the EIS for the 2002 SSL RPA. The AP further recommends that the Council instruct the RPA committee to consider the elements and options contained in the September 2000 EA/RIR as it develops RPA recommendations and alternatives for June. *Motion passed 20-0.*

Additionally, the AP recommends the Council delete Alternative 3. *Motion passed 19-1.*

(c) Recommendations for second half of 2001.

The AP requests the Council adopt the RPA committee's recommendations for the balance of 2001 with the following revisions:

The AP recommends that the fixed gear sector that occurs in the second half of 2001(August 15th through December 31st), be managed under the regulations recommended by the RPA committee.

Bering Sea areas 7 and 8 and the Aleutian Island areas 12 and 13 should open September 1 for pot cod vessels over 60 ft.

Pot cod vessels' (under 60 feet) harvest would be deducted from the 1.4% quota when the pot fishery for vessels over 60 feet is closed.

Pot cod vessels' (under 60 ft) harvest would be deducted from the 18.4% quota when the pot fishery for vessels over 60 feet is open. *Motion passed 14-0-1.*

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The AP wishes to express their appreciation and thanks to the RPA committees' chairman, members and agency staff for their efforts.

Further, AP recommends that the Council close the Chiniak Gully as proposed by NMFS for experimental purposes. We further request the Council request the State of Alaska close the State water portion of this gully to pelagic trawling to ensure the effectiveness of the experiment. *Motion passed 19-0.*

The AP also requests that NMFS and ADF&G make available the sea lion telemetry data in a GIS database format in the most expeditious manner possible, such that the public may examine plots of individual animal tracks. The AP recognizes the importance of this information to the RPA development process and appreciates the preliminary work of NMFS and ADF&G to make this information available to the RPA committee. *Motion passed 19-0.*

C-4 American Fisheries Act

A. Initial Review, Amendment 69

The AP recommends the Council release the EA/RIR/IRFA Amendment 69 to allow an inshore pollock cooperative to contract with AFA CV's that are qualified for the inshore sector, but outside their cooperative, for the purpose of harvesting the cooperatives' BSAI pollock allocation for public review with the following revisions:

1. Include the provision, overlooked in the analysis, that requires the processors approval in addition to the coop's approval.
2. Adopt the revised industry problem statement

Motion passed 15-0.

B. Salmon bycatch intercoop agreement

The AP recommends the Council support the industry proposal as presented. Further, the AP recommends the intercoop group give consideration to distributing penalty proceeds to salmon research in the Bering Sea. *Motion passed 15-0.*

C-5 BSAI Crab Rationalization

The AP recommends the Council adopt the following problem statement, and elements and options:

Draft Problem Statement

The crab fisheries in the Bering Sea/Aleutian Islands are fully utilized. Despite amendments to the LLP Program and AFA sideboards, capacity in these crab fisheries far exceeds available resources. The ability of crab harvesters to diversify into other fisheries has been severely curtailed under the LLP program and other management actions designed to bring stability to other gear groups and species. Many of the concerns identified by the NPFMC at the beginning of the comprehensive rationalization process in 1992 still exist for the BSAI crab fisheries. The race for fish continues to result in:

1. Resource/conservation management problems
2. Bycatch/handling mortality and dead loss
3. Excess harvesting capacity
4. Lack of economic stability
5. Safety issues

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In the continued process of comprehensive rationalization, prompt action is needed to protect the crab resource and to promote stability for those dependent on the crab fisheries. In order to achieve a balanced resolution, the concerns of harvesters, processors and coastal communities must be addressed.

Elements and Options for Crab IFQ Program

1. Harvesting Sector Elements

1.1 Crab fisheries included in program are those subject to the Federal FMP for BSAI,
Suboption: include closed and developing fisheries

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

- (a) persons that have L.L.P. permits and endorsements for each crab species; and
- (b) U.S. citizens, U.S. corporations or partnerships eligible to document a U.S. fishing vessel.
- (c) U.S. citizens, U.S. corporations or partnerships with 75% US ownership**

1.3 Categories of QS/IFQs

1.3.1 Crab Fishery Categories - QS/IFQs will be assigned to one of the following crab fishery categories: Opilio, Bairdi, Bristol Bay red king crab, Pribilofs red king crab, Pribilofs blue king crab, St. Matthew blue king crab, Brown king crab or Adak red king crab.

1.3.1.1 Brown king crab options:

- Option 1. A single category for all areas in catch history
- Option 2. Split into two categories: Dutch Harbor brown king crab and Western Aleutian Islands brown king crab

Option 3. Do not include Aleutian Island Brown Crab

1.3.1.2 Adak red king crab options (*this fishery has been closed for several years*):

- Option 1 Do not include Adak red king crab until it becomes a viable fishery again
- Option 2. Include Adak red king crab in crab IFQ program

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

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

1.3.3 Processor delivery categories - QS/IFQs for the CV sector may be assigned to processor delivery categories if Processor quota shares (PQs) are included in the program. Several options for implementation exist as follows:

Option 1. No processor delivery categories (*processors may either accept deliveries on an open-access basis first or only accept open-access deliveries after their processing quota shares are utilized - see Processing Sector Elements.*)

Option 2. Two processor delivery categories (*options for the percentage split between class A/B shares for initially allocated QS appear under the Processing Sector Elements*):

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

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- 1.3.4 Regional Categories - QS/IFQs for the CV and C/P sectors may be assigned to regional categories if Regionalization is included in the program. Two regions would be defined as follows (*see Regionalization Elements for more detailed description of regions*):
- (a) North Region - All areas on the Bering Sea north of 56° 20' N. Latitude.
 - (b) South Region - All areas south of 56° 20' N. Latitude

1.4 Initial allocation of QS

1.4.1 Calculation of initial QS distribution will be based on legal landings excluding deadloss. **The intent of the AP is that the denominator used to determine the distribution of QS would be the sum of the histories of vessels qualified under Amendment 10. The AP notes that some vessels qualified under Amendment 10 are replacement vessels and recommend an option that the replaced vessels' history would flow to the replacement vessel.**

1.4.2 Qualifying Periods for Determination of the QS Distribution:

1.4.2.1 Opilio

Option 1. 1990 - 1999

- (a) All years
- (b) Best 7 years

Option 2. 1992 - 1999

- (a) All years
- (b) Best 5 years

Option 3. 1995 - 1999

- (a) All years
- (b) Best 3 years

1.4.2.2 Bristol Bay red king crab

Option 1. 1990 - 1999

- (a) All years
- (b) Best 7 years

Option 2. 1993 - 1999

Option 3. 1992 - 1999

- (a) All years
- (b) Best 5 years

Option 4. 1995 - 1999

- (a) All years
- (b) Best 3 years

1.4.2.3 Bairdi

Option 1. 1992 - 1996

Option 2. 1994 - 1996

Option 3. 1990 - 1997

1.4.2.4 Pribilofs red king crab

Option 1. 1993 - 1998

Option 2. 1994 - 1998

Option 3. 1996 - 1998

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1.4.2.5 Pribilofs blue king crab

- Option 1. 1993 - 1998
- Option 2. 1994 - 1998
- Option 3. 1996 - 1998

1.4.2.6 St. Matthew blue king crab

- Option 1. 1993 - 1998
- Option 2. 1994 - 1998
- Option 3. 1996 - 1998

1.4.2.7 Brown king crab (based on calendar years ending 12/31)

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

- Option 1. 1990 - 1999
- Option 2. 1992 - 2000
- Option 3. 1995 - 1999
- Option 4. 1995 - 2000

Suboption: award each initial recipient 50/50 Dutch Harbor/western Aleutian Island brown king crab QS instead of according to historical participation in each region.

1.4.2.8 Adak Red King Crab

- Option 1. 1992 - 1995
- Option 2. Define qualifying years in separate amendment if fishery reopens

1.5 Annual allocation of IFQs:

1.5.1 Basis for calculating IFQs:

- Option 1. GHL
- Option 2. Convert GHL to TACs and use TAC as the basis.

1.6 Transferability and Restrictions on Ownership of QS/IFQs:

1.6.1 Persons eligible to receive QS/IFQs by transfer -

- Option 1. (a) All persons or entities eligible to document a U.S. fishing vessel are eligible to own or purchase harvest vessel QS and IFQs**
 - (b) Persons or entities with 75% ownership**
- Option 2. Initial recipients of harvesting quota share**
- Option 3. US citizens who have had at least**
 - a. 30 days of sea time**
 - b. 150 days of sea time**
 - c. 365 days of sea time**
- Option 4. Entities that have a US citizen with 20% or more ownership with at least**
 - a. 30 days of sea time**
 - b. 150 days of sea time**
 - c. 365 days of sea time**

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

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

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

Suboption (c, d, and e) would analyze a range of QS caps for each species bounded by the average QS held and the maximum QS holding at the time of initial issuance with grandfather provision.

1.6.4 **Captain and Crew Proposal -**

- (a) **10% of Harvesting QS would be designated as crew shares. Transfers of harvesting QS must include transfer of 10% crew shares for which there will be first right of refusal for eligible crew to buy.**

Suboption: timeframe for first right of referral is 1-2 months

- (b) **Eligibility of U.S. citizens to purchase crew shares would be defined by a range of sea time of**
 - A. 30 days of sea time**
 - B. 150 days of sea time**
 - C. 365 days of sea time**

1.7 Use of IFQs:

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

- (a) CP-IFQs may be used on catcher vessels to harvest and process on board;
- (b) CV-IFQs may be used on catcher/processors for harvesting but must be delivered to another processor unless sufficient processing quota shares are also held;
- (c) Processing quota shares may be used on catcher/processors to process crab harvested with CV-IFQs (whether by itself or another catcher vessel).
- (d) **Initial recipients of CP quota shares that also receive CV quota shares shall be able to convert, at the time of issuance, their initial issuance of CV quota shares to CP quota shares.**
 - Option 1: Owners of CP quota shares cannot purchase additional CV quota shares**

The following amendment failed 7/10

(d) Divestiture:

1. An initial recipient of CV and CP quota share is required to divest quota shares in excess of the cap amount in:

- Option 1. Five years after initial issuance**
- Option 2. Ten years after initial issuance**
- Option 3. Twenty years after initial issuance**

2. A initial recipient of IPQ quota shares is required to divest any CV or CP quota shares in:

- Option 1. Three years after initial issuance**
- Option 2. Five years after initial issuance**
- Option 3. Ten years after initial issuance**

3. An initial recipient of QS is required to divest any IPQ QS in:

- Option 1. Three years after initial issuance**
- Option 2. Five years after initial issuance**
- Option 3. Ten years after initial issuance**

1.7.2 Catch Accounting Under IFQs - All landings including deadloss will be counted against IFQs. Options for treatment of incidental catch are as follows:

- Option 1. No discards of legal crab will be allowed, and sufficient IFQs for legal crab must be available.
- Option 2. No discards of "marketable" crab will be allowed for opilio crab and sufficient IFQs for "marketable" crab must be available. (Legal size for opilio is 3.1 inches, but the industry standard is 4 inches.)**
- Option 3. No discards of opilio crab with a carapace of 4 inches or greater in width (*motion passed 10/7*)**
- Option 4. Discards of incidentally caught crab will be allowed. (*This option would allow, for example, incidental catch of Bairdi Crab in a Red King Crab fishery to be discarded without counting against Bairdi IFQs.*)**

1.7.3 Use caps on IFQs harvested on any given vessel

- Option 1. Range from average to highest of annual catch by vessel by species**
- Option 2. No use caps**

1.8 Other Optional Provisions - the Committee included several other options for analysis as follows:

1.8.1 Other options for skippers and crews:

- Option 1. Protection of traditional and historical crew share percentages with no sunset.
- Option 2. A low-interest rate loan program for skipper and crew purchases of QS would be established or made part of the existing loan program for IFQ purchases.

1.8.2 Rollover Provisions

Holder of CV and CP IFQ that is not fished in the season for which it is issued, may roll over a portion of their IFQ.

- Option 1. 1%**
- Option 2. 3%**
- Option 3. 5%**

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1.8.3 Options for AFA vessels:

Option 1. AFA harvester sideboard caps on crab species shall be eliminated upon implementation.

Option 2. If crab buy-back program goes into effect without crab rationalization, modify AFA crab sideboards to permit AFA vessels to share proportionately in any increase in crab harvest opportunities that accrue to remaining crab vessels.

2. Processing Sector Elements

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

- (a) U.S. Corporation or partnership (not individual facilities), and
- (b) processed crab for any crab fishery in 1998 or 1999.

2.2 Categories of Processing Quota Shares

2.2.1 Crab fishery categories - processing quota shares will be issued for the following crab fisheries: Bristol Bay red king crab, Pribilof red king crab, Pribilof blue crab, St. Matthew blue crab, Opilio, Bairdi and brown king crab.

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

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

2.3 Initial allocation of processing quota shares -

A. Processing quota shares shall be initially issued to Eligible Processors based on three-year average processing history¹ for each fishery, determined by the buyer of record listed on ADF&G fish tickets, as follows:

- (a) 1997 - 1999 for Bristol Bay red king crab
- (b) 1996 - 1998 for Pribilof red king crab
- (c) 1996 - 1998 for Pribilof blue crab
- (d) 1996 - 1998 for St. Mathew blue crab
- (e) 1997 - 1999 for opilio crab
- (f) Bairdi crab based on 50/50 combination of processing history for BBRKC and opilio
- (g) 1996/97, 1997/98 and 1998/99 for brown king crab

SUBOPTION The ability to drop any species from processing share program

B. Processing quota shares shall be initially issued to eligible processors based on the years 1990-1999 processing history for each fishery, determined by the buyer of record listed on ADF&G fish tickets.

(1) Processor able to choose the best 8 of 10 years.

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

(1) Processor able to choose the best 4 of 5 years.

D. Same years as years for harvesting shares on fishery by fishery basis.

¹The three-year average shall be the three-year aggregate pounds purchased by each Eligible Processor in a fishery divided by the three-year aggregate pounds purchased by all Eligible Processors in that fishery.

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2.4.1 Annual distribution of individual processing quota (IPQs) - IPQs will be issued for a portion of the season's GHL (or TAC) for each species, to provide open access processing as a means to enhance price competition.

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

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

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

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

A motion to include an option 5 for 50% of GHL (or TAC) would be issued as IPQs - the remaining 50% would be considered open access failed 3/10.

2.4.2 Annual distribution of individual processing quota (IPQs) will be issued as a percentage of the quota share pool as follows:

Option 1 105% of processors proportional share of quota share pool would be issued as processor's IPQ.

Option 2 130% of processors proportional share of quota share pool would be issued as processor's IPQ.

(Motion passed 10-5)

2.5 Implementation of the open access processing portion of the fishery (three options):

Option 1. Catcher vessel QS/IPQs are categorized into Class A and Class B shares. Purchases of crab caught with Class A shares would count against IPQs while purchases of crab caught with Class B shares would not. Crab caught with Class B shares may be purchased by any processor on an open-access basis.

Option 2. No separate A/B categories for catcher vessel QS/IPQs. Deliveries to processors holding processor quota shares will count against their IPQs first. When its IPQs are fully utilized, a processor may take additional deliveries until the open access portion of the fishery is closed. Open access processors may purchase crab until the open access portion of the fishery is closed.

Option 3. No separate A/B categories for catcher vessel QS/IPQs. Initially, all processors may purchase crab on an open-access basis until the open access portion of the fishery is closed. Then, any remaining crab may be purchased by processors with unutilized IPQs.

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

- (a) Processing quota shares and IPQs would be freely transferable, including leasing
- (b) IPQs may be used by any facility of the Eligible Processor (without transferring or leasing)
- (c) Processing quota shares and IPQs categorized for one region cannot be transferred to a processor for use in a different region.

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

1. Ownership caps -

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

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

Suboption: A range of caps from average to maximum with grandfather clauses

2. Use caps.

Use caps

Option 1 Annual use caps ranging from 30% -50% of the GHL (or TAC) by fishery.

Option 2 **Annual use caps equal to a range of 125% to 200% of t he amount of IPQ quota shareholder received at initial issuance**

Option 3 **Annual use caps of quota share equal to the largest IPQ quota share holder in the specific fishery.**

2.8 Other Optional Provisions

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

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

1. Unused quota

a. Distributed to other processors

1. Proportionally

2. Equally

b. Open access

2. Hardship provisions

2.8.3 Incorporate in the analysis (through a brief discussion paper) an option for use of a private sector managed (non-governmental), binding arbitration process, for failed price negotiations, between fishermen and processors.

2.8.4 For IPQs allocated under 2.4.1 the holders of IPQs that are not processed in the season for which they are issued, may roll over a portion of their IPQ.

Option 1. 1%

Option 2. 5%

Option 3. 10%

3. Regionalization Elements

3.1 Two regions are proposed:

(a) Northern Region - All areas on the Bering Sea north of 56° 20' N. Latitude. *(This region includes the Pribilof islands and all other Bering Sea Islands lying to the north. The region also includes all communities on Bristol Bay including Port Heiden, but excludes Port Moller and all communities lying westward of Port Moller.)*

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

3.2 Regional categorization of processing and/or harvesting quota shares -

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

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

3.2.2 Options for the harvesting sector:

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

3.2.3 Options for the processor sector:

- Option 1. Processing quota shares and IPQs are categorized by region
- Option 2. Regional restrictions apply to deliveries made on open access basis (*Note that it may not be possible to enforce this option if the catcher vessel Class B shares are not categorized by region.*)

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

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

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

3.4 Other optional provisions of Regionalization:

- Option 1. Pribilof/Bering Sea Region (Federal) subsidies for goods and services for the duration of the disaster

4. Duration of program

The following options apply to all program elements:

- Option 1. Program review after 5 years
- Option 2. Program review every 4 years to objectively measure the success of the program by addressing concerns identified in the Crab Rationalization problem statement and the Magnuson Stevens Act standards**
- Option 3. No sunset
(*Motion passed 12-5*)

Further, the AP recommends that the Analysis include, to the extent possible, a comprehensive qualitative, and where possible, quantitative consideration and examination of the following:

- A. Processor ownership interest in BSAI crab harvesting vessels,
- B. CV ownership interest in processors
- C. Processor ownership interest in BSAI crab fishing history,
- D. CV ownership interest in BSAI processing history
- E. Foreign ownership interest in the BSAI crab processing sector,
- F. Foreign ownership in the BSAI crab harvesting sector
- G. The percentage of Harvester IFQs (IFQs) that will be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab harvesting vessels and BSAI crab fishing history.
- H. The percentage of processor IPQs that will be allocated to the harvesting sector as a result of harvesting sector ownership interests in the BSAI crab processing sector and BSAI crab processing sector history including CPs.

- I. The anti-competitive impacts and economic barriers that may result from the cumulative and combined impacts of Individual Processing Quotas (IPQs) coupled with Regionalization. For example: are the combined impacts and barriers of IPQs and Regionalization different than the individual and respective impacts of IPQs or Regionalization, and if so, to what extent,
- J. The general economic and social impacts, and the impacts on free and open competition and markets of IPQs, including the Halverson Report, and Matulich report on 2-pie IFQ program.
- K. The impacts of IPQs on free markets and vigorous competition in the BSAI crab industry that may result from, 1) processor sector ownership interest in BSAI crab harvesting vessels, 2) processor sector ownership interest in BSAI crab fishing history, and 3) the percentage of Harvester IFQs that may be allocated to the processor sector as a result of processor sector ownership interest in BSAI crab vessels and BSAI crab fishing history,
- L. The general impacts of IPQs on free markets and vigorous competition, price mechanisms, costs, distribution of rents, and other competitive mechanisms:
- (1) in the BSAI crab processor sector
 - (2) in the BSAI crab harvester sector.
 - (3) in the BSAI crab industry,
 - (4) in the non-AFA processor sector,
 - (5) in the Kodiak processor sector,
 - (6) in the BSAI and GOA fishing industry,
 - (7) that may result from mergers, acquisitions, combinations and concentrations in the processing sector,
 - (8) that may result from foreign ownership interest in the processing sector,
- M. Restrictions of ownership of Harvester IFQs by processing entities that have more than 25% of foreign ownership interest.
- N. Spillover effects on other fisheries
- O. Include a discussion of the percent of GHQ purchased by non-eligible processors on an annual basis and this effect on the final QS pool
- P. Include a discussion on the Canadian Code of Conduct and its ability to address concerns that option 1 of section 1.8.1 is intended to address.
- Q. Include a conceptual discussion on how co-op management might work in the harvesting and processing sectors and a comparison of IFQs/IPQs, to co-ops including the Dooley-Hall co-op structure in addressing the problem statement.
- R. Conservation benefits and other implications of each component of the program (IFQ, IPQ, Regionalization Co-ops). It is anticipated that analysis of these issues may be presented in a consolidated section in the EA/RIR.
- (Motion passed 10-6)*

C-5 BSAI Crab Rationalization Minority Report

*The AP members listed below support the elements and options recommended by the BSAI Crab Rationalization Committee. We do **not** support the package submitted by the AP. Many of the revisions made by the AP to the committee's report, represent a much expanded and unnecessary level of complexity.*

Specifically, the addition of option 2.4.2 over the last 18 months, an option never brought to or discussed by the committee at any of their meetings, is in direct conflict to the intent of rationalization and the efforts of the committee to achieve a fair and equitable solution to decapitalization of both the harvesting and processing sectors of the resource. This option essentially denies opportunity for the processing sector to achieve rationalization. The issuing of IPQs in excess of harvesting capacity creates an unavoidable condition where each processor, in order to protect its existing investment in the resource, has no choice but to expend additional capitalization annually to attract and to process its maximum IPQ share. Because capture of IPQ in excess of harvest capacity cannot be achieved by all processors, the consequence is a continuous reduction in the number of processors and the subsequent destruction of a competitive marketplace for harvestors.

We agree that the crab industry and communities that depend on that industry are in crisis and support moving forward with a reasonable and balance package of elements and options for analysis.

*Ben Ellis
David Benson
Dave Boisseau
Stephanie Madsen
Kris Norosz*