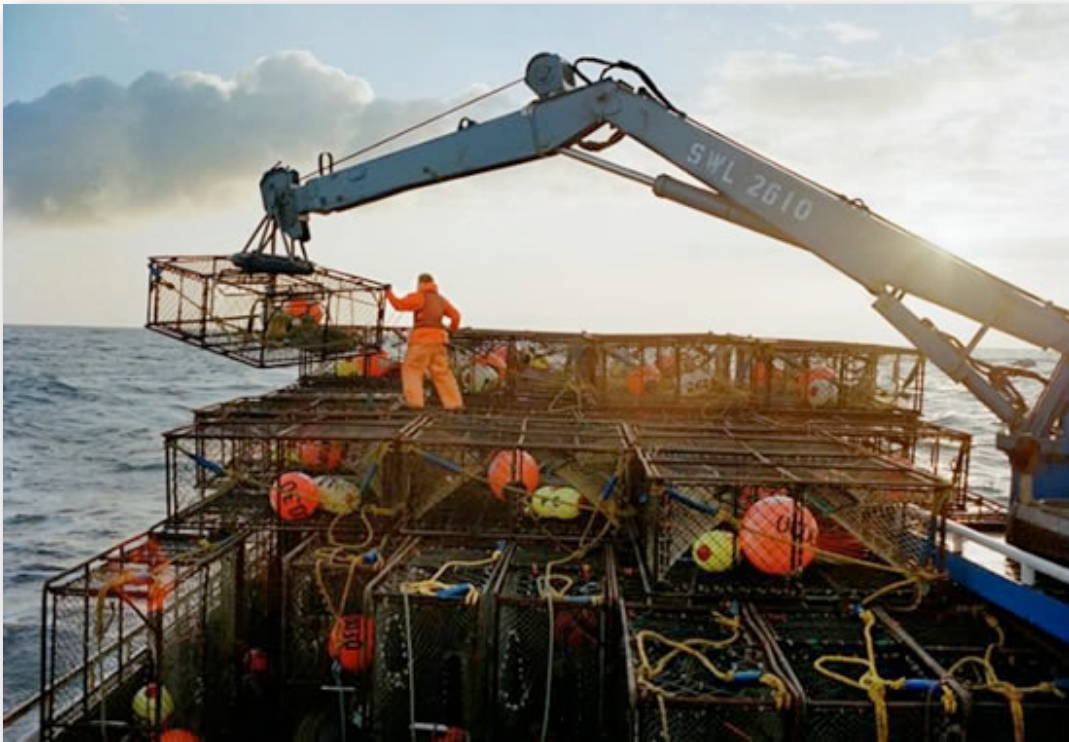


T H E B S A I C R A B P R O G R A M

Three Years of Safety, Stability and Improved Resource Management

REPORT TO THE GOVERNOR



THE COALITION FOR SAFE & SUSTAINABLE CRAB FISHERIES

ALASKA, WASHINGTON AND OREGON



Table of Contents

Open Letter to Governor Sarah Palin	2
Sustainable Resource Management	3
New Technology, Reduced Dead-loss and Handling Mortality	
Ending the “Deadliest Catch”	4
<i>Improved Safety</i> on the High Seas	
Benefits to Alaska’s Coastal Communities	5
For the First Time, Alaska’s Communities have a Direct Stake	
Global Competitiveness	7
The Need for Efficiency	
What Others Are Saying	8
SCIENCE Magazine, September 2008	
WACDA, on behalf of all 6 Alaska CDQ Organizations	

Open Letter to Governor Sarah Palin

October 1, 2008

The Honorable Governor Sarah Palin
Alaska State Capitol Building
Third Floor
P.O. Box 110001
Juneau, AK 99811-0001



Dear Governor Palin,

After three years of dramatically improved safety and economic stability for Alaska's crab-dependent communities, crab fishermen and community-based processors, the vast majority of the industry has come together to send you this Report in support of the BSAI Crab Rationalization Program.

Just over four years ago the North Pacific Fishery Management Council ("NPFMC"), lead by the State of Alaska and with the assistance of the management authority granted to the Alaska Board of Fisheries, approved and implemented the Bering Sea and Aleutian Islands Crab Rationalization Program ("Crab Program").

We are sending you this Report to summarize some of the major successes of the Program, and to encourage your continued support of the State's decade-long effort to achieve the resource sustainability, human safety and global competitiveness goals that are the foundation of this public/private effort.



The Coalition for Safe & Sustainable Crab Fisheries

Representing Alaska's crab dependent communities with 90% of all landings, fishermen holding more than 70% of all QS/IPQ, and community-based processors holding 90% of all PQS/IPQ.

Sustainable Resource Management

New Technology, Reduced Dead-loss and Handling Mortality



New Technology and the Quota System Are Reducing Handling Mortality.

Under the new Crab Program, “the length of crab seasons has been significantly extended, slowing the pace of fishing to allow for improved sorting methods on the sea floor as well as on deck.” (*Three Year Review*, 13.3.3, p. 119)

Some vessels now use a hydraulic sorting system, which is designed so that undersize and female crab are never touched by human hands. When crab are placed on the sorting table, they are moved through conveyors where legal crab are separated and placed in the crab tanks, with the remaining juvenile and female crab conveyed to an overboard chute and returned to the sea floor.

The vessels that have these tables are now sharing the technology to accelerate it’s adoption by the entire fleet. Sharing this technology is a direct result of the cooperative management structure that is the foundation of the Crab Program.

*“Since implementation of the Crab Program, the Total Allowable Catch for these fisheries has never been exceeded.” (*Three Year Review*, Table 13-2, p. 115)*

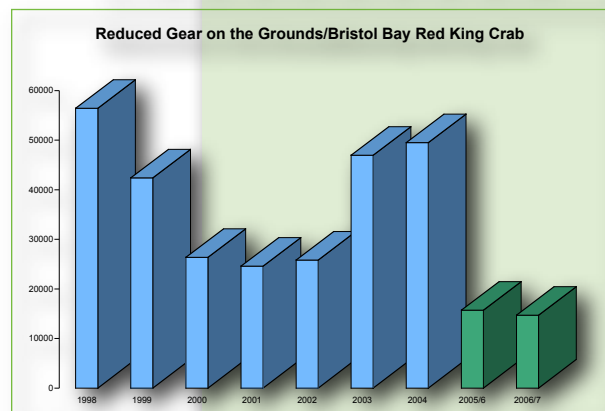
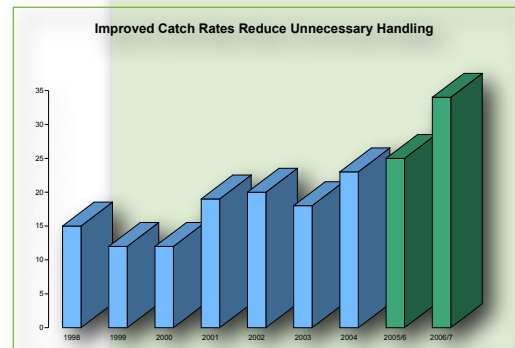


Fewer Vessels • Less Gear

Lower Environmental Impact

The Fleet has dramatically reduced the amount of gear on the grounds and improved fishing methods...

... which allows “sorting on the bottom”, reducing handling mortality and negative impacts on female and juvenile crab.



Ending the “Deadliest Catch”

Improved Safety on the High Seas.



Fisherman's Memorial, Petersburg, Alaska. Before the Crab Program an average of five deaths occurred every year. Since the Program was implemented there have been no deaths or vessel sinkings. Klas Stolpe, Photographer (Right) FV Retriever in ice.

The Way It Was: Dangerous and Risky Work.

Prior to the Crab Program, the fleet competed in a dangerous, unstructured “derby” style fishery. With seasons as short as a few days to a few weeks, every crab boat raced for the grounds regardless of weather -- and often overloaded with gear. The resulting tragic consequences -- loss of vessels, crewmen's lives and large numbers of annual Search and Rescue (“SAR”) missions -- may make for great television but the impacts were devastating for families, businesses and the greater fishing community.

The fleet lost an average of one vessel and five crewmen every year throughout the 1990's. And because seasons were so short, individual vessels often came

back with little or no crab because they gambled on the wrong location -- leading to economic stress, deferred maintenance and ever riskier behavior.



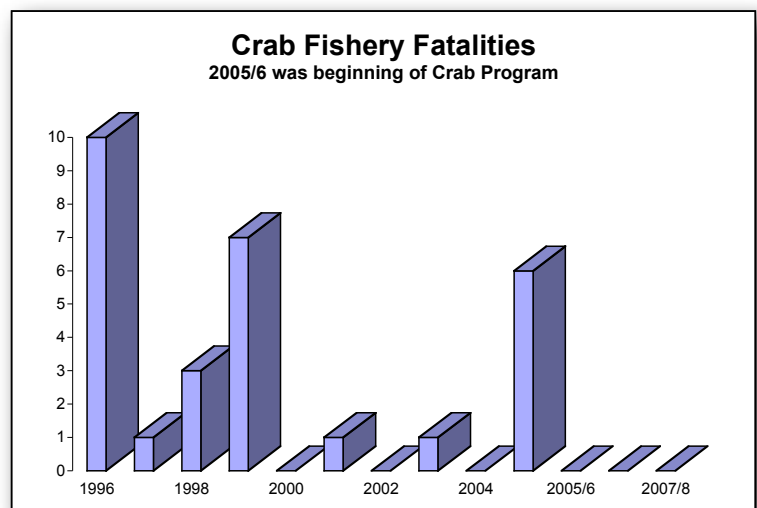
The Way It Is Now: Improved Safety and Stability.

As a result of the quota share system and the creation of fishing cooperatives, every vessel on the grounds has a guaranteed share of the catch and a season that is now several months long to catch it.

Bad storm or heavy ice event? The crab boats can head into port and wait it out. Mechanical breakdown or slower than expected fishing? The vessel can transfer quota to another boat to assist with the catch under a commercial agreement.

And the incentive for stacking too much gear on deck -- a common cause of vessel sinkings in the past -- has been largely eliminated by ending the *race* and allowing cooperative use of gear.

Finally, the new economic stability achieved under this Program has eliminated the least seaworthy vessels from the fleet, lead to significant investments in the remaining fleet and the development of a new class of professional crewmen.



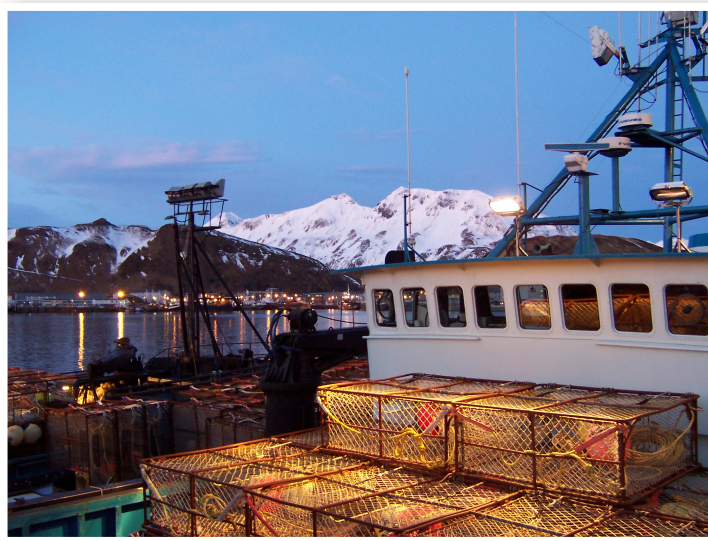
Benefits to Alaska's Coastal Communities

For the First Time, Alaska's Communities have a Direct Stake.

The crab fishery is often described as an “industrial fishery” because it is both capital intensive and landings intensive.

As a result, the shore-based processing industry has invested hundreds of millions of dollars in major facilities to serve the fleet, typically in communities closest to the fishing grounds. In return, those communities have invested significant amounts of public money to build the ports, harbors, roads and water and power systems necessary for the industry to operate.

Recognizing the significant mutual investments and co-dependence of harvesters, processors and crab-dependent communities, the NPFMC developed, and the US Congress this program because it addresses the specific needs of each group.

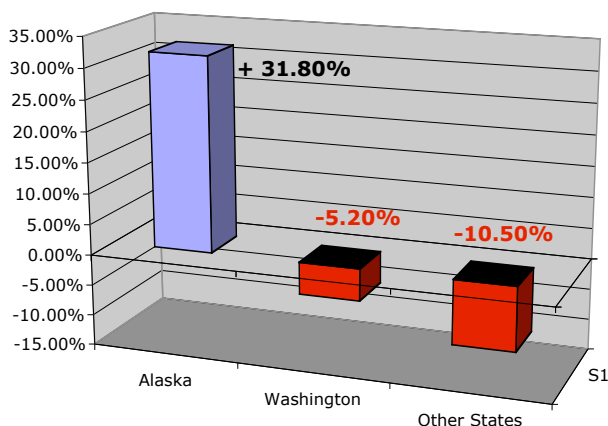


Unalaska/Dutch Harbor. Just one of several crab dependent communities awarded specific rights under the Crab Program based on their historic participation and crab related infrastructure investments.

The Rapid “Alaskanization” of the Crab Industry.

One of the more surprising aspects of the Crab Program is that it has lead to a rapid shift in ownership towards Alaska residents, Alaska CDQ groups and Alaska ECCO's (Alaska-based community organizations authorized to purchase quota under this program).

IFQ Ownership Changes by State



“Crab rationalization has resulted in an increase in CDQ entities’ investments in all aspects of the crab industry. Thereby, it has contributed to more sustainable and diversified local economies throughout Western Alaska and increased private and public infrastructure investments.

-- From September 2008 WACDA Letter to NPFMC and Governor Palin. Entire letter reproduced on Page 9 of this Report.

What the Crab Dependent Communities Received.

Regionalized landing requirements. Industry, communities and the Council developed broad regional economic boundaries for several crab fisheries and specified that a guaranteed share of the resource be landed within those regions to protect that regions historic share of the resource.

A community Right of First Refusal (“ROFR”) to purchase the processing quota initially allocated to companies doing business in that community; and

Authority to purchase fishing and processing quota to be held for the communities benefit.

The NPFMC authorized each crab-dependent community the right to purchase Processor Quota Shares to protect and diversify it’s local economic base. Each eligible community has established an Eligible Crab Community Organization (“ECCO”) which holds the ROFR rights associated with existing processor quota shares; and can also purchase additional QS/IFQ or PQS shares on behalf of the community. **There have already been several significant community organization-based purchases of Processor Quota Shares.**

All Processing Quota Shares (“PQS”) and all “A-share” IFQ have community-based restrictions. Processor shares were developed so that they maintain a link with the community and region in which they were earned through ROFR’s and other restrictions. **This is the regulatory tool that guarantees a community or region it’s share of the harvest.**



Alaska community groups now own processing assets in Atka, Kodiak, King Cove, Unalaska/Dutch Harbor and St. Paul as a result of this program.



Who are the Crab Dependent Communities and what is their historic share of the Opilio crab resource?

St. Paul	36.59%
Dutch Harbor	35.31%
Akutan	9.79%
St. George	9.73%
King Cove	6.32%
Kodiak	0.14%
Other	2.11%

And for Bristol Bay Red King Crab?

Dutch Harbor	51.06%
Akutan	19.88%
King Cove	12.76%
Kodiak	3.84%
False Pass	3.74%
Port Moller	3.49%

Global Competitiveness

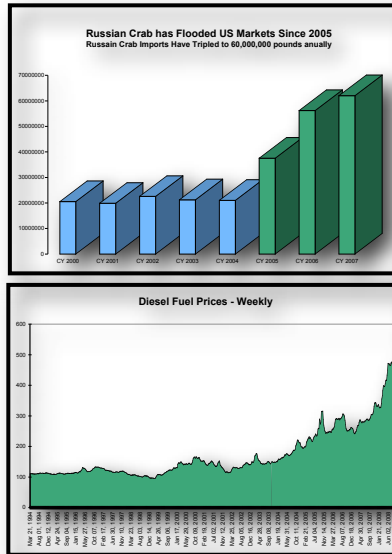
The Need for Efficiency

The Crab Program was developed in response to a real economic crisis - and just in time.

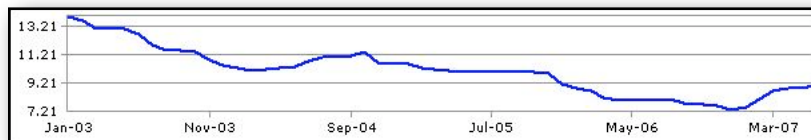
There is no doubt that both the processing sector and the harvesting sector were grossly overcapitalized throughout the 1990's -- and every year the economic crisis deepened, hitting bottom in 1999 as a result of the 80% decline on the Opilio resource. The Federal government declared fisheries disasters every year from 2000 through 2004, while the NPFMC and industry went to work on the development of this plan.

No sooner was the Crab Program implemented then a new economic crisis presented itself -- the dumping of millions of pounds of Russian Crab on our markets, which collapsed wholesale prices (see chart above). In the absence of the Crab Program and fishing cooperatives, it is likely that dozens of vessels would have been lost to bankruptcy and the economic crisis of crab dependent coastal communities would have deepened.

It now appears that the huge increase in Russian crab imports was due to massive, illegal fishing. It is not clear that this problem has abated, but it has been over-shadowed by a new, longer term issue: high energy costs resulting from historically high oil prices.



(Below) Bristol Bay Red King Crab wholesale prices, January '03 to June '07; decline bottomed out at - 46%



The Crab Program gives industry the tools needed to respond to rising costs, falling margins and the demands of global competition.

Due to dramatically increased global competition, the Alaska crab industry has seen it's market leverage erode, becoming price takers rather than price setters. Efficiencies achieved through fishing cooperatives, custom processing agreements and the new approach to consensus decision making are all vital to our competitiveness.

The industry has already started working together

to regain market power by seeking certification as a sustainable fishery and by promoting the dramatic decrease in its carbon footprint. But at the end of the day, managing our collective operating costs is still essential, and the Crab Rationalization Program gives the industry the tools it needs to meet this challenge.



Some form of Sustainable Fisheries certification will be a necessary marketing tool in the near future. The BSAI crab fisheries already meets the "Sustainable Fishery" criteria established by the United Nations Food & Agriculture Organization (FAO). The BSAI crab industry has also funded a Confidential Pre-assessment for MSC certification to validate their sustainable fishery practices.

What Others Are Saying

SCIENCE Magazine, September 2008

ECOLOGY

Privatization Prevents Collapse of Fish Stocks, Global Analysis Shows

Two years ago, a team of researchers took a broad look at the world's commercial fisheries and predicted that excessive harvesting would cause them all to collapse by 2048. Now, three other scientists have taken an equally broad look at how fisheries are managed and come up with a more hopeful view.

On page 1678, the trio—Christopher Costello and Steven Gaines of the University of California, Santa Barbara, and John Lynham, now at the University of Hawaii, Manoa—shows that stocks are much less likely to collapse if fishers own rights to fish them, called catch shares. If implemented worldwide, they say, this kind of market-based management could reverse a destructive global trend. Says David Festa of the Environmental Defense Fund in San Francisco, California, "This gives definitive, concrete proof that this tool does end overfishing."

The new paper was inspired by a dismal report by Boris Worm of Dalhousie University in Halifax, Canada, and his colleagues (*Science*, 3 November 2006, p. 745). Worm's team had analyzed all the large marine ecosystems in the world and found that those with declining biodiversity tended to have more collapsed fisheries, defined as yields less than 10% of historical maximums. Costello, Gaines, and Lynham wanted to know if allotting catch shares—a kind of equity in the ecosystem—might provide a solution. "It's like having shares in a company," Costello explains. "It gives fishermen an incentive not to overharvest."

There was anecdotal evidence for optimism. Fishing for halibut in Alaska, for example, used to be a dangerous, inefficient race. Competitors rushed to fill their holds before the industry reached its quota. They often over-shot the quota, so regulators shortened the season to just a few days—prompting all the boats to go to sea no matter how bad the weather. When they returned en masse, they promptly flooded the market with a year's worth of fish.

Business became better—and safer—after a system of catch shares was implemented in 1995. Each fisher was allocated a number of individual transferable quotas (ITQs), which they can use to catch fish or sell to others. The



In the bank. Transferable quotas helped save the halibut fishery in Alaska, which was threatened by overfishing in the early 1990s.

quotas are a percentage of the total allowable catch, which is set by regulators each year. The catch varies from year to year, based on scientific assessment of the health of the fishery. The result: Captains could plan when to fish without worrying about weather or being beaten, regulators have extended the season, and prices for halibut have climbed.

Australia, New Zealand, and Iceland, among others, claimed success with this approach, but no one had done a comprehensive analysis. Costello, Gaines, and Lynham examined more than 11,135 fisheries worldwide. Only 14% of the 121 fisheries using ITQs or similar methods had collapsed, compared with the 28% collapsed among fisheries without ITQs. Had all the world's fisheries implemented catch-share management in 1970, the researchers found, only 9% would have collapsed by 2003. The findings are conservative, Costello explains, because most ITQ systems have been put into place fairly recently; each year of rights-based management makes a collapse 0.5% less likely.

Jeremy Prince, a consultant in fisheries ecology in Perth, Australia, says that further research could help reveal how to tailor catch-share management schemes to particular fisheries. Meanwhile, he says, the new findings could help win over skeptical fishing communities. Most important, Prince says, the study highlights the impact of rights-based management. "It comes down to a long-term choice about having sustainable fishery or not."

—ERIK STOKSTAD

"This study gives definitive, concrete proof that (the quota share) tool does end overfishing ... and that stocks are much less likely to collapse..."

"It's like having shares in a company. It gives fishermen an incentive not to overharvest."

"It comes down to a long term choice about having a sustainable fishery ... or not."

CREDIT: PAUL A. SOUTHERS/CORBIS

Western Alaska CDQ Groups



September 19, 2008

Mr. Eric Olson, Chairman
North Pacific Fishery Management Council
605 West Fourth Avenue, Suite 306
Anchorage, Alaska 99501

Dear Mr. Olson:

The Western Alaska Community Development Association (WACDA), representing the six CDQ entities, their 65 eligible CDQ villages and 30,000 residents of Western Alaska, wishes to offer the following comments on the review of the crab rationalization program currently being undertaken by the Council:

- The crab rationalization program adopted by the Council in 2002 and implemented in 2005 was unprecedented in that for the first time the NPFMC recognized the "three pie" nature of the BSAI crab fishery. This program includes essential community protection provisions alongside the allocations to harvesters, processors, and crew-members. The crab rationalization program's community protection provisions have largely had the desired effect. This program has resulted in significant safety improvements, overall economic efficiency and stability, and resource protection.
- Crab rationalization has resulted in an increase in CDQ entities' investments in all aspects of the crab industry. Thereby, it has contributed to more sustainable and diversified local economies throughout Western Alaska and increased private and public infrastructure investments.
- In accordance with federal policies governing the CDQ program and the BSAI fishery, the CDQ entities have made significant long-term direct and indirect investments in the BSAI crab fishery. These investments are substantial both in terms of dollar value and ownership percentage of harvesting and processing shares.

- m o r e -

ABUHAN	CHEVAK	ERUK	GOLDOVN	KONGIGANAK	MEKORYUK	NEWYOK	PILOT POINT	SCAMMON BAY	STEBBINS	TWIN HILLS
ALAKANUK	CLARKS POINT	BRUKOK	GOODNEWS BAY	KOTUK	MOUNTAIN VILLAGE	NIGHTMUTE	PLATINUM	SHAKTOOLIK	TELLER	UKASHIK
ALDENAGIC	DILLINGHAM	ELIM	GRAYLING	KOTUK	NAWNEK	NICHOLS	PORT HEDEN	SOUTH NAWNEK	TOGIAK	UNALASKEET
ATKA	DIOMEDE	ENAMONAK	HOOPER BAY	KRIGELLINGOK	NAVARAK	HOME	POSTAGE CREEK	ST. GEORGE	TOGIAK BAY	WALKS
BREVO MISSON	EDI	FAIST PASS	KING SALMON	LEVELOOK	NAVARAK	NUNAM IGLOA	GUINAGAK	ST. MICHAEL	TUNTITULAK	WHITE MOUNTAIN
CHERONAK	EGORIK	GAMBELL	KIRUK	MANCHODAK	NELSON LAGOON	OSKARVILLE	SAVOONSA	ST. RAUL ISLAND	TUNENAK	

425 G Street, Suite 720 • Anchorage, Alaska 99501 • T 907 868 7634 • F 907 868 7635 • wacda.org

- With regard to the ongoing amendment process, WACDA is concerned about the scope of the analysis. Some of the proposals threaten the stability of the entire program and could weaken the community protection provisions, impact the value of the investments made by CDQ entities, and reverse the gains achieved in Western Alaska.

WACDA therefore urges the NPFMC to move forward cautiously, narrow the scope of analysis to that which is realistic and prudent, and maintain the viability of the BSAI crab fisheries and not destabilize Western Alaska village economies. The CDQ entities are currently engaged in evaluating various amendment proposals. We look forward to sharing our views on the details of those amendments at the appropriate time during a future Council meeting.

Sincerely,

Western Alaska Community Development Association



Wanetta Ayers
Executive Director

pc: APICDA, BBEDC, CBSFA, CVRF, NSEDC, YDFDA
Alaska Congressional Delegation
Governor Sarah Palin
Commissioner Denby Lloyd