

March 26, 2015

Mr. Dan Hull, Chairman

North Pacific Fishery Management Council

605 W 4th Avenue

Anchorage, AK 99501-2252

RE: Agenda Item C-1 BSAI Crab Cooperative Reports

Dear Chairman Hull:

The following report is submitted under Council agenda item C-1 by R & B Cooperative, a crab-harvesting cooperative formed pursuant to 50 C.F.R. 680.21.

R & B Cooperative is a smaller affiliated crab cooperative with 12 members that hold catcher vessel owner (CVO), catcher processor owner (CPO), catcher vessel crew (CVC) and catcher processor crew (CPC) quota share units issued under the BSAI crab rationalization program.

Following are answers to the seven questions derived from the Council's February 2013 motion concerning crab harvesting cooperatives and what they are doing to facilitate the transfer of quota share to active participants and to address high lease rates and crew compensation.

1. What measures is the cooperative taking to facilitate the transfer of QS to active participants, including crew and vessel owners?

R & B Cooperative members generally all qualify as active participants, except for one former crew member who is currently taking a break from fishing. It has always been our practice to encourage and assist members of our crew to invest in our vessels and fishing rights. When quota share is available for sale it is always offered to our interested active coop members and crew. In the last year, we had an ownership change in one of our active crab fishing vessels in which a 3% share of the vessel and its crab quota share units was offered to and purchased by the Captain of the vessel who previously had no crab QS ownership. This purchase was financed personally by one of our coop members. An additional 36.375% ownership of the mentioned vessel and its QS was purchased by other current R & B Cooperative active vessel owners.

One active vessel owner member also purchased some outside quota share in October 2014 which will be issued to our coop for the 2015/16 seasons.

There was also an internal R & B Cooperative swap of quota share units between two members to facilitate a quota share ownership cap issue with no exchange of funds.

2. What is the level of participation from cooperative members regarding these measures?

All members are on board.

3. How effective have these measures been?

This practice has been successful as evidenced by the transactions mentioned in question 1. However, at the current market prices for the QS units, most crew members have declined any offers to purchase QS as they don't see a return on it for several years to come.

4. What measures is the cooperative utilizing to address the issue of high lease rates, as they affect crew compensation?

The vessel owners in our coop do not charge lease rates on the vessel's "own" (initial issuance plus any since purchased) quota share. For other leased crab IFQ fished on our vessels, we pay on a sliding scale depending on the final price/lb. For opilio crab it ranges from 49% to a maximum of 55%. For BBR- red king crab, with the current market prices, we have been paying a 68% lease rate. We also fish EAG (Eastern Aleutian Golden/Brown) on one of our vessels and that lease rate range is 55% to 60% maximum. Central Bering Sea Fishermen Association (CDQ group) is a partner in all our coop vessels and consequently we fish all their BBR, EAG, & BSS CDQ quota for which we pay slightly higher lease rates. Our effective lease rates (IFQ & CDQ combined) for crew compensation, however, after figuring in **no** lease rates on vessel owned QS, are approximately:

Opilio: 44%

Red King : 52-56%

Brown King: 47%

5. What level of participation from the Cooperative members regarding these measures?

All members have been following these guidelines for several years.

6. How effective have these measures been?

Since rationalization and the end of the race for crab, working conditions have become much safer, professional crew is now the rule, and crew compensation is much more stable. Overall our crew compensation has risen and they are making significant incomes. Our lease rates ensure our crews are well compensated and appreciate their jobs.

7. What future measures does the cooperative plan to take to address the Council concerns over active participation and lease rates as they affect crew compensation?

We plan to continue our current measures and assist crew in acquiring QS or vessel ownership if they so desire. We will not authorize any increases to our current lease rates that would affect crew compensation.

Respectfully,

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