

March 1st, 2017

Dan Hull, Chairman
North Pacific Fishery Management Council
605 W. 4th Avenue, Suite 306
Anchorage, AK 99501-2252

RE: BSAI Crab Cooperative Reports

Dear Chairman Hull:

During the February 2013 meeting the Council passed the following motion:

"The Council requests that each of the BSAI crab rationalization cooperatives voluntarily provide an annual report detailing measures the cooperative is taking to facilitate the transfer of quota share to active participants, including crew members and vessel owners, and available measures which affect high lease rates and crew compensation. The annual reports should convey to the Council the effectiveness of the measures implemented through the cooperatives and the estimated level of member participation in any voluntary measures and include supporting information and data. These reports are requested to be delivered for the October meeting each year."

These reports are on the agenda for the April Council meeting. Following is the 2016-2017 season report on behalf of the Dog Boat Cooperative.

Dog Boat Cooperative is a smaller affiliated crab cooperative with 23 entities representing 3.2% of the Bristol Bay red king crab (BBR) quota share and 5.4% of the Bering Sea opilio (BSS) quota share. Approximately 2% of the BBR quota share and 2.8% of the BSS quota share is held by one member of Dog Boat, a CDQ group. The remainder, approximately 1.2% of BBR quota share and 2.6% of BSS quota share is held by entities that were all initially issued quota share, other than two crew members who purchased quota share after the program began.

Following are Dog Boat Cooperatives answers to the specific questions from the Council's February motion:

1. What measures is the cooperative taking to facilitate the transfer of quota share to active participants, including crew-members and vessel owners? Dog Boat Cooperative is voluntarily adhering to the Right of First Offer approach developed by Alaska Bering Sea Crabbers and implemented by the Inter-Cooperative Exchange (ICE). The definitions and processes followed by Dog Boat Cooperative are similar to those described by the ICE. Please see the ICE report regarding the definitions and processes.

Dog Boat Cooperative members generally qualify as "active" per the ICE definition as a majority of the quota share is held by active vessel owners or active crewmembers. There are clearly several Dog Boat members who are very active in the industry, but are defined as "non-active"

based on the ICE cooperative definition. These members are treated as “non-active per the voluntary Right of First Offer agreement within Dog Boat. However, the various levels of “activity” of Dog Boat members is broken out below to reflect the fact that “active” versus “non-active” is a bit difficult to define. Having said this, all Dog Boat members are kept informed regarding the issues facing our industry. The following table shows the level of activity of Dog Boat members by quota share for red king crab and opilio as of March 2017:

Dog Boat Cooperative	Red King Crab	Opilio
Active per ICE ROFO Definition	82.2%	74.9%
Works in Industry	6.2%	5.3%
Former Crew	1.6%	2.8%
Not Active	10.1%	16.9%
Total	100.0%	100.0%

2. What is the level of participation from cooperative members regarding these measures? All members of Dog Boat Cooperative are voluntarily adhering to this approach.

3. How effective have these measures been? This approach has been successful. During 2013, one member of Dog Boat Cooperative decided to sell 79,871 lbs of Eastern Aleutian Island golden king crab IFQ (EAG). Ten percent of this quota share, or 8,000 lbs, was offered to regulatorily active crew and the entire 8,000 lbs was purchased by four of these individual active crew. One of the purchasing crewmembers had no previous ownership of crab quota share. The remaining 90% of the quota share was purchased by members of Dog Boat who own active fishing vessels.

During 2014, a quantity of 8,193 lbs of Bering Sea opilio IFQ was made available for sale from Dog Boat members. Of this, 7,384 lbs was purchased by an active Dog Boat member. As part of this sale, regulatorily active crew committed and purchased 10% of the transaction, or 819 lbs.

The non-active Dog Boat Cooperative members have not purchased additional quota share since the Council moved the motion requesting this information at the February 2013 meeting. It is very unlikely that these non-active members will purchase additional quota share as it would first need to be offered to regulatorily active crew and boat owners. If Dog Boat Cooperative members did not voluntarily adhere to the Right of First Offer approach, it is unlikely that these crew members would have had the opportunity to purchase this quota share.

4. What measures is the cooperative utilizing to address the issue of high lease rates, as they affect crew compensation? For the 2016-2017 season, the majority of Dog Boat members had their IFQ fished on vessels that pay a flat 50% for opilio and 65% for red king crab. Prior to the 2012-2013 season, these members were receiving 50% for opilio and 70% for red king crab. The reduction

in the red king crab royalty was a result of the voluntary industry effort. One member of Dog Boat (a CDQ entity) is a little more complex. They own a substantial amount of quota share and are clearly active as a subsidiary owns a significant share of two active crab vessels. They fish some of their IFQ on these vessels owned by a subsidiary while other IFQ is leased out. Lease rates for this member during the 2016-2017 season were somewhat above 50% for opilio and 65% for red king crab. However, from a crew pay perspective, average lease rates for the vessel were 50% or less for opilio and 65% or less for red king crab.

5. What is the level of participation from cooperative members regarding these measures? All non-CDQ members of Dog Boat Cooperative have voluntarily adopted lease rates of 50% for opilio and 65% for red king crab. The one CDQ member of Dog Boat Cooperative modified its harvest contracts so that those vessels fishing this members IFQ did not deduct average lease rates of more than 50% for opilio or more than 65% for red king crab against crew pay.

6. How effective have these measures been? These voluntary measures have effectively reduced all Dog Boat Cooperative average lease rates, as it affects crew, for red king crab from 70% to 65%. In addition, all Dog Boat Cooperative members are now either receiving only 50% lease rates on opilio or ensuring that crew are not deducted more than 50% against crew pay.

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? Some members of Dog Boat Cooperative (both active and non-active members) are pursuing additional opportunities to invest in Bering Sea crab vessels. There has also been some talk, but no concrete plans as of yet, as to how to facilitate the transfer of C shares from non-active Dog Boat members to crew of active vessels owned by Dog Boat members. Finally, Dog Boat members intend to continue with the voluntary measures described in this report in the future.

Sincerely,

Edward Poulsen, President
Dog Boat Cooperative