



July 26, 2010

***Certificate Sharing Agreement for Alaska Fisheries Development Foundation  
for Marine Stewardship Council's Certification of Alaska Salmon***

The Alaska Fisheries Development Foundation (AFDF) was contacted by industry representatives in early December 2009 and asked to investigate the potential for the foundation to take over the clientship for the Marine Stewardship Council's (MSC) certification of sustainability for Alaska salmon from the Alaska Department of Fish and Game (ADF&G), which had announced, in 2008, its intention to have an industry-based entity take over that role. AFDF formed the Salmon Coalition in December 2009 to serve as the policy steering body for their potential assumption of that clientship. ADF&G was the client for the original certification (2000) and the recertification (2007), but after completing the first annual surveillance audit in 2008, indicated that the agency wanted out of that role. The Salmon Coalition was made up of more than a dozen major primary processors of salmon from the Alaska fishery. Although the original certification and the recertification were done by Scientific Certification Systems, an accredited certifier for MSC, ADF&G had contracted with Moody Marine Limited (MML), another accredited certifier, for the first annual audit (2008) following the recertification. AFDF planned to contract with Moody Marine International for the second annual surveillance audit as soon as officially being recognized as the client, in accordance with a variance issued by MSC extending the time available to complete the 2<sup>nd</sup> annual audit until April 2010. Since the official date of transfer of the clientship from ADF&G to AFDF was February 19<sup>th</sup>, time was of the essence for work on the 2<sup>nd</sup> annual surveillance audit to begin. The AFDF Salmon Coalition agreed to a cost of \$200 thousand dollars for the first year transition, based on a quote from MML for the audit and AFDF's staff time and overhead including the hiring of a liaison position to work closely between AFDF and ADF&G staff.

The AFDF Salmon Coalition with representatives from more than a dozen primary processors met in Seattle on December 18, 2009 and agreed to ask 20 companies to put up \$10 K each to gather the required funds. When AFDF began to contact companies for \$10 K each, it quickly became apparent that the companies were not equal relative to their ability to contribute \$10 K for retention of MSC certification. Initial company contacts resulted in a "quick and dirty" pro rata share system based on levels of production from the previous year. Companies that bought or processed less than 100,000 lbs. were asked to pay \$500; companies processing between 100,000 and 1 million lbs. were asked to pay \$2,500; companies processing between 1 million

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and 5 million lbs. last year were asked to pay \$5,000; and companies that did over 5 million lbs. were asked for the full \$10,000 share, and any company that did over 100 million lbs. was asked for 2 full shares or \$20,000. This became the mechanism for the first year transition to cover the costs for the 2<sup>nd</sup> Year (2009) Annual surveillance audit.

We are currently in the process of reviewing 2 different cost-sharing mechanisms for the following years. The first is based on the following table:

<b>Production Category</b>	<b>Pro rata share</b>
< 100,000	\$250
> 100,000 but < 500,000	\$300
> 500,000 but < 1 million	\$350
> 1 million lbs.	\$300/million lbs.

The second is based on the percentage of the total salmon production in the State of Alaska as reported in the State of Alaska COAR Report, after production from non-participants has been subtracted. Example: 750 million lbs. total salmon harvest – round weight; Non-participants account for 50 million lbs., leaving 700 million lbs. produced by the Salmon Coalition participants. If Company X produced 50 million lbs. (7.15% of the total production – they contribute 7.15% of the costs for that year. If the costs for the Annual Audit plus AFDF costs were \$180 K, then Company X would contribute \$12,800.

The finalized certificate sharing mechanism for Alaska salmon is meant to give transparency to the certificate sharing process and will be submitted prior to completion of the 3<sup>rd</sup> Annual surveillance audit in November 2010.