



**ALASKA DEPARTMENT OF FISH AND GAME APRIL 2000  
REPORT TO THE NORTH PACIFIC FISHERY MANAGEMENT  
COUNCIL**

Fisheries managed under delegated authority of the State of Alaska since the last council meeting: crab, salmon, Southeast demersal shelf rockfish, and state waters Pacific cod.

**BERING SEA/ALEUTIAN ISLANDS KING AND TANNER CRAB FISHERIES:**

Currently, only two Bering Sea/Aleutian Islands crab fisheries are open.

**The Aleutian Islands golden crab fishery:** Only the Western Aleutians registration area (west of 174° W. long.) is open. The total harvest, as of March 25, stands at 2.1 million pounds; GHL for this portion of the registration area is 2.7 million pounds. All vessels except one have ceased operations to participate in the Bering Sea snow crab fishery. As many as 9 vessels participated in the early fishery, and after the close of the snow crab fishery and the vessels return, we anticipate about 4-6 weeks of golden king crab fishing will remain.

**Bering Sea snow crab:** A total of 231 vessels, including 9 catcher processors, were tank inspected for this fishery. GHL for the open access portion of the fishery was 26.3 million pounds. Due to the shortness of this fishery, it was being managed on daily reports from fishers rather than the usual weekly processor production reports. A total of 129 vessels (59% of the fleet) have signed up to report daily; actual reports should be closer to 40%. The Department closed the season on April 8<sup>th</sup> at noon. We do not have a final harvest figure at this time. Fishers settled prior to leaving for the fishing grounds for a price of \$1.85 for new shell crabs and \$1.00 for loads that contain varying percentages of dark or old shell crabs. The percentage varies with the processor apparently, but it appears that fishers will be given an allowance of 5% semi-dark shelled crabs (of a load of new, clean shelled crabs) with no price reduction applied. Processors are not interested in the dark shelled crabs or those that are covered with barnacles. The clean, light shelled crabs will be sold on the section market. The dirty, old shelled crabs will be processed for meat extraction.

Subsequent to the open access fishery, 6 CDQ groups will harvest an additional 2.1 million pounds of snow crabs (actual total will depend on the poundage actually landed in the open access fishery). This fishery is likely to last one to two weeks. In most cases each group will be fishing several vessels to obtain their harvest quota. Each group will be required to deploy 2 fisheries observers, which are to be rotated among the vessels.

**SALMON TROLL FISHERY:** The Southeast Alaska winter troll fishery opened October 11, 1999 and remains open through April 14, 2000, or until 45,000 fish are harvested. Through April 3<sup>rd</sup>, about 22,000 chinook salmon were harvested. The Alaska hatchery contribution to the winter catch was an estimated 1,370 fish.

**SOUTHEAST ALASKA DEMERSAL SHELF ROCKFISH AND OTHER GROUND FISH**

**FISHERIES:** In Southeast Alaska, the remaining directed winter Demersal Shelf Rockfish (DSR) fishery (February 1-March 14) landed 152,767 round pounds. This brings the year's total harvest to 349,907 round pounds. No directed landings of lingcod were made during this period (February 1-April 1).

**STATE OF ALASKA PACIFIC COD FISHERIES:** The Prince William Sound, Cook Inlet, Kodiak and South Alaska Peninsula state managed fisheries opened after the NMFS closure of the Central and Western Gulf of Alaska. The Chignik area opens on April 15<sup>th</sup> by regulation. The following is an inseason update through April 1, 2000.

**Prince William Sound:** The Prince William Sound Area (PWS) GHL is calculated as 25% of the Eastern Gulf of Alaska's TAC for Pacific cod, or 2.95 million pounds, which is allocated 60% to pot gear and 40% to jig gear. The state waters fishery opened at noon March 11<sup>th</sup> and the harvest to date, taken entirely by pot gear, is 20,404 pounds from 3 vessels. Recent action by the Alaska Board of Fisheries will open the Eastern Section of the PWS Outside District to cod fishing sometime later this summer.

**Cook Inlet:** The Cook Inlet Area GHL is calculated as 2.25% of the Central Gulf of Alaska's TAC for Pacific cod or 2.16 million pounds, which is allocated 50% to pot gear and 50% to jig gear. The state water fishery opened at noon March 5<sup>th</sup> and the harvest through April 1<sup>st</sup> is 284,834 pounds taken by 16 pot vessels. Fishing with pot gear will close by regulation from 12:00 noon May 1<sup>st</sup> through June 14<sup>th</sup>. The jig fishery will remain open until the allocation is taken.

**Kodiak:** The Kodiak Area GHL is 12.0 million pounds, which is 12.5% of the Central Gulf of Alaska's TAC for cod. The guideline is split equally between pot and jig gear with a cap of 25% of the GHL on pot vessels over 58' in length. The fishery opened on March 11<sup>th</sup>, and the harvest to date is 2.0 million pounds. Sixty-two pot vessels and 75 jig vessels are registered. Jig harvest is 150,000 pounds.

**Chignik:** The Chignik area GHL is 6.7 million pounds, which is 7% of the Central Gulf of Alaska's TAC for cod. The season opens April 15<sup>th</sup>. Fifteen percent of the GHL will be reserved for jig gear through August 15<sup>th</sup>.

**South Alaska Peninsula:** The South Alaska Peninsula Area GHL is 15.2 million pounds, which is 25% of the Western Gulf of Alaska's TAC for cod. The South Alaska Peninsula Area opened on March 11, 2000 and the harvest through April 1<sup>st</sup> is 8.1 million pounds. Sixty-three pot vessels and 5 jig vessels are registered. There has been no jig harvest to date. Fifteen percent of the GHL will be reserved for jig gear through October 30<sup>th</sup>.

B-2

**COMMENTS OF JEFF BUSH, DEPUTY COMMISSIONER  
ALASKA DEPARTMENT OF COMMUNITY AND ECONOMIC  
DEVELOPMENT  
TO THE  
NORTH PACIFIC FISHERIES MANAGEMENT COUNCIL  
APRIL 12, 2000**

**Opening comments**

Thank you for the opportunity to appear before you this morning and give a short report to the council on current activities and issues facing the Community Development Quota, or CDQ, program. My name is Jeff Bush, and I am the Deputy Commissioner of the Alaska Department of Community and Economic Development and a member of the state's CDQ oversight team.

The CDQ program was established in late 1992 to create community development in rural coastal communities in western Alaska. Nearly eight years later, by all accounts, the program appears to be well on track in fulfilling this mission. The CDQ program has fostered greater involvement of the residents of western Alaska in the fishing industry, and it has brought both economic and social benefits to the region. It has provided participating communities with the means to develop ongoing commercial fishing activities, create employment opportunities, attract capital, develop infrastructure and promote positive social and economic conditions.

This report today is to provide an update on the status of the CDQ program and to address several issues, including the concept of allowing CDQ groups to participate in some limited non-fisheries related investments, and preliminary discussions on revising the role of state and federal oversight.

**New communities**

In 1999, eight new communities were added to the CDQ program when it was discovered that statutory miles instead of nautical miles had been used to measure the distance of 50 miles inland from the Bering Sea coast. This correction increased the number of eligible communities from 57 to 65. According to the Alaska Department of Labor, this brings to approximately 27,000 the total population of participating CDQ communities.

**Training and job figures**

The CDQ program has brought over \$30 million in wages and earnings to residents of western Alaska since 1992. In 1999, over 1300 people were employed as a result of the program, which provided nearly \$11 million in wages to residents. Also in 1999, the CDQ groups spent nearly \$2 million to train over 1200 people.

**Total royalties**

Total royalties received by the groups since 1992 have been about \$150 million. Royalties for the six CDQ groups in 1999 were approximately \$25 million.

### **Post AFA**

Since the passage of the American Fisheries Act in October of 1998 there have been several significant CDQ group investments into the catcher processor sector. Most notable among these was the recent purchase of 20% of American Seafoods Limited Partnership by Coastal Villages Region Fund. The Central Bering Sea Fisheries Association has received state approval to buy into the same deal at a much smaller percentage rate and is awaiting federal approval. And a third CDQ group is currently involved in separate negotiations with American Seafoods.

Currently, the total ownership of Bering Sea/Aleutian groundfishing industry by the CDQ groups is estimated to be approximately 4 to 5 percent.

### **CDQ fee**

The subject of CDQ groups assessing themselves to pay for the cost of state and federal management has been a topic of discussion since the early years of the CDQ program. In 1996, during reauthorization of the Magnuson/Steven's Act, a CDQ and IFQ system was placed into federal statute.

State budget reductions have put pressure on the state's ability to continue to devote adequate resources to this program, and in 1999 the CDQ groups and the state began cooperative discussions on establishing a fee system. In January of this year, legislation was introduced to make the program self-supporting at the state level, based on a formula that was agreed upon by the CDQ groups and the state.

The fee, if enacted, will supplant the state's general funds, which currently pay for the costs of program oversight and management. The bill is expected to pass the legislature this session and be implemented after the start of the state's fiscal year in July.

NMFS staff has estimated that the timeline to develop a federal fee under the Magnuson/Stevens Act is approximately two years. The state has kept NMFS officials apprised of the progress of the CDQ fee legislation. If a federal fee program is implemented that includes reimbursement to the state for state oversight expenses, such payments will be credited against any amounts charged under the proposed state fee program.

### **Allocations**

The state held hearings on a one-year allocation cycle in 1999 to evaluate the impacts of AFA, new communities and the departure of a major player (Tyson) from the industry. Under the allocation, the pollock quota and the associated bycatch species were "rolled over" for all of the groups for a period of one year. The state will be holding allocation hearings again this fall for all species, including pollock, for a potentially longer period of time. The length of the allocation cycle has not been determined.

### **"Brave new world"**

The role of state CDQ oversight has evolved with the growth of the program. In contrast to the multispecies status of the program today and the level of CDQ ownership in major industry members, the program in 1992 began with a single species -- pollock -- and with zero CDQ equity investment in the groundfishing industry. The newly-formed groups

had little understanding of the intricacies involved with the many facets of the industry. Things have changed considerably since then.

To keep pace with the growth of the program, state regulations have been rewritten several times. The most recent revision took place in August of 1999. Several provisions were added, including regulations to address environmental concerns and regulations to address the National Academy of Science report, which said that the CDQ groups needed to conduct more community outreach.

State oversight continues to be an important component of the CDQ program. CDQ groups are required to submit quarterly reports, a comprehensive independent annual audit with consolidated financial statements, minutes of board meetings, and employment, education and training information. Each group has a Community Development Plan, or CDP, that is considered a working document and must be kept current through the submittal of plan amendments.

However, as the program has matured, the groups have expanded their non-profit and for-profit activities and have corporate structures that frequently feature several subsidiaries—activities that have become more difficult to monitor.

Combined with this rapid growth in size and complexity, a number of recent major investments have occurred that have been complex both in a financial sense and from a regulatory viewpoint. Several of these investments have put CDQ groups into a minority-investor status. The groups have become concerned about the potential regulatory implications of the activities of a majority investor that could trigger the substantial amendment process, would require state and federal approval, and might take weeks to consummate.

In the era of the AFA and the selling off of major groundfish assets, this represents an area that concerns the CDQ groups as a whole. The state has listened carefully to the concerns of the groups and has acknowledged that modifications to state regulations may need to take place in the future.

This past February, the groups and the state met to discuss the issue of state oversight and the future of the CDQ program. It was during this meeting that the state, strictly for discussion purposes, proposed to the groups that they consider conceptually a process that would remove plan amendments from direct state and federal oversight. Under this concept, the state would still require notification of financial transactions, would still require that the groups submit milestones and objectives with each project, and would continue to require quarterly reports and the annual independent audit. Instead of plan amendments, however, the groups would face an annual allocation cycle where the state would recommend to NMFS either the extension of the existing quota or an adjustment of quota based upon each group's success in meeting milestones and objectives. So, instead of having to submit time-consuming and costly plan amendments, the groups would notify the state of their financial transactions, report their activities on a quarterly basis, provide independent annual audits, and be subject to an allocation cycle that would be based primarily on annual performance.

The groups have reviewed this proposal and have indicated they are interested in pursuing further discussions on it. Clearly a fundamental change of this magnitude would require the endorsement of the National Marine Fisheries Service. However, due to the preliminary nature of the discussion the state has not had any formal discussion with NMFS on this subject.

**Non-fisheries related projects:**

The state believes it is time to reconsider the issue of approving only fisheries-related projects and recommends allowing CDQ groups some limited form of non-fisheries related investments within a CDQ region. It is apparent from the recent downturns in salmon and herring fisheries in western Alaska that fisheries-related opportunities are very limited in some areas. The state believes it is time to consider other investment opportunities in the CDQ communities that may be only indirectly related to fisheries development, such as utilities, for example, or a road needed to open up a halibut plant. In such cases benefits will not be limited to fisheries-related development but may also generate benefits to the community as a whole.

**Expansion of the CDQ program:**

The state has been contacted by several communities outside of the CDQ program boundaries about being included in the CDQ program. The state's policy has been to approach this issue cautiously and maintain a position of neutrality. Senator Stevens recently wrote to one of the CDQ groups saying that he does not favor further expansion of the CDQ program at this time, primarily because any expansion of the program would act to shift limited resources away from current CDQ participants.

The state views the issue of expansion of the program to be an ongoing topic worthy of further discussion. As the CDQ program continues to mature and be successful, other communities will naturally want to take advantage of the benefits. The state encourages the groups to seek ways on their own to provide benefits to outlying communities.

**Conclusion:**

Thank you again for giving me the opportunity to make this report to you today, and I'd be happy to answer any questions.

Tony Knowles, Governor

# Alaska Department of Community and Economic Development

## Municipal & Regional Assistance Division

P.O. Box 110809, Juneau, AK 99811-0809  
Telephone: (907) 465-4750 • Fax: (907) 465-5085 • Text Telephone: (907) 465-5437  
Website: [www.dced.state.ak.us/mra/Home.htm](http://www.dced.state.ak.us/mra/Home.htm)

April 4, 2000

RECEIVED  
APR - 6 2000  
N.P.F.M.C

Mr. Larry Cotter, CEO  
APICDA  
234 Gold Street  
Juneau, AK 99801

RE: Stellar Sea Lion Conservation Area (SCA)

Dear Mr. Cotter:

In January of this year the National Marine Fisheries Services (NMFS) published an emergency rule to establish a Stellar Sea Lion Conservation Area (SCA) in the critical habitat of the Bering Sea for the purpose of restricting pollock harvests within this area. NMFS has informed the CDQ groups that they will manage CDQ fishing in the SCA in an aggregate fashion. The state supported an allocation scheme that shared the SCA quota on a pro-rata share among the groups.

It was the state's understanding that the CDQ groups had reached an internal agreement on how to address the allocations within the SCA. It has come to our attention that two CDQ groups have potentially exceeded their pollock quota within the SCA. It is common knowledge that the roe recovery rate for pollock within the SCA is higher than outside the SCA. Subsequently, the state is concerned that some CDQ groups may be reaping benefits by harvesting a disproportionate amount of the quota at the expense of other CDQ groups.

The state will continue to monitor this issue. However, we advise the CDQ groups to approach this issue internally until such point that NMFS decides to revise its CDQ harvest policy within the SCA.

If you have any questions please call me at (907) 465-5536.

Sincerely,

Bryce Edgmon  
CDQ Manager

[SAME LETTER SENT TO

ALL CDQ GROUPS]

cc: CDQ Team  
CDQ Groups  
NMFS  
NPFMC

FROM :

FAX NO. : 9078423315

Apr. 05 2000 07: AGENDA B-2  
APRIL 2000  
Supplemental

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# United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, DC 20510-6025

RECEIVED  
APR - 5 2000  
N.P.F.M.C

March 13, 2000

Mr. H. Robin Samuelsen, Jr.  
Bristol Bay Economic Development Corp.  
P.O. Box 1464  
Dillingham, Alaska 99576

Dear Robin:

Thank you for contacting my office regarding the requests of some villages in your region for inclusion in the CDQ program.

I have written to several villages throughout western Alaska explaining that I cannot support further expansion of the CDQ program at this time. The National Marine Fisheries Service (NMFS) has reaffirmed of the definition of CDQ eligible communities and the unfortunate reality is that any expansion of the program to new communities would shift limited resources away from current CDQ participants.

I appreciate the update on BBEDC's continuing effort to develop job opportunities and to improve education and fish quality in the Bristol Bay Region. Thanks again for sharing your comments and concerns.

With best wishes,

Cordially,

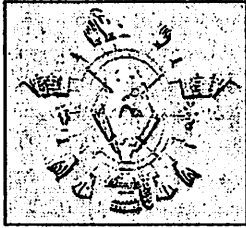


TED STEVENS

MAR 2000  
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## Executive Summary



The Community Development Quota (CDQ) program was implemented in December 1992 by the North Pacific Fishery Management Council. The CDQ program allocates a portion of the annual fish harvest of certain commercial species directly to coalitions of villages, which because of geographic isolation and dependence on subsistence lifestyles have had limited economic opportunities. The program is an innovative attempt to accomplish community development in rural coastal communities in western Alaska, and in many ways it appears to be succeeding. The CDQ program has fostered greater involvement of the residents of western Alaska in the fishing industry and has brought both economic and social benefits. The program is not without its problems, but most can be attributed to the newness of the program and the inexperience of participants. Overall the program appears on track to accomplishing the goals set out in the authorizing legislation: to provide the participating communities with the means to develop ongoing commercial fishing activities, create employment opportunities, attract capital, develop infrastructure, and generally promote positive social and economic conditions.

### STRENGTHS AND WEAKNESSES OF THE CDQ PROGRAM

Because the program is still relatively new, the data necessary for detailed evaluation are limited and it is not yet possible to detect long-term trends. The six CDQ groups, organized from the 56 eligible communities (later expanded to 57), were of varying sizes and took varying approaches to harvesting their quota and allocating the returns generated. Although not all groups have been equally suc-

cessful, there were significant examples of real benefits accruing to the communities. All six groups saw creation of jobs as an important goal and stressed employment of local residents on the catcher-processor vessels and shoreside processing plants. All incorporated some kind of education and training component for residents, although to different degrees and with different emphases. Another benefit of the program is that the periodic nature of employment in the fishing industry preserves options for the local people to continue some elements of their subsistence lifestyles. The CDQ program generates resources that give local communities greater control of their futures. The State of Alaska also has played its part relatively effectively—it was efficient in reviewing the Community Development Plans, monitoring how the communities progressed, and responding to problems. Some of these responses, like reallocating quota share among communities, have been controversial, as might be expected.

Perhaps the greatest weakness of the CDQ program as implemented is a lack of open, consistent communication between the CDQ groups and the communities they represent, particularly a lack of mechanisms for substantial input from the communities into the governance structures. There has also been a lack of outreach by the state to the communities to help ensure that the communities and their residents are aware of the program and how to participate. For the CDQ program to be effective there must be a clear, well-established governance structure that fosters exchange of information among the groups' decisionmakers, the communities they represent, and the state and federal personnel involved in program oversight.

Some debate has centered on uncertainty about the intended beneficiaries of the program. It is unclear whether the program is intended primarily for the Native Alaskan residents of the participating communities or, if not, whether the governance structures should be modified to ensure that non-Native participation is possible. Similarly, there has been dissatisfaction among segments of the fishing industry that are not involved, either directly or as partners of CDQ groups, who believe that the program unfairly targets a particular population for benefits. This conflict is inevitable, given that the CDQ program is designed to provide opportunities for economic and social growth specifically to rural western Alaska. This policy choice specifically defines those to be included and cannot help but exclude others.

Although it is logical to require initially that all reinvestment of profits be in fishery-related activities because the initial objective of the CDQ program is to help the participating communities to establish a viable presence in this capital intensive industry, over time there should be more flexibility in the rules governing allocation of benefits—perhaps still requiring most benefits to be reinvested in fishing and fisheries-related activities but allowing some portion to go to other community development activities. This will better suit the long-term goal of the program, which is development of opportunities for communities in western Alaska.

The main goal of the CDQ program—community development—is by definition a long-term goal. Thus there is a need for a set and dependable program duration and the certainty that brings to oversight and management. This will allow CDQ group decisionmakers to develop sound business plans and will reduce pressures to seek only short-term results. However, calling for the program to be long-term does not mean it must go on indefinitely nor that it must never change. Periodic reviews should be conducted, and changes made to adapt rules and procedures as necessary. There can be a balance between certainty and flexibility if the program is assured to exist for some reasonable time (e.g., ten years) and if major changes in requirements are announced in advance with adequate time to phase in new approaches (e.g., five years). The appropriate time scales will of course vary with the nature of the change, with minor changes requiring little notice and major changes requiring enough time for decisionmakers and communities to plan and adjust.

Another long-term issue is environmental stewardship. The CDQ program as currently structured is, in large part, about economic development, but economic sustainability is dependent upon long-term assurance of a sound resource base—the fisheries. Thus, to be successful over the long-term the CDQ program will need to give more emphasis to environmental considerations.

While this report reviews the CDQ program in a broad way, there remains a need for periodic, detailed review of the program over the long term (perhaps every five years), most likely conducted by the State of Alaska. Such a review should look in detail at what each group has accomplished—the nature and extent of the benefits and how all funds were used. For a program like this, care must be taken not to use strictly financial evaluations of success. Annual profits gained from harvest and numbers of local people trained are valuable measures, but they must be seen within the full context of the program. It is a program that addresses far less tangible elements of “sustainability,” including a sense of place and optimism for the future.

### LESSONS FOR OTHER REGIONS

What emerges from a review of the western Alaska CDQ program is an appreciation that this program is an example of a broad concept adapted to very particular circumstances. In Alaska, where there were clearly definable communities, the fishery was already managed by quota with a portion of the quota held in reserve, and the communities had previous experience working within corporate-like structures. Others interested in the application of CDQ-style programs are likely to have different aspirations and different contexts. Wholesale importation of the Alaska CDQ program to other locales is likely to be unsuccessful unless the local context and goals are similar.

One region where the expansion of the CDQ concept has been considered is in the western Pacific, but such an expansion would need to be approached cau-

tiously because the setting and communities are very different. The major differences between the fisheries and communities of the two regions are: the general lack of management by quota or total allowable catch (TAC) in the western Pacific; the pelagic nature of the valuable fisheries in the region; and the lack of clear, geographically definable “native” communities in most parts of the region. Application of the CDQ program to the western Pacific would require the Western Pacific Regional Fishery Management Council to define realistic goals that fit within council purposes and plans. Definitions of eligible communities would need to be crafted carefully so the potential benefits accrue in an equitable fashion to native fishermen.

Any new program, especially one with the complex goal of community development, should be expected to have a start-up period marked by some problems. During this early phase, special attention should be given to working out clear goals, defining eligible participants and intended benefits, setting appropriate duration, and establishing rules for participation. There should be real efforts to communicate the nature and scope of the program to the residents of any participating communities, and to bring state and national managers to the villages to facilitate a two-way flow of information. In addition to these operational concerns, those involved—the residents and their representatives—must develop a long-term vision and coherent sense of purpose to guide their activities.