

MEMORANDUM

TO: Council, SSC and AP Members

FROM: Clarence G. Pautzke
Executive Director



DATE: September 17, 1997

SUBJECT: Multispecies CDQs

ESTIMATED TIME
2 HOURS

ACTION REQUIRED

Approve State of Alaska recommendations for CDQ allocations.

BACKGROUND

The State will present their recommendations for CDQ allocations for the upcoming fishing year(s), which now include all groundfish and crab fisheries managed by the Council, in addition to pollock, halibut, and sablefish. The CDQ allocation process calls for Council review and approval at the September meeting.

STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

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September 23, 1997

Richard Lauber
Chairman
North Pacific Fishery Management Council
605 West 4th Ave. Suite 306
Anchorage, AK 99501

Dear Mr. Chairman,

The State of Alaska received six Community Development Plan (CDP) applications for the multi-species CDQ allocations scheduled for implementation in 1998. The multi-species program is the third CDQ program to be implemented, following the Pollock CDQ program in 1992 and the Halibut and Sablefish CDQ program in 1995. The allocations are distributed to six regional organizations representing the 57 eligible communities bordering the Bering Sea.

Through the combined efforts of the six regional organizations, private industry partners, the State of Alaska Departments of Community and Regional Affairs, Fish and Game and Commerce and Economic Development, the National Marine Fisheries Service and the North Pacific Fishery Management Council, the success of the CDQ program has exceeded all initial expectations.

Prior to the CDQ program, virtually none of value of the Bering Sea groundfish resource was captured by CDQ eligible communities in western Alaska. Since its inception in 1992, the CDQ program has earned over \$86 million in CDQ revenues for the development of the western Alaska economy including over 4,000 jobs, 2000 training opportunities and \$18 million in wages to families of this region as well as \$4.3 million in education and training expenditures. The individual groups have also invested in dozens of seafood industry infrastructure projects and fishing and processing investments including 15 subsidiary ventures with over \$55 million in assets and an annual gross revenue to the program of \$20 million.

Benefits of the CDQ program have gone beyond the recipient communities in western Alaska. Industry partners have also benefited with increased access to the resource outside the open access fishery which enables them to maximize the value of their operations. CDQ group joint venture investments have provided over \$7 million of needed capital into existing North Pacific fishing and processing operations. And CDQ infrastructure investments totaling over \$5 million in harbor and dock construction and improvements potentially benefit all participants in the Bering Sea fishing industry.

The CDQ program is a truly "grass roots" development program. The CDQ communities, through their representation on the Board of Directors, design Community Development Plans

(CDP) that will enable them to become successful participants in the North Pacific fishing industry and to improve social and economic conditions specific to their region.

It is the responsibility of the state CDQ Team to provide both assistance and oversight of the program to ensure that the CDQ is effectively utilized and maximizes benefits to the residents of the region. The state carries out this responsibility in its review of CDP applications, quarterly and annual reports, as well as independent financial and management audits.

The state has reviewed six CDP multi-species applications from the following regional organizations: Aleutian Pribilof Island Development Association (APICDA), Bristol Bay Economic Development Corporation (BBEDC), Central Bering Sea Fishermen's Association (CBSFA), Coastal Villages Region Fund (CVRF), Norton Sound Economic Development Corporation (NSEDC) and Yukon Delta Fisheries Development Association (YDFDA).

The multi-species CDQ program promises to be far more complex than the existing CDQ program. The new program makes available for CDQ allocation 7.5% Bering Sea Pacific cod, Alka mackerel, turbot, yellowfin sole, and several other species of flatfish as well as necessary bycatch and prohibited species quota. It also includes Bering Sea opilio, bairdi and king crab to be phased in at 3.5% in 1998, 5% in 1999 and 7.5% in 2000. Multi-species allocations included harvesting and processing partnerships with approximately two dozen seafood companies.

During this allocation cycle the halibut and sablefish CDQ allocations were included in the multi-species program. When the next pollock allocation is made, it too will be rolled into the multi-species program, creating a single CDQ program in 1999.

When making CDQ allocation recommendations, many factors are weighed by the State. This evaluation is based on criteria set out in state and federal regulations along with input from a public hearing, private interviews with CDQ groups and their harvesting and processing partners and investigation into the accuracy of the information provided in the applications. Some of the most important criteria employed by the state in evaluating individual CDP applications include: 1) the number and population of eligible communities represented in each group; 2) the level of income, unemployment and other indicators of social and economic well being that demonstrate the need of the allocation; 3) the merits of the proposed investment, employment, education and training programs; 4) the qualifications of the management organization to effectively manage the quota; 5) the contractual relationships between the applicant and the harvesting and processing partners; 6) the degree of success as measured by performance of the management organization; and 7) the ability of the Board of Directors to effectively maximize the benefits of the program to the region. Additional criteria has been included as an attachment to this letter.

Following careful weighing of the six CDP applications during an allocation process that began with submission of applications in April, the state has completed its review process and has included as an attachment to this letter, a table indicating all species allocations including bycatch and prohibited species allocations.

It is crucial that the State provide adequate oversight of this important program so that it maintains credibility with federal fishery managers as well as other participants in the fishery, residents from the CDQ region, and the CDQ groups. In the State's oversight capacity, it has worked closely with the Coastal Villages region to improve fiduciary and managerial

performance of their CDQ program, which the State believes has not maximized the benefits to the Kuskokwim region. Villages in this region are represented by Coastal Villages Fishing Cooperative (CVFC) and Coastal Villages Region Fund (CVRF) in the CDQ Program.

While some of CVFC's employment, training and education programs and projects have been successful, the IP partnership has not provided the financial returns anticipated and has inhibited CVFC's ability to implement more fully the planned CDP programs to the region. The state has taken several steps in the last four years to work with the organization to improve performance but, unfortunately, the IP partnership continues to suffer financial losses that resulted most recently in its inability to make royalty payments for use of the 1997 pollock "A" season quota.

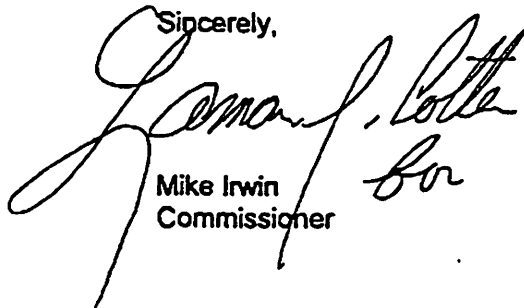
The CVRF has a similar management regime to CVFC. Because of the complexity of the expanded-species program and concerns regarding fiduciary and managerial performance, the State intends to include as part of its multi-species recommendations to the Secretary of Commerce that the allocation levels to CVRF be held in abeyance until the following conditions are met: 1) submission of a plan amendment dissolving the Imaqamiut Partnership (IP) between CVFC and Golden Age Fisheries; 2) steps be taken to strengthen its management structure and (3) an agreement to perform an open RFP process for the lease of the pollock allocation in 1999 and beyond.

The state also intends to recommend termination of the 1998 pollock quota to CVFC unless the IP partnership is dissolved.

These actions are being taken as part of the state's continuing effort to work in partnership with the region to maximize the benefits of the CDQ to those communities.

The State would like to take this opportunity to thank the NPFMC for its continued support of the CDQ program. We hope that our continued oversight of the program will maximize the benefits to the CDQ regions and all participants in the North Pacific fishing industry.

Sincerely,



Mike Irwin
Commissioner

Attachments

cc: NPFMC Council Members
Clarence Pautzke, Executive Director, NPFMC
Steve Penoyer, NMFS Regional Manager
Commissioner Willie Hensley, DCED
Commissioner Frank Rue, ADF&G
CDQ Team

**MULTI SPECIES PROGRAM ALLOCATION RECOMMENDATIONS
STATE OF ALASKA - Final Recommendations**

	AFICDA	BBEDC	CBSFA	CVRF	NSEDC	YDFDA	TOTAL
	Allocations	Allocations	Allocations	Allocations	Allocations	Allocations	
Halibut							
4B	100%	0%	0%	0%	0%	0%	100%
4C	10%	0%	90%	0%	0%	0%	100%
4D	0%	23%	0%	24%	26%	27%	100%
4E	0%	30%	0%	70%	0%	0%	100%
Crab							
Bristol Bay Red King	20%	20%	0%	20%	20%	20%	100%
Norton Sound Red King	0%	0%	0%	0%	50%	50%	100%
Pribilof Red & Blue King	0%	0%	100%	0%	0%	0%	100%
St. Matthew Blue King	50%	12%	0%	12%	14%	12%	100%
Bering Sea C. Opilio Tanner	10%	19%	19%	17%	18%	17%	100%
Bering Sea C. Bairdi Tanner	10%	19%	19%	17%	18%	17%	100%
Sablefish & Turbot							
Sablefish, Hook & Line - AI	15%	20%	0%	30%	20%	15%	100%
Turbot - AI	18%	18%	5%	14%	26%	19%	100%
Sablefish, Hook & Line - BS	15%	22%	18%	0%	20%	25%	100%
Turbot - BS	16%	25%	14%	1%	20%	24%	100%
Pacific Cod	16%	20%	10%	17%	18%	19%	100%
Atka mackerel:							
Eastern	20%	17%	10%	17%	16%	20%	100%
Central	20%	17%	10%	17%	16%	20%	100%
Western	20%	17%	10%	17%	16%	20%	100%
Yellowfin sole	29%	25%	8%	5%	5%	28%	100%
Flatfish:							
Other Flats	20%	20%	10%	15%	15%	20%	100%
Rockssole	10%	20%	10%	20%	20%	20%	100%
Flathead	20%	20%	10%	15%	15%	20%	100%
Squid	19%	18%	10%	17%	16%	20%	100%
Other Species	19%	22%	9%	14%	14%	22%	100%
Other Rockfish							
O. Rockfish - BS	16%	20%	8%	18%	19%	19%	100%
O. Rockfish - AI	16%	20%	8%	18%	19%	19%	100%
Arrowtooth	19%	21%	9%	15%	15%	21%	100%
Pacific Ocean Perch Complex							
True POP - BS	20%	17%	10%	17%	16%	20%	100%
Other POP - BS	20%	17%	10%	17%	16%	20%	100%
True POP - AI:							
Eastern	20%	17%	10%	17%	16%	20%	100%
Central	20%	17%	10%	17%	16%	20%	100%
Western	20%	17%	10%	17%	16%	20%	100%
Sharp/Northern - AI	20%	17%	10%	17%	16%	20%	100%
Short/Rougheye - AI	17%	20%	9%	17%	18%	19%	100%
Sablefish, Trawl - AI	16%	20%	10%	17%	18%	19%	100%
Sablefish, Trawl - BS	16%	20%	10%	17%	18%	19%	100%
Prohibited Species Quota							
Halibut (mt)	20%	22%	8%	13%	14%	23%	100%
Herring (mt)	17%	17%	16%	17%	17%	16%	100%
Chinook salmon (#)	21%	21%	9%	13%	13%	23%	100%
Other salmon (#)	23%	23%	8%	11%	11%	24%	100%
C. Bairdi - Zone 1 (#)	24%	25%	7%	9%	9%	26%	100%
C. Bairdi - Zone 2 (#)	24%	25%	7%	9%	9%	26%	100%
Red King Crab (#)	19%	21%	9%	15%	15%	21%	100%

Evaluation Criteria

Evaluation Criteria: Because the total amount of quotas are limited, applications are evaluated in competition with each other. Please refer to federal and state regulations in addition to the following factors for consideration which include, *but are not limited to:*

- the application's objectives,
- realistic measurable milestones for determining progress,
- previous ability to manage a Community Development Plan,
- methods for developing a self-sustaining local fisheries economy,
- level of career track employment and training opportunities,
- capital or equity generated for local fisheries investment,
- profit-sharing arrangements,
- diversity in harvesting/processing partners and modes of operations,
- coordinated activities with other CDQ group(s),
- investments with experienced industry partners,
- ability of a CDQ group to maintain control over allocations,
- involvement and diversity in all facets of harvesting and processing operations,
- depth of seafood related infrastructure development,
- stimulation on Alaska's economy in both CDQ and non-CDQ communities,
- conservative and sound management principles in the fishing plan which provide for full retention and utilization of quota, and the development of innovative products and processing techniques aimed at conservation and maximum utilization.

**NOTICE OF PROPOSED CHANGES IN THE
REGULATIONS OF THE OFFICE OF THE GOVERNOR
Community Development Quota Program**

AGENDA C-2
SEPTEMBER 1997
Supplemental

Notice is given that the Governor, under the authority of Art. III, Sec. 1 and Art. III, Sec. 24, Alaska Constitution, proposes to adopt and amend regulations in Title 6 of the Alaska Administrative Code dealing with the administration of the Community Development Quota Program (CDQP). All sections of the current regulations are affected under this notice. The federal regulations covering the CDQP are currently being revised, and the Alaska State regulations must be consistent with the federal regulations. Upon completion of revisions to the federal regulations, state regulations may need to be revised to match federal regulations. These changes include the following:

1. 6 AAC 93 is proposed to be amended by changing the term "governor's designees" to "CDQ Team" if appropriate.
2. 6 AAC 93 is proposed to be amended by changing citations to federal regulations to conform to changes in federal regulations.
3. 6 AAC 93.015 is proposed to be amended by adding the task of monitoring CDQ groups to the state's oversight duties.
4. 6 AAC 93.025 is proposed to be repealed and readopted to change language concerning the CDP application, and to add new requirements for a complete Community Development Plan.
5. 6 AAC 93.040 is proposed to be amended by adding new evaluation criteria that the CDQ Team must use in the final evaluation of CDPs, and changing references of specific CDQ species to general CDQ species.
6. 6 AAC 93.045 is proposed to be amended to change a deadline requirement for recommendations on approval of CDP applications and CDQ allocations, and add a step to the CDP application recommendation process that distinguishes between a CDP application and a CDP.
7. 6 AAC 93.050 is proposed to be repealed and readopted to adding specific information that must be included in an annual report, and in a quarterly report.
8. 6 AAC 93.055 is proposed to be amended by changing the term "qualified applicant" to "CDQ group" if appropriate, and changing references of specific CDQ species to general CDQ species.
9. 6 AAC 93.085 is proposed to be amended by adding the requirement that CDQ harvests be registered.
10. 6 AAC 93.900 is proposed to be repealed and readopted to define terms used in the sections described above. The Governor may add other definitions within the scope of this notice.

Notice is also given that any person interested may present written comments relevant to the proposed action, including the potential costs to private persons of complying with the proposed action, by writing

NOTICE OF PROPOSED CHANGES IN THE
REGULATIONS OF THE OFFICE OF THE GOVERNOR
Community Development Quota Program

to Julie Anderson, CDQ Manager, Department of Community and Regional Affairs, CDQP, P.O. Box 112100, Juneau, Alaska 99811-2100, so that they are received no later than August 29, 1997.


If you are a person with a disability who may need a special accommodation in order to participate in the process on the proposed regulations, please contact Julie Anderson at (907) 465-5536, no later than August 11, 1997, to ensure that any necessary accommodations can be provided.

This action is not expected to require an increased appropriation.

Copies of the proposed regulations may be obtained by writing to: Julie Anderson, CDQ Manager, Department of Community and Regional Affairs, CDQP, P.O. Box 112100, Juneau, Alaska 99811-2100.

After the close of the public comment period, the Governor will either adopt these or other proposals dealing with the same subject, without further notice, or decide to take no action on them. The language of the final regulations may vary from that of the proposed regulations. You should comment during the time allowed if your interests could be affected.

DATE: 7/28/97



Julie Anderson, CDQ Manager
Municipal and Regional Assistance Division