



OFFICE OF THE COMMISSIONER

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*Frank H. Murkowski, Governor*

March 14, 2005

Governor Frank H. Murkowski  
P.O. Box 110001  
Juneau, AK 99811-0001

RE: 2006-2008 Multi Species and 2005 Crab CDQ  
CDQ Team Draft Allocation Recommendations

Dear Governor Murkowski:

The Community Development Quota Team (CDQ Team) is pleased with the success of the CDQ program and recognizes the social and economic benefits it provides to western Alaska residents. Since the CDQ program began over twelve years ago, revenues of over \$580 million have been generated and were available for investments on behalf of 65 eligible communities for the purpose of developing a sustainable fisheries related economy in western Alaska. Since 1992, the CDQ program has provided nearly \$125 million in wages, education, and training benefits to over 25,000 western Alaska residents. CDQ groups have invested in fishing companies and quota, onshore seafood processing companies, and fisheries-related infrastructure development in western Alaska. The asset value of all CDQ groups at the end of 2004 was over \$300 million (unaudited), and growing.

Pursuant to 6 AAC 93.040(c), the CDQ Team is pleased to offer you our allocation recommendations for the 2006-2008 Multi-Species and 2005 Crab CDP allocation cycle. Additionally, we look forward to meeting with you to answer any questions or concerns you might have regarding our recommendations.

The CDQ allocation process is governed by State regulations. 6 AAC 93.010-.900. These regulations require the CDQ Team to solicit the submittal of Community Development Plans (CDPs), review and evaluate these CDPs, and then make an allocation recommendation to you. 6 AAC 93.015(c)(1)-(3). You, in turn, with the CDQ Team's assistance, are responsible for meeting with the North Pacific Fishery

Management Council (Council) and then making a final recommendation to the National Marine Fisheries Service (NMFS). 6 AAC 93.040-.045. Federal regulations require that the State: 1) evaluate each CDP to verify it includes the required information, 2) hold a public hearing to discuss the contents of the CDPs, 3) consult with the Council before forwarding the recommendation to NMFS, and 4) make an allocation recommendation to NMFS, supported with findings and rationale. 50 C.F.R. 679.30(a)-(d).

The CDQ Team strictly adhered to both state and federal regulations during this allocation recommendation process. On August 16, 2004, pursuant to 6 AAC 93.020, the CDQ Team notified the public of the 2006-2008 Multi-Species and 2005 Crab CDQ Application Period and application packets were mailed to all six CDQ groups. The application period began on October 1, 2004, and ended November 1, 2004. During this application period, the CDQ Team received six CDPs for multi-species and associated by-catch Community Development Quota (CDQ) for the 2006-2008 multi-species and 2005 Crab CDQ allocation cycle.

These six CDPs are from the six regional organizations or CDQ groups representing 65 eligible coastal communities bordering the Bering Sea. Each CDP is a detailed description of how a particular group proposes using allocations to achieve success in the Bering Sea fishing industry, in order to improve the social and economic conditions specific to their regions.

After soliciting and receiving these CDPs, pursuant to 6 AAC 93.030, the CDQ Team reviewed each CDP to ensure that it was complete and contained all of the information required under state and federal regulations. 50 C.F.R. 679.30(a) and 6 AAC 93.025. This initial evaluation process took place within fifteen days of the application period closing. On November 15, 2004, letters were sent out to the groups whose CDPs were found to be incomplete and they were given ten days to provide the missing information.

Following the initial evaluation of each CDP for completeness, pursuant to 50 C.F.R. 679.30(b) and 6 AAC 93.035, the CDQ Team announced and held a public hearing in Anchorage. Public notice scheduling a public hearing was provided on October 15, 2004 and held in Anchorage on November 30, 2004. Expanded public hearings with each CDQ group were also noticed and held during December 15 through 17, 2004 in Anchorage. At these public hearings, the substance and the content of the proposed CDPs were discussed and all interested persons were allowed an opportunity to make comments on these proposed CDPs. These hearing were recorded and transcribed, with the exception of the CDQ groups' presentation of information deemed confidential under State law. This information was heard in 'executive session' pursuant to AS 44.62.310.

Following the public hearings, pursuant to 6 AAC 93.040(a), the CDQ Team evaluated the six CDPs to determine whether they were consistent with the CDQ program standards in 6 AAC 93.017 and met all requirements of 6 AAC 93 and 50 C.F.R. 679.30. Additionally, the CDQ Team considered all 20 factors set forth in 6 AAC 93.040(b) for consideration when reviewing the proposed CDPs.

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In considering CDQ program standards (1)-(4), the CDQ Team evaluated whether each CDP and the CDQ projects described in it: 1) were supported by their respective communities and board of directors, and 2) provided specific and measurable benefits to their respective communities and residents. 6 AAC 93.017. In considering CDQ program standards (5)-(7), the CDQ Team evaluated whether the CDQ projects described in each CDP demonstrated the application of sound business judgment principles. And, in considering CDQ program standard (8) which references 50 CFR 679.1(e), the CDQ Team evaluated whether each CDP demonstrated a plan to use CDQ allocations to initiate or support commercial fisheries business activities in their communities that will, in time, result in an ongoing, regionally based, fisheries related economy.

In considering whether the CDPs met the requirements of 50 C.F.R. 679.30, the CDQ Team verified that each CDP contained all of the required information. Additionally, the CDQ Team applied the 'directory' language in 50 C.F.R. 679.30(a) which provides: 1) CDQ allocations represent the means for CDQ groups to complete their CDQ projects, and 2) when a CDP expires, further CDQ allocations are not implied or guaranteed, and a qualified applicant must re-apply for further allocations on a competitive basis with other qualified applicants.

In considering the factors set forth in 6 AAC 93.040(b), the CDQ Team reviewed each CDP with all 20 factors in mind. However, the CDQ Team found that all of the groups had shown: 1) support for their CDP from their participating communities, 2) support for their CDQ projects from their board of director, 3) sufficient experience of their industry partners, 4) their outreach project met the requirements of 6 AAC 93.025(4)(c), and 5) sufficient degree of community input in their CDP. 6 AAC 93.017(3)-(4) and 6 AAC 93.040(b)(8), (18)-(19). As a result, these factors were given little weight in the allocation recommendation.

The CDQ Team also found that cooperation was present between all of the CDQ groups, therefore, little weight was given by the CDQ Team to this factor. 6 AAC 93.017(7). Likewise, the CDQ Team found that the benefits to the State's economy is not the focus of this program and was given little weight in the allocation recommendation. 6 AAC 93.017(10). Last, the CDQ Team found that, although public comments are important to consider, little weight was given to this factor because almost no comments were submitted for consideration. 6 AAC 93.040(20).

Therefore, the CDQ Team's allocation recommendation focused on the remaining factors set forth in 6 AAC 93.040(b)(1)-(6), (9), (11)-(17) and the program standards in 6 AAC 93.017(1)-(2), and (5)-(9). The CDQ Team concluded that these factors and program standards were most relevant in: 1) seeking to maximize the benefits of the CDQ Program to the greatest number of participating communities, 2) determining which CDQ groups did well in terms of overall performance, and 3) determining if each CDP was consistent with goals and purposes of the CDQ Program.

The total allocations requested by the six CDQ groups exceeded 100% of the reserve for most species. For example, the allocations requested for pollock CDQ totaled 129%.

When there is insufficient quota to meet the combined allocations requested, 6 AAC 93.040 (g) guides the State to maximize the benefits of the CDQ program to greatest number of participating communities. The CDQ Team concluded factors (1) – (4), (9), (14), and (16) and program standards (1)-(2) were consistent with the guidance set out in 6 AAC 93.040(g), 6 AAC 93.040(b) and 6 AAC 93.017.

The CDQ Team also focused on factors (3)-(6), (11)-(12), and (14)-(15) and program standards (5)-(7), 6 AAC 93.040(b) and 6 AAC 93.017. The CDQ Team concluded that these factors allowed us to determine which groups did well in terms of overall performance. The CDQ Team measured overall performance by reviewing whether each CDQ group:

- 1) expanded investment in i) profitable Bering Sea fishing vessels and quota, and ii) onshore processing projects that were sustainable;
- 2) provided measurable benefits to their residents through in-region projects (including employment, education, and training programs); and
- 3) achieved these results with reasonable administrative expenses (including compensation of senior level management as compared other non-profit corporations, for-profit corporations, and high level government officials in Alaska.)

The groups that possessed these attributes met the CDQ Team's definition of a successful CDQ corporation with strong corporate governance.

Last, the CDQ Team focused on factors (12)-(13), (16), and (17), and program standards (8)-(9), 6 AAC 93.040(b) and 6 AAC 93.017. The CDQ Team concluded these factors allowed us to verify that: 1) each CDP is geared toward transition to a self-sufficient, regionally based, fisheries related economy, and 2) each group has promoted, to the greatest extent possible, conservation-based fishing of their CDQ allocations.

Therefore, after thoroughly reviewing the 2006-2008 Multi-Species and 2005 Crab CDP applications from each CDQ group and having considered all factors for consideration under 6 AAC 93.040(b), CDQ Program Standards under 6 AAC 93.017, and General CDQ regulations under 50 C.F.R. 679.30, the CDQ Team has made allocation recommendations for all six CDQ groups. As in prior allocation cycles, the State used a by-catch model to determine the non-target species allocations. The State was required to round numbers for some non-target species to insure allocations among the CDQ groups equaled 100% of the CDQ reserve. The calculations used for the 2006-2008 CDP cycle were based on harvest statistics provided to the State by the CDQ groups for the period 1999-2003. Please see attached table.

Pursuant to 6 AAC 93.040(c), the CDQ Team is submitting this evaluation and recommendation for your review and necessary action. Additionally, the CDQ Team has provided the CDQ groups with a draft copy of this letter and given them until April 1, 2005, to request reconsideration of the CDQ Team's allocation recommendations. Once we receive their reconsideration comments, we will forward them for your review.

Additionally, after consultation with the Council, the CDQ Team will incorporate any comments from the Council consultation, as well as comments and responses generated during the first reconsideration processes into a draft final allocation recommendation to NMFS.

The CDQ Team intends to provide each CDQ group with a draft of the State's final allocation recommendations. At that time, the CDQ group will have an additional 10 days to provide a written request for reconsideration of the State's final allocation recommendations. However, the second reconsideration process will be limited in scope to new issues and facts.

Following the completion of the second reconsideration process, the CDQ Team will incorporate the CDQ groups' comments and the State's responses from the second reconsideration processes into the final written findings submitted to NMFS by April 30, 2005. We look forward to working closely with you through this process.

### APICDA

Per the 2000 U.S. Census, APICDA has the lowest population (515 people), or 2% of the 26,445 residents in the CDQ region, and lowest unemployment rate (9%) among the CDQ groups. APICDA has the second highest median household income (\$45,861/yr.) and a low poverty rate (8.7%) among the CDQ groups. Based on these factors, the APICDA region has a relatively high standard of living and low economic need among the CDQ groups.

APICDA's past performance of existing offshore CDQ projects have, for the most part, been successful in generating capital for fisheries related business investment. APICDA has negotiated an agreement with their pollock CDQ partners that provide significant revenues to support their CDQ projects. However, APICDA has not been active investing in additional for-profit investments in the Bering Sea fishery that have the ability to provide a steady income stream to support their active and proposed CDQ projects.

APICDA has not made a major vessel or non-CDQ quota investment in the Bering Sea since 2000. This is in contrast to other CDQ groups. APICDA has invested in in-region infrastructure and processing projects in their communities and other for-profit investments. This is consistent with other CDQ groups who have also invested in onshore processing of various fish species and in the infrastructure needed for such plants. Unfortunately, APICDA has incurred considerable financial losses with its onshore investments and it has not diversified its investment strategy. Unlike the other CDQ groups, APICDA has not diversified its fisheries related investments by purchasing non-CDQ quota shares, investing in vessels that fish in the Bering Sea, and has not developed a plan that responds to and utilizes the economic effects of crab rationalization in that industry.

With the exception of one in-region CDQ project in Atka started in 1994, APICDA's in-region CDQ projects have experienced significant financial losses for consecutive years, provided benefits to a limited number of APICDA residents, and resulted in the ownership of non-performing assets. Additionally, APICDA's CDQ projects for employment, education, and training that provide career track opportunities have been static for several years.

Based on this performance, many of APICDA's current in-region projects and proposed in-region projects set forth in the CDP for this allocation cycle do not appear to have the likelihood of developing a self-sustaining local fisheries economy or have a strong business plan for transition from reliance on an allocation to self-sufficiency. According to APICDA, their transition plan places emphasis on the amount of CDQ allocation they receive, especially pollock. Per 50 C.F.R. 679.30(a)(6), "The plan for transition to self-sufficiency must be based on the qualified applicant's long-term revenue stream without CDQs." Further, many of APICDA's in-region projects do not appear to be designed with realistic measurable milestones for determining progress.

The past performance of APICDA was considered by the CDQ Team, and was considered during prior allocation cycles as evidenced by reductions in quota, low scores on a scorecard with comments from the CDQ Team, Annual Reports to NMFS, and a management review mandated by the State. Although APICDA has participated in funding infrastructure projects in their eligible communities, they have lost a considerable amount of money on in-region CDQ projects and incurred high administrative expenses for senior management and contract personnel for several years. The Team is concerned with APICDA's overall investment strategy to develop a self-sustaining fisheries related economy in their region. The Team's concern has been noted for years with APICDA's management. The Team is concerned with the ability of particular CDQ projects to recoup their losses from consecutive years of operations and produce a profit in the future. The Team further recommends the APICDA board of directors carefully review the viability of these projects.

For example, one CDQ project in False Pass alone lost several million dollars for consecutive years while providing limited sustainable benefits to local community residents. The State expressed concerns regarding this investment, beginning with the purchase of a processing barge Dipper in 1998. According to APICDA's management in their substantial amendment submitted to the State in January 2000, the False Pass operation pro forma showed an expected Return on Investment (ROI) of 29% in 2000, 30% in 2001, and 29% in 2002. APICDA's CDQ project sheet submitted with the amendment showed the operation would operate profitably and generate a return on investment of 10% while employing 15 local False Pass residents. The project required a significant number of the region's fishermen to end long-term relationships with existing processing industry partners for salmon and Pacific cod and deliver to False Pass which never materialized. The False Pass operation never met these projections or expectations, incurred considerable net losses in the millions of dollars, and ultimately resulted in the impairment of assets. The CDQ project is no longer in operation nor providing much, if any, benefit to False Pass residents.

Other for-profit CDQ projects have resulted in non-performing assets that have adversely impacted the corporation and limited APICDA's ability to provide benefits to their eligible communities the past few years. For example, an investment in an electronic log book software company, Ocean Logic, has been a non-performing asset for consecutive years and capital expenditures have exceeded millions of dollars while providing limited sustainable benefits to APICDA residents. The Team is concerned with this CDQ project and the ability to recoup financial losses and produce a profit in the future. A fishing lodge was constructed in Nikolski with well over a million dollars in capital contributions from APICDA and has resulted in negative retained earnings for consecutive years and never met the projections and expectations envisioned.

All three CDQ projects listed above were funded by APICDA with capital contributions of several million dollars, which have been exhausted to date, and the future viability of these projects are questionable.

In the CDP submitted for the 2006-2008 APICDA now proposes to build an onshore processing project in False Pass, but has not fully developed their exit strategy for the previous False Pass project including the processing barge which appears to be currently tied up in Homer. The proposed CDP essentially proposes a processing plant to replace the failed processing barge operation; however, the plan does not address the structural problems with the concept, such as whether fishermen will be willing to end long-term relationships with other processing facilities. This fact contributed to the failure of the processing barge effort, and this issue is not adequately addressed in the 2006-2008 CDP. As a result, the Team questions the success and effectiveness of the latest business plan and feels further due diligence is needed.

The Team is concerned with the overall strategy expressed in APICDA's Community Development Plan for this allocation cycle based on the group's past performance and future plans. The Team submits that the CDP is outdated, and does not respond to changes in the area or industry, such as crab rationalization, and changes in the population in communities served by APICDA. For example, the CDP focuses on False Pass where the population has been static for several years. This lack of forward thinking reflects on the fact that the 2006-2008 CDP is very similar to prior CDP's for other allocation cycles. It is very similar to other plans, which were produced under different economic and business conditions.

The Team feels APICDA would benefit from a review of their investment guidelines and establishment of a formal effective administrative process that sets out sound business principles and examples of due diligence that will be exercised for future CDQ projects. The Team feels APICDA would benefit from a financial advisory board comprised of independent industry partners in the pollock, Pacific cod, and crab sectors for future investments. The Team further recommends that future due diligence and planning should consider joint ventures with industry partners utilizing their expertise in the Alaska seafood industry.

APICDA has not performed as well when compared with the five other CDQ groups in terms of asset growth, expansion and diversification of investments in income producing Bering Sea fishing vessels and quota, investments in in-region onshore seafood processing companies, and in providing employment, education and training benefits to their residents. In the CDQ Team's view, APICDA's long-range business plan set forth in the CDP submitted for this allocation cycle will have difficulty in accomplishing the purpose of the CDQ program which is to invest in income producing commercial fisheries business investments that will result in a self-sustaining fisheries related economy in western Alaska. The CDP fails to establish how many of its projects could become self-sustaining, and glosses over the significant losses already incurred by this type of CDP approach. Essentially, the CDP submitted by APICDA in 2004 for the 2006-2008 allocation cycle differs little from the CDP APICDA submitted in 1998.

While the Team encourages onshore development, the Team feels APICDA should have a more balanced approach in terms of investments in income producing projects that will support in-region investment. Although the Team has reduced APICDA's allocations based on the effectiveness of their overall business plan and performance under the 20 factors for consideration, and rewarded other CDQ groups with increases in allocation based on the same factors, the Team does note that APICDA has contributed to many in-region and infrastructure projects including docks and harbors, sport fishing lodges, small halibut processing projects, and employment, education, and training programs since 1992. The Team feels these projects are worthwhile in general and have resulted in infrastructure development in APICDA's communities. However, clearly an overall stronger long-term business plan that includes these activities as well as income producing partnerships is needed to fund projects that are sustainable.

APICDA's future plans in their proposed CDP include securing funding for construction of a boat harbor planned in Atka, widening the face of the Atka City Dock, a fuel supply business in Atka, a crab processing facility in St. George, construction of a boat harbor in False Pass, Nikolski Mooring System, Nikolski Airport Improvements, Akutan Harbor, Expansion of a Small Boat Fleet, Central Bering Sea Research Facility in St. George, False Pass Airport Improvements, purchasing crab harvesting and processing shares, and a Nelson Lagoon Navigation Project.

APICDA's future plans consist of building seafood processing plants in St. George, False Pass, and Atka for crab, cod, and salmon. All three communities are located in proximity to large established seafood processing plants owned by major seafood companies. The CDQ Team feels multi-million dollar processing plants in communities with small populations under 200 people or less that directly compete with major industrialized seafood processing plants present many challenges and will have difficulty being successful. Given APICDA's past performance noted above, the CDQ Team does not feel these projects have strong business plans or warrant the required capital expenditures, and is concerned significant losses and non-performing assets will result.

The CDQ Team considered APICDA's proposed CDQ projects in their CDP application and feels APICDA would benefit from a more balanced approach of investing in for-



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profit CDQ projects that will provide a continuous revenue stream to support local in-region CDQ projects in the future. APICDA is presented with many challenges in their region due to their low population, weather, transportation difficulties, and the fact that many of their proposed projects require high capital expenditures that are difficult to justify based on realistic financial pro forma.

Some CDQ projects, such as Atka Pride Seafoods, in Atka have been successful in providing employment for local residents and fishing opportunities for local fishermen. The CDQ Team feels similar small-scale projects could benefit APICDA's relatively small communities and provide employment and fishing opportunities for local residents. Other CDQ groups have been successful building small halibut processing plants in their communities that minimize capital construction costs, and the Team feels APICDA could benefit from similar projects. The Team is concerned with the economic situation in the community of St. George and feels the community could benefit if APICDA and CBSFA formed a cooperative working relationship based on St. Paul Island for projects involving the halibut and crab fisheries per 6 AAC 93.040(7), which states the Team shall consider the coordination or cooperation with other CDQ groups on CDQ projects when reviewing a CDP.

CDQ Projects consisting of loan programs for the purchase of halibut and sablefish quota share and small fishing vessels appear to have merit and would provide employment and fishing opportunities for local APICDA residents and should be pursued. The new Gulf of Alaska Community IFQ Program, or CQE program, recently approved by the Council is similar in approach and the Team feels APICDA communities would benefit from additional halibut and sablefish quota in their communities for harvesting by local fishermen.

APICDA has provided employment, education, and training programs to local residents. However, the Team feels APICDA could improve in their employment efforts with industry partners on behalf of APICDA residents.

The State's initial allocation recommendations for APICDA are as follows.

The State recommends a 3% reduction of APICDA's pollock CDQ allocation, with increases of 1% to BBEDC, CBSFA, and YDFDA each based on their overall strong business plans and performance under the 20 factors for consideration. In the CDQ Team's view, APICDA had a much weaker business plan and overall performance regarding the 20 factors for consideration and, therefore, the Team rewarded the performance of BBEDC, CBSFA, and YDFDA with increases in pollock CDQ. The Team's recommendation included an evaluation of each CDQ group's business plan and past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. APICDA owns an equity ownership interest in one large inshore pollock catcher vessel, one small 58 ft. pollock catcher vessel, and one offshore pollock catcher processor through their partnership with two major pollock fishing companies. The Team feels this allocation is the proper allocation necessary to achieve the milestones and objectives in the proposed CDP.

The CDQ allocation per capita for APICDA region residents is nearly twice as high as the next closest group, CBSFA, and up to eleven times higher than another CDQ group, NSEDC. Pollock comprises more than 80% of total CDQ royalties for the CDQ program and is the most valuable CDQ species. Therefore, the population and economic need of the CDQ groups in the region was taken into consideration.

The State recommends no change to APICDA's Pacific cod CDQ allocation. However, there was debate among the CDQ Team regarding APICDA's harvest rates in 2001 and 2003 when their Pacific cod CDQ allocation was not fully harvested. Although the CDQ Team did not recommend an adjustment this allocation cycle, it was considered. The Team feels APICDA should make every effort to fully harvest their Pacific cod CDQ allocation or transfer the expected unused portion of their allocation to another CDQ group to harvest in the future. APICDA has an equity ownership interest in three Pacific cod longliners and the Team feels the Pacific cod CDQ allocation should be fully harvested.

The State recommends a reduction of 7% of APICDA's Bristol Bay Red king crab CDQ allocation based on APICDA's past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. In making this recommendation, the State took into consideration each CDQ group's business plan, investment in the sector, and employment and training benefits provided by vessels harvesting Bristol Bay Red king crab CDQ.

APICDA currently has an ownership interest in two crab harvesting vessels, but has not made an investment in the crab sector since prior to 2000. Meanwhile, other CDQ groups have been very active making a significant number of crab vessel and quota investments since 2000 which have resulted in a considerable increase in value as a result of crab rationalization. Additionally, one CDQ group has recently made an investment in an onshore crab processing company in Dutch Harbor that provides vertical integration benefits and additional revenues resulting from leveraging of CDQ. Although APICDA has identified proposed CDQ projects in their 2006-2008 Multi-Species and 2005 Crab CDQ Applications for crab processing plants in False Pass, St. George, and Atka, the Team feels the business plans for these CDQ projects will have difficulty given their proximity to industrialized processing plants, barriers to entry that require significant capital expenditures, a low crab Guideline Harvest Level (GHL), lack of a formal agreement with an experienced industry partner, and their past performance with in-region projects.

The State recommends a reduction of 15% of APICDA's Atka mackerel and Pacific Ocean Perch (POP) CDQ allocation, a reduction of 14% of APICDA's yellowfin sole CDQ allocation, and a reduction of 10% of APICDA's rock sole CDQ allocation. APICDA received a higher allocation of these species in prior allocation cycles as they were one of the only CDQ group's successfully prosecuting this fishery. However, this is no longer the case, and other CDQ groups have begun to successfully harvest these species by pooling their allocations for efficiency purposes for maximum utilization of the fishery resource and the Team felt an adjustment was warranted. Further, the Team

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took into consideration bycatch requirements for the CDQ groundfish fishery and employment of Alaska residents by industry partners.

The State recommends an allocation of 8% for Eastern Aleutian Islands (EAI) Golden (Brown) king crab and Adak (Petrel Bank) Red king crab CDQ based on APICDA's past performance of active CDQ projects and proposed CDQ projects contained in the 2005 Crab and 2006-2008 CDP Application. The State took into consideration APICDA's business plan and investment in the crab sector in making this recommendation.

The State did not recommend adjustments in the majority of non-target species. Unless otherwise noted, adjustments in non-target species were the result of the State's bycatch matrix.

### **BBEDC**

Per the 2000 U.S. Census, BBEDC has the third highest population (5,932), or over 22% of the CDQ region population, and fourth highest unemployment rate (15%) among the CDQ groups. BBEDC has the 4<sup>th</sup> highest median household income (\$43,592/yr.) and a mid-range poverty rate of (17.5%). Based on these factors, BBEDC has a mid-range standard of living and economic need among the CDQ groups. However, many BBEDC communities have been adversely affected by overall low salmon prices which is the primary source of revenue in the region.

BBEDC's past performance of existing offshore CDQ projects have been very successful in generating capital for fisheries related business investment. BBEDC has been very active investing in for-profit offshore and onshore investments in the Bering Sea that provide a steady income stream to support their active and proposed CDQ projects. BBEDC has a well-prepared long-range transition plan to develop a self-sustaining fisheries economy in the Bristol Bay region.

BBEDC's CDQ projects for employment, education, and training that provide career track opportunities have been successful for several years. BBEDC successfully negotiated with their pollock CDQ partner to pay for a recruiter position in Dillingham to enhance the employment of Bristol Bay residents with their offshore pollock partner. However, the Team feels BBEDC could improve their employment efforts on behalf of BBEDC residents, especially with industry partners.

BBEDC's active in-region projects and proposed in-region projects appear to have the likelihood of developing a self-sustaining local fisheries economy and a viable schedule for transition from reliance on an allocation to self-sufficiency. Per 50 C.F.R. 679.30(a)(6), "The plan for transition to self-sufficiency must be based on the qualified applicant's long-term revenue stream without CDQs." BBEDC's in-region projects appear to be designed with realistic measurable milestones for determining progress for their projects.

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BBEDC has contributed to many in-region CDQ projects including their Regional Fisheries Development Project, Community Seed Fund, Infrastructure Matching Fund, Employment and Education Programs, and Community Liaisons to promote fisheries related infrastructure development and support for their salmon and halibut fishermen, many of which are partially funded by grants. BBEDC formed the Bristol Bay Science and Research Institute for the purpose of obtaining grants for scientific research with the goal of improving management of area fisheries stocks. BBEDC has supported many youth and adult work readiness programs in cooperation with local Bristol Bay organizations and SAVEC.

BBEDC's future plans involve becoming a major owner of the Bering Sea fishery through acquisitions in a diversified portfolio of pollock, cod, halibut, and crab investments including the leveraging of CDQ for vertical integration benefits providing revenues to fund in-region CDQ projects and the means to support commercial fisheries business activities resulting in an ongoing, regionally based, sustainable fisheries related economy in western Alaska.

The State's initial allocation recommendations for BBEDC are as follows.

The State recommends a 1% increase of BBEDC's pollock CDQ allocation based on BBEDC's past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. The Team's recommendation included an evaluation of each CDQ group's business plan and past performance of active proposed CDQ projects contained in the 2006-2008 CDP Application.

BBEDC successfully negotiated an agreement with their pollock CDQ partner that provides significant revenues to support their CDQ projects. BBEDC owns an equity ownership interest in two offshore pollock vessels, and has been very active in the last few years purchasing a significant equity ownership in five onshore pollock catcher vessels making BBEDC one of the largest owners of inshore pollock quota. In making this recommendation, the Team considered the strength of BBEDC's business plan, investment in the pollock sector, the success of their business agreements, their commitment to employment agreements for residents with industry partners, and a well-prepared long-range business plan for self-sufficiency. The Team feels this allocation is the proper allocation necessary to achieve the milestones and objectives in the proposed CDP.

The Team considered an increase of BBEDC's Pacific cod CDQ allocation, based on BBEDC's past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. In considering an increase in Pacific cod CDQ, the State took into consideration excellent harvest rates, as well as employment and training benefits being provided by vessels harvesting Pacific cod CDQ. The Team further took into consideration the fact that BBEDC owns a significant equity ownership in an established freezer longliner vessel, and is currently constructing a new state of the art freezer longliner with their industry partner. The State further took into consideration BBEDC's plans to vertically integrate with an established company to maximize

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revenues earned from CDQ and IFQ. The State also considered Pacific cod bycatch requirements necessary to prosecute the groundfish fishery and employment benefits provided by their industry partner. However, the Team chose to not make any adjustments in Pacific cod CDQ allocations during this cycle.

The State recommends a 2% increase of BBEDC's Bristol Bay Red king crab CDQ allocation based on BBEDC's past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. In making this recommendation, the State took into consideration investment in the sector and employment and training benefits provided by vessels harvesting Bristol Bay Red king crab. BBEDC currently has an equity ownership in six crab catcher vessels and two crab L.L.P.'s and has been very active investing in crab vessels and quota over the last few years. In making this recommendation, the Team considered BBEDC's business plan, investment in the crab sector, the success of their business agreements, their commitment to employment agreements for their residents with industry partners, and long-range business plan for self-sufficiency.

The State recommends an increase of 3% of BBEDC's Atka mackerel and Pacific Ocean Perch CDQ allocation. BBEDC received a lower allocation of these two species in prior allocation cycles as they were not successfully prosecuting this fishery. However, this is no longer the case, and BBEDC, along with other CDQ groups, have begun to successfully harvest these two species by pooling their allocations for efficiency purposes and the Team felt an adjustment was warranted. The State also took into consideration bycatch requirements to prosecute the groundfish fishery and employment benefits provided by industry partners.

The State recommends an allocation of 18% for Eastern Aleutian Islands (EAI) Golden (Brown) king crab and Adak (Petrel Bank) Red king crab CDQ based on BBEDC's past performance of active CDQ projects and proposed CDQ projects contained in the 2005 Crab and 2006-2008 CDP Application. The State took into consideration BBEDC's business plan, investment in the crab sector, and employment benefits with industry partners in making this recommendation.

The State did not recommend adjustments in the majority of non-target species. Unless otherwise noted, adjustments in non-target species were the result of the State's bycatch matrix.

**CBSFA**

Per the 2000 U.S. Census, CBSFA has the fifth highest population (532 people), or 2% of the CDQ region, and highest median household income (\$50,750/yr.) among the CDQ groups. CBSFA has a low poverty rate (11.9%) and mid-range unemployment rate (15%) among the CDQ groups. Based on these factors, the CBSFA region has a relatively high standard of living and lower economic need among the CDQ groups. However, CBSFA has been adversely affected by a downturn in the opilio crab harvest level over the last few years which the City of St. Paul is heavily dependent upon for tax revenues.

CBSFA's past performance of existing offshore CDQ projects have been successful in generating capital for fisheries related business investment. CBSFA has been very active recently investing in for-profit onshore pollock and crab investments in the Bering Sea that provide a steady income stream to support their active and proposed in-region CDQ projects. CBSFA has contributed to in-region projects such as the St. Paul Small Boat Harbor, the formation of a successful halibut cooperative, multi-species processing in St. Paul Harbor, crab rationalization community protection initiatives, a vessel launch and retrieval project, and was successful in modifying regulations to allow for area 4C halibut to be harvested in 4D to increase harvest rates for local fishermen. CBSFA has a well-prepared long-range transition plan to develop a self-sustaining fisheries economy on St. Paul.

CBSFA's CDQ projects for employment, education, and training that provide career track opportunities have been successful. CBSFA's halibut fishery provides employment to a significant portion of St. Paul residents. However, the Team feels CBSFA could improve in their employment efforts on behalf of CBSFA residents, especially with industry partners.

Furthermore, the Team is concerned with the economic situation in the community of St. George and feels the community could benefit if APICDA and CBSFA formed a cooperative working relationship based on St. Paul Island for projects involving the halibut and crab fisheries per 6 AAC 93.040(7), which states the Team shall consider the coordination or cooperation with other CDQ groups on CDQ projects when reviewing a CDP.

CBSFA's active in-region projects and proposed in-region projects appear to have the likelihood of developing a self-sustaining local fisheries economy and a viable schedule for transition from reliance on an allocation to self-sufficiency. Per 50 C.F.R. 679.30(a)(6), "The plan for transition to self-sufficiency must be based on the qualified applicant's long-term revenue stream without CDQs." CBSFA's in-region projects appear to be designed with realistic measurable milestones for determining progress for their projects.

CBSFA's active CDQ projects include a Multi-Species Development project, Vessel and IFQ loan program, Halibut Cooperative, Local Fleet Support Project, Large Vessel Transition Project, Vessel Repair and Maintenance Project, Small Boat Harbor project, and CBSFA's future plans involve the St. Paul Harbor Maintenance, Repair and Improvements project and a Vessel Repair and Maintenance Storage Facility.

CBSFA's future plans involve becoming a major owner of the Bering Sea fishery through acquisitions in a diversified portfolio of pollock, cod, halibut, and crab investments including the leveraging of CDQ for vertical integration providing revenues to fund in-region CDQ projects and the means to support commercial fisheries business activities resulting in an ongoing, regionally based, sustainable fisheries related economy in western Alaska.

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The State's initial allocation recommendations for CBSFA are as follows.

The State recommends a 1% increase of CBSFA's pollock CDQ allocation based on CBSFA's past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. The Team's recommendation included an evaluation of each CDQ group's business plan and past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. Furthermore, CBSFA had significant reductions in its pollock CDQ allocation in prior allocation cycles, and the Team felt an adjustment was appropriate in light of the group's corporate restructuring, stronger business plan, and more positive overall condition.

CBSFA successfully negotiated an agreement with their pollock CDQ partner that provides significant revenues to support their CDQ projects, including providing matching funds to the St. Paul Small Boat Harbor project to allow for construction. CBSFA owns a small equity ownership interest in a major offshore pollock company, and has been very active the last few years purchasing a significant equity ownership in three inshore pollock catcher vessels. In making this recommendation, the Team considered CBSFA's business plan, investment in the pollock sector, the success of their business agreements, and long-range business plan for self-sufficiency. The Team feels this allocation is the proper allocation necessary to achieve the milestones and objectives in the proposed CDP.

The State recommends a 3% increase of CBSFA's Bristol Bay Red king crab CDQ allocation based on CBSFA's past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. CBSFA has been very active recently investing in three crab catcher vessels. CBSFA recently acquired an equity ownership investment in an onshore crab processing company which will lead to vertical integration and further leverage CBSFA's crab CDQ allocations. With crab rationalization, significant benefits may be delivered to the City of St. Paul in terms of local employment opportunities for local residents, processing revenues, and an increase in local tax revenues. In making this recommendation, the Team considered CBSFA's business plan, investment in the crab sector, the success of their business agreements, their commitment to employment agreements for their residents with industry partners, and long-range business plan for self-sufficiency.

The State recommends an increase of 3% of CBSFA's Atka mackerel and Pacific Ocean Perch CDQ allocation, and an increase of 4% of CBSFA's yellowfin sole CDQ allocation. CBSFA received a lower allocation of these species in prior allocation cycles as they were not successfully prosecuting this fishery. However, this is no longer the case, and other CDQ groups have begun to successfully harvest these species by pooling their allocations for efficiency purposes and the Team felt an adjustment was warranted. The State also took into consideration bycatch requirements to prosecute the groundfish fishery, business agreements, and employment benefits provided by industry partners.

The State recommends an allocation of 21% for Eastern Aleutian Islands (EAI) Golden (Brown) king crab and Adak (Petrel Bank) Red king crab CDQ based on CBSFA's past

performance of active CDQ projects and proposed CDQ projects contained in the 2005 Crab and 2006-2008 CDP Application. CBSFA's crab harvesting vessels hold significant EAI Brown king crab quota and CBSFA recently acquired an equity ownership interest in an onshore crab processing company which holds significant Brown king crab processing quotas. These investments will lead to vertical integration and further leverage CBSFA's crab CDQ allocations providing benefits to CBSFA and their residents.

The State did not recommend adjustments in the majority of non-target species. Unless otherwise noted, adjustments in non-target species were the result of the State's bycatch matrix.

### CVRF

Per the 2000 U.S. Census, CVRF has the 2nd highest population (7,855 people) and a high unemployment rate (20%) among the CDQ groups. CVRF has the lowest median household income (\$28,170) and a highest poverty rate (26.5%) among the CDQ groups. Based on these factors, the CVRF region has a low standard of living and high economic need among the CDQ groups.

CVRF's past performance of existing offshore CDQ projects have been very successful in generating capital for fisheries related business investment. CVRF has been very active investing in for-profit investments in the Bering Sea that provide a steady income stream to support their active and proposed CDQ projects in-region. CVRF has a well-prepared long-range transition plan to develop a self-sustaining fisheries economy in the CVRF region. However, CVRF has incurred very high administrative expenses for senior management personnel, which concerns the Team.

CVRF's CDQ projects for employment, education, and training that provide career track opportunities have been very successful in-region. CVRF's 4-SITE project has been successful for many years providing Scholarships, Internships, Training, and Employment to local residents.

CVRF owns a large salmon processing plant in Quinhagak and seven small halibut processing plants in Toksook Bay, Mekoryuk, Tununak, Chefornak, Kipnuk, Hooper Bay, and Quinhagak. These processing plants have been very successful and provide considerable employment benefits and markets for local resident fishermen where none exist. In 2004, CVRF employed over 700 western Alaska residents alone. However, CVRF's employment numbers with industry partners have decreased in recent years as residents have favored working in their local communities and the State acknowledges this. However, the Team feels CVRF could improve in their employment efforts on behalf of CVRF residents with industry partners.

CVRF's active in-region projects and proposed in-region projects appear to have the likelihood of developing a self-sustaining local fisheries economy and a viable schedule for transition from reliance on an allocation to self-sufficiency. Per 50 C.F.R. 679.30(a)(6), "The plan for transition to self-sufficiency must be based on the qualified



applicant's long-term revenue stream without CDQs." CVRF's in-region projects appear to be designed with realistic measurable milestones for determining progress for their projects.

CVRF's active projects include salmon and halibut processing plants in seven communities, support for local salmon and herring fisheries, sportfishing operations, fishery support centers in two communities, and a marine transportation infrastructure plan. CVRF has done considerable long-range planning for innovative investments including contributing to wind power turbines and a high-speed catamaran designed to lower variable costs for salmon processing and marketing of their salmon products which impressed the Team.

CVRF's future plans consist of creating immediate opportunity and hope for local residents, long-term fisheries infrastructure development, and pursuing financial investments to further the goals of their Community Development plan. Future plans include a regional port, additional fishery support centers, vessel construction and support programs, and in-region fisheries buying and processing infrastructure. CVRF's future plans involve becoming a major owner of the Bering Sea fishery through acquisitions in a diversified portfolio of pollock, cod, halibut, and crab investments including the leveraging of CDQ for vertical integration providing revenues to fund in-region CDQ projects and the means to support commercial fisheries business activities resulting in an ongoing, regionally based, sustainable fisheries related economy in western Alaska. However, the Team is concerned with the accumulating long-term debt of CVRF's offshore pollock partner and feels the viability of this strategy should be addressed by all equity partners.

The State's initial allocation recommendations for CVRF are as follows.

The State recommends no adjustment to CVRF's pollock CDQ allocation. The Team's recommendation included an evaluation of each CDQ group's business plan and past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application.

CVRF successfully negotiated an agreement with their pollock CDQ partner that provides significant revenues to support their CDQ projects. CVRF owns a significant equity ownership interest in one of the largest offshore pollock fishing companies in the Bering Sea, consisting of seven catcher/processors. In making this recommendation, the Team considered CVRF's business plan, investment in the pollock sector, the success of their business agreements, their commitment to employment agreements for residents with industry partners, and long-range business plan for self-sufficiency. CVRF has the largest pollock CDQ allocation of any CDQ group and the Team feels their current allocation is the proper allocation necessary to achieve the milestones and objectives in the proposed CDP.

The State recommends no adjustment of CVRF's Pacific cod CDQ allocation, based on CVRF's past performance of active CDQ projects and proposed CDQ projects contained

in the 2006-2008 CDP Application. In making this recommendation, the State took into consideration harvest rates, as well as employment and training benefits being provided by vessels harvesting Pacific cod CDQ. The State also took into consideration the fact that CVRF has an equity ownership interest in six freezer/longliner vessels and bycatch requirements necessary to prosecute the groundfish fishery. Although CVRF has an excellent record in terms of harvest rates and impressive business agreements, the Team felt no adjustment in this species should be made at this time.

The State recommends an increase of 2% of CVRF's Bristol Bay Red king crab CDQ allocation based on CVRF's past performance of active CDP projects and proposed CDP projects contained in the 2006-2008 CDP Application. In making this recommendation, the State took into consideration CVRF's business plan, investment in the sector, and employment and training benefits provided by vessels harvesting and processing Bristol Bay Red king crab. CVRF currently has an equity ownership in nine crab vessels and has been very active investing in crab vessels and quota over the last few years. In making this recommendation, the Team considered CVRF's business plan, investment in the crab sector, the success of their business agreements, their commitment to employment agreements for their residents with industry partners, and their long-range business plan for self-sufficiency. With the implementation of crab rationalization and if crab GHF's return to historic levels, significant benefits may be provided to CVRF and their residents.

The State recommends a decrease of 5% of CVRF's 4E Halibut CDQ allocation. The State is impressed with CVRF's past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. The State is impressed with CVRF's halibut processing plants in several communities and the benefits these facilities provide to CVRF residents. However, in making this recommendation the State took into consideration harvest rates and employment of local fishermen in the CDQ region as a whole. The Team felt a slight adjustment was warranted based on harvest rates and the fact that NSEDC demonstrated sufficient need for more halibut CDQ to support their local harvesting and processing operations in Savoonga, Gambell, and Nome.

The State recommends an increase of 4% of CVRF's Atka mackerel and Pacific Ocean Perch CDQ allocation, an increase of 10% of CVRF's yellowfin sole CDQ allocation, and an increase of 5% of CVRF's rock sole CDQ allocation. CVRF received a lower allocation of these species in prior allocation cycles as they were not successfully prosecuting this fishery. However, this is no longer the case, and CVRF along with other CDQ groups have begun to successfully harvest these species by pooling their allocations for efficiency purposes. The State also took into consideration CVRF's business plan, bycatch requirements to prosecute the groundfish fishery, and employment benefits provided by industry partners. Further, CVRF is the only CDQ group with an equity ownership interest in a vessel that harvests groundfish species including Atka mackerel, Pacific Ocean Perch, yellowfin sole, and rock sole. The Team also took this into consideration when making allocation recommendations for these CDQ species. The State recommends an allocation of 18% for Eastern Aleutian Islands (EAI) Golden (Brown) king crab and Adak (Petrel Bank) Red king crab CDQ based on CVRF's past

performance of active CDQ projects and proposed CDQ projects contained in the 2005 Crab and 2006-2008 CDP Application. The State took into consideration CVRF's business plan, investment in the crab sector, and employment benefits provided by industry partners in making this recommendation.

The State did not recommend adjustments in the majority of non-target species. Unless otherwise noted, adjustments in non-target species were the result of the State's bycatch matrix.

### NSEDC

Per the 2000 U.S. Census, NSEDC has the highest population (8,488 people) and a mid-range unemployment rate (16%) among the CDQ groups. NSEDC has the third highest median household income (\$44,335) and a mid-range poverty rate (17.4%) among the CDQ groups. Based on these factors, the NSEDC region has a mid range standard of living and economic need among the CDQ groups.

NSEDC's past performance of existing offshore CDQ projects have been successful in generating capital for fisheries related business investment. However, NSEDC has incurred high administrative expenses which include particularly high compensation levels for contract personnel. This causes significant concern to the Team. NSEDC has been active investing in for-profit investments in the Bering Sea that provide a steady income stream to support their active and proposed CDQ projects in-region. NSEDC has a long-range business plan to develop a self-sustaining fisheries economy in their eligible communities.

NSEDC's CDQ projects for employment, education, and training that provide career track opportunities have been very successful. The Team feels NSEDC has done well in their employment efforts for their residents with industry partners. NSEDC has provided significant employment benefits and opportunities for local halibut and crab fishermen with their Nome Seafood Center and small crab fishery in Golovin. However, the Team feels NSEDC should continue their employment efforts on behalf of NSEDC residents, especially with industry partners.

NSEDC's active in-region projects and proposed in-region projects appear to have the likelihood of developing a self-sustaining local fisheries economy and a viable schedule for transition from reliance on an allocation to self-sufficiency. Per 50 C.F.R. 679.30(a)(6), "The plan for transition to self-sufficiency must be based on the qualified applicant's long-term revenue stream without CDQs." NSEDC's in-region projects appear to be designed with realistic measurable milestones for determining progress for their projects.

NSEDC's active projects include the Norton Sound Fisheries Research and Development Program, Salmon Research, Restoration and Enhancement Program, Fisheries Development, Education, Employment, and Training Programs, Revolving Loan Program, Fund for IFQ Purchases, Shoreside Infrastructure Improvements Program,

Harvesting/Tendering Vessel Funding, Fund for Vessel Purchases, and Processing Vessel Funding. NSEDC has conducted experimental fisheries for shrimp and crab in Diomedea and Wales and funds salmon enhancement programs in Norton Sound which impressed the Team and should be continued.

NSEDC's future plans are to build on the economic development programs started in 1992, in addition to making further investment in the Bering Sea fishery through acquisitions in a diversified portfolio of pollock, cod, halibut, and crab investments including the leveraging of CDQ for vertical integration providing revenues to fund in-region CDQ projects and the means to support commercial fisheries business activities resulting in an ongoing, regionally based, sustainable fisheries related economy in western Alaska.

The State's initial allocation recommendations for NSEDC are as follows.

The State recommends no adjustment to NSEDC's pollock CDQ allocation. The Team's recommendation included an evaluation of each CDQ group's business plan and past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. NSEDC has negotiated an agreement with their pollock CDQ partner that provides significant revenues to support their CDQ projects. NSEDC owns a significant equity ownership interest in two pollock catcher processors through their partnership with a large offshore pollock fishing company. In making this recommendation, the Team considered NSEDC's business plan, investment in the pollock sector, the success of their business agreements, their commitment to employment agreements for residents with industry partners, and long-range business plan for self-sufficiency. NSEDC has a large pollock CDQ allocation and the Team feels their current allocation is the proper allocation necessary to achieve the milestones and objectives as stated in the proposed CDP.

The State recommends no adjustment in NSEDC's Pacific cod CDQ allocation based on NSEDC's past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. However, there was debate among the Team regarding NSEDC's harvest rates in 2003 when their Pacific cod CDQ allocation was not fully harvested. In making this recommendation, the State took into consideration NSEDC's business plan, harvest rates, as well as employment and training benefits being provided by vessels harvesting Pacific cod CDQ. The Team feels NSEDC should make every effort to fully harvest their Pacific cod CDQ allocation or transfer their allocation to another CDQ group to harvest in the future. NSEDC has an equity ownership interest in two Pacific cod longliners and the Team feels their Pacific cod CDQ allocation should be fully harvested. The State also took into consideration bycatch requirements necessary to prosecute the groundfish fishery.

The State recommends an allocation of 5% to NSEDC for an Area 4E Halibut CDQ allocation. The State is impressed with NSEDC's business plan and past performance of active CDQ projects and proposed CDQ projects for halibut contained in the 2006-2008 CDP Application. The State is impressed with the Norton Sound Seafood Center and the

benefits this facility provides to NSEDC fishermen. In making this recommendation the State took into consideration harvest rates and employment of local fishermen in the CDQ region as a whole.

The State recommends an increase of 3% of NSEDC's Atka mackerel and Pacific Ocean Perch CDQ allocation, an increase of 3% of NSEDC's yellowfin sole CDQ allocation, and an increase of 5% of NSEDC's rock sole CDQ allocation. NSEDC received a lower allocation of these species in prior allocation cycles as they were not fully prosecuting this fishery. However, this is no longer the case, and NSEDC along with other CDQ groups have begun to successfully harvest these species. The State also took into consideration bycatch requirements to prosecute the groundfish fishery and employment benefits provided by industry partners.

The State recommends an allocation of 21% for Eastern Aleutian Islands (EAI) Golden (Brown) king crab and Adak (Petrel Bank) Red king crab CDQ based on NSEDC's past performance of active CDQ projects and proposed CDQ projects contained in the 2005 Crab and 2006-2008 CDP Application. In making this recommendation, the Team considered NSEDC's business plan, investment in the crab sector, and employment benefits provided by industry partners. NSEDC has an equity ownership interest in three crab harvesting vessels that hold significant EAI Brown king crab quota and the Team felt a larger allocation to NSEDC was warranted.

The State did not recommend adjustments in the majority of non-target species. Unless otherwise noted, adjustments in non-target species were the result of the State's bycatch matrix.

### **YDFDA**

Per the 2000 U.S. Census, YDFDA has the 4th highest population (3,123 people) and the highest unemployment rate (26%) among the CDQ groups. YDFDA has the 2<sup>nd</sup> lowest median household income (\$31,022) and a high poverty rate (26.3%) among the CDQ groups. Based on these factors, the YDFDA region has one of the lowest standards of living and highest economic needs among the CDQ groups.

YDFDA's past performance of existing offshore CDQ projects have been successful in generating capital for fisheries related business investment. YDFDA has been active investing in for-profit offshore investments in the Bering Sea that provide a steady income stream to support their active and proposed CDQ projects in-region. YDFDA has a well-prepared long-range transition plan to develop a self-sustaining fisheries economy in their eligible communities.

YDFDA's CDQ projects for employment, education, and training that provide career track opportunities have been successful. A significant percentage of the YDFDA region population is under the age of 18 and will soon be entering the workforce. YDFDA recognizes this issue, and has made considerable efforts to provide employment opportunities for local residents both onshore and offshore. YDFDA's salmon processing

plant in Emmonak has provided considerable employment and fishing opportunities for local residents in surrounding communities. Through YDFDA's efforts the ex-vessel salmon prices for local fishermen have increased considerably the last few years. YDFDA has provided funding for young residents to attend a vocational training center in St. Mary's that provides training to allow residents to pursue careers in the construction trade industry. Although YDFDA has done a good job, the Team feels YDFDA could improve in their employment efforts on behalf of their residents, especially with industry partners.

YDFDA's active in-region projects and proposed in-region projects appear to have the likelihood of developing a self-sustaining local fisheries economy and a viable schedule for transition from reliance on an allocation to self-sufficiency. Per 50 C.F.R. 679.30(a)(6), "The plan for transition to self-sufficiency must be based on the qualified applicant's long-term revenue stream without CDQs." YDFDA's in-region projects appear to be designed with realistic measurable milestones for determining progress for their projects.

YDFDA's active projects include investments in the Bering Sea fishing industry, Investment in Regional Fisheries, Education and Training Programs, the Lower Yukon Regional Salmon Quality Preservation Project, a Regional Fisheries Support Project, and Regional Economic Development. YDFDA's salmon processing project in Emmonak has been very successful providing employment and fishing opportunities for local residents, and has recently been expanded to include a value added processing operation that will increase the value of Yukon River King and Chum salmon providing additional benefits to residents.

YDFDA's future plans include additional investment in the Bering Sea industry and regional fisheries, fishery support centers, cultural fisheries tourism, and human resource development through YDFDA's employment, education, and vocational training programs.

YDFDA's future plans involve becoming a major owner of the Bering Sea fishery through acquisitions in a diversified portfolio of pollock, cod, halibut, and crab investments including the leveraging of CDQ to provide revenues to fund in-region CDQ projects and the means to support commercial fisheries business activities resulting in an ongoing, regionally based, sustainable fisheries related economy in western Alaska.

The State's initial allocation recommendations for YDFDA are as follows.

The State recommends a 1% increase of YDFDA's pollock CDQ allocation based on YDFDA's past performance of active CDQ projects and proposed CDQ projects contained in their 2006-2008 CDP Application. The Team's recommendation included an evaluation of each CDQ group's business plan and past performance of active CDQ projects and proposed CDQ projects contained in the 2006-2008 CDP Application. YDFDA has a majority equity ownership interest in two pollock catcher vessels and ownership in a mothership vessel. In making this recommendation, the Team considered

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the strength of YDFDA's business plan, investment in the pollock sector, the success of their management and business agreements, their ability to leverage their pollock CDQ, and long-range business plan for self-sufficiency. The Team feels this allocation is the proper allocation necessary to achieve the milestones and objectives in the proposed CDP.

The State recommends no change to YDFDA's Pacific cod CDQ allocation. However, there was debate among the CDQ Team regarding YDFDA's harvest rates in 2001 and 2003 when their Pacific cod CDQ allocation was not fully harvested. Although the CDQ Team did not recommend an adjustment this allocation cycle, it was considered. The Team feels YDFDA should make every effort to fully harvest their Pacific cod CDQ allocation or transfer their allocation to another CDQ group to harvest in the future. YDFDA has a significant equity ownership interest in two Pcod longliners and the Team feels the Pacific cod CDQ allocation should be fully harvested.

The State recommends an increase of 2% of YDFDA's Atka mackerel and Pacific Ocean Perch CDQ allocation. YDFDA received a lower allocation of these two species in prior allocation cycles as they were not successfully prosecuting this fishery. However, this is no longer the case, and YDFDA, along with other CDQ groups, have begun to successfully harvest these two species by pooling their allocations for efficiency purposes. The Team took into consideration YDFDA's business plan, bycatch necessary to prosecute the groundfish fishery, and employment benefits provided by industry partners.

The State recommends a decrease of 3% of YDFDA's yellowfin sole CDQ allocation. With this reduction, YDFDA still shares the highest allocation of this species with another group. YDFDA has successfully harvested this species by pooling their allocations with other CDQ groups for efficiency purposes. However, in making this recommendation, the Team took into consideration YDFDA's business plan, employment benefits provided by industry partners, and bycatch requirements to prosecute the groundfish fishery among the CDQ groups as a whole.

The State recommends an allocation of 14% for Eastern Aleutian Islands (EAI) Golden (Brown) king crab and Adak (Petrel Bank) Red king crab CDQ based on YDFDA's past performance of active CDP projects and proposed CDP projects contained in the 2005 Crab and 2006-2008 CDP Application. The State took into consideration YDFDA's business plan, investment in the crab sector, and employment benefits provided by industry partners in making this recommendation.

The State did not recommend adjustments in the majority of non-target species. Unless otherwise noted, adjustments in non-target species were the result of the State's bycatch matrix.

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I look forward to discussing any questions you may have regarding the CDQ Team's  
allocation recommendations.

Sincerely,

*Edgar Blatchford*

Edgar Blatchford  
Commissioner

Attachments

cc: CDQ Team  
CDQ Groups



Western Alaska Community Development Quota Program  
2006 - 08 Quota Allocations

	APICDA	BBEDC	CBSFA	CVRF	NSEDC	YDFDA	Total
<b>Pollock</b>	11%	22%	6%	24%	22%	15%	100%
BS	11%	22%	6%	24%	22%	15%	100%
AI	11%	22%	6%	24%	22%	15%	100%
Bogoslof	11%	22%	6%	24%	22%	15%	100%
<b>Pacific Cod</b>	15%	21%	9%	18%	18%	19%	100%
<b>Sablefish</b>							
BS FG	17%	20%	14%	2%	16%	31%	100%
AI FG	14%	19%	3%	27%	23%	14%	100%
BS	16%	22%	8%	16%	16%	22%	100%
AI	15%	18%	11%	19%	17%	20%	100%
<b>Atka Mackerel</b>							
WAI	15%	18%	11%	19%	17%	20%	100%
CAI	15%	18%	11%	19%	17%	20%	100%
EAI/BS	15%	18%	11%	19%	17%	20%	100%
<b>Yellowfin Sole</b>	14%	24%	11%	16%	11%	24%	100%
<b>Rock Sole</b>	14%	23%	8%	16%	16%	23%	100%
<b>Greenland Turbot</b>							
BS	15%	20%	8%	17%	19%	21%	100%
AI	15%	19%	8%	18%	20%	20%	100%
<b>Arrowtooth</b>	16%	22%	8%	16%	16%	22%	100%
<b>Flathead Sole</b>	18%	21%	9%	16%	16%	20%	100%
<b>Other Flatfish</b>	20%	24%	9%	12%	11%	24%	100%
<b>Alaska Plaice</b>	11%	22%	6%	24%	22%	15%	100%
<b>POP</b>							
BS	13%	22%	7%	21%	20%	17%	100%
WAI	15%	18%	11%	19%	17%	20%	100%
CAI	15%	18%	11%	19%	17%	20%	100%
EAI/BS	15%	18%	11%	19%	17%	20%	100%
<b>Northern Rockfish BS</b>	15%	20%	8%	18%	19%	20%	100%
<b>Shortraker/Rougheye Rockfish BS</b>	14%	20%	8%	19%	20%	19%	100%
<b>Northern Rockfish AI</b>	14%	18%	11%	20%	17%	20%	100%
<b>Shortraker/Rougheye Rockfish AI</b>	14%	19%	10%	19%	18%	20%	100%
<b>Other Rockfish</b>							
BS	14%	20%	8%	19%	20%	19%	100%
AI	14%	19%	9%	19%	19%	20%	100%
<b>Other Species</b>	15%	21%	9%	18%	17%	20%	100%
<b>PSC</b>							
Zone 1 Red King Crab	14%	22%	10%	17%	14%	23%	100%
Zone 1 Bairdi Tanner Crab	14%	24%	11%	16%	12%	23%	100%
Zone 2 Bairdi Tanner Crab	16%	23%	9%	15%	15%	22%	100%
Opilio Tanner Crab	14%	23%	10%	16%	14%	23%	100%
Pacific Halibut	15%	22%	9%	17%	16%	21%	100%
Chinook Salmon	11%	22%	6%	24%	22%	15%	100%
Non-Chinook Salmon	11%	22%	6%	24%	22%	15%	100%
<b>Halibut</b>							
4B	100%	0%	0%	0%	0%	0%	100%
4C	15%	0%	85%	0%	0%	0%	100%
4D	0%	26%	0%	24%	30%	20%	100%
4E	0%	30%	0%	65%	5%	0%	100%
<b>Crab</b>							
Bristol Bay Red King	10%	21%	13%	20%	18%	18%	100%
Norton Sound Red King	0%	0%	0%	0%	50%	50%	100%
Pribilof Island Red and Blue	0%	0%	100%	0%	0%	0%	100%
St. Matthew Blue	50%	12%	0%	12%	14%	12%	100%
Bering Sea C. opilio	8%	20%	20%	17%	18%	17%	100%
EAI Golden (Brown) King	8%	18%	21%	18%	21%	14%	100%
Adak (Petrel Bank) Red King	8%	18%	21%	18%	21%	14%	100%
Bering Sea C. bairdi	10%	19%	19%	17%	18%	17%	100%

2006-2008 Allocation Recommendations  
Compared to 2005 Allocations

	APICDA			BBEDC			CBSFA			CVRF			NSEDC			YDFDA		
	2003	2006	Change	2003	2006	Change	2003	2006	Change	2003	2006	Change	2003	2006	Change	2003	2006	Change
BS Pollock	14%	11%	-3%	21%	22%	1%	5%	6%	1%	24%	24%	0%	22%	22%	0%	14%	15%	1%
AI Pollock	14%	11%	-3%	21%	22%	1%	5%	6%	1%	24%	24%	0%	22%	22%	0%	14%	15%	1%
Bogoslof Pollock	14%	11%	-3%	21%	22%	1%	5%	6%	1%	24%	24%	0%	22%	22%	0%	14%	15%	1%
Pacific Cod	15%	15%	0%	21%	21%	0%	9%	9%	0%	18%	18%	0%	18%	18%	0%	19%	19%	0%
BS FG Sablefish	15%	17%	2%	20%	20%	0%	16%	14%	-2%	0%	2%	2%	18%	16%	-2%	31%	31%	0%
AI FG Sablefish	15%	17%	2%	20%	20%	0%	16%	14%	-2%	0%	2%	2%	18%	16%	-2%	31%	31%	0%
BS Trawl Sablefish	21%	16%	-5%	22%	22%	0%	9%	8%	-1%	13%	16%	3%	13%	16%	3%	22%	22%	0%
AI Trawl Sablefish	21%	16%	-5%	22%	22%	0%	9%	8%	-1%	13%	16%	3%	13%	16%	3%	22%	22%	0%
WAI Atka Mackerel	30%	15%	-15%	15%	18%	3%	8%	11%	3%	15%	19%	4%	14%	17%	3%	18%	20%	2%
EAI Atka Mackerel	30%	15%	-15%	15%	18%	3%	8%	11%	3%	15%	19%	4%	14%	17%	3%	18%	20%	2%
EAI/BS Atka Mackerel	30%	15%	-15%	15%	18%	3%	8%	11%	3%	15%	19%	4%	14%	17%	3%	18%	20%	2%
Yellowfin Sole	23%	23%	0%	23%	23%	0%	8%	8%	0%	11%	16%	5%	11%	16%	5%	23%	23%	0%
Rock Sole	24%	14%	-10%	23%	23%	0%	8%	8%	0%	11%	16%	5%	11%	16%	5%	23%	23%	0%
BS Greenland Turbot	15%	15%	0%	19%	20%	0%	8%	8%	0%	17%	17%	0%	19%	19%	0%	21%	21%	0%
AI Greenland Turbot	17%	15%	-2%	19%	19%	0%	7%	8%	1%	18%	18%	0%	20%	20%	0%	19%	20%	1%
Arctic Tooth Foundation	22%	16%	-6%	22%	22%	0%	9%	8%	-1%	15%	16%	1%	12%	16%	4%	22%	22%	0%
Flathead Sole	20%	18%	-2%	21%	21%	0%	9%	9%	0%	15%	16%	1%	15%	16%	1%	20%	20%	0%
Other Flat Fish	23%	21%	-2%	23%	21%	-2%	8%	7%	-1%	8%	12%	4%	8%	11%	3%	16%	24%	8%
Alaska Plaice	14%	11%	-3%	21%	22%	1%	5%	6%	1%	24%	24%	0%	22%	22%	0%	14%	15%	1%
BS Pacific Ocean Perch (POP)	17%	13%	-4%	21%	22%	1%	6%	7%	1%	21%	21%	0%	19%	20%	1%	16%	17%	1%
WAI Pacific Ocean Perch	30%	15%	-15%	15%	18%	3%	8%	11%	3%	15%	19%	4%	14%	17%	3%	18%	20%	2%
EAI Pacific Ocean Perch	30%	15%	-15%	15%	18%	3%	8%	11%	3%	15%	19%	4%	14%	17%	3%	18%	20%	2%
BS Other Red Rockfish	18%	15%	-3%	15%	18%	3%	8%	11%	3%	15%	19%	4%	14%	17%	3%	18%	20%	2%
AI Northern Rockfish	30%	14%	-16%	15%	18%	3%	8%	11%	3%	15%	20%	5%	14%	17%	3%	18%	20%	2%
BS Northern Rockfish	30%	15%	-15%	15%	20%	5%	8%	8%	0%	15%	18%	3%	14%	18%	4%	18%	20%	2%
BS Shortraker/Rougheye Rockfish	22%	14%	-8%	17%	20%	3%	8%	8%	0%	17%	19%	2%	17%	20%	3%	19%	19%	0%
AI Shortraker/Rougheye Rockfish	22%	14%	-8%	17%	20%	3%	8%	8%	0%	17%	19%	2%	17%	20%	3%	19%	19%	0%
BS Other Rockfish	21%	14%	-7%	19%	20%	1%	7%	8%	1%	17%	19%	2%	17%	20%	3%	19%	19%	0%
AI Other Rockfish	21%	14%	-7%	19%	20%	1%	7%	8%	1%	17%	19%	2%	17%	20%	3%	19%	19%	0%
Other Species	18%	15%	-3%	21%	21%	0%	9%	9%	0%	16%	18%	2%	16%	17%	1%	20%	20%	0%
Halibut 4B	100%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Halibut 4C	15%	15%	0%	0%	0%	0%	85%	83%	-2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Halibut 4D	0%	0%	0%	26%	26%	0%	0%	0%	0%	24%	24%	0%	30%	30%	0%	20%	20%	0%
Halibut 4E	0%	0%	0%	30%	30%	0%	0%	0%	0%	70%	65%	-5%	0%	5%	-5%	0%	0%	0%
Bristol Bay Red King	17%	10%	-7%	19%	21%	2%	10%	13%	3%	18%	20%	2%	18%	18%	0%	18%	18%	0%
Norton Sound Red King	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	50%	50%	0%	50%	50%	0%
Pribilof Red & Blue King	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
St. Matthew Blue King	50%	50%	0%	12%	12%	0%	0%	0%	0%	12%	12%	0%	14%	14%	0%	12%	12%	0%
Bering Sea C. Opilio	20%	20%	0%	20%	20%	0%	20%	20%	0%	17%	17%	0%	18%	18%	0%	17%	17%	0%
Bering Sea C. bairdi	10%	10%	0%	19%	19%	0%	19%	19%	0%	17%	17%	0%	18%	18%	0%	17%	17%	0%
Eastern AI (EAD) Golden (Brown) King	18%	18%	0%	18%	18%	0%	19%	21%	2%	18%	18%	0%	18%	18%	0%	18%	18%	0%
Adak (Petrel Bank) red king crab		8%	8%		18%	18%		21%	21%		18%	18%		21%	21%		14%	14%
Zone 1 Red King Crab (#)	24%	14%	-10%	21%	22%	1%	8%	10%	2%	12%	17%	5%	12%	14%	2%	23%	23%	0%
Zone 1 C. Bairdi Crab (#)	26%	14%	-12%	23%	24%	0%	8%	11%	3%	8%	16%	8%	8%	12%	4%	26%	23%	-3%
Zone 2 C. Bairdi Crab (#)	24%	16%	-8%	23%	23%	0%	8%	9%	1%	11%	15%	4%	10%	15%	5%	24%	22%	-2%
C. Opilio Crab (#)	25%	19%	-6%	23%	23%	0%	8%	10%	2%	10%	16%	6%	8%	17%	9%	25%	22%	-3%
Pacific Halibut (mt)	22%	15%	-7%	22%	22%	0%	9%	9%	0%	12%	17%	5%	12%	16%	4%	23%	21%	-2%
Chinook Salmon (#)	14%	11%	-3%	21%	22%	1%	5%	6%	1%	24%	24%	0%	22%	22%	0%	14%	15%	1%
Non-Chinook Salmon (#)	14%	11%	-3%	21%	22%	1%	5%	6%	1%	24%	24%	0%	22%	22%	0%	14%	15%	1%

2005 Crab and 2006-2008 Multi-species CDP Allocation Cycle  
Factors for Consideration Per 6 AAC 93.040

(b) The CDQ team shall consider the following factors when reviewing a complete proposed CDP:

- (1) the number of participating eligible communities and
  - (A) the population of each community; and
  - (B) the economic conditions in each community;
- (2) the size of the allocation requested by the applicant and the proper allocation necessary to achieve the milestones and objectives as stated in the proposed CDP;
- (3) the degree, if any, to which each CDQ project is expected to develop a self-sustaining local fisheries economy, and the proposed schedule for transition from reliance on an allocation to economic self-sufficiency;
- (4) the degree, if any, to which each CDQ project is expected to generate
  - (A) capital or equity in the local fisheries economy or infrastructure; or
  - (B) investment in commercial fishing or fish processing operations;
- (5) the applicant's contractual relationship, if any, with joint venture partners and the managing organization;
- (6) the applicant's and the applicant's harvesting and processing partners', if any, involvement and diversity in all facets of harvesting and processing;
- (7) the coordination or cooperation with other applicants or CDQ groups on CDQ projects;
- (8) the experience of the applicant's industry partners, if any;
- (9) the applicant's CDQ projects for employment, education, and training that provide career track opportunities;
- (10) the benefits, if any, to the state's economy or to the economy of communities that are not eligible to participate in the CDQ program that are in addition to the benefits generated by the proposed CDP for participating communities;
- (11) a demonstration, through the information submitted under 6 AAC 93.025(a)(11), that the applicant has a formal, effective administrative process that sets out sound business principles and examples of due diligence that the applicant will exercise;

(12) the development, if any, of innovative products and processing techniques as well as innovation in harvesting gear for conservation and maximum utilization of the fishery resource;

(13) the applicant's ability to maintain control over each of its allocations;

(14) the capital or equity generated by the applicant's CDQ projects for fisheries-related business investment;

(15) the past performance of the applicant and the applicant's industry partners, as appropriate;

(16) the applicant's transition plan, including the objectives set out in the milestone table submitted under 6 AAC 93.025 (a)(13);

(17) for each CDQ project, the inclusion in the proposed CDP of realistic measurable milestones for determining progress;

(18) the degree of participating community input in developing the proposed CDP;

(19) the likely effectiveness of the outreach project described in 6 AAC 93.025(4)(C); and

(20) comments provided by other agencies, organizations, and the public.