

MEMORANDUM

TO: Council, SSC and AP Members  
FROM: Clarence G. Pautzke  
Executive Director  
DATE: September 16, 1993  
SUBJECT: Community Development Quotas



ESTIMATED TIME 2 HOURS
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**ACTION REQUIRED**

Review pollock CDQ programs and Governor's recommendations for 1994-1995.

**BACKGROUND**

The State Of Alaska has been meeting with the six CDQ operations to review their progress during 1992 and 1993 and develop recommendations for percentage apportionment of CDQ pollock for 1994-1995. The State will provide their recommendations and rationale at the Council meeting.

The Council reviewed the original CDQ plans for 1992-1993 in November, 1992 via teleconference. Procedures call for State consultation with the Council on the final allocations before the recommendation is sent to the Secretary of Commerce for approval. The Council's formal action was to pass unanimously a motion approving the Governor's recommendations.

Executive summaries of the individual programs are available in your supplemental folders and the State will provide summary information in comparative spreadsheet format.

The percentages for 1992-1993 and recommendations for 1994-1995 are as follows:

	<u>1992-93</u>	<u>1994-95</u>
Coastal Villages Fishing Cooperative	27%	27%
Norton Sound Economic Development Corp.	20%	20%
Bristol Bay Economic Development Corp.	20%	20%
Aleutian Pribilof Island Community Dev. Assn.	18%	18%
Central Bering Sea Fishermen's Assn.	10%	8%
Yukon Delta Fisheries Development Assn.	5%	7%

Summary of 1994/95 CDQ Applications

Applicant Group	APICDA	BBEDC	CBSFA	CVFC	NSEDC	YDFDA
Governor's 1994/95 recommendations	18%	20%	8%	27%	20%	7%
1994/95 Requests	27%	30%	20%	33%	33%	18%
1992/93 Allocation	18%	20%	10%	27%	20%	5%
1992 Awarded tonnage	18,260.1 mt	20,289 mt	10,144.5 mt	27,390.15 mt	20,289 mt	5,072.25 mt
1992 Harvest	18,220 mt	18,804 mt	10,105 mt	24,520 mt	20,284 mt	5,073 mt
Number of communities	5 (7)	14	1	17	15	4
# Community residents	449	3,854	763	5,786	8,752	1,756
Average income (per capita)	\$9,992	\$12,900	\$15,115	\$4,456	\$11,004	\$6,519
Business Partner	Trident/Starbound	Oceantrawl	American Seafoods	Golden Age Fisheries	Glacier Fish Co	Golden Alaska Seafoods
Managing organization	Pacific Associates	Staff	Pribilof Bering Seafoods	Imarpiqamiut Partnership	Staff	Staff
Average 1992/93 payments	\$273/MT	\$143/MT plus about \$25/mt adjustment later in 1993	\$225/MT	\$247/MT for leased quota	\$220/MT	\$250/MT
Proposed 1994/95 payment arrangements	\$154/MT + market fee + 33% of roe gross	\$132/MT B \$180/MT A + 60% gross profit over expected	\$225/MT	35% net profit to CVFC plus 80% of leased CDQ	\$160/MT + 33% of roe gross	\$170/MT + 50% of profits
Projects for 1994/95	Employment Training Educ. endowment Infrastruc. Docks Water Investments Processing Crab/longlin-ing Loans	Seafood investment fund Invest in non-sockeye, herring fisheries Employment Training Scholarship endowment Limited entry permits	Community infra-structure Seafood waste recovery Education Training Employment Loan program for vessels and gear Invest in processor	Operate F/V Brown Point Salmon Roe Univ. Salmon processing Training Employment	Increase salmon & herring processing Loan program Training Education Invest in processor Fishery infrastruc. Salmon survey with ADF&G	Purchase catcher/processor Employment Training Permit buy-back Purchase & operate small boats Loans

**CVFC**  
**1994/5 CDQ APPLICATION REVIEW**

1994/95 Recommendation (Request)	27% (33%)
1992/93 CDQ amount	27% (27,390.15 mt)
Business Partner	Golden Age Fisheries
Managing Organization	Imarpiqamiut Partnership (GAF)
Community information	17 communities [Chefornak, Chevak, Eek, Goodnews Bay, Hooper Bay, Kipnuk, Kongiganak, Kwigillingok, Mekoryuk, Newtok, Nightmute, Platinum, Quinhagak, Scammon Bay, Toksook Bay, Tununak, Tuntutuliak]; 5,786 people; \$4,456 per capita income.
1992:	Harvest amount 24,520 mt Payment/mt \$247/mt (for 21,875 mt leased) Discards Not available Violations None reported
1993:	Harvest amount 14,974 mt Payment/mt \$353/mt (for 9,067 mt leased) Discards Not available Violations None reported
Administrative expenses:	IP payments for management of Brown's Point not included
	1992 \$100,603 1993 1st half \$224,906

**Projects/Achievements for 1992/93 (first half):**

Purchased and upgraded F/V Brown's Point and fished in 1992 and 1993 CDQ fisheries.

Formed Coastal Villages Fisheries JV with GAF and operated a salmon processor in the area. Prices to fishermen in the area increased at the same time. Also arranged for tenders to go to other areas to purchase salmon.

Employment of 26 people by GAF in 1992 (62 crew months) and 28 people in first half 1993 (49 crew months). Local CVF processor employed 36 (47 crew months) in addition to 36 more from other CDQ groups. 9 others employed by CVF and 3 by CVFC. Training of 4 management interns with GAF.

Beginning of career counseling program.

Established scholarship fund.

Initial Planning for Salmon Roe University.

**Projects for 1994/95:**

**Continue employment on vessels and as management interns with GAF.**

**Continue to operate and pay down existing debt in F/T Brown's Point.**

**Create Salmon Roe University.**

**Continue CVF salmon processor. Increase value received by local salmon fishermen due to CVF processor. Continue value-added product development.**

**Continue scholarship fund.**

**Establish longliner partnership.**

**Capitalize IFQ purchase and Coastal Villages Investment Fund.**

**Conduct nearshore resource survey.**

**NSEDC**  
**1994/5 CDQ APPLICATION REVIEW**

1994/95 Recommendation (Request)	20% (33%)
1992/93 CDQ amount	20% (20,289 mt)
Business Partner	Glacier Fish Company
Managing Organization	NSEDC
Community information	15 communities [Brevig Mission, Diomede/Inalik, Elim, Gambell, Golovin, Koyuk, Nome, Savoonga, Shaktoolik, St. Michael, Stebbins, Teller, Unalakleet, Wales, White Mountain]; 8,752 people; \$11,004 per capita income.

1992:	Harvest amount	20,283.6 mt
	Payment/mt	\$220/mt
	Discards	Not available
	Violations	None reported

1993:	Harvest amount	8,754.9 mt A; 1,371 mt B
	Payment/mt	\$227/mt A; \$220/mt B
	Discards	160 mt all year
	Violations	None reported

Administrative expenses:	
1992	\$263,042
1993 1st half	\$425,436

**Projects/Achievements for 1992/93 (first half):**

**Support existing fishing activities:** Conducted salmon buying operations with GFC. Subsidized salmon purchases by \$0.05/lb to both fishermen and their processor. Joint herring operations generated revenues of \$305,000 for herring and \$200,000 for salmon.

Signed cooperative agreement with ADF&G for salmon research.

**Loan programs:** Made vessel loans to 9 fishermen for \$43,281. Fishing gear loans to 118 fishermen for nets, radios, and brailers valued at \$253,130 and halibut gear loans to 9 for \$2,500.

**Training and education:** Only milestone not fully reached. 26 people trained at AVTEC in Seward.

**Employment:** 61 locals worked at-sea and earned \$351,000. Hired 33 community people to hang nets with wages of \$26,447. NSEDC employees in 4 communities earned about \$200,000.

**Infrastructure development:** Approved grants to 4 communities totaling \$235,184 for ice delivery systems,

buying station, and processing upgrades.

Projects for 1994/95:

Joint investment in the purchase of a processing vessel for crab, salmon, herring, and other species and possibly a similar arrangement for harvesting vessels.

Increase revolving loan program.

Funding for fishery infrastructure in communities.

Cooperative salmon habitat inventory and enhancement studies with ADF&G.

Increase local fisheries participation and revenues.

Employment and training of area residents for off-shore fishing and processing.

Scholarship fund.

**BBEDC**  
**1994/5 CDQ APPLICATION REVIEW**

1994/95 Recommendation (Request)	20% (30%)
1992/93 CDQ amount	20% (20,289 mt)
Business Partner	Oceantrawl
Managing Organization	BBEDC
Community information	14 communities [Aleknagik, Clark's Point, Dillingham, Egegik, Ekuk, Manokotak, Naknek, King Salmon/Savonoski, South Naknek, Togiak, Twin Hills, Pilot Point/Ugashik, Port Heiden]; 3,406 people over 16; \$12,900 per capita excepting King Salmon.

1992:	Harvest amount	18,804.5 mt
	Payment/mt	\$132/mt
	Discards	Not available
	Violations	None reported

1993:	Harvest amount	9,549 mt
	Payment/mt	\$166/mt
	Discards	120 mt
	Violations	None reported

Administrative expenses:	
1992	\$203,469
1993 1st half	\$242,948

**Projects/Achievements for 1992/93 (first half):**

Alaska Seafood Investment Fund: Dave Rose hired to manage fund investments (not necessarily business ventures). Several business ventures are being considered (confidential).

Scholarship fund and training: Behind schedule, program developed in July and due to begin in fall.

Limited Entry permit retention program: Developing brokerage presence in Bristol Bay area. Consulting residents on tax consequences and problems.

Employment: Oceantrawl employed 38 area residents in 1992/3 with wages of \$163,749.

**Projects for 1994/95:**

Continue to fund Alaska Seafood Investment Fund, increase its value and invest in businesses. (70% of funds)

Train and employ local residents in the offshore fishing industry.

Reduce limited entry permit outflow.  
Scholarship endowment. (10% of funds)



**APICDA**  
**1994/5 CDQ APPLICATION REVIEW**

1994/95 Recommendation (Request)	18% (27%)
1992/93 CDQ Amount	18% (18,260.1 mt)
Business Partner	Trident/Starbound
Managing Organization	APICDA (Pacific Associates, Trident/Starbound)
Community information	5 communities (+ 2 associated) [Atka, False Pass, Nelson Lagoon, Nikolski, St. George (Akutan, Unalaska)]; 449 people; \$9,992 per capita income.
1992:	Harvest amount 18,219.83 mt Payment/mt \$254/mt Discards Not available Violations None reported
1993:	Harvest amount 8,405.45 mt "A" season (508.45 from AI) Payment/mt \$313/mt Discards 2,184,362 lbs finfish; 1,310 halibut; 995 crab; 3 salmon [BS only] Violations None reported
Administrative expenses:	1992 \$152,660 1993 1st half \$288,238
Projects/Achievements for 1992/93 (first half):	
Atka: Dock: On schedule, design and engineering contract award was to be in mid-July. \$230,000 for design & engineering in 1993. \$1.74 million will be used for dock construction in 1994. Agreement to jointly invest with Atka mentioned.	
False Pass: Water & Sewer: On schedule, committed \$400,000 to extend service to city dock. Signed agreement for lease on 4 acres in return. Gear warehouse: Slightly behind schedule, \$169,000 committed and construction begun. Signed agreement to jointly develop 1 acre in return.	
Nelson Lagoon: Dock: On schedule, \$200,000 allocated for feasibility study underway concerning constructing dock and other facilities. With agreement with community, will allocate \$1 million for construction. Matching funds with Aleutians East Borough.	
Nikolski: Boat launch: Not listed project. \$20,000 feasibility study conducted. Cattle ranching: Behind schedule, private feasibility study underway.	

St. George: Dredging: On schedule, committed \$1.2 million with state contributing \$3.3 million. Agreement in concept for mutual investment signed.

School grants: \$42,000 granted to schools in communities. Not mentioned in plan.

Training and Employment: 44 jobs in 1993, wages of \$162,799, including 8 working for APICDA. Longshoremen training for Unalaska to begin in August.

Education: Funds being increased to full 1% after tax net income, allocations to have been made in July.

Loans: Up to \$100,000 loan to Atka FA for operational purposes.

Projects for 1994/95:

Jointly develop salmon and groundfish value-added or secondary processing activities within region.

Consider and make investments in the groundfish fishery or support sectors especially crab/longliners.

Develop a small business loan program.

Continue major infrastructure development in local communities.

**CBSFA**  
**1994/5 CDQ APPLICATION REVIEW**

1994/95 Recommendation (Request)	8% (20%)
1992/93 CDQ amount	10% (10,144.5 mt)
Business Partner	American Seafoods/Icicle Seafoods
Managing Organization	Pribilof Bering Seafood
Community information	1 community (St. Paul); 763 people; \$15,115 per capita income.
1992:	Harvest amount 10,105 mt
	Payment/mt \$225/mt
	Discards Not available
	Violations None reported
1993:	Harvest amount 4,261.6 mt
	Payment/mt \$225/mt
	Discards Not available
	Violations None reported
Administrative expenses:	
	1992 \$66,522
	1993 1st half \$214,914

**Projects/Achievements for 1992/93 (first half):**

Infrastructure development: Pending amendment. Pledged \$1 million with 3/4 for dredging and rest for water system. Could be effective as early as October 1.

Vessel loan program: 8 loans [vessels (3) and gear (5)] totaling \$91,445 in 1992/3, includes 6 new halibut fishermen.

Test fishing: Report in progress.

Vocational training: Target of 25 trained but only 1 trained in Seward.

Grants: \$5,000 grant to Aleut Children's Mission.

Employment: Difficult to separate employment related to CDQs to non-CDQ onshore development. 3 employed with Am. Seafoods.

**Projects for 1994/95:**

Create employment opportunities at-sea and onshore.

Fishery related education, training and employment of local residents.

Continuation of infrastructure development in concert with other St. Paul groups.

Increase loan program for vessel and gear acquisition.

Consider investments in groundfish processors.

**YDFDA**  
**1994/5 CDQ APPLICATION REVIEW**

1994/95 Recommendation (Request)	7% (17,755 mt)
1992/93 CDQ amount	5% (5,073 mt)
Business Partner	Golden Alaska Seafoods
Managing Organization	YDFDA (Golden Alaska)
Community information	4 communities [Alakanuk, Emmonak, Kotlik, Sheldon Point]; 1,756 people; \$6,519 per capita income.
1992:	Harvest amount 5,073 mt
	Payment/mt \$240/mt
	Discards 210 mt
	Violations None reported
1993:	Harvest amount 2,191 mt
	Payment/mt \$235/mt
	Discards 131 mt pollock
	Violations None reported
Administrative expenses:	
	1992 \$161,431
	1993 1st half \$148,796

**Projects/Achievements for 1992/93 (first half):**

**Training and Education:** Milestones exceeded. Trained 87 people including 7 from other CDQ groups.

**Employment:** Milestones exceeded. A total of 49 positions filled including 2 in GAS offices as interns.

**Infrastructure and exploratory fishing:** Purchased 2 vessels (47 ft and 53 ft). Both participated in Norton Sound King crab fishery along with chartered vessel and one participated in St. Lawrence halibut fishery. 24 persons trained on the vessels. Loan authorized to local fish marketing co-op to leverage grant for upgrading processor for value-added processing.

**Permit buy-back program:** No permits available.

**Projects for 1994/95:**

Increase training and employment of local residents in offshore fishing industry.

Continue to operate small vessels in Alaskan fisheries (crab, halibut, etc.).

Loan funds to facilitate buybacks of local salmon and herring permits.

Convert local processors to groundfish processing.

Consider purchase of a catcher/processor.

Develop local small business fisheries infrastructure.



# Coastal Villages Fishing Cooperative

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## 1994 - 1995 CDQ APPLICATION

### EXECUTIVE SUMMARY

The Coastal Villages Fishing Cooperative (the "Cooperative" or "CVFC") is a for-profit cooperative corporation established under the laws of the State of Alaska for the purpose of participating in the Western Alaska Community Development Quota ("CDQ") program.

Established in May 1993, the Cooperative consists of seventeen villages located along the Bering Sea coastline from Scammon Bay in the north to Platinum in the south. This is the second application submitted by CVFC to the Governor of the State of Alaska and the Secretary of the U.S. Department of Commerce for a quota award. For the 1992-3 CDQ application cycle, CVFC was awarded 27% of the quota allocated to the six CDQ groups. This was the highest award and recognized the well thought out and ambitious program being undertaken by CVFC to create a self-sustaining fishing economy in one of the most economically depressed regions of the state and nation.

As was anticipated at the time of the submission of the initial application, several of the assumptions which went into CVFC's original community development plan ("CDP") have been revised due to circumstances such as regulatory schedules, participation of key parties, and economic conditions. However, by and large, the initial application accurately lays out the direction which CVFC believes will achieve both its goals and those of the Western Alaska Community Development Quota program.

### THE FIRST EIGHT MONTHS

CVFC has undertaken and accomplished more in its first eight months than anyone had reason to believe was possible in such a short period of time. In virtually every area of its program, CVFC has either met or exceeded its goals and investment plan schedule. In those areas where this has not occurred, there have been good business reasons why not.

**Employment:** During 1992, 30 CVFC residents were employed in positions

at sea. This number equals the high end goal set out in the 1992-3 CDP. In 1993, at least 60 CVFC residents will have been employed in positions at sea, again equaling the goals set. While each of these individuals has started at entry-level positions, 17 have received promotions and one individual has advanced four steps up the career ladder. In addition, through the establishment of Coastal Villages Fisheries, CVFC has created another 156 positions in the region. At the present time approximately 74 of these jobs are held by residents of the greater Bethel region, 40 of which are held by residents of the CVFC region. Another 6 are held by Alaskans from Anchorage and other communities.

**Training:** During 1992, 26 CVFC residents received pre-employment training at the Alaska Vocational Technical Center in Seward. The number of residents receiving this training during the first half of 1993 increased to 27 for a total of 53. Training at Seward includes not only seafood processing instruction, but training in first aid, CPR, firefighting, safety equipment, and emergency procedures. Selected internship candidates also received office skills training in preparation for working in a corporate environment.

**F/T BROWNS POINT:** A fundamental part of CVFC's community development plan is the 50% ownership of the F/T BROWNS POINT with its partner Golden Age Fisheries ("GAF") of Seattle. This vessel provides CVFC with direct access to the Bering Sea groundfish resources as well as a platform for processing salmon. In addition, as an owner of the vessel, CVFC is guaranteed that its residents will have access to employment opportunities and advancement to higher paying, more skilled positions on this vessel and others operated by GAF. During 1993, CVFC and GAF invested in state-of-the-art processing equipment for the BROWNS POINT. This equipment not only enables the vessel to produce a higher quality product more efficiently than previously, but it also provides direct benefit to the State of Alaska by producing a value-added product such as pink salmon block in Prince William Sound. Alternative product forms for pink salmon has been identified as an important part of the State's fisheries policy. GAF and IP have taken a lead role in product development.

New equipment includes: 2 Baader 212 filleting machines replacing 2 Baader 182 filleting machines. Replacement of three plate freezers with larger units. Installation of a Baader 699 mincing machine for turning miscut fillets into marketable minced product. Placement of a Ryan salmon header and gutter for salmon processing. Installation of Baader 52 skimmers for producing deep-skinned pollock fillet block. And finally, increase in maximum crew size from 64 to 80.

**Coastal Villages Fisheries:** Possibly the most important investment made by CVFC with its partner GAF is the establishment of Coastal Villages Fisheries ("CVF"), a seafood processing company operating out of Bethel. Though not located directly in the CVFC region, CVF services eight of the CVFC communities whose residents fish for salmon in the Kuskokwim River districts and ten additional communities along the Kuskokwim River. CVF is the first major locally-owned salmon operation on the Kuskokwim River. As such, it provides alternative markets and competition which has already resulted in raising salmon prices on the river by 37%. CVF has also instituted a quality assurance program through its pilot project on icing and bleeding. And, despite the failure of the chum salmon run in the mainstem of the Kuskokwim River in 1993, the reaction to local ownership and CVFC participation on the river has been outstanding.

**Salmon Roe University:** Planning has begun for the creation of a training facility in Bethel geared primarily to give CVFC residents the skills to become salmon roe technicians throughout Alaska. Though at the present time support from the Japanese fishing industry, which is critical to its success, is lacking, CVFC and GAF continue to pursue this program due to the long term benefits it can provide for high paying, seasonal employment.

**Coastal Villages Fishing Cooperative:** CVFC has made a conscious decision to remain relatively small and lean during its early development stages. The Cooperative employs four individuals: one each located at offices in Chevak, Bethel, and Toksook Bay, and a fourth located in Juneau. While the number of individuals are few, the responsibilities are immense. CVFC has undertaken the primary role in employee recruitment, training, partnership relations, planning, budgeting, and management of certain ventures. CVFC continues to work closely with its partner, GAF, in its investment program and in the wide range of services that GAF provides on a continuing basis.

**Scholarship Fund:** During 1993, CVFC and GAF created the Coastal Villages Scholarship Fund. Established through the contribution by CVFC and GAF joint ventures of 5% of profits, the Fund has been incorporated as a non-profit corporation under the State of Alaska, established its board of directors, applied for 501(c)(3) status, and has set out its procedures for awarding scholarship grants and loans. An initial award of a grant to one resident of the CVFC region has been made for higher education in the field of marketing.

**BENEFITS TO THE CVFC REGION SINCE IMPLEMENTATION OF THE CDQ PROGRAM AND PROJECTED BENEFITS FOR 1994-5**

The CVFC region has seen enormous benefits from the first 8 months of activity. CVFC's community development plan targets employment, equity ownership and growth, access to resources, and infrastructure development, and benefits are found in each of these components. Detailed results and projections for the remainder of the 1992-3 period appear in the body of the application. Summary results and projections are as follows:

- over 100 crew months employment on vessels
- total wage and salary benefit of over \$360,000 earned by individuals from the CVFC region. See Table I for employment revenue received by residents of selected CVFC communities.

Community	Employment Revenue
Chevak	\$51,285
Hooper Bay	\$30,773
Toksook Bay	\$6,355
Mekoryuk	\$24,209

- equity ownership valued at \$4.9 million in F/T BROWNS POINT and additional equity in Coastal Villages Fisheries
- 10 management internships will be completed at GAF
- over 170 jobs created in region at CVFC and CVF
- increase by 37% the value received by salmon fishermen from Kuskokwim River fishery, due to competition created by CVF

Over the four year life of the CDQ program currently authorized, benefits to the CVFC region will be substantially greater. Detailed projections for 1992-5 appear in the body of the application. Summary projections are as follows:



- over 600 crew months employment on vessels
- total wage and salary benefit of over \$8,000,000 earned by individuals from the CVFC region
- equity ownership valued at \$10.6 million in F/T BROWNS POINT and additional equity in Coastal Villages Fisheries, Salmon Roe University and a long liner.
- 30 management internships completed at GAF
- over 200 jobs created in region at CVFC and CVF
- increase by 37% the value received by salmon fishermen from Kuskokwim River fishery, due to competition created by CVF

## IMPEDIMENTS TO SUCCESS

Before describing the outlook for the future, we believe that it is necessary to point out the major impediment to self-sufficiency which we are encountering. What we have found through our recruitment and employment programs is a high incidence of alcohol and drug abuse in the post-high school generation. In addition, over the past decade there has been a growing dependency on transfer (welfare) payments to meet cash needs, which are necessary to supplement a subsistence way of life. This dependency has progressed to the point where it is easier and preferable to remain on welfare than enter the labor force.

Further, we are finding that the hopelessness that accompanies this dependency has to be "unlearned". This can only be accomplished through a comprehensive program of individualized attention and career counseling, employment and training opportunities being afforded to CVFC residents alone will not do the job. It also means that we must re-focus our efforts away from young adults to high school students, who have not yet made their life decisions. Often, waiting for individuals to reach employment age is simply too late. To ensure that we start reaching people in time, CVFC is working with the three local school districts to inform students of the opportunities created by the CDQ program. In addition, we have established a "career track" program, which will involve the students in labor opportunities at CVFC and its affiliated companies, in internships in chosen career areas, and, ultimately, the opportunity to advance into journeymen and professional careers through the scholarship program.

The Board of CVFC is committed to a drug free work environment. We understand that some individuals will make it and others will not. While we believe in the importance of working with individuals to get on a path which will lead to future employment and a feeling of empowerment, the Board will continue to insist that strict standards be maintained in the work place. People who have not complied with the employment conditions have been let go. At the same time, CVFC is committed to using its resources to assist these individuals and will continue to work with them as long as they take personal responsibility and seek appropriate rehabilitation.

## **THE FUTURE OF CVFC**

CVFC is committed to achieving the ultimate goal of the CDQ program: establishment of a self-sufficient, self-sustaining fisheries economy in the CVFC region. To accomplish this, CVFC's community development plan envisions the creation of a diversified fishing company over a ten-year period. This company will be the entity that will provide significant numbers of fishing industry-related jobs and will own and operate a wide range of fisheries-related businesses.

Given the lack of experience and expertise by CVFC residents in the fishing industry and low resource abundance levels locally available, a comprehensive program is required to create such a company and be successful. CVFC believes that it must establish the following components for its program to succeed:

**Management:** Build a management organization through training, internships, scholarships, and experience of residents of the CVFC region able to operate vessels and related-businesses; develop human resources for all levels of employment; market and sell products; and provide financial services.

**Equity Ownership:** Have an ownership interest in offshore fishing and processing vessels, inshore processing facilities, and tendering and long lining vessels able to participate in the inshore and nearshore fisheries.

**Access to Resources:** Participate in open commercial fisheries offshore, nearshore, and inshore. Maintain a pollock CDQ allocation and expand the allocation to other species. Purchase ITQ as these programs are established in various fisheries. Develop new fisheries.

**Infrastructure:** Provide fleet support; expand value-added processing; provide housing and other support facilities; and develop a modern, efficient office with computer capability and up-to-date communications systems.

## **CVFC'S 1994-1995 COMMUNITY DEVELOPMENT PLAN**

CVFC's 1994-1995 CDP continues to build the foundation initiated through the first CDQ allocation. Each of the activities described in this application is intended to further develop the four components described in the previous section. While no one component will be fully developed at the end of this CDQ allocation period, progress will be clear and measurable.

**Management:** CVFC is initiating a "career track" program intended to identify the skills and positions that are necessary to build a management organization and an employment base. This program will incorporate a wide range of tools already established by CVFC and GAF to develop the required expertise, including: pre-employment training; entry-level employment; on-the-job training; internships; specialized training; advanced employment; career counseling; and scholarships.

**Equity Ownership:** CVFC's initial investment was in a modern, factory trawler which participates in the Bering Sea olympic and CDQ pollock fisheries as well as processes pink salmon into a value-added product in Prince William Sound. Its second investment is in a seafood processing facility located in Bethel to process and market salmon and halibut, as well as to participate in other fisheries as they become available. Its third investment will be a training facility in Bethel, incorporating the salmon roe technician school and providing training for other seafood industry-related employment opportunities. CVFC's fourth investment will be in the long lining fleet. Entry into long lining through the conversion or purchase of one or more vessels will be completed prior to the commencement of the halibut and sablefish CDQ program presently scheduled to begin in 1995.

**Access to Resources:** CVFC will work to ensure that it maintains and increases its access to fisheries resources. Through the investment in the BROWNS POINT, CVFC is entitled to ownership rights in that vessel's fishing history and its eventual award of Quota Shares. Success in the pollock CDQ program during the 1992-3 and 1994-5 periods will ensure continuation of the program either as a CDQ fishery or as a part of an ITQ program. CVFC will apply for an allocation of halibut and sablefish CDQs when they become available. As an owner of a salmon processing facility on the Kuskokwim River and as a processor in Prince William Sound, CVFC will establish access to significant salmon resources. A nearshore survey will provide information necessary to support coastal day boat fisheries. And further, through the purchase of ITQs as they become available, CVFC will ensure that its access to resources grows, enabling the company to expand as well.

**Infrastructure Development:** The CVFC region has few opportunities for additional infrastructure development. A shallow, continental shelf adjacent to the flat coastal plain subject to storm and ice override, make larger scale developments in the flood plain unwise. Access to the primary fisheries it will participate in will occur at Bethel; tendering operations will be concentrated at the more remote inshore and nearshore salmon, herring, and halibut fisheries; and harvesting and processing will occur offshore in the Bering Sea and Gulf of Alaska. CVFC will concentrate its program on building the capability to operate a major salmon processing facility in Bethel, including salmon and salmon roe processing, value-added processing of salmon and herring, halibut processing, ice-making, and employee housing. In addition, a training facility will house Salmon Roe University and a modern office will house the management company. At the same time, CVFC will continue to investigate the possibilities of expanding and supporting the minimal facilities that currently exist at Mekoryuk, Quinhagak, Toksook Bay, and Tununak.

## **CVFC HAS BEEN ACTIVE IN SUPPORTING STATE OF ALASKA AND NATIONAL MARINE FISHERIES SERVICE'S INITIATIVES**

CVFC actively participated and supported the efforts of the State of Alaska to institute a landing tax on the offshore processing segment of the fishing industry. Despite the fact that institution of such a tax will reduce CVFC's profits from fishing and processing activities during the open [non-CDQ] and CDQ fisheries, CVFC had committed and publicly supported the program as necessary to finance the State's role in conservation of fisheries resources and to mitigate for impacts to communities from offshore fishing activities.

CVFC will generate \$911,219 to the State of Alaska as its liability under the fisheries landing tax in 1994 and 1995. In addition, through the establishment of Coastal Villages Fisheries, CVF will pay \$255,465 to State of Alaska for its fisheries business tax liability in 1993-1995.

CVFC has paid over \$185,000 in State of Alaska corporate income taxes since its inception. CVFC recognized the tax liabilities that would result from forming as a for-profit corporation. However, as discussed above, CVFC believes that it has to be the entity which provides the capital and creates the fisheries-related jobs in its region. To accomplish this required forming as a for-profit corporation. The \$185,000 in taxes paid and the \$1,521,603 that will be paid over the next two and one-half years, is new money coming into the State general fund, which would not be available without the activities of CVFC.

CVFC actively supported the efforts of the National Marine Fisheries Service to better monitor the catch of Bering Sea pollock and other groundfish through the institution of a two observer rule and the placement of volumetric measuring on board the offshore fishing fleet. CVFC instituted these measures on the F/T BROWNS POINT beginning with the 1993 "B" season which commenced for CVFC in late June.

GAF has been working with the Alaska Fisheries Development Foundation and the Alaska Seafood Marketing Institute on new product development, including value-added salmon products such as pink salmon block and other fillet products.

Finally, CVFC has generated approximately \$360,000 in gross wages paid to residents of the CVFC region from employment in remote areas that has been returned to the communities, thereby reducing the public burden and beginning the process towards self-sufficiency.

## REGULATORY EXECUTIVE SUMMARY

### COMMUNITY ELIGIBILITY

(A) The Coastal Villages Fishing Cooperative is a for-profit cooperative corporation established under the laws of the State of Alaska, for the purpose of applying on behalf of its members for a pollock Community Development Quota allocation. There are seventeen members of the Cooperative. Each member is an eligible community listed in Table I, "Communities Eligible to Apply for CDQ," included in the Federal Regulations implementing the CDQ program, 50 CFR 675.27.

The following communities are members of CVFC:

Chefornak	Chevak
Eek	Goodnews Bay
Hooper Bay	Kipnuk
Kongiganak	Kwigillingok
Mekoryuk	Newtok
Nightmute	Platinum
Quinhagak	Scammon Bay
Toksook Bay	Tununak
Tuntutuliak	

(B) These seventeen communities are situated in the Southwest Coastal Lowlands region within fifty miles of the Bering Sea coast from Scammon Bay in the north to Platinum in the south. None of the CVFC communities are located on the Gulf of Alaska coast.

Each of these seventeen communities has been certified by the Secretary of the U.S. Department of the Interior as a "Native village" pursuant to the Alaska Native Claims Settlement Act (Pub. L. 92-203).

Residents of the seventeen communities conduct more than one-half of their current commercial and subsistence fishing effort in the waters of the Bering Sea.

Presently, there are commercial fisheries for salmon, herring, and halibut in the CVFC region. Commercial salmon fisheries take place in Goodnews Bay, at Quinhagak, and in the mainstem of the Kuskokwim River, all part of the Kuskokwim River fishery, and in the Yukon River fishery. Fishermen from the region participate in herring fisheries in Goodnews Bay, at Cape Avinof, at Nelson Island, at Nunivak Island, and at Cape Romanzof. A small halibut fishery occurs near Mekoryuk and Nelson Island. Some fishermen also participate in salmon fishing in Bristol Bay.

Each of these fisheries is conducted in the Bering Sea or at the mouths of rivers at the entrance to the Bering Sea.

Subsistence fishing and marine mammal harvesting by residents of the seventeen communities occurs primarily in the waters of the Bering Sea and nearshore coastal areas. There is a wide range of fish species which are harvested in the coastal areas, including salmon, herring, Bering cisco, cod, humpback whitefish, with herring and salmon being the most heavily harvested. Marine mammals harvested include several species of seals, beluga whales, and walrus.

Prior to the creation of the CDQ program and entering into a partnership owning the F/T BROWNS POINT, none of the seventeen communities which are members of the Cooperative had developed harvesting or processing capability sufficient to support substantial fisheries participation in the Bering Sea/Aleutian Islands area. Except for some marine mammal harvesting which occurs outside three miles of the coastline, the residents of the communities use small skiffs suitable only for subsistence fishing and limited commercial fishing in nearshore, estuary, and river waters. Processing capabilities are virtually non-existent in the region.

## **APPLICANT QUALIFICATION**

- (A) The applicant organization for seventeen of the eligible communities on the Yukon-Kuskokwim Delta along the Bering Sea coast is the Coastal Villages Fishing Cooperative. The Cooperative was incorporated as a State of Alaska for-profit cooperative corporation on May 18, 1992, and is in good standing. (See Appendix C of the 1992 CDQ application.)
- (B) Each member community is entitled to one seat on the Cooperative's Board of Directors. At the present time there are seventeen duly chosen members of the Board of Directors, one from each eligible community. Board members serve staggered three year terms. Each of the current board members is a resident fisherman. Each resides and maintains a mailing address in the member community which he or she represents, is a commercial and/or subsistence fisherman, and is eligible to receive an Alaska Permanent Fund dividend check. (See Appendices B and C of the 1992 CDQ application.)
- (C) The governing body of each member community has duly adopted a resolution in support of the Coastal Villages Fishing Cooperative's Community Development Plan. (See Appendix D of the 1992 CDQ application.)

(D) Contact Person for the Cooperative:

Norman A. Cohen  
Executive Director  
204 North Franklin Street, Suite One  
Juneau, AK 99801  
Phone (907) 586-2360  
Fax: (907) 586-2331

## MANAGING ORGANIZATION

(A) The managing organization for the Community Development Plan is the applicant, the Coastal Villages Fishing Cooperative. Overall policy for the Cooperative is developed by a Board of Directors consisting of one director from each of the member communities, an executive committee of the board consisting of the four officers and a member at large, and the four officers, President, Vice President, Secretary, and Treasurer. Day-to-day operational management is vested in the Executive Director, who takes his direction from the Board of Directors and the President.

Financial management for the Cooperative is provided by CVFC's partner, Golden Age Fisheries. Annual financial results are audited by the public accounting (CPA) firm of Coopers & Lybrand of Anchorage.

The President of CVFC is Joseph V. Paniyak of Chevak. Mr. Paniyak is a commercial and subsistence fisherman and a construction worker, and currently serves as the Employment Coordinator for CVFC.

Joseph V. Paniyak  
P.O. Box 109  
Chevak, AK 99563  
Phone: (907) 858-7250  
Fax: (907) 858-7812

Norman A. Cohen is the Executive Director of the Cooperative. Mr. Cohen is an attorney and has served as legal counsel for CVFC since its inception and executive director since August 1992.

(B) Responsibility for managing the Cooperative's pollock CDQ allocation is vested in the Imapriqamiut Partnership ("IP" or "Partnership"). IP owns the F/T BROWNS POINT, and uses this vessel and other (leased) vessels (when needed) to harvest CVFC's pollock CDQ.



Golden Age Fisheries manages the F/T BROWNS POINT pursuant to a management contract with the Partnership (See Appendices B and C). This contract provides that GAF must manage the vessel in a manner that observes all fisheries rules and regulations issued by the National Marine Fisheries Service (NMFS), including the requirements that CDQ allocations shall not be exceeded. No violations of fisheries rules and regulations were reported for any CDQ fishery conducted to date.

GAF has operated factory trawlers since 1986. The company has extensive experience in the prevention of quota overage and has an excellent record of regulatory compliance. In addition, pursuant to a contract with the Coastal Villages Fisheries Partnership, GAF manages Coastal Villages Fisheries, a salmon processing facility located in Bethel on the Kuskokwim River, jointly owned by CVFC and GAF (See Appendix D).

The Cooperative has begun the process of developing the expertise to play a major role in management of all ventures included in the CDP. Individuals from CVFC member communities are acquiring needed managerial and technical skills through a "career track program." This program includes: pre-employment, on-the-job and classroom training; internship and employment programs offered by GAF and CVFC; opportunities for higher education and vocational training afforded by the Coastal Villages Scholarship Fund (See Appendix E); and career counseling.

Under the terms of the agreements between CVFC and GAF, the partners take part in the management of ventures in which they participate jointly. The Board of Directors of CVFC has appointed the President, in conjunction with the Executive Director, to act for the Cooperative in partnership decision-making. The President and the Executive Director are responsible to and take direction from the Board.

As the overall level of expertise and training rises, CVFC will exert an increasing influence on management of all ventures identified in the CDP and others which are undertaken. This takes time, however, and in the near term, the Cooperative will continue to look to other sources for the expertise required to assure wise management of the resources that the CDQ program will provide.

In order to assure that the Cooperative has the technical and other capabilities needed to manage the pollock CDQ and other aspects of its CDP in the near term, GAF provides management and other expertise for the ventures in the CDP. With respect to certain ventures, such as Coastal Villages Fisheries which operates in Bethel and a halibut purchasing program with Tununak Fish Products, GAF is required to train CVFC personnel to assume full responsibility for management of these ventures within a specified period of time. With respect to other types of ventures, for example large factory trawlers, GAF will have operational management responsibility on a longer term basis.

This arrangement does not mean that the Cooperative is abrogating its responsibilities to direction and maintenance of oversight of all activities and ventures in the CDP. The Cooperative is, however, realistic and understands its current level of operational management expertise.

## **JOINT-VENTURE PARTNERSHIPS**

### **(A) IDENTIFICATION AND CONTACT INFORMATION**

**Name:** Golden Age Fisheries  
**Address:** 18 West Mercer Street  
Suite 400  
Seattle, WA 98119  
**Phone:** 206-285-2815  
**Telefax:** 206-282-5938  
**Contact:** Stanley Simonson, Owner  
**US Tax Number:** 91-1494244

### **(B) HARVESTER VESSEL IDENTIFICATION**

#### **(1) F/T BROWNS POINT**

**Ownership:** Imarpiqamiut Partnership  
**Address:** c/o Golden Age Fisheries  
P.O. Box 1107  
Bethel, AK 99559  
**US Fisheries  
Permit Number:** AK932726  
**Alaska Vessel  
License Number:** 55511

(C) CERTIFICATION OF CAPACITY

The F/T BROWNS POINT has the capacity to fully harvest, on an annual basis, the 33% of pollock CDQ allocation for which the Cooperative is applying.



NORTON SOUND  
ECONOMIC  
DEVELOPMENT  
CORPORATION

***BERING STRAIT REGION COMMUNITY DEVELOPMENT PLAN***

**Application for Community Development Quota Program**

AUGUST 1993

## PART I: EXECUTIVE SUMMARY

*The Norton Sound Economic Development Corporation (NSEDC) is a nonprofit corporation representing fifteen villages in the Bering Strait region of northwestern Alaska. All fifteen of these communities are eligible to participate in the Community Development Quota (CDQ) program approved by the federal government.*

*NSEDC qualifies as an applicant and managing organization. In an effort to participate in the CDQ program, NSEDC developed the Bering Strait Region Community Development Plan (CDP) in 1992. NSEDC received a 20 percent allocation of pollock under the CDQ program for each year in 1992 and 1993. For 1994 and 1995, NSEDC is requesting one-third of the available pollock in the CDQ reserve.*

*The main goal of NSEDC's CDQ program is to generate fisheries income that will create the foundation for a stable, yet growing economy — one which focuses on the fisheries resource, the human resource, and the business infrastructure. A major new element of the 1994/1995 CDP is a proposal for entering into a joint venture to acquire and operate a floating seafood processor capable of processing salmon, herring, and other species.*

*NSEDC is making this CDQ allocation request and developing this CDP on behalf of 8,752 people in member communities. This is the largest number of people represented by any CDQ group. The Bering Strait region has one of the lowest per-family incomes in Alaska. Excluding subsistence activity, approximately 75 percent of its residents are unemployed.*

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## A. INTRODUCTION

The underlying theme of NSEDC's objectives in the use of its CDQ allocation is one of *generating fisheries income* for the region. The area's fisheries resources have significant potential to help residents of the region lift themselves out of their severe economic problems. Results might be measured in dollars of income, but just as importantly, economic development of the region will result in better standards of living for individuals in the region, reduced dependency on government social programs and assistance payments, and an increased number of more stable, long-term jobs.

The community development plan for the fifteen villages is an integrated plan, consisting of a number of elements. Again, all of these are aimed at generating fisheries income. The plan consists of investment in the business infrastructure, investment in the fisheries resource, and investment in the people. All of these elements are essential to the sustained success of the fisheries industry in the region.

The largest component of the plan is the investment in the business infrastructure. The plan calls for substantial investments in both shoreside and offshore plants and equipment, and in startup, marketing, and other development costs.

NSEDC will also invest in the development of the natural fishery resource, which is the essential feedstock for the fisheries industry. Over \$3,000,000 is dedicated to the development or acquisition of the fisheries resource, through enhancement programs and acquiring offshore fishing rights.

To invest in the people of the region, NSEDC will provide education, training, and employment assistance. NSEDC's programs will result in a supply of trained, qualified individuals to participate in the industry, for now and into the future.

Excluding administrative costs, which amount to approximately 11 percent of CDQ proceeds, slightly more than half of the CDQ proceeds will go into investment in business infrastructure, and slightly less than one-quarter of the CDQ proceeds will go, each, into investment in the human resource and fisheries resource. While the individual components are described one-by-one in the application which follows, they all work toward the common goal of generating fisheries income in the region. The result of this balanced and integrated plan will be a success for the region and for the CDQ program as a whole.

## **B. BACKGROUND**

NSEDC was allocated a 20 percent share of the 1992/1993 pollock CDQ amounting to 20,300 metric tons (mt) in 1992 and 20,274 mt in 1993. NSEDC selected Glacier Fish Company (GFC) as its contractual CDQ partner company to harvest CDQ pollock on its behalf and to lend its technical expertise to various CDP fisheries development programs.

In December 1992 and through the first six months of 1993, NSEDC successfully harvested 30,309.37 mt of CDQ pollock — roughly 75 percent of its 1992/1993 CDQ allocation. NSEDC's development programs created \$1.6 million worth of employment and other economic activity in the region through June 1993. Following are some examples of the success to date of NSEDC's development programs:

- NSEDC's employees living in Elim, Shaktoolik and Unalakleet earned about \$200,000 in this time frame and worked about 43.7 man-months.
- 59 local fish processing workers onboard factory trawlers earned about \$339,300 for 68.6 man-months of work.
- 33 local workers hanging fishing gear earned about \$26,447 in 1,346 hours of work (about 8.4 man-months).
- Two NSEDC company representatives monitoring CDQ fishing onboard factory trawlers earned about \$12,000 over three man-months of work.
- 105 local herring fishermen delivered 1,032 tons of herring to joint NSEDC/GFC buying operations generating revenues of \$305,355.
- 90 local salmon fishermen delivered 744,121 pounds of salmon to the vessel *Northern Glacier* generating almost \$200,000 in revenues.

NSEDC is requesting a 33 percent share of the 1994/1995 CDQ allocation. NSEDC requires this additional allocation and associated revenues in order to maintain current programs, and to expand involvement in processing and fishing to distribute benefits throughout the region.

## **C. COMMUNITY ELIGIBILITY AND NEED**

NSEDC represents fifteen villages in the Bering Strait region of northwestern Alaska, including communities in Norton Sound, along the coast bordering the

northeastern portion of the Bering Sea, and on St. Lawrence and Little Diomed Islands. These villages are:

- Brevig Mission
- Diomed/Inalik
- Elim
- Gambell
- Golovin
- Koyuk
- Nome
- St. Michael
- Savoonga
- Shaktoolik
- Stebbins
- Teller
- Unalakleet
- Wales
- White Mountain

Each community participating is eligible both under federal rules as defined in 50 CFR 675.27 (d) (2) and under State of Alaska CDQ criteria. The Secretary of Commerce has determined that these villages meet the requirements of CDQ program eligibility.

In 1990, the total population of NSEDC member villages was 8,752 people in 2,183 households. The economies of the communities in the Bering Strait region are based on both subsistence and cash. The residents of this region have some of the lowest income levels in the State of Alaska averaging around \$4,000 per capita, extremely high unemployment rates exceeding 80 percent in some villages, and unacceptably high poverty levels.

The villages of the northernmost portion of the Bering Sea are remotely located and the general cost of living is extremely high. Existing commercial fisheries are weak and require developmental support. Investment to date has been minimal, and sources of funding are not readily available to support local entry into the groundfisheries.

## **D. COMMUNITY DEVELOPMENT AND BUSINESS INFORMATION**

### **D.1 Business Relationship**

NSEDC has established an excellent working relationship with Glacier Fish Company (GFC). NSEDC signed a contractual agreement with GFC in 1992 for four years of the current pollock CDQ program. GFC will continue to harvest CDQ pollock on behalf of NSEDC, provide employment, and lend its expertise to fisheries development projects. NSEDC and GFC, under this application, are proposing to develop a new business relationship to jointly purchase and operate a floating seafood processor.

GFC will pay NSEDC royalty fees based on projected gross revenues from CDQ fishing. Royalty payments for 1994/1995 will be commensurate with



payments in 1992/1993. Based on current prices, NSEDC expects to receive \$14,315,400 for a 33 percent allocation in 1994 and 1995. These payments will be the "seed money" for future fisheries development programs NSEDC undertakes within the CDP.

To benefit the program, GFC will also provide direct employment to local residents and give contributions to a scholarship program. GFC will provide up to 40 full-time-equivalent positions on Glacier Fish Company fishing vessels by 1995. Factoring in crew rotations, 40 positions will require a pool of about 60 to 80 qualified individuals.

GFC will continue to provide technical assistance in NSEDC training programs, marketing activities, fishing vessel purchasing and fisheries development projects. NSEDC and GFC have formed a Fisheries Development Committee (FDC) which is providing analysis and technical support for fisheries projects and potential investments.

## D.2 CDQ Fishing Operations

Not only will GFC fish according to NPFMC and NMFS rules, but they will also use both state-of-the-art technology to prevent over-fishing and internal controls established to step up conservation measures. GFC will continue to use their two vessels, the *Northern Glacier* and the *Pacific Glacier*, to harvest CDQ pollock on behalf of NSEDC each year. See specific vessel information below.

	<i>Northern Glacier</i>	<i>Pacific Glacier</i>
Official Number:	663457	933627
Federal Permit:	AK920661A	AK923357A
ADF&G:	48075	56991
Call Sign:	WRC 6707	WRYH
Production/day:	250 MT (max.)	500 MT (max)
	200 MT (avg.)	400 MT (avg)

The harvest is intended to be for surimi, fillets, minced blocks and roe in the "A" season (roughly January to March), and for surimi, fillets and blocks in the "B" season (April to December).

GFC will have adequate time to harvest NSEDC's requested 1994/1995 CDQ allocation of 33,333 mt each year under NMFS guidelines: 45 percent during "A" season and 55 percent in "B" season. Under normal conditions, GFC vessels have combined harvesting/processing capacities of 460 mt per day. GFC will be able to

harvest the "A" season allocation (about 15,000 mt) in 32 days, and "B" season allocation (about 18,333 mt) in 40 days. Backup vessels will not be required.

GFC CDQ fishing operations (specific area fished, type of gear, time of year, etc.) will depend on NMFS regulations in place at the time. Glacier Fish Company vessels will each carry two NMFS fisheries observers.

Residents of the Bering Strait region have been among the strongest proponents of rigorous bycatch control measures and efforts to prevent overharvesting by the North Pacific Fishery Management Council and ADF&G Board of Fisheries. Because of this, NSEDC has implemented additional measures to control bycatch and overharvesting, including establishment of a special Bycatch Control Committee. NSEDC will continue the local effort to control bycatch and to prevent overharvesting.

### **D.3 CDQ Programs**

Over the years, local fishermen in the Bering Strait region have suffered from a lack of a consistent market for their salmon and herring. Processing capability and delivery markets for Norton Sound salmon have been unreliable, thus exacerbating the strain on local economies and increasing the need for stable investment and long-range plans.

The effective utilization of funds from the CDQ harvest can remedy this instability through the continuation of CDP programs started in 1992, and the establishment of new programs described in this application:

- NSEDC will continue to facilitate arrangements to buy salmon and herring in Norton Sound whether through GFC directly, a jointly owned NSEDC/GFC floating seafood processor, local shoreside buyers and processors, and/or contracts with other processing companies to custom process and market.
- NSEDC and GFC are proposing to form a 50/50 joint venture partnership to purchase and operate a 250- to 300-foot processing vessel for crab, salmon, herring and possibly other species. This venture is particularly timely because of a successful marketing effort in Europe of a Norton Sound pink salmon product during this summer's harvest. The product is pink salmon deep-skin block, and represents an exceptional opportunity for the fishery. However, the customer is concerned about long-term availability of the

product; availability will be assured with the addition of this processing vessel.

- NSEDC will fund the future purchase of other fishing vessels capable of catching and processing halibut, black cod, and other species and tendering or processing salmon and herring.
- NSEDC will continue to grant low-interest loans to qualified fishermen interested in buying local salmon and herring permits, purchasing fishing gear, and upgrading their fishing boats.
- NSEDC will provide financial support to revitalize shoreside fish processing in villages throughout the region.
- NSEDC will continue the salmon rehabilitation and enhancement program to rebuild salmon runs on rivers throughout the region; this includes comprehensive regional planning, salmon resource inventory, and a salmon restoration fund for future site-specific projects.
- NSEDC will create new fishing opportunities through regulatory change and technical assistance, including continued support to St. Lawrence Island fishermen targeting halibut in the nearshore waters; new efforts to restore superexclusive registration for king crab in Norton Sound; technical support to the winter king crab fishery in Norton Sound; the pursuit of co-management opportunities with ADF&G in the region; the development of fall herring fisheries in the region, and other activities.
- NSEDC will allocate funds for the purchase of future individual fishing quotas (IFQ).
- NSEDC will train up to 80 residents of the region each year in skills needed to work on offshore fishing boats and in shoreside fish processors; NSEDC will also continue to provide employment services to help trained workers get jobs in the fishing industry.
- NSEDC will award scholarships each year to 90 residents interested in technical school training or advanced education in fisheries-related areas.
- NSEDC will work with the school district to continue the salmon incubation and hatchery programs started in 1992 and to increase the number of commercial herring and salmon fisheries workshops.

- NSEDC will continue to fund a permanent Education Endowment which will provide monies after 1996 to build a regional workforce through fisheries skills training, scholarships, and employment programs.

A breakdown of the use of 1994/1995 CDQ proceeds by category is as follows:\*

Fisheries Development:	\$1,085,750
Herring/Salmon Marketing	\$1,008,000
Salmon Rehabilitation and Enhancement:	\$1,185,000
Capitalization of Loan Programs:	\$397,000
IFQ Purchase:	\$1,050,000
Education, Training, and Scholarship Endowment:	\$2,169,000
NSEDC Operating Expenses:	\$1,614,744
Training, Education and Employment:	\$864,000
Shoreside Improvements:	\$409,000
Floating Processor Purchase:	\$1,500,000
Working Capital for Venture:	\$1,250,000
Vessel/Tender Purchase:	<u>\$2,000,000</u>
<b>TOTAL:</b>	<b>\$14,532,494</b>

- \* The totals shown here do not include carry-forward funding, if any, from 1992/1993 CDQ proceeds. Amounts of carry-forward funds are detailed in Appendix M.

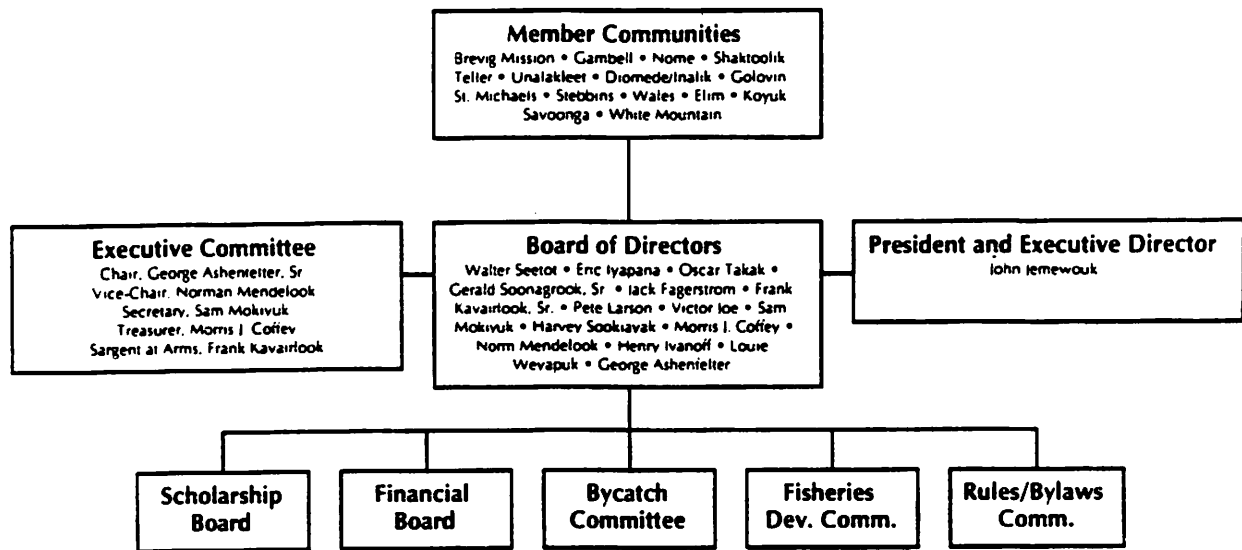
## **E. APPLICANT QUALIFICATION**

NSEDC was originally incorporated in 1989 and was restructured in 1992 to qualify as a Community Development Quota (CDQ) applicant and managing organization.

The NSEDC board of directors is made up of one representative from each member community, with officers elected by the full board. Each of the board members has recently participated in either a subsistence or a commercial fishery.

NSEDC was incorporated under the laws of the State of Alaska as a regional non-profit economic development organization and is currently waiting for notification from the Internal Revenue Service on its tax exempt certification. NSEDC is the CDQ applicant and managing organization.

### NSEDC Organizational Chart

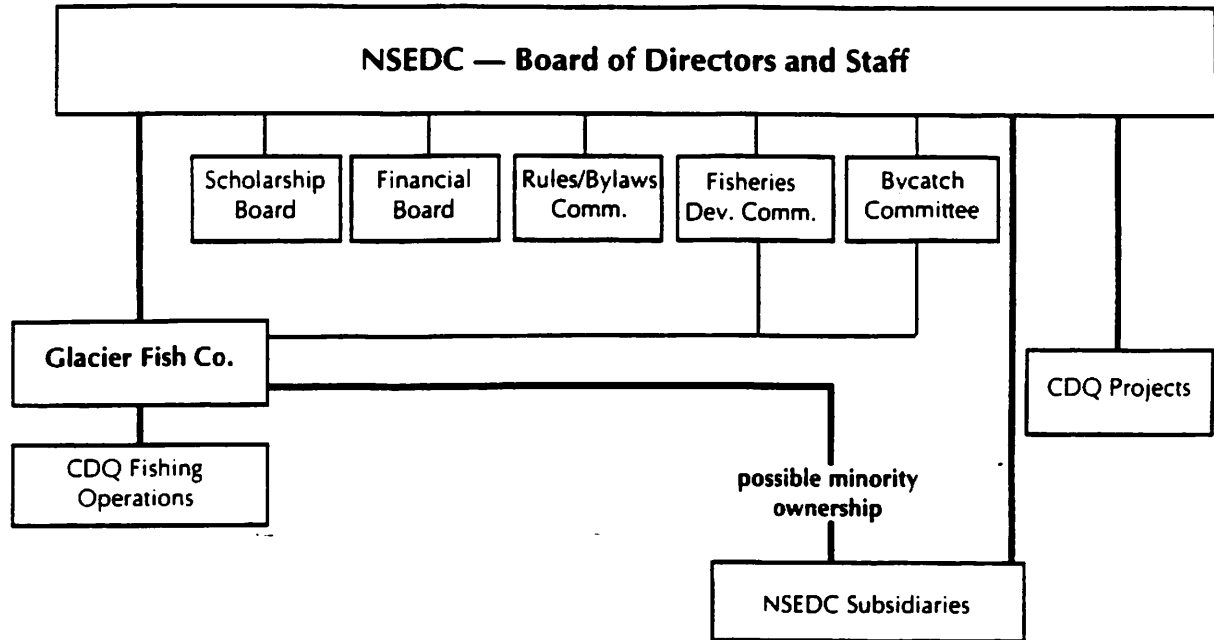


NSEDC Contact: John Jemewouk, President and Executive Director  
 NSEDC  
 P.O. Box 39089  
 Elim, Alaska 99739  
 Phone (907) 890-2248 • FAX (907) 890-2249

The Board of Directors maintains executive control of NSEDC and consists of fifteen members, one from each participating village. Each community's governing body (city council, IRA council, and/or village corporation) appointed members to serve on the NSEDC Board and approved resolutions to support the CDQ application.

#### **F. MANAGING ORGANIZATION**

NSEDC is the managing organization for CDQ-financed projects and for CDQ fishing operations. NSEDC and GFC will continue to work together in the conduct of both CDQ fishing and projects, with NSEDC ultimately responsible for decisions.



### F.1 CDQ Project Management

In all aspects of the CDP, including management and ownership, NSEDC is the focal point. NSEDC owns the proceeds of the CDQ operations, and NSEDC and/or the local community own any of the tangible investments created. NSEDC receives payments and manages cash and investments, including CDQ-financed projects. NSEDC has been reviewing and auditing GFC's accounts to ensure that GFC makes proper remittances to NSEDC in regards to both royalty tonnage payments and royalty share of net proceeds.

NSEDC business management is comprised of an Executive Director and six other full-time staff (Education, Employment and Training Coordinator, Assistant Training Coordinator, Project Development Specialist, Special Projects Administrator, Revolving Loan Program Manager, and Office Manager/Bookkeeper), part-time employees throughout the region, a governing board, and five advisory committees. NSEDC is also in the process of hiring a Regional Fisheries Planner and financing a Biologist I position at ADF&G to work on the salmon restoration and enhancement program.

Key NSEDC personnel are listed below. All of NSEDC's staff, like Board members, are originally from communities in the region. NSEDC staff resumes are provided in Appendix D.

- John Jemewouk from Elim, President and Executive Director.
- Jerry Ivanoff from Unalakleet, Education, Employment and Training Coordinator.
- Eugene Asicksik from Shaktoolik, Project Development Specialist.
- Sheldon Katchatag from Elim, Special Projects Administrator.
- Charles Soxie from Unalakleet, Revolving Loan Program Manager.
- Dora Smith from Elim, Office Manager/Bookkeeper.
- Caroline Nashalook from Unalakleet, Assistant Training Coordinator.

NSEDC has offices in Elim, Unalakleet, Shaktoolik and Anchorage. The Central Office, which is located in Elim and houses the Executive Director, Office Manager/Bookkeeper and Special Projects Administrator, is mainly responsible for financial accounting, reporting, and general administration of NSEDC. The staff in the offices in Unalakleet administer the revolving loan program and the training program. The Project Development Specialist in the Shaktoolik office coordinates activities within the herring and salmon marketing program.

Central Administrative Office  
P.O. Box 89  
Elim, Alaska 99739  
(907) 890-2248 FAX 890-2249

Revolving Loan Program Office  
P.O. Box 296  
Unalakleet, Alaska 99684  
(907) 624-3363 FAX 624-3364

Training and Employment Office  
P.O. Box 102  
Unalakleet, Alaska 99684  
(907) 624-3190 FAX 624-3183

Project Development Office  
P.O. Box 24  
Shaktoolik, Alaska 99771  
(907) 955-2341 FAX 955-3243

NSEDC Anchorage Office  
725 Christensen Drive, Suite 5  
Anchorage, Alaska 99501  
(907) 274-2248 FAX 274-2249

The five advisory groups are: (1) an advisory scholarship board, responsible for making recommendations to the NSEDC Board on use of proceeds from the education, training, and scholarship issues; (2) a financial advisory committee

responsible for making recommendations to the NSEDC board on financial investment matters; (3) a bycatch control committee (comprised of NSEDC and GFC representatives) to develop a long-range approach to assuring continued bycatch reduction efforts; (4) a Fisheries Development Committee (five members from NSEDC and three members from GFC) established to advise the NSEDC Board on technical matters involving fisheries projects and CDQ operations; and (5) a rules/bylaws committee to oversee general corporate functions.

NSEDC will contract for additional services as needed for specific projects and activities. KPMG Peat Marwick is currently working as NSEDC's CPA firm in regards to tax-exempt certification and other accounting functions. National Bank of Alaska is managing investments under the Education Endowment and short-term funds, and is providing loan documentation services to the revolving loan program. Smith Barney Shearson is managing investments in NSEDC's intermediate-term fund. ADF&G has signed cooperative agreements to participate in salmon rehabilitation and enhancement projects. Bering Sea Fishermen's Association will provide technical assistance in support of shoreside infrastructure projects.

## **F.2 CDQ Fishing Management**

NSEDC and GFC will continue to work together in a cooperative effort to manage all aspects of CDQ pollock fishing operations. GFC will harvest CDQ pollock allocations on behalf of NSEDC, and will work under the direction of NSEDC to help manage fishing operations. NSEDC will maintain ultimate responsibility for management of CDQ fishing operations. The Anchorage office is managing CDQ fishing operations on behalf of NSEDC.

NSEDC contact: Jon Zuck, NSEDC Anchorage Office  
725 Christensen Drive, Suite 5  
Anchorage, Alaska 99501  
Phone (907) 274-2248 • FAX (907) 274-2249

GFC will crew and operate the vessels, and also will process, store and market the product. NSEDC may assume responsibility for marketing GFC-harvested fish in order to take advantage of government procurement preferences for minority-owned firms. GFC also will be responsible for payroll administration, insurance, and reporting. GFC will comply with procedures specified by the National Marine Fisheries Service (NMFS) for record keeping and reporting to ensure that they do not exceed the NSEDC CDQ harvest allocation. NSEDC will not



tolerate overharvest of CDQ nor excessive bycatch of non-target species. NSEDC's bycatch committee will continue to monitor and control bycatch and set tolerance limits.

GFC is a partnership whose members are individuals or corporations involved in various aspects of the seafood industry, including ownership and operation of factory trawlers, crab boats and crab processors, salmon seiners and processors, longliners and cold storage, and seafood distribution to world markets. GFC employs approximately 325 people and has grossed \$50 million annually during the last two years in sales. The GFC management team, headed by Sam Hjelle, provides substantial experience in harvesting and processing in both onshore and offshore Alaska.

GFC contact:           John Bundy, Glacier Fish Company  
                                  1200 Westlake Avenue North  
                                  Seattle, Washington 98107  
                                  Phone (206) 298-1200 • FAX (206) 298-4750

## **Executive Summary and Summary of Benefits BBEDC Community Development Plan and Business Plan**

### **A. Introduction**

The basic direction set out in the 1992 application has proven to be very well conceived. Its direction and philosophy continue to be closely followed.

BBEDC and Oceanrawl have successfully prosecuted the pollock CDQ fisheries, setting a very high standard for professionalism and compliance with the letter and intent of the various state and federal agencies' directives. The objectives laid out in the 1992-1993 Community Development Plan (as amended) have been vigorously pursued, based on BBEDC's main guiding principle, which is careful evaluation of the possibilities and clean and professional implementation. This was reflected in the selection of a partner and prosecution of the pollock fishery.

It is also reflected in the early recognition of the complexity and responsibility implied in this undertaking. The Board decided after the quota was awarded that organizational development and planning were needed to successfully implement the Plan. The clear directive at all times has been to do this correctly the first time. Everyone remembers too well the missteps and lost time trying in implementing the Alaska Native Claims Settlement Act, as most Board members were involved in establishing the Village and Regional corporations.

In January the Board began formulating an operations plan, initiated drafting of personnel and Board policy manuals, and implemented a comprehensive fund management planning process. They have sought out and retained the best professional help available, as reflected in their retention of Dave Rose as their fund manager, who will also be helping draft a long term fund management strategy. The Board undertook a wide ranging and exhaustive Executive Director search before settling on Nels A. Anderson, Jr., former state Representative and Senator from the Bristol Bay region, former House majority leader, former Treasurer and President of the Alaska Federation of Natives, former Executive Director of the Bristol Bay Native Corporation, and many other distinguished positions.

Contracts have been awarded to the scholarship and training program, and to initiate the permit retention program. A key decision to be made is how many of the programs outlined in the 1992-1993 application BBEDC will manage through hiring of staff and how many should be handled under contract for greater flexibility to respond to better information and changing needs. After an extensive recruiting process for a Training and Employment Administrator, the Board decided to contract design of the program first, then to make staffing decisions. Again, the watchword has been to do it right the first time.

This philosophy is also carried into the Alaska Seafood Investment Fund. A thorough investigation of investment possibilities is focusing initially on freezer longliners and possibilities in value added salmon and other species. It is already apparent that finding a reasonable return on investment will be a major challenge. More details are available in the confidential exhibits and the business plan sections.

### **B. Managing Organization**

There are three major activities described in this Application which will require management: 1) the implementation of the Community Development Plan; 2) the harvest, processing and sale of the CDQ pollock; and 3) the implementation of the Business Plan. The Business Plan consists of forming a venture capital investment fund,

the Alaska Seafood Investment Fund (ASIF or "the Fund"), to provide an income stream in perpetuity. ASIF will diversify investments by region, fishery, and asset type to spread the risk in this highly cyclical industry.

*BBEDC is the applicant and managing organization.*

BBEDC will be responsible for implementing the Community Development Plan, will have a majority of seats on the Board of ASIF, and will contract with Oceantrawl Inc. to harvest, process and sell the pollock. BBEDC will allocate at least 70% of the CDQ proceeds to the Fund, and will manage the community development plan with 30% of the proceeds. One-third (10% of the total proceeds), will go directly to a scholarship endowment.

The management of BBEDC will consist of the board, particularly the executive committee, and staff. BBEDC board resumes are in the pre-application. Executive Director Nels Anderson Jr.'s resume is included in the Exhibits. Chairman Robin Samuelson was recently appointed to the North Pacific Fishery Management Council.

Executive Committee	Representing	Phone	Fax
Robin Samuelson, Chairman	Dillingham	842-5257	842-4336
Norman Anderson, Vice Chairman	Naknek	246-4210	246-3563
Hazel Nelson, Secretary	Egegik	263-9820	274-3721
Robert Heyano Treasurer	Ekuk	842-1053	842-4336
Donal Nielson	South Naknek	246-6552	246-3567
Emil Christainsen	Port Heiden	376-0658	same
Moses Kritz Sr.	Togiak	493-5029	493-5932

*Oceantrawl Inc., will be responsible for harvest, processing, and sale of the pollock CDQ.*

The contract (the Royalty Agreement) was included in the original application and has not changed. Oceantrawl will pay royalty payments to BBEDC for the harvest of the pollock. Contact person for NMFS regarding pollock harvesting is Senior Vice President Ron Pauley.

Oceantrawl Inc. is an Alaska corporation and the operator of three surimi factory trawlers. Oceantrawl will harvest the BBEDC's allocation of pollock and pay BBEDC a minimum royalty fee for each ton caught, or a 60% share of any profits generated from the quota, whichever is greater. The Fish Purchase Agreement (Royalty Agreement, confidential document, Exhibit B) contractually defines the procedures.

*BBEDC and Oceantrawl will form a limited partnership, the Alaska Seafood Investment Fund*

Oceantrawl will participate with the BBEDC as a equity partner in the Alaska Seafood Investment Fund. The Fund will operate as an investment bank, and make investments in the seafood industry with the main purpose of generating income which can further development work in the communities.

BBEDC will be the majority owner (80%) of the partnership, and will have a majority on the Board of the Fund. Oceantrawl will provide \$1 of investments made to the Fund for each \$4 provided by the BBEDC. Oceantrawl will actively participate with the BBEDC in the directorship and management of ASIF.

### C. Joint Venture Partnerships

*The management of the Alaska Seafood Investment Fund*, will consist of a six member board, three from the BBEDC executive committee, two from Oceantrawl, and one outside director. Oceantrawl personnel will be delegated to assist the ASIF staff in researching investment options. Oceantrawl will be represented by Assen Nicolov and Robt. Morgan. Resumes were included in the Oceantrawl section of the original application.

Two interested candidates have been contacted for the outside directors' seats. Recruitment is continuing. Resumes, if available, are included in the Pre-application. One will be chosen at the next Board meeting in September. The two candidates identified so far are:

Ed Crane, President	Alaska Commercial Fishing and Agriculture Bank  2550 Denali St., Suite 1201 Anchorage AK 99503	276-2007	279-7913
Arne Nore, President	Global Marine 870 Market Place Tower 2025 First Ave. Seattle WA 98121	206-441-9585	206-441-9621

### D. Community Development Plan

#### *Allocation of CDQ Proceeds Between ASIF and Community Development Plan*

The BBEDC has adopted a fiscally conservative approach to investment of CDQ proceeds. The Board made an early decision to maximize involvement of successful partners in the management of investments in recognition of their own lack of experience in groundfish. They chose Oceantrawl Inc. as their partner because Oceantrawl is committed to being an equity partner, and has committed substantial management time and expertise to ensuring that the plan succeeds. Oceantrawl is also one of the largest and best capitalized factory trawl companies.

The Community Development Plan is specifically designed to live within the financial means available. The plan focuses on increasing employment and economic activity through developing the human resources of the Bristol Bay region, which will result in a healthy local fisheries economy supported by all necessary business services. A minimum level of training and business development activity, with the minimum BBEDC administration and staff budget, form the base for the CDP. Any funds available beyond that level go into reserves for use primarily for increasing the level of training and fisheries development, infrastructure development and IFQ acquisition. At low allocation or profit share levels, these programs are minimal.

To fund the CDP after the CDQ period, the majority of CDQ proceeds will be invested in a diversity of well managed, successful seafood industry businesses with a goal of generating dividends. The dividends will fund on-going training for Bay residents. Secondary goals will be infrastructure development and possible purchase of IFQs to enhance the investments made in seafood businesses. The original plan anticipated higher royalty payments under the profit share agreement than are currently available given the depressed surimi market. This led to reducing the Community Development Plan budget and deemphasizing infrastructure development.

During the four-year CDQ program, no more than 30% of CDQ proceeds (paid by Oceantrawl to the BBEDC as per the Royalty Agreement) will be used to fund the Community Development Program and no less than 70% of CDQ proceeds will be

invested by the BBEDC in the Alaska Seafood Investment Fund. Of the proceeds going to BBEDC, one-third (10%), will go directly to a scholarship endowment. Two levels of funding for the ASIF program, including Oceantrawl matching funds, are shown below. The first is at the guaranteed minimum amount, the second shows the effects of the profit sharing agreement assuming a substantial improvement in surimi prices.

<b>Proceeds From CDQ Allocation</b> <b>Quota Amount: 30,000 mt for 1994-1995</b> (Figures Include 1992-1993 Allocations of 20,289 mt) (\$000)					
<u>Price*</u>	<u>Total**</u>	<u>For C.D.</u>	<u>For ASIF</u>	<u>Oceantrawl</u>	<u>Total</u>
<u>Assumption</u>	<u>Proceeds</u>	<u>Program</u>	<u>Program</u>	<u>Funds</u>	<u>Business</u>
Minimum	\$14,743	\$4,423	\$10,320	\$2,580	\$12,900
Profit share**	\$18,713	\$5,614	\$13,099	\$3,275	\$16,374
<b>Proceeds From CDQ Allocation</b> <b>At Previous Allocation Level</b> (20,289 mt 1992-1995) (\$000)					
<u>Price*</u>	<u>Total**</u>	<u>For C.D.</u>	<u>For ASIF</u>	<u>Oceantrawl</u>	<u>Total</u>
<u>Assumption</u>	<u>Proceeds</u>	<u>Program</u>	<u>Program</u>	<u>Funds</u>	<u>Business</u>
Minimum	\$11,759	\$3,527	\$8,231	\$2,058	\$10,289
Profit share**	\$15,023	\$4,510	\$10,516	\$2,629	\$13,145
* Minimum guarantees are \$132 for surimi season, and \$180 for roe season Note that Oceantrawl will also be contributing the equivalent of \$25/mt in matching investments. ** For the purposes of providing an example of the profit sharing agreement, a 60% profit share average equivalent to \$190/mt for the life of the agreement is used. This could be high, low, or right on. See Confidential Exhibits.					

*Continued Community Development Funding After the CDQ Period.*

Following the CDQ project period, the investments of the Alaska Seafood Investment Fund are projected to provide earnings for dividend payments to the BBEDC at levels sufficient to support a continued minimal Community Development Program. The size of these programs will be scaled appropriately to Fund income.

The focus of the CDP will continue on human resource development. Reserves will continue to be allocated into improving training programs, infrastructure matching funds and the purchase of IFQs to supplement the ASIF activities to the extent funds are available.

The Community Development Plan's main programs are:

- (1) Basic vocational and job skills training to enhance employability of BBEDC's disadvantaged residents;
- (2) Scholarships to support advanced vocational, technical and academic training for young people in the region;
- (3) Fisheries Development through extension services, particularly business and tax counseling targeting the halt and reversal of limited entry permit out migration. A limited fisheries development grant program will be targeted to local value-added and developing species operations;

- (4) Reserve Fund for IFQ acquisition and infrastructure development matching fund focused on seafood industry economic development as identified in regional fisheries development plan.

The funding available at various allocation levels is shown below.

Annual Community Development Funding – Post CDQ Allocation Level = 30, 000 mt in 1994-1995 (S000)		
	Minimum Guarantee	Profit Share @ \$190/mt
<b>Total BBEDC ASIF Investments</b>	<b><u>\$10,320</u></b>	<b><u>\$13,099</u></b>
Annual Distributions to BBEDC at 10% Return on Investment Less Costs of Operation	\$ 912	\$1,190
<b>Uses of Annual Distribution:</b>		
BBEDC Administration	300	300
Minimum C.D. Program		
Training	175	175
Fisheries Development	100	100
<b>Average Reserve 1 yr.</b>	<b>\$337</b>	<b>\$615</b>
Infrastructure Matching		
IFQ Purchases reserve		
Increasing training funds of Scholarship Trust		

Annual Community Development Funding – Post CDQ Allocation Level = 20,289 mt in 1992-1995 (S000)		
	Minimum Guarantee	Profit Share @ \$190/mt
<b>Total BBEDC ASIF Investments</b>	<b><u>\$8,231</u></b>	<b><u>\$10,516</u></b>
Annual Distributions to BBEDC at 10% Return on Investment Less Costs of Operation	\$703	\$932
<b>Uses of Annual Distribution:</b>		
BBEDC Administration	300	300
Minimum C.D. Program		
Training	175	175
Fisheries Development	100	100
<b>Average Reserve</b>	<b>128</b>	<b>357</b>
Infrastructure Matching		
IFQ Purchases reserve		
Increasing training funds of Scholarship Trust		

## **E. The Alaska Seafood Investment Fund (ASIF)**

The ASIF will invest in profitable, self-sustaining Alaskan seafood businesses. ASIF will pay to the BBEDC its share of investment earnings to finance the Community Development Program discussed in Section 3.

The ASIF will be organized as an Alaskan limited partnership. The Fund's investments will be funded 80% by the BBEDC from CDQ proceeds and 20% in matching funds by Oceantrawl Inc. No less than 70% of the BBEDC's annual total CDQ proceeds will be invested in ASIF. The amount of funds to be invested in ASIF at income levels is described in Section 4.

In organizing and carrying out the functions of ASIF, guidelines contained in Internal Revenue Code 501 (C)(4) will be followed to protect the status of the BBEDC as a non-profit economic development organization.

The offices of ASIF will be located in Alaska. The Fund will have its own staff and due diligence process. At the start of operations of the Fund, Oceantrawl will provide for significant investment advice and leads based on their experience in the seafood industry. This will help minimize overhead costs.

### *Reasons for an Alaska Seafood Investment Fund*

A diversified seafood investment fund has been selected as BBEDC's principal CDQ fisheries business for a number of reasons.

First, members of the BBEDC communities are most experienced in the local salmon and herring gillnet fisheries. They fully realize that it would not be prudent to make additional commitments in this fully capitalized, market-saturated, and very competitive segment of Alaska's fishing industry. The Board is very interested in exploring value-added products, especially if they can be processed in the region. Another area of interest is the underutilized salmon species, primarily silvers and pinks.

Second and perhaps most important, rather than concentrate their CDQ resources in a single fisheries investment outside of their area of fisheries expertise, the Board prefers to develop a diversity of knowledge and experience in all the fisheries which may provide investment opportunities.

Third, ASIF builds on and complements the successful investment program of the Bristol Bay Native Corporation, whose mission in recent years has been to diversify the economic base of the Bristol Bay native community through profitable investments outside of Alaska's fishing industry. The ASIF will invest in the seafood industry, but not in the traditional salmon and herring fisheries where Bristol Bay residents are now financially at risk.

Fourth, a successful investment fund such as the Alaska Seafood Investment Fund can attract significant third party debt and equity investors, amplifying the impact of the CDQ program and contributing to the growth of the Fund after the CDQ program has ended.

### *Investment Policy – The Target Market*

The following principles will be followed in selecting investments for ASIF.

- (1) Investments will be made in a diversified portfolio of Pacific northwest seafood businesses. They will be diversified by region, by fishery, and by type of asset (i.e. from fishing vessels to seafood marketing companies).
- (2) Investments will be made in companies with sound management. ASIF will be operated as an investment company, not a management company.

- (3) Investments will be selected to generate a cash surplus and pay immediate dividends. Investments will be in businesses which do not require the retention of earnings to finance growth.
- (4) Investments will be made outside Bristol Bay's fully developed sockeye salmon and herring fisheries.
- (5) Investments by ASIF will not contribute to over-capitalization in Alaska's seafood industries. Participation will be sought in currently operating assets.

Examples of seafood businesses in which ASIF might invest include:

- The partial buyout of the owner of a successful groundfish or crab catcher vessel with continued management by previous owner.
- Participation in an expanding crab-catcher processor or h&g factory longliner.
- Provision of equity and working capital to an outstanding fish broker that enables them to trade fish and do value-added processing. This might be used to leverage early and late salmon season and value-added markets for local fisheries.
- Participation in a value added processing or reprocessing facility or technology. An example is a specialized flatfish filleting and freezing operation when advanced filleting equipment under development becomes available.

## **F. Conclusion**

The BBEDC has adopted a fiscally conservative approach to investment of CDQ proceeds. The Community Development plan focuses primarily on increasing employment and economic activity through developing the human resources of the Bristol Bay region. To do this, CDQ proceeds will be invested in a diversity of well managed, successful seafood industry businesses with a goal of generating dividends. The dividends will primarily fund on-going training for Bay residents. Secondary goals will be infrastructure development and possible purchase of IFQs to enhance the investments made in seafood businesses.



**Proposal for a  
Community Development Quota  
by the  
Aleutian Pribilof Island Community  
Development Association**

**August 16, 1993**

**Mark Snigaroff, Chairman  
Alvin Mercurief, Vice-Chairman  
Justine Gundersen, Secty-Treas,**

**116 Gold Street  
Juneau, Alaska 99801  
907 586 3107  
FAX 586-1001**



# Executive Summary

## Introduction

The Aleutian Pribilof Island Community Development Association (APICDA) consists of small communities and villages located adjacent to, and in the middle of, one of the world's great fishery resources. All of the member communities are predominantly Aleut. The history of the people is one of reliance upon the sea. Yet, despite their proximity to fishery wealth, each community suffers from high unemployment, poverty, and a lack of a stable economic base.

APICDA's purpose is to develop commercial fishing industry related opportunities to enhance the long term social and economic viability of its member communities and residents. APICDA's goals are to:

- Promote employment opportunities with capital investment funds;
- Relieve chronic social problems through the creation of jobs and economic stability and the encouragement of educational opportunity;
- Promote community control over their individual economic and social destinies; and,
- Assist each community to make the transition from reliance upon a CDQ allocation to economic and social self-sufficiency.

The future prosperity of APICDA and its member communities is dependent upon the productivity of the Bering Sea and Aleutian Islands fisheries, and the economic health of the industries that rely upon it. For APICDA to successfully enter and compete in the sophisticated and dynamic industry which commercially utilizes the fishery resources, it must be cautious and it must define a niche which enables it to capitalize upon its peculiar advantages. To do so, APICDA must have a perspective of the future of the industry and develop a program that is built upon that perspective. There are three factors, in particular, that impact APICDA's perspective: the economic health of the seafood industry, APICDA's proximity to the fishing grounds, and the prospect of limited access to fishing rights.

## Economic Health of the Seafood Industry

APICDA believes the economic health of the seafood industry is precarious and deteriorating. Three problems in particular face the industry: over capitalization, shortened seasons, and depressed markets.

## Executive Summary

It is established that the commercial fishing industry is over-capitalized in both the harvesting and processing sectors. Although harvest levels have remained generally stable, the excess effort has resulted in shorter and shorter fishing seasons. This has resulted in higher operating costs and lower gross value. Hundreds of millions of dollars of processing and harvesting equipment lies idle for months at a time with no opportunity to realize a return from the investment. To compound the problem, the wholesale value for many species has plummeted.

The North Pacific Fishery Management Council is developing a comprehensive rationalization program to address these problems, but it is unlikely the program will be implemented for several years. In the interim, it is likely that many companies will become bankrupt.

APICDA and Trident/Starbound believe it is crucial to be extremely cautious when considering investments in today's seafood industry. During the next two years, excellent investment opportunities will become available at prices that are substantially cheaper than the same opportunity today.

### **Proximity to the Resource**

The APICDA member communities are strategically located in the Aleutian Island/Bering Sea region. They are close to the fishing grounds, the shipping networks, and the transportation corridors. As the economic health of the fishing industry deteriorates, and as fishing seasons become shorter and shorter, the location of support services becomes more and more important to the industry. Time and ease of access is critical during periods of short fishing seasons.

The provision of support services is impossible without local infrastructure such as docks and harbors; as infrastructure is added, the support services can be provided. This will result in the development of business opportunities and jobs, from which both APICDA and local residents will benefit. In this manner, stable local economies can be fostered.

APICDA views the location of its member communities as an economic asset — but an asset that must be developed in order to realize its value.

During 1993, APICDA embarked upon an infrastructure development program to provide needed support services for the industry and to develop the foundation for

## Executive Summary

future economic growth and stability in our member communities. If an adequate CDQ is received, that program will be completed during CDQ years 1994/95.

At its conclusion, adequate dock and harbor facilities will exist in each of our communities; this, in turn, will provide the industry with access to support services in locations that are immediately proximate to the fishing grounds, the shipping networks, and the transportation corridors. The board believes this will provide substantial opportunity for business investment and development.

Through APICDA's *quid pro quo* program, we are acquiring land and other access rights to the property immediately adjacent to these infrastructure projects; as a result, APICDA will be strategically situated to participate in and profit from the investment and development that occurs.

During 1993, the Zapadni Bay harbor will finally be completed on St. George Island. APICDA has contributed \$1.2 million toward this project. In the months immediately following APICDA's commitment to complete this project, a fuel tank farm was constructed to serve the industry and numerous processing companies have indicated their desire to construct shoreside processing facilities in the harbor.<sup>1</sup>

Another example of the value of infrastructure development is found in False Pass. The new False Pass City Dock was completed in September of 1992. During 1993, APICDA has provided the city with \$400,000 to extend water and sewer services to the dock. With the new facility operational, one major groundfish mothership company has announced their desire to permanently moor their vessel in False Pass and become a shoreside processing facility. Additionally, a major shipping company has indicated their desire to use False Pass as a transportation hub for their Alaska Peninsula/Bristol Bay freight operations. Neither of these events would have been possible without development of the dock and port facility.

The fishery support sector — the sector that offers support services to the harvesting and processing sectors — is not over built. Unalaska/Dutch Harbor is currently the only port in the Bering Sea which offers a wide array of support services, and it is several hundred miles distant from many of the fishing grounds. The APICDA communities are geographically more proximate to many of these grounds, and should be developed so that they can function as satellite, support service outposts. APICDA

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<sup>1</sup>One of the companies, Snopac Products, has announced plans to construct a shoreside facility in 1994. Until now, Snopac has only operated floating processing vessels.

## Executive Summary

plans to join with its member communities to develop these support services to our mutual, social and economic benefit.

### **The Impact of Limited Access**

The North Pacific Fishery Management Council is developing a comprehensive rationalization program to address over capitalization in the commercial fishing industry. Additionally, the Council has approved a limited access program for sablefish and halibut that is scheduled to be implemented during 1995.

In the APICDA communities, there is no more valuable right than the right to fish commercially. To the extent that local residents do not receive IFQ, and/or to the extent that the accompanying CDQ programs for halibut and sablefish are insufficient to meet the harvest needs of local residents, APICDA must be willing to participate in programs designed to assist local residents in acquiring IFQs. This will be necessary to assure continued and expanded local participation in the fisheries.

As groundfish and crab limited access programs are developed, APICDA must position itself to gain harvest and/or processing rights. When contemplating purchases of vessels or company, the catch and production history of the vessel or company must be acquired.

### **Equity Acquisitions**

As described above, APICDA believes the economic health of the seafood industry is precarious and deteriorating. APICDA, and Trident/Starbound, believe it is crucial to be extremely cautious when considering investments in today's seafood industry. During the next two years we believe some excellent investment opportunities will become available at prices that are substantially cheaper than the same opportunity today.

The exercise of caution does not necessarily mean that it is the wrong time to consider any investment: as documented in the *confidential* appendix to this CDP, APICDA is currently contemplating some equity acquisitions. Decisions on one or more of these investments will be made by the end of 1993. A decision to acquire equity in one or more of these opportunities will reduce APICDA's current balance and impact income and expense projections for 1994 and 1995. The projected profit and loss statements shown in Chapter 4, Table 4.7 do not reflect these possible acquisitions.

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To avail itself of equity opportunities, APICDA must acquire and conserve capital. When making investments, APICDA must review a variety of factors to properly gauge the value of the opportunity. These include:

- The willingness of the seller to continue to participate as a owner.
- The managerial capability of the organization;
- The type of established markets the company has developed;
- The catch and/or processing history of the company; and.
- The flexibility of the company to participate in a multitude of fishery activities.

These factors must be evaluated against the needs, the philosophy, the perspective of the future, and the goals and objectives of APICDA. The APICDA Board of Directors will be extremely careful as it reviews investment opportunities during the next two years. The acquisition and preservation of capital is critical to developing the flexibility necessary to take advantage of the investment opportunities available during the next few years.

### Training, Employment & Education

APICDA is directly responsible for the employment of approximately 50 individuals through August, 1993. Our numerical goal for 1994 and 1995 is to increase and maintain that number at 80; our primary goal, however, is to ensure that any resident of any APICDA community that desires a job, or training for a job, can have that desire realized.

Trident/Starbound offers a substantive program to APICDA. First, from an employment perspective, they offer *preferential hire* for any job in any of their facilities or locations to qualified residents of APICDA communities. Where there is interest on an individuals part but the requisite skills are not present, the training program provides that individual with the opportunity to accrue the skills necessary to qualify for the job. The scope of the Trident/Starbound operations, facilities, and locations provides APICDA residents with a full array of job and training opportunities.

The objectives of APICDA's internal training program include:

## Executive Summary

- a.) To provide meaningful employment and training opportunities;
- b.) To ensure that all residents of APICDA communities fully understand the program and the opportunities;
- c.) To anticipate local job opportunities and the skills which may be required as a result of APICDA's capital investment program, and provide local residents with the necessary skills to fill those positions;
- d.) To provide vocational training opportunities at recognized learning institutions for jobs requiring special skills; and.
- e.) To promote expanded fishery-related education programs in local schools.

APICDA has allocated the sum of \$300,000 per year to support its training program. The draft budget consists of the following:

	<u>Month</u>	<u>Annual</u>
Community Liaison Officers(7 total @ \$1,000/month)	7,000	84,000
Communications, Community Liaison Officer Conference	2,000	24,000
Curriculum Contributions (six schools @ \$6,000/year)	3,000	36,000
Travel Fare Assistance	2,083	25,000
Tuition for Vocational Schools	5,000	60,000
Higher Education Scholarships	4,167	50,000
Miscellaneous	1,750	21,000
<u>TOTAL</u>	<u>25,000</u>	<u>300,000</u>

APICDA employs one individual in each of its communities to act as a Community Liaison Officer (CLO). The CLO serves as the on-site coordinator and resource individual for APICDA's training and education program. The CLOs are residents of the community who understand the educational background, aptitude, and the employment needs and desires of local residents. The CLO serves as the direct liaison between the community, APICDA and Trident/Starbound. The CLOs are compensated with APICDA revenues, and may also participate in the education and vocational segments of the program.



## Executive Summary

APICDA believes that the best program for the future begins in the school. Accordingly, APICDA has allocated \$36,000 annually from its training budget to be distributed to the local schools in the member communities. APICDA intends that this grant will be used to develop local education programs at the primary level that focus on the sea and on the fisheries. The program should pay attention to the conservation aspects of fishery management as well as the economic and vocational aspects of the industry.

APICDA allocated \$25,000 of its training budget to provide travel assistance to local residents who are participating in the training and education program. This assistance ensures compensation, full or partial, for air fare for trainee travel to and from the community to the job site when the air fare is not part of the employment package. Room and board at the job site are part of the employment package offered by Trident/Starbound.

Despite the scope of the training opportunities available through Trident/Starbound, there are certain skills which may require participation in a more formal vocational education program. APICDA has budgeted \$60,000 to provide tuition assistance to individuals who participate in the program. These funds will be targeted to the skills needed to fill the employment opportunities made available as a result of APICDA's economic program.

Although APICDA has established an Education Endowment Fund, the funds available will be insufficient for a number of years to provide sufficient earnings income to fund satisfactory higher education scholarships. In the interim, the board has allocated \$50,000 as college scholarships. These scholarships are distinct from the tuition assistance provided to residents who are enrolled in vocational education institutions.

### Shoreside Training Program

The shoreside processing industry in Alaska generates a direct annual payroll in excess of \$175 million. While many of the jobs are low paying, a surprising number of high paying employment opportunities exist for individuals with the required skills. These positions include, but are not limited to, engineers, equipment techs, electricians, refrigeration specialists, and diesel mechanics. Many of these skills are also transferable to other occupations and locations.

The seafood industry is Alaska's largest employer. The level of resident participation in the industry, however, is relatively low. One of the hurdles facing Alaskans in general who seek employment in the processing industry is lack of training. This is especially true for many of the skilled positions that offer higher levels of compensation.

## Executive Summary

To address this training need, APICDA and Trident/Starbound propose to investigate the establishment of a Shoreside Training Program (STP) at Trident's shorebased plant in Akutan. The purpose of the program would be to provide training to Alaskans in the skilled positions which are available within the shoreside processing sector. The program would be located at Trident's Akutan processing plant, and would occur during the time period between the "A" and "B" Seasons when the plant is lying idle.

Trident's plant in Akutan is an extremely large seafood processing facility. The plant has the capability to process pollock into surimi, deep skinned fillet blocks, regular skinned fillet blocks, mince blocks, individually quick frozen fillets, and meal. In addition, virtually all other species of groundfish and traditional species, such as salmon, herring, crab, and halibut, are processed in Akutan. Over the past decade, this facility has become the most diversified processing plant in the world, with the widest range of modern processing equipment and accompanying machinery. In many respects, the Akutan facility operates as a small city, since virtually all of the skills required to maintain a small city are also necessary to maintain the Akutan plant.

The initial approach that APICDA and Trident/Starbound intend to explore is to select a resident from one of APICDA's communities to undergo formal training through AVETEC and perhaps other vocational institutions (there is, for example, an excellent net hanging course offered at Astoria, Oregon). Following completion of the training program, this individual would be placed in an intern position with Trident/Starbound where the individual would acquire hands-on experience. Upon completion of this aspect of the program, the individual would become the facilitator for a larger program.

APICDA and Trident/Starbound will approach AVETEC to propose a joint venture to facilitate the STP. The curriculum design will be developed in conjunction with AVETEC, and AVETEC personnel may be used as instructors. Companies which supply the industry with specialized equipment, such as Baader, will also be approached to solicit their support and participation in the program. The STP will use actual processing equipment and provide on-the-job training in a specialized arena to provide the students with practical experience. Much of this equipment is not available at the AVETEC facility in Seward.

An employment referral system will be developed in conjunction with other shoreside and associations to assist successful trainees in securing employment positions following completion of the program. At-sea companies and associations may wish to participate as well.

## Executive Summary

The details of the Shoreside Training Program have not been established, nor have the costs and sources of funding for the program been quantified. APICDA and Trident/Starbound, hopefully in conjunction with AVETEC, will present a report to the state by the end of 1993 outlining the particulars of the program. In the absence of significant difficulties, the program could be implemented during 1994.

APICDA and Trident/Starbound believe that this program offers many potential benefits to Alaskans from all regions, and to the seafood processing sector in general.

### **Education Endowment Fund**

Separate and apart from the training program discussed above, APICDA established an Education Endowment Fund to provide assistance to those residents who desire to seek higher education. Revenue for the fund was initially generated by a 1% automatic allocation of the after tax net revenues. This amount was supplemented with 50% of the raw fish tax APICDA voluntarily remitted to the state (the 50% which would have been returned to the communities was directed into the fund). The amount of revenue contributed to the fund during the 1992/93 CDQ years will be approximately \$90,000.

The Education Endowment Fund will require years of contribution before it has developed economic reserves sufficient to generate earnings which can be used for scholarship programs. During the interim, APICDA will fund higher education scholarships through its training and education budget (see Section 3.5.1.5 above) and by seeking additional scholarship funds from other non-profit foundations.

### **Product Diversification Program**

Alaska has long served as a primary processing center for the nation and the world's seafood. Fish harvested in Alaska is minimally processed and then exported to the Lower 48 or overseas, where secondary processing activities occur and value is added. There are many reasons why this occurs, including the cost of transportation, proximity to markets, and lack of cold storage holding capacity. APICDA and Trident/Starbound believe, however, that opportunities exist for greater emphasis on product diversification in Alaska. If properly developed, these opportunities will result in a greater economic return from Alaska fisheries to the fishermen, the processing sector, the communities, and the state.

APICDA and Trident/Starbound propose to commence a Product Diversification Program (PDP) during CDQ years 1994/95. The goal of the PDP will be to develop new products from existing harvests and/or encourage the development of secondary

## Executive Summary

processing activities. The program will draw upon Trident's extensive history of innovation in product development, Trident's corporate relationship with ConAgra (one of the largest food conglomerates in the United States, with annual sales of \$20 billion), Starbound's flexibility as a mobile catcher/processor, and APICDA's fiscal resources and commitment.

The key to successful finished product development requires processing technology innovation and market development: with Trident's modern product testing facilities at Anacortes, Washington, with the assistance of ConAgra, with Starbound's flexibility and drive, and with the combined efforts of shoreside and at-sea production, APICDA and Trident/Starbound can be the key to the production and promotion of finished seafood products that enhance the value of Alaska's resources.

This program is designed to be an integrated effort between APICDA, Trident, and Starbound. Certain aspects of the program will be conducted on an individual basis, but the results will be shared between the parties so that each can benefit.

The initial product development effort of the PDP will focus on three salmon products:

- Boneless/Skinless Deep Skinned Pink Salmon Fillet Blocks
- Pink Salmon Mince Blocks
- Frozen and Fresh Salmon Sides

The respective roles of Trident, Starbound, and APICDA in the PDP are:

1. Trident will concentrate its activities on product development utilizing its testing facilities in Anacortes and its processing plants in Alaska. Trident is considering installing a cannery in Sand Point to augment its cold storage/freezing operation. Installation of the cannery would provide Trident with the flexibility to high grade pink salmon between high and lower quality fish. The lower quality pinks would be canned, and the higher quality pinks would be filleted into boneless/skinless fillets or otherwise processed to maximize their value. Meat from the frames of the filleted pinks could be extracted and minced; thereafter they could be formed into salmon nuggets or other product forms.

Trident will also investigate other alternatives for salmon and groundfish species.

2. APICDA and Starbound will develop a joint investment program through which each will contribute capital or funds for the product diversification program. The initial goal of this effort will be to focus on the production of boneless/skinless pink salmon

## Executive Summary

fillets. The products will likely be marketed through Trident and ConAgra, assuming quality and other standards are met. A separate marketing label may be developed for this product under the auspices of APICDA and Starbound. Profits, if any, will be shared based upon the respective contributions of APICDA and Starbound.

APICDA has tentatively allocated \$100,000 in each of the two CDQ years (1994 and 1995) toward this effort with Starbound.

By the end of 1993, APICDA and Trident/Starbound will complete an assessment of the opportunities and needs associated with product diversification. The assessment will realistically evaluate market conditions, market opportunities, costs and other factors that will impact the PDP. Following a review of the assessment, an implementation program and timeline will be developed. The implementation program and timeline will be established by February 15, 1994.

### Projects

Dependent upon the size of APICDA's CDQ allocation the following community development projects are anticipated:

- Construction of a dock facility in Nelson Lagoon during 1994, in conjunction with the Aleutians East Borough. The anticipated expenditure by APICDA is \$1 million.
- Construction of a dock facility in Atka during 1994. This will require matching funds from other entities. The total cost of the project is estimated to be \$3 million; APICDA has allocated \$1.75 million for this project.
- Installation of a boat ramp and other infrastructure development in Nikolski during 1994. The anticipated expenditure by APICDA is \$250,000.

Other projects that APICDA is considering investing in are listed below; some of these may not come to fruition as the board may determine the investment would not be wise — conversely, other projects not listed below may become viable.

- Equity ownership in fishery support related activities in St. George (start up in 1994):

## Executive Summary

- Fair market rates of return on money loaned in St. George to finance public work projects (start up late 1993 or early 1994);
- Equity ownership in the processing facility in Atka (operational in 1994);
- Equity ownership in two fishery support service businesses in False Pass (start up 1994 or 1995);
- Equity investment in various Bering Sea commercial fishing vessels and/or processing operations (1993, 1994, and/or 1995); and.
- Equity investment in support service businesses in the Bering Sea/Aleutian Island region.
- Equity ownership in a fuel tank farm in Atka, and potentially in Nelson Lagoon and False Pass (operational in 1995 or 1996);
- Equity investments with the Nikolski Fishermen's Association to harvest the halibut CDQ (start up in 1995) ;
- Equity investments in tourism in Nikolski (start up in 1995);
- Equity ownership in a cattle ranch in Nikolski to provide meat to the fishing industry (1995);
- Equity ownership in a small value-added processing facility in Nelson Lagoon (1994 or 1995).

### Transition Schedule from CDQ to Self-Sufficiency

Transition to self-sufficiency is largely dependent upon the amount of CDQ granted APICDA, the term of the program, and the decision on the tax status of CDQ royalty payments. Through its *quid pro quo* program to secure access to other economic activity in its member communities in exchange for funding infrastructure development, APICDA believes it will secure solid private sector equity investments in a number of varied fishery-related economic activities in different communities. APICDA also intends to develop equity investments in other fishery-related businesses that may not be located within an APICDA community, but provide employment opportunities to

## Executive Summary

APICDA residents and income to APICDA itself. These investments and activities will reduce the member communities reliance upon state and other assistance programs.

APICDA intends to become self-sufficient by the end of 1995. A large number of variables beyond our control will affect that goal:

- The seafood industry is very dynamic at present. Over-capitalization is having a profound impact upon the industry, and profitability is being driven down due to shortened seasons.
- The management system, while struggling to address the problems of over-capitalization, is hostage to a bureaucratic process that will add years to any decision before it is implemented.
- Prices are unreliable from one year to the next.
- Fluctuations in harvest quotas may increase or decrease the amount of CDQ available for harvest, thereby affecting income.
- The amount of the CDQ which will be received by APICDA is unknown.

These and other factors combine to make long term planning difficult. Nevertheless, APICDA must assume that the CDQ program will sunset at the end of 1995; therefore, our goal from the beginning has to place ourselves in a position to be able to survive economically beyond 1995 if the program is not continued. Our financial condition on January 1, 1996 will depend upon the variables addressed above, other factors, and our ability to wisely utilize the financial and other resources at our disposal. We will survive.

### **CDQ Requested**

APICDA requests a CDQ during 1994 and 1995 of 27% ( approximately 27,000 mt) each year. As shown in Table 4.2 (see Chapter 4), this level of CDQ will generate approximately \$3.55 million of after tax revenue in 1994, and \$3.55 million of after tax revenue in 1995. A CDQ at this level should allow APICDA to become self-sufficient by the end of 1995 if the conservative income and harvest projections prove to be accurate.

## Executive Summary

Table 4.6 in Chapter 4 provides an overview of projected income and expenses by category for APICDA during 1993. We project total revenues of \$6 million, and expenses of \$5.2 million. The \$6 million in revenues includes \$1.8 million from the 1992 base fee earned in 1992 but paid in 1993. The expenses include \$2.15 million in funds set aside to address potential tax liability associated with unrelated business income, and capital project expenditures of approximately \$2.2 million. After including the ending balance from 1992, APICDA projects that it will end 1993 with \$1.76 million in unallocated funds.

Table 4.7 of Chapter 4 provides an overview of projected profit and loss statement for CDQ years 1994 and 1995. The table provides a breakdown of projected income and expenses by category (drawn from the other tables in this chapter). The beginning balance for 1994 represents the projected unallocated funds remaining at the end of 1993; the beginning balance for 1995 includes the projected unallocated funds remaining at the end of 1994. In both cases, the use of unallocated funds by APICDA for equity investments will necessarily reduce the unallocated funds and beginning balances.

Based upon projected income and expenditures, and a CDQ allocation of 27%, APICDA projects unallocated funds (profit) of \$1.3 million at the end of 1994 and \$3.9 million at the end of 1995. These unallocated funds will be used to fund APICDA's equity investment programs.

APICDA is currently considering several equity investments. Decisions on one or more of these investments will be made by the end of 1993. A decision to acquire equity in one or more of these opportunities will reduce APICDA's current balance and impact income and expense projections for 1994 and 1995. The projected profit and loss statements shown in Table 4.7 do not reflect these possible acquisitions.

Appendix 1 to Chapter 4 describes two of APICDA's possible equity investments, and project the impact of the possible acquisitions upon APICDA's income and expense projections. *This information is considered proprietary and confidential.*

### Part 1 Community Eligibility

The Aleutian Pribilof Island Community Development Association (APICDA) is composed of fishermen's associations from the following eligible communities: Atka, St. George Island, Nelson Lagoon, False Pass, and Nikolski.



## Executive Summary

Although the communities of Unalaska and Akutan were determined not to be eligible communities, APICDA included the fishermen's association from each of the two communities as ex-officio members of APICDA. The fishermen's representative from Unalaska and Akutan, respectively, hold non-voting seats on the APICDA Board of Directors.

APICDA continues its objection to the exclusion of Akutan as an eligible community, and hereby petitions the Governor to designate Akutan an eligible community. Documentation in support of this petition is found in Chapter 1.

### Part 2 Applicant Qualifications

The Aleutian Pribilof Island Community Development Association (APICDA)'s Board of Directors consists of six voting members and three ex-officio, non-voting members. Of the six voting members, five are commercial and/or subsistence fishermen from the eligible communities of Atka, St. George Island, Nelson Lagoon, False Pass, and Nikolski. The sixth voting member is a resident of Halibut Cove, Alaska with expertise in the seafood industry.

Eight-three percent of the voting members are commercial and/or subsistence fishermen from eligible communities.

Of the three ex-officio, non-voting members, two are commercial and/or subsistence fishermen from the communities of Akutan and Unalaska. The third is a resident of Anchorage with expertise in the financial community.

The following is a list of the Board of Directors, their community of residence, and voting status on the board:

Mark Snigaroff	Atka	Voting Member
Alvin Merculief	St. George Island	Voting Member
Justin Gundersen	Nelson Lagoon	Voting Member
Gilda Shellikoff	False Pass	Voting Member
Leon Ermeloff	Nikolski	Voting Member
Jim Branson	Halibut Cove	Voting Member
Daryl Pelkey	Akutan	Ex-Officio, Non-Voting Member
Mike Swetzof	Unalaska	Ex-Officio, Non-Voting Member
James O'Connell	Anchorage	Ex-Officio, Non-Voting Member

Contact individuals for APICDA include:

Mark Snigaroff, Chairman  
P.O. Box 47307  
Atka, Alaska 99547  
(907) 839-2249  
FAX 829-2234

Alvin Mercurief, Vice-Chairman  
P.O. Box 948  
St. George Island, Alaska 99591  
(907) 859-2263  
FAX 859-2212

Larry Cotter, Professional Services  
Pacific Associates  
116 Gold Street  
Juneau, Alaska 99801  
(907) 586-3107  
FAX 586-1001

### Part 3 Managing Organization

The APICDA Board of Directors serves as the managing organization of APICDA as envisioned in 50 CFR 675.27. In accordance with its' Articles of Incorporation and By-Laws, the Board of Directors is responsible for managing the property and the business of APICDA. It is empowered to make and change the internal rules and regulations necessary to manage the business affairs of APICDA. It has the sole authority to establish policy, make managerial decisions, formulate budgets, approve capital projects, training and education grants, and resolve matters which may impact the future of the organization.

The Board of Directors functions as a local economic development organization, incorporated as a non-profit 501 (c) (3) corporation under the laws of the State of Alaska, for the specific purpose of designing and implementing the CDQ project. The voting membership of the Board follows:

Mark Snigaroff,	Chairman, APICDA Board of Directors
Alvin Mercurief	Vice-Chairman, APICDA Board of Directors
Justine Gundersen	Secretary-Treasurer, APICDA Board of Directors

## Executive Summary

Gilda Shellikoff	False Pass Fishermen's Association
Leonty Ermeloff	Nikolski Fishermen's Association
Jim Branson	Self employed consultant

There are three non-voting, ex-officio, members of the Board:

Darryl Pelkey	Akutan Fishermen's Organization
Mike Swetzof	Unalaska Fishermen's Assoc.
James O'Connell	Senior Vice President, National Bank of Alaska

The board chose to retain three professional service firms to assist APICDA in implementing its program. The firms selected include: Pacific Associates, a Juneau consulting firm with expertise in commercial fisheries, the maritime industry, fishery enforcement, government relations, and management and administration; the Anchorage law firm of Birch, Horton, Bittner and Cherot, with expertise in corporate law and structure, taxation, and Native affairs; and, the Anchorage accounting firm of Coopers and Lybrand, with expertise in financial accounting and audit services. A further review of the role and capabilities of each of these companies is found in Chapter 5, Sections 5.3.1, 5.3.2 and 5.3.3.

### Part 4 Joint-Venture Partnership

#### A. Partner Specifications

APICDA's CDQ partner is Trident Seafoods Corporation and the Starbound Partnership. Both companies are 100% American owned, and all shareholders are American citizens.

The address for Trident Seafoods:

Trident Seafoods Corp.	Phone: (206) 783-3818
5303 Shilshole Ave NW	FAX: (206) 781-7883
Seattle, Washington 98107	Contact: Joe Plesha
Federal ID # 47-0702463	

Starbound Partnership corporate information is:

Aleutian Spray Fisheries	Phone: (206) 285-5549
4039 21st Ave W	FAX: (206) 285-3792
Seattle, Washington 98199	Contact: Cory Swasand
Alaska Business License #BL104259	

**B. Harvesting Vessel Specifications**

Vessels which will be used to harvest CDQ pollock for APICDA, and pertinent information, are shown below. Each of the vessels is a catcher only vessel which delivers to a shoreside processor (Trident Seafoods) except for the F/T Starbound which is a factory trawler. Documents verifying the following information are found in Appendix 2 of Chapter 4 of the 1992/93 APICDA CDQ application.

a.) Ownership: Royal Viking Corporation (Owner — Trident Seafoods)

Aldebaran	ON 664363 — ADF&G 48215 — FFPN AK940201A
Columbia	ON 615729 — ADF&G 39056 — FFPN AK941228A
Pacific Viking	ON 555058 — ADF&G 00047 — FFPN AK940422A
Viking Explorer	ON 605228 — ADF&G 36045 — FFPN AK941116A

b.) Ownership: Trident Seafoods Corporation

Arcturus	ON 655328 — ADF&G 45978 — FFPN AK940533A
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c.) Ownership: Aleutian Spray Fisheries

Starward	ON 617807 — ADF&G 39197 — FFPN AK940417A
Starlite	ON 584684 — ADF&G 00961 — FFPN AK940428A

d.) Ownership: 90% Aleutian Spray Fisheries  
10% Ernest Swasand Enterprises

Starfish	ON 561651 — ADF&G 00012 — FFPN AK941167A
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e.) Ownership: 50% Blue Boats Corporation  
50% Karre Ness

Nordic Star	ON 597065 — ADF&G 34931 — FFPN AK941998A
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**C. Processing Specifications**

a.) Trident Seafoods — Akutan Shore Plant

Ownership: Trident Seafoods Corporation  
Permit No: Ak 67

## Executive Summary

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b.) F/T Starbound      ON 944658 — ADF&G 57621 — FFPN AK943414A

70% Aleutian Spay Fisheries, Inc.  
10% Ohai Enterprises  
10% SeaRay, Inc.  
10% S. Swasand Corp.

**Central Bering Sea Fishermen's Association  
COMMUNITY FISHERY DEVELOPMENT PLAN**

**Submitted by:**

**Central Bering Sea Fishermen's Association**

P.O. Box 88

St. Paul Island, Alaska 99660

-

1500 W.33rd Ave. Suite 110

Anchorage, Alaska 99503

(907)279-6566

Contact: Agafon Krukoff, Jr.

or,

William N. Arterburn

Pribilof Bering Seafoods, Ltd.

(907)278-2314

**Fishing Partners:**

**American Seafoods Company, Inc.**

2025 First Ave., Suite 900

Seattle, Washington 98121

(206)448-0300

Contact: Bernt Bodal

**Icicle Seafoods, Inc.**

4019 21st Avenue West

Seattle, Washington 98199

(206)281-0303

Contact: Don Giles

**Prepared by:**

**CBSFA Board and Management**

with

**Pribilof Bering Seafoods, Ltd.**

William N. Arterburn

Executive Vice President

## EXECUTIVE SUMMARY

Central Bering Sea Fishermen's Association is pleased to present this resubmittal and updated version of its Community Development Plan for Community Development Quota Program for the years 1994-95. We are requesting quota for these years in the amount of 20% of the available CDQ quota. We have been instructed by our Board of Directors to put our best foot forward, and try to express the sense of pressure and excitement on St. Paul, the accomplishments CBSFA made in its plan, and the legitimate need for fishing quota capital and the cooperation of the State of Alaska, to make a success story of the most promising location for fishery development in Alaska.

We have tried to do so in this updated version of our Community Fishery Development Plan. The plan does not differ strongly in direction from the CBSFA 1992-93 version, except that we have tried to focus on those concerns raised by the State, that resulted in CBSFA not receiving adequate fishing quota to do what needs to be done.

Late last November, as the State and all CDQ applicants were frantically trying to put together proposals and procedures so as to implement CDQs in time to catch 1992 quota, many details had to be given brief treatment. In CBSFA's case, the State cited its lack of satisfaction with the legal and contractual arrangements concerning CBSFA's proposed new shorebased processing facility with Icicle and American Seafoods. Subsequent discussion during the past nine months have further identified some of the State of Alaska's concerns.

CBSFA has put forth major effort to address those concerns, and we have lots to report to the State.

We speculated last year proposal that we could turn \$7 in improvements for every \$1 of CDQ investment on St. Paul. Our efforts to support infrastructure development on St. Paul have taken a turn that suprised even CBSFA. For the requested pledge of \$1,000,000 in CDQ funds for harbor dredge from our 1992-93 quota royalties, and the CBSFA Board's promise to do so, our CDQs have generated an industry and government response to our program that includes the following projects:

City of St. Paul Water System Improvements	\$1.5 million
Dredge of Inner Harbor (CDQ and Legislative)	2.3 million
Unipak Plant Construction	10.0 million
Icicle Barge Placement (Step 1 for onshore dev.)	.6 million
Unisea Barge Placement	1.2 million
Outfalls installation (Processor joint project)	1.5 million

**Domestic Sewer Capacity Additions  
Temporary Small Vessel Floating Dock**

**.9 million  
.5 million  
\$17.5 million**

Taken together, these projects total some \$16.50 in improvements for each dollar in CDQ expenditure that we proposed. Without CBSFA stepping forward on the dredge, none of these projects would have materialized. No Icicle barge, no Unipak plant, no Unisea barge, no water improvements.... CBSFA thinks this is pretty good leveraging, and a fairly good return on investment. We hope that the State will see fit to approve our program amendments for dredge that makes it all possible. That dredge, incidentally, has gone to bid, and the other projects mentioned have either already started, or are in the advanced stages of planning.

There are several other projects planned for 1994-95 that will complement the start we have made. CBSFA needs the quota to make it happen. The greatest fear that we have is that, after having convinced the community to open itself up for major development, we find ourselves cut short on the ability to develop the amenities and necessary community facilities commensurate with the level of development. For instance, one thing we see as clearly beyond the scope of CDQ, is the additional dredge needed to make sure our developed harbor does not become so plugged that business is impacted. This may cost up to \$7.0 million and we will be seeking this project from federal and State governments. We would undertake them ourselves if the quota was available.

While it is a good thing to have lots of development demand, it is a bad thing to not be able to deal with the impacts of that development and address the needs of our local residents. No development is worth the disintegration of the largest Aleut community in the world, nor are we particularly excited about development in which we cannot participate because of a lack of capital to maintain our interest. CBSFA and the community of St. Paul have taken the first steps here to fully open our community to fisheries and port development, and we sincerely hope that the State will not be lacking or inadequate in its response, assistance and cooperation.

St. Paul Harbor and Port can become a crowning success story in Bering Sea and Western Alaska fisheries development if we obtain the necessary support. CBSFA maintains its belief that this can only bode well for the fisheries development and participation efforts of other Western Alaska communities, for the CDQ experiment, and for the State as well.

With respect to the cornerstone proposal of our CFDP, the shorebased plant, and with respect to the State's concern about CBSFA showing some equity and long term potential for its investments, we have the following to report. A 45 year lease for prime commercial waterfront land on St. Paul has been



executed between the landowner and CBSFA/ISI/American Seafoods, who will undertake to develop the plant on a 1/3-1/3-1/3 basis. CBSFA will receive equity credit for \$750,000 of its dredge expenditures this summer and this project is a step closer with the agreement of the parties to this legal instrument. The lease, along with the broad details of the joint venture agreement, is provided on a confidential basis along with CBSFA's application. We are greatly pleased with the progress in our new shoreplant development, but concerned that we will not have the capital necessary to State for assistance in finding ways to finance development of the dock and physical plant necessary for this development.

In addition, CBSFA has secured for its fishermen a commitment to sublease certain tidelands for the development of a temporary and long term small vessel harbor facilities, moorage and vessel haul-outs for our local fishermen, projects which CBSFA would like to start in this CDQ period.

Other programs proposed by CBSFA have been kicked off as well and will mature under the next two years of CDQ. These include our vessel loan program (which loaned \$91,440 to eight different fishermen during the past year), our employment efforts which (with the construction projects identified above) will push CBSFA over its employment goals for 1993 as amended, our training efforts for local residents, our scholarship program, and the response of our community.

During the next two years, we expect to seriously look into harvesting sector investments and joint ventures, provide continued growth in our local fleet and local facilities necessary for fleet growth, kick off development oof our shoreplant, and develop some ventures that complement the fisheries development taking place in the community, such as the crab waste recycling plant.

CBSFA is maintaining its royalty relationship with American Seafoods with the agreement to purchase quota at the fixed rate of \$225/ton. We have been extremely satisfied with both American Seafoods and Icicle Seafoods, both of whom have shown remarkable patience and sensitivity to our needs, and have proved to be every bit of the partners we were expecting them to be. CBSFA has developed comfortable working relationships with both companies and their personnel.

In summary, CBSFA has reevaluated every item in our program, and accelerated our efforts to focus on producing sustainable results by the end of 1995 for our CDQ program and for CBSFA. We have attempted to clarify and communicate more clearly our goals and how we intend to achieve them. Not everything is as far along as we would like, but the goals of our program are clearly in focus for CBSFA fishermen, management, Board and community. We

are excited and confident about CBSFA's abilities to have an impact and a long-lived fisheries participation in the Bering Sea fisheries. We regret that there have been some communication difficulties with the State from time to time, but look forward to completing the efforts that CBSFA and the State have initiated in this CDQ program, and making our success the highlight of the CDQ effort. We hope to see our efforts and hard work backed up by the State with quota and with cooperation and assistance.

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**Community  
Development Quota  
Application Of Yukon  
Delta Fisheries  
Development Association  
For 1994 And 1995**

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Submitted To:  
The State Of Alaska  
In Support Of The Bering Sea  
Community Development Quota Program

Submitted By:  
The Yukon Delta Fisheries Development  
Association On Behalf Of The Residents  
Of The Native Communities Of:

- Alakanuk
- Emmonak
- Kotlik
- Sheldon Point

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August 16, 1993

## **1.0 EXECUTIVE SUMMARY OF THE YUKON DELTA FISHERIES DEVELOPMENT ASSOCIATION'S 1994 AND 1995 APPLICATION**

This document is the Yukon Delta Fisheries Development Association's (YDFDA) application to receive an allocation of 17,755 MT of Alaska pollock in both 1994 and 1995 under the Community Development Quota Program for the Bering Sea and Aleutian Islands (CDQ Program). To facilitate a thorough review of our application, we are providing appendices containing all of the information necessary to evaluate our needs, accomplishments to date, and merits of our request. The remainder of this introductory section contains the following:

- a description of the YDFDA organization;
- a summary of the current situation in our villages and why we desperately need an allocation of 17,755 MT;
- a reiteration of YDFDA's eligibility for the CDQ Program;
- a summary of accomplishments we have made over the past 10 months with only a 5,073 MT allocation;
- a portrait of our proposed 1994 and 1995 program and required CDQ allocation;
- a point-by-point discussion of how we have modified our 1994 and 1995 proposal to respond to the concerns voiced by the State during the 1992 application process; and
- estimates of how our proposed program, if adopted, would impact our communities.

### **1.1 Background on the Yukon Delta Fisheries Development Association and Participation in the 1992 and 1993 CDQ Program**

The YDFDA is an Alaskan not-for-profit community development corporation representing the Native American communities of: Alakanuk; Emmonak; Kotlik, and Sheldon's Point (Sheldon Point). The villages of Hamilton, Bill Moores, and Chaniliut are also communities within the geographic scope of the YDFDA. These villages are our traditional communities and now serve as seasonal fishing camps. Our traditional communities were abandoned because seasonal flooding rendered them unsuitable for permanent structures. While recognized as communities by both the U.S. Bureau of the Census and the Alaska Native Claims Act, they do not have year-round populations. These areas are, however, part of the populations served by the YDFDA, and in particular the residents of Kotlik. Our communities formed the Yukon Delta Fisheries Development Association in mid-1992 for the express purpose of stabilizing, and then developing, the economic base of the region known as the Yukon River Delta.

In November 1992, our communities made an application for an allocation of 17,755 MT of pollock to the State of Alaska under the 1992 and 1993 CDQ program. Our application was rejected and an award of only 5,073 MT of pollock was ultimately approved for late 1992 and 1993. Our understanding of the State's basis for rejecting our prior application, and how we have modified our program to address these concerns, is contained in Section 1.6 of this introduction.

## **1.2 Continued Need for a CDQ Allocation to the Yukon Delta Region**

Exhibit 1-1 is a summary of the most commonly used "indicators of need" for our villages. The characteristics of our group have been compared to those of the other groups applying for a CDQ Program allocation. This exhibit clearly indicates the merits of our application.

### **Population and Demographics**

- We have the youngest population and the highest proportion of children among the six groups. This means that as high as our unemployment rate currently is, absent a CDQ, it will grow much faster than in other CDQ applicant regions.
- We rank first (tied with one other CDQ region) for the highest proportion of Alaskan natives in the population.

### **Employment and Income**

- We have about one-half the number of jobs per household found in many of the CDQ regions.
- Our unemployment rate is the highest among the six groups and is four times that found in some of the CDQ applicant regions.
- About one-half of all jobs in our communities are with the government.
- Our per capita income is only \$6,519, compared with \$12,782 to \$15,115 found in three of the other CDQ applicant regions.
- Our median household income is among the lowest of the six groups even though we have the largest household size.

### **Poverty Status and Welfare Payments**

- One-fourth of our population lives in poverty.
- We require \$808 per person in welfare-type payments, compared with only \$58 in both the St. Paul and Aleutian Islands CDQ applicant regions.

### **Housing**

- Because of our income levels, 54 percent of our housing is overcrowded and about 75 percent lacks plumbing and kitchen facilities.
- Our median household size is the largest of the six groups, even though we have the smallest and most inadequate housing found in any CDQ applicant region.

# Summary Of Indicators Of Need For A CDQ Program Allocation

Indicator	YDFDA	Aleutian Islands Group	St. Paul	Norton Sound Group	Kuskokwim Group	Bristol Bay
Population	1,756	516	763	4,299	6,871	3,854
% Alaskan Native	94.5%	83.7%	66.1%	90.6%	94.5%	49.9%
Median Age (years)	21.3	30.6	28.0	23.6	22.8	29.2
% Children	44.0%	35.3%	25.7%	40.8%	42.0%	32.3%
Education (% persons age 25 and older with a high school education)	54.6%	58.4%	61.7%	56.0%	53.9%	79.9%
Jobs per Household	1.37	3.01	3.82	1.40	1.43	2.80
% Unemployed	31.1%	14.4%	10.8%	23.6%	19.7%	7.7%
% Government Jobs	48.9%	15.5%	56.2%	41.9%	47.9%	20.2%
Per Capita Income	\$6,519	\$15,035	\$15,115	\$10,701	\$8,916	\$12,782
Median Household Income	\$21,388	\$30,891	\$39,922	\$20,432	\$17,196	\$43,465
% Individuals Below Poverty level	25.1%	21.6%	7.1%	33.6%	40.9%	10.1%
Per capita Income Maintenance Transfer Payments	\$808	\$57	\$58	\$664	\$791	\$384
Median Household Size	4.28	2.87	3.68	4.04	4.20	2.90
% Overcrowded	54.1%	7.8%	14.3%	44.3%	48.6%	13.6%
% Lacking all Plumbing Facilities	74.3%	9.6%	0.0%	71.4%	80.8%	21.4%
% Lacking All Kitchen Facilities	75.0%	7.2%	0.0%	65.3%	77.4%	17.3%
Commercial Fisheries	Commercial fishery limited to about \$2 million in local income from salmon	Major commercial fisheries	Major crab fishery	Modest commercial fisheries	Modest commercial fisheries	\$200 million salmon fishery
Oil and Gas	No oil or gas	No oil or gas	No oil or gas	Potential Offshore oil and gas	No oil or gas	Potential oil and gas

YDFDA

1-3

Background and Overview

While these statistics speak for themselves, an objective description of the social and economic conditions in our community, included in a recently completed study by the Minerals Management Service, concluded that:

**"The Calista Region [of which the YDFDA member villages are a part] is the poorest in Alaska as measured by income, physical adversities from geographic isolation, and extremes in weather. The bulk of the inhabitants are Yupik-speaking Eskimos ... are experiencing a cultural, social, and economic transition marked by the loss of traditional ways and the adoption of new technologies, social forms, knowledge, and ideas. This transition is painful as many persons, bereft of some of the traditional customs and habits, have difficulty adjusting to current pressures on family, the need for formal education, and the adjustments to government-dependent local economies.**

**Educational opportunities are limited and high school drop-out rates are high, as are alcoholism and violent crime. The region has the lowest per capita income and the highest unemployment rate in the State of Alaska. Rates of unemployment at 60 percent are common and run as high as 90 percent in some villages. The region does not have the basic resources that have export potential. There has been a persistent reduction in Federal and State funding for community and economic development, and sources of private investment are very limited. There are many other obstacles to local economic development: local markets are small; energy, transportation, and infrastructure costs are high; communications are poor compared with other regions of Alaska; and the workforce is largely untrained and is growing rapidly because of high birthrates and low rates of migration out of the region. To exacerbate these problems, there is a growing competition for access to the region's fisheries resources. Social change, health problems, and meager economic opportunities have a feedback effect, with each problem exacerbating the others. There is a great need for increases in economic activity." (MMS, 1992).**

It is these conditions which form the basis for our plea to the State for equitable treatment under the CDQ program.

### **1.3 Summary of Eligibility Demonstrated by the YDFDA's Eligibility Statement**

Appendix E of this application contains a copy of our prior Eligibility Statement (dated November 6, 1992), which documented conclusively that our communities, association, board members, and contractor fully meet the State of Alaska (the State) and Federal requirements for eligibility for the CDQ Program. The following summarizes the conclusions found in our Eligibility Statement.

- Each YDFDA member community unequivocally meets the geographic requirements for the CDQ Program.
- All of the YDFDA communities were certified as native villages by the Secretary of the Interior pursuant to the Native Claims Settlement Act.

- Our residents conduct substantially more than 50 percent of their commercial or subsistence fishing activities in the Bering Sea.
- Until the CDQ Program, our communities have been unable to participate in the commercial fisheries of the Bering Sea, other than salmon. Our inability to participate in alternative fisheries relates to our region's complete lack of capital to invest in the industry. Furthermore, none of our communities has alternative natural resources for developing a sustainable local cash economy.
- The Yukon Delta Fisheries Development Association, Inc. is an Alaskan not-for-profit corporation and the materials provided as part of our eligibility statement show that the Association is appropriately structured, well-organized, and positioned for the responsible management of a pollock CDQ allocation.
- All YDFDA-affiliated communities were actively involved in the formation of our fisheries development strategy, the selection of our contractor, and the preparation of our CDQ application. Formal resolutions of support from each of our city councils for this application were previously provided to the State.
- Each of villages has two or three elected representatives on the Association's Board of Directors. Board membership is consistent with the CDQ eligibility requirements for Board Members because all board members are either commercial or subsistence fishers, permanently domiciled in our region, and eligible to receive Alaska Permanent Fund dividends in the community.

#### **1.4 Summary of Accomplishments Made With Our 1992 and 1993 5,073 MT CDQ Allocation**

In November 1992, we received a CDQ allocation of 5,073 MT. This represented a considerable reduction from our original request for 17,755 MT. In addition to the reduction in allocation, our initial plans were further stifled because of a requirement to set 40 percent of our royalties aside for tax liabilities pending notification of our tax exempt status. Combined the 72 percent reduction in our CDQ quota and 40 percent of remaining income put into an escrow account, provided us with only 16 percent of the funding we had anticipated around which to build our program. In spite of these impediments, we can demonstrate progress in all our initiatives and are extremely proud of our successes to date.

Our accomplishments to date are summarized by initiative in Exhibit 1-2. As you will see, we more than met our goals in each of these initiatives. You will also see that we have been successful in several of our initiatives by leveraging our CDQ funds with other sources of funds. Along the way, we encountered some problems and learned some valuable lessons. These are summarized in Exhibit 1-3. We have used the lessons learned in structuring our 1994/1995 CDQ request. Detailed below is a status report on each of the initiatives funded with our 1992 CDQ allocation.



## Proposed CDQ Activities And Accomplishments 1992-1993

Initiative	Target	Accomplishment	Comment
<ul style="list-style-type: none"> <li>■ Comprehensive Training Programs</li> </ul>	<ul style="list-style-type: none"> <li>• Number of individuals trained               <ul style="list-style-type: none"> <li>- 1992 - 20</li> <li>- 1993 - 20</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Number of individuals trained               <ul style="list-style-type: none"> <li>- 1992 - 24</li> <li>- 1993 - 50</li> <li>- Total individuals - 87</li> <li>- Total includes 7 Norton Sound residents</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• An additional 7 persons received training in 1992 using other funding sources</li> <li>• See Exhibit 1-4 for a summary of all training on the funding sources used</li> </ul>
<ul style="list-style-type: none"> <li>■ Placement of YDFDA residents in Golden Alaska harvesting and processing operations</li> </ul>	<ul style="list-style-type: none"> <li>• Number of positions filled by YDFDA residents               <ul style="list-style-type: none"> <li>- 1992 - 10</li> <li>- 1993 - 20</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Number of positions filled by YDFDA residents               <ul style="list-style-type: none"> <li>- 1992 - 12</li> <li>- 1993 - 35</li> </ul> </li> <li>• Two YDFDA residents have served as office interns in the Golden Alaska offices in Seattle</li> <li>• Total positions filled - 49</li> </ul>	<ul style="list-style-type: none"> <li>• Five persons moved up pay scale as they gained experience</li> </ul>

## Proposed CDQ Activities And Accomplishments 1992-1993 (Cont'd)

Initiative	Target	Accomplishment	Comment
<ul style="list-style-type: none"> <li>■ Eastern Bering Sea exploratory fishing research program</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct charting of coastal groundfish fishing grounds in Yukon Delta and Norton Sound</li> </ul>	<ul style="list-style-type: none"> <li>• Purchased two vessels (47 ft F/V Blue Dolphin and 53 ft F/V Nakat)</li> <li>• Outfitted vessels with 200 pots and deck gear</li> <li>• 24 persons trained in longlining and vessel operations using these vessels</li> <li>• Engaged vessels in Norton Sound crab fishery, summer 1993</li> <li>• Chartered F/V Trident for Norton Sound King Crab fishery, summer 1993</li> <li>• Used F/V Nakat to assist residents of St. Lawrence Island communities fish their halibut quota in area 4D-N</li> </ul>	<ul style="list-style-type: none"> <li>• Results of this initiative will serve as a key input for establishing the gear specifications for Initiative 6 in our 1994/5 Program</li> <li>• A JTPA grant used to pay for vessel operators and gear specialists for training program</li> <li>• 18 additional persons to be trained in longlining between July and September 1993 using a STEP grant to pay for trainers and vessel operators</li> <li>• Identified areas with commercial quantities of crab and halibut</li> </ul>

## Proposed CDQ Activities And Accomplishments 1992-1993 (Cont'd)

Initiative	Target	Accomplishment	Comment
<ul style="list-style-type: none"> <li>Salmon permit buy-back program</li> </ul>	<ul style="list-style-type: none"> <li>Establish program</li> <li>Buy back 3 permits</li> </ul>	<ul style="list-style-type: none"> <li>Program established. Funds not available pending IRS non-profit ruling</li> </ul>	<ul style="list-style-type: none"> <li>No permits available for buy-back have been identified, therefore, none have been purchased</li> </ul>
<ul style="list-style-type: none"> <li>Revolving fund for financing small-scale owner-operated longline vessels</li> </ul>	<ul style="list-style-type: none"> <li>Finance 5 long-line vessels</li> </ul>	<ul style="list-style-type: none"> <li>Association purchased two vessels (47 ft. F/V Blue Dolphin and 53 ft F/V Nakat) which have been used for longlining and crabbing</li> </ul>	
<ul style="list-style-type: none"> <li>Development of YDFDA-owned shoreside processing plant</li> </ul>	<ul style="list-style-type: none"> <li>Detailed study</li> </ul>	<ul style="list-style-type: none"> <li>Loan authorized to the Yukon Delta Fish Marketing Co-op</li> <li>Existing salmon plant is currently under renovation to handle groundfish</li> </ul>	<ul style="list-style-type: none"> <li>CDQ funds (\$250,000) used to match an EDA grant of \$680,000 and co-op funds of \$50,000 for a total package of \$980,000</li> <li>A separate \$500,000 Tribal Council HUD grant will be used to build a processing plant</li> <li>Both facilities to be jointly used for salmon and groundfish value-added processing</li> </ul>

**With a CDQ of only 5,000 MT, we outlined an ambitious program and met or exceeded all of our commitments**

## Problems Encountered And Lessons Learned In 1993

Initiative	Problems Encountered	Lessons Learned
<ul style="list-style-type: none"> <li>■ Comprehensive training programs</li> </ul>	<ul style="list-style-type: none"> <li>• 20% of those trained quit working on the processing vessel</li> <li>• About 16 percent of those trained initially have been terminated because of drinking or substance abuse problems</li> <li>• Developing long-term commitment and work ethic</li> </ul>	<ul style="list-style-type: none"> <li>• More rigorous screening is needed to identify individuals who can withstand the leadership of the industry</li> <li>• Need to establish or tie into a drug and alcohol rehabilitation program. Exploring the idea with the State of Alaska</li> </ul>
<ul style="list-style-type: none"> <li>■ Placement of YDFDA residents in Golden Alaska harvesting and processing operations</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities for advancement of residents on the factory trawler is more limited than expected because of low turn-over in better paying processing jobs</li> <li>• Drop in product price to less than half</li> </ul>	<ul style="list-style-type: none"> <li>• Real, long-term benefits of the YDFDA more likely to be in developing programs which promote self sufficiency for our residents than waiting for careers on factory trawlers</li> <li>• Increase effort to place residents with other processors</li> </ul>

## Problems Encountered And Lessons Learned In 1993 (Cont'd)

Initiative	Problems Encountered	Lessons Learned
<ul style="list-style-type: none"> <li>■ Eastern Bering Sea exploratory fishing research program</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional fishing overlaps with the exploratory fishing season. As a result, some of the best fishermen leave the YDFDA program for the traditional fishing and lesser skilled fishermen take their place</li> <li>• Length of time required to get gear assembled for community-owned fishing vessels is extensive</li> <li>• Community-owned vessels have limited flexibility</li> </ul>	<ul style="list-style-type: none"> <li>• Better schedule for operations</li> <li>• Make maximum use of top fishermen in community to develop groundfish</li> <li>• Length of time required must be taken into consideration but must not deter the goals of the YDFDA</li> <li>• Size of community-owned boats purchased henceforth will be smaller (in the 35 foot range) to ensure multiple uses and increase opportunities for use</li> </ul>
<ul style="list-style-type: none"> <li>■ Salmon permit buy-back program</li> </ul>	<ul style="list-style-type: none"> <li>• No permits available for buy-back were identified although the buy-back program is in place</li> </ul>	<ul style="list-style-type: none"> <li>• More vigorous efforts, such as a public awareness program, on the buy-back program may be needed</li> <li>• Expand program into herring</li> </ul>

## Problems Encountered And Lessons Learned In 1993 (Cont'd)

Initiative	Problems Encountered	Lessons Learned
<ul style="list-style-type: none"> <li>■ Development of YDFDA-owned shoreside processing plant</li> </ul>	<ul style="list-style-type: none"> <li>• Developing good public relations</li> <li>• Difficulty in lending money to a group you know well</li> <li>• Convincing all parties to conduct business in business-like manner</li> </ul>	<ul style="list-style-type: none"> <li>• Pay attention that all parties involved are well aware of all the facts from the beginning</li> <li>• Make sure everyone is well-informed</li> <li>• There are opportunities to leverage YDFDA funds from various federal grant programs. This was successfully done to expand the Emmonak salmon processing barge</li> </ul>

**We have been candid in recognizing our weaknesses and problems and modified our 1992-1993 program to address them**

## **1.4.1 Training Accomplishments**

### **Initiative Objectives**

The objectives of this initiative as stated in our November 1992 CDQ application are as follows:

- Assure that an appropriately skilled native workforce is available for all opportunities created in CDQ enterprises
- Provide technical knowledge to native workforce to assure that the qualifications are developed to move into high paying senior positions

### **Accomplishments**

As shown in Exhibit 1-2, we exceeded our training goal for 1992 and 1993. Our goal for each year was for 20 individuals to receive introductory training. As of August 11, 1993, an astonishing 74 training experiences involving 69 persons have been sponsored by the YDFDA, at least in part, using CDQ royalties. There were 24 training experiences funded in the last 2 months of 1992 and 50 training experiences funded in 1993. We clearly exceeded our training goal whether we consider the number of training experiences or the number of individuals trained. Five of our residents received CDQ-funded training in both years and two residents received two training experiences in 1993. Residents from all our communities participated in our CDQ-funded training.

The training was provided at two separate training centers and with our own small boat fisheries program. The initial course in November 1992 was held at the Seattle Central Community College Marine Training Center and focused on first aid and firefighting; marine safety and survival; and shipboard firefighting. The Alaska Vocational Technical Center's program provided training in fish finding; longlining; stability; vessel operator and crew safety; net construction and repair; and loran/radar. The Bering Sea Commercial Fisheries Development Foundation program focused on vessel operations; procedures; safety; emergency equipment and procedures; and processing equipment. In YDFDA's own small boat fisheries program, vessel operators and gear specialists were hired using JTPA funds, and more recently a STEP grant has been applied for, and the trainees receive a living stipend from our CDQ royalties.

The CDQ-funded training represents a large portion (53 percent) of the total number of training experiences YDFDA has been able to offer our residents and is a keystone in our development program. Exhibit 1-4 summarizes all the training experiences in 1992 and 1993. As this exhibit indicates, there have been 139 training experiences involving 87 individuals during 1992 and so far in 1993. The 87 individuals include seven Norton Sound residents who have participated in our CDQ-funded small boat fisheries program. About 43 percent of those participating in the programs listed in this exhibit have participated in more than one training experience. A list of the individuals trained, their community, and the training they received is provided in Exhibit 1-5.

# Summary Of Training Initiatives, 1992 And 1993

Type Of Training	Number Of Persons 1992	Number Of Persons 1993	Total		Funding Source
			Number	Percent	
■ YDFDA small boat fisheries	0	33 <sup>1</sup>	33	23.7%	• Living stipend for trainees – CDQ royalties • Trainers – JTPA and subsequent STEP grant
■ Bering Sea Commercial Fisheries Development Foundation Seafood Processing Program (Boat safety)	12 <sup>2</sup>	9	21	15.1%	• CDQ royalties
■ Alaska Vocational Technical Center (Longlining)	0	8	8	5.8%	• CDQ royalties
■ Seattle Community College Marine Training Center	19 <sup>3</sup>	0	19	13.7%	• STEP grant (7 persons) and CDQ royalties (12 persons)
■ OJT - Golden Alaska • On vessel • In office • Total	12 0 12	35 2 37	47 2 49	  35.3%	• Golden Alaska
■ OTJ - Deep Sea	0	9	9	6.4%	• Deep Sea
<b>Total Training Experience</b>	43	96	139	100%	
Total Persons Trained	32	74	87 <sup>1,4</sup>		
Number Of Training Experiences Per Person	1.3	1.3	1.6		

1) Includes seven Norton Sound residents

2) 13 enrolled; 12 successfully completed course. (Based on YDFDA Training Initiative Work Report, August 11, 1993.)

3) 24 enrolled; 18 successfully completed three courses: first aid and CPR, marine safety and survival, and shipboard firefighting; 1 successfully completed shipboard firefighting course. (Based on 1992 audit report)

4) About 43 percent of the persons trained have received more than one training experience. Therefore, the number of persons trained in 1992 and 1993 does not add to the total number of persons trained



### Exhibit 1-5

Yukon Delta Fisheries Dev. Association  
Training Initiative

as of August 11, 1993

Individual	City	Training Initiative
Agayar, Richard	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Alstrom, Robert	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Bob, Brendon	Alakanuk	*GASI 92B, 93A-Fired
Buster, Martha	Alakanuk	OJT Seward Graduate, GASI 93B
Chikigak, Bonifac	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Chikigak, Isaac	Alakanuk	OJT Seward Graduate 92
Cook, James	Alakanuk	*GASI 92B, 93A, 93B
Edmund, Clyde	Alakanuk	OJT Seward
Edmund, Lawrence E.	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Hansen, Allen	Alakanuk	*GASI 92B, 93A-Fired
Harry, Martin	Alakanuk	OJT Seward Graduate, GASI 93B
Isidore, Marcel	Alakanuk	OJT Seward
James, Michael	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Joe, Isaac	Alakanuk	GASI 93CH 93H
Joe, James	Alakanuk	OJT Seward, GASI 93B
Joe, Patrick	Alakanuk	GASI 93H
Joseph, Gordon	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Joseph, Jerald	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Joseph, Kevin	Alakanuk	*GASI, 93A
Joseph, Kimberly	Alakanuk	GASI-Office Trainee
Joseph, Ronald	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Joseph, Wilfred	Alakanuk	Deep Sea
Murphy, Isaac	Alakanuk	*GASI 92B
Oney, Raymond	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Patrick, Aloysius	Alakanuk	Deep Sea
Patrick, Elmer	Alakanuk	92 OJT Seward Graduate, Deep Sea
Phillip, Agatha	Alakanuk	GASI 93B
Phillip, Paul Jr.	Alakanuk	Deep Sea
Shelton, Alfred	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee

Exhibit 1-5 (Cont'd)

Yukon Delta Fisheries Dev. Association  
Training Initiative

as of August 11, 1993

Individual	City	Training Initiative
Shelton, Marlene	Alakanuk	Deep Sea
Simmons, Tony	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Stanislaus, Lester	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Stanislaus, Robert	Alakanuk	92 OJT Seward Graduate, GASI 92B, 93A, YDFDA Small Boat Fisheries Trainee
Stern, David	Alakanuk	92 OJT Seward Graduate, YDFDA Small Boat Fisheries Trainee, GASI 93B
Weaver, Richard Sr.	Alakanuk	YDFDA 93 Small Boat Fisheries Trainee
Daniel, Eric	Elem	YDFDA 93 Small Boat Fisheries Trainee
Saccheus, Charles Jr.	Elem	YDFDA 93 Small Boat Fisheries Trainee
Aketachunak, Clyde	Emmonak	*GASI 93A
Andrews, Mike Jr.	Emmonak	OJT Seward, YDFDA 93 Small Boat Fisheries Trainee
Benedict, Cornelius	Emmonak	OJT Seward
Hootch, Aloysius	Emmonak	OJT Seward Graduate 92
Hootch, Camille Jr.	Emmonak	OJT Seward Graduate
Hootch, Douglas	Emmonak	OJT Seward
Hootch, Linda	Emmonak	Deep Sea
Hootch, Randy	Emmonak	*GASI 92B, 93A-Fired
Hootch, Shirley	Emmonak	OJT Seward Graduate
Horn, John	Emmonak	GASI 93CH
Horn, Olivia	Emmonak	YDFDA 93 Small Boat Fisheries Trainee
Horn, Wilson	Emmonak	OJT Seward Graduate, Deep Sea 92
Kameroff, Emly	Emmonak	YDFDA 93 Small Boat Fisheries Trainee
Kelly, Marvin	Emmonak	92 OJT Seward Graduate, GASI 92B, 93A
Lee, Louie	Emmonak	YDFDA 93 Small Boat Fisheries Trainee
Leopold, Herbert	Emmonak	92 OJT Seward Graduate, GASI 92B, 93A
Raphael, Paul	Emmonak	*GASI 92B, 93A
Redfox, Abraham	Emmonak	92 OJT Seward Graduate, Deep Sea
Redfox, Alben	Emmonak	92 OJT Seward Graduate, Deep Sea

**Exhibit 1-5 (Cont'd)**

Yukon Delta Fisheries Dev. Association  
Training Initiative

as of August 11, 1993

Individual	City	Training Initiative
Redfox, Jacob	Emmonak	92 OJT Seward Graduate
Waska, Billy	Emmonak	*GASI 93A
Waska, Evan B.	Emmonak	92 OJT Seward Graduate
Westlock, Billy	Emmonak	92 OJT Seward, YDFDA Small Boat Fisheries Trainee
Westlock, Howard	Emmonak	*GASI 92B, 93A
Akaran, Richard	Kotlik	OJT Seward Graduate, GASI 93A
Fancyboy, James	Kotlik	OJT Seward
Hunt, Francis	Kotlik	*GASI 93A
Hunt, Jerry	Kotlik	OJT Seward Graduate, GASI 93B
Hunt, Martin	Kotlik	*GASI 93A
Kitsick, Harold	Kotlik	GASI 93CH
Mike, Ignatius	Kotlik	*GASI 93A
Mike, Lori	Kotlik	GASI-Office Trainee
Okitkun, Harry	Kotlik	*GASI 93A
Teeluk, Morris P.	Kotlik	92 OJT Seward Graduate
Tony, Lavina E.	Kotlik	92 OJT Seward Graduate
Unok, Glen	Kotlik	OJT Seward Graduate
Unok, John	Kotlik	*GASI 93A
Wasuli, Thomas	Kotlik	YDFDA 93 Small Boat Fisheries Trainee
Bahnke, John	Nome	YDFDA 93 Small Boat Fisheries Trainee
Bahnke, Kevin	Nome	YDFDA 93 Small Boat Fisheries Trainee
Johnson, Jack	Nome	YDFDA 93 Small Boat Fisheries Trainee
Munoruk, Howard	Nome	YDFDA 93 Small Boat Fisheries Trainee
Buster, Alfred	Sheldon Point	YDFDA 93 Small Boat Fisheries Trainee
Buster, Arnold	Sheldon Point	OJT Seward Graduate, YDFDA 93 Small Boat Fisheries Trainee
Manumik, Paul Jr.	Sheldon Point	*GASI 93A
Pete, Stanley	Sheldon Point	*GASI 92B, 93A, YDFDA Small Boat Fisheries Trainee
Raphael, Eugene	Sheldon Point	GASI 93A, 93CH, 93H

**Exhibit 1-5 (Cont'd)**

**Yukon Delta Fisheries Dev. Association  
Training Initiative**

as of August 11, 1993

Individual	City	Training Initiative
Strongheart, Fancis	Sheldon Point	*GASI 93A, 93CH, YDFDA Small Boat Fisheries Trainee
Strongheart, Segundo	Sheldon Point	OJT Seward Graduate, YDFDA Small Boat Fisheries Trainee
Manumik, Gabriel	St. Michael	YDFDA 93 Small Boat Fisheries Trainee

87 = Overall Total Yukon Delta/Norton Sound Area

- \* Trained 11/92 at the Seattle Community College in basic seafood processing.

## **Problems Encountered and Lessons Learned**

As summarized in Exhibit 1-3, we have encountered a number of setbacks in this initiative. The turn-over rate for our initially trained residents for factory trawler jobs was higher than expected. Family obligations and severe seasickness were the reasons given by those leaving their factory trawler jobs after having been trained for them. As a result of this experience, we will need to develop a more rigorous training application review process to better screen out those who are unlikely to follow through after completing their training.

Unfortunately, some of our residents initially trained for factory trawler jobs were fired. Alcohol and substance abuse remain a major problem in our communities and drugs and alcohol are, and should not be, tolerated on a factory trawler. These incidents have served as a catalyst within our community to address this problem and for the first time we are exploring funding for a substance abuse rehabilitation program.

We have also experienced difficulty in developing a long-term commitment and work ethic among those being trained. Quite frankly, we do not have the answer to this problem but we will keep working on it. We hope the successes of our comprehensive community-wide development program will have a positive effect on developing good work practices and attitudes.

### **1.4.2 Success in Placing YDFDA Residents in Golden Alaska Harvesting and Processing Operations**

#### **Initiative Objectives**

The objectives of this initiative as stated in our November 1992 CDQ application are as follows:

- Provide on-the-job training and experience in offshore fisheries to community residents
- Provide immediate employment and income-earning opportunities to community residents

#### **Accomplishments**

As shown in Exhibit 1-2, we exceeded our employment goal with Golden Alaska in both 1992 and 1993. Thirty-three of our residents have filled a total of 49 positions with Golden Alaska during this time. Ten of the 33 residents have been highly successful and have been making repeat trips. Five have moved up on the pay scale as a result of their new-found experience and efforts. We have not only participated in the CDQ fisheries, but have been invited on all Alaska trips by the vessel and our residents even participated in the 1993 Canadian and U.S. whiting season. In addition to work on the vessel, three of our residents have had office intern jobs at the Golden Alaska offices in Seattle.

Our initial goal was to fill 10 positions in 1992, 20 positions in 1993, and create 10 full-time equivalent (FTE) jobs during that time span. We clearly exceeded our own expectations by filling more than the target number of positions. Assuming four factory trawler trips equates to a full time income, we have created about 12 FTEs and returned an estimated \$300,000 to our communities. In addition, there we have created three internship type positions in our YDFDA offices over the past 9 months. We estimate that 15 FTEs have been created since the program

began in 1992, 50 percent more than we had originally promised in our CDQ application. Our program is ahead of where we had committed it to be.

In addition to these accomplishments, we also placed nine of our residents with Deep Sea Fisheries. This firm is operating a floating processor in conjunction with YDFDA's four experimental and training boats.

### **Problems Encountered and Lessons Learned**

As discussed under the training initiative, we had some set backs which affected employment on the *M/V Golden Alaska*. Three of our residents were terminated on their second trip because of alcohol. Another four quit after their initial trip. Although five of our residents have moved up the pay scale, we have discovered that advancement opportunities will be more competitive than expected because of the economic down turn throughout the groundfish industry. This has made us realize, even more, the importance of developing programs which will result in self sufficiency for our residents. While we are appreciative for these jobs, our future rests with the development of our own fisheries by our own fishermen and small businesses. However, in the short term, we have increased our efforts to place our residents on other vessels in the factory trawler fleet.

Another set back was the drop in the product price to less than half of what had been expected. Throughout the 1993 season, crew shares have been less than anticipated. So, we have now experienced three set backs with the expected monies from our quota -- the original cut back in allocation, the set aside of funds required by the State for tax purposes, and now declining fish prices.

### **1.4.3 Successes of Our Eastern Bering Sea Exploratory Fishing Research Initiative**

#### **Initiative Objectives**

The objective of this initiative as stated in our November 1992 CDQ application is:

- Conduct research on the distribution, appropriate gear, and preferred fishing methods suitable for community-based commercial fishing in the Eastern Bering Sea

#### **Accomplishments**

YDFDA purchased and outfitted two vessels -- the 47 foot *F/V Blue Dolphin* and the 53 foot *F/V Nakat* as the first phase of this initiative. In addition to our vessels, we leased the *F/V Trident* and the *F/V Budda Head* for the summer of 1993. All four vessels have been involved in our training program and have been used to fish for black cod, halibut, and King Crab. Three of the vessels, all but *F/V Blue Dolphin*, have also been used to catch bottom fish. Exhibit 1-6 is a summary of the use of these vessels during the summer of 1993. For the first time, we have been able to participate in fisheries other than commercial salmon fishing in our region. With our CDQ-funded vessels and training programs, we have begun to enter alternative fisheries in our area.

## Summary Of Fishing, Summer 1993

Vessel	June	July	August	September
■ F/V Blue Dolphin	• Black Cod and Halibut	• King Crab	• King Crab	• Halibut
■ F/V Nakat	• Black Cod and Halibut	• King Crab	• King Crab and Halibut	• King Crab, Halibut, and Bottom Fish
■ F/V Trident	• Halibut	• King Crab	• King Crab	• King Crab, Halibut, and Bottom Fish
■ F/V Buddha Head	• Black Cod and Halibut	• King Crab	• King Crab	• King Crab, Halibut, and Bottom Fish

Using a JTPA grant and an applied for STEP grant, we have hired three vessel operators and three gear specialists to conduct longline fishing training. This summer 33 individuals participated in our small boat fisheries training program using these boats. Of the total, seven are from Norton Sound CDQ villages. Several of our villagers have demonstrated the necessary capabilities and are now prepared to operate their own small boats, if given an opportunity.

There is an example in this initiative of a cooperative effort which could not have occurred without our community-owned vessels. The communities of Savoonga in the Norton Sound was not able to fish their halibut quota in 4D-N because they lacked gear and experience. The F/V *Nakar* is currently fishing with a joint crew from the Savoonga area and our residents to harvest their 4D-N fish. Absent this cooperation, their quota would have had to be returned relatively unfished.

Our fishing and training efforts have resulted in the identification of commercially viable crab and halibut fisheries off Northwestern Alaska. Our experience in this initiative will be an input for establishing gear specifications for the vessels financed in our small boat fund.

#### **Problems Encountered and Lessons Learned**

There were unexpected delays in getting this initiative operational because of the amount of time it took to get the gear assembled and the boats outfitted. As a result, in the future we will purchase smaller, less complex vessels which can be used for multiple purposes and are more flexible in switching between fisheries. We have also encountered problems because of the overlap of the commercial and traditional fishing seasons. Some of our best fishermen have returned home to participate in traditional salmon fishing. This has meant that less skilled fishermen have entered our program.

#### **1.4.4 Progress in Establishing a Salmon Permit Buy-Back Program**

##### **Initiative Objectives**

The objectives of this initiative as stated in our November 1992 CDQ application are as follows:

- Break cycle of eroding local benefits from Yukon River salmon fishery as permits are lost by local residents
- Maximize local benefits realized from our traditional salmon fishery

##### **Accomplishments**

The YDFDA Board of Directors has come to agreement on the permit eligibility requirements and the financing guidelines for this program. These requirements cover the types of permits eligible, qualifications of the applicant including credit and work history, and financing arrangements. A formal application process is being established. The program requirements identified and agreed to by the Board are currently being formulated into policy.



## **Problems Encountered and Lessons Learned**

The major problem encountered has been the lack of available permits. Originally, this program was to be limited to salmon permits. As a result of initial inquiries about available permits to buy back, the Board has expanded the program to include herring as well. We may also need to make more vigorous efforts to locate permits, through efforts to promote the program and make its existence widely known. This problem may have been solved by the very poor salmon fishery this year on the Yukon River. As a result of poor fishing, while imposing a significant hardship on our villages, we expect many permits to be offered for sale.

### **1.4.5 Progress in Establishing a Fund for the Financing of Small-Scale Owner-Operated Vessels**

#### **Initiative Objectives**

The objectives of this initiative as stated in our November 1992 CDQ application are as follows:

- Provide employment opportunities for community residents
- Supply raw materials to community groundfish processing plant
- Create opportunities for natives to operate as owner-operators

#### **Accomplishments**

YDFDA purchased our first two community-owned vessels, the F/V *Blue Dolphin* and F/V *Nakar* in late 1992 and early 1993, respectively. These vessels have been used in our longlining and crab training program and our exploratory fishing activities. They are currently fishing for Norton Sound King Crab. Thirty-three of our residents have been trained in longline fishing. This is a pre-requisite to purchasing a vessel under this initiative. No vessels have, as yet, been turned over to other owners, however.

## **Problems Encountered and Lessons Learned**

The primary impediment has been that of funding. As noted in the introduction of this section, the 70+ percent cut to our allocation and requirement to escrow 40 percent of funds for potential taxes, left the organization with minimal funding to pursue this important initiative. However, the lessons learned in deploying our four boats this year has allowed us to "iron out" likely implementation problems in developing a community-based small boat fishery.

### **1.4.6 Success in Development of YDFDA-Owned Shoreside Processing Operations**

#### **Initiative Objectives**

The objectives of this initiative as stated in our November 1992 CDQ application are as follows:

- Establish self-sufficient multi-product value-added shoreside processing facilities in Emmonak
- Provide cold storage capacity to encourage accelerated development of an owner-operated small-scale longline fleet
- Maximize the employment and payroll benefits derived by the community from our groundfish harvest

### Accomplishments

Through the joint efforts of the Tribal Council, the Yukon Delta Fish Marketing Cooperative, Inc., and YDFDA, local capabilities to process groundfish and value-added salmon are being developed. There are two parts to the development of our local processing capabilities. The first relates to the construction of a processing facility by the Tribal Council. The second relates to expansion and renovation to the processing barge owned by the Cooperative. Together, there will be a \$1.48 million investment in local processing facilities. The funding arrangements are as follows:

- Tribal Council Facility
  - \$500,000 grant from HUD
- Yukon Delta Fish Marketing Cooperative, Inc.
  - \$250,000 loan from YDFDA to the Cooperative
  - \$680,000 EDA grant
  - \$ 50,000 Cooperative funds
  - Total: \$980,000

As you can see from the funding arrangements, the YDFDA loan was critical to this effort. We stress that it is a loan, not a grant, thus protecting our equity. We were successful in reaching agreement with the Cooperative on the loan in 1993. The Cooperative will operate the Tribal Council facility under a lease/purchase arrangement. Both the Tribal Council building and the Cooperative's facility will be located at the same site.

The expansion of the Cooperative's facility will include the installation of a series of prefabricated units designed for multi-product seafood processing of up to 4 million pounds of whole fish annually. The facility will consist of additional space for processing equipment, office space, and product storage for up to 1,000 metric tons (2.2 million pounds). In early 1994, we will begin the renovation to the barge-based plant. These new processing lines will gradually shift from straight H&G frozen salmon to smoked salmon and individually frozen steaks and fillets. Groundfish will go into high-value products such as Individually Quick Frozen (IQF) halibut and cod fillets, smoked sole, dried saffron cod, kiritimi, and salt cod. When these upgrades are completed in 1994 and 1995, our fishers will have the opportunity for the first time to directly land groundfish in our communities. We believe that this is a heroic accomplishment, given that only \$250,000 in CDQ funds were used, and even this amount is a secured loan.

## **Problems Encountered and Lessons Learned**

As with the other initiatives, we encountered a few problems and learned some valuable lessons in the process of negotiating the loan with the Cooperative (also see Exhibit 1-3). The issue of money in any close knit community is a likely source of conflict. Our situation is no exception. We encountered public relations problems and problems associated with lending money to a group of people we know well. As a result, we now know to pay closer attention to making sure that everyone is well-informed from the beginning about the goals and process to be used. We also learned and successfully implemented opportunities to leverage our funds with other Federal grant programs. We will continue to look for other opportunities to do so.

### **1.5 Overview of YDFDA 1994 and 1995 Community Development Plan**

The objective of our plan, which evolved from hearings in all of our member communities, was – use the income, training, and commercial stature of a groundfish CDQ allocation as the catalyst to create and sustain about 100 new full-time jobs and \$3 million in annual wages, salaries, and proprietor income by the year 1995. The Community Development Plan (CDP) with the best chance of meeting our goals required eight distinct, but interrelated, initiatives designed to "jump-start" the fisheries sectors of our economies. The scheduling of each of these initiatives is summarized in Exhibit 1-7, and a brief description of each follows.

#### **Initiative 1 – Training**

The core of our program consists of an ongoing comprehensive training program which builds on the 74 training opportunities provided over the past 10 months. A total of 125 additional training opportunities will be provided by the end of 1995, including many which involve advance fishing skills or specialized processing-related programs. Requests from over 250 individuals have already been received for the introductory training courses we have been conducting. This number must be this high because this initiative serves not only as the necessary training for employment in the Golden Alaska organization, but also as a requirement for residents working on their own boats, in the expanded Emmonak processing plant, and in the salmon fishery in which we hope to increase our participation. Much of this training will be provided in Seward, under contract, and is based on the Western Alaska Fisheries Development Foundation's program, which has a demonstrated successful track record. Annual budget for these activities is \$250,000.

#### **Initiative 2 – Employment in Golden Alaska's CDQ Operations**

Nowhere has the success of our modest 5,073 MT CDQ program been more noteworthy than in the willingness of Golden Alaska Seafoods, Inc. (our commercial partner) to work with us to place 49 crew members throughout their operations. The continued placement of YDFDA residents in 1994 and 1995 throughout Golden Alaska's CDQ and non-CDQ operations is a significant aspect of our program. Over the next 2 years, Golden Alaska will provide employment and income-earning opportunities for 10 to 12 persons per trip, or about 20 individuals annually. These opportunities will be split equally between new trainees and residents who have begun to work their way up within the organization. The annual payroll from these positions returning to our communities will average \$0.3 million. This payroll alone represents an 0.4-percent increase in total personal income in our region.

# Implementation Schedule For YDFDA Community Development Program

YDFDA Initiative	Initiative	1994				1995			
■ Training activities	1	20	20		23	20	20		23
■ Placement of YDFDA residents in Golden Alaska harvesting and processing operations	2	12			10	12			10
■ Joint venture floating catcher/processor initiative	7	Detailed Study – Present Results To Financial Advisory Board				▲ Begin Operations			
■ Exploratory fishing research program	3	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px auto;">1</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 2px auto;">2</div>							
■ Fund for the buy-back of local salmon/herring permits	4	▲ 6 permits				▲ 6 permits			
■ Finance small owner-operated multi-fishery boats	5	▲ 7 boats				▲ 5 boats			
■ Follow-up commitments to assist with development of a shoreside processing operation	6	Construction				▲ Open Additional Lines			
■ Financing fund to support development of small business fisheries infrastructure	8	Finance = 5 Additional Businesses				Finance = 5 Additional Businesses			

Subsidiary Fishery Development Initiatives	Initiative	1994	1995
■ Fishery-related training and scholarship program		Expanded program with cash flow from catcher vessel	
■ Expand processing operations			Funded out of cash flow from Processing Plant
■ Provide matching funds for economic development grant programs		Funded out of interest on retained equity	

- 1 Demonstration Crab Fishing
- 2 Longline demonstration program and operations with focus on technology transfer
- 3 Buy-Back 6 salmon or herring permits
- 4 Finance 7 boats
- 5 Finance 5 boats

### **Initiative 3 – Exploratory Eastern Bering Sea Fisheries Research and Training**

Because of the success and importance of our experimental fishing experiences in 1993, we are planning three exploration and demonstration fishing initiatives in the Eastern Bering Sea during 1994. The first will consist of a small-scale near-shore survey of resources using longline and pot gear off the Yukon Delta. The second 1994 initiative will be much broader in scope. By mid-1994 our boats will shift their operations from general exploratory fishing to intensive training activities. Because the catch from these trips has generated substantial revenue to the Association, we are budgeting a total "subsidy" for the three operations of only \$110,000.

### **Initiative 4 – Salmon Buy-back Program**

Because the benefits our villages derive from the Yukon River salmon and herring fishery have been eroded over time due to both a loss of our permits to outsiders and due to the declining value of the harvest, the Association will establish with 1994 and 1995 CDQ royalties a \$300,000 self-liquidating fund to finance the buy-back of local salmon and herring permits. The total benefits of this program are extensive, with 24 new seasonal jobs created in our communities. Annual personal income from this program will total approximately \$90,000 in the early years and double over the long-term. Without this program, our children will continue to be shut out of our traditional commercial salmon fishery.

### **Initiative 5 – Finance Small Owner-operated Multi-Fishery Boats**

Based on our experimental fishing operations in 1993, the development of an appropriately-scaled, owner-operator community-based groundfish fishery is the foremost priority in our 1994 and 1995 community development program. This initiative is essential for providing employment opportunities, and as an outlet for applying the skills developed through our program. This initiative is also critical to supplying the raw materials to the Yukon Delta Fish Marketing Cooperative which, with assistance from YDFDA, is adding groundfish processing capabilities to the plant. We will rely on the income from our CDQ royalty to capitalize a small vessel fleet, while protecting the long-term equity of the fund. This fund will be capitalized with up to \$1.9 million from CDQ royalties, which will accommodate the purchase of an estimated 12 boats during 1994 and 1995. Also note that YDFDA currently has two boats. By the end of 1995, this initiative will create an entrepreneurial owner-operated sector within our economy, produce 24 sustainable jobs, allow us to develop a value-added processing industry, and directly produce \$500,000 in personal income within our communities. Section 1.6 describes the steps we have taken to place financial safeguards on this loan process.

### **Initiative 6 – Follow-up Commitments to Assist with Development of Shoreside Processing Operations**

The most significant fish processing operation in our region is the Yukon Delta Fish Marketing Cooperative, Inc. barge in Emmonak ("the Cooperative"). A total of \$680,000 has been pledged from the Economic Development Administration (EDA) to upgrade the Cooperative's barge to accommodate value-added salmon and groundfish processing lines. These new capability will gradually shift production from a straight H&G frozen salmon into a smoked salmon and individually frozen steaks and fillets. Groundfish will go into high-value products such as Individually Quick Frozen (IQF) halibut and cod fillets, smoked sole, dried saffron cod, kirimi, and salt cod. YDFDA will, therefore, be making a second installment on a loan to the

Cooperative of \$125,000 in 1994. Without these matching funds, the Cooperative would not be able to accept the \$680,000 grant to develop a processing infrastructure. When these upgrades are completed in 1994 and 1995, our fishers will have their first opportunity to directly land groundfish in our communities. This joint initiative will generate about six to eight year-round jobs and a total of 15 jobs by the second year of operations. The total personal income remaining in the community is estimated at \$0.4 million.

#### **Initiative 7 – Joint Venture Floating Catcher/Processor**

Because maintaining a market for a fleet of small independent owner-catcher boats is critical, YDFDA is considering a Joint Venture with either Golden Alaska Seafoods or North Wind, Inc., to develop a floating processing vessel. The operation would be designed to operate a processing vessel in the crab fishery for 2 months, purchasing crab, herring and groundfish from the small YDFDA boats in the Norton Sound Area and off the Yukon Delta during the summer, and then participate in the other fisheries in the fall. Additional opportunities may be created for tending operations. The operation would provide a ready market for the catch of our small boats, create 15 full-time opportunities for our residents, and provide a critical long-term source of income. A further advantage is that we have identified a 50 percent joint-venture partner with both the capital and expertise to leverage YDFDA funds and provide key technical talent and access to markets. Before any further commitments were made, we would, in consultation with Moss Adams, our CPA, and a team of independent financial experts, submit a detailed feasibility study to the State.

#### **Initiative 8 – Development of Small Business Fisheries Infrastructure**

Up to \$1 million in purchases must be made outside our communities simply because we lack fishing service and supply infrastructure. To capture lost business revenues, YDFDA would establish a small business fisheries infrastructure financing fund. The program will facilitate the development of financially-justified marine businesses, when it can be demonstrated that the only impediment to their successful development is a lack of start-up capital for training, equipment, and an inventory of parts. This initiative will create 15 to 20 permanent new businesses and 22 full-time equivalent jobs, and enhance the overall competitiveness of the fisheries sector of our economies.

Based on these requirements, we are requesting the minimum allocation we need to develop a sustainable local fishing industry

- **1994 - 17,755 MT** of pollock of the Bering Sea and Aleutian Island Community Development Quota.
- **1995 - 17,755 MT** of pollock of the Bering Sea and Aleutian Island Community Development Quota.

Exhibit 1-8 depicts how we will allocate our income between various programs and activities.

Exhibit 1-8

SUMMARY OF KEY PROGRAMS AND  
YDFDA UNFUNDING REQUIREMENTS

<u>Initiative/Descriptions</u>	<u>Funding Required</u>
Initiative 1: Training	\$500,000
Initiative 2: Employment in Golden Alaska's CDQ Operations	N/A
Initiative 3: Exploratory Eastern Bering Sea Fisheries Research and Training	\$110,000
Initiative 4: Salmon Buy-back Program	\$300,000
Initiative 5: Finance Small Owner-operated Multi-Fishery Boats	\$1,920,000
Initiative 6: Follow-up Commitments to Assist with Development of Shoreside Processing Operations	\$125,000
Initiative 7: Joint Venture Floating Catcher/Processor	\$1,250,000
Initiative 8: Development of Small Business Fisheries Infrastructure	\$600,000
Administration:	<u>\$210,000</u>
<b>Total 1994 and 1995 Budget:</b>	<b>\$5,015,000</b>
<b>CDQ Requirement:</b>	<b>17,755 MT per year</b>

## Sustainable Community Development In Post-CDQ Environment

The core concept behind the CDQ Program is to provide a CDQ allocation for a modest period of time on the condition that the allocation create self-perpetuating community development. This is precisely the approach embraced by our Association. During the period 1994 and 1995, our plan is to invest heavily in our human resources while acquiring the vessels and plants needed to provide sustainable local employment. The Association has gone to great lengths to protect the equity entrusted to us in the form of a CDQ allocation. For example, the YDFDA-operated businesses, including our floating processing plants, will have adequate cash flow to save for additional maintenance, upgrading, and ultimate replacement of these facilities. Furthermore, our community financing initiatives for salmon permits, small owner-operated boats, and marine businesses are all self-liquidating and will, after a number of years, repay most of the funds expended over the course of the CDQ Program.

The sustainability of our program, however, is dependent on a substantial CDQ allocation, since a minor allocation would result in essentially fixed program administration costs eventually eroding the long-term equity of our endowment.

### 1.6 Concerns Raised During 1992 and 1993 CDQ Allocation Process and How They Have Been Addressed by YDFDA

In the course of the 1992 CDQ allocation process and subsequent discussion, State reviewers expressed a number of concerns with YDFDA's initial proposal. We are sensitive to the State's drive to craft a highly successful pollock CDQ program and have crafted our reapplication to address all of the comments offered to us by the State over the past ten months. A discussion of the State's concerns, and how we have addressed them follows.

*State Concern: There were a number of related concerns regarding YDFDA's ability to own and operate a large pollock catcher vessel, as had been proposed in our 1992 and 1993 application<sup>1</sup>.*

We have eliminated this initiative from further consideration and am not proposing the purchase of any large fishing boats. Based on our experience over the past year, our program will focus on facilitating the development of an owner-operated fleet of small low-technology multi-fishery boats. Experimental fishing by our four small boats has demonstrated the availability of nearshore fishery resources in our region, the competency of our fishermen to operate small commercial boats, and commercially viable catch rates.

We are proposing to, pending study and evaluation by independent experts and the State, to pursue a joint venture to operate a multi-fishery processing platform. This processing operation would fill a badly needed niche in Western Alaska - providing a reliable market for small boats to deliver their catch in remote areas of the Eastern Bering Sea. This initiative would not occur until late 1995 and only after development and submittal of a

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<sup>1</sup>There were several additional issues involving the specific catcher vessel proposed (i.e., was the sale an arms-length transaction, had the vessel been inspected, did it have a successful track record, catch history, etc.). All of these issues are no longer relevant since the proposal has been removed from further consideration.



detailed business plan to: 1) Moss Adams (YDFDA's Accountants); 2) a team of independent financial experts; and 3) the State. In this way no major investment will be made without further consultations and the approval of the State.

*State Concern: In 1992, YDFDA proposed a 75 percent interest in a pollock catcher boat and the State responded that they would prefer to see Joint Ventures in which experienced outside parties held at-least one-half the risk in all investments.*

The above discussed joint venture will limit YDFDA to 50 percent or less. Further, our proposed joint venture is with an established company which can provide access to capital, the needed operational skills, and has access to key markets (see Appendix D). In this way we are leveraging our limited CDQ funds to satisfy a critical need in Western Alaska, while encouraging outside investments in developing the fisheries of our region. An experienced financial partner will share equally in any investments we undertake.

*State Concern: Safeguards need to be developed to assure fiduciary responsibility within the loan programs and for major investment decisions?*

We are sensitive to your concerns on the need to maintain the highest fiduciary standards within all CDQ recipients organizations. To achieve that end, we have undertaken the following:

- We implemented a comprehensive accounting and financial system which embeds numerous internal controls to protect the integrity of all CDQ and associations funds.
- We have retained the Independent Accounting firm of Moss Adams in to conduct an audit of both our finances and our development programs. They have monitored our reporting requirements and progress and these reports have been provided to the State. These documents are being provided as attachments to this document (Appendix D). The firm of Moss Adams is not Golden Alaska accounting company.
- We are retaining the Accounting firm of Moss Adams to assist with our investment and financing programs. They are charged with establishing all application requirements, the loan evaluation criteria, and researching individual applications. This loan review process will be overseen by a bank with fishing industry experience if it is shown to be desirable.
- We have been the recipients of a number of Federal and State grants. These grants carry with them requirements to meet Federal accounting standards and are subject to stringent audit requirements. In this way, the Association is under the cognizant audit authority of the Federal government, beyond the protocols the State may wish to employ.

Again, we ask to be judged in this area by our documentable accomplishments. The fact is that we have established an effective program, put aggressive internal controls in place, and responsibly handled all funds and offer the attached audit reports as evidence of our success.

**State Concern:** *Questions were posed on whether Golden Alaska Seafoods, Inc. was the best business partner for YDFDA to have selected.*

The YDFDA received offers from over ten leading firms seeking to participate in our CDQ Program. We selected Golden Alaska Seafoods, Inc. after an exhaustive review and negotiating process that involved our Board of Directors and community leaders. We are pleased with our decision and believe that the Firm's commitment to YDFDA over the past year speaks for itself.

- Golden Alaska paid the YDFDA a royalty of \$250 per metric ton of pollock processed on its mothership over the past year. This was among the highest royalties received, and almost twice the minimum guaranteed to some of the CDQ groups. In spite of a collapsing market for surimi, a weak market for fillets and meal, and dramatic cutback in the size of our CDQ, Golden Alaska stood by their commitment and paid us top royalty rate. Without such a generous royalty payment from Golden Alaska, we would have been unable to implement our development program with the 5,073 MT allocation we received.
- Unlike many of the "profit sharing" regimes in place in the CDQ fishery, Golden Alaska agreed up-front to a royalty payment and did not require us to share in the risk.
- Golden Alaska has consistently made all of their corporate technology, financing, marketing and product development expertise available to us for a number of projects.
- They provide us with an initial loan which allowed us to form the YDFDA. Without these monies, it is questionable whether we would have had the resources to effectively participate in the CDQ program.
- Golden Alaska went beyond their commitments to work with us to provide our residents jobs throughout their operation. Golden Alaska offered 49 YDFDA residents over the past 10 months for the modest allocation of 5,073 MT. They have brought these new employees into their other operations including their Pacific whiting operations and whiting processing in Canada.
- Golden Alaska invested in our residents by training 18 of them in November of 1992, even before we had been accepted to the CDQ program.
- Golden Alaska has demonstrated that they are a responsible conservation-minded operator. They have consistently operated with a meal plant to recover fish wastes. As a mothership they have in place strong protocols for monitoring deliveries, bycatch, and the weight of individual fish for tabulating and reporting our CDQ allocation.

In sum, we suggest that you judge our business relationship on demonstrated actions. When this is done, Golden Alaska has exceeded both the letter and spirit of the CDQ program and become a true partner in developing our communities.

### **1.7 Sustainable Community Benefits from Implementing YDFDA's CDP**

The cumulative benefits within the Yukon Delta region are tabulated in Exhibit 1-9, by YDFDA initiative and year. The exhibit presents estimates of benefits with respect to the total number of full-time equivalent positions created based on 1,800 work hours and total personal earnings returning to our villages. The following are some of the highlights of the tangible results produced by our program.

- **1994 Benefits.** Benefits from our CDQ allocation will continue accruing. In total, by the end of 1994, 60 full-time equivalent jobs will be traceable to our CDQ allocation. Over \$1.1 million in local wages and personal income will be generated.
- **1995 Benefits.** In 1995, benefits to our communities will increase to 112 full-time equivalent positions. This rise is attributable to the full operation of our shoreside processing plant, growth in our permit buy-back program, small boat financing initiatives, and positions created in the floating processing plant. Total income accruing to community residents is estimated at \$2.1 million.
- **1996 to 2000 Benefits.** The post-CDQ Program benefits are similar, with a total of 117 full-time equivalent positions created in our villages. Personal income entering our communities will total about \$2.8 million annually through 2000.

### **Tax Benefits to the State of Alaska**

This program has the potential to dramatically change the historical pattern in which the State heavily subsidized our communities, with no chance of these transfers being repatriated. About \$500,000 in new State tax receipts (excluding payroll and workers compensation) can be attributed to our CDP.

- Additional State fish tax receipts from our shoreside processing plants will total \$410,000 over the life of the program.
- New corporate State and local income taxes of \$79,000 are projected from our various fishing and processing businesses.

Exhibit 1-10 compares employment and income in our communities with and without a CDQ allocation. As this exhibit shows, a CDQ allocation will increase jobs in our community, thereby lowering our unemployment rate and increasing our personal income. The jobs created will also increase the number of jobs per household available in our communities. They will also decrease our dependency on the government in two ways. First, the percent of jobs with the government will decrease. Second, the per capita income from welfare will drop as income from the Food Stamp and Aid to Families with Dependent Children is replaced with income from jobs created by the CDQ allocation. These changes in our communities are in keeping with the goals we established for the use of a CDQ allocation.

## Detailed Community Development Benefits Of YDFDA Program, 1993 to 2000

Community Development Initiative	1994		1995		Sustained/Economic Development 1996 to 2000+	
	Jobs Full-Time Equivalent	Income (\$1,000)	Jobs Full-Time Equivalent	Income (\$1,000)	Jobs Full-Time Equivalent	Personal Income (\$1,000)
Placement of YDFDA residents in Golden Alaska harvesting and processing operations	12	\$300	12	\$300	12	\$360
Eastern Bering Sea exploratory fishing research	10	\$175	-	-	-	-
Fund for the buy-back of local salmon and herring permits	12	\$45	24	\$90	24	\$180
Fund for the financing of small-scale owner-operated multi-fishery boats	14	\$287	24	\$500	24	\$864
Shoreside processing operations started in 1995	-	-	15	\$300	20	\$400
Financing fund to support development of small business fisheries infrastructure	6	\$200	12	\$400	12	\$463
Joint venture floating processing plant	-	-	15	\$300	15	\$300
Growth in local retail/service sector from additional personal income (estimated at 10% of increase in total personal income)	5	\$100	10	\$189	11	\$257
<b>Annual Total:</b>	<b>60</b>	<b>\$1,108</b>	<b>112</b>	<b>\$2,079</b>	<b>117</b>	<b>\$2,824</b>

## Comparison Of YDFDA Communities After A CDQ Allocation With Bristol Bay And St. Paul Groups Before An Allocation

Characteristic	Without CDQ Allocation	With CDQ Allocation	
	YDFDA Communities	Bristol Bay	St. Paul
Unemployment Rate	16%	7.7%	10.8%
Total Personal Income	14.2 million	49.3 million	\$11.5 million
Per Capital Welfare Income	428	\$384	\$58
Per Capita Personal Income	\$8,100	\$12,782	\$15,115
Jobs Per Household	1.5	2.80	3.82
Percent of Jobs with Government	42%	20.2%	56.2%

**Even after a successful CDQ Program, our communities will still be much poorer than communities in the Bristol Bay and St. Paul groups are now, without a CDQ allocation**

Although a successful CDQ program will benefit our communities, we will still be poor in comparison to the existing conditions in some of the other CDQ applicant regions. Exhibit 1-10 also compares our communities *after* a CDQ allocation with the employment and income in two other CDQ Groups *without any* CDQ program. After an allocation we will still have more than twice the current unemployment rate as several of the CDQ regions, have far fewer jobs opportunities per household, and still have only a fraction of the current per capita income found in Bristol Bay and on St. Paul.

## 1.8 Organization of the YDFDA's Application

This document, with its accompanying appendices, is designed to be fully responsive to the State of Alaska and Federal CDQ regulations. To facilitate the State's review, this submittal has been organized around the specific requirements outlined in the State and Federal CDQ Regulations and contains all of the materials necessary to establish our eligibility, evaluate our accomplishments to date, and merits of our plans. Our document is organized as follows:

- Section 2.0 (**Community Development Plan for the YDFDA**) contains all of the information requested by the State on how we plan to develop a sustainable fisheries economy in our communities. These materials provide a description of the YDFDA goals and the development initiatives we propose to undertake.
- Section 3.0 (**Business Plan for the YDFDA**) provides the requested financial information. This information describes how we arrived at our budgets for each fisheries initiative and demonstrates that the requested resources are adequate to fully execute our CDP.
- Section 4.0 (**Management Organization and Financial Controls Supporting Business Plan**) addresses administrative, managerial, and financial controls. This administrative, management, and financial structure has been "validated" by an independent management and financial audit.

Several appendices are also described in the text and provided as attachments to this submittal. These appendices include:

- Appendix A (**Situation in YDFDA Communities and Necessity for a CDQ Allocation**) responds to the State requirement to provide allocations based, in part, on community and population need. Because the CDQ process is an allocation process, the situation in our communities are contrasted with the conditions found in other CDQ applicant regions.
- Appendix B (**Independent Auditors' Report on YDFDA's Operations**) are copies of the findings of two independent audits which have reviewed our operations and accomplishments. Original copies of these audits are on file with the State and are being provided at this time to simplify the evaluation of our application.
- Appendix C (**Community Development Fishing Quota Agreement**) provides information on the business relationship between our Association and our contractor, Golden Alaska.

- **Appendix D (50/50 Joint Venture Proposal)** is a letter of commitment to form a 50 percent partnership venture between YDFDA and North Wind, Inc. to develop a catcher/processor and floating processor operation. A business plan supporting this offer is also provided.
- **Appendix E (Eligibility Statement of the Yukon Delta Fisheries Development Association)** is a copy of our original documentation which established our eligibility to the program. Because note of these materials have changed, they are be resubmitted at this time.



## CITY OF SAINT PAUL

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99660  
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Telecopy (907) 546-2365

IN REPLY  
REFER TO:

### TESTIMONY OF ILARION ("LARRY") MERCULIEFF

City Manager, City of Saint Paul

109th Plenary Session  
North Pacific Fishery Management Council  
September 21 - 26, 1993  
Anchorage, Alaska

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Mr. Chairman, Members of Council, and Interested Parties:

St. Paul Island, as you know, is one of the Pribilof Islands located in the middle of the Bering Sea. As a result of our location, St. Paul Island is the center of one of the world's most biologically productive waters. The ecosystem around, and including, St. Paul, include 450 species of fish, crustaceans, and mollusks, of which 50 species are commercially important.

With the development of the St. Paul Harbor, commercial fisheries is the centerpiece of the City's economy. In addition, the resources around St. Paul and in the Bering Sea contribute at least ten percent of the world's fishery production, and are now the centerpiece of the City's economy.

Agafon Krukoff, President of the Central Bering Sea Fisherman's Association, has asked me to appear briefly today. As City Manager of St. Paul Island, and as a resident of this important new advanced fishing base, I want to state for the record how important the CDQ Program fashioned by the North Pacific Fishery Management Council and the State of Alaska has been to St. Paul, the Alaska Coastal Communities, and I believe the future of the fisheries.

I would also like to state for the record how important a stable, vibrant and robust fishing industry is to the welfare of St. Paul and Alaska's Coastal Communities. I believe that by working together, we can ensure that the North Pacific Fishery, and particularly the Bering Sea Fishery, is the exception to these numerous instances around the world where a fishery has been depleted to the detriment of everyone.

There are a number of very difficult issues facing all of us involved in commercial fisheries and in the management of our fish, bird and marine mammal populations. For example, I am presently participating in meetings of the National Academy of Science in its effort to synthesize and examine the scientific and technical information on the Bering Sea ecosystem in order to understand how to ensure that that ecosystem remains healthy.



The City of St. Paul and the Central Bering Sea Fisherman's Association want to work positively with the Council, the members of the commercial fishing industry, the State of Alaska, the federal government and other interested groups to ensure that sound management programs and regimes ensure that our generation, our children's generation, and their children's generation have a bright future.

Aleut people always said that when the "tide is out, the table set." Little did my ancestors realize that the resources of the Bering Sea and the Aleutian region would set the table for not only the residents of the Coastal Communities, but for a substantial number of people around the world. Little could my ancestors realize that the wealth of the Bering Sea and Aleutians would result in a multi-billion dollar industry.

As City Manager for the City of St. Paul, I pledge that the City of St. Paul, myself, and the members of our administration are available and desirous of working positively with the Council, the State, the National Marine Fishery Service, the commercial fishing industry, and all the other players. We are all striving to ensure a stable resource; a management system that protects the resource; allocations that are fair to those people who have pioneered the industry and have invested in the Americanization of our commercial fisheries; and allocations, such as the CDQs, which are giving Alaska's Coastal Communities' a real stake in the future of the fisheries. Working together we can ensure a bright future for everyone involved in the fisheries.

Thank you for your time.

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JAS:tmh  
2268-9\testimony

**Central Bering Sea  
Fishermen's Association**  
1500 W.33rd., Suite 110  
Anchorage, Alaska 99503

**Testimony of Agafon Krukoff, Jr.**  
President, Central Bering Sea F.A.

109th Plenary Session  
North Pacific Fishery Management Council  
September 22, 1993  
Anchorage, Alaska

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Mr. Chairman, and Council Members:

Central Bering Sea Fishermen's Association, representing St. Paul, is representing the CDQ Group located right at the heart of, not only the pollock fishery, but also the blue king crab, halibut, cod, opelio crab, yellowfin sole, and other ground fish. It is only logical that St. Paul plays in an active role towards the development of an overall quota plan for the Bering Sea fishery, especially at a time when it is struggling with time to complete a harbor that will serve the industry better because of its location.

The CDQ Program has allowed St. Paul to move quicker towards completing the goal of being a more than adequate support service to the industry. The Program has allowed St. Paul to have more of a harbor with the needed dredge work, and allowed it to plan for the construction of more service docks and mooring in a shorter time frame - all of which are planned to happen within the next two years.

But more importantly to Central Bering Sea is the opportunity the CDQ program has made possible for its local fishermen who are now looking at a major improvement in its local fishing fleet, which has been very slow in developing after the commercial sealing industry was put to a halt nearly ten years ago. While the first year into the CDQ program saw only a handful of small boat improvements, the next two years promises better, and slightly bigger boats for its planned day fishery. With a CDQ-funded research project that involved a locally owned crab boat in 1993 - and perhaps to continue again in 1994 -, it is hoped that

this will result in a finding that the day fishery program can be one of a local multispecies fisheries nature that can carry a decent program for the local serious fishermen, or at least allow enough of a fishery that can justify a part-time fishery for a greater number of the local fishermen who can then afford to invest in at least small boats that are a bit bigger and safer for the Pribilof waters. A local boat loan program is now set up through CDQ monies for this purpose.

The CDQ program has now made it a possibility for the people of St. Paul to invest in the service industry. By 1995, or 1996, CBSFA will be a major shareholder in a newly constructed multispecies plant in St. Paul Harbor that will be managed by Icicle Seafoods. It is anticipated that this venture will employ many of the local people at different levels, including management level opportunities - something that might not otherwise be possible.

Other service industry opportunities being seriously discussed include, boat repair facilities, ship supply services, equipment rentals, communication services, housing, hotels, etc., all of which might not be possible without the CDQ Program.

For St. Paul, the State, and the industry, the CDQ program is proving to be a positive factor towards the economy and the management of the North Pacific fishery.