

HJR

23

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. HJR 23

Revision Date: _____ Dept. Affected: Fish and Game
 Title: Community Development Fishing Quotas BRU: Commercial Fishing Management and De
 Component: Fisheries Management

Sponsor: Rep. Austerman
 Requester: House Fisheries COMPONENT SERIAL NO. 1941

Expenditures/Revenues (Thousands of Dollars)

| OPERATING EXPENDITURES | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TRAVEL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CONTRACTUAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SUPPLIES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EQUIPMENT | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LAND & STRUCTURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| GRANTS, CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MISCELLANEOUS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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| CAPITAL EXPENDITURES | | | | | | |
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| CHANGE IN REVENUES | | | | | | |
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FUND SOURCE (Thousands of Dollars)

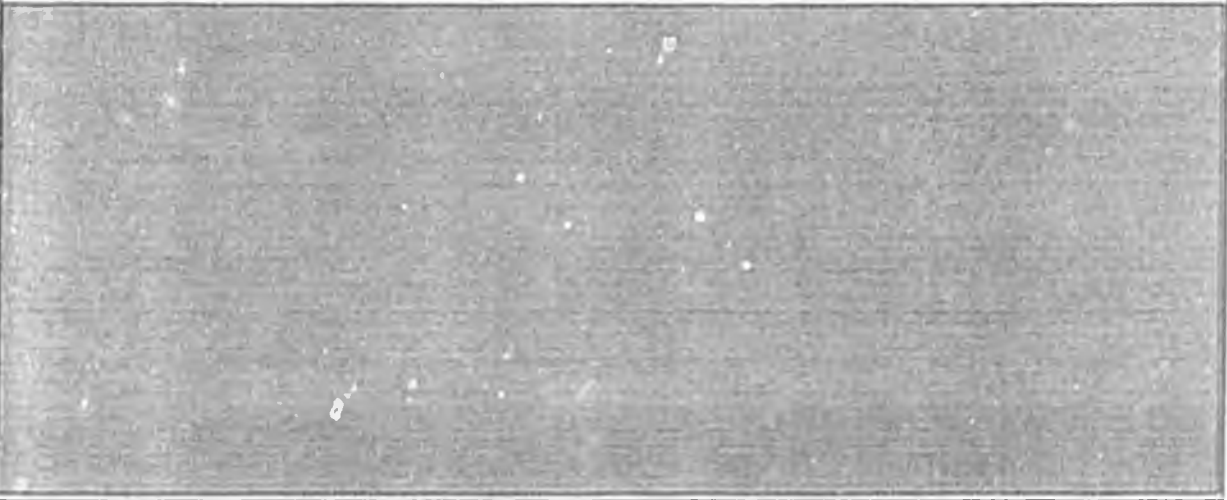
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|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY95) cost: \$ 0.0

POSITIONS

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| FULL-TIME | | | | | |
| PART-TIME | | | | | |
| TEMPORARY | | | | | |

ANALYSIS: (Attach a separate page if necessary)



Prepared by: Geran Bruce GB
 Division: Commissioner's Office
 Approved by Commissioner: *Paul A.*
 Agency: Fish and Game

Phone: 485-8143
 Date: 2/5/95
 Date: 2-16-95

PREPARER TO PROVIDE AL
 For further details

ACTIVE OFFICE

Fiscal Note

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 25526
JUNEAU, ALASKA 99802-5526
PHONE: (907) 465-4100

Comments of the Alaska Department of Fish and Game on HJR 23

The CDQ allocation was instituted when the North Pacific Fishery Management Council (NPFMC) approved a four-year Inshore/offshore allocation of pollock. Pollock CDQ fishing began in December 1992, but is scheduled to sunset at the end of 1995, unless the NPFMC rolls the program over for a three-year extension while they complete work on a groundfish and crab limited entry program.

A smaller, permanent CDQ program for Bering Sea halibut and sablefish was also passed by NPFMC as part of an IFQ program for those two species. Most of the CDQ halibut will be caught by local skiff fishermen beginning April 1. The halibut program also provides an example of the non-economic benefits that may be associated with CDQ programs when the resource involved is of cultural significance.

The State of Alaska is the main monitoring agency for the CDQ programs. Three departments share responsibility of ensuring the groups follow state and federal regulations. The state also is responsible for allocating portions of the CDQ quota between the established CDQ groups which represent 56 western Alaska communities historically reliant on the Bering Sea resources.

The Bering Sea groundfish and crab fisheries are extremely capital intensive-industrial fisheries. The Council has begun a program of Comprehensive Rationalization to end the open access nature of these fisheries. The main qualifying criteria being considered by the council relies on previous catch history or participation in the Bering Sea fisheries.

This criterion eliminates Western Alaskans, who have not had the opportunity to participate. CDQ communities have historically not had access to the capital necessary to participate in these industrial fisheries in their own back yard. Additionally, the quantities of fish caught and processed are immense, and the price paid per pound only becomes profitable when huge volumes are landed. Thus making it impossible for local small boat owners to have participated and gained catch history.

The inclusion of a CDQ allocation under the council's comprehensive rationalization program will (1) allow the council to move forward with limitation and reduction of the industrial sectors; and (2) provide opportunities to residents who are proximate to, and historically reliant upon the Bering Sea resources, but have been

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF ECONOMIC DEVELOPMENT

P.O. BOX 110804
JUNEAU, ALASKA 99811-0804
PHONE: (907) 465-2017

DCED COMMENTS ON HJR 23

BACKGROUND

The pollock Community Development Quota (CDQ) program is a federal allocation of approximately 100,000 metric tons of pollock annually to 56 Alaska communities that border the Bering Sea. It was implemented in December of 1992 and is scheduled to sunset in December of 1995 unless extended by the North Pacific Fishery Management Council (Council) and approved by the Secretary of Commerce. It is worth approximately \$20 million annually in revenues generated by lease of those harvesting rights to seafood industry partners. By the time the program sunsets later this year, it will have generated more than \$80 million in payments to the region and created more than 600 jobs.

The halibut and sablefish CDQ program is also a federal allocation of fishery resource to eligible communities. That allocation was made as part of the halibut and sablefish IFQ program and will not sunset. It is a much smaller allocation, worth approximately \$3 million annually.

The 56 eligible communities have grouped themselves into six organizations that vary in size from one to 17 villages.

The intent of the CDQ program is to provide these remote Alaskan villages, which have historically been reliant on the fishery resources of the Bering Sea, an "entry ticket" into the capital intensive fisheries of the North Pacific. For that reason, the goal of the CDQ program is to attain economic self-sufficiency for these regions through successful investment in fishing industry businesses and infrastructure in the North Pacific seafood industry.

One of the most unique features of the CDQ program is that it fosters accomplishments of ambitious Community Development Plans (CDP) because of the competitive nature of the allocation process. These plans, which include employment, training and investment milestones are actively monitored by the state. If a group fails to meet scheduled milestones, it could hurt their ability to secure desired allocation levels during the next allocation cycle. While CDPs can be amended, good cause must be demonstrated to win approval from the state and federal government.

While this is a federal program, it is the state's responsibility to oversee its implementation and assure compliance with state and federal regulations. The state also provides assistance to CDQ participants to help facilitate the success of their projects and programs. The three agencies which share equally in the management of the CDQ program are the Department of Community and Regional Affairs (DCRA), Alaska Department of Fish & Game (ADF&G), and Department of Commerce and Economic Development (DCED). The National Marine Fisheries Service (NMFS) provides federal oversight.

Since the CDQ program was implemented, two pollock allocations and one halibut and sablefish allocation have been made. To date, all recommendations made by the state have been approved at the federal level.

PROGRAM EFFECTS

The most important work ahead of us is to extend the pollock CDQ program beyond 1995 and expand it to additional species. It has been the policy of the state that it will seek a CDQ allocation whenever a limited access scheme is proposed for any species under federal jurisdiction. That policy has been implemented as part of efforts by the state to roll-over separate onshore and offshore allocations of groundfish and to develop a Comprehensive Rationalization Plan (CRP) to change federal fishery management in the North Pacific.

Currently, extension of the CDQ program is being moved forward for consideration in four separate platforms:

1. extension of the onshore/offshore allocation program
2. the state's proposed license limitation program
3. the state's proposed phased-in quota program
4. reauthorization of the Magnuson Act

Extension of the CDQ program, as proposed in this resolution, should continue to receive high priority by the state for several reasons:

1. It uses private sector money to spur significant economic development and jobs in Western Alaska and has decreased reliance on state and federal programs.
2. All CDQ programs are developed at the local level and reflect the unique needs of these diverse communities.
3. The partnership formed between the CDQ groups and their harvesting partners has forged a transference of knowledge and expertise that is unequalled in the public sector.
4. It has provided a strong incentive for joint venture seafood investments by the CDQ groups and their partners that will increase the likelihood of successful investment participation by CDQ groups in the North Pacific seafood industry.
5. It has benefited the entire fishing industry by providing venture capital to the CDQ groups to complete port infrastructure development in the region and to help finance development of new salmon products.
6. It is the most effective way to significantly increase Alaskan ownership in the North Pacific fishing industry.

SENATE COMMITTEE REPORT

DATE: 4/7/95

FURTHER:

DATE TURNED INTO OFFICE: 4-24-95

Resources Committee considered CS FOR HOUSE JOINT RESOLUTION NO. 23(FSH)

North Pacific Fishery Management Council's inshore/offshore allocations and the Western Alaska Community Development Quota Program.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:
 same title
 new title
 House Bill:
 same title
 technical change
 new: SCR^o _____

| SIGNING OFFICERS | DP | OTHER RECOMMENDATIONS | NR | DNP | AM |
|------------------------------|----|-----------------------|----|-----|----|
| <i>Rich Halford</i> | ✓ | | | | |
| <i>[Signature]</i> | ✓ | | | | |
| <i>Christi Taylor</i> | ✓ | | | | |
| | | | | | |
| | | | | | |
| CHAIR: <i>James A. Leman</i> | ✓ | | | | |

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

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PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

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| FUG | 3/9 | ✓ | |
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APPROPRIATION -- no fiscal note

*Include fiscal notes accompanying Governor's bill

Revised Draft Report

**Economic Impacts of the Pollock
Community Development Quota Program**

Prepared by

STATE OF ALASKA
Anchorage, Alaska

APRIL 1995

Acknowledgments:

The compilation and writing of this report was done by the Department of Community and Regional Affairs (DCRA), CDQ Manager, Julie Anderson, with the assistance of Karen Lang, a graduate student of Public Administration at the University of Alaska Anchorage.

The State of Alaska would like to thank Gunnar Knapp and Lee Huskey of the Institute for Social and Economic Research (ISER) for their assistance in designing this report. ISER also provided the 1990 U.S. Census data and the information for chapter five, economic impacts of the CDQ program, and the definition of economic development located in chapter six.

Information on the CDQ projects and their economic impacts is based primarily on material provided by the six CDQ groups. All of the groups were helpful in providing information for this report.

The editorial review and input by the staff of the Alaska Department of Fish and Game and the Department of Commerce and Economic Development contributed greatly as well.

A report prepared for the State of Alaska, "Economic Impacts of the 1992/93 Pollock Community Development Quotas" in June of 1994, by E3 Consulting, was the basis for much of the geographical and historical data.

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Executive Summary

This report examines the economic development impacts of the first twenty-five months of the Bering Sea pollock Community Development Quota (CDQ) program on the western Alaska region.

The CDQ program was designed by the North Pacific Fishery Management Council (Council) to allow residents of the economically depressed region of western Alaska access to the Bering Sea fisheries. The Bering Sea pollock fishery is one of the largest fisheries in the world with an annual harvest of approximately 2.9 billion pounds with an annual ex-vessel value in excess of \$200 million. Because this is an extremely capital intensive fishery, the ability of western Alaskans to participate in the harvest of the resource at their doorstep has been severely limited.

Prior to implementation of the CDQ program, approximately 94% of the value of this fishery was accrued by non-Alaskans, virtually none of the value was captured by western Alaskans. By setting aside the 7.5% of the quota for harvest by those regions bordering the Bering Sea, the CDQ program has permitted participation of the utilization of this resource as a mechanism to spur economic development in this economically depressed region.

The economic development impacts of the CDQ program must be assessed in the context of life in western Alaska. There are 56 communities that meet the criteria for participation in the CDQ Program, representing a total population of 21,037. According to 1990 Census data, 77% are Alaska Natives. Poverty and unemployment are chronic, in 1990, more than 25% of the people in CDQ communities lived below the poverty level, twice the state rate. Unemployment rates ranged as high as 31%. In many of the CDQ communities, the average income is nearly half the median state level. Non-economic standards also portray the region's underdevelopment. Much of the housing available is substandard and utilities that most U.S. citizens take for granted such as water, sewer, and telephones are in short supply. In over half of the communities, five gallon buckets or outhouses remain the primary means of sewage disposal. Three quarters of the communities do not have piped water and sewer available to at least half the homes in the community. The result of these characteristics is poor health conditions, high rates of infectious diseases, and low living standards. It is this profound state of underdevelopment against which this report examines the economic development impacts of the CDQ program.

The best data available for describing the population and economy of western Alaska prior to implementation of the CDQ program including income, employment and other demographic information is contained in the 1990 US Census Report. For purposes of this report, those figures are used as a basis for comparison with quarterly and annual

audited reports to the State in helping to assess the economic impact of the CDQ program from the date of its implementation on November 18, 1992, through December 31, 1994. Comparison of this data demonstrates important impacts on employment, income, infrastructure development, investment, training and educational opportunities in the region.

By the simple measure of jobs and income, the CDQ program is contributing to the economic development of the region, providing private sector employment opportunities where few existed.

- In the first two years, the CDQ program's contribution to local jobs *doubled*
- Jobs created by the CDQ program represent 57% of all non-government related, "basic employment" job in the region
- During this time, CDQ wages and benefits represented a 2.4% increase in income for the region

A major goal of many of the CDQ groups was to develop infrastructure within the regional fisheries that would make possible greater participation in the fishery. Each of the infrastructure developments provide benefits to the region as a whole as well as the entire fishing industry. Major infrastructure projects which have been complete or are underway include:

- Dock facilities in Atka, Nelson Lagoon, False Pass and Nome
- Harbor improvements in St. George and St. Paul
- Ice delivery systems in Savoonga and Koyuk
- Gear storage facility in False Pass
- Processing facility improvements in Shaktoolik, Unalakleet, Nome, Atka, Bethel and Emmonak

Equally important as physical infrastructure is the development of human resource infrastructure which provides the skills and expertise necessary for the long-term sustainability of economic development in the region. Progress toward that end includes:

A total of 1141 training, internship and educational opportunities were made available by the CDQ program including 176 higher education scholarships, 38 vocational education programs and 927 technician training programs.

Another major goal of the CDQ program was to provide for increased participation by western Alaska residents in the fisheries of the Bering Sea. In the first two years of the program, five of the six CDQ groups have participated in fishery investments including

- Joint venture investments in a factory trawler, a factory longliner/crabber, two shore-based facilities and one catcher vessel
- Wholly-owned investments in one shore-based facility and approximately thirteen small catcher vessels
- Three CDQ groups and their harvesting partners have invested considerable resources in the development of new salmon products and markets

Because economic development is a complex process, it is difficult to measure. Generally, economic development must add jobs and income to the region, provide for local control and human resource development and generate benefits that are sustainable over the long term.

In sum, by all of these measures, the CDQ program is contributing towards the process of economic development within the western Alaska region. It is bringing about economic development as measured by jobs, local control and long term sustainability. This infusion of capital has not only created private sector jobs in the region where few existed, it has provided hope and opportunity which are integral components to building self-esteem and self-reliance in the region.

Despite these remarkable advances, the economic activity generated to date has not transformed the region economically -- nor is there any reason to expect that it should have in just two years. The CDQ program will require continued sustenance to survive its infancy.

I. INTRODUCTION

The Bering Sea pollock fishery is one of the largest fisheries in the world, with an annual harvest of about 2.9 billion pounds (1.3 million metric tons). Beginning in 1992, the Community Development Quota (CDQ) program set aside 7.5% of the Bering Sea pollock harvest (about 215 million pounds annually) for direct allocation to disadvantaged coastal communities in Western Alaska.

The 56 communities bordering the Bering Sea that received the quotas are in one of the most economically depressed regions of the United States. A major goal of the program is to allow these communities to accumulate sufficient capital so they can invest in the fishery, thus bringing sustainable economic development to the region.

This report examines the economic impacts of the first twenty five months of the Bering Sea pollock Community Development Quota (CDQ) program on the western Alaska region. The CDQ program regulations became effective on November 18, 1992 and CDQ fishing was permitted to begin on December 5, 1992. Therefore, most of the impacts of the first three years of the program actually occurred over a twenty-five month period.

Organization of this Report

Chapter II of the report describes the western Alaska region. Chapter III describes the history and implementation of the CDQ program, and provides an overview of the program during the first twenty-five months. Chapter IV describes the types of projects proposed by the CDQ organizations and the activities undertaken during this period. Chapter V describes the broader development impacts of the program, including impacts on future employment and income. Finally, Chapter VI addresses the other impacts of the CDQ program on the region and the potential effects if the program were discontinued.

Information Sources

The economic description of the western Alaska region in this report is based primarily on the 1990 U.S. Census. Information on the CDQ projects and their economic impacts is based primarily on material provided by the six CDQ groups. These include CDQ applications, quarterly reports and audited annual reports.

II. THE WESTERN ALASKA REGION

The Physical Setting

The Bering Sea is renowned for its marine productivity and fierce weather. The open ocean waters of the Bering Sea are home to some of the greatest fishery resources on earth. They contain vast schools of fish such as pollock and herring. The bottom is home to numerous commercially caught species of fish and crustaceans including Pacific cod and the famous, and large, king crab. The rivers emptying into the Bering Sea are visited yearly by millions of salmon migrating upstream to spawn. Feeding on all of this natural bounty are numerous species of marine mammals and sea birds.

The open waters of the Bering Sea annually freeze as far south as the Pribilof Islands and Bristol Bay, and even further south along the coast. Natural deep draft harbors are non-existent north of the Alaska Peninsula due to extreme tides, low terrain and silty bottom. The weather has been described as among the worst on earth, with hurricane force winds, mountainous waves, freezing spray, and a winter season of short days and long nights.

The Alaskan coast which borders the Bering Sea is barren and entirely treeless. It includes several thousand miles of coast from the uninhabited tip of the Aleutian Islands to the tiny community of Wales astride the Bering Straits. The landmass varies from volcanic along the Aleutian Islands to marshy delta at the mouth of the Yukon and Kuskokwim Rivers. Where the ground is not solid rock, it is often underlain by permanently frozen ground tens or even hundreds of feet deep.

Natural Resources

There are limited mineral resources along the coast including deposits of gold, platinum, and tin. Due to the high expense of operating in the harsh environment, very little actual mining occurs. There is also the possibility of major petroleum reserves offshore from the region. Due to the engineering challenges, changing regulations, and high exploration and production costs these reserves have not been developed, although some exploration wells have been drilled.

The Bering Sea arc is barren in winter but lush in summer. At that time it possibly contains more mass of mosquitoes than all other species combined. Vast flocks of waterfowl migrate north to nest in the marshes and along the rivers and lakes. Seabirds nest in the millions in densely packed rookeries. Animals that have hibernated for much of the year take advantage of the few summer months to eat a years worth of food. Large animals such as caribou and whales migrate back and forth to the rich, productive summer grazing grounds. Also during the brief summer, millions of salmon return to their natal streams and herring to the coastline. These are followed by the numerous fish, mammals and birds that feed on them.

The Western Alaska Economy

There are four main regional centers of commerce and population in the region: Dutch Harbor, King Salmon, Dillingham, and Nome. (Dutch Harbor is not one of the CDQ communities due to its pre-existing involvement in the Bering Sea fisheries.) Much of the economy in King Salmon and Dillingham is based on seasonal salmon fishing, whereas Nome was originally based on gold mining. All three function as commercial and transportation hubs. Residents from outlying communities visit to purchase goods and services not available locally and pass through on their way to Anchorage and beyond.

While several roads exist in the region, they link only a few of the communities. None of the roads that exist are connected to any outside of the region. Almost all of the towns and villages are totally isolated from each other. Access between them is limited to boats in the summer, snowmachines in the winter, and planes. The closest CDQ community to a continuous road system is about 300 air miles from Anchorage and the farthest over 1,200 miles.

The reliance on air transportation means that the price of many goods is greatly increased over other areas of the country. In addition, it is very expensive to travel to Anchorage or even between communities. Wages are commensurate with these higher costs and therefore costs of production with local labor are higher than elsewhere.

The remoteness and isolation of the western Alaska region limits employment opportunities for most residents to those which can be found within their communities. Commuting out of the region or even from smaller communities to regional centers on a regular basis is prohibitively expensive.

The wage economy of western Alaska is concentrated in only a few sectors. Relatively few locally consumed goods and services are provided in the region, most goods and services are imported. There is a high dependence on income from transfer programs such as the Alaska Permanent Fund Dividend Program and the Alaska Longevity Bonus Program, and Aid for Families with Dependent Children.

The majority of regional employment is with federal, state and local governments. Federal employees consist primarily of those managing federal lands, providing health care, airport operations, and military personnel. State personnel are employed primarily in schools, various state agencies, health care centers, and airport operations. Local governments employ administrators, school workers, utility operators and local public safety officers.

A typical small community has limited employment opportunities. These might include a school, post office, local utilities, retail store(s), local government, health aide, public safety officer, airport agent, National Guard, and local road and airport maintenance. Others employed locally such as school teachers and clerics are most often from outside the region. Larger communities have more services, retail centers, and government services and therefore more employment opportunities.

Jobs related to education account for 26% of all regional employment. Each community has its own school and often it is the main employer in the community. Many times this is accomplished by sharing one full time position between several households to ensure the maximum employment opportunities.

U.S. Census Data for the Western Alaska Region

The best available data for describing the population and economy of western Alaska are from the 1990 U.S. Census, which occurred prior to the start of the CDQ program in 1992. As will be discussed in Chapter V, the CDQ program has provided significant new employment and income in some CDQ communities. In addition, economic changes not related to the CDQ program have occurred in the fishing industry as well as other parts of the economy. The 1990 census data are therefore somewhat out-of-date. However, they still provide a reasonable picture of general economic conditions in the region. No other detailed up-to-date data exist on the economy and population of western Alaska in 1995.

Population

There are 56 communities in the CDQ region of western Alaska. As shown in Table II-1, these communities had a total population of 21,037 in 1990. The combined populations of the villages represented by individual CDQ groups ranged from as low as 397 for the Aleutian Pribilof Island Community Development Association to as high as 7621 for the Norton Sound Economic Development Corporation.

Seventy-seven percent of the residents of the CDQ area were Alaska Natives. All of the groups have a majority Alaska Native population. For three of the groups (APICDA, CVFC, and YDFDA) the Alaska Native population was over ninety percent of the total.

All of the CDQ groups have a relatively large share of their population under the age of sixteen; in the YDFDA more than 40% of the population is under sixteen. This indicates both a growing labor force which will require jobs in the future and the relatively larger magnitude of any employment increase relative to the working age population.

Labor Force and Employment

Table II-2 shows labor force and employment characteristics of the CDQ group villages. The civilian labor force is only 59% of the population aged 16-65. Civilian labor force participation is limited by membership in the military and choice not to participate in the labor force.

The unemployment rate is defined as the number of persons working divided by the civilian labor force. At the time of the census all CDQ groups were experiencing relatively high levels of unemployment, ranging from 9% (BBEDC) to 31% (YDFDA). While these high unemployment rates partly reflect the seasonality of employment opportunities and the timing of the census in April, they also may show the effects of limited employment opportunities. Unemployment rates may significantly underestimate true unemployment if workers drop out of the labor force due to lack of employment opportunities: When people know there are no jobs available, they stop looking and are not counted as unemployed.

Table II-2 also shows the types of jobs held by the residents of the CDQ areas in 1989. What is most interesting about this table is the relatively low share of the resident population working in the industries and occupations associated with fishing. While almost fifteen percent of the employment in the Aleutian Pribilof and Central Bering Sea regions was in the fisheries industry, no other region had over five percent in this industry. Only the Central Bering Sea had a significant share of employment in manufacturing, which is almost entirely fish processing. While work in the transportation industry may also be fisheries-related, fishing industry employment was not significant in most of the CDQ group areas in 1990. In five of the groups Educational Services and Public Administration were the most important industries, indicating the importance of public sector/government jobs to these regions.

Income

Table II-3 describes the income characteristics of the CDQ group communities in 1989. All of these regions had median incomes which were lower than the state median income of \$41,408 in 1989. The median income in the Central Bering Sea area and the Bristol Bay area was less than ten percent below the state level, but in the Yukon Delta area and the Aleutian Pribilof area the median income was only slightly greater than half the state level. The relatively high cost of living in rural Alaska suggests that in real terms, comparing the median incomes may actually underestimate the economic well being of residents in these regions.

In 1989 the poverty rate for the state was almost seven percent. The poverty rates in all the CDQ areas except the Central Bering Sea area were at least twice the state rate.

Social Conditions

In 1990, more than 25% of the people in the 56 CDQ communities lived below the poverty level. Most residents of western Alaska are Alaska Natives. Many older people speak English as a second language or not at all. Much of the housing available in the communities is substandard and utilities that most U.S. citizens take for granted such as water and phones are in short supply. In over half of the communities, five gallon buckets or outhouses remain the primary means of sewage disposal. In 1990, only thirteen communities (24%) had piped water and sewer available to at least half of the homes. The result is poor health conditions, high rates of infectious diseases, and low living standards.

| Characteristics of the 56 CDQ Communities in 1989 | |
|---|--------|
| Total population | 21,429 |
| Average community population | 390 |
| Native Americans as % of the population | 78% |
| Houses with no plumbing | 37% |
| Houses with no phone | 29% |
| Persons below poverty level | 25% |

Source: 1990 U.S. Census

Western Alaskan communities in general have many of the social ills associated with poverty and isolation. Many of these communities experience considerable problems with drug and alcohol abuse. Young people suffer from high rates of teen pregnancy and suicide. Prevalent throughout many communities is a feeling of despair and hopelessness.

Subsistence

Western Alaska residents derive a large part of their food from subsistence hunting, fishing, and gathering. Based on a subsample from the CDQ communities, the average subsistence harvest is 437 pounds per person. The majority of this harvest is fish. Per-capita subsistence harvests tend to be largest for residents of smaller communities which have fewer employment opportunities, very limited access to retail stores, and the highest percentage of Native inhabitants.

Subsistence harvests provide a large portion of the nutritional needs of western Alaska residents. At least as important is the cultural and emotional satisfaction that subsistence activities provide. It is not uncommon for western Alaskans to value subsistence harvest participation as a priority over wage labor. The result is often confusing to persons who do not understand this trade-off, as employees may take time off from wage employment to hunt and fish with their families whether or not such time is provided.

Salmon and Herring Fisheries

Salmon and herring fishing occurs in many parts of western Alaska. However, with the notable exception of the Bristol Bay salmon fishery, most local fisheries have a very low average catch and provide relatively low income to fishermen. Local participation in the larger regional fisheries has decreased over time and the necessity of a limited entry fishing permit--prohibitively expensive in the more lucrative fisheries--has discouraged further entry. Over the past two decades about 25% of the most valuable salmon fishing permits have migrated out of the region.

In 1992 about 20% of the regional population owned fishing permits or were licensed crewmen while just over 2% of the people were employed in fish processing. Most fishermen and the vast majority of processors working in the region reside outside western Alaska. Many local fishermen have other jobs, often only part-time. Since most local residents have few assets, they lack the means of acquiring salmon fishing permits. Many locals rely on subsistence hunting and gathering. They must choose between a short intense working season, often at relatively low wages, or harvesting salmon for winter food.

Some western Alaska salmon fisheries have declined in recent years and some have not opened. In 1993 even subsistence salmon fishing was closed in some areas.

Table II-1: Selected 1990 U.S. Census Data for CDQ Communities: Population

| | Alutian Pribilof Island Community Development Association | Bristol Bay Economic Development Corporation | Central Bering Sea Fishermen's Association | Coastal Villages Fishing Cooperative | Norton Sound Economic Development Corporation | Yukon Delta Fisheries Development Association | Total, All CDQ Groups |
|--------------------------|--|--|---|---|---|---|--------------------------------|
| Total Population | 397 | 4719 | 763 | 5781 | 7621 | 1756 | 21037 |
| Male | 201 | 2525 | 489 | 3051 | 4104 | 879 | 11249 |
| Female | 196 | 2194 | 274 | 2730 | 3517 | 877 | 9788 |
| Native | 364 | 2641 | 531 | 5521 | 5617 | 1603 | 16277 |
| Under 16 years | 120 | 1463 | 176 | 2256 | 2659 | 704 | 7378 |
| Age 16-64 | 243 | 3061 | 562 | 3203 | 4568 | 971 | 12608 |
| 65 years and over | 34 | 195 | 25 | 322 | 394 | 81 | 1051 |
| Percentage of Population | | | | | | | |
| Male | 51% | 54% | 64% | 53% | 54% | 50% | 53% |
| Female | 49% | 46% | 36% | 47% | 46% | 50% | 47% |
| Native | 92% | 56% | 70% | 96% | 74% | 91% | 77% |
| Under 16 years | 30% | 31% | 23% | 39% | 35% | 40% | 35% |
| Age 16-64 | 61% | 65% | 74% | 55% | 60% | 55% | 60% |
| 65 years and over | 9% | 4% | 3% | 6% | 5% | 5% | 5% |

Source: 1990 U.S. Census. Data provided by Institute of Social and Economic Research.

Table II-2: Selected 1990 U.S. Census Data for CDQ Communities: Employment

| | Alutian Pribilof Island Community Development Association | Bristol Bay Economic Development Corporation | Central Bering Sea Fishermen's Association | Coastal Villages Fishing Cooperative | Norton Sound Economic Development Corporation | Yukon Delta Fisheries Development Association | Total, All CDQ Groups |
|--|--|--|---|---|---|---|--------------------------------|
| Civilian labor force | 133 | 1786 | 370 | 1612 | 3048 | 549 | 7498 |
| As % of population 16-64 | 55% | 58% | 66% | 50% | 67% | 57% | 59% |
| Number of people employed | 117 | 1620 | 330 | 1296 | 2540 | 378 | 6281 |
| Number of people unemployed | 16 | 166 | 40 | 316 | 508 | 171 | 1217 |
| Unemployment rate | 12% | 9% | 11% | 20% | 17% | 31% | 16% |
| Employment by Occupation | | | | | | | |
| Executive, Administrative, and managerial occupations | 9% | 16% | 9% | 8% | 14% | 10% | 12% |
| Professional specialty occupations | 10% | 21% | 11% | 25% | 20% | 24% | 20% |
| Technicians and related support occupations | 0% | 5% | 4% | 1% | 5% | 3% | 4% |
| Sales Occupations | 8% | 6% | 1% | 8% | 7% | 10% | 7% |
| Administrative support occupations including clerical | 7% | 16% | 12% | 16% | 18% | 19% | 16% |
| Private household occupations | 0% | 0% | 0% | 1% | 0% | 0% | 0% |
| Protective service occupations | 2% | 2% | 6% | 3% | 2% | 3% | 2% |
| Service occupations, except protective and household | 22% | 11% | 10% | 18% | 16% | 16% | 14% |
| Farming, forestry, and fishing occupations | 13% | 2% | 10% | 1% | 1% | 0% | 1% |
| Precision production, craft, and repair occupations | 7% | 11% | 17% | 8% | 9% | 7% | 9% |
| Machine operators, assemblers and inspectors | 3% | 1% | 6% | 2% | 3% | 1% | 2% |
| Transportation and material moving occupations | 14% | 4% | 5% | 2% | 1% | 1% | 2% |
| Handlers, equipment cleaners, helpers, and laborers | 7% | 4% | 11% | 7% | 5% | 5% | 5% |
| Employment by Industry | | | | | | | |
| Agriculture, forestry and fisheries | 15% | 3% | 13% | 1% | 1% | 1% | 2% |
| Mining | 0% | 0% | 0% | 0% | 4% | 0% | 2% |
| Construction | 14% | 4% | 10% | 2% | 3% | 2% | 3% |
| Manufacturing, nondurable goods | 0% | 2% | 22% | 2% | 1% | 0% | 2% |
| Manufacturing, durable goods | 0% | 1% | 0% | 0% | 0% | 0% | 0% |
| Transportation | 10% | 11% | 4% | 5% | 8% | 7% | 8% |
| Communications and other public utilities | 2% | 5% | 5% | 5% | 3% | 6% | 4% |
| Wholesale trade | 0% | 1% | 2% | 2% | 0% | 3% | 1% |
| Retail trade | 15% | 12% | 4% | 15% | 16% | 18% | 14% |
| Finance, insurance and real estate | 0% | 2% | 0% | 0% | 3% | 1% | 2% |
| Business and repair service | 2% | 3% | 1% | 2% | 2% | 1% | 2% |
| Personal services | 0% | 2% | 4% | 2% | 2% | 1% | 2% |
| Entertainment and recreation servi | 0% | 0% | 1% | 0% | 2% | 1% | 1% |
| Health services | 7% | 10% | 6% | 4% | 9% | 5% | 8% |
| Educational services | 16% | 22% | 10% | 41% | 22% | 38% | 25% |
| Other professional and related services | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Public administration | 7% | 6% | 8% | 4% | 7% | 3% | 5% |
| Public administration | 1% | 16% | 12% | 15% | 16% | 14% | 15% |

Source: 1990 U.S. Census. Data provided by Institute of Social and Economic Research.

Table II-3: Selected 1990 U.S. Census Data for CDQ Communities: Income

| | Aleutian Pribilof Inland Community Development Association | Bristol Bay Economic Development Corporation | Central Bering Sea Fishermen's Association | Coastal Villages Fishing Cooperative | Norton Sound Economic Development Corporation | Yukon Delta Fisheries Development Association | Total, All CDQ Groups |
|--------------------------------------|---|--|---|---|---|---|--------------------------------|
| Total income | \$4,583,225 | \$77,039,021 | \$11,532,745 | \$30,048,288 | \$84,455,823 | \$12,049,776 | \$219,708,878 |
| Per capita income | \$11,545 | \$16,325 | \$15,115 | \$5,198 | \$11,082 | \$6,862 | \$10,444 |
| Total household income | \$4,526,806 | \$72,849,438 | \$7,926,874 | \$29,831,135 | \$84,064,434 | \$11,868,549 | \$211,067,236 |
| Number of households | 135 | 1480 | 161 | 1361 | 2238 | 411 | 5786 |
| Average income per household | \$33,532 | \$49,223 | \$49,235 | \$21,919 | \$37,562 | \$28,877 | \$36,479 |
| Household income distribution | | | | | | | |
| Less than \$5,000 | 5.9% | 6.4% | 5.6% | 15.1% | 9.6% | 5.1% | 9.6% |
| \$5,000 to \$9,999 | 13.3% | 7.8% | 0.0% | 16.7% | 7.7% | 12.2% | 10.1% |
| \$10,000 to \$14,999 | 17.8% | 8.2% | 5.0% | 14.1% | 10.5% | 14.6% | 11.1% |
| \$15,000 to \$24,999 | 14.1% | 11.9% | 14.3% | 21.0% | 14.1% | 25.3% | 16.0% |
| \$25,000 to \$34,999 | 8.1% | 11.8% | 7.5% | 15.0% | 13.2% | 12.9% | 13.0% |
| \$35,000 to \$49,999 | 14.8% | 15.3% | 26.7% | 9.8% | 16.0% | 14.8% | 14.6% |
| \$50,000 to \$74,999 | 16.3% | 20.1% | 23.0% | 6.0% | 15.8% | 10.2% | 14.4% |
| \$75,000 to \$99,999 | 5.2% | 10.6% | 11.8% | 1.5% | 8.7% | 1.7% | 7.0% |
| \$100,000 to \$149,000 | 4.4% | 6.5% | 5.0% | 0.7% | 4.3% | 3.2% | 4.0% |
| \$150,000 or more | 0.0% | 1.4% | 1.2% | 0.0% | 0.0% | 0.0% | 0.4% |
| Median household income (dollars) | \$23,750 | \$38,437 | \$39,922 | \$16,691 | \$31,145 | \$21,193 | |
| Poverty Status in 1989 | | | | | | | |
| Number of families | 99 | 1063 | 132 | 1091 | 1641 | 327 | 4353 |
| Families in poverty | 14 | 148 | 5 | 418 | 305 | 79 | 969 |
| Percent of families in poverty | 14.1% | 13.9% | 3.8% | 38.3% | 18.6% | 24.2% | 22.3% |

Source: 1990 U.S. Census. Data provided by Institute of Social and Economic Research.

III. THE COMMUNITY DEVELOPMENT QUOTA PROGRAM

People have harvested the resources of the Bering Sea since it was formed, sometime after the last ice age and after immigration to the Americas had begun. Until recently, this harvest occurred almost exclusively along the shores and on rivers. Native people ventured only a short distance from shore to fish and hunt marine mammals. During the late 1800s whalers plied the waters and some fishing vessels began making annual trips north shortly thereafter. It was not until the middle of this century that large boats, all foreign, began fishing far offshore.

With the passage of the Magnuson Act in 1976 the groundwork was laid for domestic participation in the fisheries. The Act prioritized access to the resource. Fully domestic harvesting and processing operations were given first priority, followed by joint ventures (American vessels fishing for foreign floating processors), and finally foreign vessels. It took a decade for the domestic fleet to develop to the point that it could play a significant part in the fishery.

Until the late 1970s, little of the harvest from the Bering Sea itself was by Americans. Instead, foreign fleets from Europe and Asia harvested the fish and processed it aboard large floating processors. In 1979, only 615 metric tons or .05% of the 1.2 million mt Bering Sea harvest was domestically caught and processed. By 1988, all of the harvest (2.0 million mt) was by domestic vessels and 34% of the processing was conducted domestically. Finally, beginning in 1991, all of the harvest from U.S. waters of the Bering Sea was also processed domestically. However, most of the fleet is from ports thousands of miles to the south.

The swift transition from foreign to domestic fisheries resulted in an overcapitalized fleet. By the early 1990's, fishing seasons that had previously lasted all year were measured in weeks or days. Vessels traveled north to the fishing grounds fully crewed and processing workers were typically imported from areas outside Alaska where wage rates are lower. The result was that most of the people living in the western Alaska communities on the shores of the Bering Sea had no viable means of participating in these fisheries.

CDQ Program Development

The concept of CDQ's for western Alaskan communities began to be discussed in the mid-1980s. An unsuccessful attempt was made to inject a generic CDQ concept into federal fishery regulations in 1989. Prior to that, beginning in 1988, the North Pacific Fishery Management Council, established by Congress to develop management plans, considered CDQ's for sablefish longline fisheries. As part of that plan, an idea of allocating part of the total allowable catch directly to communities was developed. This would allow the community members access to the

resource at their doorstep. It would also remove them from any race for fish and allow them to participate in the fishery at their own pace.

By 1989, it was apparent that there were too many vessels harvesting pollock. Therefore, responding to a need to better manage the fishery, the Council began investigations into allocating pollock harvests between vessels delivering to shorebased processors and those processing at-sea.

Finally, the Council decided that CDQ's could be a viable means of spurring economic development in nearby economically depressed coastal communities without greatly impacting the existing fishing industry. Pollock CDQ's were added to the pollock allocation process. Large shorebased and offshore trawl vessels, capable of fishing far from land, are needed to harvest pollock. None of the people along the Bering Sea coast owned such vessels and only a few communities had port facilities sufficient to handle them. Taken together with the generally poor economic conditions found throughout the region, the likelihood of local residents being able to participate in the pollock fishery without assistance seemed negligible. The opportunity to provide a diversified and stabilizing source of income to local residents and communities was appealing to many, including the State of Alaska. The debates and decisions necessary to reach a viable pollock allocation were intense. The CDQ program became an integral component of a compromise management strategy.

The Secretary of Commerce approved the pollock allocations in early 1992 but the final regulations implementing CDQ's were not published until late that year. The allocation to CDQ groups was set at 7.5% of the overall pollock total allowable catch for the Bering Sea and Aleutian Islands management areas. This would allow the groups the privilege of harvesting a specific tonnage of fish annually, at any time of their choosing.

The allocations were for two years, 1992 and 1993, with reallocations made for the 1994 and 1995 seasons. The regulations became effective on November 18, 1992 and were published in final form on November 3, 1992, at 50 CFR part 675. Corresponding State of Alaska emergency regulations were also published in late 1992.

One of the valuable attributes of CDQ's is the ability to fish for pollock when the open fisheries are closed allowing fishing to occur at virtually anytime during the year. Vessels used to harvest the CDQ allocations may continue to operate when they otherwise would be unable to earn income from the pollock fishery. It also allows the Alaska fishing industry the ability to provide pollock to the marketplace throughout the year which has a positive affect on marketshare especially in the domestic marketplace.

Implementation of the CDQ Program

The Secretary of Commerce delegated much of the implementation of the CDQ program to the Governor of Alaska using a frameworked application and review process. The State was charged with full review of CDQ proposals and making allocation recommendations to the

Secretary. The Secretary retained overall allocation decision authority, including the authority to modify an allocation at any time.

As part of the Community Development Quota program application process the Governor's designees as identified in AS §6 AAC 93.915 establish a schedule for the receipt of the applications, initial application evaluation, public hearings and final application review. Within a reasonable time before the beginning of the application period, the designees also publish a notice of the CDP application schedule in at least one newspaper of general circulation in Western Alaska and one newspaper of general circulation in the state. The state also mails a copy of the notice to eligible communities. The application period will be a minimum of 14 days except as provided for in AS §6 AAC 93.075 which states the governor can, at his discretion, relax or reduce the notice requirements if the governor determines that a shortened or less expensive method of public notice is reasonably designed to reach all interested persons.

The CDQ application is required to contain a description of the goals and objectives of the Community Development Plan (CDP), the allocation requested, the length of time necessary to achieve these goals as well as the number of individuals expected to be employed and a description of vocational and educational training programs the CDP will generate. The CDP should also include a description of the existing fishery related infrastructure and how the CDP would use or enhance existing harvesting or processing capabilities, support facilities and human resources. The CDP is also required to include a description of how new capital or equity will be generated for the applicants fishing or processing operations; a plan and schedule for transition from reliance on the CDQ to self-sufficiency in fisheries; and a description of the short and long-term benefits to the applicant from the allocation.

Upon receipt of the CDP applications the governor's designees perform an initial evaluation of the CDP to determine if it is complete and has the necessary information required under §6AAC 93.025. The designees, staff members of the Departments of Community and Regional Affairs, Fish and Game, and Commerce and Economic Development, schedule a public hearing in accordance with federal regulations. The governor's designees then take into consideration the CDP application and public testimony and select those applications that they believe best satisfy the objectives, requirements, and criteria of the CDQ program and recommend those applications to the governor, who in turn evaluates and makes the final recommendation to the Secretary of Commerce for approval.

The initial application process in 1992 occurred during an extremely short time frame. The ability of the eligible villages to organize into CDQ groups, develop a Community Development Plan and form industry partnerships is a testimony to the determination the people of western Alaska to gain the greatest possible benefit from the CDQ program.

During the last half of 1992, communities and fishermen's groups along the Bering Sea coast began to organize in response to the pending CDQ regulations. In order to qualify for a

CDQ allocation, an organization and its member communities had to meet several criteria. The major criteria for community qualification consisted of:

- Location within 50 nautical miles of the Bering Sea
- Native village as defined by the Alaska Native Land Claims Settlement Act
- Residents conduct over 50% of their current subsistence and commercial fishing effort in the waters of the Bering Sea
- No previously developed harvesting or processing capacity sufficient to support substantial groundfish fisheries participation

A total of 56 communities were eligible and all held meetings to select fishermen representatives. As the summer drew to a close, the communities coalesced into six different applicant organizations. The groupings were self-determined and were based primarily on geographical proximity and cultural boundaries.

| Community Development Quota Groups | |
|---|----------------|
| Aleutian Pribilof Island Community Development Association (APICDA) | 5 communities |
| Bristol Bay Economic Development Corporation (BBEDC) | 13 communities |
| Central Bering Sea Fishermen's Association (CBSFA) | 1 community |
| Coastal Villages Fishing Cooperative (CVFC) | 17 communities |
| Norton Sound Economic Development Corporation (NSEDC) | 15 communities |
| Yukon Delta Fisheries Development Association (YDFDA) | 4 communities |

List of CDQ Communities by Group

| | |
|--------|--|
| APICDA | Atka, False Pass, Nelson Lagoon, Nikolski, St. George |
| BBEDC | Aleknagik, Clark's Point, Dillingham, Egegik, Ekuk, Manokotak, Naknek, King Salmon/Savonoski, Pilot Point/Ugashik, Port Heiden, South Naknek, Togiak, Twin Hills |
| CBSFA | St. Paul |
| CVFC | Cherformak, Chevak, Eek, Goodnews Bay, Hooper Bay, Kipnuk, Konigianak, Kwigillingok, Mekoryuk, Newtok, Nightmute, Platinum, Quinhagak, Scammon Bay, Tooksook Bay, Tuntutuliak, Tununak |
| NSEDC | Brevig Mission, Diomedes/Inalik, Elim, Gambell, Golovin, Koyuk, Nome, Savoonga, Shaktoolik, St. Michael, Stebbins, Teller, Unalakleet, Wales, White Mountain |
| YDFDA | Alakanuk, Emmonak, Kotlik, Sheldon Point |

Membership of each CDQ group is composed of a representative of each member community. An appropriate governing body from each community joining a CDQ group had to elect a representative from the community to the CDQ organization's Board of Directors. Three-quarters of the members of each Board were required to be either commercial or subsistence fishermen.

In order to qualify for a pollock allotment, each CDQ group had to prepare a comprehensive Community Development Plan (CDP) application for presentation to the Governor of Alaska and the Secretary of Commerce. The application had to describe the communities and their economies and lay out the group's specific goals and objectives. The plans had to request specific amounts of pollock, and to describe specifically how the pollock proceeds would be utilized, including describing specific fishery development projects that would be pursued along with measurable milestones. Finally, the plans had to demonstrate that the CDQ group itself would be able to continue as a viable business entity after the CDQ program had ended.

Application Requirements

- The CDQ group's goals and objectives
- Employment to be created
- Existing fishing related infrastructure
- Business plans
- Business and loan relationships
- Presentation of a budget
- Sufficient management and technical experience

Industry Partners

A large part of the 1992/93 application process for CDQ groups involved locating and contracting with an industry partner and developing programs to utilize anticipated CDQ revenues. Each CDQ group found it necessary to contract with an established seafood company to make sure that the pollock would be harvested and processed in an economically efficient manner. The concept of partnerships with industry participants was perceived as an excellent vehicle for joint venture investments. It also would facilitate an important transfer of skills and expertise in the seafood industry to the CDQ groups. It was hoped that the industry partners would contribute greatly to the entry of CDQ communities as successful participants in the Bering Sea fishing industry.

When pollock CDQs were imminent, a number of major pollock harvesters and processors investigated partnerships with potential CDQ recipients. A request for proposals process ensued in which each CDQ group chose from a variety of offers. Each industry proposal contained a different mix of payments, training, employment opportunities, and assistance with other regional fishing business ventures. Existing pollock harvesters and processors were interested in the CDQ program because it gave them an opportunity to continue to operate their vessels at a time when they might otherwise be idle.

The industry partners were chosen by the CDQ groups based on the mix of which most closely fit the development goals of that group. Each of the six groups agreed to a specific price per metric ton for the use of CDQ pollock or a base price plus some form of profit sharing.

By the time the 1994/95 application process occurred, a steep decline in pollock prices had demonstrated the volatility of the pollock market. Several of the groups switched from a fixed fee to a base price and profit sharing. This was done both to provide a higher potential price to the CDQ groups and to protect the industry partners in the event of a continued pollock market collapse.

CDQ organizations and their industry partners (1992 - 1995):

| | |
|---|---------------------------------|
| Aleutian Pribilof Community Development Association | Trident Seafoods, Inc. |
| Bristol Bay Economic Development Corporation | Oceantrawl, Inc. |
| Central Bering Sea Fishermen's Association | American Seafoods Company, Inc. |
| Coastal Villages Fishing Cooperative | Golden Age Fisheries |
| Norton Sound Economic Development Corporation | Glacier Fish Company |
| Yukon Delta Fisheries Development Association | Golden Alaska Seafoods, Inc. |

CDQ Allocations

The pollock allocations for 1992 and 1993 were made in late 1992. Different amounts were given to each group based on the number of communities they represented, their expressed needs, and the soundness of their plans.

| Approved CDQ Allocations | 1992/93 | 1994/95 |
|--------------------------|---------|---------|
| APICDA | 18% | 18% |
| BBEDC | 20% | 20% |
| CBSFA | 10% | 8% |
| CVFC | 27% | 17% |
| NSEDC | 20% | 20% |
| YDFDA | 5% | 7% |

The 1994 and 1995 allocation process began in early 1993 and the Secretary made final allocations late in the year. As indicated in the above chart, changes were made to the 1994 and 1995 allocations.

As stated earlier, the allocation decisions are based on the CDQ organization's Community Development Plan (CDP) and their ability to implement and fulfill their goals. The allocation process is of a competitive nature with each group preparing a CDP that would provide substantial gain to their communities. This was done to ensure the greatest benefit to the residents of the region.

CDQ Groups' Goals & Objectives

Each CDQ group proposed to use its funds to create more local development opportunities. To this end, all are using funds for training and education, jobs, and infrastructure development. Because of their different geographical locations, existing economic conditions, and other local employment opportunities, each group developed a different program philosophy. The result has been a blend of investing, training, and infrastructure development all aimed at developing and improving the regional fisheries and overall economies.

All but one of the groups declared itself a non-profit corporation. The one group which formed a for-profit company entered into a partnership in a factory-trawler. Most of the groups have since formed auxiliary for-profit corporations to participate in business projects and activities. These include YDFDA's small boat fleet, APICDA's Management Company, NSEDC's Norton Sound Fish Co., and CVFC's salmon processor. More for-profit ventures such as these are being developed as more development plans are implemented.

By declaring themselves to be non-profit corporations, each group had to seek a ruling from the Internal Revenue Service as to whether or not these activities and corporate structures would qualify. The wait for the IRS ruling resulted in an important-side benefit: each group was required by the State to keep 40% of their revenues in a dedicated tax liability fund. Consequently, during the first year of the CDQ program the groups were subject to enforced savings. This allowed them to grow and refine their development plans without over-spending on initial projects. The expenditure and savings patterns of the groups for 1992/93 reflect this.

CDQ Group Primary Development Philosophies

Due to the regional idiosyncratic nature of the CDQ groups, each CDQ organization developed goals and objectives to meet the both the long and short-term needs of their communities. As reported earlier, each group has commonalities such as high unemployment, low living standards and limited economic development opportunities. How each region decides to address these issues is entirely self-determined. The list of development philosophies below is an indication of the differing objectives of each group.

APICDA -

Create income and infrastructure generating business opportunities for the CDQ group in local communities and businesses.

BBEDC -

Create an investment fund with which to invest in the seafood industry outside local, highly capitalized fisheries.

CBSFA -

Use CDQ income to leverage local infrastructure development.

CVFC -

Invest in ownership of offshore processor and use vertical integration and CDQ allocations to generate local employment.

NSEDC -

Increase participation and profitability by residents in regional fisheries and invest in the seafood industry.

YDFDA -

Train community residents as fishermen and finance vessel and gear loans and infrastructure development.

CDQ Program Monitoring

The CDQ program requires both federal and state oversight. The federal and state governments have each added staff to respond to monitoring needs. Approximately the equivalent of one federal and three state full-time positions are dedicated to the CDQ administration as well as part-time assistance on policy-making decisions by staff from several agencies.

The federal monitoring agency is the National Marine Fisheries Service. Federal responsibilities include daily monitoring of catch, debriefing of fishery observers, writing regulations, and review of the overall program. As is the case in the open-access fishery, federal funds support the fishery management and allocation decision making process.

The State is responsible for the ongoing monitoring of each CDQ group's performance, ensuring compliance with CDQ plans and regulations, providing professional assistance, reviewing quarterly and annual reports, and participating in the allocation decision making process. State agencies involved in this process include the Departments of Community and Regional Affairs, Fish and Game, and Commerce and Economic Development. The State requires quarterly reports, conducts several meetings with each group annually, requires annual audit and compliance reports, and retains the right to conduct an internal audit and review of any CDQ group's accounts at any time.

CDQ Fisheries Monitoring

All at-sea processors in the open access pollock fisheries are required to carry a single authorized government observer. However, with the necessity of accurate accounting for all harvests to the pound, new methods were required. The CDQ organizations were attuned to this especially in terms of bycatch of species such as salmon and herring. These species are important to western Alaskans for both commercial and subsistence fishing. Therefore, the industry partners and CDQ groups voluntarily instituted new monitoring systems. They began using two observers on each processing vessel so that the trawls could be observed around the block. Also, they began implementing methods to volumetrically measure all harvest. The methods determined by the North Pacific Fishery Management Council may be used as a basis for monitoring programs currently under consideration for the rest of the industry.

IV. OVERVIEW OF CDQ GROUPS AND ACTIVITIES

This chapter provides a brief overview of each CDQ group and the activities that it has undertaken to date.

Table IV-1 provides an overview of all activities of the six CDQ groups. Activities listed in bold type are actually underway. Activities listed in italics are in a development or planning stage. Activities listed in parentheses are potential projects which have been suggested by the CDQ groups in their Community Development Plans or other documents.

Table IV-1

| CDQ Organizations | APICDA | BBEDC | CBSFA | CVFC | NSEDC | YDFDA |
|---|--------|-------|-------|------|-------|-------|
| PROJECT TYPE | | | | | | |
| Administration | X | X | X | X | X | X |
| Business Development | | | | | | |
| Alaska Seafood Investment Fund | | X | | | | |
| Salmon & Herring Marketing (Crested Village Investment Fund) | | | | | X | |
| (Cable Ranch - revised) | X | | | | | |
| (Wildlife Tourism - revised) | X | | | | | |
| (Wood Mill Outfitting) | | | X | | | |
| (Seafood Waste Conversion) | | | X | | | |
| (Entrepreneurship Program) | | X | | | | |
| Employment | | | | | | |
| Resident Employment Program | X | X | X | X | X | X |
| Equity Investments | | | | | | |
| APICDA Management Co. | X | | | | | |
| APICDA Joint Ventures | X | | | | | |
| Impressment Partnership | | | | X | | |
| Longline Partnership | | | X | | X | |
| Norlan Sound Fish Co. | | | | | X | |
| Vulcan Delta Fisheries, Inc. | | | | | | X |
| 24' Floating Processor | | | | | | X |
| (Longline Vessel) | | | | | | X |
| Fishery Development | | | | | | |
| Salmon Restoration Program | | | | | X | |
| Exploratory Fishing Research | | | X | X | | X |
| Product Diversification Program | X | | | X | X | |
| St. Lawrence Matted Fishery | | | | | X | |
| (Fishery Development Grants) | | X | | | | |

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| ORGANIZATION | APICDA | BBEDC | CBSFA | CVFC | NSEDC | YDFDA |
|--|--------|-------|-------|------|-------|-------|
| IFQ/Limited Purchase | | | | | | |
| IFQ Fund | X | | | | | |
| Permit Brokerage | | X | | | | |
| IFQ Permit Fund | | | | | X | X |
| Infrastructure | | | | | | |
| Atka Cook Facility | X | | | | | |
| St. George Harbor | X | | | | | |
| False Pass Gear Storage | X | | | | | |
| Nelson Lagoon Dock | X | | | | | |
| False Pass Dock Improvement | X | | | | | |
| Nome Dock | | | | | X | |
| Beverage Ice Delivery System | | | | | X | |
| Koyuk Ice Machine | | | | | X | |
| St. Paul Harbor | | | X | | | |
| St. Paul Dock | | | X | | | |
| Nikiski Boat Ramp | X | | | | | |
| Moose Pt. Buying Station | | | | | X | |
| Oakville Buying Station | | | | | X | |
| (Infrastructure Fund) | | X | | | | |
| Loan Program | | | | | | |
| Small Business | X | | | | | X |
| Boat & Gear | X | X | X | (X) | X | X |
| Processing Plant | | | | | | |
| Atka Trade Seafoods JV | X | | | | | |
| Unalakleet Fish Plant | | | | | X | |
| Coastal Village Fisheries | | | | X | | |
| Ermenek Cooperative | | | | | | X |
| Norton Sound Crab Co. | | | | | X | |
| Shaktovich Plant | | | | | X | |
| Mokryuk Plant | | | | X | | |
| Nelson Lagoon Plant | X | | | | | |
| (St. Lawrence Plant) | | | X | | | |
| Scholarship | | | | | | |
| Scholarship Program | X | X | X | X | X | X |
| Training | | | | | | |
| Shoreside Training Program | X | | | | | |
| Vocational Training & Education (Simon Fraser University) | X | X | X | X | X | X |
| (Observer Training Program) | | X | | | | |
| Other | | | | | | |
| Impact Fund | | | X | | | |

Activities are listed in thirteen different categories. All groups are involved in some categories, including administration, training, employment and scholarship programs. In contrast, only some groups are involved in IFQ purchases, infrastructure development, fisheries development and equity investments.

The remainder of this chapter provides a more detailed description of the goals and activities of each group.

ALEUTIAN PRIBILOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION

The Aleutian Pribilof Islands Community Development Association (APICDA) represents the five communities of Atka, False Pass, Nelson Lagoon, Nikolaki and St. George. Their industry partner is Trident Seafoods, Inc. APICDA received 18% of the total CDQ pollock allocation in 1992 - 1995.

Goals

According to the Community Development Plan submitted by APICDA, the major goals of APICDA are as follows:

- 1. Provide capital for construction and investment to facilitate community participation in Bering Sea/Aleutian Islands fisheries.** APICDA plans to acquire and conserve capital to avail itself of investment opportunities while at the same time be aware of the overcapitalization of the fishing industry. When making investments, APICDA must review a variety of factors to properly gauge the value of the opportunity.
- 2. Provide and promote employment and educational opportunities for local residents in all aspects of the Bering Sea/Aleutian Islands fisheries.** APICDA member communities are strategically located in the Aleutian Island/Bering Sea region. As the economic health of the industry deteriorates, and fishing seasons become shorter and shorter, the location of support services becomes more and more important to the industry. Local infrastructure such as harbors and docks are necessary to provide support services. APICDA will strive to provide infrastructure development to all member communities.
- 3. To become a self-sustaining entity that will foster continued development, participation and stability for the regions communities and their residents.** In the APICDA communities, there is no more valuable right than access to the right to fish commercially. To the extent that local residents do not receive IFQs, 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 plans to participate in programs designed to assist local residents in acquiring IFQs.

CDQ Group Management/Administration

APICDA's board of directors employs the firm of Pacific Associates for the daily management of the organization. Pacific Associates offices are located in Juneau, Alaska. APICDA also employs community liaison officers to disseminate information throughout their communities. Management and policy decisions are made by the Board and carried out by Pacific Associates, their harvesting partner and subsidiary corporations.

Other CDQ Activities

Offshore Employment - Trident/Starbound offers a preferential hire program for residents of the APICDA area. They also provide training when needed and are investigating the establishment of a shoreside training program.

Training and Educational Program - APICDA's training program strives to provide meaningful employment and training opportunities by ensuring that all residents of APICDA communities fully understand the program. APICDA does this through employment of community liaison officers in each community.

Product Diversification Program - The product diversification program constitutes a major commitment to work with Trident and Starbound to develop new and expanded product forms from salmon.

APICDA Joint Ventures - Atka Pride Seafoods - APICDA formed a joint venture partnership with Atka Fishermen's Association to upgrade the existing processing facility and operate the processing plant as Atka Pride Seafoods.

APICDA Management Corporation - AMC holds all wholly owned subsidiaries of APICDA. - **Atka Floating Dock -** APICDA has constructed a small floating dock to serve the need of the community until a larger, permanent dock can be constructed. AMC also owns three 32' longline vessels which are operated by local residents.

False Pass Dock Improvement - APICDA allocated funds to install sewer and water services to the dock.

St. George Dredge - APICDA provided \$1.2 million to match the \$3.3 million of state funds to dredge the St. George Harbor. APICDA views this as an economic investment since APICDA will participate in subsequent economic activity.

St. George Dock - APICDA has allocated almost a million dollars during 1995 for the design and construction of a dock in St. George. This facility will be owned by

APICDA Management Corporation and will be located on land APICDA leased from the City of St. George as a quid pro quo exchange for APICDA's earlier contribution toward the completion of the Zapadni Bay dredging project.

Loan Guarantee Program - APICDA has plans to provide an IFQ loan guarantee program to assist local residents in purchasing halibut and sablefish quota shares.

Nelson Lagoon Dock - The Nelson Lagoon Dock project continues on schedule, construction is expected to begin in the spring of 1995.

BRISTOL BAY ECONOMIC DEVELOPMENT CORPORATION

Bristol Bay Economic Development Corporation (BBEDC) represents the thirteen communities of Aleknagik, Clark's Point, Dillingham, Egegik, Ekuk, Manokotak, Naknek, King Salmon, South Naknek, Togiak, Twin Hills, Pilot Point, Ugashik and Port Heiden. Their industry partner is Oceanrawl, Inc. BBEDC received 20% of the total CDQ pollock allocation in 1992-1995.

According to the Community Development Plan submitted by BBEDC, the major goals of BBEDC are as follows:

Long range goals:

1. Increase and improve the quality of employment opportunities.
2. Develop long term employment opportunities and job diversification by funding vocational and academic scholarships.
3. Strengthen and expand the region's fisheries industry.

Specific Goals

- A1 Provide a self-sustaining basis for community development and employment
- A2 Employment for the region's residents
- A3 Provide training and education to residents appropriate to developing new employment opportunities.

- A4 Develop a regional fishery's development plan that anticipates changes in North Pacific fisheries.
- A5 Provide for infrastructure development based on new economic development.
- A6 Develop a timely method for getting information about the corporation and its programs out to the region and interested public.
- A7 Develop and maintain an efficient and cost effective staff and internal administrative and management procedures.
- A8 Maintain an effective and efficient Board of Directors.

CDQ Group Management/Administration

The Bristol Bay Economic Development Corporation offices are located in Dillingham, Alaska. Employment at BBEDC consists of an executive director, an office manager and secretary. Various consultant services are contracted as needed.

Other CDQ Activities

Offshore Employment Program - BBEDC works closely with their industry partner, Oceantrawl, to place their people on factory trawlers as entry level workers and encourages upward mobility.

Permit Stabilization Program - BBEDC has developed a permit brokerage business as an independent broker with Permit Masters. Permit Masters, Ltd. in Seattle is an established and reputable broker of fishing permits. The objective is to retain limited entry permits within the community when an individual is forced to sell his/her permit for various reasons.

Training and Scholarship Program - The training program has altered from the original 1993 CDP. Factory trawler training at a vocational school has decreased due to the fact that Oceantrawl prefers to do their own training. BBEDC is concentrating on basic vocational training to develop human resources in a broad and diverse context. BBEDC is also working with industry and government to develop an observer training program for the region.

Alaska Seafood Investment Fund - BBEDC has established the Alaska Seafood Investment Fund (ASIF) to make investments in Alaskan seafood businesses. These investments will be made outside of Bristol Bay's fully developed sockeye salmon and herring fisheries.

CENTRAL BERING SEA FISHERMEN'S ASSOCIATION

Central Bering Sea Fishermen's Association (CBSFA) represents the community of St. Paul. CBSFA was allocated 10% of the total pollock CDQ allocation for the 1992/93 season and 8% for the 1994/95 season.

According to the goals of CBSFA's Community Development Plan, the major development goals are as follows:

1. Develop for St. Paul Island a stable, self-sufficient, enduring and diversified economy not based on the harvest of fur seals, as directed by the Fur Seal Act Amendment of 1983.
2. Develop an appropriate locally based, locally owned, Bering Sea fishing fleet, to contribute community economic benefits and stability, key participation in local fishery business infrastructure, and safe and efficient harvest of local commercially valuable species.
3. Establish and maintain local access to Bering Sea resources as a key component in establishment and maintenance of an economy for St. Paul Island.
4. Establish Aleut participation and CBSFA participation in management and preservation of a Bering Sea ecosystem that supports rational use of renewable Bering Sea resources for the benefit of all persons.
5. Convert and merge a successful community fishery development plan and CDQ quota with the NPFMC fishery rationalization plan.

CDQ Group Management/Administration

Central Bering Sea Fishermen's Association is managed by the President of the board of directors who acts as the executive director of CBSFA. CBSFA's main office is located in Anchorage, with another office in St. Paul. CBSFA staff is mainly comprised of St. Paul residents, with consultants contracted on a part-time basis.

Other CDQ Activities

St. Paul Harbor Dredge - CBSFA along with the State of Alaska has committed funds for the dredge of the St. Paul Harbor. This project has an expected completion date of Spring 1995.

Temporary Marine Facilities - A small dock will be constructed upon completion of the harbor dredge. The dock has been designed and materials purchased, however construction is on hold pending completion of the dredge.

Scholarship Program - CBSFA has dedicated funds to a scholarship fund for St. Paul Island students accepted to institutions of higher education.

Vocational Training - CBSFA makes funds available for St. Paul Island Aleuts to obtain vocational or technical training in any field related to development of a fishery economy on St. Paul Island.

Fishery Employment - CBSFA will provide meaningful employment for the Aleut population of St. Paul Island. Jobs will be generated in commercial fishing operations, seafood processing, resource management and other fishery management and service related employment opportunities.

Vessel Loan Program - CBSFA loans up to 1/3 of the value of a vessel at reduced interest rates for locally qualified applicants who are successful in obtaining traditional financing for the remaining 2/3.

Gear Loan Program - CBSFA provides 100% financing for local fishermen at reduced interest rates to finance fishing gear for locally owned fishing vessels.

Test Fishery Project - CBSFA chartered a Bering Sea fishing vessel to test fish waters around St. Paul Island using a variety of small vessel pot gear to determine future fishery development.

Equity Investment in Longline Vessel - CBSFA has purchased ownership interest in the F/V Zolotoi.

Impact Fund - CBSFA has established an impact fund available for social, recreational and cultural impacts.

COASTAL VILLAGES FISHING COOPERATIVE

The Coastal Villages Fishing Cooperative (CVFC) represents the communities of Cherformak, Chevak, Eek, Goodnews Bay, Hooper Bay, Kipnuk, Konigianak, Kwigillingok, Mekoryuk, Newtok, Nightmute, Platinum, Quinhagak, Scammon Bay, Tooksok Bay, Tuntutuliak, and Tununak. CVFC received 27% of the total pollock CDQ allocation during 1992 - 1995.

The Community Development Plan submitted by CVFC identifies the following major development goals:

1. Through the CDQ program, to develop a self-sustaining, self-sufficient fisheries economy in the CVFC region.
2. Develop the technical and managerial potential of CVFC members to own and operate a diversified fishing company through a "career track" program.
3. Provide jobs and expand employment opportunities for the residents of CVFC member villages.
4. Accumulate capital for Coastal Village region fisheries infrastructure development through:
 - Profit distributions from CVFC/Golden Age Fisheries(GAF) owned vessels
 - Employment on CVFC/GAF owned vessels in the CDQ fisheries or others
 - Employment on all other GAF owned vessels in all fisheries
 - Identification and development of new local fisheries resulting from nearshore trawl survey
 - Increase employment in local fisheries
 - Increased ownership of local fisheries
 - Expanded markets for local fisheries
 - Higher prices for products from the local fisheries through competition
 - improved quality control and product development
 - Higher prices for products through sales and marketing which emphasize the superior quality of CVFC region products
5. Invest capital in new ventures to further develop the Coastal Villages region.
6. Establish CVFC ownership in onshore processing facilities (for value-added production) and off-shore harvesting and processing capacity (factory trawlers, longliner, crab and processing vessels) capable of fishing in nearshore and offshore fisheries.
7. Provide markets for local salmon and herring fisheries.

CDQ Group Management/Administration

The Coastal Villages Fishing Cooperative, organized as a *for-profit* cooperative corporation, made a conscious decision to remain relatively small and lean during its early development. The cooperative employs four individuals: one each located at offices in Chevak, Bethel, Tooksook Bay and the executive director in Juneau.

Other CDQ Activities

Resident Employment Program - CVFC has an employment coordinator who actively recruits CVFC residents for employment and internship opportunities especially with Golden Alaska Fisheries ventures.

Scholarship Fund - CVFC and GAF created the Coastal Villages Scholarship Fund through the contribution by CVFC and GAF joint ventures of 5% of their profits. The fund has been incorporated as a non-profit corporation under the State of Alaska and awards scholarship grants or loans.

Coastal Village Fisheries - CVF is the first major locally owned salmon operation on the Kuskokwim river. This venture became operational in 1993. Due to poor salmon returns, CVF did not operate in 1994.

Imarpiqamiut Partnership - A fundamental part of CVFC's CDP is the 50% ownership in the F/T Brown's Point with its partner, Golden Age Fisheries. This vessel provides CVFC with direct access to the Bering Sea groundfish resources as well as a platform for processing value-added salmon products. This also allows for training of CVFC residents aboard their own vessel.

NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

The Norton Sound Economic Development Corporation (NSEDC) represents the villages of Brevig Mission, Diomedes/Inalik, Elim, Gambell, Golovin, Koyuk, Nome, Savoonga, Shaktoolik, St. Michael, Stebbins, Teller, Unalakleet, Wales and White Mountain. NSEDC was allocated 20% of the total CDQ pollock allocation in 1992 - 1995.

According to the Community Development Plan submitted by NSEDC, the major goals of NSEDC are as follows:

1. Employment continues to be the top priority for the 94/95 program for the Bering Strait region. Increased employment and the resulting income are the prime objectives behind each of the programs described in the CDP. Whether the employment is jobs in shoreside fish plants, on floating processors, on fishing boats in existing or new fisheries, in office work etc., NSEDC is committed to this program.

2. Self-Sustaining Fisheries Development.

Another priority is that NSEDC's activities and programs be able to stand alone. NSEDC was established as a permanent regional economic development force for the future.

3. Education and Training

One of the biggest components of the NSEDC CDP continues to be education and training. These goals are addressed through NSEDC's training, education and employment program, and the endowment fund.

4. Retention/Addition of Locally Held Permits

The ability to participate in many nearshore fisheries has traditionally depended on who owns the limited-entry permits. One of the disadvantages of the transferable permits is that the ownership of the right to fish in regional waters may be sold or awarded to a party outside of the community, meaning that some of the economic value of the fishery is not captured locally. NSEDC will provide local fishermen with loan funds to purchase limited entry permits and IFQ's

5. Fisheries Rehabilitation and Enhancement

NSEDC intends to increase economic returns by rehabilitating or enhancing salmon runs in the Bering Strait region.

6. Provision of Value to State and Local Government

NSEDC believes that as in shore-based fisheries, CDQ operations should help pay for state costs related to establishing and implementing the CDQ program. The passage of a state landing tax by the Alaska legislature in 1993 accomplished this goal

CDQ Management/Administration

The Norton Sound Economic Development Corporation is organized as a tax-exempt not-for-profit corporation. NSEDC manages their CDQ program with an executive director, located in their Elim headquarters, and local staff personnel in various locations. NSEDC has five advisory committees which hold periodic meetings to review CDQ program activities. Consultants are contracted as needed.

Other CDQ Activities

Resident Employment Program - NSEDC has set near-term goals for hiring local people to work in the Bering Sea fishing industry in jobs that will directly result from CDQ fishing operations. GFC hires residents of the Bering Strait region on a preferential basis for CDQ operations and any other fisheries related to GFC and NSEDC.

Education Endowment Fund - NSEDC provides scholarships to qualified students in the region to obtain advanced or continuing, technical and vocational, and/or a college education. GAF contributes to the scholarship fund to assist residents attending college to obtain an education in a fisheries related field.

Revolving Loan Program - NSEDC has established a revolving loan program to provide capital at reasonable interest rates to fishermen throughout the region to help support commercial fishing activities. This includes: 1) vessel upgrade loans, 2) herring and salmon gear loans, 3) crab and halibut gear loans, and 4) permit loans.

Norton Sound Crab Company - The Norton Sound Crab Company operates as a crab, salmon and bait processing facility in Nome. Recently, a smoker was installed to process a value-added product as part of their long-term diversification strategy.

Norton Sound Fish Company - NSEDC made an equity investment in a joint venture with Glacier Fish Company (GFC) to acquire and operate a freezer/longliner vessel. The F/V Norton Sound became fully operational in 1995.

Unalakleet Processing Plant - The Village Council of Unalakleet received a grant to revitalize the fish processing plant in Unalakleet.

Salmon and Herring Marketing Program - NSEDC has organized salmon and herring buying/processing operations and will conduct additional market research for various products from the Norton Sound fisheries.

Koyuk Ice Delivery System - In 1993, NSEDC allocated funds to purchase and ship an ice machine to Koyuk as part of a project to develop an ice delivery system to support Norton Bay salmon fisheries.

Savoonga Ice Delivery System - The City of Savoonga received funds from NSEDC to build an ice delivery system to support the developing commercial halibut fishery.

Shaktoolik Processing Plant - The City of Shaktoolik was allocated funds to make repairs to their fish plant to support the salmon fishery.

Salmon Rehabilitation and Enhancement Program - The salmon restoration and enhancement program includes three components: 1) comprehensive planning with substantial local involvement, 2) resource inventory and 3) a development fund to finance future site-specific projects.

St. Lawrence Island Halibut Fishery - In 1993, NSEDC established a commercial halibut fishery at St. Lawrence Island. This work included successful efforts to change International Pacific Halibut Commission (IPIHC) regulations to establish an experimental fishery in area 4D.

YUKON DELTA FISHERIES DEVELOPMENT ASSOCIATION

Yukon Delta Fisheries Development Association (YDFDA) represents the communities of Alakanuk, Emmonak, Kotlik and Sheldon Point. YDFDA received 5% of the CDQ pollock allocation in 1992-1993 and 7% of the total pollock CDQ allocation in 1994-1995.

According to the Community Development Plan submitted by YDFDA, the major development goals are as follows:

1. Stabilize, enhance, and diversify the economy of the Lower Yukon River Delta region by participating in the Bering Sea groundfish industry.
2. Maximize the social and economic benefits to the lower Yukon River Delta region from the harvesting and processing of Bering Sea fisheries.
3. Safeguard the benefits achieved in Objective 1 and 2 through responsible participation in a range of Bering Sea resource management institutions.

CDQ Management/Administration

The Yukon Delta Fishermen's Association is organized as a not-for-profit corporation created expressly to develop the economy of the Yukon Delta region. YDFDA currently has their main office in Seattle, with Golden Alaska Seafoods, and employs an executive director, office manager and accountant. YDFDA also maintains an office in Seward to be near the Alaska Vocational and Technical Education Center, which is conducting much of their industry and boat building training.

Other CDQ Activities

Fishery Employment Program - The employment objectives of the employment program are to provide on-the-job training and experience in offshore fisheries to community residents and provide immediate employment and income-earning opportunities to these residents.

Comprehensive Training Program - YDFDA will strive to assure that 1) an appropriately skilled native workforce is available for all opportunities created in the CDQ enterprises and 2) provide technical knowledge to the native workforce to assure that qualifications are developed to enable them to move into high paying senior positions.

Exploratory Fishing Research - The exploratory fishing research program conducts research on the distribution, appropriate gear, and preferred fishing methods suitable for community-based commercial fishing in the eastern Bering Sea.

Yukon Delta Fish Marketing Cooperative - YDFDA loaned funds to the Yukon Delta Fish Marketing Cooperative to provide matching funds for a federal Economic Development Assistance grant of \$680,000. The money will be used to upgrade and expand existing processing facilities Emmonak.

Yukon Delta Fisheries, Inc. - The major component to YDFDA's CDP is the establishment of a small-multi fishery boat fleet. YDFDA currently has six, thirty-two foot aluminum boats and two larger vessels fishing several species, and two more 32' boats are being built at AVTEC in Seward.

V. ECONOMIC IMPACTS OF THE CDQ PROGRAM

This chapter examines the economic impacts of the CDQ program, narrowly defined as changes in employment and income attributable to the CDQ program. The following chapter will look at the broader and more difficult question of the contribution of the CDQ program to "economic development."

Direct Employment and Income Impacts of the CDQ Program

Table V-1 summarizes the "Number Working," "Total Wages" and "Work Hours" information reported for all CDQ group reported in the quarterly reports. The table shows the information reported for each quarter as well as annual average "Number Working" (the total for the four quarters divided by four) and total annual wages. In the discussion below, we use the term "jobs" in place of "number working." The annual average number working on CDQ group projects was 173 in 1993 and 387 in 1994. The highest quarterly number working was 213 in the third quarter of 1993 and 761 in the third quarter of 1994.

Total wages for all CDQ jobs were \$2.5 million in 1993 and \$4.2 million in 1994. Total wages divided by the number working (a rough measure of average annual income per CDQ job) was \$14.5 thousand in 1993 and \$11.4 thousand in 1994.

As shown in Figure V-1, in 1994 CDQ management and administration accounted for 10 percent of 1994 jobs and 19 percent of wages. Pollock harvesting and processing accounted for 18 percent of jobs and 26 percent of wages. Salmon, herring and halibut fisheries accounted for 32 percent of jobs and 19 percent of wages. Other employment accounted for 40 percent of jobs and 36 percent of wages.

Table V-1: CDQ Employment and Wages: All CDQ Groups

| Employment by Quarter | Quarter | | | | | | | | Annual Average/Total* | |
|---------------------------------------|----------------|----------------|----------------|----------------|------------------|----------------|------------------|----------------|-----------------------|------------------|
| | 93-1 | 93-2 | 93-3 | 93-4 | 94-1 | 94-2 | 94-3 | 94-4 | 1993 | 1994 |
| Number Working | | | | | | | | | | |
| Management/Administrative | 21 | 23 | 23 | 28 | 36 | 41 | 41 | 43 | 24 | 40 |
| CDQ Pollock-Related | 120 | 44 | 50 | 67 | 117 | 53 | 90 | 24 | 70 | 71 |
| Solomon, Herring & Holbert-Related | 0 | 110 | 122 | 0 | 0 | 217 | 276 | 0 | 58 | 123 |
| Other Employment | 13 | 21 | 18 | 31 | 63 | 133 | 354 | 58 | 21 | 152 |
| Total | 154 | 198 | 213 | 126 | 216 | 444 | 761 | 125 | 173 | 387 |
| Total Wages inc. Benefits (\$) | | | | | | | | | | |
| Management/Administrative | 105,730 | 139,670 | 142,871 | 205,235 | 220,500 | 285,516 | 259,052 | 240,748 | 593,506 | 1,005,816 |
| CDQ Pollock-Related | 647,057 | 132,190 | 245,933 | 316,140 | 682,576 | 168,754 | 351,269 | 152,549 | 1,341,320 | 1,355,148 |
| Solomon, Herring & Holbert-Related | 0 | 26,447 | 15,477 | 0 | 0 | 210,898 | 789,205 | 0 | 41,924 | 1,000,103 |
| Other Employment | 150,448 | 51,779 | 40,709 | 267,604 | 243,062 | 277,883 | 769,349 | 521,085 | 530,740 | 1,811,399 |
| Total | 903,435 | 350,086 | 464,990 | 788,979 | 1,146,138 | 943,051 | 2,168,895 | 914,382 | 2,507,490 | 5,172,466 |
| Total Wages/Number Working | | | | | | | | | | |
| Management/Administrative | 5035 | 6071 | 6212 | 7330 | 6125 | 6964 | 6318 | 5599 | 24,930 | 24,989 |
| CDQ Pollock-Related | 5392 | 3004 | 4919 | 4719 | 5834 | 3184 | 3903 | 6356 | 19,094 | 19,087 |
| Solomon, Herring & Holbert-Related | | 240 | 127 | | | 972 | 2859 | | 723 | 8,114 |
| Other Employment | 11548 | 2466 | 3373 | 8632 | 3858 | 2089 | 2173 | 8984 | 25,578 | 11,917 |
| Total | 3866 | 1768 | 2181 | 6262 | 5306 | 2124 | 2850 | 7315 | 14,515 | 13,383 |

*Annual average number working; total annual wages. Blanks indicate that data were not available. Source: CDQ Group Quarterly Reports

Relative Employment and Income Impacts of the CDQ Program

An overview of the relative impacts of the CDQ program may be gained by comparing employment and income generated by the CDQ program with employment and income reported by the 1990 U.S. Census on data from 1989. Note that the census measures employment at the time the census was taken (April 1990) rather than annual average employment. Thus the census employment data are not necessarily representative of annual average employment in 1989. However, the census does provide a measure of total annual income in 1989.

Relative Employment Impacts

The top two rows of Table V-2 show two different measures of employment in April 1989: total employment and "basic employment." "Basic" employment refers to employment in the following private sector basic industries:

| Table V-2: CDQ Employment & Income Compared with 1989 Employment & Income Reported by 1990 U.S. Census | Total, All CDQ Groups |
|--|-----------------------|
| Employment in 1989 (from census) | 6281 |
| "Basic" employment in 1989 | 679 |
| CDQ employment | |
| 1993 average | 173 |
| 1994 average | 387 |
| 1993 highest quarter | 213 |
| 1994 highest quarter | 761 |
| CDQ employment as % of 1989 emp. | |
| 1993 average | 3% |
| 1994 average | 6% |
| 1993 highest quarter | 3% |
| 1994 highest quarter | 12% |
| CDQ employment as % of "basic" emp. | |
| 1993 average | 25% |
| 1994 average | 57% |
| 1993 highest quarter | 31% |
| 1994 highest quarter | 112% |
| Total income in 1989 (from census) | \$219,708,878 |
| CDQ wages | |
| 1993 total | \$2,507,490 |
| 1994 total | \$5,172,466 |
| CDQ wages as % of 1989 | |
| 1993 wages as % of 1989 | 1.1% |
| 1994 wages as % of 1989 | 2.4% |

- Agriculture, forestry and fisheries
- Mining
- Construction
- Manufacturing, nondurable goods
- Manufacturing, durable goods

Basic industries usually produce goods or services for sale outside a region, and usually represent the foundation of a region's economy. Other industries, such as transportation, communications, trade, and services are usually considered "support" industries, in that they provide goods or services for sale within a region and are driven by income produced in the basic industries. In rural Alaska, government often provides much of the foundation that basic industries might provide in other, more developed regions.

As can be seen in Table V-2, basic employment tends to be much lower than

total employment in most CDQ regions--although the census may have understated basic employment because fishing and mining activities are concentrated during the summer months.

The middle rows of Table V-2 compare these census employment data with four measures of CDQ employment:

- 1993 average number employed
- 1994 average number employed
- 1993 highest quarter for number employed
- 1994 highest quarter for number employed

Average 1993 CDQ jobs were 3% of 1989 employment, and average 1994 CDQ jobs were 6% of 1989 employment. CDQ jobs in the highest quarter (the third quarter) of 1993 were 6% of 1989 employment, and CDQ jobs in the highest quarter (the third quarter) of 1994 were 12% of CDQ employment.

CDQ jobs were much higher as a percentage of 1989 "basic employment." For example, average CDQ jobs in 1994 were 57 percent of total "basic" employment in 1989. For some CDQ groups the CDQ program represented more than a doubling of total "basic" employment compared with that reported in the 1989 census. Put differently, although CDQ jobs appear to represent a relatively small share of *total* jobs in the CDQ region, they represent a very substantial increase in "basic" employment.

Relative Income Impacts

The bottom rows of Table V-2 compare CDQ wages with total annual income in 1989 for each of the CDQ group areas. For the CDQ region as a whole, 1993 CDQ wages and benefits represented a 1.1% increase in income compared with 1989, while 1994 CDQ wages and benefits represented a 2.4% increase in income.

Indirect Employment and Income Effects

Some of the income earned in CDQ jobs, as well as spending for supplies and services in support of CDQ projects, passes through local merchants, service providers, and others before the money "leaks" out of the region for imports. The additional employment and income generated in this way is referred to as "indirect" economic impacts. In an area such as western Alaska, where very few goods and services are provided locally, money leaks out of the region relatively quickly. For example, a 1987 report by the University of Alaska's Institute of Social and Economic Research estimated that each dollar of income generated in commercial fishing in southwest Alaska generates an additional 24 cents of income within the region.¹

It is impossible to estimate precisely the indirect employment and income impacts of the CDQ region, but it is reasonable to assume that they are smaller than the direct impacts--probably about half the magnitude or less. Nevertheless, every extra contribution to jobs and income helps, and these additional impacts of the CDQ program should not be overlooked.

¹Matthew Norman and Teresa Hull, *The Commercial Fishing Industry in Alaska's Economy*, Institute of Social and Economic Research, March 1987, page 44.

Data Sources

The CDQ employment and income data are derived from quarterly reports provided by the six CDQ groups to the Alaska Department of Community and Regional Affairs (DCRA). For each of the eight quarters in 1993 and 1994, each of the six groups has prepared a Quarterly Activity Report for DCRA. Among other information, the quarterly activity reports include summary employment tables providing information on four kinds of employment:

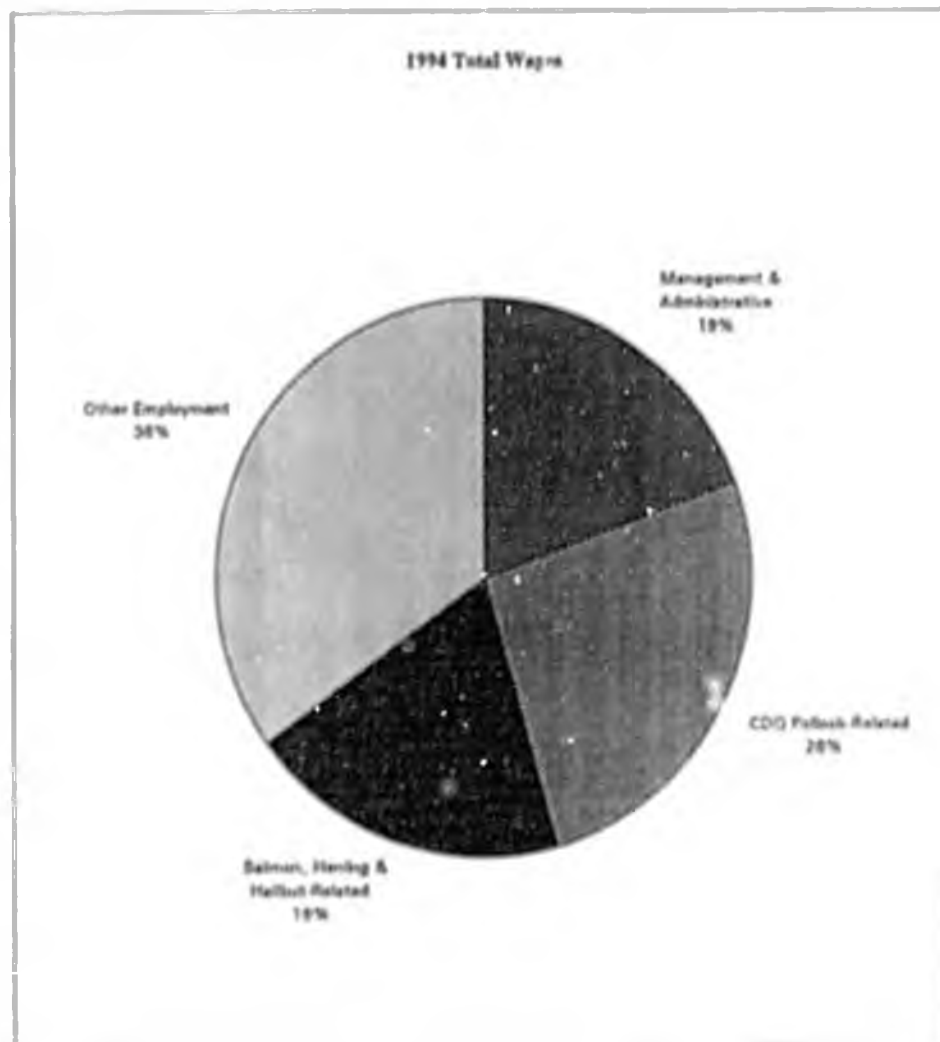
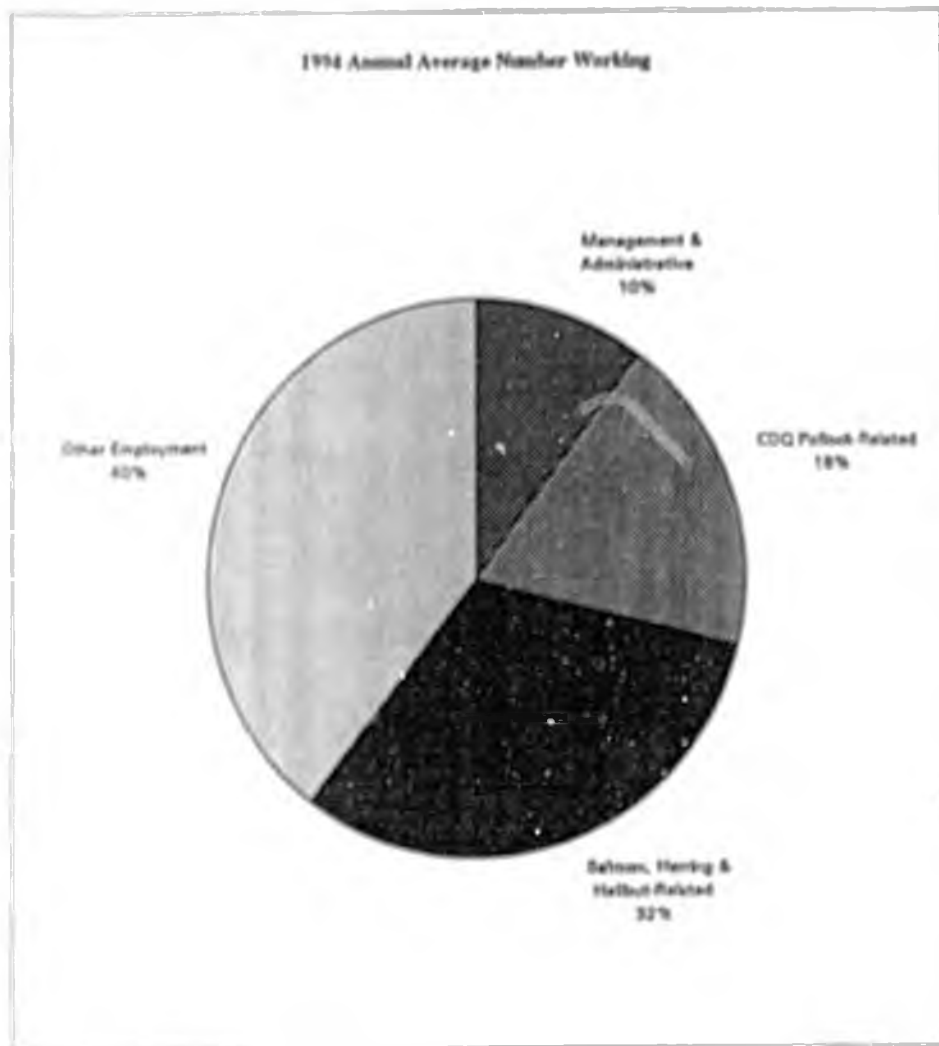
- Management/Administration Employment
- CDQ Pollock-Related Employment
- Salmon, Herring, and Halibut Fishing/Processing Employment
- Other Employment

For each of these kinds of employment, the following information is provided:

- Number of CDQ region residents working
- Total wages and benefits earned by CDQ region residents
- Total work days worked by CDQ region residents (not reported by some CDQ groups)

The data reported by the CDQ groups are not necessarily perfect for assessing the precise contribution of the CDQ program to employment and income in western Alaska. For example, some jobs are part-time or seasonal, or involve matching funds or joint ventures with non-CDQ organizations. However, the data represent the only detailed source of information on employment and income generated by the CDQ program. As long as the limitations described above are kept in mind, and it is recognized that actual employment and income impacts may be somewhat lower or higher than reported, it is reasonable to use these data to gain a general sense of the economic impacts of the CDQ program to date.

FIGURE V-1



VI. OTHER IMPACTS OF THE COMMUNITY DEVELOPMENT PROGRAM

Infrastructure Development

A major goal of many of the CDQ groups was to develop infrastructure within the region that would make possible greater participation in the fishing industry. Substantial progress has been made towards this goal. Major infrastructure projects which have been completed or are underway include:

- 1) Dock facilities in Atka, Nelson Lagoon, False Pass and Nome;
- 2) Harbor improvements in St. George and St. Paul;
- 3) Ice Delivery Systems in Savoonga and Koyuk;
- 4) Gear Storage facilities in False Pass.

Each of these infrastructure developments provide benefits to the region as a whole as well as the entire fishing industry. However, the exact economic impacts are difficult to measure at this time. Additional infrastructure is needed in many communities and there are several projects in the development stage:

- 1) Dock and small boat harbor in St. Paul
- 2) Boat ramp in Nikolski
- 3) Large dock facility in Atka
- 4) Additional buying stations in Golovin and Moses Pt.

Without additional CDQ funds from the continuation of the pollock CDQ program, the future of these projects is uncertain. The level of infrastructure development in Western Alaska is minimal, thus one of the reasons for the CDQ program. It is unreasonable to expect two years worth of activity sufficient to bring an area as large and diverse as the western coastal region up to current development standards. The gains to date represent 61% of the projects identified in the Community Development Plans as necessary to achieve the identified goals. This is remarkable given the short time frame involved.

Several other projects have been identified as necessary infrastructure for the development of even a limited fishing economy. However with the future of the pollock CDQ program unpredictable, it is difficult to draft a development strategy. A complete list of proposed infrastructure development projects was presented in chapter four.

Apart from the physical infrastructure needs of the community, equally important is the business infrastructure such as developed markets and management expertise necessary for the successful operation of a business. The Community Development Quota program has invested heavily in this type of infrastructure development through the technology transfers which exists between the CDQ groups and their industry partners.

The CDQ organizations work closely with their pollock partners in several aspects of the fishing industry. Several organizations have interns within their offices as well as providing expertise to the CDQ organizations staff and board members when needed. It is through this process that the knowledge necessary for the successful participation within the Bering Sea fishery is gained.

Another major contribution of the CDQ program has been the investment of resources and the assumption of risk in the development of new salmon products. Three CDQ groups and their harvesting partners have spearheaded industry efforts to produce boneless, skinless frozen salmon product forms at a time when the Alaska salmon industry needs to expand their product lines.

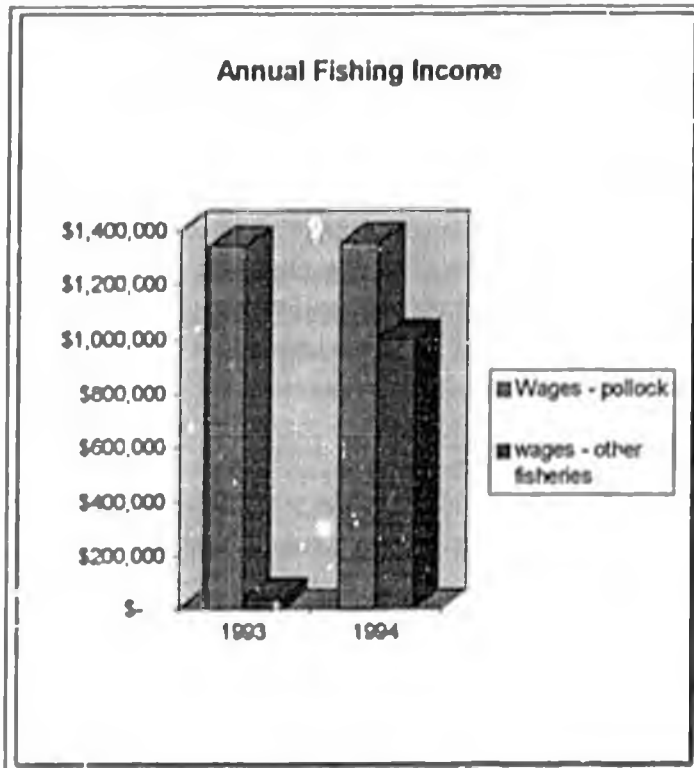
Fisheries Participation

Another major goal of the CDQ program was to provide for increased participation by western Alaska residents in the fisheries of the Bering Sea, including both the pollock fishery as well as other fisheries. Progress has been made towards this goal, but much remains to be achieved.

As discussed in chapter five, employment within the fisheries has increased dramatically for residents of western Alaska, not only on factory trawlers but on smaller vessels, and shoreside processing plants as well. Many CDQ groups have purchased interest in longliners, a factory trawler, or have begun to develop a small multi-fishery fleet. The establishment of loan programs has also facilitated increased involvement in the fisheries of the Bering Sea. Several fishermen are now able to purchase small vessels and/or gear where previously, conventional financing was not available.

The following graphs shows the level of employment and wages in the pollock and other Bering Sea fisheries:





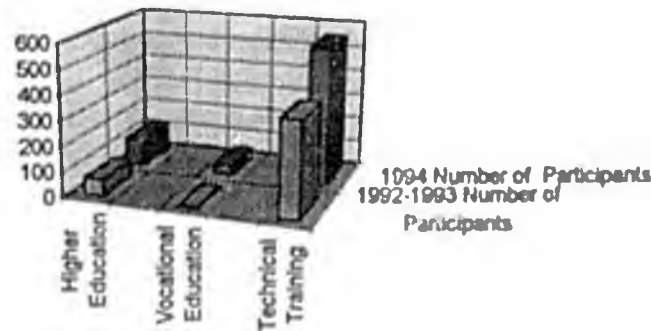
An important issue is whether future fisheries participation by western Alaska residents is dependent on continuation of the CDQ program. The State believes that most of the gains which have been made to date might be lost if the CDQ program were to end in 1995. For example, investments made by CDQ groups in fishing vessels and processing plants might not be viable if guaranteed access to pollock resources were not continued. Also, many of the projects which are in the development stage may not be completed if CDQ revenues cease.

With the exception of one, all of the CDQ groups now have access to the resources of the Bering Sea through their investments in a variety of fishing vessels. Although the investments are often limited to a minority position in a single vessel, the fact remains that the CDQ organizations are gaining entry. The amount of capital required to gain entry is enormous, and these efforts are the beginning of a localized fleet.

However, other gains are clearly permanent. For example, the small multi-fishery fleet built by the Yukon Delta Fishermen's Association participates in the halibut and sablefish, other bottom fish and crab fisheries. Their fleet operates from Norton Sound to Unalaska. The residents of the YDFDA region are quickly gaining skills that will prove useful for years to come.

Training and Education

Training and education of residents is an important goal for all of the CDQ groups and the training opportunities for the residents in the region are substantial. The chart below is indicative of the increased training opportunities to the residents of western Alaska. A total of 176 scholarship participants, 927 technical participants and 38 vocational students have benefited from the variety of educational opportunities available during the period late 1992 through Dec. 1994.



The importance of appropriate educational training at all levels cannot be overlooked. For any society to build sustainable development and improve the standard of living of their community, an educated populace is necessary. The CDQ groups provide training for their residents based not only on the needs of the individual, but the needs of the community overall.

The following table describes some the type of training and number of participant for the CDQ groups as a whole:

Table VI-1

| | 1992-1993 Participants | 1994 Participants | Totals |
|---|---------------------------|----------------------|--------|
| Higher Education Includes University and College | 64 | 112 | 176 |
| Vocational Education | | | |
| Aluminum Boat Fabrication | 0 | 18 | 18 |
| Auto and Diesel Technology | 0 | 4 | 4 |
| Biomedics Electronic Technician | 0 | 1 | 1 |
| Business Management | 0 | 8 | 8 |
| Carpenter | 0 | 1 | 1 |
| Paralegal | 0 | 2 | 2 |
| Power Plant Operation | 0 | 1 | 1 |
| Seafood Industry Management | 0 | 2 | 2 |
| Travel Specialist | 0 | 1 | 1 |
| | 0 | 38 | 38 |
| Technical Training | | | |
| Processing Workers | 161 | 44 | 205 |
| Vessel Safety | 49 | 92 | 141 |
| Fishing Training | 47 | 90 | 137 |
| Computer Applications | 30 | 151 | 181 |
| Electronic Navigation | 26 | 65 | 91 |
| Equipment Operation | 23 | 28 | 51 |
| Mechanics/Welding | 14 | 51 | 65 |
| Grants Management | 12 | 12 | 24 |
| Clerical | 6 | 15 | 21 |
| EMS | 5 | 0 | 5 |
| HAZWOP | 1 | 0 | 1 |
| Baker | 1 | 0 | 1 |
| Marine Firefighting | 0 | 1 | 1 |
| Industrial Refrigeration | 0 | 1 | 1 |
| HVAC | 0 | 2 | 2 |
| | 375 | 552 | 927 |

This table represents 1141 training opportunities for the residents of western Alaska during a twenty four month period. These training and educational opportunities

will enhance the ability of the residents to gain employment in all aspects of the fishing industry. When these numbers are compared with the figures in table II-2, which shows a total number of people unemployed in all CDQ regions of 1217, the impact of the CDQ group's training programs is enormous.

CDQ Financial Reporting

The CDQ groups are required to provide financial information on a quarterly basis and annual audited financial statements to the State of Alaska. The specific financial data for each group is confidential. Therefore, a report on the financial status of each CDQ group is not possible. However, overall the CDQ groups are taking a conservative approach in their investment decisions.

Several CDQ groups have advisory board members from the financial community who are non-voting board members. Due to the complexity of the fishing industry, these members are able to give insight from a financial perspective that may not otherwise be available.

The CDQ groups have received approximately \$53 million in royalties during the 1992-1994 period. The groups used these royalties to fund several infrastructure and product development projects, training and education programs, assist residents in gaining employment aboard factory trawlers as well as made investments in the fishing industry that will provide continued access to the Bering Sea.

Development Impacts

One of the goals of the Community Development Quota Program is to encourage "economic development" in the participating communities. An assessment of the program's success must have some way of recognizing the economic development consequences of the program. In this section we discuss what is generally accepted as the definition of economic development and suggest some ways to indicate the effect of the CDQ program on the economic development of the region.

Defining and measuring economic development is not easy. There are many potential dimensions to economic development. Development typically occurs over a period of time measured in decades rather than years, accompanied by other social, cultural and political changes. We should not expect to be able to measure progress towards "economic development" definitively after only two years. Much of the development has only been initiated through this initial infusion of capital. The CDQ program will require continued sustenance to survive its infancy.

Defining Economic Development

Definitions of economic development have evolved over time. The evolution of these definitions reflects the postwar development experience. Historically, economic development was perceived as synonymous with economic growth, and was measured in terms of the expansion of a region's output. In recent decades, however, economic development has increasingly been perceived as a process of complex structural changes in the economy and the society (Todaro, 1981).

According to currently accepted concepts of economic development, three characteristics help to define economic development in a region. First, when development occurs growth or at least expanded output becomes the norm. Put differently, short-term, one-time expansion of regional output is *not* economic development. In rural Alaska, the physical or economic exhaustion of a resource may end an economic boom, and leave a region no better off than it was prior to the boom. In contrast, economic development structure changes ensure higher levels of output which, once achieved, may be maintained or expanded.

A second characteristic of economic development is that the growth of output is shared. Regional economic development implies that the residents of the region share broadly in the gains in income created by economic growth. Regional economic development includes development of the people of the region as well as the surrounding and supporting infrastructure.

A final characteristic which is sometimes added to the definition of economic development is local control. This usually means that economic development also increases the importance of locally made economic decisions. Local residents can participate in economic growth as resource owners and entrepreneurs as well as employees.

Measuring Development Impacts of the CDQ Program

Because economic development is a complex process, it is difficult to measure. Attempting to assess the development consequences of the CDQ program is especially difficult because it has been in existence for only two years. Three questions can be asked which may serve as indicators of progress towards and potential for economic development resulting from the CDQ program.

Economic Growth How many jobs and how much income has the CDQ program created? How do these jobs compare with the kinds of jobs which existed previously in the region? By the simple measures of contribution to jobs and income, the CDQ program appears to be contributing to economic development. Clearly, the contribution varies between different CDQ groups. Clearly, the economic activity generated to date has not transformed the region economically--but there is no reason to expect that it

would have. But it has generated many new "basic" jobs and new income in a region where there is very little economic base other than government.

Local control: Are local residents in control of the new economic activities which are being created in the region? Has the program worked to expand local decision making? Are there more local entrepreneurs? Are more resources locally owned? The CDQ program provides for direct local control of a portion of the Bering Sea pollock resource--although this control is exercised in cooperation with industry partners. The additional activities being carried out using the revenues generated from the pollock resource are clearly under local control and the skills to sustain long-term economic development remain a high priority of the CDQ program.

Sustainability: Are the benefits generated by the CDQ program sustainable? Would they continue even if the CDQ program were to end? Have the CDQ group done things which will most likely result in continue growth or at least the maintenance of higher levels of income? Obviously some of the activities generated by the CDQ program to date would come to an end if the CDQ program were to end. However, the program has also brought about significant investment in the region's physical and human capital--investments which would continue to contribute to future growth even if the program were to end. Infrastructure projects contribute to the viability of new economic activities. Training and education programs are providing residents with skills which can be used within the region or in other places. The program is also helping to develop business and entrepreneurial skills within the region.

In sum, by all of these measures, the CDQ program is contributing towards the process of economic development within the western Alaska region. It is bringing about economic development, as measured by jobs, local control, and long-term sustainability. Another aspect that should be considered is that it provides opportunities to work where few existed before, especially during the long winters when jobs are scarce. Not everyone chooses to fish, however the hope and opportunities created are an invaluable addition to the collective self-esteem of the region's people. However, there should be no expectation that the program could or should transform the region within a few years.

CS FOR HOUSE JOINT RESOLUTION NO. 23(FSH)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered:

Referred:

Sponsor(s): REPRESENTATIVES AUSTERMAN, Ivan, Foster, Finkelstein

A RESOLUTION

1 Relating to the North Pacific Fishery Management Council's inshore/offshore
2 allocations and the Western Alaska Community Development Quota Program.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 WHEREAS the Western Alaska Community Development Quota (CDQ) Program is
5 a fisheries development program involving the federal Department of Commerce, the North
6 Pacific Fishery Management Council, the State of Alaska, and 56 Bering Sea coast, Aleutian
7 Islands, and Pribilof Islands communities; and

8 WHEREAS the inshore/offshore allocation of fishery resources assures Alaska's
9 coastal communities, which are economically dependent on fishing, access to the fishery
10 resources off their coast; and

11 WHEREAS the current inshore/offshore allocations and the CDQ program are
12 scheduled to expire in December 1995; and

13 WHEREAS the CDQ program has set aside 7.5 percent of the available Bering Sea
14 pollock quota during 1992 through 1995 for Bering Sea coast, Aleutian Islands, and Pribilof
15 Islands communities; and

16 WHEREAS the amount of pollock available for harvest under the CDQ program is

1 more than 100,000 metric tons per year and has an approximate annual value of \$20,000,000;
2 and

3 WHEREAS the CDQ program allocates the available harvest of pollock among
4 eligible communities, local fishermen's organizations, and local economic development
5 organizations who in turn reinvest the proceeds from the harvest and processing of the pollock
6 in additional local fisheries development projects; and

7 WHEREAS the CDQ program is important to the economic development of the
8 Bering Sea coast, Aleutian Islands, and Pribilof Islands communities; and

9 WHEREAS the North Pacific Fishery Management Council established the CDQ
10 program as a component of the inshore and offshore allocation of Bering Sea pollock; and

11 WHEREAS, in 1992, according to the Department of Commerce and Economic
12 Development, Department of Labor, Department of Revenue, and the Alaska Seafood
13 Marketing Institute, the Alaska seafood processing industry harvested more than 5,500,000,000
14 pounds of fish; processed these fish in more than 500 large and small Alaska seafood
15 processors registered with the state; paid fish harvesters \$1,400,000,000; provided more than
16 35,000 shore-based jobs in Alaska; spent \$280,000,000 to support its activities; paid over
17 \$80,000,000 in taxes and cash benefits to the state and Alaska's coastal communities; paid
18 \$10,000,000 for salmon enhancement; paid \$700,000 in fisheries related and marine mammal
19 research and \$3,200,000 for domestic marketing of Alaska seafood products; invested
20 \$1,000,000,000 in shoreside plants; paid \$11,000,000 to local governments in municipal fish
21 taxes; and paid over \$3,000,000 in local real and personal property taxes; and

22 WHEREAS, in Western Alaska, the Aleutian Islands, and Kodiak, shore-based
23 processors pay over \$400,000,000 annually to fish harvesters; process 1,250,000,000 pounds
24 of crab, groundfish, salmon, herring, and halibut; employ over 13,000 people; pay over
25 \$90,000,000 in annual payroll; purchase \$45,000,000 in goods, services, and utilities; pay over
26 \$7,000,000 in local raw fish taxes; and in 1992 paid over \$900,000 in grants to nonprofit
27 organizations;

28 BE IT RESOLVED that the Alaska State Legislature strongly supports reauthorization
29 of the inshore/offshore allocations and CDQ program before they expire in December 1995.

30 COPIES of this resolution shall be sent to the Honorable Ron Brown, Secretary of the
31 U.S. Department of Commerce; the Honorable Richard Lauber, chair of the North Pacific

1 Fishery Management Council; and to the Honorable Ted Stevens and the Honorable Frank
2 Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of
3 the Alaska delegation in Congress.



Alaska State Legislature

House of Representatives
Special Committee on Fisheries

SPONSOR STATEMENT

CSHJR 23 (FSH) - "NORTH PACIFIC MANAGEMENT COUNCIL'S
INSHORE/OFFSHORE ALLOCATIONS AND THE WESTERN ALASKA
COMMUNITY DEVELOPMENT QUOTA PROGRAM."

by Rep. Alan Austerzan

House Joint Resolution 23 asks the North Pacific Fishery Management Council (Council) to reauthorize the inshore/offshore allocations and the Community Development Quota (CDQ) program before they expire at the end of this year.

The inshore/offshore allocation stipulates that 100% of the pollock in the Bering Sea and 100% of the pollock in the Gulf of Alaska be brought ashore to processing facilities. The CDQ program developed a partnership between western Alaska communities and the multimillion-dollar Bering Sea groundfish industry. The economic successes of these programs are crucial to the small communities throughout western and southwest Alaska.

Extending the inshore/offshore allocation and the pollock CDQ program will preserve stability in the groundfish industry during the period required for the Council to develop a comprehensive rationalization plan. The inshore/offshore allocation and pollock CDQ's were initially passed to serve as a bridge to comprehensive rationalization. It has taken the Council longer than anticipated to accomplish its goal.

WESTERN ALASKA FISHERIES DEVELOPMENT ASSOCIATION

Coastal Villages Fishing Cooperative • Norton Sound Economic Development Corporation
Bristol Bay Economic Development Corporation • Yukon Delta Fisheries Development Association

229 Christensen Drive, Suite 5 • Anchorage, Alaska 99501 907-279-6519 Fax 907-258-4688

February 7, 1995

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The Honorable Alan Austerman
Chairman - Special Committee on Fisheries
Alaska House of Representatives
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Austerman

The members of the Western Alaska Fisheries Development Association wish to thank you for your introduction of House Joint Resolution No. 23, "Relating to the Western Alaska Community Development Quota Program and the North Pacific Fishery Management Council Comprehensive Rationalization Program."

HJR 23 accurately presents all the relevant information and encourages the North Pacific Fishery Management Council to take action - the continuation of a innovative fisheries development program - that benefits the entire State of Alaska. WAFDA, comprised of four of the six regional groups that participate in CDQ program, strongly endorses this resolution.

WAFDA is an active participant in the NPFMC's ongoing efforts to develop a comprehensive rationalization plan, which would establish an allocation system for all North Pacific groundfish and shellfish species. To date, the council has included CDQ allocations for all species in its working documents for staff analysis.

Under the current CDQ program, the federal government allocates 7.5 percent of the harvestable Bering Sea pollock (approximately 100,000 metric tons annually) to economically disadvantaged communities that are located within 50 miles of the Bering Sea coast. The communities use this allocation to open up new opportunities for employment and to generate revenues for investment in job-creating fisheries development projects. The program has created over 700 jobs for western Alaskans and now comprises over 18 percent of the private sector economy in this part of the state.

February 7, 1995

For this reason, there is great interest in western Alaska in making pollock CDQs a permanent program and providing an opportunity for CDQs to diversify into additional Bering Sea species. These goals could be accomplished through the comprehensive rationalization plan.

HJR 23 is an affirmative statement that encourages the council, as it continues with comprehensive rationalization, to include CDQs in the final allocation plan.

Again, thank you for introducing HJR 23. We appreciate your broad outlook on fisheries issues and your initiative in supporting a program with both regional and statewide impact. Please do not hesitate to contact our office if we can provide you with more information.

Yours truly,



Karl Ohts
Executive Director