

State of Alaska
Public Hearing
2003-2005 Community Development Plan Application Cycle
Anchorage, Alaska
August 27, 2002

TAPE 1, Side A:

JEFF BUSH: My name's Jeff Bush for those of you who don't know me. I'll be sort of chairing the meeting this morning. With me to my right is Kevin Duffy, to my right is Bryce Edgmon, to his left is Greg Cashen and Laird Jones is somewhere. He'll be right back; he's checking to see if the LIOs are on line. Let me give you a quick rundown on what's going to happen both today and for the future. Today we're going to do presentations from the groups and the public hearing. Each group will get 15 minutes to do a formal presentation of their choosing and then those of us up here on the State CDQ Team will be asking questions thereafter. We're anticipating that it will take a total of about a half an hour per group to get through, per group, so then that gets us to about 11 o'clock. At 11 o'clock we'll go into public comment period, public testimony both on line and from people here in the audience and that should take. . .well, we don't know, we've got until noon; it may not take that long. Those of you who've been through this before know that the public testimony generally isn't too long. We're going to limit public testimony to three minutes per person just in the interest of getting done today.

After that we begin the private hearings with each, private meetings with each CDQ group. This afternoon, let me get the order here, this afternoon we're meeting with BBEDC and, just for clarity, the room has been changed on that one. It starts at one o'clock; it's on the second floor of the Atwood Building, the conference room on the second floor. Tomorrow morning is APICDA and tomorrow afternoon is CFSFA. Those are both going to be over at the Clarion Hotel, Clarion Suites Hotel, which is at 8th and C is the address. That is where the hearings were held for the Council's CDQ Policy

Committee, held its meetings over there. The following day, which is Thursday, is Yukon Delta and Coastal Villages, again over at the Clarion Suites and then Friday morning will be NSEDC. We've allocated three hours per private meeting this year because of requests by some of the groups that we have longer meetings and an opportunity to have more discussion. We're looking forward to those meetings very much, I can say, and I hope you guys are too.

We're anticipating that it will take about a week for us to come up with initial recommendations. As many of you know, we're going to be using a scorecard system this year which allows each member of the team to score each group on a variety of factors and make comments on the specific items, the specific factors and criteria that we're supposed to use for the allocation process. Those will then be tabulated and consolidated into a single scorecard, sort of a summary scorecard, for each group that will be available for release to the public at the time the recommendations are made so that each group will know the thinking of the Team in terms of their proposals. There will then be, and I'm still looking at approximately September 6th, although we don't know the exact date, obviously; sometimes it goes faster than we expected, sometimes it goes slower in terms of the State team getting together and getting its recommendations done. But, sometime around September 6th you can anticipate the allocations, the first cut on the initial allocations to be made. We're then going to offer a comment period for approximately two weeks to allow anyone—and we'll set the exact time, a lot of it will depend on when we get our recommendations out—but it'll be approximately two weeks for the groups to comment on the initial allocation recommendations back to the State and the State will then analyze those comments, we'll respond to them, and issue our final recommendations, which we will then take to the Council and consult with the Council at their October meeting sometime around the first week of October; I don't think we have date set yet

on when we're going to be on the calendar. I'm looking at Mr. Duffy and he's nodding; we don't have a date specific yet on the Council's agenda, but first week of October we'll be consulting with the Council and thereafter we'll be forwarding our recommendations to NMFS. They are due at NMFS by October 15th. Thereafter NMFS is going to, as I understand it, offer a comment period, a specific deadline for comments from the groups on those recommendations again, and they will take those into consideration in making the final recommendations to the Secretary which should come, again, sometime definitely before the end of the year. So, that's the current schedule; anybody have anything to add to it? Great. I neglected to say, for NSEDC's meeting, just so everyone knows, it's in the Atwood Building on the 18th floor on Friday, we have the 18th floor conference room that day, just so NSEDC knows where to go.

With that, I guess we can begin the process and call up APICDA for their presentation. Oh, one other thing. We are on teleconference; we're also going to be having transcriptions of the hearing done and so we would ask that you identify yourself before speaking into the mikes and also try not to rattle papers too close to the mikes; it does mess up the ability to transcribe. Mr. Cotter. And, good morning everyone.

GILDA SHELLIKOFF: Good morning. My name is Gilda Shellikoff. I'm the Chair of the Board of Directors for the Aleutian Pribilof Island Community Association, APICDA. I'm a resident of False Pass. With me today are John Moller, a former resident of Unalaska and our General Manager, and Larry Cotter, our Chief Executive Officer. This year marks the tenth anniversary of the Community Development Quota Program. It has been and remains a wonderful program. Without it I'm not sure that my community would still have a school or any type of future. I know it's true for many other CDQ communities across all six regions. I would like to take this opportunity to say thank you to all the people and organizations who created this program and to all of

those who have made it the success it is today. It is a program that we all can truly be proud of it.

APICDA is different from all but one of the six groups because of our villages are located in ice-free water adjacent to the groundfish, crab and halibut resources. In 1992 our villages, without exception, were surviving on the fringe. We had no harvesting or processing capacity. In most cases we had no salmon fisheries. The future of our communities was questionable. It's a different story today. We still have a significant problem and we still have an enormous amount of work to do to develop the type of economic stability any community needs, but we have hope. We also have the ability to look at an organization, APICDA, and we know that our hope is well placed. APICDA has proven to us in its commitment, vision and capability and staying power are worth our confidence for the future.

In the fall of 1992 our Board determined that APICDA should initially focus on its program efforts in two primary areas: training, employment, and education and infrastructure development. Training, employment and education are crucial for the future of our youth, our communities and our corporation. We need good jobs in our communities. We have to have the skills to do these jobs to manage our corporation. To that end, APICDA has spent well in excess of a million dollars on training and education and has generated over 12 million in wages to CDQ residents. We cannot have lots of jobs in our communities without businesses. To that end, APICDA has focused significant attention to building infrastructure in our communities that can encourage and sustain fishery-related businesses. We have spent millions of dollars on docks and harbors and other basic infrastructure that can serve as a foundation for the future. That money has been well invested. We have active shoreside businesses in all but one of our communities. Not all of them are currently profitable, but they will be and each is contributing to the growing

stability of our villages. With one exception, every business APICDA has in the village is co-owned by a village entity, whether it be the village corporation, the IRA, or local fishermen's association. None of these entities have the capital to invest on its own. APICDA has provided the seed money and continued funding and expertise to make these ventures possible. At the same time local residents are directly employed in most management and non-management positions and are active on the Board of Directors of each company. APICDA's motto is to help and to grow. APICDA's management motto is 'think village' and as a management team we view ourselves as having a special responsibility to our residents of our villages. That responsibility is one of empowerment, empowerment to make their own decisions and determine their own future. We are merely enabling the entities. Our approach has worked well. The expectations of the CDQ program are significant. At times frustration can set in as a stage of development is slower than desired, but we have moved forward one step at a time. One year after the next our results are really quite profound. John will now address the related local involvement at the fishery level.

JOHN MOLLER: Thank you, Gilda. My name is John Moller; I'm the General Manager for APICDA. I serve as a front line manager for all of APICDA village-related business activities. APICDA is a 501(c)(3) non-profit corporation. APICDA owns APICDA Joint Ventures, known as AJV which is the for-profit arm of APICDA. AJV owns all of APICDA for-profit businesses. At a village level, those investments consist of the following: Nelson Lagoon Storage Company, Bering Pacific Seafoods in False Pass, the Ugludax Lodge in Nikulski; Atka Pride Seafoods in Atka, the Nazan Bay in Atka; Ocean Logic (?) LLC in St. George, and Puffin Seafoods in St. George. In addition, AJV owns all or part of 16 fishing vessels ranging from 26 feet up to 284 feet. Of these vessels, one is a factory trawler, three are longline catcher processors, one is a Bering Sea crab boat,

and one is a Bering Sea trawl and pot catcher vessel. These vessels are managed by our joint venture partners and in all cases all of these vessels are profitable. The other ten vessels are 58 feet or less in length; they are managed directly by AJV. They normally operate in conjunction with our shoreside processing facilities in our villages and in most cases are crewed by local residents. With a few exceptions all of these vessels are generating income in excess of their expenses. During the past three years APICDA has provided employment for 135 CDQ residents, generating wages of about 2.2 million dollars per year. The average earnings per resident are the highest among all six groups, with about 16 thousand dollars per job, per year. APICDA also provides training scholarships for local residents as well as higher education scholarships for college-bound residents. Our training scholarships are available of up to three thousand dollars per year, per person. Our higher education scholarships are five thousand dollars per academic year. This year APICDA will be providing scholarship funding for about 32 college-bound APICDA residents.

APICDA also provides a summer intern program for college students. This program is designed to encourage our students to learn more about APICDA and their areas of interest and ultimately to assume corporate management positions within our companies. As an example, one of our residents just completed her master's degree in human resources. She has recently joined APICDA's team in our HR Department.

Every year APICDA hosts a community outreach conference. The conference is attended by representatives of the local government, the local IRA, or traditional council, and the village corporation from each of our villages, as well as APICDA board members and management. APICDA pays for the travel and per diem costs for all attendees. The purpose of the conference is to reveal APICDA's program to make sure our Board and

management know what our villages want to make course corrections as necessary to our CDP to ensure that we are acting in accordance to our membership.

Lastly, I'm proud to associated with a great program and our corporation. It's truly amazing what we have accomplished in a short period of time. Thank you.

LARRY COTTER: As Gilda said, since the beginning APICDA's focus has been on developing stable local economies in each of our communities based upon the fishing industry. If you look backwards to our very first CDP, we really have not deviated much at all in any of our goals or objectives or in our program direction and we intend to continue to stay the course during the next few years as well. In terms of projects that we anticipate developing in the next two years, we plan to construct a shoreside processing facility in St. George; we are currently engaged in engineering design, feasibility, and development of a pro forma. It's our hope that construction can start in '03, be complete by the end of the year, with the facility being operational in January of '04. We're working with a large number of industry potential partners to serve as partners in this particular project.

In False Pass, we have operated the barge Dipper as part of Bering Pacific Seafoods for a number of years. We always intended to move to the shore in False Pass, but we needed to have a harbor completed in False Pass first. We worked very closely with the Aleutians East Borough and the Alaska Congressional delegation during the past few years to secure funding for the harbor and construction is due to start next year on the harbor with completion hopefully in '05. At the same time that construction goes forward on the harbor it is our intent to move forward with construction of the shoreside processing facility in False Pass so it can transition from the Dipper to the shore.

We're also looking at developing a shoreside processing facility in Nelson Lagoon. That would be a facility that focuses on salmon production in particular; there are some logistical issues that we have to move past before we can determine whether or not

it's economically practical to develop such a facility, i.e., whether or not we can put an outfall(?) in that area. But we're going through the analysis on that now.

Otherwise, we intend to continue to focus development. . .our attention on development on ports and harbors where those are necessary—airports and things like that—that can better support our communities and support our businesses.

Lastly, we are going to pay a significant amount of attention to becoming vertically integrated in the industry during the next three years. We have a plan that we're moving forward with now that hopefully will allow us to be vertically integrated to some degree by next year in terms of catching our fish, processing our fish, adding value to our fish, and marketing our fish. And that is all of my comments. Thank you.

JEFF BUSH: Before I start questions, and this is for all the groups, we'll be throwing out some questions here today that you can answer as best you can on the public record; to the extent that you're uncomfortable answering some of the questions because of the nature of the question, proprietary information, whatever, please feel free to simply say that and we'll be comfortable following up in the private meetings. I just want to put that on the record before we start.

Larry, APICDA has recently asked NMFS to address the community eligibility issues in the CDQ program. Can you tell us briefly why APICDA is looking at the eligibility, or questioning community eligibility, and . . . I guess that's the simple question; let's start with why.

LARRY COTTER: Well, I appreciate that question, Mr. Bush. Actually, in November of the year 2000, after APICDA's allocation was reduced in pollock, APICDA filed an objection with NMFS over that reduction and as part of our objection we noted that there are four criteria that are contained in the Magnuson Act that are used to determine whether or not communities are eligible. One of those criteria says that at least 50 per-

cent of the village's current subsistence and commercial fishing activity must occur in waters of the Bering Sea. We raised that issue. And we also said that we do not support a determination that would make those villages that may apply with that definition ineligible to participate in the program and if they were found to be ineligible we would support legislation to make them eligible again. But we raised the issue in the context that if rules are going to be applied in an allocation process, then they have to be applied fairly across the board. And to the extent that population and the number of communities were important criteria being used by the State to determine what a group's allocation is, and to the extent that some CDQ groups were raising this issue and suggesting allocations ought to be based purely on population, we felt that it was important to raise that criteria. We have not asked NMFS to make a determination on whether or not those communities are eligible or not and we have not asked NMFS to kick them out of the program. And we have, as I said earlier, we have said that we would support legislation to bring them in if that's the case. We've also sent copies all of that information to all of the CDQ groups so presumably they read it and are aware of our position.

JEFF BUSH: Thanks. Follow-up?

BRYCE EDGMON: I'd like to switch gears here and talk about one of your shoreside operations; both John and Gilda alluded to it, that's the operation in False Pass, your Bering Pacific Seafoods operations. John, I'm looking at you because you're the front line manager and maybe Larry might want to jump in or . . .[unintelligible]. . . . My question is, going back to when the project was initially conceived and the operation began, the scope was a little larger than where I understand the facility to be today. Could you talk a little bit about where the project began and, of course, where it is at the present, but some of the lessons or some of the experiences that were derived from the whole process of beginning with an idea in mind and actually sort of arriving at a processing facility

that's probably a little smaller in scale and maybe a little more targeted in terms of species. . . just talk about the. . . Gilda, maybe you want to talk about this as well. . . what the Board has learned, what the staff has learned, and some of the experience sort of gained along the way.

JOHN MOLLER: Thank you, Bryce. I think in the beginning we had a concept, you know, and it centered around codfish and salmon. We have some limitations with the barge Dipper in terms of being able to do any added-value, so we're pretty held back as to what we can produce there. As most folks probably know, in the case of P. cod it's a high volume product where you've got to push a lot of product to the plant. And, shortly after we got into this with the idea that we're going to do salmon and P. cod, of course the salmon industry starts going downhill and it became obvious right away that it was going to be very difficult for Bering Pacific Seafoods to accommodate the local fishermen in terms of the salmon industry. Larry may want to elaborate a little more on that particular part of the operation. But, in terms of codfish, I guess from my perspective what we're seeing happening here, because there's been a couple of things have been challenges, I guess, in terms of getting the raw product and it is directly related back to what we can process in this plant and what we can't. We targeted the local fleet and we targeted a fleet of 58 feet, or 60 feet and less, so naturally we came to that fleet, came from False Pass, King Cove and Sand Point. Well, our competition is able to process halibut, black cod, and other species that we're not capable of doing at this point just because of the configuration of the barge. So, once we. . . it was quite a challenge just developing the fleet—you know, you're pulling a boat away from some other processor, essentially. In the past year we've developed that fleet; we've taken it to where we try to put the maximum threshold of fish through that plant, which we've recently made some decisions to scale down and produce a higher-value fish versus more volume, and we're

opening up on September 1 with strictly a jig fishery and focusing on a higher-value, slower production fishery. So, I guess my point is, Bryce, is that one of the main things we've learned here is scaling back and producing a higher-value fish. Some other things that have been significant changes with Bering Pacific Seafoods is the on-scene management. We've made some changes there. We've made some changes in the engineering department which we're already seeing significant reductions in cost to produce. It's a whole different operation when you scale things down and do things a little bit slower. If you've got a fleet of six or ten boats that are reliant on you to buy their fish every time they hit the dock and some piece of machinery goes down you don't have that time to necessarily shop around, so our expenses have been extremely high in that area in terms of machinery and what not. But we believe by scaling down we're going to be able to better serve our fishing boats, our fleet, and also put out a better product. Maybe Larry wants to elaborate a little more on the very beginning.

LARRY COTTER: Well, when we first decided to move forward with BPS one of our concerns was whether or not we were going to be able to [obtain?] an adequate supply of product to support an operation and there was a great deal of pressure on us in the community to build a shore plant but we did not feel we could put a shore plant there without knowing whether or not we were going to have a harbor. So, we settled on a barge and we got a good deal on the barge and we started moving forward with our plans. We had been successful in Atka and I think we felt that we could be successful in False Pass. We were then introduced to an Norwegian company, Vanna (?) which was a very large company in Norway. We did our due diligence with. . .[unintelligible]. . .in terms of meeting with their bankers, visiting their facilities in Norway, checking with other industry companies such as Trident Seafoods as to what they thought about Vanna, and Vanna came back with A-plusses in all areas. So we then modified our operation and became 50-50

partners with Vanna. Vanna then stepped in and started providing, we thought, the type of expertise that we would hope for from a partner because we had no expertise in the area of cod production, or salmon for that matter. So Vanna sent its folks in and I think they did two re-designs on the Dipper and all of a sudden we found ourselves headed in a direction where we were moving to a very big high volume operation. We trusted the Norwegians, had no reason not to trust them, at least initially. Over time, without us becoming aware of it, Vanna started to encounter financial difficulty in Norway. And so they then stopped paying their half of the expenses and we had a choice whether or not to pick up their half and fund the operation so that it could continue to survive, or we would stop paying the bills as well and the company would fold, which would not be good for anybody. We made several trips to Norway to try and convince the Norwegians to come up with the money; we were successful at various times, but overall they proved to be very poor partners. We continued to rely upon them longer than we should have—up until September of last year, when we in essence took over the company and started operating it.

In terms of lessons learned, I think that you need to go out and find a partner who knows what they're doing, and I think we did that. But, that is not an excuse for not developing the personal knowledge and expertise necessary to mirror that which they are bringing to the table. And, I don't think we did a good job on that. You know, we lost a lot of money in Bering Pacific Seafoods, that's no secret. The flip side of the coin is that it has been a success in some other areas. It's been critically important to False Pass. You know, we have provided some competition in the region and have provided better markets for fishermen and the amount of money that we have lost, ironically, is roughly equal to the amount of money that we pumped back into the region. Would we do it differently? Yes. As we look at St. George, you know, you bet we're applying the lessons

we learned from False Pass. Are we going to make more mistakes in the future? Hopefully not, but probably yes, and hopefully we'll learn from them.

KEVIN DUFFY: I had a question along the same lines and I think Larry's touched on it, but just a chance to elaborate on it a little further, and that is your experience with the whole BPS, you've explained to us and yet I notice in your CDP application you mention that you're talking about a salmon processing facility, potentially Nelson Lagoon, and then the shoreside processing facility in St. George. Anything else you want to say about what you learned from BPS, how you'll apply those kind of experience to these future endeavors you're talking about?

LARRY COTTER: Well, in the case of St. George, we're fortunate because there are some American companies that have long established expertise in the crab industry, so that will be a lot easier to deal with those companies and we know them and they have a well-established track record and so we're going to rely upon them heavily. If you look at a place like Nelson Lagoon, you have to ask yourself how you're going to successfully play in the salmon industry these days, and quite frankly, and the people in the Lagoon are not ready for this, but if the setnetters upriver would retire their permits and if the driftnetters in the Lagoon would retire theirs and we could put a trap across the river, and they could become co-owners of the trap, then we could build a small facility in Nelson Lagoon that would be directly related to the quantity of the fish that's going up the river, we could control our catch, we could control our quality, we could control our labor costs, and with that type of a situation we could probably develop some niche markets that might sustain that facility at least at a break-even level and maybe a better level. In the absence of that happening, which I personally hope does happen in the next couple of years, but in the absence of that happening, then we're going to have to be very careful as we develop the size of the facility in Nelson Lagoon and we're probably going to have to

gear it towards just a certain number of fishermen and a certain volume and not try and be all things for all people, and develop a plant that can just do production equal to the value of the products we're producing toward a defined market.

KEVIN DUFFY: Thanks, Larry.

JEFF BUSH: Larry, given the growth of this program, which has been phenomenal, and APICDA's shared in that along with all the other groups, what do you see happening for APICDA in ten years down the road? What's the long-term. . .

LARRY COTTER: I think that there's a couple of different paths that could occur. You know, I think that the six CDQ groups ought to, and not everybody on my Board incidentally shares this opinion, so I'm speaking for Larry. Personally, I think that the six CDQ groups ought to spend some serious time determining whether or not we could consolidate and begin to operate as a larger entity with six regions and so and so forth. I think that there is enough capital being generated by the groups collectively to be able to address our needs region-wide and I think that would be a tremendous legacy to pass on to the future. Failing in that, I would hope that the groups will start to work more with each other collaboratively. Coastal Villages and APICDA just joint ventured on three longline processing vessels and I think we need to see more of that. I think we need to see CDQ groups, you know, try and move product, and to the extent to using catcher vessels to move product into shore plants that are owned by other CDQ groups, and maybe become partners in that type of an operation. Ten years from now, you know quite frankly I see our villages, each and every one of them, as having sustainable economies that are based on fishing. I think that we're going to see a substantial reduction in substance abuse and social problems. I think as a whole we're going to be vertically integrated and well diversified throughout the industry, throughout Alaska, and beyond. And I suspect the same is true for most of the other groups.

JEFF BUSH: Do you want to add anything? Any more questions?

BRYCE EDGMON: I know we're running short on time, but Larry would you talk just very briefly about your sea urchin fishery out in St. George? There was an announcement that came out a little bit ago about it. I'm not sure the fishery occurred, but I know that . . . [unintelligible]. . .

LARRY COTTER: It's getting close, Bryce. You know, a number of years ago. . . two years in a row we paid for a survey, to do a dive survey, from the Alaska Peninsula out to Adak and then around St. George Island to take a look at what's on the bottom with particular focus on urchins. There are good urchin populations in various areas. Around St. George, there's lots of urchins. We started working with Fish and Game then to see whether or not we could conduct a test fishery in St. George. Fish and Game is putting some money up, we're putting money up, and it's a joint project. The survey is taking place right now. At the conclusion of the survey, assuming the resource is adequate, there'll be a small fishery allowed, and what we intend to do is take twenty to fifty thousand pounds and we're going to ship that to various areas. We're going to ship it a guy in Anchorage who deals with direct with Japan, to a company in Tacoma that extracts the uni (?) and puts it on the trays and goes to Japan and we'll do the same, take some uni out in St. George. We've got to test the logistics, test the quality, and then make a determination whether or not in the future a sea urchin fishery in St. George and or other of our communities can be done.

BRYCE EDGMON: Thank you.

JEFF BUSH: Thank you. BBEDC.

ROBIN SAMUELSEN: Good morning. My name's Robin Samuelson. I'm Chairman of BBEDC. To my left is Hattie Albrecher of Ugashik; to Hattie's left is Moses Toyukak of Manokotak, and to Moses's left is Robert Heyano of Ekok. Two of these folks have

been 10-year board members of BBEDC, since its inception. Other board members could not be, executive committee members, could not be make it; some of them are working; some of them have their priorities in the right order, are maybe moose hunting. But, they all couldn't make it. Ten years has passed and Bryce asked a question on long-term, ten years. Well, ten years ago seems like day before yesterday and we're sitting here today. I don't think that even the CDQ groups had the expectations that the program would excel itself to the point that it has today, so I hate to see what happens in the next ten years. Looking at the executive summaries of the CDPs and what the various CDQ groups are doing, you know, we were young then, we're probably in our late teens now and maybe just getting into adulthood and I think the best is yet to come with the CDQ groups and its potential. Behind me is our new CEO Roger Helmer, our quota manager Eric Olson and BBEDC's lead consultant Paul Peyton, and Jim Barnett, BBEDC's attorney's here also, who lives in Anchorage.

BBEDC has been very active in the fisheries. As you all know that, the last five, six years we've had back-to-back salmon disasters in Bristol Bay. The Governor just came up and declared our region a disaster. We have local residents, many local residents like from Moses's village and from my village of Dillingham grossed \$1,450 for a total season this year. Not only was our price down, but the resource in Bristol Bay is in a downward spiral and two ocean fish are not showing up.

BBEDC has a number of things in reaction to this fishery. We've put in for a EDA grant for six ice machines; we received the ice machines and I believe four of them are installed now within the Bristol Bay region. Our regional fisheries, after exhaustive meetings, set the priorities on a slush bag system (?) to an answer to an RSW system. Those of you are now familiar with it, the quality of product has improved immensely. We've worked with. . .[unintelligible]. . .in Naknek; we've worked with Peter Pan in

Ugashik (?); we worked with Icicle Seafoods this year in Togiak fisheries. Togiak fisheries are primarily skiff fishermen and setnet fishermen. (?) Creek was setnet fishermen. For our next three years a lot of our focus is going to be in-region, value-added salmon. Our people, if you want to put money in our people's pocket, it's salmon and herring, are the two big ones and are part of the family of three big ones – halibut has played a major role in BBEDC's income in the last couple of years. We've exceeded our halibut quota; the Council has allowed us to take 4D and move it into 4E and we've done that and that 4D halibut is harvested by our small boat fleet. In fact, this morning when I was reading the paper I see one of the local processors out there, catcher processors, is selling his halibut and sockeye salmon in here vacuum-packed. That gentleman, I believe it was Kenny Wilson, I didn't recognize the phone number.

You know, I could walk you guys through the Executive Summary, but on the questions you guys have all been shipping us out, it's apparent that you guys have all done your homework, so I'll give you probably a B-minus on your homework, doing it out. . . I sure get tired of answering, I think I can speak for all of the CDQ groups, all the questions that you guys have been shipping out to us in short order. But, that's the process. I think that. . .

UNIDENTIFIED SPEAKER: . . .that you bring that up, Robin. We've been accused by some groups of targeting them, so I'd like to. . .[unintelligible]. . . Do you recognize that we're targeting. . .[unintelligible]. . .

ROBIN SAMUELSEN: Well, I feel that every time I get a letter from you guys. You know, not all the allocations are harvested. We've got sexy (?) allocations like pollock, like cod. We've had problems in our flatfish fisheries; I think all CDQ groups have and it just remains with that type of market. The Council is trying to rationalize that fishery, but there's high bycatch costs associated with it. BBEDC has worked internally with

their partner very hard to try to harvest as much as we can. We haven't been successful because of the bycatch caps and the costs. A lot of times it's two observers in that fishery and you're paying in excess of \$350 a day for an observer; the costs go right through the roof.

In our CDP that we've submitted to you we've identified several exciting new programs as well as built on some of the programs that the board has developed in the past. And, I'd like to take you through like the regional fisheries development project. We're doing a Bristol Bay regional salmon branding and quality assurance initiative. That means that we will be identified as a region; we'll have quality assurances for salmon when they're harvested by their harvester, processed by the processor to guarantee the wholesaler that these standards are met and complied with. It's going to be quality oriented; we've applied for State grants as well as Federal grants. We've shipped salmon to Europe; that's been very successful in Europe. We've got another pilot project going on this year that we've expanded with (?) Creek Fisheries over in Naknek. Ugashak is looking at infrastructure down in that area. So, we think we're on to something. The feedback from the fishermen and the processors has been excellent. We've had people in looking at product and we hope to expand on that and it's our hope it will raise not only the awareness of Bristol Bay salmon but it will raise the exvessel value. As most of you know, we're in a very competitive world and farmed salmon has basically displaced wild Alaskan sockeye, whether it's in Bristol Bay or Prince William Sound or Southeast. But we're trying to re-invent ourselves. And trying to re-invent yourselves in Bristol Bay when you've got basically six fishing districts, 1,800 drift fishermen, a thousand setnet fishermen, and very little infrastructure. . .there's a lot of infrastructure there but it's infrastructure that's been built a hundred years ago, a lot of it. Some of 60-70 years ago is young canneries, and we have a lot of work in front of us.

We've identified investment opportunities for underutilized species, development plans, sea snails, inshore flatfish, and shoulder seasons for our herring and salmon. I hope next year you guys have water [at the hearing]. When you come out to the Bay, we'll have water for you.

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SAMUELSEN, continues. . .throughout the whole industry, and only Capilano (?) stepped up to the plate. We invested into Capilano and thought that was going to be the vehicle, BBEDC's vehicle to pursue a salmon operation and raise the exvessel value to our fishermen. Japan is a good market, but Japan is not the only market and we're not looking strictly at Japan. Through Capilano a big portion of our sales would have been to Japan, but we'd also be selling to Europe and to the United States and doing value added products. As you know, BBEDC took that company under. We made a sizeable investment, it didn't last a year, we took it under real fast. I think it was Rick Lauber once told, 'you want to lose money, invest in salmon,' and God, his words were ringing in my ears many times. But, I think the board learned a very good lesson. We've gone back nine months after the investment, we analyzed that investment from top to bottom, what went wrong. We figured out in our minds, we're pretty well satisfied, we figured out why and when it happened that things went wrong. It was much earlier than any of us foresaw and that still didn't dampen my Board. My Board is committed to finding ways to increase the value of salmon. As I said earlier, we've got salmon, herring, and halibut. We're looking a different ways. One of the things that's facing us is loss of permits. With these back-to-back disasters, State loans are out there, SBA loans are out there. One of the new operations is Operation Turnkey. Turnkey is a pilot program; we'll be working in conjunction. . .it's a commercial fishing revolving loan fund; we'll be working with the State of Alaska. BBEDC will guarantee the down payment on the loan and the State will fi-

nance it; we'll set the criteria. . .BBEDC will set the criteria and help make the selection. That individual will pledge his permanent fund or something else to ensure that BBEDC gets its money back. Bristol Bay permits now. . .you know, a drift permit this spring went for \$12,000 a banker told me. I think they're up around \$15,000 and the set net permit is at \$12,000 right now. But now's the time for our young people to invest in the fishery, especially with the employment opportunities that Bristol Bay is providing to them, BBEDC.

The Bristol Bay Science and Research Institute is a 501(c)(3). This is really exciting because as State dollars dwindle in Juneau it's getting harder and harder to secure funding for research. And, with our stocks dwindling, the board felt that it was necessary to form the Bristol Bay Science and Research Institute. We've hired Michael Link who's a former employee with the Department of Fish and Game; we've taken our landing tax dollars, a portion of our landing tax, which is completely legal, from our partners and plug it into this 501(c)(3) corporation and that's what's funding a number of these projects. This year we participated, BBEDC, in the Port Moller offshore test fishery to do early stock assessment into the runs of Bristol Bay. We had a salmon catch sampling program in Bristol Bay with partial funding by BBEDC and ADF&G. We did a ten-day education course called 'Salmon Camp' for young adults. That was pretty interesting for the young people; you'd figure born and raised in Bristol Bay they'd know everything about salmon. I don't know if any of you subscribe to the Bristol Bay Times, but there was a real good article in there about these young people participating in this program and finding out. . .and we had professionals there, biologists from the U.S. Fish and Wildlife Service, our staff, ADF&G, a number of agencies, and a lot of the young kids' eyes really got opened. And what we're trying to do is stimulate these young kids that the wave of the future is to go to college and come back, come back as managers of

ADF&G, come back as managers of U.S. Fish and Wildlife Service. There's other alternatives out there for you. That was excellent for those young people.

Our technical assistance program, we've reinstated that for the region residents, our regional business development project. That's an old project that we've refined for this CDP. Community infrastructure, development seed project; more and more villages are taking part in that. My village is using it to give its hundred thousand that BBEDC gave to the village, to tear down a cold storage dock and plan for an all-tide dock that will hopefully attract new processors into the Dillingham area. The regional infrastructure development matching fund, a number of our communities are eyeballing that program now and the board has laxed that criteria from 50 percent down to 25 percent because our communities are broke; they are flat broke. Our Boroughs are flat broke; school districts are closing; and people are moving into bigger areas like Naknek, King Salmon, Dillingham, seeking employment because there's very little employment in the villages and I was born and raised out there and I've never seen it so bad in Bristol Bay in all my life. You know I was there. . .when the Japanese were harvesting our fish right off our shorelines in the Egan days, but today it's much worse than that.

BBEDC has focused a lot on education. Our educational initiative is unparalleled. We've got the school districts, all four school districts in Bristol Bay to work together. I probably was the most skeptical of this program, but here the full board had a presentation and the Lake and Peninsula Borough brought in students and the students were just really jived up about it and we bring students into Anchorage and they shadow work with different sectors in Anchorage and a lot a time they come in and they know where movie theaters are, they know where the shopping malls are, they know where MacDonald's are, but they don't know the working ethics and what happens to run a city

or a radio station in here or whatever, and it's been a real eye-opener for our rural residents.

Our employment, I think, has been second to none. We've . . . Arctic Storm's been an excellent partner to work with in the area of employment, not only employment, but other avenues. Our . . . [unintelligible]. . . vo-tech, training programs, more than doubled in 1999 and I suspect that's going to probably double again with the opening of the king salmon vo-tech center. A lot of fishermen are asking to get re-trained out of necessity, to hold on to their permits, to hold onto their vessels. The Harvey Samuelson Scholarship Trust Fund, that's been forward funded by the Board; that's seen about a 25-30 percent increase this year, so a lot of kids are going out to school—more than we had anticipated, and I think the board has set the criteria where we take the number of students and divide it into the 'x' number of dollars so that every student is treated equally whether they are from one village or another, you just gotta meet the criteria. The disbursement this year is about \$1,800 per individual. The College Development Fund—that's a new program that we have coming on; it will be available to residents with full-time jobs who are taking additional class work needed for certification and degree programs. There was an area missing there. None of our programs addressed those students that were working full time and wanted to take college courses, so the board recognized that and developed that program. The College Loan Forgiveness Program—that's coming on. It's going . . . this proposed project will help returning residents to re-pay student loans. This will encourage qualified local residents to return after completing their degrees to fulfill professional positions and strengthen the region's economies. We've funded a lot of students over the last ten years, but what the Board has noticed is a lot of these students are taking employment in Anchorage and other places and not moving back to the region. We're

hoping that this college loan forgiveness will be an incentive for our young educated college kids to come back into the region.

With that, we've invested onshore, basically in an onshore catcher boat, the *Dona Martita*; we own 50 percent of it. It's . . . [unintelligible]. . . to Westward Seafoods.

We've expanded our employment agreement with Westward. There's only so much room on a factory trawler, you all know that. We own 30 percent of the *Arctic Fjord*; there's only so much room on there and we needed more employment. After a long period of . . . in this investment, it was in the making a year and a half ago, it took us about a year and a half to make that decision, after doing the due diligence, and we look for real good results coming out of that investment. So, we're both in a offshore and onshore company right now which is kind of unique.

One area that BBEDC's been focusing in on and has put its money where its mouth is, is in a grants writer administrator. Just because its dollars generated from royalties, we should be looking for other dollars to leverage those dollars and the Board has agreed to leverage those dollars. We've hired a grant writer, probably one of the best in the State of Alaska; she's been doing it all of her life; has got millions and millions of dollars in grants. We've hired her as a full time staff person on our staff and we're hoping, and I've challenged all my staff as well as consultants that 25 percent of our operating budget hopefully in the next year will be under grants. Currently we have about 1.8 million dollars work of grants that we've received for various projects. Any time staff or board members come up with a new idea we look first to the grant dollars, not to our royalty dollars or anything like that.

So, with that Mr. Chairman, you know, the Board is very appreciative of this program. I think the importance of this program is more important to the residents of the BBEDC today than it was ten years ago because of the economic downturn in salmon and

herring prices. I think that the Board is committed. We like having the gun to our head; we like oversight because it keeps the integrity of the program intact. There's still a lot of people out in the world that don't like this program, that still look at this program as tax on their industry for people in Western Alaska to participate. But I think that going through the Council process, the Committee looking at the regulations that Chairman Lauber chaired, and the final vote at the Council, I think the program is in fact moving forward and my Board is very appreciative of the fact that we've been able to participate. Our villages need this program more than ever today. And with that, looking at the clock, I'll sum up; and say thank you.

JEFF BUSH: Questions for Robin? Well, Robin, I'd like to ask you what would be the impact on BBEDC if NMFS were to declare some of the communities in your group ineligible for the program? How would BBEDC handle it; what would be the impact on the communities?

ROBIN SAMUELSEN: I think it would be pretty disruptive. It'd be very disruptive to those communities. I don't know how you define 'some.' Is it the last three that we're admitting to the CDQ program when a discrepancy over whether it's a statute mile or a nautical mile that would mean Portage Creek, Ekwok and Levelock? Two of those villages have ongoing projects that are pending within BBEDC, going through the process. I think that it would be devastating to those villages. The overall impact of BBEDC I think it would be the start of creating uncertainty within the region and as far as the loss, you know those are not humongous villages like at Togiak where there's 700 people, so the overall impact to the BBEDC corporation would not be substantial. The perception out there and the loss to those villages and the importance of this program to those village people that don't have anything else, would be devastating to those village people. And I'll be open and up front about it. You know, we're trying to get a Congressional fix on

this and I think the guy to fix it is Senator Stevens and it's just a couple of words and I'm glad to hear Larry's going to be by my side when I'm going there. And we hope to have a Congressional fix to this before we lose them villages. My Board hasn't voted on it or given me instructions on it, but it's going to be my recommendation we do everything to save them villages and keep them within the CDQ program.

JEFF BUSH: Other questions?

BRYCE EDGMON: Robin, you mentioned a moment ago, and this sort of piggybacks on a question I asked APICDA when they were up here, on their shoreside operation. . .[unintelligible]. . . You mentioned a moment ago that you learned so much through your Capilano experience and obviously you're not done investing in the salmon industry out there in Bristol Bay. But, could you talk a little about your experience as a board member, and maybe others could chime in as well, what your organization did to, I'll use the word profit, or learn, from this experience in the terms of isolating and perhaps and drawing on some of the hard knocks or the lessons that came from it.

ROBIN SAMUELSEN: Yeah, well, the board reacted very quickly when early indications things weren't going to our expectations. And they dispatched me down to Seattle along with our attorney and a couple of consultants. They basically shut the operation down. Part of our staff is a guy named Bob Walter who used to work with Norquest Seafoods, been in the seafood industry for a good number of years. One of the tasks that we tasked Bob with, and Bob was also involved in a small way, was to go back and piece together and build us the picture and tell us where we went wrong. Bob put that report together for us and we had a board meeting and went through that report. There was a whole host of errors made. The concept was right, you know, the Capilano concept was right; execution was wrong. We should have had tighter controls in a number of areas and we should have had more key BBEDC people in a number of areas. Had that been in

place, I think it would have been successful and it would have been a shining star amongst the State fisheries today even with the onslaught of salmon. What we have found out is there's a hell of a demand for quality wild salmon and the conservation groups and all the chemicals that are used in farmed salmon now, a number of people are saying, well, on the long run it may not be good for us. But, the quality question is there. If we can't produce a quality salmon out of Bristol Bay, we're going to be toast, we're going to be history. If we could produce a quality salmon out of Bristol Bay we could compete with farmed salmon. There's no question in my mind and I think on my Board's mind and my regional fisheries' mind. Quality is the key to compete.

JEFF BUSH: Let me just follow up on that one just real fast. Do you or your board have a general philosophy when it comes to investments in salmon? I mean. . .[unintelligible]. . .but Rick Lauber once said to you about investing in the salmon industry. Have you or the Board thought out any sort of a policy or philosophy that you can tell us about in terms of investments in the salmon industry? I know that you want to focus on it and yet it's a very frustrating area.

ROBIN SAMUELSEN: Well, I'll tell you some right now and the rest I'll tell you in private because it's going to cost; we've had to pay big bucks where we're at today on our due diligence. And, yes, you know. . .and I think Rick's statement was. . .I don't want to take it out of context, but Rick and I were talking. . .at that time everybody thought that every processor was making tens of millions of dollars and that's all they had to do, was build a processing plant. And that was part of the conversation that Rick and I. . .and it's proven true because, you know, five years ago there was 24 processors in Bristol Bay and I think that we're down to 8 right now. What we're looking at is a village-by-village basis. You know, we did the ice project this year and we had a series of meetings last winter with the Regional Fisheries Committee and the board process that

we go through. And we couldn't find any company that wanted to do an ice project in Bristol Bay. None of the processors wanted to do it and we had to work real hard. The board dispatched myself and several other members down to Seattle for a week to talk to processors down there to get them interested and we were willing to put up a hundred thousand dollars and run a pilot project and we didn't have no takers. Eventually we modified the program and got a processor and hired a barge and went up there and did the ice project this year. Like I said, it was very successful. We've found that. . .and we're still talking to a number of these processors. We have a number of things in the works, but it isn't going to be on a big grand ole scale, it's going to be more on a village-by-village scale complementing the ice machines. Ugashik is doing a project down there; Pavak (?) is doing a project. Dillingham's looking at a project to complement the all-tide dock. Togiak's looking at a project. Egegik, with their new dock and uplands infrastructure is coming on line. But it isn't going to be. . .you know, geographically Bristol Bay is so big and so complex with all the different river systems. . .I mean, look at the Kvichak this year; it didn't even make minimum escapement. And that. .

. [unintelligible]. . .is the driving force in Bristol Bay. When you do these fish predictions at boat show time in Seattle in the fall and processors make their business decisions based on that; fishermen make their decisions based on that. When it comes time for the fish to return and fishing season, it doesn't show up. It's very unique, I think, the Bristol Bay fishery, and I think the Board is looking at processors that want to get into value added fish within a region; want to get into filleted fish, both frozen and shipped out fish. A number of our communities have large airports that accommodate full planeloads out, the largest one being in King Salmon. But, yeah, we've learned quite a bit out of the Capi-lano experience, how to do things and how not to do things. But, I don't think we had the overall control in place; we had a good concept, our prices were falling and had we put

the key people in place, I think, and had a little more control, the company would be alive today because the concept was there. We're building on that concept, the Capilano concept.

JEFF BUSCH: Any other questions?

KEVIN DUFFY: Robin, you talked earlier in your description about some of the bycatch caps and costs associated with access in the flatwater complex. What was your experience in 2001 with sablefish? I notice that the harvest levels were way down, similar issues? Bycatch issues and, uh. . .?

ROBIN SAMUELSEN: Can I bring Eric up? He's the one that handles all that for us.

KEVIN DUFFY: Sure.

ERIC OLSON: We've improved a little bit. We've actually harvested probably 25 tons in the Aleutian Islands. Some of the problems that we had was we had the *Bristol Leader* out there and having that big of a platform chasing after what could be some pretty scratchy fish wasn't the most efficient operation to have. And so we kind of scaled it back; we found an operator who has three under 60-foot boats and he's been plugging away at it. He's got probably half of our Aleutian Islands sablefish caught right now and he's gonna get the rest of it now and into the fall and also work on our IFQ fisheries. In the Bering Sea, we haven't had much luck. We actually leased some quota to another CDQ group who's been pretty successful in fishing sablefish in the Bering Sea and I guess the short answer is, is it's much improved from last year.

KEVIN DUFFY: Thanks, and a comment to Robin. He gave us a B-minus for the series of questions. I just wanted you to know that if I got all B-minuses in college my grade point would have gone up. [laughter]

ROBIN SAMUELSEN: I have one more, Jeff. Early last year, last fall, my Board was. . .after the salmon season we sat down and came up with a concept called the Bristol Bay

Salmon Fishery Restructuring Study. That study is the first kind in the State of Alaska, and it's an independent, comprehensive study to examine the potential benefits and impacts of various options of restructuring the Bristol Bay salmon fishery. The study will provide the region residents, fishers, processors, regulators and legislators a clear picture of the pros and cons and pitfalls of many of the restructuring options for Bristol Bay. I also was appointed to a legislative task force. We've had a number of meetings right here in this room. But this is a major component and undertaking by BBEDC. We have processors involved, harvesters involved, Fish and Game's involved; Gunnar Knapp's involved. We've had meetings with over 250 individuals; we have a web page, and it's going to complement the legislative salmon task force and the legislative salmon task force is going to complement ours. Our difference is, if our fishermen and processors want permit stacking, it'll do the pros and cons of permit stacking. We're not telling them what to do. And I think that was the model that. . .and I've showed this to Senator Halford a number of times and talked to him on it and I think that's how the idea got spawned down in the Alaska Legislature. But, it's a major undertaking and it's all part of restructuring Bristol Bay—how to make our fishermen, our processors more efficient while still maintaining the life in the communities. We don't want to see any of our schools or any of our communities dry up. But that's a major undertaking, like I said, the first of its kind for the State and I've got to compliment my Board for having the vision to move forward under. . .you know, this could be political dynamite within the region. One of the options is status quo, do nothing. We may very well spend \$300,000 and do nothing, and my Board's prepared for that, either way, but they felt that somebody had to step out in front and tell fishermen, processors, flush out these options and provide guidance to the State people on Bristol Bay as well as our Congressional delegation. Thank you.

JEFF BUSH: Thank you all. See you at one o'clock. CBSFA is next; then we'll take a break after that.

ROBIN SAMUELSEN: Phillip said he wanted lots of hard questions.

JEFF BUSH: We'll do our best.

PHILLIP LESTENKOF: Good morning Mr. Bush and Mr. Duffy, Laird and . . . We'll each introduce ourselves and I'll start. My name is Phillip Lestenkof and I'm the President of CBSFA and also a boat owner and commercial halibut fisherman at St. Paul Island. Actually we had to sacrifice several days of fishing to come here and we know that this is an important program and our fishing is very important to us and to highlight it, one Board member actually decided he has to stay back to make ends meet running a local halibut boat and so I'll turn it over to our Chairman here, Myron, to introduce himself.

MYRON MELOVIDOV: Good morning, Mr. Chairman. My name's Myron Melovidov; I'm the Chairman of the Central Bering Sea Board of Directors. Also, a commercial and subsistence halibut fisherman, come to town to see everybody and hopefully get back home to catch a little more fish. We're having a pretty tough time this summer. It seems like the halibut are way offshore and hopefully by the time I get back they'll be a little closer inshore. I've been involved in the CDQ program, I believe for the past ten years, ever since they got started and I've seen this program getting to go further, for St. Paul anyway as far as developing fishery-wise, so hopefully the next three-year cycle will be prosperous for Central Bering Sea.

PATIENCE MERCULIEF: Good morning. My name is Patience Merculief. I'm the quota manager for the Central Bering Sea and a halibut subsistence fisherwoman. So, I'll turn it over to Robbie.

ROBERT MELOVIDOV: My name's Robert Melovidov, Board of Directors, CBSFA. I'm supposed to be on the water right now, but it's kind of nice to take a little break, anyway.

STEVE MINOR: And, good morning. I'm Steve Minor, jack of all trades, master of none, and the Board has asked me to give a very brief presentation this morning; then we'll simply open it up to questions.

I know Lamar Cotton used to really hate overhead presentations so I prepared one out of habit just to irritate him, but since he's not here I'll save you the torture this morning. But maybe we can work off this document I just handed out.

PHILLIP LESTENKOF: Before you start, Steve, we also have Jason Lee; he's our financial manager from a local CPA firm here in Anchorage, and as Steve said he'll be doing a overhead presentation and I'll make some specific comments on some of the projects that he highlights on his presentation as he goes along.

STEVE MINOR: Rather than trying to address all of the issues on your proposed scorecard, which we do support, we wanted to focus on one because CBSFA in the last three or four years has undergone a pretty significant change in its approach to business and we think it's well positioned now to go fairly successfully forward. So, we wanted to focus a little on management effectiveness and results over the last couple of years. Real briefly, as you're mostly aware, with the collapse of the crab stocks in 1999 CBSFA, and coincidentally a change of management at CBSFA, we took that crisis and sort of re-made ourselves starting with reorganizing the halibut fisheries to increase Pribilof Island's exvessel prices and to make our local fleet program self-supporting. As you're aware, the CDQ IFQ halibut fisheries in St. Paul contributed a million and a half to two million dollars a year directly into the households. It's a pretty critical component of our program. CBSFA and the City of St. Paul lobbied for special Area 4C subsistence halibut

regulations that will benefit both St. Paul and St. George. We were sort of alone in that battle, but it was successful. It allows for the harvesting of subsistence halibut at the same time and using the same gear as CDQ fishing.

In early 2000 as a result of the crab prices we re-negotiated virtually every harvesting and processing contract we had and we achieved some of the highest CDQ royalty rates, we believe, in several categories. Phillip led that effort. And, of course in terms of the necessary rationalization of the crab industry St. Paul has played a pretty central role, establishing regionalization of Pribilof landings which as you heard, even from APICDA's testimony, we believe our efforts have resulted, or soon will result in a scheme that will not only benefit us, but benefit St. George significantly. It will at least provide them some opportunities as well as ourselves. Shortly after the collapse we brought in outside consultants to help us study, analyze and develop what we call the multi-species development plan to establish a path towards diversification and self-sufficiency on the Pribilofs and in St. Paul in particular, and you're aware of the contents of the study although it is obviously a confidential study. We began annual community member and Board surveys to really get a clear sense of where the community wanted to go and what our opportunities were.

More recently, because we view the essential fish habitat process a both necessary but also a significant risk to the Pribilof Islands, just as we did with crab rationalization, we've [got people?] that are on the committee and we've started to devise our own strategies and our own science projects, partly because of the essential fish habitat process itself and partly because we do believe that the Pribilof waters ecosystem in the Central Bering Sea is not well understood and it needs to be better understood, so we're willing to start investing some of our monies and efforts to gain that knowledge which

will lead, we think, not only to better local management but probably also better State and Federal management.

The next chart, CBSFA growth, I think captures what in fact has happened in the last three to four years. For the first several years of this program, '93, '94, '95, '96, '97, '98, CBSFA's performance was adequate but fairly flat. With the crab crisis beginning in early 2000, the change of management, and a whole new direction, you can see our growth in both our total assets and net assets has been considerable. And, remember this was done in spite of the fact that we lost 40 percent of our revenues beginning in early 2000. So for us to take that sort of a revenue hit but to grow as a corporation three-fold in just a few short years, I think indicates that we're perhaps on the right track and starting to do the right things.

PHILLIP LESTENKOF: First of all, I was sure we were doing the overhead presentation, so I'd like to renege on my earlier comment. Steve said he was going to Kinko's last night to make overhead slides, so I'll withdraw my overhead comment.

I'd like to just elaborate that CBSFA is the smallest CDQ group and we've averaged from '93 up to '98, our assets were worth approximately four million. In 1998 we started benefiting from the opilio and crab CDQ allocations. IN '98 and '99, 40 percent of our revenues were derived from the opilio allocation and then, '99, in September ADF&G announced the opilio stock reductions, or GHL reductions, so we faced 2000, we did a plan to budget for 2000 and we showed a \$500,000 deficit, or basically in the hole. And so we had some grim financial future there at that point in time but we did negotiate some royalty agreements in 2000; we made our first major investment in American Seafoods in the year 2000, and we're glad to say that that investment turned us around. We made a \$2.6 million investment and we received all our money back. We received a partnership distribution this spring and we got all our money back and 130

percent profit, or return on investment above that, so we were fortunate to be able to turn the company around and we're more stable now than we ever were. In spite of all these obstacles we managed to overcome them and actually prosper.

STEVE MINOR: To summarize this page, then, in spite of the revenue losses as Phillip has mentioned, American Seafoods investment was critical to the turnaround but so was small boat harbor set asides which I think you had a little bit to say about that.

Renegotiating. . . [unintelligible]. . . contracts and taking some fairly bold steps like reorganizing our halibut fisheries and putting some of our local programs on a self-supporting basis. So all of those added up to being in a little better shape than we were three years ago.

Going forward then and trying to build on these achievements and this change, as you know our 2003-2005 CDP has several new and fairly significant projects, the largest being our multi-species development projects where we intend to make some pretty strategic investments in the crab industry as a result of rationalization, but then to lever that high-value crab resource for multi-species diversification. That is and will be a key activity for the next three years. In terms of continuing to develop our local fleet, we have a completely new initiative for community IFQ, a community IFQ initiative, not dissimilar from the Council action in the Gulf recently, to help both St. Paul and St. George get a larger share of the Area 4C halibut IFQ. We think this is necessary not only for the growth of the two fleets, but I think the long-term prospects for halibut prices are not particularly attractive. I think farmed halibut is a threat. We want to get better control over this resource at least locally as we go into the future.

We have a multi-use building project which both serves some local fleet needs for vessel storage and vessel repair but it's also tied directly to the multi-species diversification projects and we hope to make that self-supporting that way. We have, obviously,

vessel gear and IFQ loan projects which will have to be revamped a little bit if we're successful in our community IFQ initiative. We have fishermen's training courses which started this last year and will continue. We have vessel and dock services for the local fleet which have been enhanced by the recent acquisition of a 60-ton Grove crane. Vessel repair clinics, which have been long established and will continue, and the small boat harbor project which I think we'll probably get into more detail tomorrow.

PHILLIP LESTENKOF: Yeah, I'd like to add some statistics to the vessel gear and IFQ loan projects, or programs, been ongoing—the vessel and gear loan program started in '93. We feel that this program provided direct benefits to our local residents. This is one program where the CDQ program revenues go directly to benefit our residents, giving them loans to purchase vessels and a lot of our vessels are purchased used. We average 26- to 32-footers and it's really too expensive to buy a brand new 32-footer for our local fisheries so a lot of our vessels are purchased used. Since '93 we've loaned out approximately a million dollars to the local fishermen for vessel loans, gear loans, and IFQ loans, and they use this money to buy electronics, new engines, repair their boats. And the fishermen's training courses actually went back further than last year. We've had navigation training, things along that line, and this year we had AMSEA out of Sitka come up there to do a marine safety training, donning survival suits, life rafts, and it was very well attended by the whole local fleet that shows I guess how serious they take their fishing. They all showed up, all the local crews showed up for this safety training. And, on the vessel support program, we spent a lot of focus on developing and maintaining a local fleet. Just lately we purchased a 2,060 . . .Grove crane this spring to lift our floating docks. We don't have a locally-owned crane that's capable of launching these 200-foot. . .[unintelligible]. . .floating docks. It's our temporary mooring system each halibut season and we were fortunate that the harbor construction's being going on the last several years

and we rented one of the big construction company cranes to set the docks and retrieve them out of the water. We also don't have a locally owned crane, or we haven't in the past, to launch some of our heavier vessels now, so we're glad to say we got own crane to support our fleet. And we've also purchased a brand new hydraulic yard boat trailer that has the capability of handling up to 35-foot vessels and 30,000 pound vessels and that's the second hydraulic trailer that we've bought for our local fleet. And we've also provided welding equipment and actually some boat builders come up to St. Paul in the last several years to rebuild our local fleet and repair, do some aluminum work and repair, and we brought in engine mechanics to help the guys change out their engines and repair and maintain their engines and they work side-by-side with them so they get hands-on training and we spend a lot of our focus trying to do these kinds of things for our local fleet. Thank you.

STEVE MINOR: Then again, to summarize, I think it's important to keep in mind that the local fleet is probably the largest single contributor to household incomes. But, also its harvesting capacity, we want to . . . **Change to Tape 2, Side A, some comments lost in changeover.**

STEVE MINOR, continues. . . CDQ halibut royalty. Just a couple of other things to note. In the 2003-2005 CDP, we have new initiatives on both EFH representation, but also Pribilof waters ecosystem research projects, two in particular. The Board has decided to expand into this area, just as we did with crab rationalization. We think it's necessary to protect both Pribilof Islands economies and to contribute to better management and, hopefully, ultimately a better understanding of the Bering Sea ecosystem itself. Unlike private industry, we can't get up and move if things collapse, so we intend on getting much more involved in this area. And, the main harbor and small boat harbor projects,

which I'm sure we'll be talking about tomorrow and will be able to give you a complete update on the schedule and financing as we see it.

To summarize, then, on the last two pages, I think the big change from the last few years to where we're going now is, there are specific St. Paul benefits, but obviously we believe that the benefits of our efforts will expand beyond St. Paul to include St. George and even beyond that. Certainly recently the Area 4C subsistence halibut regulations benefits included both islands; crab rationalization, essential fish habitat, Pribilof waters research, employment opportunities we're starting to actually see during our halibut seasons now, individuals coming from other locations to participate because we're virtually at full employment. Multi-species development initiatives we think, and it's outlined in the CDP in some of the confidential sections, that those benefits extend beyond St. Paul. And if you go out even further, certainly St. Paul's efforts in crab rationalization set some new community protection precedents. Certainly, I'd like tip my hat to Robin Samuelsen and his role on the Council to help us get there. Obviously the proximity of both St. George and St. Paul to the Federal resources in the Bering Sea and the fact that our ports allow those Federal resources in State waters contributes to both our income and the State's income. We believe also that our proximity improves utilization of public resources and efficiency gains for the private sector. We hope that our Pribilof waters research will add to the scientific understanding of the Bering Sea, and ultimately we think, and we're pretty committed after the crab crisis, to developing economically sustainable projects which will reduce over time State and Federal obligations to our communities. Thank you very much.

PHILLIP LESTENKOF: I'd just like to add one more thing on. . .our focus also since the beginning of the CDQ program has been on education and CBSFA, since '93, we've awarded \$438,700 worth of scholarships and that's 134 individual scholarships to the

residents of St. Paul. We've also awarded \$235,000 in student loans and I just wanted to get that on the record of CDQ benefits getting into the hands of residents of the community.

JEFF BUSH: Questions?

KEVIN DUFFY: Jeff, I had couple on the crab issues, but I think in the interest of time I'll save those for the private hearings.

JEFF BUSH: Anyone else? Yeah, let me say, we have the room now, we just checked, we have the room 'til 12:30; it looks like we're running a little late and BBEDC, and I hope it'll be O.K. for you, if we start about maybe a half an hour late on the afternoon meeting. We're not going to cut the time any, but we'll just start a half hour late and go a half hour longer at the end. So, we do have time, if you want.

KEVIN DUFFY: Yeah. For Phillip or any of you up there, just could you kind of summarize for me what you see as the impacts of the Council's crab rationalization program on St. Paul in particular, and the CDQ region in general?

PHILLIP LESTENKOF: Well, I'll start it out. Steve's the expert on crab rationalization and I watched the whole process. But, since 1990 and they dedicated the new St. Paul harbor, opilio is the mainstay species for the St. Paul harbor for twelve years and halibut is sort of there but it's not as big and large as crab was for both St. Paul and St. George. Prior to that, of course, was the commercial fur seal harvest which was terminated in 1984. . . .[words drowned out by someone coughing]. . .crab rationalization with regionalization as part of the package there will help the Pribilof Islands to stay in the crab business if the resource rebounds. Of course, I like to say that I hope that. . .crab might not ever come back in the former glory it was in the '90s, who knows, but like Myron said, we even see a little difference in halibut, so we want to study our waters out there

and make sure that we don't overfish, or whatever's going on out there. And I'll let Steve elaborate on crab.

STEVE MINOR: Thank you, Phillip. Well, as we've testified before the Council, the economy of St. George, or St. Paul Islands, and I believe this applies largely to St. George, too, is about 85 percent dependent on the crab industry. So the crab collapse ultimately was going to lead, and there is a need for decapitalization of the crab industry itself; it's largely overcapitalized in both harvesting and processing. We believe that the Council's action which establishes a North and a South region and in essence to a large extent protects the landings in the Northern region which includes the Pribilofs will limit that consolidation in our area and keep us in business because we think the alternative would have been a likely withdrawal of almost all the industry from the Pribilof Islands. If you think about who operates in the Pribilofs, they're largely diversified multi-plant processing companies and without some incentive to stay or disincentive to leave, we think they would have left and it would have absolutely collapsed the economies completely. So, we think this was necessary, it was important. But there's also opportunities in it. You know, crab is a high value, high volume species; can't speak for St. George, but certainly CBSFA intends on making a few key acquisitions and to lever our crab assets into multi-species development inside the harbor. It's been the plan for ten years, it's been the basis for the development of the St. Paul harbor and crab being as important as it is, has to be the foundation for it. So, I think you've seen in our CDP we have a fairly specific plan emerging to leverage crab to complete the diversification of the economy. So, absolutely vital. I think we'd be looking at a pretty bleak future without the Council's action.

JEFF BUSH: Well, thank you all, and we'll see you tomorrow. I know I said something about a break, but I think, and I'm sorry. . . I think we should keep going; but if anybody needs to take a break, can do so, given the time. Coastal Villages.

SIMEON JOHN: Good morning. My name is Simeon John. I live in Toksook Bay and I am the President of the Coastal Villages Region Fund. With me are Howard Amos, our Vice President, Edgar Hoelscher, Treasurer, Morgen Crow, and Robert Williams, Executive Director and Quota Manager, along with Board and staff members of the Coast Village in support of our testimony. Coastal Villages have successfully operated in the only fishery-related enterprise in my region for several years now. All salmon from the Good News Bay District W5 and the Quinagak District W4 are processed in the Quinagak plant. As we face competition from the farmed and hatchery salmon and prohibitive transportation costs, innovative products are developed to lower the transported weight and increase the value of the product sold. As an example, we have hand-filletted over 140,000 finished pounds of product that will be barged to Seattle. In addition, we require ice onboard each gillnetting skiff to improve quality. For the first time, Coastal Villages has entered the herring fishery in region. Our involvement has provided the relationship between the fishery management, processing, and tendering and fishermen. Coastal Villages have offered the opportunity to participate in the fishery to all fishermen in each of the herring districts in our region. Roe recoveries overall were adequate to minimize the cost of this first year of participation in the herring fishery.

Halibut from 4E continues to be landed and processed in plants around the regions as they have in my community, Toksook Bay. Kipnuk and Hooper Bay now have halibut processing plants to serve Cape Abanof (?) and Cape Romanzof areas. Our halibut products are premium as no fish spends more than several hours dead at sea. Plants have standardized handling and shipping procedures to ensure top product. There's no

doubt that the only means of continuing these costly operations is through CDQ. Continued allocations of CDQs to Coastal Villages are needed to sustain the operations in our region. I have stated in previous CDQ testimony that I am proud that our voice was heard in the local processing plant. I want to work to sustain that voice. I can see the entire process, starting with taking investment risk, enjoying returns on investments to deliver the benefits to our community and I work with that as a bottom line. I ask that you support this work in process by your access (?) in allocating CDQ. Now, I would like to turn to our Vice President, Howard Amos.

HOWARD AMOS: Thank you, Simeon. Mr. Chairman, members of the Committee, I'm Howard Amos of Mekoryuk. I have fish in the 4E halibut fishery as well as herring as far north as Norton Sound district under the auspices of Coastal Villages Seafood, our wholly-owned subsidiary that produces local fishery products. Our salmon and halibut operations have been accepted by the local communities as the best way to operate. With local fishermen selling fish to local workers, our set-up has overcome the initial resistance typical when changes are made. The North Pacific Council has passed this motion on non-fishery related economic development investments making many of products outlined in the Ciunerkam Tangruaritii process of looking towards the future closer to reality. We intend to build on our relationships and principles of our fishery products as we moved into the new non-fishery economic development work. Nunivak Island has a commercial reindeer herding operation that has been a source of red meat for the residents of Mekoryuk and the surrounding area. With communication between the present and previous leaders of the reindeer operation and Coastal Villages there will be very little resistance when we start to assist the reindeer project. Coastal Villages will be taking over many of the administrative functions of the reindeer operation, but local acceptance of these internal control measures make the transition more an extension of the fish plant

than a dramatic change in the reindeer herding operation. I look forward to the day when rulemaking will allow this and other non-fishery related projects long awaited in our region. It is still a reality in most of the Coastal Villages communities that you must build every single thing necessary to conduct business, even simple office space is lacking. Coastal Villages can help to build the fundamental infrastructure in our communities that will facilitate business. CDQ allocations are the foundation of this new in-region investing activity. Now more than ever these allocations are important to our region because the . . .[unintelligible]. . .between allocations and benefits to the communities is very strong. I ask you to consider this during the allocation process. Now I would like to turn over to our Treasurer, Edgar Hoelscher.

EDGAR HOELSCHER: Good morning, Mr. Chairman. Coastal Villages has made significant investments in the Bering Sea. We are the largest shareholder in the largest company in the pollock sector where five of the six CDQ groups have invested. We have substantially expanded our ownership in other promising sectors of the Bering Sea fishing industry. But this is not the end of our work. We must continue to seek new investment opportunities that may provide. . .[unintelligible]. . .fishery benefits to our region. We must continue to monitor our existing investments to make certain that our interests are being considered as decisions are made. We must continue to incorporate the lessons that we have learned into each of the partnerships. I am pleased with our Board leadership, Simeon John and Howard Amos, who have carried the company. . .[unintelligible]. . . I would also like to thank Coastal Villages on behalf of my community, Hooper Bay, for the newly constructed halibut plant that will serve the Norton coastal villages communities. Recently, . . .[unintelligible]. . .attempted to negotiate a deal to buy American Seafoods LP. The Coastal Villages Board of Directors requested that a significant portion of the ownership going forward be made available to Coastal Villages so that we

would have the opportunity to roll over (?) a large portion of our proceeds if our . . .
[unintelligible]. . . were expended. Ownership remains strong. The staff of Coastal Vil-
lages attempted to carve out this opportunity but was strongly rejected. During a face-to-
face meeting with the principals of the New York City-based firm, Simeon and Howard
made the wishes of the Board very clear to the new investors. The purchase attempt
failed, but before the process stop the . . . [unintelligible]. . . finally agreed to the ownership
level decided by the Board. Coastal Villages was a viable investor in the company going
forward as a natural owner. This is a positive result of a Board working together for the
benefit of our member communities. Nothing that we do or will do at a investment level
means anything until we get the benefits back to our people. With fishery-related proj-
ects we have made strides in building a base of economic activity that will reliably start
on each time in every season. The next phase of non-fisheries related projects will almost
assuredly be successful with our experience in fish plants. This will provide an even
greater economic engine in our member communities. We have been proud of our voice
in the local fish plants and now we are proud of our voice in the boardrooms of the large
companies in the Bering Sea. Our voice through the CDQ program is based on alloca-
tions. In considering our allocation request, we ask that you support and strengthen our
voice as we continue our work to provide returns from the Bering Sea to our member
communities. Thank you for this opportunity to speak on behalf of our communities.
We will try to answer any questions that you may have.

JEFF BUSH: Thank you. Questions?

KEVIN DUFFY: For any of you, you touched on it, but maybe a little bit more. Low
salmon prices have obviously had an effect on the economy of the Western Alaska re-
gion. Can you describe some of the effects of the low salmon prices on some of your
member communities?

MORGEN CROW: Mr. Duffy, the effect on our local communities of salmon price and demand for salmon has been that all the other typical buyers have left the country. There are no other tenders or buyers coming in, either to Bethel or into the Kuskokwim Bay or Good News Bay. On occasion there's a tender that comes over from Bristol Bay and there was a small round operation attempted out of Bethel. So, on the processor side and sort-of service to the fishermen's side, they're just pretty much gone. For the fishermen themselves, the price of fuel, the price to take time off work, and the price to prepare to go fishing makes the decision to go out or not almost a no-brainer. It's better to stay home unless you can easily go out to the fishing grounds, which is what Quinagak and Good News are to us. The other side of that is getting the fish back to the plant; you don't have to make a run after you catch the fish. So, for these reasons I think the fishermen are hanging on in support of the Quinagak plant.

KEVIN DUFFY: Thanks.

BRYCE EDGMON: . . . mentioned about your organization's investment into American Seafoods and reference to subsequent purchases of equity and so forth. Could, I guess Morgen, maybe you talk about the investment as much as you feel comfortable here in public setting and describe what it means to Coastal Villages and what it means in terms of opening up doors for investments for your. . . [words covered by someone coughing]. . . ?

MORGEN CROW: I'll give it a shot, Bryce, without trying to publicize any sort of corporate stuff. The opportunity to increase your investment you think is good without having negotiation on price is all about what kind of leverage you can produce to get in and stay in and expand your investment. We've come to the full realization that the margins involved, the efficiencies involved and so forth are. . . I don't know if there's another company out there that's performing at that level. So, once we made the decision to go

there, as you remember we borrowed a heck of a lot of money to get our first piece of the action, as it were. On the performance and the partnerships and the relationships and so forth for the first two years we determined that for ten and twenty, twenty years out, the more we put in early on, the more vast the returns will be from the bounty of the Bering Sea that we can sort of leave as a legacy. And it became almost a rabid obsession by the Board to get invested at that level. Edgar talked a little about it; the things that we bring to the table, not only purchase money, you know, capital to invest, but all kinds of other things that other investors begin, as they understand the business more, to value highly. Obviously every dollar that Coastal gets to invest is a dollar that someone else does not get to invest, so that the value that we bring to the table has to be enough to offset that 'cause each investor has an appetite. So, we're really, really pleased with the way things have turned out. We've addressed cash and control, cash and control, over and over, month after month, to try to determine what the balance is. As you know right now we're the biggest investor in that company. We do not control the Board of that company, but we're comfortable with the current arrangement.

BRYCE EDGMON: In terms of benefits to your communities, can you talk a little bit about sort of the employment, training side of the contractual. . . [unintelligible]. . . and the fact that you own a hefty percentage of the company. What does that mean for your communities?

MORGEN CROW: Bryce, the program and Coastal Villages' involvement in it are approaching the ten-year mark. We've got some programs that are almost on auto-pilot, they've been ongoing programs with employment and so forth and some of the different, what we call the Foresight Program, and obviously we're all under the knowledge that the AFA has reduced turnover considerably on the Bering Sea, particular in the sectors, you know, that we're talking about. So these openings don't. . . there just aren't as many

openings out there. I think that the process of AFA and so forth and the things that are going on in-region have, you know, the employment front's changed. But, that's O.K., because now we're able to run our own region plants where we're hiring a lot of people that would prefer to go, let's say a person from Hooper Bay would prefer to go down and spend three months in Quinagak and process fish and then when there's a break they can run back up and go home for a while, which is a lot more desirable than being stuck out on a 40-foot troughs (?) or whatever going in the Bering Sea. These are the changes that we have adapted to, you know, with our investment to AFA and so forth, to try get to the heart of control and program and so forth. We really don't know how much influence we're going to have over these guys. We're going to go to our first meeting tomorrow. We just closed our expansion, so we'll see how that plays out. But, we're, again, very satisfied with the arrangement of control now and you know, if we have an issue with the programs, employment in particular, we're more motivated to solve these problems ourselves instead of trying to have somebody else help us to do what we can't do. That's a general theme, works pretty good for us.

JEFF BUSH: Just quickly, I've thrown this question out a couple of times already and I just want to get a comment on what the impact would be on Coastal Villages on your communities if there is a declaration by NMFS that some communities are ineligible.

MORGEN CROW(?): I wish this question wasn't coming up ever, and I wish it wasn't coming up during allocation times, but I guess it's laying out there and behind me I've got Board members from two of those communities and assure you that they want to stay in the program so bad that they're here to stand up for that wish, that desire, and we've represented to them that we'll do everything we can to make sure that everything sort of stays equal, at least going through the allocations and if there's a trip back to try to solve this at the Congressional level we'll be there to do that, but you know, to provide some

confidence for these communities. They are included in our company through our by-laws and we want to continue to make them comfortable and make them feel like they're ongoing players in CDQ. There's a heck of a lot of communities out in that region. They dot the coast, they dot the interior and so forth and there's a lot of communities that are just five miles beyond the barrier and so forth and this eligible community thing is sort of an elasticity problem in my mind, because once they're in it's very hard to kick them out, or have that sort of going in the opposite direction. I think we've done some calculations population wise and so forth and you know we would be dropping some population. Two of the three communities have a relatively sizeable population, but on the other hand when Coastal villages started in on this program it had the original 17 communities and we had a sizeable allocation.

JEFF BUSH: Thank you, gentlemen. Norton Sound.

[miscellaneous comments while next group gets seated]

EUGENE ASICKSIK: Good morning. I'm Eugene Asicksik, President and CEO of Norton Sound Economic Development Corporation. I'd like to introduce our Board Executive Committee. I have Henry Ivanof from Unalakleet, Board Chairman; also have Dan Harrelson, from White Mountain, Board Vice Chairman; Oscar Takak from Elim, Don Stiles from Nome, and Dean Peterson from Golovin. Our public testimony will be presented by our Chairman Ivanof. Afterwards we'll be available for questions. Thank you.

HENRY IVANOF: Good morning, Deputy Commissioner Bush and Deputy Commissioner Duffy, Laird Jones and Greg Cashen, and former CDQ Manager EDGMON. By the way, Bryce, congratulations on your appointment to the CDQ Team. It's our pleasure to be back before you for this very significant round of CDQ allocations. After ten years, NSEDC has quite a track record to talk about. Our programs have been ongoing and suc-

cessful. Here are some highlights since we were here last before you. We constructed the Norton Sound Seafood Center, our regional plant serving fishermen for many communities throughout our region. We acquired additional equity interest in the Bering Sea fishery through the purchase of a 50 percent interest in three crab catcher vessels. We implemented a large vessel loan program and further developed our local crab processing and marketing capabilities so that local fishermen have larger boats and better gear and are harvesting the majority of the Norton Sound red king crab. And we are processing and marketing the crab that they are harvesting. We implemented the community liaison program and maintain a community liaison in each of our communities, except Unalakleet where we maintain a full-time office. We also held community meetings earlier this year in advance of preparing the CDP. These meetings were held in each community and their input was an integral part of our planning. We set new records for the number of recipients of post-secondary scholarships and number of internships. We invested over two million in IFQ quota share; we signed a document committing three million as part of the local. . .[unintelligible]. . .Navigation Improvement Project, a project which is now under way.

Even though I point out these accomplishments with a great deal of pride, it is important to remind you of the needs of our region. We have the greatest number of people to serve and one of the greatest incidences of poverty. We are suffering from the same fishing disaster that has affected much of Western Alaska; we have the only region in Western Alaska where subsistence fishing has been reduced to Tier 2 status. The CDQ program has helped to mitigate the hardships suffered in our region, but we still have a long way to go. Mr. Chairman, NSEDC has between 31 and 32 percent of the population of all CDQ communities. Ten years ago when the only CDQ species was pollock, NSEDC was awarded an initial allocation which was significantly lower, 12 percentage

points lower, than our population was indicated even though there was no performance to point out which would justify the lower allocation. Since then we have worked very hard and developed a track record of good performance. This has resulted in some improvement in the current CDP; our allocation is only nine points lower than our population percentage. So, it is hard to provide an answer to our communities when they ask if we have 32 percent of the population, what have we done to justify close to a third of that amount being awarded to someone else? We are optimistic that we will fare better this time. We have gone carefully through the new State scorecard, have picked through each item and believe we deserve high or top ratings across the board, not only looking back at our performance, but looking ahead to what we propose as a new CDP. You know that from our quarterly reports, audits, and visits to our region that we make excellent investments and generate capital; we provide a wide range of benefits to our communities and their residents. We communicate well with our communities and we maintain excellent control of our allocations and maximize harvest in an environmental sound manner.

In our CDP for the years 2003-2005 we maintain the programs we have and add more. The range of benefits will be broader, more people will receive scholarship training, internship fishing opportunities, or other jobs. Our fisheries development program will look into new local fisheries for our villages, more capital or equity will be generated in regional infrastructure, and long-term investments into the Bering Sea with significant dollars set aside for shoreside infrastructure and equity investments. Just as important is our investment in human capital. We have further increased our funding for education, scholarship and training, but we have maintained our support for substance abuse prevention programs and our support for the strict drug free, alcohol free policy aboard the vessels. Our internship totals will continue to grow. In short, when we look at the scorecard, we give ourselves an 'A'.

Throughout the course of the CDQ program, members of the CDQ Team have said that they want to reward success. We believe our success has been recognized even though we may be impatient with the rate at which we believe our initial allocation has been recognized and corrected. With our population and our track record we enter this round with optimism that you will see why the allocations that we request in our CDP are justified. The CDQ program is vitally important to our region. We take our allocation very seriously, and will continue to make very careful and very good use of it. The Community Development Plan we have submitted to you is a product not only of careful planning, but builds on ten years of hard work. We hope you will approve it in its entirety. Thank you.

EUGENE ASICKSIK: Mr. Chairman, we'd be happy to answer any questions.

JEFF BUSH: Questions?

KEVIN DUFFY: Yeah, I've got one, Jeff. For whoever wants to answer it, after a couple years of analysis and a committee effort at the Council level, the Council recently took action to amend and update the role of the State and the Federal governments in their regulatory oversight of the CDQ program. The question I have for you is, is NSEDC currently seeking Federal legislation at this point to redefine the role of government oversight of the CDQ program and, if so, could you tell me what sort of changes you're seeking?

EUGENE ASICKSIK(?): Yes, we've been involved in H.R. 553 and that's pretty much the role, and we've asked that uh. . .the bill has been introduced and there was a hearing, but the bill hasn't moved forward to any extent, and also our involvement in the CDQ Policy Committee and participating in the NMFS hearings that took place in Dutch Harbor.

JEFF BUSH (?): Are you comfortable with what the Council has done in terms of amending and changing the oversight roles and better defining them, I think, . . . [words covered by someone coughing]. . . the recent action of the Council?

EUGENE ASICKSIK: Speaking for myself, I would say somewhat, you know, and we reported everything to the Board at our last Board meeting; of course, Mr. Duffy and Mr. EDGMON were present at the meeting. There was some questions and, you know, I can't speak for all the Board members or for our communities, but in general, I think that what the Council had taken is in the right direction and doesn't bring us completely to where we wanted to be, so. . .

HENRY IVANOF(?): But, we'll be abiding real strictly, there's no problem there for sure.

JEFF BUSH: O.K., I've got another question, sort of change gears a little bit. This is a question for the Board members, I think, more than Eugene. Does the Board have a policy or position on whether the Board should be approving investments, significant investment transactions of NSEDC.

HENRY IVANOF: Yes, we believe that. We've stated all the time that when a certain amount is going to be a significant investment in anything, we want to be involved. I mean, we state that at every Board meeting and sometimes we have some very strong arguments when we don't believe the information is coming to the Board. So, yes, the Board is very. . . [unintelligible]. . . they want to be informed, they want to be players. We make the decisions and the Board really controls the investments. Anybody on the Board want to comment additionally on it?

UNIDENTIFIED SPEAKER: I definitely would like to comment to that. I feel that our Board is the boss of this corporation and as far as day-to-day operations I'd leave that to

Eugene, but as far as investments and the direction that the corporation takes the Board is in control of that.

JEFF BUSH: You may want to talk about this more in the private meeting, and I may be wrong, so correct me if I am. But, my understanding is the way that, as I see it's set up, is that is essentially your investment arm, let me say, for profit-making investments and that the board of that corporation which is not the same board as the entire NSEDC board. . .[change to Tape 2, Side B—comments lost in tape changeover]. . .O.K.

Other questions?

BRYCE EDGMON: I'll move in a different direction and ask about. . .Eugene, you mentioned that Kevin and I had the opportunity to be up in Nome, the board meeting and subsequent grand opening of the Nome Seafood Center. Could you talk a little bit about where the operations are today, what species you're buying, where you're distributing your product, and so forth?

EUGENE ASKICKSIK: Yes, as you probably know by now, if not, I'll tell you that we've harvested all the Norton Sound crab quota along with our CDQ allocation. And it was interesting and also fun to have a new plant to operate out of. . .and do different types of products and, you know, we're already looking at next year and discussing and making similar to the Copper River salmon 'cause we realize that we are the only crab that time of the season and so opportunities are great there. I mean, we've put in a live tank which you've probably seen and we've done brine, freeze, section, whole-cooked, and we've shipped crab all the way to China, live crab, and we, you know, basically energize (?) them before we ship them out of Nome. So, there's potential there with the crab and we've got the lowest inventory that we've had in previous years that we've operated a crab plant.

We're currently, I think 27,000 pounds, ahead of where we were last year in halibut and that was as of last week. We did have some storms this past week and fishermen are, you know, deploying gear and we feel we will get very close, or get the quota that was awarded to us in the halibut. And the halibut itself, we sell some locally and we've had some demand for halibut surprisingly out of the Anchorage area. There is a lot of demand and we're capable of sectioning, filleting, vacuum pack, whatever or however the customer wants it, and we have that capability. And we've set up the computer system and we can, if there is a tourist that's interested in crab or halibut out of Nome and they won't be home for ten days, we can take that order and have it there the day they arrive and we've set up a system electronically and we have direct communication from the Anchorage office from the Nome Seafood Plant. I think the technology that was put into the plant was state of the art and we'll continue to look for new markets and develop new packaging and what not, so. . .

BRYCE EDGMON: When the plant is fully operational, how many people are deployed.

EUGENE ASICKSIK: I think around 25 to 30, depending on, you know, what the catch rate is and it's mostly local people with the exception of maybe three that we bring in as plant managers, refrigeration, electrical, basically is one person, but that's the same person that maintains all three facilities in the region and right now it's a smaller crew. You know, the halibut fishermen have to give a time about when they'll be delivering so, and at that time they also report roughly how much they have so we can schedule a crew to meet the needs, but the dock crew itself and the plant crew is running about 5 and as we process we bring in more people.

HENRY IVANOF (?): We have also an increased number of crab fishermen participating now, and more of them are getting into halibut fishing and we can have a lot more fishermen participating.

UNIDENTIFIED SPEAKER: That plant has been a great addition for my community and I'm glad that the Board supported the processing plant.

JEFF BUSH: Thanks, any other questions? O.K., last but certainly not least, Yukon Delta.

JOHN LAMONT: Mr. Chairman, members of the CDQ Team, my name is John Lamont from Emmonak here, Chairman for the Board of Directors for Yukon Delta Fisheries Development Association. I have several Board Members here with me and some more staff in the audience. To my immediate right is our Executive Director, Mr. Ragnar Alstrom. Together we'll touch on some of the highlights in our community development plan. Our CDP represents a historic shift for Yukon Delta. As you may know, Yukon Delta has always been focused on involving local fishermen into the Bering Sea fisheries. After experimenting with a fleet of 32-foot vessels, we've put more emphasis on developing a secure economic base. Purchasing 19.6 percent equity ownership in the pollock surimi producing mothership, the marine vessel *Golden Alaska*, and majority ownership in pollock catcher vessels, the fishing vessel *American Beauty* and the fishing vessel *Ocean Leader* have served to be wise centerpiece investments. Yukon Delta has also purchased 41 percent ownership in the catcher process *Baranof* which targets crab and cod. Equally important is the fishing vessel *Lisa Marie*, one hundred percent owned and targeting sablefish, halibut, and crab. Now, the profitability of these investments as well as a return of a modest salmon fishery allows us to focus again on increasing our in-region fisheries presence. This time, however, the in-region focus is balanced with staying the course on profitable, diversified investments into select Bering Sea fishing opportunities. In regards to benefiting residents, our CDP includes two proposed projects that will make major impacts to our region.

One is a cultural tourism fish camp experience which I won't get into here, but will be glad to answer questions about later. The second project we call becoming the major fish buyer on the Yukon and Mr. Alstrom will speak to this project.

RAGNAR ALSTROM: Mr. Chairman, my name is Ragnar Alstrom. I'm the Executive Director for Yukon Delta. I'm from Alakanuk. This summer a locally owned buyer of salmon decided not to operate and created an opportunity for us to take a first step toward becoming a major fish buyer on the Lower Yukon. When we received word this spring that there was strong indications toward there would be commercial openings on the Lower Yukon we decided to operate as a fish buyer on a limited basis and fly fish to Anchorage for custom processing. We set up Kwikpak Fisheries in three sort of hectic weeks. As I talk, you'll see some slides from this summer's operation. We were able to purchase King salmon from 173 fishermen, equating to approximately 36 percent of the King salmon caught in Yukon area Y-1. More than 50 percent of permit holders sold to Kwikpak at least once during the short commercial fishery. We think this is a remarkable achievement given the short amount of notice fishermen had of our intent to operate and the fact that we were competing with two established fish buyers. Because of our buying presence we feel that area fishermen, conservatively, received from \$1 to \$1.50 per pound more for their fish than if we had not participated. With only one buyer in the Yukon area Subdistrict 1, there would have been no incentive to raise prices. We estimate that our presence resulted in \$450,000 to \$670,000 of additional income being paid to area residents. This is a huge economic benefit to a very depressed economic region. Even though we consider this season's operation a success we are all very aware of the uncertain status of Chinook and some salmon stocks so we are proceeding cautiously with establishing ourselves as THE major buyer on the Lower Yukon. As we become the major buyer on the Yukon, other elements such as the Emmonak value-added plant, will

eventually become integrated into this entity. We feel it's important to first obtain the core buying and processing operations and then extend operations to maximize those benefits to member villages. It is in this context that a fish buying station in Kotlik (sp?) makes sense down the line, or even in other villages. The stand alone projects, the Emonak plant and the Kotlik proposal are too risky. As part of an integrated operation with a secure base these projects can be realistically considered as they return. Yukon Delta skiff production facility could also be integrated as a part of this core project.

JOHN LAMONT: It is important to note that this integrated step-by-step approach to becoming the major buyer on the Yukon is a vision that came out of a regionalized CDQ planning worksession we held here in Anchorage. We brought village leaders as well as Board members from each village and discussed a whole range of potential projects.

Most importantly, we prioritized our projects and received unanimous consent on our top projects. We are united in our approach to secure successful ownership of the local fisheries and to systematically expand salmon operations to include other village projects.

We are also united in keeping an equally strong focus on generating profits through investments in Bering Sea pollock, crab, cod, halibut and sablefish. We are also supporting these in-region activities. Our ongoing projects, the aluminum boat fabrication and repair facility, which is located in Alaknuk and operated by our locals, have built 38 skiffs. Our halibut test fishery, our Norton Sound herring, our red king crab test fishery, the Norton Sound loan guarantee program for permits and vessels, vessel safety training, scholarship program, Lower Yukon regional salmon quality preservation program, and our proposed projects besides becoming the major fish buyer on the Lower Yukon, are cultural tourism fish camp experience, and our saffron (?) cod test fishery.

Now, I'd like to touch on some of our major accomplishments. Since 1992, Yukon Fisheries Development Association has used its multi-species allocations to: pro-

vide training to 282 Yukon Delta residents in vocational and fishing industry-related skills; placed 1,166 people from CDQ and non-CDQ communities in fishing industry jobs, generating wages in excess of \$9 million--at least half of these residents have returned for additional contracts; facilitating more than \$500,000 to buy back permits for salmon and herring; provided 106 academic scholarships to Yukon Delta residents totaling more than \$265,000. While we are proud of these accomplishments, salmon is the lifeblood of our culture and economy. Becoming a primary stable salmon buyer on the Lower Yukon will make the greatest impact yet to our residents. This one project will create local jobs and generate positive economic ripples throughout the region. To continue and build up these accomplishments and to take this bold important step for our residents, additional CDQ pollock allocation is essential. Now more than ever, Yukon Delta is positioned to maximize the value of all requested CDQ allocations through these harvesting and processing arrangements. It is in recognition of our continue and growing ability to maximize profits and in-region benefits that we believe a 17% allocation of pollock is fully warranted. While we think this is justification enough for an increase to Yukon Delta, we ask that you also consider these facts relevant to the allocation process.

According to the 2000 census data, the Yukon Delta region has the lowest per capita income and the highest unemployment rate in the State of Alaska. Last year, Yukon Delta placed 86 residents in offshore fisheries positions, exceeding the goal to place 75 residents. All training and scholarship milestones were met last year. The last allocation remained the same despite the addition of two villages and 949 residents to our CDQ program. This is a 30 percent increase in population, one that should be accounted for in this new allocation period. Yukon Delta is filling the void left by the decertification of the local ARDOR. We are taking the lead on providing ARDOR services to both CDQ and non-CDQ villages. We are rapidly becoming the economic engine for the

Yukon Delta region. A three percent increase in our pollock allocation is essential to charge and sustain this engine.

Before closing, Mr. Alstrom will address our request for more halibut and sablefish. Mr. Alstrom.

RAGNAR ALSTROM: Mr. Chairman, since the last CDP, the line between halibut districts 4D and 4E has been made permeable. Removal of this regulatory barrier will now allow our local fleet access to halibut. As Yukon Delta has received. . .[unintelligible]. . .4D quota in the past, we have just completed a test fishery for halibut off the Yukon Delta in anticipation of providing the local fleet access to CDQ halibut. Test results were promising and the plan for next year is to apportion a part of the CDQ halibut to the local fleet. We're asking for halibut allocation to be restored to 27 percent to allow for our nearshore local fishery.

This year the fishing vessel *Lisa Marie* successfully pot fished for sablefish in the Bering Sea. National Marine Fisheries reports indicate that the *Lisa Marie* has been the most successful catcher vessel to date using pots. We plan on expanding the *Lisa Marie*'s operation next year to include the harvest of Aleutian Islands sablefish. Taking sablefish with pots reduces bycatch and. . .[unintelligible]. . . Because of our success with pot fishing we have harvested 100 percent of our CDQ allocation and have leased IFQ to the vessel cap. In recognition of our complete harvest and our efforts to pioneer a more environmentally friendly harvesting of sablefish we believe that we should be awarded with five percent more sablefish. Furthermore, all the sablefish will be harvested on a vessel 100 percent owned by Yukon Delta employing local residents.

We're requesting the same allocations for Pacific cod and Norton Sound red king crab. We're currently doing a test fishery for Norton Sound red king crab off the Yukon. The Norton Sound red king crab district extends as far south as. . .it's either Cape Ro-

manzof or Dall Point to the south of us and out to 168 degrees west. Fish and Game has provided information that in the '70s the harvest of Norton Sound crab extended right off our coasts and right now we're doing a test fishery off the Delta using CDQ crab. Next year we plan on harvesting all of the Norton Sound CDQ out of one of our villages. In anticipation of that we have moved all of our gear out of Nome; we've got four or five hundred pots up there. We've moved everything to the village of Emmonak. There's absolutely no reason why we shouldn't be harvesting Norton Sound crab out of one of the villages. Our tests have shown that putting those crab in insulated totes and bringing them in, they last in excess of 12 hours and I think this is. . Eugene in his testimony kind of ditto'ed that to bring live crab to China. Next year we fully intend to send our fleet out of our villages.

A few last lines here to emphasize about our CDPs returning benefits to our residents, whether it be through jobs, scholarships, training or in-region projects. Yukon Delta is there for all our residents young and old and making a difference in their lives. One last comment before we ask for questions. We had a meeting in Grayling and a village elder there in Grayling came up to me and said, the CDQ program was the best thing that happened to Grayling in the last 50 years. And this includes the regional native corporations, this includes the regional non-profits, this is the best thing that happened. We're making an impact in people's lives, and not only in Grayling but in all the villages. When I look back through '92 through 2000, ten years, it's amazing on an individual basis how many people we've affected in the ten years. And it kind of showed up in the. . when we bought fish in Emmonak this summer. You know, the second opening, we were the number one buyer on the Yukon. People come up and they knew the CDQ program were buying fish, and they'd say I've either worked for the CDQ or I've went for training under the CDQ, my brother or my sister or my father, or someone was affected

by the CDQ. It wasn't about are your checks any good, or how you're going to get paid. When they heard CDQ was doing this, they stepped up and I think that was one of the most gratifying things to see this summer and to hear this testimony from the people. Anyway, thank you, and we're willing to answer any question any of you may have.

JEFF BUSH: Thank you. Any questions?

KEVIN DUFFY: Yeah, I was going to ask about your operations on the Yukon on salmon, but I appreciate how thoroughly you've covered that issue. I do have a question. You're asking for a five percent increase in sablefish. Just looking back through the numbers, in 2001 I noticed that you only harvested about 15 percent of your allocation and you've indicated now that for 2002 things are going quite well using the *Lisa Marie* and using pots. Could you explain that situation?

JOHN LAMONT (?): Mr. Duffy, it's been a learning experience as far as pots. We're actually on our fourth or fifth pot design. It's not only a matter of pot design, as you probably know, it's a matter of float design and bait and depth. And I think those things all came together and we've retained the same skipper over a whole number of years and they've learned that, and they're keeping those things a secret. It's all come together and extremely successful harvesting sablefish. Everything's come together. We've tried different theories and different. . .[unintelligible]. . . and it seems to have all come together. There's some other CDQ vessels out there we're aware of that have more pots than us, but that aren't as efficient as we are. It seems to be all this combination of things come together and working. We're very excited about it. And, if I could keep. . .Mr. Duffy. . .In fact, we are so excited about it we had a guaranteed contract to tender fish for Peter Pan Seafoods. We said, well, let's not do it this year, let's continue sablefish fishing and see if indeed this was working and it was and we're planning on expanding that operation in the Aleutian Islands next year.

KEVIN DUFFY: Thank you.

BRYCE EDGMON: Ragnar, different direction here. And, I know your organization is in the process of hiring some new staff, some staff that you've targeted for some time, but can you explain, talk maybe a little bit about the role of the Anchorage office within your organization, where you envision that within the upcoming CDQ cycle? What kind of role would the office play relative to your organization, relative to your board meetings, to your community involvement programs, and so forth?

RAGNAR ALSTROM: . . .[unintelligible]. . .talking to Robin Samuelsen earlier and he said ten years went by in the blink of an eye. I said, damn, two years did go by in the blink of an eye here. It seems like we just had this discussion in the last allocation cycle. Before I comment, I'd just like to say I have damned good staff in Seattle. I'd put those staff members up against anyone out there. Saying that, the Seattle office, and I think that's indirect to your question, is not going to expand. We're in the process of hiring a rural development specialist to work directly with the villages; that person, and any additional staff under that department, is going to be out of the Anchorage office. We're currently in the process, in the early stages, of hiring a quota manager that will be out of the Anchorage office. We have zero plans to expand the Seattle office. My workers out there have expressed no reservations in training others to do their jobs in Anchorage. It's just, I've had no . . .the Board. . .it hasn't been an issue of priority among the Board and any of the villages. I know it's an issue with the State, but we've had other priorities that I have concentrated on. There's no . . .I'd just like to emphasize, any future hiring is going to be the Anchorage office is where it's going to be at.

JEFF BUSH: Let me go and sort of expand. You mentioned Grayling. I've been asking others about if communities are declared ineligible by NMFS, what the impact would be, and you've mentioned Grayling. I think everyone knows Grayling is one of the commu-

nities that would potentially be on the block. Can you just expand a little bit on the specifics of what the impacts have been of the program to a place like Grayling and what would happen if they were declared ineligible?

CARL WALKER: I'm from Grayling. My name's Carl Walker. I've seen the success of this thing already. . . .[mumbled words, unintelligible]. . . .I can see the success of the fisherman coming off the boat with a lot of money; very successful. The other successful part I see is. . . .[words unintelligible]. . . .kids getting scholarships. . . .[words unintelligible]. . . . That is just better than this guy just making just twenty thousand bucks a year, cause[words unintelligible]. . . .her knowledge of getting a scholarships and her kids will go out and get the same somewhere down the line in our community, or any community for that matter. That's where I see success in the CDQ program. . . .[words unintelligible]. . . .smaller numbers that compares greatly with large numbers, you see what I'm saying. So, that's where I'm coming from, and it's a slow process of getting these scholarships. . . .[words unintelligible]. . . .but when it does come, it comes pretty good; the success, I'd like to see more invested in those numbers of money right now, where the kids get something out of it. I'm past that, you know that. Anyway, that's what I'll state. . . .

RAGNAR ALSTROM: Mr. Bush, if I could add on to that, onto Mr. Walker's comments. You know, the addition of Grayling and Mountain Village added almost a thousand more people to our population. During the last allocation cycle, John said our allocation remained the same. Actually, it didn't. Overall we got cut, by adding a thousand people we got cut in halibut and crab, so overall we had a cut in allocations. So, we're kinda confused. I'd say one thing, if for some reason Grayling and Mountain Village are dropped from the program I'll recommend some way to our Board that we. . . .I've seen the impact in those villages upriver and I think our Board has seen the impact. We've increased, during the last. . . .[words covered by someone coughing]. . . .our scholar-

ship program to include eight more villages upriver. I think we're the only CDQ group to do that. 'Cause you go up to Grayling and I don't know if Bryce has been there, you go up to Grayling, we talk about how poor we are in the Lower Yukon, you go up to those interior villages and except for firefighting, trapping has gone to hell, you got nothing up there. And, I'd seem to continue the involvement of at least those two villages in some fashion if they were . . . [words unintelligible]. . . I was pleased to hear Mr. Cotter say he'd support in legislation including every village, including the eight that aren't fishing.

JEFF BUSH: Other questions? Thank you, gentlemen. That concludes the presentation portion of the hearing. We now move into the public comment period. I'll let everybody settle down first and then we'll move on. I think we'll start with online. Do we have any . . . [words unintelligible]. . . who's on line? Let me check. Is there anyone on line who would like to testify today? [No response] We may get back on schedule yet. O.K., I'm going to bring it off the on-line and bring it back to the group here today. Is there anyone here in the audience who would like to testify this morning? Please. And, as I said earlier, we need your name for the record.

ERIC WEBER: Certainly. Good morning, gentlemen. My name is Eric Weber; I've fished out in False Pass consistently since 1977 to the present. Over these years I've fished salmon, halibut, herring, and participated in my family and my extended family's subsistence activities in the capacity of main harvester. At the present time I'm involved in the salmon fishery and subsistence harvest. I generally keep informed of social and economic issues addressed in False Pass. My family consists of my wife, Nancy, our eldest adult son, Isaac, who's spent many of his childhood years growing up and attending school at False Pass and is biologically related to many residents of False Pass. Our youngest sons were adopted at birth, are presently seven, and are no strangers to False Pass having accompanied my wife and I to False Pass most fishing seasons. My mother-

in-law is Postmaster in False Pass and often forwards information relating to social, political and economic events within the town of False Pass and the Aleutians East Borough. My sister works within the Public Safety Department in the community of Unalaska, and owns with her daughters numerous locations in False Pass city limits. My oldest brother works within the judicial system in the interior of Alaska; my youngest brother has participated with me consistently in different fisheries since 1979. I presently am Executive Director of Alaska Peninsula Setnet Association and occupy a Director's seat in that organization. I also sit on a salmon market committee with the Aleutians East Borough.

In my testimony today I would encourage the State to exercise a high degree of oversight concerning the CDQ groups. In light of Judge Holland's ruling recently, this oversight is well within the State's jurisdiction through the allocation process. Those CDQ groups that display the greatest profitability along with the greatest social and economic benefit to the whole specter of fishing activities needs to be rewarded and encouraged to enhance Alaska fisheries as a whole unit. When we examine recent events surrounding corporate misconduct we see devastating consequences of this greed and misconduct. The effects were felt rippling through the whole economic sector. Within the CDQ group is the power to create and promote economic stability within a region and failure to accomplish this due to ill-conceived capital projects, mismanagement, and or greed, this has a devastating effect on all the participants of fishing activities within that region. In rural Alaska negative economic effects in one town have devastating effects throughout the region. Due to the ripple effect, we need to increase participation to more than just a handful of people. Information needs to be distributed to all participants of fisheries activities and towns within the regions. All suggestions from these that participate need to be considered equally. After all, those people that participate in all aspects of

fisheries through the region contribute to the long-term social and economic viability of the region by creating job, paying taxes, contributing and participating in school and social functions. CDQ groups are entrusted with the responsibility of administering money generated from natural resources to promote fishing industrial related opportunities.

These fisheries involve much more complexity than some CDQ units have displayed over the course of investments. All investments need to be analyzed by large segments of the fishery, realistic returns considered, plans drawn up, analyzed again by large segments of the industry, and implemented with flexibility to adjust market trends. Above all, we need accountability. Again, I will refer to recent economic events to show us executive and administrative department compensation should be directly connected to profitability and successful accomplishment of pre-determined goals. Pay scales need to fit into industrial standards for profitable competitive business, recognizing obvious differences between these businesses. I have some suggestions for. . .[words unintelligible]. . .CDQ group I won't go into at this time.

In closing I would like to comment on recent State events. I don't know how many times I've heard in this political season talk about value-added products. In State fisheries, this is the key to success. We need to move away from a quantity-based production to a quality-based production using value added. Our fisheries are in a crisis mode; we need to use every dollar available to address this situation. CDQ groups need to step up to the plate and become accountable in the fisheries for a portion of this responsibility. Thank you. Any questions?

JEFF BUSH: Thank you, any questions?

BRYCE EDGMON: We asked a couple of groups about some of the lessons that they learned in engaging in the salmon buying operation, salmon processing operations. But you obviously have a lot of experience as a fisherman. I don't know if you were here

when we asked those questions or not, but what are your thoughts about investing into a plant in rural Alaska where the logistics are obviously daunting to say the least, and virtually every part of the investment is challenging, but from your experience as a fisherman, what are your thoughts about somebody coming in and doing an investment . .

. [words unintelligible]. . . ?

ERIC WEBER: On that subject, this of course has changed over the course of my history in the fishing business, but today for instance a custom processing plant for the last three to four years within the Aleutians East Borough is sadly needed. There's been numerous occasions. . . I know at the present time, sitting on the marketing committee on the Aleutians East Borough, we're paying \$1.60 a pound to have fish custom processed by Trident Seafoods. There's many different examples where a person could bring their catch in, have it custom processed and market it themselves. There's been a tremendous interest in that. It's obvious that processing as we have known it in the past in the Aleutians East Borough is not the answer to the problem. And I believe and also our Association and the Aleutians East Borough marketing committee is quite keyed on a custom processing facility within the region. I know the Unga (?) Corporation out of Sand Point is in the mode to set up a custom processing plant and the idea is that the crew member, the boat, bring the fish in—high quality fish—bled, handled with great care, bring this product in; they work within the plant using Unga Corporation's facilities to process and freeze specific to their customers and then split the product with the Unga Corporation. And if they wanted to, for instance, sell it, they didn't want to market their own salmon, they can go back and sell their product back to the Unga Corporation. These are just some of the ideas in evolution of this fishing industry that we need to be able to react to.

BRYCE EDGMON: What do you get a pound for your salmon this summer in False Pass?

ERIC WEBER: I received 47 cents a pound for my red salmon; I received 10 cents a pound for partial, for June and my dog salmon, and 7 cents a pound later. It's not economical; without a . . . I've done some small amount of marketing of my salmon and I can tell you, if there was a custom processing plant where I could take my fish I'd still be out there fishing there today.

BRYCE EDGMON: . . . [words unintelligible]. . . Nelson Lagoon and False Pass, your organization?

ERIC WEBER: We consider at this time, we consider all setnet permit holders in the Area M to be members in good standing of our organization. We have participating both setnetters, myself and other gentlemen, that setnet out of False Pass, are participating members of our organization, and out of Nelson Lagoon we have maybe seven setnetters out of there that participate in our organization.

JEFF BUSH: Thank you very much. Anyone else wish to testify this morning? Anyone online; anyone come on line while we were waiting here, who'd like to testify? Hearing none, I think we'll close the public hearing. Thank you, everyone, for coming, and BBEDC, we'll go back to one o'clock since we're on schedule again, so one o'clock for BBEDC.

[End of Public Hearing]