

Executive Summary

CBSFA 2003 – 2005 Community Development Plan

A. NAME OF APPLICANT

The Central Bering Sea Fishermen's Association (CBSFA) is the applicant for this three-year Multi-Species Community Development Quota cycle (2003-2005). CBSFA is a non-profit corporation originally formed by the halibut fishermen of St. Paul Island. It is open to all residents of the St. Paul community. CBSFA has been a successful recipient of all six previous CDQ allocation cycles.

B. TABLE AND TOTAL CDQ AND PSQ ALLOCATION REQUEST

Based on several new and substantial CDP projects linked to the rationalization of the BSAI crab industry, the push for completion of CBSFA's Multi-Species Development project and several other initiatives, CBSFA is requesting an increase in its pollock, pacific cod and selected crab species CDQ allocations.

Below is a brief description of CBSFA's proposed allocations (target species) requested in the 2003-2005 CBSFA Allocation Request Table.

Halibut: CBSFA requests no change to its CDQ Halibut allocation.

CBSFA has been a leader among the CDQ groups in the Halibut industry. CBSFA halibut is harvested 100% by vessels owned and operated by CBSFA members. Each year the local fleet harvests 99 to 100% of CBSFA's CDQ Halibut allocation. The halibut is vital to the survival to the St. Paul fleet and the economic survival of many families on St. Paul.

Bering Sea C. Opilio Tanner Crab: CBSFA requests an increase in C. Opilio crab from 19% to 25%.

Now that the NPFMC¹ has selected a preferred alternative for BSAI crab rationalization, including adoption of St. Paul's proposed "Regionalization" plan that requires that 90% of the Pribilof Islands historic landings be preserved, there are several aspects of the rationalized fishery that are the basis for our increased CDQ allocation request:

- A 90% regionalized landing requirement will become the basis for the MSD project. This is detailed in the CDP Appendix. The MSD project will initially be crab based, so additional crab allocations are very important to the ventures success.

¹ See "MSD Project" in the CDP Appendix , which includes the precise Council motion.

- The NPFMC recognizes that many (if not most) of the other CDQ groups have recently invested in Catcher/Processors, a trend which they do not favor (the Three Pie framework has many elements designed to keep crab ashore, or to move it ashore over the long-run). In response, the NPFMC added a provision that states that “25% of all CDQ crab must be landed at shore-based processing facilities”. One way that the State CDQ Team can be assured this requirement is met is to allocate that amount to CBSFA. This is not an outrageous proposal: other CDQ groups currently have pollock allocations in excess of 20%.

Bristol Bay Red King Crab: CBSFA requests an increase in Bristol Bay Red King Crab from 10% to 17%.

As a result of the NPFMC action on BSAI crab, there is a significant new opportunity for St. Paul Island. In addition, since the C. Opilio stock crash and the continued closures of Pribilof Red and Blue King Crab, the Bristol Bay King Crab fishery has become increasingly important to CBSFA.

Pacific Cod: CBSFA requests an increase, from 10% to 20%, of its Pacific Cod allocation.

The cod fishery is in a state of rapid rationalization, and CBSFA is working hard to make sure our MSD project and our community’s economic development plans are protected in the process. Cod presents an immediate opportunity for the MSD joint venture in St. Paul, so we are seeking a significant increase in our CDQ Cod quota.

In addition, CBSFA has already begun exploring the creation of a super-exclusive fishing zone inside the Pribilof No-Trawl Zone for the benefit of our local fleet. We believe that this new MSD venture will attract other vessels, so an increase in our cod quota is an important element of the MSD Business Plan and this CDP.

Pollock: CBSFA requests that its Pollock allocation be increased from 4% to 10% of the CDQ quota.

The Pollock allocation increase is vital to the development of the MSD project and to the social and economic future of the Pribilof Region, currently suffering as a result in the C. Opilio stock crash. Over the past 10 years CBSFA’s Pollock allocation was reduced from 10% to 4% of the Community Development Quota, CBSFA requests in increase to previous levels (10%) in an effort to bring social and economic stability to the Pribilof Region through the Multi-Species Development Project.

Sablefish/Turbot: CBSFA requests an increase in its Sablefish and Turbot allocations (see table).

CBSFA would like to expand its participation in the Bering Sea and Aleutian Island Sablefish and Turbot fisheries in support of the MSD project.

Atka Mackerel: CBSFA requests an increase in its Atka Mackerel allocation (see table).

CBSFA wishes to increase its participation in the Atka Mackerel fishery.

See following page for Table of Total CDQ and PSQ Allocation Requested in Percentages.

C. COMMUNITIES REPRESENTED WITHIN THE APPLICATION

The community represented within this application is St. Paul, Alaska. However, we also believe that several CDP projects included in this Application will benefit, or could benefit, the community of St. George as well. Those projects are detailed in the “Benefits to The Region” chapter of this CDP, as well as the Appendix.

St. Paul is the largest Aleut community in the world with just over 550 residents. The economic conditions in St. Paul are covered in other sections of this Application. For the past three years the community has worked hard to establish itself as a center for the rationalized BSAI crab industry and to develop a Multi-Species economy based on the rationalization of those fisheries. This CDP brings all of those projects and efforts together.

D. DESCRIPTION OF THE MANAGING ORGANIZATION

CBSFA is the managing organization for this Community Development Plan (CDP). CBSFA is a non-profit 501(c)(4) corporation, registered in the State of Alaska. CBSFA is managed by a nine member Board of Directors. Directors are elected by popular vote and serve three-year terms. Presently all nine Board Members are residents of St. Paul and are either commercial or subsistence fishermen.

The CBSFA staff consists of the President, an Office Manager, a (contract) Finance Manager, a Quota Manager (who also currently serves as CBSFC President), a (contract) Business Consultant; and at various times one or more Interns, other Consultants and Management Trainees.

The Central Bering Sea Fishermen’s Corporation (CBSFC) is a for-profit subsidiary of CBSFA. CBSFC has an independent Board of Directors which oversees several for-profit investments and various loan programs. CBSFC’s role in the 2003-2005 CDP will

Central Bering Sea Fishermen's Association
2003 - 2005 CDQ Multi-Species Application for Quota

Species or Species Group	%CBSFA
BS Pollock - total	10%
A/B season (40%)	10%
C/D season (60%)	10%
AI Pollock	10%
Bogoslof Pollock	10%
Pacific Cod	20%
BS FG Sablefish	20%
AI FG Sablefish	10%
BS Sablefish	20%
AI Sablefish	10%
WAI Atka Mackerel	15%
CAI Atka Mackerel	15%
EAI/BS Atka Mackerel	15%
Yellowfin Sole	15%
Rock Sole	15%
BS Greenland Turbot	10%
AI Greenland Turbot	10%
Arrowtooth Flounder	15%
Flathead Sole	15%
Other Flatfish	18%
Alaska Plaice (NEW)	16%
BS Pacific Ocean Perch	15%
WAI Pacific Ocean Perch	12%
CAI Pacific Ocean Perch	12%
EAI Pacific Ocean Perch	12%
BS Other Red Rockfish	15%
AI Northern	12%
AI Shortraker/Rougheye	12%
BS Other Rockfish	15%
AI Other Rockfish	15%
Other Species	18%
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Prohibited Species	
Zone 1 Red King Crab	8%
Zone 1 Bairdi Tanner Crab	8%
Zone 2 Bairdi Tanner Crab	9%
Opilio Tanner Crab	9%
Pacific Halibut	9%
Chinook Salmon	4%
Non-Chinook Salmon	5%
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Halibut CDQ	
Halibut 4B	0%
Halibut 4C	90%
Halibut 4D	0%
Halibut 4E	0%
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Crab	
Bristol Bay Red King	17%
Norton Sound Red King	0%
Pribilof Red & Blue King	100%
St. Matthew Blue King	0%
Bering Sea C. Opilio Tanner	25%
Bering Sea C. Bairdi Tanner	19%

become increasingly important as the Multi-Species Development (MSD) project is implemented.

Given the nature and scope of the MSD project in this CDP, we expect the combined CBSFA and CBSFC staff to grow by at least two people during the 2003-2005 cycle.

Performance Highlights

Against the backdrop of the current BSAI crab crisis and a dramatic loss of revenues beginning in late 1999, CBSFA has proven itself a capable and innovative CDQ management organization. Recent accomplishments include:

- Reorganized all businesses and renegotiated all contracts in early 2000 in response to the BSAI crab crisis and an associated 40% decline in royalties.
- Restructured CDQ Halibut fishery in 2000, resulting in both higher ex-vessel prices and a new fee-system that covers CBSFA's Local Fleet Support program costs. *There has been some spillover benefits for St. George from this CBSFA initiative.*
- Successfully lobbied the NPFMC to adopt unique Area 4C Subsistence Halibut provisions that will protect our traditional reliance on this resource. *The new rules and special exemptions also apply to St. George Island.*
- Working with the City of Saint Paul, CBSFA lobbied for a comprehensive crab rationalization package that provides specific protection for the Pribilof Islands and creates several new business opportunities. *This effort directly benefits St. George Island and could become the basis for their economic recovery.*
- Completed a comprehensive MSD Study and began MSD project development and related negotiations, which are detailed in this CDP. *This project could be expanded to include St. George Island, if they choose to work with St. Paul in the future.*
- CBSFA acquired a new 60-ton Grove crane, a new floating dock access ramp, and a new hydraulic trailer for the Local Fleet in 2002. These acquisitions insure the continued safe operation of the CDQ and IFQ fisheries. All of this equipment will be used in the Small Boat Harbor when that project is completed.
- A new Community Survey, a new Fishermen's Survey and a new Board Members Survey were all developed in 2001 and 2002 as part of CBSFA's continuing Outreach program.
- CBSFA realized significant gains on its American Seafoods investment. This is most notable because the initial investment was made at a time when CBSFA's financial future was uncertain due to the BSAI crab collapse; CBSFA has now emerged from that crisis as a more efficient and financially stable organization.

E. GOALS, OBJECTIVES AND MILESTONES OF THE COMMUNITY DEVELOPMENT PLAN

Goal 1: Multi-Species Development Project

Objective: Develop a multi-species seafood company and at the same time create a competitive business environment to will attract and hold additional MSD businesses.

Milestone 1: Secure Options and Purchase Agreements

Milestone 2: Secure final berth, management and marketing agreements

Milestone 3: Exercise Options and Agreements

Goal 2: CDQ Halibut Fishery

Objective: Continue to support and manage the growth of the Local Fleet through innovative CDQ halibut programs. *See also "C-IFQ Project" and "Local Fleet Support" Program*.

Milestone 1: Continue CDQ Halibut RFP process

Milestone 2: Conduct CDQ Fishery Management Plan meeting

Goal 3: Local Fleet Support Program

Objective: Develop and facilitate programs that support the growth of the Local Fleet and insure their ability to prosecute the local fisheries. *See also "Education and Training"*.

Milestone 1: Deploy and retrieve floating dock system

Milestone 2: Provide Vessel Launch and Retrieval services

Milestone 3: Maintain Launch and Retrieval (crane and trailers) equipment

Milestone 4: Provide general Fishermen's Training

Goal 4: Community IFQ Project

Objective: Develop a C-IFQ program to support the growth of the Local Fleet and the MSD project.

- Milestone 1: Advocate for adoption of Pribilof Islands C-IFQ program
- Milestone 2: Establish fund for C-IFQ purchases
- Milestone 3: Upon adoption, establish C-IFQ program guidelines
- Milestone 4: Implement C-IFQ program

Goal 5: Vessel Repair and Maintenance Program

Objective: Facilitate repair programs to insure the efficient and safest possible operation of the Local Fleet.

- Milestone 1: Assess Local Fleet Repair needs
- Milestone 2: Facilitate a repair and maintenance program based on the assessment.

Goal 6: Vessel, Gear and IFQ Loans

Objective: Continue existing loan programs, and expand it to include C-IFQ program when adopted.

- Milestone 1: Annually review loan performance, program goals and budgets
- Milestone 2: Review IFQ Loan program if C-IFQ initiative succeeds
- Milestone 3: Implement Board-approved IFQ program changes if needed

Goal 7: Construct Vessel Repair, Maintenance and Storage Facility

Objective To construct a multiple-use facility that can be utilized for Local Fleet repair work, vessel and crane storage, and other dry storage needs.

- Milestone 1: Finalize building plan including construction finance, land acquisition and operation.
- Milestone 2: Contingent upon securing land, permits and financing, begin construction of facility.

- Goal 8: American Seafoods Investment**
- Objective** To continue to actively participate in this strategic investment, and utilize American Seafoods expertise when appropriate.
- Milestone 1: Monitor and participate in ASC Board activities
 Milestone 2: Strengthen relationship to access seafood industry experience
- Goal 9: FV Ocean Cape and FV Zolotoi**
- Objective** To assume control of, or exit these vessel partnerships.
- Milestone 1: Implement Exit or Take-over Strategies
- Goal 10: Small Boat Harbor Project**
- Objective** To actively represent the Local Fleets interest in this project.
- Milestone 1: Continue Local Share set-aside program
 Milestone 2: Develop SBH Business Plan that includes long-term O&M funding options
- Goal 11: Essential Fish Habitat Advocacy & Research Project(s)**
- Objective** To advocate for Pribilof Islands harvesting and processing interests within the EFH process and to attract Research projects to the Islands.
- Milestone 1: Secure position in the EFH process, develop EFH strategy
 Milestone 2: Develop EFH Research project(s), secure co-funding
 Milestone 3: Continue advocacy and research projects
- Goal 12: Education and Training Programs**
- Objective** Provide education and training opportunities to members of the community, and to encourage our youth to return to the Island with their new skills.
- Milestone 1: CBSFA will fund a scholarship, student loan and training program
 Milestone 2: Review loan performance
 Milestone 3: Review loan and scholarship policies and budgets

Goal 13: Community Outreach

Objective Continue a two-way dialogue with the community through a combination of surveys and newsletters.

Milestone 1: Continue quarterly newsletter
Milestone 2: Continue Member Survey
Milestone 3: Continue Board Survey

Goal 14: General Management

Objective Continue to provide effective and efficient management as CBSFA grows and diversifies its business interests.

Milestone 1: Secure independent financial and performance audits
Milestone 2: Provide updated Board training and education
Milestone 3: Review Management performance, organization and projects
Milestone 4: Review Partner(s) performance
Milestone 5: Provide Staff training
Milestone 6: Periodically review Strategic Plan and Five-Year Forecast
Milestone 7: Participate in NPFMC, IPHC and other appropriate policy forums

Goal 15: Investment Fund Policies and Procedures

Objective Maintain a conservative stance and sufficient liquidity to implement MSD and C-IFQ programs

Milestone 1: Develop Cash Flow model
Milestone 2: Maintain sufficient liquidity to meet investment strategy
Milestone 3: Monitor portfolio performance and adjust as necessary

F. DESCRIPTION OF THE CDP PROJECTS IN THE PROPOSED CDP

Overview

The sudden decline in the BSAI opilio crab fisheries in 1999 threw CBSFA and St. Paul (along with St. George) into a fiscal crisis. CBSFA responded by:

- Reorganizing the Local Fleet CDQ halibut fishery
- Addressing budget shortfalls without cutting programs
- Managing its investment portfolio more closely
- *Accelerating the pace of multi-species development on St. Paul Island*

St. Paul's efforts within the BSAI crab rationalization process succeeded in securing some Pribilof community protection measures. Specifically, regionalized crab processing

and landing requirements built into the new BSAI crab rationalization program provide the foundation for a successful Multi-Species Development project in the Pribilofs. Because the crab rationalization program will probably be implemented in January, 2004; the 2003-2005 CDQ allocation cycle is critical to the success of CBSFA's MSD projects.

A careful reading of the CDP projects will reveal two important facts:

1. Almost every CDP project is related to the central MSD project.
 - For instance, all Local Fleet Support initiatives are designed to insure the safety and efficiency of our local harvesters; who will ultimately become an important source of product for the MSD venture.
 - Likewise, the MSD venture should result in the establishment of better markets and improved ex-vessel prices for the Local Fleet.
2. Most of the major CDP projects have – or could have – positive impacts on St. George Island.
 - Although St. George is currently a member of APICDA, we believe that several of the CDP projects in this CDQ Application could/should create significant benefits and opportunities for St. George Island.

The Multi-Species Development (MSD) Project

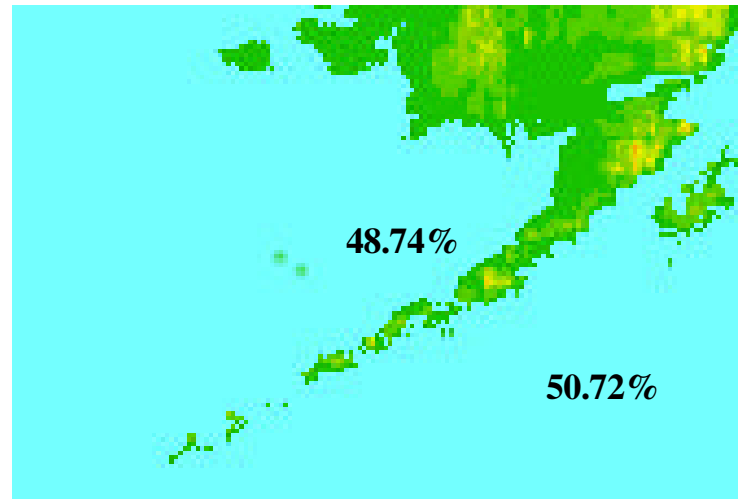
*Notes: See also “Multi-Species Project” in the CDP Appendix
This project has been designed to allow entry by St. George at a later date*

On June 10, 2002 the North Pacific Fishery Management Council (NPFMC) adopted, in a landmark 11-0 vote, a plan to rationalize the BSAI crab industry. The proposed NPFMC framework, now known as the Voluntary Three Pie Cooperative (“3 Pie” referring to harvesters, processors and crab-dependent communities) will be forwarded to the US Congress later this year. There will be one more round of political infighting in Washington DC, and then a full-year of rule-making and final negotiations over a few program details. At this time, we expect the program to be fully implemented approximately January 1, 2004.

Specifics

The NPFMC has adopted St. Paul’s proposed Regionalization system that divides the fisheries into a Northern region (everything north of 56 / 20) and a Southern region (everything else). *As the only two ports in the Northern region St. Paul and St. George are specifically protected.*

The NPFMC also selected St. Paul’s preferred set of “regionalization” years: 1997-1999. The NPFMC made this selection in spite of heavy lobbying from several other communities to add 2000 and 2001, which would have severely cut the Pribilof Islands share.



Regionalized Opilio Landings, 1997-1999

The NPFMC also gave processing companies 90% of their history as a “regionalized” quota share. This means that a crab vessel (or a crab harvester coop) must deliver 90% of its crab to a processor in the region with matching IPQ; the other 10% can go anywhere the harvester wants to take it.

The Pribilof Islands are now guaranteed at least 90% of their traditional share of the opilio, Pribilof red and blue, St. Matthew’s and Bristol Bay red king crab fisheries. Northern region processors are also free to compete for the remaining 10% of the entire fishery, so we could actually land more than our traditional share in a good year.

The only crab fishery that was not “regionalized” is bairdi. However, the NPFMC also adopted a rule that states that bairdi must be treated as an incidental catch to opilio and

Bristol Bay red king crab, so we are likely to receive at least 8% of the bairdi landings and perhaps more than 20% (because the target fisheries are regionalized). The NPFMC also adopted rules that state that if a Catcher/Processor (“CP”) sells its CP shares to a shore-based company, those shares are reclassified as regionalized IFQ and IPQ. This means that over time we should see more crab come ashore and stay ashore.

And finally, the NPFMC adopted a special provision that says that “at least 25%” of the BSAI CDQ crab must be processed in shore based plants. This is a specific Pribilof Islands protection mechanism that was added into the program because so many CDQ groups have recently purchased CP’s and were likely to start processing their crab off-shore.

Crab Rationalization as the Basis for the CBSFA-MSD Project

Recent passage of a Voluntary Three Pie Cooperative² plan by the NPFMC establishes a new framework for the BSAI crab industry. The NPFMC plan establishes and allocates Processor Quota Shares (PQS) which essentially guarantee delivery of crab to specific processing plants. The new plan also incorporates Regionalization, which guarantees that crab will continue to be landed in ports where it has historically been landed in the past. Together, PQS and Regionalization combined with an overall increase of the CDQ crab allocation from 7.5% to 10%, make a St. Paul-based Multi Species Development project feasible.

Table One: Three-Pie Impacts / Northern (Pribilof) Region

Ref. NPFMC Table 3.6-1

	<i>Historic Share</i>	<i>10% B Share</i>	<i>Guaranteed Landings</i>
Opilio	42%	4.2%	37.8%
St Mathews	70%	7.0%	63.0%
Pribilof Red	64.5%	6.5%	58.0%
Pribilof Blue	71%	7.1%	64.0%
Bristol Bay Red	6%	6%	5.4%
Bairdi ³	3.5%	NA	NA
CDQ All Crab Species		NA	25.0%

² See “Council Motion for Item C-5 BSAI Crab Rationalization, June 10, 2002”, CDP Appendix

³ **Bairdi** are not regionalized. However, the NPFMC has adopted a rule that states that Bairdi must be delivered to processors based on a 50/50 split between Opilio and Bristol Bay red king crab quotas, which will result in a Pribilof share of between 8% and 22%. *See NPFMC Motion 2.3(E)*

CBSFA is currently negotiating with several established seafood processors to develop a Multi-Species joint venture based on St. Paul Island. The joint venture will likely include the assets of, and operate as Misty Islands Seafoods, LLC (“MIS”), which is currently a wholly-owned CBSFC subsidiary.

CBSFA’s decision to pursue a crab-based MSD strategy, is supported by the January 2002 “*Multi-Species Development Study*” by Natural Resource Consultants⁴, as well as additional analyses performed by Waterfront Associates for CBSFA.

Ultimately, CBSFA expects that the MSD joint venture, Misty Islands Seafoods, will process and market CDQ and IFQ; halibut, pacific cod, and crab. Confidential analyses are included in the CDP Appendix.

CDQ Halibut Fishery

C-IFQ Project

Vessel Repair & Maintenance

Small Boat Harbor Project

Local Fleet Support

Vessel, Gear and IFQ Loans

Construct a Vessel Repair, Maintenance and Storage Facility

See also “Local Fleet Support” chapter in the CDP Appendix

Currently, the Local Fleet accounts for more than 120 seasonal jobs, and nearly \$2 million in direct annual household incomes. When viewed this way, we believe that the Local Fleet CDQ and IFQ halibut fisheries are in fact the largest single source of private-sector employment and income on St. Paul Island.

As CBSFA moves forward with its MSD projects, the harvesting capacity of the Local Fleet (and related CDQ and IFQ quotas) will become increasingly important. All of the projects grouped together in this section therefore represent a well-coordinated Local Fleet development strategy on the part of CBSFA.

A detailed discussion of each project is provided in the “Local Fleet Support” chapter of the CDP Appendix. A summary of each project follows:

CDQ Halibut Fishery

In late 1999, CBSFA restructured the CDQ halibut fishery to (a) increase ex-vessel prices through a competitive bidding process and (b) collect a royalty to recover costs of the Local Fleet Support program. This restructuring was very successful. By our estimates the increase in ex-vessel prices has resulted in a \$500,000 annual gain in household

⁴ See “MSD Report” in the CDP Appendix

incomes. CBSFA is now recovering approximately \$60,000 per year to cover the cost of our Local Fleet Support program.

CBSFA will continue with the existing program during 2003-2005, with these notable (potential) changes:

- CBSFA has begun pursuing a C-IFQ program that would increase the amount of halibut available to the Local Fleet on both St. Paul and St. George Islands. This project is detailed elsewhere in this CDP and in the “Local Fleet Support” chapter of the CDP Appendix.
- The MSD project, although initially crab-based; may be expanded to include a halibut component. The CDQ Halibut fishery will be analyzed for further potential community benefits within the MSD project at the appropriate time.

Community IFQ Project

In the next few years, the Local Fleet will be positioned for new growth as a result of (a) the small boat harbor, (b) new, larger vessels replacing smaller, less efficient vessels, and (c) an increase in the number of experienced participants. *Because almost all Local Fleet income stays on the island, this is a vital project for CBSFA.*

This project is also an important part of the MSD plan – the additional halibut landings will help support the economics of the MSD processor and other processors operating in Saint Paul Harbor. *See MSD project sheets and “MSD Program” in the CDP Appendix.* The benefits of this program will also be available to St. George Island *See “Regional Benefits” chapter of the CDP Appendix.*

To increase the resource available to the Local Fleet, CBSFA has developed a C-IFQ proposal similar to the Gulf proposal already adopted by the NPFMC for halibut and sablefish in those areas. CBSFA has already begun advocating for this program among NPFMC members.

Vessel Repair & Maintenance

This project is an important annual undertaking for the Local Fleet. To insure the fleet’s continued safety and efficiency, CBSFA brings in engine, welding, electrical and other experts as needed; but the actual repair work is paid for by the individual vessel owners. Currently the work is done outdoors or in borrowed space. The establishment of a permanent Vessel Repair & Maintenance Facility is a clearly needed. *(See “Vessel Repair, Maintenance and Storage Facility” Project sheet).*

This program is also an integral part of our annual training milestones. Vessel owners work side by side with contractors, and learn basic repair and maintenance skills at no additional cost to CBSFA or the fishermen.

Small Boat Harbor

With the recent (April 2002) acquisition of a 60-ton Grove crane, a new floating dock access ramp and a new hydraulic boat trailer, the immediate risks to the operation of the Local Fleet have been reduced. All of these acquisitions will be utilized in the final Small Boat Harbor.

The SBH continues to be an important fisheries-based economic development project. The St Paul Island entities have entered into final negotiations concerning various aspects of the Main Harbor and Small Boat Harbor projects. A proposed settlement map is included in the Appendix. Once a final agreement is reached, CBSFA will be able to accurately develop a construction cost and operations & maintenance plan. *In the meantime, CBSFA is committed to continue its SBH set-aside.*

Local Fleet Support Program

For years, CBSFA and the local fleet have relied on a borrowed crane to launch and retrieve both the seasonal floating dock system and all of our vessels. In 2002, CBSFA purchased a 60-ton Grove crane to deploy and retrieve the floating docks and the Local Fleet vessels. The Grove crane will eventually be incorporated into the Small Boat Harbor.

In 2002, CBSFA also purchased a new hydraulic boat trailer (our second trailer) and a new access ramp for the floating docks to support the Local Fleet through at least 2003-2005. The hydraulic boat trailers, the new access ramp and the existing floating docks will all be used in the Small Boat Harbor complex.

CBSFA also facilitates a Fishermen's Training program and the Vessel Repair project for the Local Fleet. CBSFA will also continue to fund maintenance of its 60-ton Grove crane, its two hydraulic boat trailers and general maintenance and repair of the floating dock system. CBSFA also funds dock security during the CDQ and IFQ halibut fisheries. All of these programs and acquisitions – and the annual costs associated with maintaining the crane and supporting the Local Fleet - are substantially funded by the 6.5 cent per pound royalty CBSFA collects on all CDQ Halibut. This fee will continue through the 2003-2005 cycle, and will be expanded to include any CBSFA-owned C-IFQ.

Vessel, Gear and IFQ Loans

The local fleet on St. Paul Island is a recent development and is growing rapidly. There is almost no shore-side support, so the need to repair, refurbish or replace gear and vessels can seem disproportionately large to individual vessel owners. To meet the needs of local vessel owners, CBSFC offers low interest vessel and gear loans up to \$35,000. This loan program is administered through CBSFC, our for-profit subsidiary, through a Loan Committee process.

CBSFC also offers an IFQ loan program for qualifying fishermen. Any local fisherman that presents a NMFS Transfer Eligibility Certificate to CBSFC and meets certain other qualifications is eligible for our program. Our goal is to increase local participation in halibut IFQ fisheries that take place directly in the waters surrounding St. Paul Island. *This portion of the program will be reviewed if CBSFA's Community IFQ (C-IFQ) initiative is successful.*

Construct a Vessel Repair, Maintenance and Storage Facility

The annual Vessel Repair and Maintenance project sponsored by CBSFA has been an important undertaking for the Local Fleet. Currently, CBSFA brings in engine, welding, electrical and other experts as needed; but the actual repair work is done either outdoors or in borrowed space. The establishment of a permanent Vessel Repair & Maintenance Facility is a clear and quantifiable need.

CBSFA expects this building to serve multiple purposes: winter storage for the new 60-ton crane, dry storage and vessel repair and maintenance. CBSFA has already developed a preliminary design for the building.

American Seafoods Investment
Ocean Cape & Zolotoi Investments

American Seafoods

In early-2000, CBSFA made a significant investment in American Seafoods. To date, that investment has returned several times the original acquisition cost to CBSFA. In addition, American Seafoods has provided management training and seafood industry expertise.

CBSFA expects to continue its participation in American Seafoods, by attending board meetings, and availing itself of management training.

Although we expect our financial investment in American Seafoods, Inc, to perform above the industry average, we are lowering our dividend/income distribution expectations from recent highs for the 2003-2005 period.

Ocean Cape and Zolotoi

For the last several years, CBSFC has held a minority stake in the FV Ocean Cape and the FV Zolotoi. In mid-2002 the continuing opilio crab crisis, a shift in CBSFC priorities towards the MSD project, and continuing differences in investment strategies between various vessel partners led the CBSFC Board to begin exploring Exit and Take-over strategies to try to improve the Corporation's return on its crab-related investments, and to better prepare for the opportunities which crab rationalization is likely to provide.

In the meantime, CBSFC has already convinced the partners to implement new policies to stabilize the operation of these two vessels.

Essential Fish Habitat & Research Project(s)

It is not hard to imagine how the Council's EFH process could be used to "squeeze" St. Paul Island back out of the fisheries by limiting or closing our local processing and local fleet activities.

On the one side we will be faced with several conservation groups that are already on record as supporting the closure of certain Bering Sea waters as "Marine Protected Areas". On the other side we may face pressure from some at-sea or other coastal interests who are willing to trade away Pribilof-based near-shore fisheries and processing to keep their areas open. St. Paul Island has NO natural allies in this fight.

In mid-2002, CBSFA approved EFH (and related research projects) as a CDP project. A consultant who currently has a seat on the EFH committee was hired to protect the community's interests, and a plan was developed. *Details are available in the "EFH" chapter of the CDP Appendix.*

Education & Training **Community Outreach**

Education and Training

CBSFA's education initiatives have successfully helped train and then return young adults to the island. For 2003-2005, CBSFA plans to continue – and expand – these programs to meet both CBSFA and larger community needs.

The CBSFA Education Program is unique to our community. Up to 30% of a qualifying student loan is forgiven when the recipient graduates, and another 30% of the remaining loan balance is forgiven if the student returns to St. Paul after graduation and works in his or her area of expertise.

CBSFA will also continue to offer training grants and scholarships to raise the level of expertise and technical skill within our community. To date we have awarded loans and grants to more than 40 students – quite a large number for a community of our size.

CBSFA will fund and facilitate an annual Fishermen's Training program. We will bring experts to St. Paul to train our fishermen in learning or improving their skills in areas such as: marine safety, navigation, vessel repair and maintenance, fishery regulations, fishery management, crane safety and rigging, fishing techniques and other fisheries related issues.

Community Outreach

In early 2000 CBSFA developed a new community newsletter and also established a new, door-to-door community survey program to (a) better assess local community needs and (b) better educate the community about CBSFA programs and (c) continue to advertise available jobs.

In 2002 CBSFA introduced an annual Board Member survey to complete the “package” of Outreach programs.

All of these programs will continue through 2003-2005.

General Management

The scope of our Management project will remain unchanged from recent years with these notable exceptions:

- CBSFA and CBSFC are taking a much stronger approach in monitoring our Partners and Investment performance, based on our Ocean Cape and Zolotoi experience and recent market volatility.
- Staff training continues to be a priority and is likely to expand because of the MSD project.
- Financial forecasts are expected to evolve from a single set of statements to a more detailed, SBU (separate business unit) set of statements as the MSD project is implemented.

Investment Fund Policies and Procedures

As CBSFA begins to implement its MSD development strategy, there will likely be a need for significant investments in certain capital assets or companies and in the harbor infrastructure necessary to support the project.

In addition, CBSFA will continue its Small Boat Harbor set-aside commitment. All of this adds up to a need for CBSFA to maintain sufficient liquidity to pursue its goals. CBSFA’s portfolio is likely to shift towards short-term fixed-income investments as a result.

G. MANAGEMENT STRATEGY TO ACCOMPLISH CDP GOALS

Since the BSAI crab collapse in the winter of 1999, CBSFA Management, with the backing of the Board, has demonstrated an ability to address nearly every type of financial and political crisis, and to make good strategic decisions to insure the continued development and diversification of the Pribilof region. In review, recent accomplishments include:

- CBSFA Management closed a \$500,000 fiscal gap, brought about as a result of the BSAI crab crisis, without cutting any programs.
- CBSFA restructured St. Paul's CDQ Halibut fishery in 2000, resulting in both higher ex-vessel prices and a new fee-system that covers CBSFA's Local Fleet Support program costs. *There have been some spill-over benefits for St. George from this CBSFA initiative.*
- Successfully lobbied the NPFMC to adopt unique Area 4C Subsistence Halibut provisions that will protect our traditional reliance on this resource. *The new rules and special exemptions also apply to St. George Island.*
- Working with the City of Saint Paul, CBSFA personnel lobbied for a comprehensive crab rationalization package that provides specific protection for the Pribilof Islands and creates several new business opportunities. *This effort directly benefits St. George Island and could become the basis for their economic recovery.*
- CBSFA completed a comprehensive MSD Study and began MSD project development and related negotiations, which are detailed in this CDP. *This project could be expanded to include St. George Island, if they choose to work with St. Paul in the future.*
- CBSFA acquired a new 60-ton Grove crane, a new floating dock access ramp, and a new hydraulic trailer for the Local Fleet in 2002. This acquisitions will insure the continued safe operation of the CDQ and IFQ fisheries, and all of this equipment will be used in the Small Boat Harbor when that project is completed.
- A new Community Survey, Fishermen's Survey and Board Members Survey were all developed in 2001 and 2002 as part of CBSFA's continuing Outreach program.
- CBSFA realized significant gains on its American Seafoods investment. This is most notable because the initial investment was made at a time when CBSFA's financial future was uncertain due to the BSAI crab collapse; CBSFA has now emerged from that crisis as a more efficient and financially stable organization.

Going into the 2003-2005 CDQ cycle, CBSFA and CBSFC will be undertaking several new projects. In some cases, the projects will be undertaken with seafood industry partners with proven expertise to both manage and help train our future managers. In other cases, CBSFA will continue to invest in appropriate education and training to develop on-island expertise.

H. DESCRIPTION OF THE TARGET FISHERIES

There are several species that are vital to the success of CBSFA's new Multi-Species Development project. Those species (and the role they play in our plans) are as follows:

- Pollock

An increase in CBSFA's pollock quota is needed to close the revenue gap left by opilio crab losses, and to support our proposed Multi Species Development acquisitions⁵.

We have entered into negotiations with specific seafood companies, and our ability to purchase the assets necessary for a successful MSD project is limited by our current CDQ pollock allocation. Bearing in mind that the MSD project could (and should) benefit both St. Paul and St. George Islands, CBSFA is requesting an increase to 10%.

- Halibut

During the 2000 and 2001 CDQ Halibut seasons, the Local Fleet again demonstrated its ability to harvest CBSFA's entire quota effectively. During this same period CBSFA successfully reorganized the fishery to dramatically raise ex-vessel prices (from an average of \$1.18 in 1999 to nearly \$2.00 in 2000) and institute a royalty payment to support CBSFA's Local Fleet Support programs.

Our next step is to expand our halibut fisheries through a proposed Community IFQ program and by continuing to push local processors to offer a competitive price to other Area 4 fishermen who chose to deliver to St. Paul. This is one of the basic elements of our MSD strategy, and a formal part of our MSD Business Plan⁶.

All halibut harvested under this CDP will be taken with legal hook and line gear by local St. Paul fishermen using locally owned vessels (*the C-IFQ project is the single exception – the benefits of that project will extend to St. George*). All CDQ harvesters will sign letters of agreement with CBSFA before participating in the CDQ fishery. Specific rules governing this fishery will be based on the successful reorganization of the 2000 CDQ Halibut fishery and the annual Fishermen's meeting. CBSFA will continue to use a pre-season RFP process to select buyers and negotiate the best possible ex-vessel price for the Local Fleet.

- Cod

The cod fishery is in a state of rapid rationalization, and CBSFA is working hard to make sure our MSD project and our community's economic development plans are protected in the process.

Cod presents an immediate opportunity for the MSD joint venture in St. Paul, so we are seeking a significant increase in our CDQ Cod quota.

⁵ See "MSD Project" in the CDP Appendix .

⁶ See "MSD Project" in the CDP Appendix

In addition, CBSFA has already begun exploring the creation of a super fishing zone inside the Pribilof No-Trawl Zone for the benefit of our Local Fleet.

We believe CBSFA's new MSD venture will attract other vessels, so an increase in our cod quota is an important element of this CDP.

- Crab

Now that the NPFMC⁷ has selected a preferred alternative for BSAI crab rationalization, including adoption of St. Paul's proposed "Regionalization" plan that requires that 90% of the Pribilof Islands historic landings be preserved, there are several aspects of the rationalized fishery that are the basis for our increased CDQ allocation request:

- A 90% regionalized landing requirement will become the basis for the MSD project. This is detailed in the CDP Appendix. The MSD project will initially be crab based, so additional crab allocations are very important to the venture's success.
- The NPFMC recognizes that many (if not most) of the other CDQ groups have recently invested in Catcher/Processors, a trend which they do not favor (the Three Pie framework has many elements designed to keep crab ashore, or to move it ashore over the long-run). In response, the NPFMC added a provision that states that "25% of all CDQ crab must be landed at shore-based processing facilities". One way that the State CDQ Team can be assured this requirement is met is to allocate that amount to CBSFA. This is not an outrageous proposal: other CDQ groups currently have pollock allocations in excess of 20%.

- Other Groundfish

In a unique partnership deal that is a component of the Multi Species harvesting and processing agreement with ASC, CBSFA has tentatively negotiated to have ASC harvest all of our remaining groundfish allocations at royalty rates.

⁷ See "MSD Project" in the CDP Appendix, which includes the precise Council motion.

I. HARVESTING AND PROCESSING PARTNER INFORMATION

American Seafoods

American Seafoods is a fully integrated seafood harvesting, processing and marketing company that now meets the AFA-imposed foreign ownership restrictions placed on it in 1998. CBSFA has an equity stake in the company, acquired in 2000.

CBSFA will continue to allocate its CDQ pollock and other groundfish quotas to American Seafoods during the 2003-2005 CDQ cycle. CBSFA's pacific cod quotas will likely be harvested and processed by the North Cape or another Pacific Longline Company vessel (an American Seafoods subsidiary) in 2003, but CBSFA intends to keep its options open for 2004 and 2005 because of the MSD project.

Icicle Seafoods

Icicle Seafoods is an important community partner, in that they operate seasonally from a shore-based facility inside St. Paul Harbor; and attract other open access and CDQ crab to their facility during a typical season.

CBSFA will allocate its 2003 CDQ crab quotas to Icicle for processing, but as with our pacific cod allocations (see above) we intend to keep our options open for 2004 and 2005 because of the MSD project.

F/V Zolotoi and F/V Ocean Cape

At this time, CBSFA has not made a decision as to its 2003-2005 BSAI crab harvesting partners. This is a result of the continuing differences between the vessel partners. CBSFA will secure a harvesting agreement prior to December 31, 2002; the vessel or vessels have yet to be determined.

St. Paul Local Fleet

Our entire CDQ halibut allocation is harvested by our Local Fleet. This fleet of locally owned vessels (average LOA 26 ft. to 32 ft.) is a major source of seasonal employment and household incomes.

J. BENEFITS TO THE REGION

*See also "Benefits to the Region" chapter in this CDP for a quantified analysis
See also "Multi-Species Project" chapter in the CDP Appendix*

It has often been noted that St. Paul Island lies within 65 miles of more than 50% of the nation's commercial fisheries – but what does that really mean?

One only has to turn to the crab industry for an example:

- Currently, five out of six CDQ groups have their crab processed inside our harbor
- Over the last several years slightly more than 40% of the Bering Sea crab harvest has been delivered to processors working in and around St. Paul Island.

It should also be noted that most of the great Bering Sea fisheries occur in Federal waters. Unless those fish are landed or trans-shipped in State waters, Alaska realizes no direct economic benefit. The fact that St. Paul Island lies in the middle of the fishing grounds is what allows the region and the State to materially participate in several significant fisheries.

In this CDP, we define our “Region” as including both St. Paul and St. George, even though St. George is currently a member of another CDQ organization. There are also some specific CDP benefits that extend to other CDQ communities beyond the Pribilof Islands.

Summary of Potential Benefits Throughout the Region

Because of St. Paul Islands strategic location there are a number of projects in this CDP whose benefits extend well past our legally-defined boundaries. In particular we would like to note:

Possible/Probable Benefits for St. George Island

- BSAI crab rationalization as a foundation for development
- Growth of the St. George halibut fishery
- Possible municipal revenue-sharing plans (in discussion)
- An equity stake in the MSD project
- EFH and Research benefits will probably extend to both islands

Possible/Probable Benefits to other CDQ communities

- At least one other CDQ group is already in discussions with CBSFA concerning the MSD project. They recognize that the Pribilofs will become the center of northern region crab processing and are interested in participating in those benefits.
- A targeted investment in a non-AFA company as part of the MSD project may help keep that company competitive in the less-marginal herring and salmon fisheries that are so important in Bristol Bay and the north west coast of Alaska.
- EFH related research will ultimately benefit all communities in our collective efforts to develop sustainable fisheries.
- CBSFA assumes that other CDQ groups will want to join the C-IFQ initiative once the NPFMC takes it up.

Specific Regional Benefits

- St. Paul’s so-far successful effort to protect the Pribilof Island economies on St. Paul and St George Islands during the NPFMC crab rationalization process has resulted in an 11-0 Council vote that provides these benefits to the Pribilof Islands:
 - A “regionalized” landing and processing requirement that guarantees the Pribilof Islands 90% of their 1997-1999 share of the opilio resource.
 - A “regionalized” landing requirement that applies to all other Bering Sea crab species except bairdi in a similar manner.
 - An agreement between the industry, the NPFMC and the State that specifies that Bairdi must be delivered to processors as incidental catch to the Bristol Bay red king crab and Opilio fisheries; further, that processor quotas (IPQ) for Bairdi be allocated based on a 50% BBRKC / 50% Opilio formula. We believe that these two provisions will result in a Pribilof Bairdi share of between 8% and 22% of the resource; well above our traditional 4% share.
 - A CDQ landings provision that directs that at least 25% of all CDQ crab be delivered to shore-based processors. This should help protect St. Paul’s share of this fishery as well.
 - A northern region (Pribilof Islands) processor use cap that will insure that at least two processors are always open in the Pribilof Islands, even in low-GHL (or TAC) years.
 - This package has been designed and negotiated specifically to (a) protect the general economy and (b) lay the foundation for CBSFA’s MSD project.
- The MSD project will result in:
 - A new MSD processing entity operating inside St. Paul Harbor. Crab, cod and halibut will be the business focus. *This project is detailed in the CDP Appendix. In addition, this project could include St. George Island.*
 - Net benefits to the City of Saint Paul of at least \$1.5 million per year⁸.
 - New employment opportunities for the residents of St. Paul Island.
 - A means of stabilizing the markets available to the Local Fleet.

⁸ See NRC Multi-Species development study on the CDP Appendix

- *New stability to a non-AFA processor that plays an important role in western Alaska's more marginal fisheries – especially salmon and herring⁹. This indirect benefit will extend well beyond the Pribilof Islands into Bristol Bay and the fishing communities to the north.*

- The C-IFQ Project

The importance of St. Paul's Local Fleet as a source of employment and household incomes has been well-documented throughout this CDP. The Local Fleet is primarily engaged in the harvest of CDQ and IFQ halibut.

Over time, we expect to see a leveling of the Area 4 halibut quotas, and a likely decline in the ex-vessel prices paid for CDQ and IFQ halibut as a result of the market introduction of farmed halibut.

At the same time, there is a desire for some expansion of the Local Fleet. The CIFQ project has been developed to address all of these concerns by increasing the amount of halibut available to the Local Fleet. *This program will also benefit St. George Island.*

- By increasing the IFQ available to the Local Fleet(s), we create an opportunity for expansion through (a) individual effort, (b) vessel upgrades and/or (c) new entrants.
- By adding the C-IFQ to the CDP pool, we could eliminate the 90/10 dispute that has hampered cooperation between the islands.
- If the Area 4C quotas decline, we can offset the impacts on the Local Fleet(s) by increasing our share of the available quota pool.
- If there is a long-term decline in ex-vessel prices, increase landings will help offset the impact.
- The additional harvest will directly support the MSD project, as well as other Pribilof Island processing operations.
- Recent evidence has shown that as the Local Fleet's halibut landings increase, it improves the overall operational profitability of Pribilof processors and they begin to more aggressively compete for other Area 4 halibut.

- The EFH and Research projects

As discussed elsewhere in this CDP, the single greatest threat to the development and diversification of the Pribilof Island economies may be the Essential Fish Habitat (EFH)

⁹For confidentiality reasons the name of the processor is included only in the appropriate chapters of the CDP Appendix. See Multi-Species chapter of the CDP Appendix, as well as a more general discussion in the "Benefits to the Region" chapter of Volume One.

process. That is why CBSFA believes it is appropriate that we get involved. There are actually two simultaneous efforts:

- Representation on the EFH policy making committee and all related venues.
- Development of several Research projects to establish a scientific basis for management of the Pribilof and Central Bering Sea waters.
- The Local Fleet Support programs

This package of programs – from Fishermen Training to Loan programs and from Vessel Repair programs to development of the Small Boat Harbor – are all designed to support the continued viability and growth of our Local Fleet. *These benefits could also be extended to St. George Island.*

- The Local Fleet currently employs more than 120 people and directly contributes nearly \$2 million annually to household incomes.
- The role of the Local Fleet as a source of fish for the MSD project is very important. We expect to foster a relationship in which both sides share in the benefits.

K. LEVEL OF LOCAL PARTICIPATION

Employment Impact

The CDQ halibut fishery is currently managed to provide for full local employment and to create significant income at the household level.

The MSD project will create additional job opportunities; we want to focus on the supervisory and management level jobs for local residents.

The CIFQ program should extend the fishing and processing season(s), thereby creating additional jobs and/or extending current seasonal employment levels.

The EFH program should create some additional employment in the short-term, and may become the basis for a new “Research” industry on St. Paul, with increasing employment opportunities over time.

The BSAI crab rationalization program – once implemented – will return St. Paul to a sustainable level of processing activity and contribute to a stabilization and rebuilding of processing and support-sector employment.

The Main Harbor and Small Boat Harbor projects – both of which rely on CBSFA and its MSD project – will create short-term construction jobs and longer-term permanent support and service sector jobs.

Ultimately, all of this increase activity on St. Paul will require more employees than are currently available. We believe that the residents of St. George Island are likely to be the first to take advantage of these new opportunities; and then the broader region.

Input from the Community – and beyond

CBSFA has aggressively reached out for input from the local community and from St. George Island and other CDQ interests.

- The Community Survey has been an annual event for three years
- The Fishermen's Survey was begun in 2002
- The Board Member's Survey was begun in 2002
- The annual Fishermen's Meeting is expanding to include new topics every year
- Since December 2001, member of CBSFA's staff have been facilitating discussions between the City of St. Paul and the City of St. George
- CBSFA has actively pursued discussions with other CDQ interests regarding the MSD project