

**2001 - 2002 Multi-species CDQ Allocation Public Hearing**

**September 20, 2000**

**Anchorage, Alaska**

MR. COTTEN: I assume everybody is in the right room, if they're not, heaven forbid. This is the public hearing for the community development application plan for the CDQ allocation cycle. As everybody knows, the allocation cycle is for the two-year period of the calendar year 2001 and calendar year 2002 for the ground fish, halibut, and crab species. As a public hearing we will probably follow the same process and steps we have for the last four or five times. Which means each group will have about 20 minutes to come up. I would suggest use 15 minutes to make a presentation, kind of a general overview of their group's program followed hopefully by five minutes of questioning by staff. That will be followed by public comment. As in the past, public comment by those who are on the phone, the teleconference, followed by those in the room. For those who don't know, I'm Lamar Cotten, one of the CDQ team members. To my right is Kevin Duffy who is the Deputy Commissioner of Fish and Game who replaced Dave Benton on the team. Laird Jones is a CDQ team member and staff member. Bryce Edgmon who is the manager of the staff and Greg Cashen is also a CDQ staff member. Jeff Bush, who normally would probably be chair in these meetings, will be here probably within about 20 minutes, I think, as soon as his plane arrives. along with Kate Troll who is the State Fisheries Specialist who also is part of the team. So with that, unless there's some other comment or question by the staff that have to be made...

MR. EDGMON: Just one comment, there is a back room here if anybody wants to forego being able to see us and just sit in the back room and listen to things over the teleconference. If you prefer to have a chair, there is a back room back there.

MR. COTTEN: So, having said that, and the fact we're under way, maybe we could

just have again, we've always gone alphabetically which means APICDA is first to give again about a fifteen minute presentation followed by about five minutes of questions by the staff. Hi, Larry. Hi, Gilda.

MS. SHELLIKOFF: Mr. Chair, thank you and good morning. I'm Gilda Shellikoff from False Pass. I'm the Chair of the Board of Directors of APICDA. With me is Justine Gundersen. She's the Chair of the Board of Directors of APICDA Joint Ventures, the wholly owned for-profit subsidiary of APICDA. Also with me is Larry Cotter who is our Chief Executive Officer. We'll try to make our presentation as short and succinct as possible. We're very proud of APICDA's accomplishments since the CDQ program began eight years ago. We've made a lot of progress towards our goal in developing stable local economies, based on the fishing industry in each of our villages. We still have a long way to go. Progress is evident in each of our communities as Justine will expand on later in this presentation. In conjunction with our business development efforts in our communities, we focused a significant amount of attention on training and education opportunities for our residents. This year we increased our higher education scholarships to \$5,000 per person per school year. We also provide up to \$3,000 per person per year for supplemental education training. In terms of employment, we hire locally whenever possible. Nearly all our [NOISE] positions in our village [NOISE] are held by local residents. Overall we [NOISE] an effort [NOISE] jobs for local residents at the village level and the number is increasing each year. In a few short years, APICDA has become the most important social and economical development entity in our region. And our villages recognize the crucial role APICDA will play in the future. Frankly, without APICDA and its programs, we would be nowhere. Justine will now review our business investments.

MS. GUNDERSEN: Good morning. We have as you know tried to help . To do that, we've invested heavily in all of the communities. I'd just like to run down each community in APICDA and let you know in a brief summary what we're doing. In Nelson Lagoon, you know that we've invested in the dock which we've had for a number of years. We bought some land around the dock and have joint ventured with the Tribal Council Nelson Lagoon Storage Company and that was completed this last spring. We also hope to develop by the year 2002 a cold storage company, which is quite timely the way the industry is going. In St. George as you know, we dredged the harbor. We joint ventured with St. George Tanaq Corporation [UNINTELLIGIBLE] And we joint ventured with St. George Fisherman's Association, the local fish association, in building [UNINTELLIGIBLE] Seafood which has increased the local [UNINTELLIGIBLE] have increased their catch in the last three years from 20,000 pounds and the recent is 100,000 pounds. In Atka, we have Atka Pride Seafoods and that's really a good example of what this program is all about. In 1993, local fishermen harvested 20,000 pounds of halibut. This year, they will catch over 800,000 pounds of halibut. They've had three years consecutively of [being in the black?] and the whole community has been employed when the company gets operational. They're doing very well and are very successful. In Akutan, we made a commitment for a million dollars to develop a new harbor and are now considering a small seafood marketing company of local fishermen and also a sport fishermen business which is what they have really desired for quite a long time. [UNINTELLIGIBLE] the harbor which hopefully will be done. We don't know [UNINTELLIGIBLE] in our lifetime. In False Pass, we've made a major commitment. There [UNINTELLIGIBLE] was developed Bering Pacific Seafood Company which harvests and processes cod and we did process salmon this fall. In fact, some of our fishermen

[UNINTELLIGIBLE] I'm not sure. [UNINTELLIGIBLE] In Nikolski, we're building a lodge which should be done by the year 2001. We've had a number of delays but we have everything down there in the process of building that lodge. [UNINTELLIGIBLE] very B hopefully very profitable venture. We've also invested significantly [UNINTELLIGIBLE]; we own or are part owners of [nineteen?] vessels. We've had two sport charter boats, [seven?] long-line catcher boats, [NOISE] Bering Sea crab pots, three long-line catcher processors, one Bering Sea trawl catcher, and one factory trawler. We've also invested in [software?] for commercial fishing called Ocean Logic. We've had a tough go with it but I think we've turned the corner [UNINTELLIGIBLE] will eventually [UNINTELLIGIBLE] a lot of the industry is interested in [software?] so again we've turned the corner. We're very active, we're very diversified in getting our [UNINTELLIGIBLE]. Thank you.

MR. COTTEN: Questions from staff?

MS. SHELLIKOFF: Larry Cotter has a presentation on what we're trying to do [UNINTELLIGIBLE].

MR. COTTER: I'll keep this brief as well. The key to our region is the development B true development of local economies on a local basis. APICDA is fortunate because all of our villages are located proximate to the fishing grounds. As a result, our communities [UNINTELLIGIBLE] upon [UNINTELLIGIBLE] spend substantial amounts of funds in the community to develop job and business opportunities that will allow them to stay in the community instead of going elsewhere. So our focus from the very beginning has been on infrastructure and then we shifted gradually from infrastructure to business development. During the next few years, we're planning to continue in that direction. Justine mentioned that we're investigating the possibility of

constructing a processing facility in Nelson Lagoon in the year 2002. We hope that that will be possible. If so, it will be a tremendous benefit to Nelson Lagoon and also a benefit to fishermen who fish in that region. Justine also mentioned that Bering Pacific seafoods is currently buying salmon. One of the benefits of our operation in False Pass is that we are staying open and we are buying salmon whereas in the past the other companies would shut down in early September and the fall run opportunities would be foregone. In St. George, we are continuing to look to develop a seafood processing facility in St. George. Currently, we have a small fish-handling facility. The key to developing St. George and helping that community find stability is going to be seafood processing. In order for us to justify a facility though, we have to be able to reach critical mass in terms of species and products to move into the plant. So we're working with other companies at this time to investigate what that critical mass is and hopefully we can find a way to reach that and hopefully construct something, again in the year 2002. On the human resource side, we're going to focus increased attention on the youth in our communities during the next few years. We were talking about this last night, perhaps forming a foundation that we can use to help kids in junior high school perhaps spend six weeks outside of the community in another community school perhaps a reverse exchange program so that our kids begin to have an opportunity to acclimate themselves to the outside world so that when they reach college age and they leave to go to school, their chance of success will be increased. We're also implementing a program, we started it this year, but we started it too late for it really to be successful. We'll expand on it next year. A college summer intern program modeled after the Sealaska Native Corporation approach where we'll invite all of our college kids for our scholarships to participate in an intern program either in APICDA or one of its subsidiaries or an affiliated company.

They can work in a position for the summer, we can evaluate them, go back to school, come back the next year, work in a different position and at the end of their college education, hopefully they' ll be prepared to come to work for APICDA as well. So, Mr. Chairman, I think that is a fair summary.

MR. COTTEN: Thanks. Any questions? Kevin? Bryce?

MR. DUFFY: Yeah, I' ve got a couple for either Gilda, Justine, or Larry. The Federal injunction recently imposed by Judge Zilly to ban trawling in critical habitat area, if not lifted, will obviously have some significant impacts on the commercial fishing industry in general and some of your communities in particular, I would suspect. I' d like one of you, if you have some thoughts on it, to describe what impacts you see in the absence of the injunction being lifted. Gilda or Justine or Larry?

MR. COTTER: You know that' s a very complicated subject. Part one of it is if the injunction is just limited to just trawling and is not expanded to other B beyond that. In that sense, we would probably be okay in False Pass. The reason for that is that we' re limited in our current production capability in False Pass so the seasons in the past for cod in the gulf have proceeded very rapidly because the trawl gear can catch substantially more fish. So in the absence of trawl gear being allowed inside critical habitat where most of the fish are, one can assume that the season will last significantly longer and in that type of a scenario, that benefits Bering Pacific Seafoods because we can compete [UNINTELLIGIBLE] in that sense. Aside from that, we are invested in the Golden Dawn, a 148-foot trawl catcher vessel fishing out of Akutan primarily. As with all the [UNINTELLIGIBLE] catcher fleet, that injunction is forcing vessels to run further, more expensive. I think we can reasonably expect the price of fuel to skyrocket in the near future which is only going to aggravate the increased cost. So we probably will be hurt with that investment. Now, if the cod situation turns bad,

implementing their Alternative Three or something close to that, that is going to have devastating effects, I think, on everybody.

MR. EDGMON: That would have some impact on the BPS operation in False Pass.

MR. COTTER: Yeah, the worst-case scenario in Alternative Three is there is no fishing allowed inside critical habitat and the season is closed effective November 1. The November 1 closure is going to affect all of the long line catcher/processors who may have difficulty taking their quota. The closure within critical habitat to all gear types would probably eliminate any reasonable opportunity for probably most any company in any location to profitably participate in the cod industry.

MR. COTTEN: Any other questions?

MR. EDGMON: I had a -- Larry, I wanted to follow up with a question. Maybe this is best right with you . Could you talk a little more about your college intern program you just highlighted a while ago. I think that ' s a real interesting program and if I understand correctly, it ' s a pilot program of sorts.

MR. COTTER: I was talking with Bob Loescher with Sealaska Native Corporation one day on the plane and Bob was describing to me what Sealaska Corporation does. Of course, they have a substantially larger population base than we do. But nevertheless the concept is pretty darn good. What they try and do, of course, is to bring their shareholders - in our case it would be our residents - into their corporate structure and move them up into key leadership positions. And the way they ' re trying to do that is through their college intern program. They of course, provide a lot of grants to kids to go to school and then they have an application process where people apply to become an intern and they move them into company subsidiary operations and watch them very closely and

evaluate them at the end of the year and grade them, in essence. And then the next year go through application period again and bring new individuals in as well as continue the program with those that were very successful the preceding year. But with the returning individuals, they move them into another company and into another aspect of management so that at the end of four years, they're in a position where they've identified the cream of the crop, so to speak, and those individuals move right into the corporate structure. And in Sealaska land, that is now recognized as the means through which an individual can become part of the corporate structure. So that's the concept that we're going to try and work with and again our population is different so on one hand we won't have the same limitations that Sealaska has but on the other hand, we'll also have other limitations that they don't. We think it's a good concept.

MR. CASHEN: Mr. Chairman, I have a question. The national research council issued its report on the CDQ program in 1999 and there were several items that kind of recurred throughout the report. And one of those was there's a lack of communication between CDQ groups and their communities. And I was just wondering if you could describe how your community outreach efforts or describe your community outreach efforts in more detail and possibly how your community participated in [NOISE] directed at any [UNINTELLIGIBLE].

MS. SHELLIKOFF: I think the biggest improvement in our communication outreach was the conference [UNINTELLIGIBLE] because we have people come in from the other entities and the communities to the conference and this is where we get their input as to what the community wants, what they want and what they don't want and get input from the community and this is where we [UNINTELLIGIBLE] input brought in from the different entities. [UNINTELLIGIBLE] Juneau

[UNINTELLIGIBLE] make an effort to not [UNINTELLIGIBLE] .

MR. COTTER: Gilda's right. I'll add some [UNINTELLIGIBLE]. But I think the community conference is really one of the best things that we've done. We bring in the representatives from the local [UNINTELLIGIBLE] or traditional council, village corporation, and the local government and pay for them to come to Juneau and they choose their own representatives. Of course our board is there as well. What we do is we review what we've done in the past year, what our programs are, what our successes and our failures are, how much money we generate, where the money is spent, and what we plan to do in the next year. Then the villages get together and they critique our program, tell us what they like and what they don't like and tell us what type of course adjustment they'd like to see us make in the next year. The next year when we come back, we report to them on whether or not we've made the course adjustment and if not why [UNINTELLIGIBLE] repeat the process. I think what that's really done for us is that it has made APICDA much closer overall with all of the entities on the islands and made us much more successful.

MR. COTTEN: About 20 minutes [UNINTELLIGIBLE] very much [UNINTELLIGIBLE] . We could continue. We'll have the As and the Bs B Bristol Bay, that means actually Robin Samuelsen. Hey, Robin.

MR. SAMUELSEN: Good morning.

MR. COTTEN: How you doing?

MR. SAMUELSEN: Good.

UNIDENTIFIED SPEAKER: [UNINTELLIGIBLE]

MR COTTEN: [UNINTELLIGIBLE] The jury's out which one it is.

MR. SAMUELSEN: Good morning. First I'd like take this opportunity to thank the State of Alaska for stepping up to the task and making sure that BBEDC lives up to the standards set for us in our past CDPs. BBEDC is a strong supporter of State oversight. Without strong oversight, we would lose the credibility of this program and it would not be what it is today. My name is Robin Samuelsen. I'm Chairman and President of the Bristol Bay Economic Development Corporation. I have here with me today, Hazel Nelson, who wouldn't come up to the table, who's Vice-president of BBEDC. BBEDC's Deputy Director and Acting Executive Director Dorothy Wilson to my left. And our Fisheries Quota Manager, Eric Olson. Dorothy and Eric will be giving a short presentation and we're all available for questions now or in our one-on-one meeting. We'll start with Dorothy. Dorothy.

MS. WILSON: Good morning, Mr. Chairman, members of the oversight team. This 2001/2002 community development plan for BBEDC provides for the continuation of the following projects: CDQ quota management, outreach, education initiative, the Bristol Bay permit brokerage, regional fisheries development, regional infrastructure development, regional business development, technical assistance, employment, training, the Harvey Samuelsen Scholarship Trust, and the Bristol Bay Science and Research Institute. New projects including in this CDP are: the infrastructure matching fund, 4E CDQ halibut, capital investment fund, marketing and sales, and the Sustainable Flatfish Project. More specific information and the descriptions of these projects are contained in BBEDC's executive summary. BBEDC has adopted a practical and proven approach to formulating and accomplishing these projects described in our CDP. All projects are monitored regularly to insure that the budget, goals, objectives, and milestones are met. We have a small but extremely effective and

efficient staff that makes implementation of our programs a success. We continually look for ways to reduce costs and duplication of services while maintaining a high level of service to our communities and residents. Our residents are just beginning to accept the challenge and the opportunities that BBEDC has made possible in our region. Since the inception of the CDQ program in Bristol Bay, our residents are now earning competitive wages through our partnership. They're retaining their Limited Entry Permits that were in jeopardy of being lost for sale or seizure; are obtaining vocational training and higher education diplomas; are gaining valuable, on-the-job experiences through our internship program; and most importantly, they are finding self worth, confidence, and hope for the future of their communities and for their children through economic self-sufficiency. By allowing us to continue with our established and proven programs, enhanced with the new projects that we've proposed, we're hopeful that this program will make a lasting impact in Western Alaska. With that I'd like to turn it over to Eric Olson who's our Fisheries Quota Manager.

MR. OLSON: Good morning. I'd just like to speak briefly about BBEDC's management of the quotas we've been allocated. BBEDC's goals set forth by our Board of Directors are to maximize the value of the CDQ species, maximize the overall harvest, and to maintain low levels of non-target bycatch. At times, these goals can be mutually exclusive. However, we're fortunate to have harvesting partners that are committed to these goals and willing to work towards continually improving their non-target bycatch. This year Arctic Storm, our CDQ pollock harvesting partner, has prosecuted virtually all of our pollock CDQ allocation. BBEDC is pleased to report that throughout the whole year, our bycatch of non-target species was roughly one percent of the total catch. At the certain times of the year, pollock was the only species that came up in our hauls. Arctic Storm and BBEDC

are constantly monitoring our CDQ harvest. If we ran into higher than normal bycatch, the vessel ceased CDQ fishing, moved into their co-op allocation, and waited until the bycatch subsides a bit, move back into CDQ modes. This is just one of the examples that I'd like to highlight of our partner's commitment to reducing CDQ bycatch. I'd also like to point out that we've had very low levels of salmon bycatch throughout this year. Salmon is a very important resource not only for Bristol Bay but for Western Alaska as a whole. Of the 23,844 tons of pollock caught to date, 147 Chinook and 73 non-Chinook have been incidentally caught which is a big improvement over the previous year. And while BBEDC and our harvesting partner are pleased with this reduction of bycatch, we're not satisfied. We're continually looking for ways to reduce salmon bycatch. With regard to our directed cod fishery, the Bristol Leader has maintained exemplary bycatch and utilization levels. Cod has consistently made up about eighty percent of our total catch and about seventy-five percent of the remaining catch has come from the other species category. Our harvesting partner is actively processing that bycatch. To paraphrase Rob Wurm, the managing partner of Bristol Leader Fisheries, we are now processing all of the skates caught and about fifty percent of [sculpin?] which are both in the other species category. We are aggressively developing markets to accommodate our efforts to utilize for human consumption all species caught while long-lining in the MS CDQ fisheries. I believe that as early as 2002, we will be very close to full utilization and retention while fishing in the MS CDQ program. Moreover, I guess I should add that the slower pace of the CDQ fisheries has allowed them time to experiment with new products and new product types that they normally wouldn't have in an open-access mode. On the other hand, flatfish fisheries are another story. As most of you know, the flatfish fisheries haven't had very high levels of prosecution in the CDQ program. However, as Dorothy said,

in this upcoming CDP cycle, BBEDC will be implementing our Sustainable Flatfish Project. This project is designed to maximize the harvest of multi-species trawl ground fish and to provide new and profitable markets for flatfish products. The main objectives of this project are to develop markets for the increased production, increase the harvest of CDQ flatfish allocation, work to reduce the bycatch encountered in the flatfish fisheries through research and development and new harvesting techniques. And lastly, we'd like to develop a working relationships with one or more of the CDQ groups to increase the volume of [UNINTELLIGIBLE] species and bycatch available to support the project. I guess in closing, I'd like to say that BBEDC strives for effective and efficient use of our allocations to support the economic development of Bristol Bay.

MR. SAMUELSEN: BBEDC is committed to improving our village lifestyles and promote hope for the future generations of Bristol Bay residents. We will continue on the road of becoming self-sustaining. Our village residents will be our main focus of training, jobs, and local village infrastructure projects as well as many other programs being offered to them by BBEDC. BBEDC will involve our residents in scientific research projects, [proper?] agreements with ADF&G and Fish and Wildlife Service. This projects will be run through the Bristol Bay Science and Research Institute. This research is needed today more than ever. Our sockeye fisheries as well as other salmon species are in a declining mode and we need the necessary research done to find the causes. One day I hope to look back at this Institute and see it was the catalyst of all research conducted in Bristol Bay. Bristol Bay residents trained, working, with a respectable salary, gathering data, monitoring, and being part of the decision-making process on the resources of Bristol Bay, solving not only our fish species problems but land mammal problems as well. This CDP has [UNINTELLIGIBLE] to permit BBEDC to realize its

future by allowing us to continue focusing on investing in the seafood industry both regionally and in the Bering Sea. I believe more companies will [UNINTELLIGIBLE] in seafood industry than any other industry. The Board of BBEDC has proven that the careful and conservative philosophy regarding investments is paying off in returning much-needed dollars back to the region. BBEDC will continue to look for opportunities to enhance our existing investment and strive to diversify our participation in the fisheries arena. Early into the CDQ program, the Board of BBEDC recognized we needed to participate in the regulatory processes. These include [UNINTELLIGIBLE] descriptors [UNINTELLIGIBLE] united the council, Board of Fish, and other industry meetings where issues affect the CDQ program and its continuation are being addressed. We need to promote the continuation of the CDQ program well into the future for there is no other program out in our region like the CDQ program. We believe that when our senior senator, Senator Stevens, decides to retire, Alaska will be paying a heavy price and Bush Alaska will suffer the most. The CDQ program is helping us get ready for that dark day. Our mission statement is to promote economic growth and opportunities for residents of BBEDC ' s member communities through sustainable use of the Bering Sea resources. I believe that the Board of Directors of BBEDC has stepped up to the challenge of this mission statement in the past, present, and our future CDP before you. Life is not a bed of roses nor is the CDQ program. In order to succeed, one has to work at it. I can guarantee that the Board of BBEDC is committed to work as hard as they can for the people we represent. Once again, on behalf of the Board of Directors of BBEDC, thank you for providing BBEDC the opportunity to address you this morning.

MR. COTTEN: Thanks, Robin.

MR. DUFFY: Mr. Chairman, either Eric or Dorothy or Robin. The American

Fisheries Act has been in effect now for a couple of years. Could you describe any impacts it ' s had, either positive or negative, on your organization.

MR. SAMUELSEN: Well, in our organization, there ' s been a positive impact. We were able to increase our yield rates, reduce bycatch. In that sense it ' s been positive. Looking at the overall American Fisheries Act, it ' s had a negative effect on Alaska hire. Alaska hire has gone down under the American Fisheries Act overall on not as many boats needed, therefore not as many employees needed. I ' m happy to say under the American Fisheries Act, our employment numbers have actually increased. My Board has made hiring a major policy [UNINTELLIGIBLE] . I ' ve attended meetings along with other CDQ groups, retreats with the [UNINTELLIGIBLE] the [UNINTELLIGIBLE] processors where we, not only myself but the other CDQ chairmen have beat up on the folks [UNINTELLIGIBLE] hire more Alaskans. I ' m happy to report that a non-CDQ-affiliated off-shore factory trawler company [NOISE] co-op responded within a week and had people out in our region - not in the CDQ villages because by contract BBEDC ' s contract to work with Arctic Storm. However, of thirty villages in Bristol Bay, seventeen of them are in the CDQ program. Those villages not in the CDQ program were the ones that this factory trawler targeted. I believe they went up there and did interviews and they offered twelve jobs to the non-CDQ residents in Bristol Bay for the first go around. Eight took them up on it. Probably an average of about \$14,000.00 were earned by each of the [UNINTELLIGIBLE] . I think it ' s something that not only the CDQ groups but the State needs to work at real hard and make sure that Alaskans are employed.

MR. COTTEN: We ' ve been joined by Jeff Bush and Kate Troll.

MR. BUSH: Sorry we ' re late. Welcome.

MR. SAMUELSEN: That ' s all right, you know who ' s paying the bill, there ' ll be deductions.

MR. BUSH: We ' ll put in a little extra time in the next couple of days.

MR. COTTEN: I guess I should remind everybody that we do need to speak up. We ' ve got people out on the teleconference line so if we can speak up just a bit. Robin, maybe this is best directed to you although Dorothy or Eric [UNINTELLIGIBLE] . Could you talk a little bit about the Science and Research Institute that BBEDC has just incorporated earlier this year. You hired a new executive director and you ' ve done some things over the summer I know at the Institute. Can you talk a little about that.

MR. SAMUELSEN: Well, because of budget cuts in the Legislature in the Department of Fish and Game, we ' re seeing the manager ' s tools disappear for managing our base property out there. We don ' t have any B of all the river systems we only have two systems now that have [UNINTELLIGIBLE] migration programs B one really, the [UNINTELLIGIBLE] migration program. [UNINTELLIGIBLE] was funded by BBEDC dollars. [UNINTELLIGIBLE] and [UNINTELLIGIBLE] and U.S. Fish and Game. But you know we ' re going to be doing [UNINTELLIGIBLE] studies, a number of studies out in that area. And it ' s just getting off the ground, hopefully in the near future we have many proposals submitted to U.S. Fish and Wildlife Subsistence Division. Currently that office is located in Juneau. We ' re hopefully going to move that office to Anchorage in the next year, year and a half, so it ' ll be more centrally located.

MR. EDGMON: Your executive director.

MR. SAMUELSEN: Our executive director. right now we ' re in the information-

gathering mode that we've just about got all the [UNINTELLIGIBLE] put in place for the research to take off. It's a 501C 3 or C 4 - Dorothy? C 3 and we'll be able to collect raw fish tax, donations [UNINTELLIGIBLE] corporation. We've hired a professional grant writer to help supplement our dollars. We hope that that arm of BBEDC will not only employ our people again but get high school kids involved to take an interest in the field of biology.

MR. COTTEN: Any more questions for Robin and company? If not, thank you very much. We're about on schedule. Next is Central Bering Sea. Good morning. How you doing?

MR. LESTENKOF: For the record, my name is Phillip Lestenkof and I'm the Chairman and President of Central Bering Sea Fishermen's Association. [UNINTELLIGIBLE] representing [UNINTELLIGIBLE] St. Paul Island. With me here first of all are two Board of Directors, Rena Kudrin and Myron Melovidov. Also here are Tara Bourdokovsky and Patience and they've been with us for a year; they're called management trainees. They'll be doing the overhead presentation to conclude our presentation on our education programs and [UNINTELLIGIBLE] programs. These two programs have had a positive effect on the community of St. Paul. Also is Tom Crandall over here; he's our Business Manager and reporting on our financial status and that's a lot of work. Last but not least is Steve Minor who's a consultant. He'll be speaking on several of our new projects including our [UNINTELLIGIBLE]. A couple of these are the multi-species development studies he created. Our efforts in response to the crab rationalization surrounding the opilio crisis. And also over here is Dick Tremaine who does consulting work for B quota management work for Central Bering Sea. I would like to speak in general about CBSFA's past accomplishment and also touch on a couple of our current CDQ projects. CBSFA has achieved one of its main milestones in our current

CDP. That milestone is to acquire pollock industry assets. This year in May, we purchased an equity [NOISE] which is a major accomplishment for CBSFA to become owners of part of the pollock harvesting and processing industry. [UNINTELLIGIBLE] sound investment. [UNINTELLIGIBLE] the fishing industry has been quite unpredictable nowadays [UNINTELLIGIBLE] the Bering Sea. Another tremendous accomplishment by the community of St. Paul is the development of a successful local [UNINTELLIGIBLE] and commercial halibut fishery. I cannot emphasize how important the halibut fishery is to our local fleet and to the community of St. Paul. Even before St. Paul developed a commercial halibut fishery, halibut was an important part of our culture and an important subsistence food source. Since the beginning of the halibut CDQ, programs, the community of St. Paul has been very successful in reaching its goal of building an [UNINTELLIGIBLE] and developing a viable commercial halibut fishery. Our local fleet has developed into a major source of employment for the community and has become the foundation for local economic development. In the summer, the halibut fishery employs more than a hundred people and is the largest single source of employment on St. Paul Island. Our local fleet is made up of boats that average between eighteen- to thirty-two-footers which is small by Bering Sea standards but we have been successful in catching essentially one hundred percent of CBSFA's halibut allocation every year. We believe the success of our local halibut fishery is directly tied to St. Paul's natural geographic location in the Bering Sea. St. Paul Island is right in the middle of the summer feeding grounds for halibut. Our close proximity to the resource along with the help of CBSFA programs contributed to the success of our local fishery. Another contribution that played a key role in our success was the determination and the perseverance of our local fishermen and community to put together a local fleet that is capable to go out and catch our halibut allocations

effectively. CBSFA did something different this year with the halibut allocation. We put our halibut allocation out for bid and sent out requests for proposals to several interested buyers and processors. Our goal was to increase the ex-vessel price paid to our fishermen and it worked. The collective buyers [UNINTELLIGIBLE] higher prices paid to our fishermen over last year. This resulted in a significant increase in earnings for our local fishermen and community. Another new development in our local fishery this year was the formation of a locally owned fish-buying company called Pribilof Alaska Seafood Company, in order words PASCO. PASCO is a joint venture between St. Paul ' s ANCSA village corporation, the TDX Corporation, and our local tribal government of St.Paul. This new company is one of the successful bidders for Bering Sea halibut paying a higher ex-vessel price to our fishermen. This should develop and allow for new local business start ups. Also for the first time since the beginning of our CDQ halibut fishery, CBSFA had to charge a royalty on the halibut to recover the expenses we incur under our local fleet-support program. Charging a royalty on our halibut wasn' t easy, but CBSFA lost significant income this year due to the drastic reduction to the guideline harvest level of the opilio fishery and we had to make this program self sufficient on a break-even basis.

We are asking for the same CDQ halibut allocation we received on the last allocation cycle. Our community has maximized the use for the halibut allocation each year since the beginning of this program. Our local fishermen have also invested heavily in building a local fleet and have successfully developed a major source of livelihood for the community of St. Paul. Another continuing goal of CBSFA is to facilitate the construction of a small-boat harbor in St. Paul. CBSFA Board of Directors [end of tape] ....will set aside and additional \$650,000 this year. By the end of this year, we will have set aside approximately \$1,650,000 to be used for the construction of the small-boat harbor. It

continues to be a main goal in our 2001 and 2002 CDP to set aside an additional \$650,000 in each of the years. The small-boat harbor plan is going forward. The small boat project has been approved by Congress and incorporated into the Federal Main Harbor Improvements Project to increase effectiveness of construction. This past August, the Corps of Engineers sent representatives out to St. Paul on an information-gathering mission. All day yesterday and last night, a Corps of Engineers representative has been holding public meetings in St. Paul as we heard last night and this morning, there ' s been a lot of [NOISE]. On September 6<sup>th</sup> of this year, the Commissioner of the State of Alaska Department of Natural Resources made a decision on issues involving the tidelands conveyance for the area where the small-boat harbor will be built. In light of the recent downturn in the opilio fishery, which was the mainstay of the overall economy of St. Paul, we feel this makes the construction of a small-boat harbor even more necessary. It will allow the community to expand and diversify into other species and not be so heavily dependent on a crab-based economy. Finally, the experience of the opilio crisis has led CBSFA to focus our effort on developing a diversified fisheries-based economy. The progress of the Main Harbor Improvements Project and the small-boat harbor, along with the steady building of a capable local fleet, have all led CBSFA to create a group project called the Multi-species Development Study, a joint effort between American Seafoods and CBSFA.

[UNINTELLIGIBLE] will be collaborating on this new project here.

MR. MINOR: Thank you, Phillip. I will try to keep my comments brief but I would like to refer to my notes. I ' m going to deviate from the script for just a moment because I know this has been a big major topic with the State. Last night B all day yesterday and last night, the Corps of Engineers did meet with all the entities and the public. As of late last night, an agreement has apparently

been worked out between all the entities on all the remaining uplands issues on the small-boat harbor. That coupled with Commissioner Shively's tidelands decisions, which, it appears, everybody is willing to accept, should remove the last obstacles now on the small-boat harbor. Of course, we want to see the paperwork like you; but it sounds like it's done and we can get going. So, that's the good news of the morning. What Phillip has referred to as our Multi-species Development Study is in fact a full commitment to get into multi-species processing by next year and I wanted to talk briefly about that and then let Tom talk about some of the other issues in the CDP. Because our CDP does contain several new projects but we're also trying to accelerate several outstanding projects in response to the crab crisis. Since the opening of St. Paul harbor in the early 1990s, CBSFA and the community have been working to develop a diversified multi-species processing sector and fleet-support sector in recognition of the need to create a really sustainable economy that isn't dependent on a single resource. Certainly the Bering Sea opilio crab crisis has brought home that lesson, that we and every other coastal community need to diversify to whatever extent possible. In the past, multi-species processing on St. Paul has been hampered by timing, by some regulatory roadblocks, and even allegedly by some local conflicts. But we think those are now falling away simply because the crab crisis brings home the need to get this done. For those that don't know, the City of St. Paul derives eighty percent of its revenues from Bering Sea opilio crab. CBSFA itself derives forty percent of its revenue. In 1999 it was forty-one point two percent, to be precise. And that industry has now for all intents collapsed. It's pushed us to accelerate our project and I would like to detail, since it hasn't been discussed much, one specific project which is really the cornerstone of our next two years' effort and that's the Multi-species Development Project with

American Seafoods. There are four or five aspects to the agreement. The first is there is a solid commitment now from American Seafoods to bring the Katie Ann or a similar vessel into the harbor next year to begin multi-species processing inside the harbor. This is vital. The halibut fisheries, the local cod fisheries, will help us reach what Larry Cotter called critical mass so the allocations decisions here are very important. We've already started working closely with American on the mooring, the permitting and the other issues that we're going to have to work through all winter to bring this on line. Next week, we'll start our meetings with EPA and the Corps to make sure that everything's in place there. We can brief you more tomorrow on that. The second aspect of the agreement is a specific provision that allows the continued support development of PASCO and other local businesses. We don't want to fall into a situation where all of the fish and all of the resources of CBSFA are simply to make the American Seafoods joint venture work. We want to also allow the continued development of locally owned processing and marketing ventures like we did this year with the halibut fishery. So there's a specific provision to do that. In a related series of agreements, American has committed to harvesting several of our target species at rates that are well above what we've received in the past but also to bring some of those species into the harbor to support the processor. So you can see everything is inextricably linked here. The fourth aspect of the agreement is a provision that gives us an option to purchase a quarter share in the North Cape, which is a freezer long liner, 123 foot, built in 1989, one of the newest ones in the fleet. It will not only allow us entry into that and the completion of a longstanding milestone which we've wanted acquisition of a freezer long liner for a long time, but it will be specifically directed to support the development of the multi-species processing venture inside the harbor. So it's key to the business plan. And finally, CBSFA and American Seafoods will conduct a

joint Multi-species Development Study which is really intended to identify the best development opportunities for the community, what resources are needed, what roles the entities can play. So there is a clear map towards self-sufficiency. I think for a long time, everybody's recognized the geographic advantage of St. Paul but nobody has turned it into a business. So that is an aspect of the agreement. As you can see, this agreement helps us achieve several longstanding goals. It also helps us accelerate our move into multi-species processing several years ahead of what anybody would have predicted a year ago, and it has become the key portion of our CDP. We ask that you seriously consider the changes in our allocations request because they were carefully calculated to support a successful launch of multi-species processing inside the harbor. Thank you.

MR. CRANDALL: Since both of my partners here have taken most of the time up, I'm going to drastically edit, but I want to talk about a couple things real quick. One is, we've mentioned the crab crisis. We've mentioned that it has caused a decline in revenue, forty-one percent for CBSFA. In dollars and cents, that's about seven hundred thousand that we lost in revenue, two thousand over 1999. To further compound that loss, the City of St. Paul had a reduction in tax revenues, by their calculations, of about one point eight million per year. So the combined loss is about two point five million and the opilio issue is slated to extend for three or so years into the future. So the total community loss is about \$7,500,000 over that three-year period. This has created several challenges for CBSFA. We have attacked those in really several different ways. One of, as you've heard, that Phillip mentioned is we've renegotiated or restructured our halibut fishery. To put some dollars on that, in 1999, the halibut average price per pound we were getting was about one eighteen. In 2000, we estimate, when it's all done, it'll be about one eighty-seven. That put about another

\$600,000 into the community households on the island. It helped to offset some of that loss from the crab but it did not do all of it because when I was talking about the loss for CBSFA and the City, that is only those two entities, that has nothing to do with the household loss which we have not estimated at this time. A second thing we did was we looked at our royalty agreements with all of our processing partners and Phillip went back to those. We were able to renegotiate those and that did create for CBSFA a recapture of about one third of the loss that we mentioned earlier. The last thing B one of the other things we did was we had to reduce programs. A year ago, we were looking at running a deficit in the year 2000 because of those lost revenues. We have turned that around. We will have a surplus or a break even. It ' s going to be real tight. Lastly, we developed our CDP to try to accelerate programs and to try to put CBSFA on a firm footing that is not dependent upon just one species. And in regards to that, that is why we ' ve asked for additional allocation to support both our loss in crab revenue as well as to help support multi-species processing. Specifically, some of the projects that we ' re going to do this year is small-boat harbor. As Steve said, it looks like all the hurdles to start that project are over. The State tidelands have been transferred to the City; the Corps, the City, TDX were meeting last night. It looks like those issues have been resolved. So once we have those finalized, we will be able to finalize design and we hope to start construction of the ramp and haul-out and haul-in facilities in the year 2001. There are some issues having to do with the small-boat harbor. The total local share is estimated at about twelve point two million. We expect some Congressional help in the neighborhood of about five million and if we get that it will leave about seven point two million for local matching. CBSFA has a million six five already for that, so we have about five point five million additional dollars to raise locally for that harbor. Again we ' re trying to do that through three ways: 1)

through disaster relief; 2) through more fish allocation; and 3) by processing other issues. So having said that, and we're just about out of time, Steve did a good job talking about multi-species and about the North Cape. We look at B again we ask that you consider favorably our request for allocation and thank you very much.

MR. COTTEN: You're kind of running real tight. I don't know if you want to do B if it's long, you may want to wait >til the B either way B now or... Five minutes it is.

MS. MERCULIEF: We'll be quick here so if we talk fast, bear with us, we'll be [UNINTELLIGIBLE] afterwards. As Phillip mentioned, Tara and I are going to give a quick overview of some of CBSFA's programs that have directly benefited the community. One of the main questions we ask each year or each couple of years as we come together is the CDQ program meeting its goals? And to answer that you have to identify the goals or what was the central goal of the CDQ program. Could you put that back on Tara. Which was to improve the social and economic conditions in rural Western Alaska by helping communities engage B build their capacity to engage in commercial fishing. So we want to real quickly look at what has CBSFA done economically, socially, and educationally for the community of St. Paul through highlighting two programs: the vessel, gear and IFQ program and a scholarship, grant and student loan program. Since the beginning of the CDP program, CBSFA has put over a million dollars into its halibut fisheries development through vessel, gear, and IFQ loans. Here you can see the growth of the halibut fisheries since the CDQ program started in 1995 with the number of boats participating and increase in persons employed. So what are the vessel, gear and IFQ programs doing? They are promoting small business operations, as you can see in the twenty-three vessels we have operating, and this year we had the local buyer as Phillip mentioned, PASCO. What

else are they doing? They're promoting local employment and we can see the benefits of that in the increased self-esteem, teamwork, and personal development of our community members. And what else are they doing? They're supporting the foundation for multi-species development. Halibut is a critical species for our processors. They are critical for a template to expand into other fisheries such as cod and expanding into our participation in the Bering Sea fisheries in general. Now to jump over to our scholarship, grants, and student loans programs. CBSFA has awarded over or just about \$600,000 in scholarships, grants and loans since '93. And we can see the benefits of that in the increasing number of students graduating over the years. We have had about twenty-two graduates to date. And Tara and I are examples of students that have benefited from the CDQ scholarship and loan program. We went out, got our education, and returned, and now we're both working for CBSFA.

So back to our central question: How is CBSFA [NOISE] community economically, socially and educationally. The economic benefits: we have promoted local small business development, local employment, and we're providing a foundation for multi-species development. The educational benefits we've see in our increasing number of students attending and graduating from college and returning. And the social benefits are one we see in the community all the time, the increase in the responsibility, the pride, teamwork, self-esteem, feelings of ownership and community building. So, the fundamental question is the CDQ program meeting its goals? and yes, it is. I want to share a few pictures with you of the halibut fishery and our members from this summer. I'll be real quick. This pre-CDQ days. These were the average size of our vessels back then. And pre- our small-boat harbor and major harbor development. Some of the local fishermen had to offload the catch manually. This is the 1990 St Paul harbor dedication. And the area view of St. Paul and the harbor on April 5,

2000.

MR. COTTEN: Slow down just a bit, we ' re not in that much of a hurry. I ' ve only had one cup of coffee today.

MR. MINOR: We ' ve had several.

MS. MERCULIEF: And then, of course, we ' ve had the Army Corps of Engineer model in front of you here with the small boat harbor which you heard this morning is well on its way. This is a shot of before the floating dock and after the floating dock project which is part of the small-boat harbor. Launching the floating dock happens every year. Annual deployment. You can see the borrowed crane there, that we -- that is very crucial to the annual deployment of the small-boat harbor. And then once things are on its way, the cranes are used B our borrowed cranes are used for transporting the vessels from land to water. And there ' s a picture of the vessels waiting to go out. We have another project the boats continue to benefit from. Kvichak Vessel Repair Project there ' s some - some of the vessels that benefited directly from it. And then the men get out and the local fishermen get out to work hard for their money. This is the fishing vessel Nickta [ph] crew. Some of the young men gaffing the big one, working the wood, gutting and [UNINTELLIGIBLE] , and then of course, the happy crew at the end of the day on the way back to the harbor. Once they get to the harbor, they offload and then you can see the benefits after the fish get ready to process. Weather - good or bad - we fish on. Surfing the swells. Making waves. Some more of our small vessels. And we continue, the young and old, to ride on to the future. Even the old man of the sea has his day and I understand that this gentleman here fishing vessel Reena Gail [ph], Captain Alex Kudrun [ph] can even smell the fish under the water. The local fishermen like to process their subsistence, jigging for chuggy [ph]. Chuggy

is the Aleut word for halibut. Here's our local captain, Simeon Swetsoff, and his crew on their way back, taking the halibut plunge. Hopefully they'll have B they're plugged with halibut where they offload at the dock. Because they all like the big halibut or chuggy -- chuggy And then it's back to square one with the baiting. Other people in the community are employed. Here you have a picture of our leadership CBSFA, TDX, City, and IRA discussing the small-boat harbor. They're not only leaders, but they're teamwork B they're team players. And last but not least, what we're doing here today and the future and the decisions you're making here affect our children and our children's children to come in the future and they're very important to us. Thank you very much.

MR. COTTEN: Thank you. Very good. I think in light of the time B I think in light of time, not that we're in a huge rush, unless there are quick questions, maybe we'll just hold off until meeting with your group. And we appreciate the presentation. Nice photograph work. Thank you much.

UNIDENTIFIED SPEAKER: Probably ought to mention the sixth floor conference room.

UNIDENTIFIED SPEAKER: I'll wait until we're done.

MR. COTTEN: Good morning. How you doing?

MR. CROW: Waiting for Fred to [UNINTELLIGIBLE] fly fishing hat on. Lamar, I'd like to introduce [UNINTELLIGIBLE] Board members [UNINTELLIGIBLE]. You know Fred Phillip, our President. Edgar Hoelscher Vice-president, Oscar Wassillie Board Member, Simeon John from Toksook Bay. What we'd like to do this morning is have our corporate officers make the presentation and maybe have some closing comments and questions. So, I'd like to ask Edgar to go

ahead and start.

MR HOELSCHER: Good morning. You know my name. I'm from the village of Hooper Bay which is the largest population in our CVRF region. I am an acting Vice-president of CVRF ever since the inception of the company. I sit on the Finance and Scholarship committees. Also I am the President of our pollock subsidiary which has invested in twenty percent of the largest company in the Bering Sea. I am very proud of the fact that Coastal Villages has achieved its goals to become a major player in the Bering Sea. When CVRF became an entity, there was turmoil within the parent company. We met with you on the status. There was a reduction of the allocation at that time and another one thereafter. We pleaded with you to convince you that we still could manage Coastal Villages' CDQ program. Our quota has been reduced down ever since that time. After the reduction we have reorganized. We have consolidated our management offices in Anchorage. Management involves the Board on issues that pertain to our company from the region, from the State of Alaska, and the U.S. Federal government. We have added three new villages since the second reduction of our quota. We have new investments which are prospering compared to the one investment in the earlier years. These investments are bright and [UNINTELLIGIBLE] for our future and providing benefits for our communities. You, as our oversight, can see that CVRF is doing what the CDQ oversight team had recommended which included going to our communities and providing technical assistance, employment, training, scholarships, and providing our communities with economic [UNINTELLIGIBLE]. These are some of the reasons why we should have our allocations brought back up to the request we are asking for. Coastal Villages has developed the abilities needed to provide guidance on CDQ for the benefits of our communities and at this time, my fellow Board Members will present their testimony and tell you

more of what our company operations are doing. I thank you.

MR. JOHN: Good morning. My name is Simeon John. I am from Toksook Bay and I am the secretary of the Board and the President of the Coastal Village Seafoods or CVS committee. This is my second year serving on the Board. This morning, I would like to present to you what CVRF and CVS has done to contribute to our villages. Our region has the lowest economic resource in the State. The two renewable resources that we have are the salmon and halibut that are harvested on seasonal basis. I can speak on behalf of our community when I say that we are very thankful for the jobs that our people are holding through the processing plants that CVRF operates during the season. Since CVRF began harvesting halibut commercially, this is the first season that our fishermen caught the entire 4E halibut quota. Most of the consistent fishermen have secured themselves financially. Where there may not have been jobs, people are being employed during the summer. We've helped our people to be one step closer to becoming self-sufficient and deterred them from receiving government subsidies. CVS provides a good-paying, constant hours and variety of skilled job levels that foster financial independence and therefore increase self-esteem. This is important because so many of the youth in the villages lack the opportunity for positive work experience. We are also thankful that this year we have established the highest record of ticket sales for the salmon purchase in the areas between Norton Sound and Togiak. This has been accomplished only in the second year of operation. We are very impressed by this fact. Coastal Villages is already preparing its seafoods plant for the 2001 and will be operating in full capacity as the result of this past summer's improvements and experience. We are already planning the details so that we can be ready to take the first batch of fish that arrives at our doorsteps. In the past two years of plant operations, we did not seek the financial assistance of the

outside source. We've taken our own planning and have learned to handle the raw product as fishermen deliver to our plant. For the first time in the history of the region, the plant operation was run completely in Yupik language, from processing [UNINTELLIGIBLE], quality control to trafficking to operations management to marketing to fishermen and community relations. We are very proud of that fact. CVRF seeks for the additional opportunity to harvest more fish in the future. As I mentioned in my first statement, our region lacks the economic resource. In turn, jobs are scarce. Our region has an unforgiving environment and we're working extremely hard within the two-month window to harvest the fish in order to obtain the economic resource. The renewable resources we commercially harvest support our subsistence lifestyle. The money earned in the investment and to enhance harvesting mechanisms that improve our ability to catch the resource. The CDQ program has added value to the livelihood in our communities and families. [Yupik word(s).]

MR. WASSILLIE: [Yupik introduction] My English name is Oscar Wassillie. I am the CVRF Treasurer and the Coastal Villages Angler LOC President. This morning I want to talk about the outreach initiative implemented by CVRF and called Ciunerkam Tangruaritti which means looking toward our future. This is a grass-roots approach to economic development. What CVRF is doing with Ciunerkam Tangruaritti is excellent. Through the Ciunerkam Tangruaritti process, we learned that there is a genuine desire among the villagers to work for sustainability. Several methods were used to gather information from residents and students including a well-designed survey that tapped into the core values and interests of both individuals and the community as a whole. Lots of good ideas and priorities were identified such as infrastructure improvements, services needed, support for clericals, ways to live healthy lifestyles, and to nourish the Yupik traditions, just to name a few. Ciunerkam Tangruaritti is

highly regarded as a major project by our communities. In the past, the individual efforts of the State and Federal and some private entities have not been too effective in guiding our local entities through the funding proposal process. However, CVRF's invaluable work has been successful in providing assistance to its coastal villages. CVRF's well-prepared employees visited all twenty villages to facilitate the community through a tremendous process whose end goal is to foster the development and implementation of priority projects. These projects deserve the concentration and intention of capable agencies such as CVRF. With the Ciunerkam Tangruaritti as a solid foundation for development of the region, CVRF intends to hold itself and the village accountable to responsibly implement the projects. With this in mind, CVRF is working with village steering committees to identify project priorities and to coordinating the funding summit, connect those village priorities to appropriate sources for funding and technical expertise and business advice. People in agencies from all directions are working together. An example of this dual accountability is our efforts to support the most appropriate growth for utilizing a regional port. The [UNINTELLIGIBLE] organization has done a lot of leg work on getting this project looked at by prospective funding sources. When CVRF became involved, we were committed that the interests of the Federal, State, and region at large, as well as private entities, would be considered. CVRF on behalf of the region, along with the State DOT, provided matching funds to the Army Corps of Engineers to enable the regional economic study to move forward. The study, that covers an area between Cape Romanzof and Security Cove, will determine if a port project within our region would economically impact the national interests and will work to recommend most feasible site for a port. This regional port project is considered to be a major project for the coastal villages. With the existence of this port, there are bound to be savings realized on the cost of [UNINTELLIGIBLE] and

many endless benefits for our people. Before I conclude my part, I want to express that Ciunerkam Tangruaritti has not been a simple project. Our dedicated employees continue to move forward with this commitment to create opportunities for economic development. The effects of Ciunerkam Tangruaritti are only going to multiply itself towards positive change because CVRF is there to insure that the priorities are well planned and organized through a thoughtful process. This validates our need for additional resources that will devoted to this successful initiative. CVRF is a program that was pursued and developed by the Yupik people in our region. Our land is the birthplace of the CDQ program. CVRF ' s program and initiatives have been wonderful and they are working for people for whom it was designed. CVRF ' s work in the economic development arena will continue to connect our mission to our people, therefore returning the benefits to its rightful recipients. [Yupik word(s).]

MR. PHILLIP: [Yupik? greeting] My name is Fred Phillip, President of Coastal Villages Regional Fund. I don' t have specific things prepared at this time, however, I could base some comments on the testimonies that have been made. I think before I start off, I want to read out of the mission for Coastal Village Region Fund. We improve the social condition of the Coastal Villages Region by creating human resource programs that provide entry-level employment and advancement, a wide range of training programs, scholarships, internships, and apprenticeships that will be self-sustaining over time. The second one is to enter into Bering Sea and Aleutian Island groundfish and crab fisheries as an active participant. Number three: To develop fisheries resources of the Coastal Villages Region to the maximum extent economically feasible given the limited nature of local resources and their locally low value. And I think some of our presenters here gave you that picture of our fisheries-related programs. Some of the things that we ' ve been doing in the past have been developing

partnerships with various organizations within the state and the region as well, and particularly that Alaska Human Resource Investment Council. Not too long ago, they came out to Bethel, had their meeting out there. We hosted them and we also invited the local organizations [UNINTELLIGIBLE] people such as the school district, our non-profit AVCP as well as YKC[?], staff and board participating in those meetings that we've been hosting. And the purpose of having those or starting those meetings were to look at possible ways of getting funding for some of the things that we're doing. The port project in particular is a big one that we're looking at and working with different organizations as well. And at the same time with the Alaska Human Resource Industry Council we look at investments that would bring in the type of returns that we expect. In our executive summary, we have a request for twenty-five percent of the allocation for pollock which is [UNINTELLIGIBLE] that we're looking at and in order to maximize on our activities. I think that's what we want to see in that this consideration be taken. Not only that, especially with the various things that we're doing even at the Board level I think at Board level, we look at what we're doing here and to have, I think a positive role that we play through in terms of extending ourselves. Not only that, we do have many programs that we're carrying forward to have that level of activity stay there. I think it's important that you look at the request for allocation - we want that consideration. At the same time, as Robin had said, along with the other chairmen and the CEOs of the organizations, we do meet on a timely basis or a quarterly basis to discuss ways that we can protect this program. Because we see it as the thing that's driving our communities today, especially within our region where fishing has been real slow for the past three, four years or even longer. Also at the same time, with the halibut allocation, I think we've shown that we can take care of our product with our own people. And not only that training our people to become

effective managers and playing a positive role in our communities. [Yupik word(s).]

MR. CROW: Lamar, I'd like to make a sort of a closing comment before we take questions. On my way in here, someone asked me, How much money did they pay you to put on that tie? [UNINTELLIGIBLE EXCHANGE] What we're trying to do here, Lamar, is to show you that we would put on our ties, we'll do our work, we'll commit to running our company, to the relationships that we've developed not so much to sort of lead through these groups but to have them help us in our cause. [UNINTELLIGIBLE] named off a few of the entities we've partnered up with. I'd like to mention a few others. With the youth of our company, although some of the Board members have been around since the beginning, we know we need different kinds of help to get where we're going. I in particular have been communicating real closely with Robin Samuelsen who is going to help us through what I think is going to be our toughest dilemma through the coming winter which is salmon bycatch. As Simeon reported, we had a great season in our local salmon fishery but up the river, up the Kuskokwim River, it was a [UNINTELLIGIBLE]. So instead us trying to concoct a way to combat bycatch, we've fallen in behind Robin who knows a heck of a lot about bycatch. We can utilize that relationship to help ground out one of our biggest investments. This presentation, in my view, is a demonstration of the understanding and commitment by the Board officers. And I'm speaking on behalf of the staff. We're committed to doing a very fine job of providing CDQ benefits to our member communities. Thank you.

MR. COTTEN: Questions? We've got some time here. Kate.

MS. TROLL: Good morning. You spoke about the importance of halibut to your region but I notice you're not asking for any increase in halibut quota but you are asking for increases in

the flatfish species. So I'm just kind of wondering how that ties into your programs.

MR. CROW: The local halibut fisher is basically [4E?] right up at Bristol Bay. And this is our first year of harvesting. We hope to establish that as a pretty consistent pattern in [UNINTELLIGIBLE] and getting our fishermen out there and harvesting the quota. As you know there's an opportunity now to add [4D?] halibut [UNINTELLIGIBLE] something that quota. First of all, we're not going to ask to take [4E] halibut away from Bristol Bay to supplement our quotas [UNINTELLIGIBLE]. This is basically the first we harvested [UNINTELLIGIBLE]. I think that the multi-species request is an attempt not so much to fill to plug into B I mean we're all having problems catching our [UNINTELLIGIBLE] multi-species. But what we're trying to do is to set >em up and knock >em down. To learn how to do it B we finally learned how to do it with Pcod. I think we finally got rid of squid. Somewhere in the middle of all those species, there's the rest of the species we're going to try learn to make money off. Which sort of goes along, get the quota, harvest them, sell them for a margin, and there you have it. If someone can do that, we can achieve a quota off it. We have not made plans for investing in the vessels you catch those things in. The pattern that I've seen this company do the last few years, is to slowly step into these things and then make the investment. I think I'm not representing today we're guaranteeing an investment in [UNINTELLIGIBLE] mackerel or something. But truly the order of learning how to get benefits from [UNINTELLIGIBLE], get a quota, harvest it, get a margin [end of tape]

MR. COTTEN: Norton Sound.

MR. IVANOFF: Good morning. [Greets staff] With me this morning is my executive committee of NSEDC. [Introduces them.] Good morning. My name is Henry Ivanoff. I am Chairman

of the Norton Sound Economic Development Corporation. In our short time together in this hearing, I want to speak to you about our leadership and successes. I want to emphasize the importance of the need for increase in CDQ allocations in our region. I want to point our ability to maximize the benefits of the CDQ program. NSEDC serves fifteen communities in the North Sound region and over 8,500 residents, the largest number of people in any CDQ region. Our region has long had a severe problem in terms of low per capita income and high unemployment and now we face a disastrous drop in our [rights?]. As we pointed out in the hearing last year, NSEDC received the lowest per capita pollock allocation of any other CDQ group. On a per capita basis, our allocation is only fourteen percent of the highest per capita allocation. In spite of this disparity, NSEDC has eight years of demonstrated successes. We can substantiate an over \$24,000,000 economic impact on the Norton Sound region. Before I list some of our specific accomplishments, I'd like to discuss NSEDC's leadership role in the Norton Sound region. We have seen all the tremendous potential of the CDQ program to bring economic self-sufficiency to Western Alaska. NSEDC is a leader among CDQ groups and a model for success of the program. We will continue to provide the leadership and vision. NSEDC's strategy is to have a balanced program between support and development of the local fisheries, an active participation in the distant fisheries in the Bering Sea and Aleutians. NSEDC also works to maintain a balance between immediate benefits for regional residents and investment to develop long-term economic strengths. NSEDC is focusing on building a diversified self-sustaining fishery-based economy in Norton Sound. NSEDC has invested over twenty-four million in the region over the past eight years. This does not take into account secondary economic impacts and other spin-offs, benefits to local businesses and residents. We are educating, training, and employing our people. We are building a

new infrastructure throughout the port, new and existing fisheries, developing new local fisheries and supporting our local fishermen. We are restoring salmon runs in the region and assisting residents with capital to fund their fishing ventures. We are buying larger vessels and taking equity interest in companies needed to fish our CDQ allocation. Norton Sound residents have earned over ten point five million in wages over the past eight years through NSEDC ' s employment opportunities. NSEDC has trained people to work aboard harvest partner vessels and in offices, and placed residents in income-producing positions. Seventy-five percent of the individuals trained in seafood processing were certified and brought home over five point two million in wages. We believe that education is the key to future success. NSEDC has invested over one point six million in scholarship and training to the children of the region. They can pursue vocational education or advanced degrees and secure gainful employment. NSEDC also has religiously invested in an endowment for education. In 1995, NSEDC created a subsidiary company, Norton Sound Seafood Products, to buy, process, and market fishery products from the region. Through NSSP, NSEDC has become a catalyst for the fishery in the region, buying over seven point five million in fish and shellfish. We have served as essentially the sole buyer for crab, halibut, and salmon in our region. NSEDC has constructed three vessels, the Norton Bay, the [Golovin?] Bay, and the RSW barge [UNINTELLIGIBLE] . By utilizing locally owned vessels, NSEDC has saved a significant amount of money in transportation cost and provided opportunities for employment for local residents. NSEDC is currently reviewing acquisitions of additional vessels. To date, NSEDC has invested almost two million in shoreside infrastructure in the Norton Sound region, with another two million committed to the Norton Sound Seafood Center, and three million committed to supporting Nome port navigation improvements project over the next two years. NSEDC has

invested almost \$750,000 in fishery development projects working with ADF&G and BLM, working to restore the salmon runs in the region for both commercial and subsistence users. In addition, we have successfully invested in the distant fisheries which for years left Western Alaska behind, such as pollock, cod, and other long-line fisheries. Our investments in these fisheries now totals tens of millions of dollars. We are starting to see the fruits of our investments, not just in jobs but in real cash returns through off-shore investments, particularly the acquisition of fifty percent share of Glacier Fish company in 1998. NSEDC made the largest profit increase 1999 for NSEDC since its inception in 1992. further, for the first time, NSEDC was able to bring second-generation profits with investments to the region through a community benefits share. A community benefits share program signified a great start in bringing new cash into the region to help support the Norton Sound economy. We are also responding to fisheries disasters. NSEDC has also responded to fisheries disasters in Western Alaska over the last several years. These fisheries have suffered dramatic declines in price and volume and this year Governor Knowles issued a disaster declaration covering the Kuskokwim Yukon delta and Norton Sound region. This past summer, NSEDC worked with Icicle Seafoods and sponsored the first time processor to commit to the year 2000 Norton Sound sac roe herring fishery. NSEDC continued to provide salmon markets in spite of the disaster by purchasing the salmon from Norton Sound and from [thirty-four?] fishermen in Kotzebue. NSEDC provided employment for residents in the Norton Sound and neighboring communities such as Kaltag and NSEDC assured that a processor harvested the pink salmon in spite of conflicts in vessel scheduling caused by the new compressed pollock season. NSEDC also provides the sole crab market for Norton Sound crab. In summary, NSEDC hopes the CDQ review team will recognize the leadership and vision we have provided for our region and how we

have maximized our opportunities in the CDQ program. We remain committed to providing benefits for the Norton Sound region residents and investing for long-term economic strength. [UNINTELLIGIBLE EXCHANGE] Now, Mr. Chairman, when the Board of NSEDC met to consider what we should ask for in pollock, our Board directed that we request an amount equal to our share of the population. The number is thirty-two percent. To the extent that the CDQ program rewards success rather than just allocations based on population, we believe there's a strong argument for at least a thirty-two percent allocation. We believe that an increased allocation is justified by our recent population and our performance. We also believe we have demonstrated that the NSEDC community development plan is efficient, effective, and successful. Thank you.

MR. COTTEN: It seems as if we [UNINTELLIGIBLE] . So are there questions for Henry or Board members or staff? Kevin? Kate.

MS. TROLL: I did notice that a lot of your allocation requests are based upon your portion of the population within the CDQ program. While I have no doubt that you could certainly utilize all that pollock, I was wondering if you have programs to match and justify the increase in quota on all the other species, particularly flatfish, halibut, and cod and all of that. If you could maybe address that, sort of articulate, beyond population, why you've made that request for an increase in allocation on the other species.

MR. ASICKSIK: Well, you identified pollock and as you recall, the program started off as a pollock allocation back in 1992. And we've invested into Glacier Fish Company, which is a pollock fishing company and multi-species came on four years ago. We're looking at expanding acquisitions, companies and vessels. Allocation is needed for those acquisitions. That's the reason

we're asking for an increased allocation.

MS. TROLL: But you could fully utilize all that as well?

MR. ASICKSIK: Yes, If we can partner with experienced fishermen and acquire ownership that's the intent.

MR. COTTEN: Other questions.

MR. EDGMON: A question for Eugene. Can you talk about your local small-boat halibut fisheries a bit.

MR. ASICKSIK: Well, we had as you well know, we don't have any allocation in 4E which we've requested in the past, but we do have allocation in 4D and we have two communities that reside in 4D but we still receive the smallest, I just wanted to make that point in there. We've started the halibut fishery out in St. Lawrence Island, mainly Savoonga, and we've had some participation in the past from Gambell. The program started very successful, but this past year, they've been having some weather problems and we've assisted with boat launching areas in St. Lawrence Island. This year, the main problem that we identified was, again, weather; and also there was a multi-million-dollar military cleanup at Northeast [Cape?] and the real fishermen or the serious fishermen that we've had in the past chose to take employment and that left few fishermen to participate. So we did not harvest as much as we have in the past. But a new thing that happened this past year was also that 4D-4E line became permeable and we have, I believe, twenty-two fishermen that have signed up and are starting to fish off the 4D quota since it can be harvested in 4E. We had offers from Bristol Bay for 4E quota but we chose not to take that. Last year we did purchase some and harvested in 4E area, but this year it's a little different story. So that fishery is the only fishery that is on-going right now along with our

CDQ Norton Sound crab which we ' re about almost half way through that fishery, the CDQ portion of it. The ADF&G open access fishery on Norton Sound crab is over.

MR. EDGMON: So when you [UNINTELLIGIBLE] your fishermen, the bulk of those fishermen come from Savoonga then?

MR. ASICKSIK: I would say the bulk of them are going to be from Nome.

MR .COTTEN: So you ' re saying in addition to the Savoonga operation.

MR ASICKSIK: Yes.

MR. COTTEN: Where are you processing...

MR. ASICKSIK: We ' re processing in Nome. We lease a facility from Eric [UNINTELLIGIBLE] at the new small-boat harbor. When we start construction on our new facility next year, we hope to be processing there.

MR. COTTEN: Other questions? Thank you very much. We ' ll see you tomorrow. Before I forget, tomorrow means, as with this afternoon, means the sixth floor of the Robert B. Atwood Building. I think there ' ll be signs in the hallway telling people where to go. There ' s one conference room on the sixth floor and it ' s not hard to find.

MR. COTTEN: Last but as always not least... We ' re glad you ' re here, Robert. Welcome.

MR. ANDREWS: Mr. Chairman. I ' m Robert and I ' m Chairman for Yukon Delta Fisheries Development Association [UNINTELLIGIBLE] our Secretary and Treasurer [UNINTELLIGIBLE] . I just want to [UNINTELLIGIBLE] from Grayling. [UNINTELLIGIBLE] We have our goals for our training and jobs and so [UNINTELLIGIBLE] we ' ll elaborate

[UNINTELLIGIBLE] other parts [UNINTELLIGIBLE].

MR. ALSTROM: Mr. Cotten, Mr. Bush, it ' s hard to follow Norton Sound. As it is my style, I ' ll just start by rambling. What I ' d like to do is kind of open the State, the Alaska Department of Labor, in their October issue of Alaska Economic Trends, they put out some information on the YK region. I ' d like to quote some numbers. The growth rate for the last nine years has been close to twenty-four percent, population-wise. More importantly, half of the area ' s residents are less than nineteen years old out there. This is directly from the State. Approximately half of the money coming into the Yukon Delta is through what they ' re calling transfer payments, [UNINTELLIGIBLE] payments. I guess what I ' m really getting at when I quote from this Alaska Economic Trends is their conclusion at the end of it. When I read the conclusion, I thought they need go sneak a peek at our CDP here, because basically their conclusion is what we ' ve concluded in our CDP. I ' ll go ahead and quote from the Alaska Economic Trends, October 2000, put out by the Alaska Department of Labor. Remote rural setting, vast distances, and a small community economy all limit work force and career development in [UNINTELLIGIBLE] area. Often, residents of the area have to seek seasonal employment far away from home to earn an income to support their families. A big advantage in the Yukon Delta region is its young population. Education and job training would be the most important ingredient to create the area ' s new economy without sacrificing ancestral traditions. Throughout the summer, we went out and we met in our six villages when we ' re [UNINTELLIGIBLE] the CDP. We asked the villagers, what are we doing right or what are we doing wrong? What would you like to see change within the CDP?@ And overwhelmingly, what the villagers said was, training and jobs. So when you look at Yukon Delta ' s Community Development Plan, we ' re heavy once again on training and

jobs. What I would like to see [UNINTELLIGIBLE] we'd like to see her with a variety of options before her and those options are provided by Yukon Delta [UNINTELLIGIBLE]. And what are some of those options? Obviously, I think we can compare our jobs program with any CDQ group. We've been very successful doing that, putting the bodies out, whether on our pollock partners or our cod partners or whatever; we can find jobs for people. So that's one option. We have a very good vocational training program that we B through [UNINTELLIGIBLE] and [UNINTELLIGIBLE] and we're expanding that program to other vocational schools whether they're in the state or outside the state. We have an excellent B we have two scholarship programs. Both prepare students' needs in the state. or if there are vocations outside the state they'd like to attend. We have a scholarship program [UNINTELLIGIBLE]. We've had successes in those programs. We have two young people from [UNINTELLIGIBLE] are teaching down there now. We put them through the school and there are numerous examples like that. We have an internship program that puts people to work. We've had a hard time B we've been successful putting people to work on processing jobs on boats, we could put the numbers up. We've had a problem of maybe moving those people up. So we have an internship program where we've got a couple guys from Grayling out on a catcher vessel working on deck. We've got one or two guys from Emmonak, we've got a guy from Alakanuk working on catcher vessels on deck. What we do is we subsidize the program until they're [UNINTELLIGIBLE] out there working on the deck of a boat. We've got other internships with like with Peter Pan in the office. Icicle Seafoods has been very supportive of providing internships for us. Those are some of the options that a young person coming out of one of our villages can look for. We've been successful at providing these opportunities, but we've been kind of weak at doing follow-up and we recognize that.

Maybe we get a guy on a boat and a couple of years later he falls out of the system. So on our current CDP what we're B this was brought up in a couple of the villages, what we're looking to hire is a career counseling type person that will make sure that these people don't fall through the cracks. We can provide them the opportunities whether they want to go to work offshore, if they want to pursue a career. I'm not going to talk off the top of my head, but there are some Federal and State programs - and CDQ programs, ours included - that we put people through a vocational school in Seward. They go to school in Seward. A couple years later, they're out, they've got a certificate of some sort; but then they're back in the village. And we want to try to get away from that problem. We want a person to sit down and say, these are the opportunities. Is this what you really want to do? We don't want to provide them a vacation for a winter or a couple winters away from home. We want them to make these career choices. We haven't been very successful at doing that. So we hope to rectify the problem and work toward providing those long-term goals [UNINTELLIGIBLE]. I think the next question is what happens to these good programs if the CDQ program goes away? Or is cut down, which may have the same effect. What'll happen? Can we keep providing some of these programs? We plan to by making bedrock investments and we started those investments in the past year. We've invested the majority interest in two off-shore catcher vessels, pollock catcher vessels. We've invested in a mothership operation, nineteen percent of it. And that's just recently been approved by the State and Federal governments. We're looking to invest here by the end of the year in a cod processing vessel or vessels, we're looking at a number of them. We're looking for bedrock investments. Crab is coming up. We're looking at investing in a crab vessel, just to provide the foundation for these programs to operate if the CDQ program is cut back or goes away. I think, you go out to Yukon

Delta, go out to Yukon River [UNINTELLIGIBLE] from Grayling, you look at the Yukon River in general, one of the largest river basins in the United States, obviously the largest one in Alaska, and the State is flying in salmon to our villages. That's crazy. [UNINTELLIGIBLE] salmon. It's really hard to make investments in the region, bedrock investments. We're going to make investments in the region that provide little or no return. So we're looking at making investments in marine fisheries. We started a project B these projects and I think we're taking a slow look at them. I think we've made at least our initial investments have been B are going to be very successful. Mr. Duffy asked a question of one of the CDQ groups of how did the AFA affect your seasons. Pre AFA, if we had invested in the mothership operation catcher vessels, we probably would have paid a heck of a lot more for the mothership. But we took a wait-and-see attitude and I think the original investment would have been in the mothership operation and that wouldn't have been a wise investment. The reason I bring that up is we're kind of taking B as far as the cod investment B we're taking a slow approach. We'd like to see what [issues?] [ensues?] for the council regarding critical habitat and sea lions [UNINTELLIGIBLE] before we make this investment. We don't want to [UNINTELLIGIBLE] B we've got a number of options and if decisions on critical habitat lean one way or the other, one option might be better than the other. We hope to make a major investment in cod here in [UNINTELLIGIBLE] another year. Some forms of economic development in the villages we're looking at is we're taking B you know in the past we've kind of looked at maybe specific projects: A value-added project in Emmonak, maybe one in Kotlik. We're taking a more regionalized look at things. In the CDP, we're looking at maybe doing regional marketing with the existing Yukon River Association out there. If it appears from size of production in the last few years that there ain't gonna

be much commercial production on the Yukon. So maybe a whole series of small projects makes more sense B or combining projects that are already out there B makes more sense than trying to earmark one. So we 're taking a more regional look. Including village [UNINTELLIGIBLE] program [UNINTELLIGIBLE] . Looking at it in the more regional way. We 're looking at trying to do B we are currently already building skiffs out there in Alakanuk. And we plan to do that B skiffs and sleds B through the winter. Kind of recognizing that these projects in the villages, the return to the company isn 't that great B the return on the investment is going to be break even or a small profit. But the return will be to the people that are working out there. And we 're not talking about large projects: three or four people. We have some B we 're also working with Yukon River Drainage also to put in ice machine projects in the village. Building these small projects where maybe instead of a large-scale freezer process project, we [UNINTELLIGIBLE] . We also have a project in the current CDP where we 'd provide small grants and loans to people wanting to expand out of the [UNINTELLIGIBLE] fisheries. We 've got experience now in Norton Sound crab, [UNINTELLIGIBLE] herring, we 've got experience for many years. We actually [UNINTELLIGIBLE] Savoonga in >93 to develop the Norton Sound halibut. We 'd like to expand -- there is some [UNINTELLIGIBLE] private vessels in the Yukon that would like to move but they don 't have expertise where their markets are or equipment. We 'd like to provide grants and loans to help these people out. That 's kind of been a shift away from past years where the company itself has invested in small vessels. We 've since shifted the focus and tried to help out the private individual involved in these [UNINTELLIGIBLE] fisheries. We also have, of course, our loan program that you 're aware of for buying permits and vessels. We work with the State Division of Investment. That 's been largely successful. We 've had probably a ninety-five

percent success rate over the years, I think. We've had a couple defaults. That program is starting to get herring or salmon permits back to the area residents. We have an IFQ purchase program B we kind of shifted emphasis on that to provide fish for our wholly owned vessel, the Lisa Marie. And that's in our new CDP. I just want to come back to the main emphasis. The main emphasis on our program is the young people out there and our vocational and jobs programs and how those things will be carried forward in the future.

MR. COTTEN: Thank you. Questions for Ragnar Board or staff.

MR. ALSTROM: I think, Mr. Cotten, I don't mean to interrupt you, but I think that a couple of the Board members have comments.

MR. COTTEN: Sure. Absolutely. Please.

MR. WALKER: My name is Carl Walker and it's my first year on the Board with Yukon Delta. I've had a very great experience. It's a great board to work with, with one common goal and that's for the economy and the fishermen and each other, the young people that are out there. I emphasize that one because we've had a small B it's a big group for us, we're a small village B ten or twelve young people coming through high school now. [UNINTELLIGIBLE] you want them working [UNINTELLIGIBLE] and the doors are open for them for jobs and scholarships [UNINTELLIGIBLE]. One emphasis I want to make though, when they apply for these jobs, I'm glad that they see that they're drug-free on these boats. That helps the kids for at least a couple months, they're working and they're drug free. Have a good life if the company [UNINTELLIGIBLE] go back to have a better life. If one or two come back like that, that helps us out. At least [UNINTELLIGIBLE]. Thank you.

MR. COTTEN: Thank you.

MR. ALSTROM: [UNINTELLIGIBLE] As you guys know, when the YDFDA started off really small on our quotas and our percentages and now we're getting up there pretty much. We're succeeding, in my view. I believe if we succeed, the better we do here, the better our kids will do. Even if for some reason, one does not succeed, YDFDA, I believe, has the ability to adapt and change with the times. That's what we're trying to do. That's my goal. That's our goal. The main thing is our kids. If we can do that and our kids see us do that, then they in turn won't be scared to step forward and try and succeed. This is a first step for our [UNINTELLIGIBLE], the first major step we're taking. Mr. Cotten, I'd like to make one final comment. I think there's a realization out there in the Yukon that this might be the only program out there that's going to provide training and jobs for the coming years. There just ain't anything else out there. The collapse of the salmon fishery, that's the only other resource we have is the people that are out there. And I think that in our private meeting this afternoon, hopefully the oversight will ask the Board members, there's a serious realization that this is it out there. Thank you.

MR. LAMONT: Mr. Cotten, members. Self-sufficiency has been probably our number one main goal for Yukon Delta. Over the years, my interest in Yukon Delta has been their main objective: to provide an economic base in one of the most depressed economic regions of the state. We have never had any type of off-shore fishing resources prior to the inception of the CDQ program. We have no mining, no major commercial salmon fishing, no tourism, no logging, no crabbing, no long lining for halibut. And I could go on but for time purposes I'd like to emphasize that the CDQ program was a few sticks of dried spruce into our new-kindled fire. This work B we're developing

our economic base. We're providing higher education opportunities, job training, employment, and a model for the work ethic that seems to have been lacking. Being a Board member was an educational experience for me to go out to our member villages to solicit for our new initiatives for the 2001-2002 season. With all the requests for investing into our future resources - our children, grandchildren, and great-grandchildren - I feel we do need to increase our CDQ pollock and halibut quota. With an increase in quota, we'll be able to fulfill all the job requests, provide much-needed scholarship funds for young women and men who want a [UNINTELLIGIBLE] post-secondary institutions, continue to make investments in sound economic entities that will help us in making a solid economic basis. To summarize, I know the benefits of our CDQ program have been positive on our member communities. With an increase in quota, the benefits to our member communities will only increase. When the people's self-esteem is high, the production level is also high. Please, remember we're all in this together and together, we can all make it happen. I know everyone wants an increase in their allocation. There must be a way to increase the overall CDQ allocation. But for now, please take into consideration the past history of our CDQ group, the depressed economy of our region, and lastly the future of our children, grandchildren, and great-grandchildren. Thank you.

MR. COTTEN: Is that it? Are there questions for the group?

MR. EDGMON: Ragnar - maybe I should address Carl as well, last year

communities added to the program as a whole and two of them were in your region. Mountain Village is pretty good size, I know Matthew is in the audience Board members - as well as Grayling. But how have the communities taken to CDQ program? I know you had [UNINTELLIGIBLE] community meetings earlier...

MR. ALSTROM: Mr. Edgmon, before Carl responds to that, let me respond to that.

We had a call, I think it was in June, June or July, in Grayling. They were - not Carl but the other village rep there, or the village rep that we in the village - [UNINTELLIGIBLE] they were mad because not enough jobs were being provided to Grayling. We've had an excellent success rate with the people from Grayling we've put out. I think the first time we sent out, I think, five people and they averaged thirteen thousand in sixty days. That was - I'd like Carl to talk about that - a major impact on the village up there. I don't think we've had one person from Grayling, of all the people we've sent out, quit a contract or got up. We got two guys on a catcher vessel. I think it's an excellent program up there in Grayling. Firefighting, very minimal trapping, and I don't know what else is going on up there. It's a very major impact to the [UNINTELLIGIBLE].

MR. WALKER: Yeah, that's about right because [UNINTELLIGIBLE] for success of it. Right now, like it's the first year, you know. It'll take time to keep on working with this program to make [UNINTELLIGIBLE] as time goes by. It's a new program, [UNINTELLIGIBLE] experience [UNINTELLIGIBLE] but the success rate was [UNINTELLIGIBLE]. I [UNINTELLIGIBLE] was pretty good [UNINTELLIGIBLE]. The fishing like in January, that covers a lot of ground because there's absolutely nothing going on during the winter months and that brings in a little economy to the village, a little pride. Telling other people what goes on out there. That's a learning process, to be able to get out of the village and work with other people from all walks of life and get along with them, that in itself is an experience in learning.

MR. ALSTROM: [UNINTELLIGIBLE] Mountain Village. The impact of Mountain Village we've seen since [UNINTELLIGIBLE]. What's too often? Most of the impact up there has

been mainly in the form of scholarships. We've got a lot of young people from Mountain Village that, for one reason or another, want to go out to various schools, whether in state or out of state. We do have some success stories from [UNINTELLIGIBLE] processing work. But more of the impact has been in the scholarship programs.

MR. COTTEN: Any questions of the group? Greg.

MR. CASHEN: I just have a question on your halibut fishery if you could briefly explain that, the communities involved.. I notice there's an increase in allocation requested but it's only four 4D and not for 4E. I was just...

MR. ALSTROM: Mr. Cashen, as you know our allocation was for 4D halibut and we couldn't cross the 4E line until earlier this year. All that 4D halibut was taken by our wholly owned vessel, the Lisa Marie. In previous years, as it was this year, that area where halibut was taken is northwest of the Pribis which, weather-wise, in previous years we have meant to harvest that with our thirty-two-footers. We never did. And we also never did explore for halibut off 4E because we didn't have we didn't have a quota in 4E. With the line being permeable now, we'd like to take the Lisa Marie, and if we got the increase that we're requesting, and use that increase specifically to look for halibut off the Yukon Delta. We had an informal agreement with the other CDQ groups that, if we did come into 4E, it would be into the area right off the delta. So we'd like to take the Lisa Marie and make it economically feasible to look for halibut as close in as possible in 4E. We only requested 4D because the line now is permeable.

MR. COTTEN: Okay, unless there's other questions, thank you very much, Robert, we appreciate it. That concludes this portion of the public hearing. There's two more

portions. As we've done in the past [UNINTELLIGIBLE], if there is anybody from the outlying communities wanting to make a comment on the allocation requests that are in front of us for calendar years 2001 and 2002. I'd like to restrict the comments to that subject matter. If I could, for purposes of timing, if we could have the comments by those restricted to three minutes and perhaps followed by, if necessary, questions from the members of the CDQ team. So if I understand it right, we have a number of communities on line. We have Nome, Dillingham, Bethel, and Unalaska; but we have, currently, two people, both from Nome, who wish to testify on this CDQ application plan for the allocation cycle. So is somebody there from Nome? There is. Could you state your name please and who you're affiliated with.

MR. SMITH: My name is Tim Smith.

MR. COTTEN: Okay, Tim you have three minutes if you would like to comment on the allocation cycle for 2001 and 02.

MR. SMITH: Okay, My name is Tim Smith and I'm with the Nome Fishermen's Association. It feels like deja vu all over again. I'm here with another CDQ allocation period and I'm here to complain about Norton Sound Economic Development Corporation's failure to allow any reasonable community involvement in the preparation of the Community Development Plan that your committee has before you. Last year, the State of Alaska adopted regulations which required an applicant for a CDQ allocation to show what level of community involvement there had been in developing the CDP. And they didn't allow any community involvement in 1999 but the State of Alaska overlooked because they said they said the regulations were too new for NSEDC to be held accountable. Well, it's a year later, and, once again, NSEDC has allowed no meaningful community

input in preparing the CDP you have before you. Just last night I asked the mayor of Nome if he felt that there had been reasonable community involvement. He said, no. I asked the mayor of Teller the same question. Both of them said, no. I heard from the mayor Grayling. Same thing: no meaningful community involvement. The National Academy of Sciences Committee, as you probably all know, wrote that the greatest weakness of the CDQ program was a lack of consistent communication we see between CDQ groups and the communities they represent. Particularly a lack of mechanisms for substantial input from the communities in the government structures B governing structures. There ' s been a lack of outreach by the State to the communities to help insure that the communities are aware of the program and how to participate. I ' m sure you ' re all aware of that. I ' m just wondering, why hasn ' t the State taken these recommendations seriously? Why do you continue to allow CDQ groups to isolate themselves from the communities they ' re supposed to represent? I ' ve seen nothing in the CDQ documentation or the State and Federal regulations that would suggest that a CDQ program is intended to create a small, exclusive club of passive stock investors, completely isolated from Western Alaska. That ' s exactly what our CDQ organization has become. I ' ve seen no meaningful objection from the State. [end of tape] .....frequent application asking for additional fisheries allocation. But right now, the interest on the money we already have in the bank is enough to pay for the few, small programs described in this plan. I can ' t see any need for future allocations. It ' s not that we don ' t need fisheries development. We need the CDQ program in Western Alaska, as you all know, fishermen out here are facing very hard times. We ' ve had some severe declines in most of our commercial fisheries. In this area, even our subsistence fisheries are in total decline. Salmon fishing has been prohibited in this area for eleven years. So we need the economic benefits promised by the CDQ

program. It's time to deliver on those promises. I don't think you should approve NSEDC's current CDQ application until they have gone back to the communities and made a meaningful effort to incorporate the wishes of the communities into their day-to-day operations. If that means you have to delay making the allocations, well, so be it. But to continue the status quo is an insult to the people in this area. I'd like to finally see some action on this. I've complained about this at some length. You've had plenty of time to investigate the allegations that have been made. What's the problem? Why are we waiting?

MR COTTEN: Thank you, Mr. Smith, for your testimony. Were there questions from staff in regards to Mr. Smith?

MR. EDGMON: Can I make a response, Mr. Chairman? This is Bryce Edgmon, I'm the CDQ Manager, and I have the privilege of working with all six groups and looking at all the financial audits, all the quarterly reports. And we query all the groups on every aspect of State regulations and Federal regulations, and so forth. I just want to say for the record that, based on my conversations with Eugene Asicksik and the quarterly reports from Norton Sound, that the community participation numbers were actually quite impressive for the fifteen or so communities in the Norton Sound region. The numbers were quite high in almost every community; and I know that the Norton Sound staff made, in some respects, kind of extraordinary efforts to get out to the various communities: snow machining in between the communities and flying out wherever and whenever possible. In terms of the passive stock investor point that you just made, Tim, let me remind you that Norton Sound is right now involved in two very extensive projects in the city of Nome, as highlighted earlier by the staff to us here in Anchorage. One is a seafood processing center, that I think the completion date is starting next year in

2001; and the other is significant contribution to the Port of Nome, a project that can be extensive and very costly. This in addition to other projects throughout the region that the group is involved in. So, just for the record, I wanted to make those comments.

MR. COTTEN: I appreciate both the public testimony by Mr. Smith and certainly yours, Bryce. With that, I'd like to go on to the next person who wants to testify. I believe it's Mr. Chris Blount.

MR. BLOUNT: Yes sir, this is Chris Blount in Nome. I have three brief comments. They're not allocation-specific, so would you want me to do it now or later?

MR. COTTEN: Well, this is the time. Go ahead. You have three minutes, Chris. Please go ahead.

MR. BLOUNT: All right. It's more of a theoretical nature, but I dislike that government creates an entity like NSEDC or others, which ends up sitting on millions of dollars, like thirty million currently I believe, and so forth, growing perhaps, without the public having complete access to the numbers. Like who manages this account? Capital gains, capital losses, salaries, travel, trip reports and such. I just think that NSEDC should be completely accessible in every aspect by the public and answer any questions of any economic nature. That was my comment number one. The second comment I have is that I am at a loss as to why NSEDC, if this is indeed correct, has or is about to invest twenty-five or twenty-seven million dollars in a fleet, a fishing fleet, which may reduce the number of fish in our region. Now, people in this region talk very much about those ships out there, as it's called, taking our subsistence and general fishing quota, or I would say assets in this region. So I wonder if you could comment why it is in the interest of these people, of the people in this region, to

invest that kind of money in that kind of a fleet. And thirdly, I wonder if you would comment on why the NSEDC is not located in Nome. I understand that would be quite a number of employees in Nome and since this is economic development, it seems to me that it should be based in Nome, so we can talk to them, see their numbers, and basically keep an eye on what's going on. Thank you, sir.

MR. COTTEN: Thank you, Chris. Actually, this is a public hearing and I think I'm going to restrict it to comments about the allocation; and I certainly would include those that you made. But what I'm not going to get into is a debate, and particularly the debate about a particular group's internal operations. I think if I could make a suggestion, those questions would be better served and I think you would have a better dialog and conversation about those matters dealing with the group directly as opposed to through us. With that, unless there are other people in Nome that wish to testify, I was going to go to another site. I don't know if there are people at the other sites any more, I don't know if they've lasted the entire duration of our hearing. But I guess I'll ask. Question: is there anybody in Dillingham, Bethel or Unalaska, even to listen? Apparently not. Okay, well, then I guess that would conclude the second portion of our public hearing. The third portion, the last portion, of course, is the people in this room. And I know that there are B obviously the groups have testified and I don't see too many people here who are not associated with any of the groups. But I will ask if there is anybody individually with or without the groups that wants to testify on the allocation proposals that are in front of us. There are no takers on that request. Okay. Having said that, and having heard no bidders, I think unless there's other comments here, as I mentioned earlier, the group hearings or group discussions with the teams start at one thirty with Bristol Bay followed by Yukon Delta at three thirty today on the sixth floor of the Atwood Building, that's the old Bank of America [Ensearch?] whoever

it was before that building. The one a couple of blocks away. On the sixth floor and there should be signs in the hallway as to what conference room they' re being held. Aside from that, I think that concludes our public hearing. Thank you very much for your time and your presentations.

[END]