



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
National Marine Fisheries Service
P.O. Box 21668

Juneau, Alaska 99802-1668

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CDQ
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MEMORANDUM FOR: Richard H. Schaefer
Director, Fisheries Conservation
and Management

FROM: Steven Pennoyer *S Pennoyer*
Director, Alaska Region

SUBJECT: Secretarial Approval of Recommendations of
the Governor of the State of Alaska for
Community Development Plans (CDPs) under the
Community Development Quota (CDQ) Program.

The Governor of the State of Alaska (Governor) has submitted his recommendations for approval of six proposed CDPs and allocations of the CDQ pollock reserve thereunder, as required by regulations at § 675.27 implementing the CDQ program in the Bering Sea and Aleutian Islands management area. Upon examination of the recommendations, I have found that the Governor's recommendations for CDPs are consistent with the eligibility conditions and evaluation criteria set forth in the regulations and are consistent with other applicable law. I recommend, therefore, that the Secretary approve the Governor's recommendations. Attached are the Secretary's findings and a Federal Register notice conveying the Secretary's decision, including the percentage of the CDQ reserve allocated under the CDPs.

Prompt publication of this notice is necessary. CDP participants will have less than three weeks in 1992 to harvest the total amount of CDQ pollock reserve of 101,445 metric tons. We are uncertain whether vessels participating in the CDPs will be able to harvest the respective amounts allocated among the six approved CDPs but are unable to predict how much, if any, shortfall may occur. Each day of delay may frustrate achievement of the purposes of the CDQ regulations and could result in substantial economic losses to individual CDP participants.

Attachments



**FINDINGS BY THE SECRETARY OF COMMERCE CONCERNING APPROVAL
OF 1992-1993 COMMUNITY DEVELOPMENT PLANS**

INTRODUCTION

The Secretary of Commerce has made findings supporting her decision to approve recommendations from the Governor of Alaska (Governor) that Community Development Plans (CDPs) be approved for 1992 and 1993. The findings are based upon the findings submitted by the Governor in support of his recommended CDPs and a review of the record. The Secretary received six CDP applications pursuant to 50 CFR part 675. All six applications were submitted in accordance with the Federal regulations and have been fully reviewed by the Secretary. Associated with specific CDPs are the following percentages for 1992 and 1993 and corresponding amounts of CDQ pollock reserve (rounded to the nearest ton) for 1992 allocated to the applicants:

Applicant	1992 and 1993 Recommendation
Aleutian Pribilof Island Community Development Association (APICDA)	18,260 MT (18%)
Bristol Bay Economic Development Corporation (BBEDC)	20,289 MT (20%)
Central Bering Sea Fishermen's Association (CBSFA)	10,144 MT (10%)
Coastal Villages Fishing Cooperative (CVFC)	27,390 MT (27%)
Norton Sound Economic Development Corporation (NSEDC)	20,289 MT (20%)
Yukon Delta Fisheries Development Association (YDFDA)	5,073 MT (5%)

The decision to approve the CDPs was based on criteria set out in the Federal regulations along with input from the public hearing held by the Governor, the State's consultation with the North Pacific Fishery Management Council (Council), investigations into the accuracy of the applications, and examination of the CDP proposals. All the information supplied by the applicants was considered. Due consideration was given to the economic effects on the applicant communities and existing economic conditions in these communities.

Federal regulations at § 675.27(d) set forth the evaluation criteria the Secretary will use when approving CDPs. Section 675.27(d) provides that "the Secretary will approve the Governor's recommendations for CDPs if the Secretary finds the CDP is consistent with the requirements of (the) regulations." These findings follow the order of the evaluation criteria. First, summaries of public comments received during the public

hearing held by the State and consultation with the Council, including comments provided during public testimony, are presented. Second, a review of consistency with existing Federal regulations is presented. Finally, the findings are presented along with supporting documentation.

PUBLIC COMMENTS AND CONSULTATION WITH THE COUNCIL

Public Hearing [§ 675.27(a)(2)]

The Secretary finds that the Governor held a public hearing to receive comments on CDQ applications and CDPs. The public hearing was held at an appropriate time and location in the geographical area concerned and all interested persons were provided an opportunity to be heard. The hearing was carried out so as to serve both as a hearing for the purposes of State regulations and for the purposes of Secretarial review under § 675.27(c). Public notice for the meeting was given on November 9 and updated on November 19. The meeting took place on November 24, 1992 beginning at 8 a.m. at the Legislative Information Office in Anchorage Alaska. Other communities linked through teleconference included: Bethel, Chevak, Dillingham, Emmonak, Hooper Bay, Juneau, Nome, St. George, St. Paul, Toksook Bay, and Unalakleet. All public notices and notifications which were a part of the application and review process are included in Appendix I. A transcript of the hearing, all documents submitted by the public during the hearing, and all other comments received by the public are also included in Appendix I.

Comments from the North Pacific Fishery Management Council (Council) [§ 675.27(a)(3)]

The Governor consulted with the Council concerning the six CDQ recommendations as required by § 675.27(a)(3). Copies of the CDQ applications along with the Governor's recommended allocations were forwarded to the Council on November 20. The Council held a meeting to discuss the allocations at Anchorage on November 25 at the Hilton Hotel, Anchorage Alaska. All Council members were able to attend the meeting either in person or via teleconference hookup. The Council reviewed the applications and the criteria used by the Governor to recommend CDPs. The Council unanimously concurred in the Governor's recommendations. A copy of the Council statement is included in Appendix II.

CONSISTENCY WITH EXISTING STATE AND FEDERAL REGULATIONS [§ 675.27(b)]

Federal regulations require that the Governor include in his findings that the CDPs he recommends meet the requirements of the Federal CDQ implementation regulations, the Magnuson Fishery Conservation and Management Act (Magnuson Act), the Alaska Coastal Management Program, and other applicable law. The Secretary has reviewed the Governor's findings and concurs in his determinations.

Federal Regulations

Western Alaska Community Development Regulations

The Western Alaska CDQ regulations were published at 50 CFR Part 675 (57 FR 54936, November 23, 1992). These findings in their entirety satisfy the requirement in those regulations that the Governor submit CDQ recommendations to the Secretary, that the CDP applications be complete, and that the applications be fully evaluated.

Magnuson Act

The Magnuson Act provisions concerning these allocations were discussed in the Secretary's Supplemental Environmental Impact Statement/Regulatory Impact Review/Initial Regulatory Flexibility Analysis for Amendment 18 to the Bering Sea Aleutian Islands Fishery Management Plan, the EA/RIR/IRFA which implemented the western Alaska CDQ program and the preamble to the regulations implementing Amendment 18. The program was found, in concept, to be consistent with the Magnuson Act and other applicable law. These CDP recommendations do not differ from the scenarios analyzed in the above documents. The Secretary determined the program did not discriminate against non-Alaskans. The allocations are fair and equitable in that they are assigned based on business plans and do not discriminate against any one sector of the industry or industry members from any particular area of the country. The allocations will promote conservation as described in the implementing EA/RIR/IRFA. Likewise, no particular individual, corporation, or other entity will acquire an excessive share due both to limits on allocations to any one entity and to the mixture of industry groups who are in partnership with the recommended applicants.

Other Federal Laws

Other Federal laws with which these allocations are consistent include E.O. 12291, E.O. 12612, the Marine Mammal Protection Act, National Environmental Protection Act (NEPA), Regulatory Flexibility Act, Paperwork Reduction Act, and Coastal Zone Management Act (CZMA). The Federal regulations implementing CDQ allocations list several determinations concerning these Federal laws. Nothing in the individual CDPs approved by the Secretary conflict with these determinations. The CZMA is designed to ensure consistency with the State coastal management plan, discussed below.

The Secretary finds the Governor reviewed the State regulations governing CDQ allocations and the CDPs for consistency with the Alaska Coastal Management Program (ACMP). The Governor determined that each recommended CDP application meets all the requirements of these regulations. The Secretary finds that the approved CDPs meet these requirements.

Alaska Coastal Management Act

The Secretary finds the Governor determined the CDPs meet the requirements of the Alaska Coastal Management Act (ACMP). Under the FEIS for the ACMP (May 1979), fishery allocations are not reviewed for consistency with the ACMP. However, any activity that might affect the coastal zone that requires a State authorization must be reviewed for consistency with the ACMP. (See 6 AAC 50.010, 50.190 (13) and (14)). When a CDP proposes a specific project that requires such an authorization, the proposed project will be required to undergo ACMP consistency review prior to any activity on the project. In this way, the CDP meets the requirements of the ACMP.

The recommendation for CDPs in no way allows the construction of CDP specific projects. All specific projects (e.g. docks, sewer system) will require complete and full State and Federal authorizations to proceed. The recommendation, including these specific projects, means the Governor and the Secretary believe the project can make a significant positive contribution to the community. Failure of a specific project due to permitting difficulties will be considered during scheduled CDP compliance review.

State of Alaska CDQ Regulations [§ 675.27(a)(1)]

Federal regulations at § 675.27(a)(1) require the State to establish a monitoring system that defines what constitutes compliance and non-compliance. State regulations at 6 AAC 93.050 establish a reporting and monitoring system for CDPs, requiring among other things annual and quarterly reports. The Federal regulations require the Governor to submit annual reports to the Secretary. These reports must include information describing the progress of the project in relation to the milestones, goals, and objectives of the application and business plan. The Secretary may partially suspend, suspend, or terminate a CDP if so recommended by the Governor as provided for in 50 CFR 675.27(f). 50 CFR 675.27(f)(3)(iii) states that the Governor may recommend suspension or termination if he finds that a CDP has not met its goals and objectives, or appears unlikely to be successful. Under 675.27(f)(2), the Secretary may take such action if she finds the recipient is not complying with these regulations.

The Secretary's determinations will be made upon a review of compliance by the Governor that will be based on the progress which has been made in meeting the projects goals and objectives, the project schedule, and the milestones as described in the CDP. The annual and quarterly reports will be used to determine the status of each CDP. In addition, the State has required that each applicant agree to certain conditions contained in the compliance agreements provided in Appendix III. These compliance agreements, which have been signed by each applicant and attached as an addendum to each CDP, provide additional provisions to ensure adequate monitoring and compliance for each CDP.

The Governor required each applicant to sign an addendum which contained six points. These related to compliance with applicable State and Federal law, independent management and financial audits, spot audits by the State, disclaimer of expectancy of State funds, interim trust guidelines, and tax liability set asides. These requirements are part of the State's monitoring system. These particular requirements are designed to decrease the possibility of misuse of CDP generated funds.

COMMUNITY DEVELOPMENT QUOTA FINDINGS

The evaluation criteria to be used by the Secretary in determining whether to approve the Governor's CDQ recommendations are located at § 675.27(d). The following topics are arranged in order to facilitate review of compliance with these criteria.

Compliance with Application Procedures [§ 675.27(d)(1)]

The Secretary has reviewed the attached CDP applications and finds that all contain the information required at § 675.27(b). These categories consist of community development information, business information, and the managing organization's qualifications. A checklist used by the State reviewers to ensure the completeness of each application and to document and reference the location of information is contained in Appendix IV. Appendix IV is useful as an index when referencing applicant's statements with the Governor's findings and the Secretary's criteria.

Community Eligibility [§ 675.27(b)(3) and (d)(2)]

Each community represented by a CDQ applicant is listed in Table A of the Governor's findings. Based on Federal regulations at § 675.27(d)(2), the Secretary has reviewed the Governor's findings and has determined that the communities on Table 1 of the Federal CDQ implementing regulations are eligible to receive CDQs. All of the communities on Table A appear in Table 1, therefore, each community represented by a CDQ applicant is eligible. As can be seen on Table A, no community is part of more than one application.

The State received a petition from the APICDA group to include the community of Akutan as an eligible community. Federal regulations at § 675.27(d)(2) provide criteria to determine community eligibility if a community is not listed on Table 1 of the Federal regulations. Akutan is not listed on Table 1 of the Federal regulations. Section 675.27(d)(2)(iv) states that a community must not have previously developed harvesting or processing capability sufficient to support substantial groundfish fisheries participation in the BSAI. This provision came directly from the criteria adopted by the Council at its April, 1992 meeting. The Council record indicates considerable discussion on this matter, and the specific provision was adopted by the Council recognizing that communities with substantial

participation in BSAI groundfish would be excluded. A letter from the Council to the Akutan Traditional Council, dated November 3, 1992 summarizes this matter and is included in Appendix II. Comments were also received regarding Akutan during public comment on the proposed rule. The NMFS responded in a similar manner, and this response is included in the responses to comments which accompany the final rule.

The Governor considered the petition provided by the APICDA group on behalf of Akutan, and evaluated the petition based on the Federal criteria and the information provided by the APICDA group as well as additional information regarding the participation of the community in the BSAI fishery. Much of the information used in the evaluation has been provided to the Secretary previously in the State's comments on the proposed rule. Those comments are part of the record. Based on this information, the Governor found that Akutan has substantial participation in the BSAI groundfish fishery, and therefore did not meet the criteria as set forth at § 675.27(d)(2)(iv). The Secretary therefore determines that Akutan does not meet the criteria for eligibility set forth in Federal regulations.

Managing Organization and Adherence to CDP [§ 675.27(d)(3)]

The Secretary has received the Governor's findings that each recommended CDP application demonstrates that a qualified managing organization will be responsible for the harvest and use of the CDQ allocation pursuant to the CDP. The Governor examined the key personnel, structure, and stated responsibilities of each managing organization. Examination of the responsible nature of each business partner also was investigated. Based upon the submitted documentation, background checks, and analysis of plans, the Governor believed that all six managing organizations are qualified, will operate in a responsible manner, and will ensure that their harvest and use of CDQ allocations will occur pursuant to their respective CDPs.

Background checks were made on the industry partner, the CDQ applicant Board of Directors, and key personnel. Information on industry partners was gathered from official credit checks performed by professional credit checking firms, calls to marine suppliers in Dutch Harbor, and industry peers. In addition, each company's record was reviewed for fishing enforcement, labor, safety, sanitation, and pollution control violations. The agencies which provided information were: the National Marine Fisheries Service, the U.S. Coast Guard, the U.S. Department of Labor, the Alaska Department of Labor, and the Alaska Department of Environmental Conservation. Information on applicant Board of Directors and key personnel was gathered from contacting references, industry and community peers and state and Federal field officers who work in the region.

Management Organization Qualifications [§ 675.27(b)(3)]

There are several criteria in determining whether a managing organization is qualified or not. These are discussed below in the order they are presented in the implementing regulations.

Section 675.27(b)(3)(i) requires information concerning management structure. Each of the six managing organizations is structured differently. The nature of responsibility under these CDPs includes managing fisheries harvests, responsible investment of funds, and management of development projects. These varied tasks require a number of types of expertise. To accomplish all this, the applicants tend to rely on the expertise of their business partners, which are fishing companies, to implement the actual harvest of the CDQ allocation. Some continue to use their partner's expertise when managing development projects while others turn to investment advisors and management consultants. In all cases, the applicants themselves have development fund management expertise and experience in local fisheries although that seldom involves pollock or other groundfish fishing. Discussions of the individual managing organizations are included under §675.27(d)(5)(i), below.

Also required at § 675.27(b)(3)(i) to determine managing organization qualification is a list and description of key personnel. Key personnel are described in the managing organization sections of each application. A resume or experience summary for each of these persons is included in their respective applications (see Appendix V). Also required is the name, address, FAX number and telephone number of the managing organization's representative. Contact persons for each managing organization are listed in Table B. These are the people who will be contacted by NMFS concerning Federal fishing regulation compliance.

Descriptions of how managing organizations will manage CDQ allocations and prevent quota overages is required at § 675.27(b)(3)(ii). The location of each applicant's description of these can be found in Appendix IV. A brief summary of these procedures is included with the discussion concerning § 675.27(d)(4), below.

In order to comply with § 675.27(b)(3)(ii)(A), each applicant has submitted letters or resolutions of support for their managing organization from the governing body of each community participating in their CDP. A summary of the support statements received for each applicant, identified by organization and community, are shown in Table C. The community letters and statements of support are located in the attached applications.

In response to § 675.27(b)(3)(ii)(B), the submitted individual business contracts specifying the legal relationships between the applicants and business partners were reviewed by State agencies.

All legal relationships between applicants and managing organizations are clear with respect to responsibilities and obligations. All are based on contracts or other legally binding agreements. In addition, all managing organizations are legally recognized corporations or associations and may sue, be sued, enter into binding agreements, obtain loans, and own property.

A description of how each management organization is qualified to manage a CDQ allocation is presented in each application. In all cases, the management and technical expertise depends on key personnel, contractual arrangements with professional managers, and business relationships with established seafood industry partners. Demonstration of this expertise is required at § 675.27 (b) (3) (ii) (C). In order to validate the qualifications of these key personnel, and the responsible nature of all key personnel, the Governor carried out several background checks. Critical key person's technical or managerial skills were identified. The qualification of these individuals in their area of expertise was checked by calling employers, former and current clients, other references, and by checking education and training qualifications. Documentation of these investigations is contained in Appendix V.

The Governor found that all the industry partners who are contracted to conduct the CDQ harvest and processing are responsible and able to accomplish the task. All CDQ applicants have contracts with existing seafood harvesters, processors and marketers to use their respective CDQ allocations. Each of these industry partners is established in the seafood industry and has a history of fishing in the Bering Sea. Many of the companies selected as industry partners are well known in the State and have a good reputation in the industry. The Governor conducted credit checks of these companies and found them to be solvent and not delinquent in their debts. Federal fisheries violations were reviewed for the vessels proposed to harvest the CDQ allocations. While some of the vessels have previous violations, the Governor believed that these are not a hinderance to the responsible harvest of CDQ allocations. This industry background information is contained in Appendix V.

Ability to Prevent Exceeding the CDQ Allocation [§ 675.27 (d) (4)]

Each CDP contains a description of the measures that will be employed to manage the harvest and prevent over harvest. All of the CDQ pollock processing will be accomplished with 100% observer coverage. Most of this will be at-sea although two applicants will use shore-based processing for some of their allocation. In addition, all existing NMFS reporting requirements will be met by all CDQ harvesters. As described during confidential business plan meetings with the applicants, as soon as NMFS notifies the managing organization that their allocation is about to be reached fishing operations will be carefully monitored and stopped before overages occur.

APICDA is prohibiting at-sea discards before weighing all catch, tallying and reporting harvest daily to Pacific Associates and working closely with NMFS inseason management staff. BBEDA intends to comply with all NMFS requirements including daily reporting. CBSFA vessels will use processed product recovery rates for determining catch. CVFC will internally calculate a daily best blend of harvest amount based on processed product weight which will be verified with NMFS on a daily basis. NSEDC will place a representative on each partner vessel to report and coordinate all harvest information. This information will be coordinated with NMFS in planning the harvest. YDFDA's partner will report each load of fish to the home office that calculates overall daily harvest amounts and will report to NMFS. All have been notified of NMFS CDQ fishing requirements and have indicated the steps they will take to fully comply.

As part of the application process, each managing organization has appointed a principal liaison between the organization and the National Marine Fisheries Service. Information on how NMFS can contact this person when the harvest of pollock has been reached under an approved CDP is provided in Table B (§ 675.27 (b) (3) (i)).

Individual CDP Findings [§ 675.27(d)(5)]

In order to better understand the individual CDQ proposals, and specifically to discuss the confidential aspects of each CDP, the Governor appointed a CDQ Review Team to assist in making CDQ allocation recommendations. The Review Team consisted of his chief fisheries advisor and the Commissioners of Commerce and Economic Development, Community and Regional Affairs, and Fish and Game. The Review Team used their respective staffs and staff from other State agencies to validate the applicants' qualifications and evaluate the individual CDPs. At that time, the team was supplied with critiques of the CDPs drafted by State business analysts. These critiques, written on an applicant-by-applicant basis, are contained in Appendix VI. After the public hearing, the team group met with each applicant individually to discuss confidential business matters. These meetings supplemented discussions which occurred during the public hearing and both of these built upon the applications and staff review. During the meetings concerning confidential business matters, the team members asked many questions of the applicants concerning the implications of reduced levels of CDQ allocation and the funding needs of specific projects. Also considered by the team were project schedules and milestones proposed for measuring achievements and compliance. The conclusion of the team was that the Governor's recommended levels of CDQ allotments would permit applicants to successfully achieve modified CDPs given decreased budgets and projects.

CDP and Managing Organization [§ 675.27(d)(5)(1)]

Each CDP, including the managing organization, is fully described in each application. As stated above, all portions of the applications as specified in § 675.27(b)(1-3) are present and are documented in Appendix IV. Summaries of the managing organizations, adapted from each application, are presented below.

The APICDA separates policy decisions and administrative activities between two principal entities. Policy decisions are made by the Board of Directors and administrative activities are undertaken under contract by a consulting firm, Pacific Associates. The law firm of Birch, Horton, Bitner and Cherot has been retained to perform legal services. NBA has been retained for banking and financial services. The harvesting activities will be conducted by Trident/Starbound and monitored by Pacific Associates. Chapter 5 of the CDP application sets forth the management organization and structure and Section 4.4.3.2 describes harvest monitoring.

The BBEDC managing organization consists of the Board of Directors and the industry partner, Oceantrawl. The Board of Directors consists of several individuals with strong fishery development backgrounds. All policy decisions and development projects will be managed by the Board and implemented by a professional staff that will be hired. Oceantrawl will be responsible for ensuring proper harvest of pollock CDQ including regulation compliance. A joint Board composed of members of the BBEDC and Oceantrawl will form and manage a limited partnership, the Alaska Seafood Investment Fund. Two outside directors will be included in the management of the Fund. They are chosen for their expertise in fisheries. Details of the management organization are included in Section 5 of the CDQ application.

CBSFA is the management authority. It has delegated management duties to Pribilof Bering Seafood for technical and administrative duties. The business partner, American Seafood Company, will be responsible for harvest of the pollock CDQ under a royalty agreement. Details of this management organization are contained in Section 4 of the CDQ application.

The CVFC Board of Directors will be the overall management organization. An Executive Director will be responsible for administrative duties. Responsibility for the pollock CDQ allocation will be delegated to Imapiqamuit Partnership, of which CVFC will own 50%. The other owner of IP is Browns Point Joint Venture which is a partnership with Golden Age Fisheries. The CDQ pollock harvest and processing will be managed by Golden Age Fisheries. Details of this management organization are given in Section 3.

The NSEDC Board of Directors oversees a staff of three and is advised by four boards. The boards will be composed of NSEDC

members and one, the Fisheries Development Committee, will include four members from the business partner, Glacier Fish Company. The Board and staff will manage development projects and contract for additional technical and expert services as required. Management of the CDQ fishing will be accomplished by Glacier Fish Co. under the direction of NSEDC. Details of the managing organization are contained in Part 6 of the application.

The YDFDA Board of Directors oversees an Executive Director and staff. These employees are responsible for much of the management within the organization, particularly development projects and association operations. The harvesting, processing, and marketing of the CDQ pollock will be done by the business partner, Golden Alaska Seafoods. Golden Alaska will also provide fisheries expertise to YDFDA development projects. Details of the managing organization are included in Section 5 of the CDP and Section 5 of the pre-application information release.

Project Milestones and Schedules [§ 675.27 (d) (5) (i)]

The Governor reviewed the milestones and schedules supplied with each application. Extensive consultations were held with each applicant. Following these consultations, each CDP was revised by the respective applicant to reflect the adjusted quota amounts recommended by the Governor. He judged these along with the stated abilities and expertise of each managing organization. Based on this review, to the best of his ability, he judged that the milestones are reachable within the proposed schedules given the information supplied in the applications and produced through background investigations.

The projects suggested by the APICDA include training, infrastructure development, and the creation of an investment fund. The training project is unaffected by the recommended level of allocation. However, the infrastructure development projects will have to be decreased. All funds will be placed in a Fishery Investment Fund which will be managed according to state requirements. The Board of Directors will meet in mid-December to prioritize uses of this fund. Many of the proposed projects call for feasibility studies to be conducted prior to development. The recommended level of funding will, perhaps, reduce the number of studies undertaken and the number of projects which could be completed but should not affect individual schedules or milestones.

All projects planned by the BBEDC will receive lower funding than originally anticipated under the Governor's recommendations. However, the BBEDC group has outlined fairly specifically the kinds of projects in which they want to become involved. Since the actual investments have not yet been decided upon, it is not possible to determine how fewer funds will affect any particular investment decision. The overall schedule and milestones presented in the proposal are attainable given the expertise of the Board of Directors and the nature of the objectives.

The review schedule and milestones prepared by CSFA is centered on a vessel loan and acquisition program. This aspect of their plans involves the acquisition of about 5 vessels per year, training, and gear loans. These vessels will be local vessels capable of fishing in nearby waters. The milestones for this project show that activities will occur during some of 1993. In addition, there will be limited employment opportunities on the partner's vessel.

The schedule and milestones proposed by CVFC involve the recruitment and training of individuals from member communities, operation of a jointly owned fishing vessel and development of several other notable programs. The business partner is well organized and the CVFC seems to have a realistic assessment of what are reachable objectives. While allocation levels are less than originally anticipated by the applicant, it does not seem that reduced levels will significantly reduce the program achievements.

The schedule NSEDC has arrived at is full of activity throughout the year for a number of different projects. This will allow for full utilization of their staff. Although they have less of an allocation than they requested, they have managed to spread out the reduction so as to maintain the integrity of all programs except the funding of IFQ purchases. Some of the projects require feasibility studies before implementation, therefore, if funds are not sufficient the projects will probably only be delayed rather than abandoned. While ambitious, the schedule and milestones can be successfully accomplished.

The most ambitious milestone for YDFDA is the construction of a small scale processor and cold storage facility. However, given its size and existing technology, this is probably quite possible. All other projects involve training or loan funds, projects which are much more likely to keep on schedule and successfully reach milestones.

CDP Budgets and Likely Success of CDPs [§ 675.27(d)(5)(ii)]

In order to judge the adequacy of CDP budgets and likelihood of success, it was necessary to examine the individual CDP business plans. This analysis covers the information required at § 675.27(b)(2). Comparative operating information including harvesting and processing methods, product form, and markets is included in Table D. Summaries of business information for each CDP application are presented in Appendix VI. The budgets submitted with the applications have been reviewed in light of the requested and recommended allocation levels. Adjustments have been made to all budgets by the applicants based on the levels being recommended by the Governor. All budgets seem to be adequate for implementing the CDPs. It is not possible to absolutely guarantee that all projects will be successful. Given that, the Governor has reviewed each CDP, including budgets and schedules, and found that all are likely to be successful.

The APICDA have decided to fully fund their Educational Endowment Fund as originally proposed and full administrative costs. The remainder of the monies will be placed in the Fishery Investment Fund. The board of directors will then review proposed projects to prioritize and determine which feasibility studies and development to conduct. Fund levels will be sufficient to allow for a reduced level of development from the original proposal.

The main investment that BBEDC will make is an Alaska Seafood Investment Fund. The Fund will be set up to invest in Alaskan seafood related companies other than overdeveloped Bristol Bay fisheries. This Fund will be managed under the guidelines set forth by the State in the compliance agreement. Other projects include local infrastructure development and scholarship funds. Allocation levels below those requested by the applicant will reduce the amount of monies available for the projects but will still provide significant cash flow.

The budget available for CBSFA is much less than originally anticipated. However, after dropping all infrastructure-related projects except vessel acquisition, it seems to be sufficient. Given initial projections, the funds available should be adequate for the programs proposed.

The funds CVFC realizes from CDQ allocations will be supplemented by income from its partially owned vessel. These combined revenue sources seem to be sufficient to fund the projects proposed in the CDP. Strong partnership arrangements allow for shared funding of several projects, a means of leveraging investment without the need for outside funds.

The budgets proposed by NSEDC are ambitious and far reaching. However, good management, a strong industry partner, and strong administrative budgeting all indicate that they will maintain most if not all of their programs. As stated above, some of the programs require feasibility studies which could allow for delay of the project until sufficient funds were available or the rejection of some projects and a subsequent re-allocation to other feasible programs.

The funds YDFDA will receive for its CDQ allocation are not great in relative terms to funds received by other applicants. However, the programs they intend to undertake consist of training programs, revolving loan funds and the development of a processing plant. Given the level of expected revenues, this is a reasonable amount of projects and ones that can be funded by the allocation.

Qualified Applicant Organization [§ 675.27(d) (5) (iii) and (d) (6-8)]

For purposes of evaluating the CDQ applications, regulations at § 675.27(d) (6-8) define a qualified applicant. The Governor investigated all six applicants and verified that all are

qualified under the regulations.

Each of the applicants is a local fisherman's organization or local economic development organization incorporated under the laws of the State of Alaska (§ 675.27(d)(6)(i and ii)). The corporate identifiers for these organizations are located in Table E:

Also presented in Table E is the result of State investigations into the "resident fisherman" status of each board of director member (§ 675.27(d)(7)). It was determined that at least 75% of the voting members of each Board of Directors are "resident fishermen." Further investigations were not undertaken for any applicant after a 75% resident fisherman level was obtained for that applicant. Almost all the board members maintain a mailing address and permanent domicile in the communities they represent and are eligible to receive an Alaska Permanent Fund at that address. In order to validate that these persons are "resident fishermen" state records from the Division of Elections, Permanent Fund Dividend Division, and Commercial Fisheries Entry Commission were checked. Signed affidavits were used to affirm community of residence and subsistence fishing activities. Documenting State correspondence to support each of these statements is contained in Appendix VII. Signed affidavits are contained in the respective CDPs, often in the statements of support section. It must be remembered that most of these communities do not have mail delivery and most do not use street addresses. Therefore, in almost all of these communities mail is picked up at the local post office and that is the only address for identification purposes.

Each community represented by an applicant has at least one member on the board of directors as required at § 675.27(d)(8). This information is shown in Table E.

As required at § 675.27(d)(5)(iii), each applicant submitted an official letter of support from the governing body of each community it represents for itself and for the CDP managing organization. A greater discussion of community support for managing organizations is presented under the findings for § 675.27(b)(3), above. In addition to one official letter of support from each community, the applicants have submitted other letters and statements of support from their communities. A summary of the support statements received for each applicant, identified by organization and community, are shown in Table C. The community letters and statements of support are located in the attached applications.

Consideration of Economic and Social Factors [§ 675.27(d)(5)(iv)]

A number of social and community factors were considered by the Governor in making his CDQ allocation recommendations. These factors include the economic choices available to community residents, their level of employment, average incomes, number of

communities involved in the applications, number of persons who could benefit from the CDQ allocations, and general economic well being and social conditions in the communities. In addition, the Governor has considered the economic advantages that each CDP offers to the communities and local residents.

Information concerning the number of individuals to be employed and the nature of their work, requested at § 675.27(d) (5) (iv) (A), is presented in Table D. Also presented in Table D is additional information requested at § 675.27(b) (1) including the number of hours planned for community members on a yearly basis, and the availability of labor from applicant communities.

A sampling of comparative economic statistics from the applicant communities, including those to be considered by § 675.27(d) (5) (iv) (B and C), are presented in Appendix VIII. Economic statistics include community population, labor force, unemployment, number of households, percentage of households below the poverty level, and per capita income. The 56 communities recommended to receive CDQs are from an economically depressed region of the State and country. There are very few employment opportunities in these communities. Travel to other regions for employment is only possible by air since none of these communities are hooked to a larger economy by roads or passenger ferry service. Employment in the region is dependant upon a very short fishery during the summer and a few positions in each community related to schools, post office, air carriers, or retail commerce (food stores). Most of the residents of these communities rely on hunting and gathering to supply a large portion of their food supplies.

The Governor considered the relative benefits to be derived by participating communities for each CDP and their specific plans for developing a self-sustained fisheries economy, as required at § 675.27(c) and (d) (5) (iv) (D). As described above and in the attached CDP proposals, there will be a variety of benefits accruing to successful CDQ applicants. Direct development of fish harvesting and processing capabilities is the most apparent benefit. Many of the proposals also call for training aboard their partner's vessels, essentially preferential hiring practices. This will allow local residents to gain the skills necessary for working in the seafood industry. All of the CDPs have strong training and vocational components. Many provide for scholarships or education fund endowments. These training programs will increase the educational and training levels of the local workforce. Much of this education will focus on talents directly or indirectly useful in existing fisheries, for example Salmon Roe University to be established by CVFC. The stringent financial controls mandated on investment funds will help to ensure that they will provide funding for projects for a number of years to come. Given the extremely high unemployment rates in the region combined with widespread poverty, the influx of the projects employment will have a noticeable and significant impact on the regional economy.

The recommendations made in this submission to the Secretary are for the 1992 and 1993 pollock fishing seasons. This is the first set of CDQs that have been requested. Therefore, there is no basis upon which to judge applicant's and managing organization's previous performance in the execution of prior CDPs as required at § 675.27(d)(5)(iv)(E). However, the State's analysis of each CDP was the basis for the Governor's determination that each revised CDP is likely to succeed at the recommended quota.