

TESTIMONY
ON THE
MAGNUSON-STEVEN'S FISHERY CONSERVATION AND MANAGEMENT ACT
SUBMITTED BY
EUGENE ASICKSIK
ON BEHALF OF THE
ALEUTIAN PRIBILOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION,
BRISTOL BAY ECONOMIC DEVELOPMENT CORPORATION,
CENTRAL BERING SEA FISHERMEN'S ASSOCIATION,
COASTAL VILLAGES REGION FUND,
NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION,
AND
YUKON DELTA FISHERIES DEVELOPMENT ASSOCIATION
BEFORE THE
SUBCOMMITTEE ON FISHERIES AND OCEANS
OF THE
HOUSE COMMITTEE ON RESOURCES

July 8, 2005

Mr. Chairman and members of the Subcommittee, I am Eugene Asicksik. I am president and executive director of the Norton Sound Economic Development Corporation, one of the six groups that are participating in the western Alaska community development quota (CDQ) program. However, I am testifying today on behalf of all six of the groups.

Each of groups may be submitting its own written testimony to the Subcommittee. For that reason, I would like to request that the hearing record be kept open for a reasonable period of time in order to allow the groups to do so.

In 1976 Congress enacted the Magnuson-Stevens Fishery Conservation and Management Act. The Act directed the Secretary of Commerce to phase commercial fishing by foreign fishermen out of the 200-mile exclusive economic zone (EEZ), and to regulate commercial fishing conducted by United States fishermen in a manner that would ensure the biological health, and long term sustainability, of United States fishery resources.

To assist the Secretary achieve those objectives, the Act established regional councils to advise the Secretary regarding the discharge of his regulatory responsibilities. For the Bering Sea and North Pacific Ocean area of the EEZ, the Act established the North Pacific Fishery Management Council. Over the years, the North Pacific Council has done an outstanding job - particularly in working with representatives of all sectors of the Bering Sea and North Pacific Ocean commercial fisheries to develop innovative conservation and management measures that have reduced waste, protected fishery resources and marine mammals, and

"rationalized" the fisheries for the benefit of fishermen and the health of the resource.

To further assist the Secretary, the Magnuson-Stevens Act contains national standards with which the Secretary's regulation of commercial fishing inside the EEZ must comply. One of the most important of those standards is national standard no. 4.

As the phase-out of foreign fishing inside the EEZ occurred, national standard no. 4 directed the Secretary to allocate the new fishing opportunities among United States fishermen in a manner that would be "fair and equitable" to all United States fishermen.

Unfortunately, between 1977 and 1992 the Secretary did not afford United States fishermen who live in small rural communities in western Alaska that are scattered along the coast of the Bering Sea a "fair and equitable" opportunity to participate in the new Bering Sea commercial fisheries.

When that fact began apparent, in 1992 the North Pacific Council urged the Secretary to establish the western Alaska community development quota program and to authorize western Alaska communities eligible to participate in the program to harvest annually 7.5 percent of the total allowable catch of Bering Sea pollock. At the further urging of the North Pacific Council, the Secretary soon thereafter expanded the CDQ program to include, first halibut and sablefish, and then crab and other Bering Sea groundfish species.

In the mid-1990s a question was raised regarding whether the Magnuson-Stevens Act delegated the Secretary authority to promulgate the regulations that had established the CDQ program. At Congressman Young's urging, in 1996 Congress responded by including a provision in the Sustainable Fisheries Act that added section 305(i)(1) to the Magnuson-Stevens Act. Section 305(i)(1) not only authorized, but required, the Secretary to establish the CDQ program.

In 1998 when it rationalized the Bering Sea pollock fishery by enacting the American Fisheries Act, Congress included a provision in that Act which increased from 7.5 percent to 10 percent the percentage of the total allowable catch of Bering Sea pollock that the Secretary allocates annually to the CDQ program.

The regulations implementing the CDQ program create the following regulatory framework:

To participate in the CDQ program, each of the 65 eligible western Alaska communities must join a "CDQ group." The group then submits a community development plan, first to the State of Alaska, and then to the Secretary.

The plan identifies the amount of the percentage of the total allowable catch or guideline harvest level of each Bering Sea fishery that has been allocated to the CDQ program that the group wishes to harvest annually. The plan also describes the "CDQ projects" the group will undertake while the plan is in effect.

The State of Alaska reviews - and then makes recommendations to the Secretary regarding - each plan, including a recommendation regarding the harvest allocations.

In 1992 the eligible communities organized themselves into six CDQ groups. The groups vary widely in terms of the number of member communities. For example, the community of St. Paul is the only member of the Central Bering Sea Fishermen's Association, while fifteen communities are members of the Norton Sound Economic Development Corporation. Similarly, the total number of community residents that a group represents also varies widely from group to group.

In 1992 when the first community development plans were submitted and approved, none of the CDQ groups had any capital. For that reason, the plans simply described how the groups would contract with established fishing companies to harvest the groups' pollock allocations, and how the groups would use the royalty revenue they received from those contracts to fund CDQ projects that would benefit their member communities.

Once the CDQ groups began accumulating capital, they began purchasing various percentages of equity interests in fishing vessels, onshore and offshore fish processing companies, and other Bering Sea fisheries-related businesses - as well as starting fisheries-related businesses of their own. As a consequence, in addition to royalty revenue, the groups now also use the revenue their investments generate to further local economic development by financing additional investments and by

providing employment, economic, educational, and social benefits to the approximately 28,000 residents of their member communities. For example, since 1992 the six CDQ groups have used those revenues to provide nearly \$125 million in wages, as well as educational and training benefits.

Mr. Chairman, while all six of the CDQ groups are sharing in that success, the CDQ program has grown and matured much faster than many of us initially envisioned. As a result, the program has outgrown the administrative structure that the Secretary created in 1992. However, the six CDQ groups have had differing views regarding how the administrative structure of the program should be modified.

For example, should CDQ groups be encouraged to concentrate their future investments into equity ownership interests in Bering Sea fishing companies, or should they be encouraged to diversify into non-fishery holdings? Is external oversight the best method of governance for the CDQ groups or is governance from the groups' member communities more appropriate?

In the past, the ability of CDQ groups to make certain types of investments and to provide certain benefits to member communities has been subject to significant regulatory restriction. Should those restrictions be reduced or eliminated and the boards of directors of the CDQ groups allowed to make their own decisions regarding the mix of investments and benefits that will best achieve the objectives of the CDQ program?

In that regard, the National Marine Fisheries Service recently concluded that the Secretary's regulations do not require the CDQ projects that the groups undertake to have a fisheries-related purpose as long as the projects will advance "the economic or social development" of a group's member community or communities. Should section 305(i)(1) of the Magnuson-Stevens Act, or the Secretary's regulations, be amended to restrict the amount or source of revenue that the CDQ groups may use to finance CDQ projects that do not have a fisheries-related purpose?

Another important question is whether the fishing allocations for which the Secretary now requires the CDQ groups to compete should be made permanent? All six of the CDQ groups agree that stable fishing allocations would be beneficial. But the groups have had differing views regarding how best to achieve that important objective.

To try and develop a common position, I and other representatives of the six CDQ groups have been meeting to discuss those and related questions. We have set August 15 as our target date to reach agreement on as many as issues as we can. I am hopeful that our discussions will produce a recommendation to the Subcommittee regarding an amendment to section 305(i)(1) of the Magnuson-Stevens Act that all of the CDQ groups can support.

Also, at the urging of the North Pacific Council, in April Alaska Governor Frank Murkowski created a "blue ribbon" panel,

which is chaired by Council member Edward Rasmuson and which will be submitting recommendations to Governor Murkowski regarding many of those same issues. I and other representatives of the six CDQ groups look forward to working with the panel, as well as to evaluating the panel's recommendations.

In conclusion, Mr. Chairman, on behalf of all six of the CDQ groups, I would like to express our appreciation to you and the other members of the Subcommittee for coming to Alaska and for your ongoing interest in the CDQ program. We also would like to particularly express our appreciation to Congressman Young for his steadfast and longtime support for the CDQ program.

I would be happy to answer any questions that you or other members of the Subcommittee may have.