

Committee on Resources

Subcommittee on Fisheries Conservation, Wildlife and Oceans

Witness Statement

ST. GEORGE TANAQ CORPORATION

2600 Denali Street, Suite 300, Anchorage, Alaska 99503

(907) 272-9886 - Fax (907) 272-9855

TESTIMONY OF ILIODOR PHILEMONOF, CHIEF EXECUTIVE OFFICER

St. George Tanaq Corporation

Regarding a proposed Pribilof Islands Transition Act

Submitted to the Subcommittee on Fisheries Conservation, Wildlife and Oceans

U.S. House Committee on Resources

July 29, 1999 Hearing

Chairman Saxton, Chairman Young, Members of the Subcommittee, on behalf of my shareholders I thank you for this opportunity to provide testimony today on the Pribilof Islands Transition Act and related issues.

A. Background

My name is Iliodor Philemonof. I was born and raised on St. George Island, Alaska. St. George and St. Paul Islands, known as the Pribilofs, are located in the middle of the Bering Sea. I am Chief Executive Officer of the St. George Tanaq Corporation, an Alaskan corporation incorporated pursuant to the Alaska Native Claims Settlement Act. Our corporation has approximately 225 shareholders.

I am here to testify in support of the legislation before your Committee. St. George Island's economy until 1983, was totally dependent on National Oceanic and Atmospheric Administration ("NOAA") activities related to the commercial fur seal harvest. Nearly twenty years ago the United States government decided, abruptly, to end its century old management and control of the Pribilof Islands and the commercial fur seal operations. There were some within the Federal government who believed it would be acceptable to simply walk away from the Pribilofs and ignore that the two communities were almost totally dependent on the government and sealing. Moreover, many of the residents who had spent their lives as federal employees and wards of the government were being abandoned. This would have been devastating particularly in light of the fact that commercial harvest of fur seals ended unexpectedly and, so far permanently, in 1984. Fortunately, thanks to the leadership of Chairman Young and Senator Stevens, Congress did not allow that to happen. The Fur Seal Act Amendments of 1983 put in place a process for the transition of the Pribilofs away from being federally-dependent communities. It provided for the fair and orderly transfer of former

federal lands and facilities to the appropriate local entities and created a trust fund for the benefit of the communities during the transition period. Perhaps most importantly, it provided for the construction of boat harbors so as to enable the communities to take advantage of the Islands' position in the midst of the richest fishery in the world, the Bering Sea. All of this was for the purpose of giving rise to viable, self-sustaining economics not dependent upon fur sealing.

The transition that began in 1983 is still not complete, however. There are many obligations of the Federal government that remain unfulfilled. This legislation is long overdue in setting up a financial mechanism to fulfill past and future promises and obligations of the Federal Government to the people of St. George. Hopefully, passage of this legislation will finally address the devastating financial impact the moratorium on commercial fur seal harvesting and Federal withdrawal has had on our island. However, testimony before this Committee will demonstrate that the amounts appropriated are far less than the existing legitimate claims. The St. George Island residents are still saddled with environmental, health and economic problems left by the Federal Government. To lessen these problems, our corporation has expended large sums of money on obligations belonging to the Federal Government. The legislation under consideration, in general, represents a fair approach to resolving most matters. However, we strongly object to provisions of the Bill that leave the distribution of economic development and reimbursement funds to the Secretary's discretion. As you know, there is significant disagreement between the people and entities of St. George and the Department of Commerce on several fronts, particularly in regard to what obligations are owed and as to what economic development is appropriate on St. George. Thus, we cannot support leaving unfettered control over how these funds are spent in the hands of the Department. We believe that legislation should directly allocate the funds amongst the various entities on both islands. At the very least, we believe the bill should require that a specific minimum be allocated to St. George. We strongly recommend each island receive fifty percent of the funds available. I ask the Committee to note that this legislation does not address the individual claims of former Federal employees who worked in the fur seal industry before 1983. In short, legislation should allow these individuals to become eligible for benefits under the Civil Service Retirement Act ("CSRA"), for their years of Federal service. If necessary, I can assist in submitting a list of Tanaq shareholders who were not notified in October of 1983 under Public Law 98-129, Title II, § 208-210, and who are or may be eligible under CSRA.

B. Answers to Questions Raised in July 9, 1999 Letter and Description of Claims

Question #1) In addition to environmental cleanup work required by the Two Party Agreement, what other environmental cleanup work have you asked or do you intend to ask NOAA to complete?

We are very concerned that NOAA has steadfastly refused to address environmental problems related to the homes that were conveyed to individuals in the St. George community. More specifically, remediation of petroleum contaminated soils, decommissioning of underground storage tanks, lead paint abatement, and removal of asbestos containing materials. Accordingly, we believe it is appropriate to continue to seek a legislative solution to ensure that NOAA will take the necessary steps to correct this problem. We do not believe it is equitable for NOAA to transfer the expense of environmental remediation to our company or to individual homeowners at St. George. We would also like to bring to your attention our dismay over the delays caused by NOAA's inability to properly administer Phase II of the cleanup work on St. George Island. Rather than cleaning up the various contaminated sites on St. George, NOAA seems to have adopted a plan to spend the funds allocated to do the actual cleanup work on its own administrative effort and on consultants. It has always been our understanding that monies allocated for cleanup work was to be used for construction, not to support NOAA administration and consultants reports. In fact, even though Public Law 104-91 stipulates that NOAA is to use local entities to the maximum extent practicable to perform the

cleanup work, it appears as though NOAA is doing exactly the opposite. Given the lack of employment opportunities in St. George, we would certainly like to see this work done by local people rather than by others who live outside of St. George.

Question #2). What Federal funds has your group received since 1983: 1) from the Pribilof Island Trust Fund; 2) for subsistence; 3) to upgrade, repair or replace facilities or equipment formerly owned by the Federal Government; 4) for economic development and facilities construction; and 5) to plan, design and construct harbors or harbor-related facilities?

1) It has been over a decade since we received any funding from the Pribilof Island Trust Fund; however, my recollection is that of the \$8 million in the Trust our corporation received only about \$900,000 over a five-year period. Of this amount, the largest sum we received was around \$400,000 for purchase of an asset of our company - our fish processing facility. We also received an annual grant of 5% of the gross revenue at our store for four or five years, which amounted to about \$25,000 per year.

2) We have not received any funding for subsistence purposes.

3) We received only a nominal amount. I can recall our corporation receiving about \$150,000 to upgrade former government-owned facilities.

4) Other than the amounts mentioned above I cannot recall our corporation receiving any funding for economic development. Out of necessity we were forced to fund these types of investments on our own, using the corporate assets of our shareholders to make up for the absence of an economic base after the Federal withdrawal from St. George in October 1983.

5) Once again, our corporation has not received any funding to construct the harbor or harbor-related facilities at St. George. In fact, at our own expense, and to encourage development of a stable economic base for the St. George community, we've made substantial investments in subdivision work, utilities, warehousing, lodging facilities and equipment. For example, our largest investment at the St. George Harbor is the St. George Delta Fuel Facility, which is a million-gallon tank farm that we constructed to replace the woefully inadequate fuel facility that NOAA left the St. George community in 1983.

Question #3). What expenditures has your group made to: 1) upgrade, repair or replace facilities or equipment formerly owned by the Federal Government; and 2) plan, design and construct harbors or harbor-related facilities?

1) By extracting expense information from our audited financial statements from 1983 to 1998, we believe that we have spent approximately \$1.2 million related to repairing and renovating the buildings that were conveyed to us by the Federal Government. This is deceiving, however, because due to financial constraints we have minimized the amount spent to maintain our buildings. In reality, we've deferred the cost of bringing our buildings to code and have not been able to afford to spend the money necessary to remediate the pollution problems we inherited from NOAA such as leaking underground storage tanks, petroleum contaminated soils, lead paint, and asbestos containing materials.

2) Other than the expenditure of a tremendous amount of administrative time we have not incurred any direct costs related to the planning, design and construction of the St. George Harbor. We estimate, however, that we have spent over \$2.5 million on harbor-related facilities. These were expenditures that we have made to support the development of an enduring, self-sustaining economy for the residents of St.

George.

Question #4). Which of your claims result **directly** from the failure to build a harbor in a timely manner and the need to upgrade, repair or replace facilities and equipment formerly owned by the Federal Government?

We estimate that our company has spent over \$9 million during the period from 1983 to 1998, on items related to the Federal withdrawal and on our efforts to maintain and promote development of an economic base at St. George. Of these expenditures, we believe that approximately half or \$4.5 million is related to the Federal government's failure to ensure timely completion of the St. George Harbor. We were also left with buildings that needed constant maintenance, repair and environmental remediation.. What has not been factored into our past expenditures is the opportunity cost we have lost over the past sixteen years. Given the time value of money, had we not been honor-bound to assist the St. George community, our money could have been placed in investments that would have provided our shareholders a reasonable rate of return. In fact, we could have invested these same dollars we obligated to St. George in U.S. Treasury Bills and earned a risk free return averaging 6% per year. Thank you for this opportunity to testify.

#