

**August 23, 2017 Testimony of Ragnar Alstrom
Before The Honorable Daniel Sullivan, Chairman
Sub-Committee on Oceans, Atmosphere, Fisheries and Coast Guard
United States Senate Committee on Commerce, Science & Transportation**

Mister Chairman:

My name is Ragnar Alstrom, Executive Director of Yukon Delta Fisheries Development Association. Senator Sullivan, I would like to thank you and the members of your committee for inviting me to testify today. I would also like to thank the other five CDQ organizations for allowing me to represent them in this hearing. It is an honor and a privilege.

For the past 25 years, I have been fortunate to witness and participate in the community development quota program from its inception in 1992, when I was one of the founding board members of YDFDA, to its present state today.

The CDQ Program started in the fall of 1992 based on a North Pacific Fishery Management Council motion that created the CDQ Program, State of Alaska emergency regulations and quickly drafted National Marine Fishery Service regulations. The goal was to allow the six newly created CDQ groups to have their new pollock harvesting partners start pollock fishing in December, 1992 such that they could get badly needed cash and start their work doing economic development in their communities. We have come a long way since then.

The premise of the CDQ program is to ensure that Bering Sea coastal communities and their residents should have an opportunity to benefit from the vast federal fishery resource adjacent to their geographic location. The North Pacific Fisheries Management Council, as well as many in Alaska and in Washington DC believed that at least some of the benefits of these Bering Sea fisheries should come onshore to benefit western Alaskans, instead of allowing most of the benefits to flow to fleet owners far from Alaska. The Alaska Congressional delegation advanced the CDQ program into the Magnuson Stevens Act in 1996. We are all formed as IRS 501(c)(3) or 501(c)(4) Alaska non-profit entities.

25 years ago, our communities and their residents lacked the capital to invest in the fishing industry taking place right off their coast. It is different today. The CDQ program has enabled western Alaska communities and their residents to directly participate in the Alaska commercial fishing industry, either individually or through their CDQ organization. Now, on an annual basis, the CDQ program provides more than 5,500 jobs for local residents and over \$60 million in wages and other income. Much more in addition is spent each year providing training and scholarships for vocational and higher education.

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The genius of the CDQ program, and its effectiveness in providing real benefits in our region, is that, through the CDQ fishery allocations as set forth in the MSA and our subsequent investments in the fisheries, our communities have actual ownership of the fishery allocations to do with as they saw fit, instead of an outside, top-down imposition of an economic development plan that may not be appropriate for an individual region. That is a huge difference as each groups' board of directors and administration decide how to use the fishery allocation revenue stream instead of being told how to use it.

The CDQ program is also the largest Alaska presence in the BSAI fisheries. While the BSAI fleet is consolidating across the board, from 20 offshore factory trawlers in 2000 to 14 today and from 230 crab vessels in 2001 (pre-rationalization) to only approximately 79 today, the CDQ program represents the primary Alaska ownership in the BSAI fisheries. We bring the revenue from this ownership onshore to Alaska with benefits to our residents in western Alaska, as well as benefits across the state to other employees, suppliers and industry professionals.

We are also embedded in the Seattle fleet as co-owners and co-participants in the fishing industry. We are proud to be a part of the Seattle-based fishing industry and count many good friends there.

However, being big or important is not our goal. Our goal is to make an impact in our 65 communities. The need in our communities is so great. Our poverty measurement statistics are some of the worse in the United States and even exceed the poverty metrics in New Orleans' lower 9th ward. In Alakanuk, where I live, 44.6% live below the national poverty level poverty, the median household income is \$32,917, and perhaps most telling, 52% of the people over 16 are not in the labor force. (All sources 2015 American Community Survey).

YDFDA's communities are 95% Alaska native. Other CDQ groups have a similar makeup. However, unlike Alaska Native Corporations and the tribal entities in our region, the CDQ program is not race based. The CDQ program's benefits are available to all residents of our eligible communities regardless of race. This is an important distinction.

Another important distinction is that the CDQ program's purpose is to provide economic development in our communities, and not to serve as a transfer payment center or an adjunct funding source for local municipalities. With many of our communities growing in population, and with state and federal funding decreasing, our role has become more central in our communities and perhaps irreplaceable. For example, in 2016 YDFDA provided 615 jobs, and fishing opportunities for 498 fishermen. Overall last year, YDFDA directly impacted 1,493 of our region's 3,200 residents through jobs, training and scholarships, investing \$10,217,706 dollars into our communities and the surrounding region last year. YDFDA is the largest private employer in our region.

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YDFDA is doing, and all of the other 5 CDQ groups are doing, exactly what they were intended to do by Congress, provide real economic development opportunities in Western Alaska in a self-directed manner.

On issues of significance to the Magnuson-Stevens Act, we have the following comments:

Program Stability:

The MSA is working well for the CDQ program and for the State of Alaska. Through the MSA's Council process, resource and allocation issues are painstakingly analyzed and acted upon with an open and transparent process. Stability is key when participating in a capital intensive and dynamic business like the global fishery market and our stable statutory and regulatory process make it possible for our program and the BSAI fisheries to be productive.

Maintain CDQ Program Structure:

This basic structure of the CDQ program, to benefit western Alaska communities from the Aleutians to Cape Prince of Wales that border the Bering Sea and inland fifty miles remains sound. Any change to the structure would weaken the CDQ program's support and potentially jeopardize the program.

Council Recusal Legislation:

All six of the CDQ groups are in support of Congressional action to address the fisheries council recusal process. Present regulations and interpretation require that if a Council member's employer has any interest in a fishing company or companies, and those companies represent 10% or more of the total harvest or vessels used for a harvest in a fishery that is the subject of an action, he or she is forced to recuse themselves from voting on such an action. In our opinion, this regulatory structure is outdated, not evenly applied and has recently preventing several voting members of the North Pacific Fishery Management Council from voting on important issues such as halibut bycatch.

Recently, the council members affected by these attribution prohibitions are Alaskan and often times they include the Council member that is employed by a CDQ company. Each Council member is appointed to the Council because they have a financial conflict: we want people with relevant experience guiding our fisheries. There are very strong arguments that an employee of a company such as a CDQ group is often less conflicted than other Council member personally invested in a fishery such as IFQ halibut. However, the current regulatory approach is not evenly applied, it effectively serves to exempt from this regulatory oversight certain fishery sectors and positions,

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such as consultants, while applying to other sectors. We ask that the Congress work with affected parties and NMFS to see if there are meaningful changes to the recusal and conflict regulations that would protect the integrity of the council process while still allowing the input from Alaska that was intended by the MSA when creating the council system.

CDQ Functionality:

In 2006, Congress amended the MSA by adding and changing several provisions that govern the CDQ program. One of the most important was the creation of the CDQ Panel also known as the Western Alaska Community Development Association or WACDA. WACDA was empowered to govern all aspects of the CDQ Program not specifically addressed in statute. More broadly, we also intended it to act as the representative body for interaction with Congress, regulatory agencies and the public.

When it was formed, WACDA developed protocols and interpretations of the MSA's statutory requirements. In keeping with our broader goals, WACDA hired executive directors, engaged with State and Federal agencies, partners in the fishing industry, and charitable organizations, and participated heavily on behalf of the CDQ Program with regulatory bodies such as the National Marine Fisheries Service and the North Pacific Fishery Management Council.

Over time, WACDA's unanimous consent requirement in the MSA has proven to be problematic and WACDA has ceased to function in any meaningful way. However, recently, all six groups met and agreed that they had to reestablish WACDA as an effective organization to fulfill the goals set out in the MSA. While the exact methodology for working together has not yet been agreed upon, we are heartened by the desire of all six groups to make WACDA functional again.

Conclusion:

Today, the six CDQ organizations serve as owners or joint venture partners in shoreside seafood processing facilities, at-sea catcher processor vessels, large and small shoreside catcher vessels, seafood marketing companies, and a host of other businesses directly related to the commercial fishing industry. In many instances, these investments are located at the community level, where they generate local employment, wages, pay community taxes, and stimulate the local economy. To the extent that investments are outside of our individual regions, they generate revenue to the CDQ company for overall use within the program and serve to stabilize the CDQ corporation by diversifying investments. They also provide significant employment and career path opportunities for local residents.

None of this would have been possible without the CDQ program. Our main message to you today is that the MSA is working well for us now and we hope that in your

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reauthorization efforts you will seek to maintain stability in the MSA to allow the CDQ program to continue to do its work in western Alaska.

Thank you again for providing me with the opportunity to testify today.