

00001

1 STATE OF ALASKA DEPARTMENT OF COMMERCE
2 COMMUNITY AND ECONOMIC DEVELOPMENT
3 PUBLIC HEARING
4 Anchorage, Alaska
5

In Re:)
6)
2006 - 2008 Community)
7 Development Plan -- YDFDA)
8)
_____)

9 TRANSCRIPT OF PROCEEDINGS
10 YUKON DELTA FISHERIES DEVELOPMENT ASSOCIATION
11 Anchorage, Alaska
12 Legislative Information
Office
716 West Fourth Avenue
13 Suite 550
Anchorage, Alaska 99501
14 December 16, 2004
8:30 a.m.

15 APPEARANCES, State CDQ Team Members:
16

17 EDGAR BLATCHFORD
18 Department of Commerce, Community and
Economic Development
Commissioner
Juneau, Alaska

19 ALBERT H. CLOUGH
20 Department of Commerce, Community and
Economic Development
21 Deputy Commissioner
Juneau, Alaska

22 GREG CASHEN
23 CDQ Program Manager
Juneau, Alaska

24
25
00002

1 APPEARANCES (Continued)
2 EARL KRYGIER
Department of Fish & Game
3 Extended Jurisdiction
Anchorage, Alaska
4
5 MARK DAVIS
Department of Commerce, Community and
Economic Development
6 Director, Division of Banking, Securities
and Corporations
7 Anchorage, Alaska
8 MIKE BLACK
Department of Commerce, Community and

9 Economic Development
 Director, Division of Community Advocacy
 10 Anchorage, Alaska
 11 GREG WINEGAR
 Department of Commerce
 12 Director, Division of Investments
 Juneau, Alaska
 13
 LAIRD JONES
 14 Department of Commerce
 CDQ Specialist
 15 Juneau, Alaska
 16 LOLA LEAMER
 Department of Commerce
 17 CDQ Program Internal Auditor
 Juneau, Alaska
 18
 CHRIS POAG
 19 Department of Law
 Assistant Attorney General
 20 Civil Division
 Commercial & Fair Business Section
 21 Juneau, Alaska

22
 23 * * * *

24
 25
 00003

1
 2
 3
 4
 5
 6
 7
 8
 9
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23

TABLE OF CONTENTS

OPENING REMARKS BY COMMISSIONER BLATCHFORD	4
REMARKS BY MR. DAVIS	5
Yukon Delta Fisheries Association Presentation by Ragnar Alstrom/Billy Charles	7
QUESTIONS by CDQ Team Members	46
RESPONSE BY Ragnar Alford	
RESPONSE BY DOUG PETESCH	
RESPONSE BY William Quinlivan	66
END OF PROCEEDINGS	

20 * * * *

24

25

00004

1

P R O C E E D I N G S

2

(On record)

3

COMMISSIONER BLATCHFORD: Okay, this is -- thank you, very much, Coastal Villages, for being here. This is -- or Yukon Delta. Sorry. This is the public hearing portion of the 2006/2008 CDP application process, and we have with us, you know, the CDQ team, and why don't we just go around and introduce ourselves with Fish & Game starting? Earl?

9

MR. KRYGIER: I'm Earl Krygier with the Alaska Department of Fish & Game.

10

11

MR. JONES: Larry Jones, CDQ program.

12

MR. WINEGAR: Greg Winegar, Division of Investments.

13

MR. CASHEN: Greg Cashen, CDQ program manager from the Alaska Department of Commerce.

14

15

COMMISSIONER: Edgar Blatchford, Office of the Commissioner.

16

17

MR. POAG: Chris Poag, I work for the Department of Law. Not a CDQ team member. Just here to observe.

18

19

MR. CLOUGH: Al Clough, with the Commissioner's Office, Commerce.

20

21

MR. DAVIS: Mark Davis. I'm the Director of Banking, Securities, and Corporations.

22

23

MS. LEAMER: Lola Leamer, CDQ program office.

24

COMMISSIONER BLATCHFORD: Thank you, very much. And what we're going to do is -- well, perhaps we should just

25

00005

1

refresh our members here on the (indiscernible) portion.

2

Mark, you want to give us -- or what -- the attorneys -- or do you want to, Greg? You better do it.

3

4

MR. CASHEN: Okay.

5

COMMISSIONER BLATCHFORD: Greg is going to be moderating this. I'm just going to be sitting, interjecting from time to time. We have a series of questions that we ask all CDQ groups, and we've divided up the questions amongst all of us here -- except for the Department of Law. And we're -- the appearance of fairness is absolutely important, and we are going to proceed in the same manner that we proceed with you with all the rest of the groups. Greg?

10

11

12

13

MR. CASHEN: Ragnar and Billy, the first hour of the -- there's the public hearing is structured. The first hour will be allowed for the presentation from Yukon Delta, then we'll open the hearing for public comment.

14

15

16

17

The second hour will be open for questions from the CDQ team. And then Chris Poag from Department of Law will explain the procedures for executive session if there are items we want to discuss in executive session. So with that, you may proceed with your presentation.

18

19

20

21

22

MR. DAVIS: Oh, one other thing -- housekeeping. This is Mr. Davis, for the record. We had one portion of public testimony yesterday which is applicable to all six groups.

23

24

25

Commissioner O'Claray of Department of Labor testified, and he

00006

1

picked a portion that he wanted applicable to all groups, and

2

there's not a transcript yet, so let me just summarize it.

3 He was here on behalf of the Department of Labor and
4 the Governor's Office to urge people to consider hiring in
5 region on vessels and in processing plants. He stated that
6 the Governor, today, is expected to have a press conference
7 about a new jobs program, and part of that program would be
8 maritime training, and that the State government is committed
9 to offering that type of training, either educational or
10 vocational, as needed. And that was the essence of his public
11 testimony.

12 MR. CASHEN: Thank you, Mr. Davis. Ragnar, Billy?

13 COMMISSIONER BLATCHFORD: And we look forward to your
14 presentation.

15 MR. ALSTROM: Mr. Cashen, as far as stating for the
16 record, do I need to identify who's in the room now or should
17 I do that -- wait for the executive session to introduce the
18 members that I brought?

19 MR. CASHEN: For individuals that will be making a
20 presentation, if you could just state your name for the
21 record, that will be sufficient.

22 MR. DAVIS: Or you could -- this is Mr. Davis, you
23 could introduce everyone right now on the public record if you
24 want.

25 MR. CASHEN: Actually, I'd like that.
00007

1 MR. DAVIS: Yeah, I think that would -- I mean, that'd
2 be fine with the record.

3 (Off record remarks)

4 MR. ALSTROM: Mr. Cashen, Commissioner, and members of
5 the CDQ panel, my name is Ragnar Alstrom, and I'm the
6 executive director of the Yukon Delta Fisheries Development
7 Association. Before I introduce the members I brought with
8 me, I'd just like to say I was born in Alakanuk and continue
9 to live in Alakanuk -- one of our CDQ villages, and I intend
10 to do so for the rest of my life.

11 I brought with me -- next to me on my right is
12 chairman of our board, Billy Charles, from Emmonak -- board
13 member from Emmonak. And I'll start -- maybe you can stand
14 up, board members, as I introduce you? I've got -- in the
15 back I've got Jason Borkowski, board member from Mountain
16 Village; Fred Beans, board member from Mountain Village; Doug
17 Petesch, who's the Controller of Yukon Delta; Frank Camille,
18 board member from Nunam Iqua; Marvin Deacon, board member from
19 Grayling; Axel Alstrom, board member from Alakanuk; Stanley
20 Pete, board member from Nunam Iqua; Raymond Waska, Sr., board
21 member from Emmonak; Doug Redfox, who's our in-region training
22 and jobs coordinator; Carla Walker, board member from
23 Grayling; Margie Walker, board member from Grayling; Ruth
24 Carter, who's my executive assistant; Bill Quinlivan, who's
25 our quota and business manager -- been with the program since

00008
1 '92; Frank Alstrom, Jr., board member from Alakanuk; Mary
2 Keyes, board member from Kotlik; Emmanuel Keyes, board member
3 from Kotlik; Jerry Davis, who is the Yukon Delta board's
4 attorney -- I'm sorry, he's not with us.

5 MR. JERRY DAVIS: (Indiscernible - laughing) Davis. I
6 am not part of Yukon Delta.

7 MR. ALSTROM: Mr. Cashen, that's who I've brought with

8 me -- and the members I've brought with me are going to be
9 members I bring into executive session.

10 MR. CHARLES: I'd just like to add, these are elected
11 members of the board. They have alternating -- two members
12 from each village every year, you know, they're alternating
13 and they're voted in at the same time the municipal elections
14 are held. And many of -- they hold other -- you know, other
15 hats in the village, whether be it mayor or board member of a
16 corporation or a tribal entity and that.

17 MR. ALSTROM: Mr. Cashen, YDFDA represents six member
18 communities along the Yukon River, from Nunam Iqua at the
19 mouth of the river, upstream to Grayling. We are pleased to
20 have this opportunity to present to you additional information
21 in support of our CDQ allocation requests.

22 At the November 30th meeting, we presented a general
23 overview of our communities and major programs, as well as our
24 accomplishments since the inception of the CDQ program. Today
25 we would like to present to you more detailed information

00009

1 about YDFDA.

2 One of our most important accomplishments over the
3 past two years is our involvement in the Yukon River salmon
4 fishery. We cannot emphasize enough the importance of this
5 fishery to the residents of our communities and to the non-CDQ
6 communities located upriver from Mountain Village served by
7 our subsidiary, Kwikpak Fisheries. As we discussed in our
8 CDP, commercial fishery -- commercial salmon fishing is a
9 central part of the lives of virtually every family on the
10 lower river. The 700 commercial permits provide, in good
11 years, up to 20 percent of the income of our member
12 communities. This is a graphic reason why the stabilization
13 of the fishery and growth in value, to the extent possible,
14 are so important, and why our economic situation is so dire in
15 years when the fishery is greatly reduced or closed as was the
16 case just a few short years ago.

17 When YDFDA created Kwikpak, it did so at a time when
18 the future of our salmon fishery was uncertain. In 2002,
19 there was no clear indication that the fishery would recover
20 and the commercial fishing, to any extent, would be allowed.
21 Consequently, YDFDA initially took a cautious approach to
22 entry into the fishery. This meant buying used equipment
23 owned by a defunct fishing company from another on-going
24 fishing operation on the river. It made little sense to
25 develop a major operation if only a small amount of harvest

00010

1 was going to be allowed.

2 At the same time, YDFDA became very active in
3 promoting the Yukon River fishery. This means we spent a lot
4 of time and effort to make sure that the regulators -- the
5 Board of Fisheries, the federal subsistence board, and the
6 Yukon River panel, which is a sub-set of the Pacific Salmon
7 treaty negotiations -- understand the importance of the
8 fishery to the well-being of our communities. We have been
9 successful, this far, in this effort. This is an on-going
10 challenge that we are committing to continue. And I want to
11 emphasize, there is no other regional entity out there taking
12 on this responsibility.

13 Getting back to the fishery itself, its runs have
14 returned. Kwikpak continues to increase its presence and
15 impact on the river. Kwikpak is the only salmon processor to
16 buy in the king, chum, and coho fisheries. The other
17 processors out there only participate in the short king
18 fishery.

19 Kwikpak is the leader in developing a domestic market
20 for our products, while the other participants continue to
21 rely primarily on the Japanese market. We showed some
22 evidence of our efforts at domestic marketing at the November
23 meeting. We are branching out into different products other
24 than the traditional head and gut product, which is still the
25 dominant product form produced on the river. We believe that
00011

1 this very aggressive approach to developing new products and
2 new markets is critical if we are to achieve our goals for our
3 regional fisheries development activities.

4 MR. CHARLES: I think if I could add onto that -- I'm
5 sure it's going to come out a little later, but some of the
6 things that we're doing out there is the value-added. We try
7 to handle the product as much as we can -- or at the --
8 locally for the limited amount of product that we have, and we
9 have to maximize on the little product that -- I mean, the
10 fisheries -- small fishery that we have.

11 MR. ALSTROM: Mr. Cashen, the goals of our regional
12 fisheries development activities are:

- 13 * to ensure there is a healthy commercial salmon
14 fishery on the river, including providing financial
15 support to the Alaska Department of Fish & Game for
16 fishery management;
- 17 * to ensure there's a market for the Yukon River
18 production;
- 19 * to create new economic activity through processing
20 operations, such as primary and secondary
21 processing in the region.

22 And I -- and a goal which I think is, in my mind --
23 I'm a commercial fisherman since '69 out there, we'd like to
24 return the highest price possible to the fishermen. There is
25 also a fifth goal, which I will touch on a bit later -- and
00012

1 I'd just like to ramble here a couple minutes.

2 You know, it's ea- -- we're out there on the river,
3 and it's very -- it's actually pretty easy to sell fish, but
4 it's not easy to sell fish at a price that maintains an
5 economic benefit to the fisherman. I don't even know if I'm
6 saying that right. We can sell our -- we can buy fish and we
7 could -- for a buck a pound or 80 cents a pound, king salmon,
8 and sell it for a small amount, but what we're trying to do --
9 Yukon fish is, it's a special fish -- I don't know how many of
10 you have tried Yukon fish. I've said it over and over again.
11 In fact -- when I get on salmon here, I really ramble. In
12 fact, four or five years ago we did a blind taste test in
13 Seattle. Blind taste test with Copper River and Yukon salmon.
14 Eighty -- over 80 percent of those top-end chefs picked Yukon
15 River, not knowing what they were picking. I think it was 83
16 percent.

17 Anyway, what we're trying to do, we're trying to do is

18 net smart (ph). We're trying to really promote high end. Up
19 for the last 30, 40 years, the Japanese wanted everything.
20 Well, when the fishery closed in 2001, what happened was --
21 when the fishery on the Yukon -- what happened was farmed
22 fish, British Columbia and South America. And what's happened
23 since then, the fishery has come back, but what the Japanese
24 found, they could take this cheap fish, the farmed fish, and
25 they could fortify it. Add in -- mix in a little bit Yukon

00013

1 fish, and fortify it. Goes in a jar. They take the --
2 there's a bowl of rice, you take the flaked fish, you put it
3 on top, put some little green tea, and wish somebody a long
4 life. But now what they're doing is they found out, well, we
5 can put this farmed fish -- fortify it, fortified Yukon, so
6 they don't need as much.

7 So what do we do with the excess that they don't need?
8 We could sell it. We could sell it for a low price. But
9 that's not our goal. We're -- this -- all of these newspaper
10 articles you might have seen from the East Coast, Midwest and
11 so on, on the West Coast, we paid a PR firm to do that. We --
12 we're trying -- we're targeting the top end. And the reason
13 we're talking the top end is so we could get the price -- the
14 best possible price to the fisherman on the river. If we
15 don't get the best possible price to the fishermen -- we're
16 paying, what, 3.50 a gallon for gas out there right now -- it
17 just doesn't make sense.

18 So we're fighting -- the other processor out there,
19 they're -- you know, they're comfortable -- and one of them is
20 partly Japanese owned, our major competition out there, so it
21 -- it's Japanese integrated, vertically (ph) integrated. The
22 other one has a Japanese market also. We're the only
23 processor out there really going after this high end.

24 Now there's -- a couple of the other groups of --
25 other processors have kind of piggy-backed on us, we noticed,
00014

1 trying to develop a domestic market, but we're the one seeking
2 the high end.

3 MR. CHARLES: Maybe the question you might have, why
4 are we going into this? There was mention here that we took
5 over a defunct company. Our approach is -- in this, to ensure
6 that the best price that we can provide to the fishermen, so
7 we've identified ways of -- we're taking this a different
8 approach to -- and cutting costs out there.

9 It may eliminate some jobs, but it -- we're providing
10 the best price that we can to the fishermen, (indiscernible)
11 price, and we're taking this approach differently. And I
12 think we've been -- we're successful at -- it's not the
13 conventional way of doing business out there. We're doing
14 something different.

15 MR. ALSTROM: Mr. Cashen, we are pleased with the
16 progress that we have made towards achieving these regional
17 fisheries development goals. We have become a leader in the
18 fishery -- especially in promoting domestic sales. We are its
19 main advocates. We buy a significant portion of the harvest
20 -- over half the production the last two years. In fact, it
21 was up to 65% of the production of chinook here a couple years
22 ago. We buy all the fall chum and all the coho. We pay a

23 very reasonable price to our fishermen.

24 Yet, of course, our job is not done. We have recently
25 purchased the remaining assets of a defunct fisheries

00015

1 cooperative at Emmonak, which includes several buildings
2 there. These need to be upgraded so that we can begin value-
3 added production of summer chum salmon as this resource
4 recovers and directed commercial fishing is once again
5 permitted.

6 We also plan to restart smoked salmon production in
7 Emmonak as one of our purchases is the smoking facility
8 previously owned by the Emmonak tribe.

9 We'll base our new investments on the status of the
10 Yukon River salmon runs. While all indications are that the
11 runs have or are recovering, there has still not been a
12 substantial directed chum salmon fishery in the last five
13 years.

14 The runs continue to improve and there are sustained
15 opportunities in the fishery. YDFDA looks forward to making
16 major investments in the regional infrastructure to support
17 this fishery. This will include equipping the Kotlik and
18 Mountain Village sites with processing equipment so that at
19 least primary processing is done from these locations.
20 Currently, we just have buying operations in Emmonak -- I
21 mean, I'm sorry, in Kotlik and Mount- -- in addition to our
22 primary place in Emmonak. So we'd like to upgrade those
23 villa- -- as the summer chum run comes back, upgrade those
24 facilities at those two sites.

25 It may -- it also may include housing in Emmonak as

00016

1 our work force grows and we need to bring in crew from the
2 nearby communities of Nunam Iqua, Alakanuk, and others further
3 upriver.

4 Yet the revitalization of the Yukon River commercial
5 salmon fishery is only one part of our plan to develop our
6 regional fisheries. As I stated earlier, we have a fifth goal
7 as well, and that is to develop other regional fisheries, such
8 as Norton Sound crab, clams, shrimp, snails, and whitefish.

9 Like to touch a little bit on -- a couple years ago we
10 were the pioneers of the lamprey fishery on the Yukon. And
11 what was neat about this fishery, it was a way to get some
12 benefit into the village of Grayling, which is up in District
13 4A. They're salmon fishery hasn't been -- they haven't been
14 able to -- their salmon fishery's directed at summer chum
15 salmon, and the summer chum salmon runs have been down for the
16 last six, seven years, so it hasn't -- there hasn't been a
17 fishery up in District 4A, the Grayling area. We were able to
18 get a little bit of benefit to Grayling by starting up this
19 lamprey fishery -- also, we bought out of Mountain Village and
20 St. Mary's.

21 The problem we ran into this year, though, we had a
22 buyer for lamprey right up until two days before the darn
23 things came in the river, and as probably some of you have
24 read in the last week or two, there's been a move afoot to put
25 the Pacific lamprey on the West Coast -- to list it as

00017

1 endangered. The problem we've run into -- so our buyer,

2 because of that possible listing, wasn't sure if he could buy
3 our lamprey.

4 The problem we ran into two years ago, you know,
5 there's -- we're working closely with the Alaska Department of
6 Fish & Game on this fishery -- is the Department's not quite
7 sure if these are Arctic lamprey or Pacific lamprey. They
8 kind of think they're Arctic, but they're not completely sure,
9 so we made sure that -- when we had the fishery, that the
10 ADF&G biologists were up at both sites to take samples to
11 determine. And the key to this fishery continuing -- I think
12 anecdotally, the fishery -- there's a lot of lamprey, but we
13 need to -- we need someone to designate these -- to verify,
14 affirm, that these are Arctics, not Pacific.

15 If we have a Pacific lamprey problem, then that market
16 on the West Coast that we had developed, we're going to have
17 to find a Korean or other market for it. But the key is going
18 to be affirming these are Arctic lamprey. It was unfortunate
19 it was at the -- you know, the fish were there at Mountain
20 Village and the buyer that assured us since last June he was
21 buying the stuff said, I've run into a problem. I can't buy
22 these things.

23 Mr. Cashen, while sometimes it may be confusing to put
24 the words Norton Sound together with Yukon Delta, a quick look
25 at the map shows that the Yukon Delta's on the south shore of
00018

1 the Norton Sound. Kotlik virtually sits on Norton Sound. As
2 a result, Yukon Delta fishermen have participated in the
3 Norton Sound crab fishery continuously since the early 1990's.
4 In fact, our initial investment were in small vessels
5 specifically designed for that fishery.

6 Yukon Delta fishermen participated in the fishery this
7 year, and plan to continue to fish there in the future. Many
8 residents have limited licenses for this fishery, which will
9 be essential should it be rationalized. And the company
10 itself, Yukon Delta, owns nine limited LLP licenses -- well,
11 actually, we control about a third of those LLP's in Norton
12 Sound for Norton Sound crab. And the board directed me at
13 their last meeting a couple weeks ago to purchase up -- and
14 there's not that many out there that we might be -- have
15 access to, but we control fully a third of those LLP's for
16 Norton Sound.

17 MR. CHARLES: (Indiscernible) could have done those
18 initial investments on the vessels that we purchased out in
19 Norton Sound. At that time -- or historically, the quota of
20 Norton Sound's been high, but at that time that we invested,
21 the quota had gone down and it wasn't feasible for us to go
22 out there and participate any more with the 32-footers. We
23 continued to subsidize them, if you all remember, so we had to
24 get rid of those vessels but, you know, it allowed us -- some
25 residents to have license from Norton Sound.

00019

1 MR. ALSTROM: As long as that -- Mr. Cashen, as long
2 as that Norton Sound crab fishery stabilizes at a level of
3 500,000 pounds or more, we'll make the improvements necessary
4 to bring crab to our plant in Emmonak. Currently, we have a
5 cooker there in the floating operation we lease. We've proven
6 we can cook crab and freeze crab in Emmonak. And in fact, we

7 put on a big crab feed two years ago for Senator Lisa
8 Murkowski -- I'm not sure if anyone was present there, but it
9 was.....

10 UNIDENTIFIED VOICE: Did you save any crab?

11 MR. ALSTROM: What's that? With Norton Sound crab
12 that we brought in. We didn't save you any crab.

13 This summer time fishery has been and can continue to
14 be a very important part of the seasonal fishing activity for
15 our commercial fleet, especially after the king salmon fishery
16 and prior to the fall chum and coho fishery in August. Since
17 the beginning of the crab CDQ program, YDFDA has received 50%
18 of Norton Sound crab allocation. We believe that a
19 continuation of this allocation level is justified, based upon
20 our history in the fishery, and the importance that the CDQ
21 harvest has in supporting the larger open access fishery.

22 One note about the Norton Sound herring fishery.
23 YDFDA will continue to support our herring fishermen in this
24 fishery if there is processing capacity in 2005 or in future
25 years. We will do this through a pre-positioning of our

00020

1 harvesting vessels near the fishing grounds with gear and with
2 financial incentive to support the fishermen and the
3 processors.

4 Again, this fishery, which occurs prior to the start
5 of the king salmon fishery, is an important part of our
6 fishing season, and if there is anything feasible and
7 reasonable that we can do to support it, we will.

8 In fact, we were having talks just this week with
9 Eugene Asiksik [sic], CEO of Norton Sound on bringing in a
10 processor to pro- -- to participate in the Norton Sound
11 herring fishery. Billy and I are -- both are herring permit
12 holders for a number of years, and there's a number of my
13 board members that are herring permit holders, so it's
14 important for us to see that this fishery gets back on its
15 feet. And with the yen being strong against the dollar, it
16 looks like there will be a processor up there this summer --
17 but we are working with Norton Sound to see if we can -- if a
18 processor can be made available.

19 As the past 10 -- Mr. Cashen, as the past 10 minutes
20 of discussion clearly shows, YDFDA has accomplished a great
21 deal over the past few years in developing our regional
22 fisheries, supporting our commercial fishermen, and providing
23 ever increasing benefits to our member communities, but this
24 is only part of the story. YDFDA plans on developing Kwikpak
25 and our related ventures into a full-service seafood company,

00021

1 serving all the needs of the fishing industry.

2 As we highlighted on the 30th, Yukon Marine
3 Manufacturing, our aluminum vessel building subsidiary, has
4 manufactured almost 50 aluminum skiffs for the commercial
5 fleet. This business does excellent work, and the skiffs are
6 in demand. They are sold as soon as they are completed. This
7 business provides local employment for a skilled work force.
8 A major project for the upcoming allocation period is to build
9 a new facility that will not only be able to continue with
10 manufacturing skiffs, but also expand into other products
11 needed by residents of the region, such as ATV trailers. And

12 the expanded facility will provide space for repairs -- which
13 is an important service that cannot be completed at the same
14 time as skiffs are being constructed.

15 I'm not sure if any of you have seen pictures -- or
16 took a look at the pictures of these skiffs. These are
17 fantastic, high-class, aluminum skiffs these local boys make
18 out there. They're beautiful skiffs.

19 MR. CHARLES: You know, we've had some requests for
20 those vessels outside the region as well, so -- finally
21 getting out to the market and there's people interested even
22 from outside the region like I mentioned.

23 MR. ALSTROM: Mr. Cashen, we have sold skiffs into the
24 Coastal Village region. It's part of our outreach program.

25 Mr. Cashen, the other major initiative that we are

00022

1 planning for 2006/2007, is the construction of a fishery
2 support center in Alakanuk. This facility will provide
3 fishermen with a place to repair gear, motors, and other
4 equipment. Fishermen will have access for -- to repair parts
5 and will no longer need to send their equipment out of the
6 region for warranty work -- that is the goal. In addition,
7 we'll provide mechanics trained through our Human Resources
8 programs. We anticipate a great demand for the services
9 available at this new facility.

10 MR. CHARLES: Maybe if you could -- if you -- I don't
11 know if you've seen the pictures of, like -- but -- you know,
12 the facility that they use right now is almost -- you might as
13 well be working outside. I mean, to make a beautiful boat
14 like that, you wonder -- you would think, you know, they had
15 real good facility to do that. But, no, we need -- we're in
16 need of a support center or something like a support center to
17 build these boats. And I think they'd do a lot better job --
18 I mean, I can't say how much better they can do, but I think
19 it'd be, you know, more -- make it more efficient and maybe
20 cut costs that way and do other things at the facility as
21 well.

22 MR. ALSTROM: Mr. Cashen, in summary, YDFDA has taken
23 a considered look at the current regional fishing industry and
24 what it could look like in the future. Our initial approach
25 was to be cautious and to see if there would be a reasonable

00023

1 amount of commercial fishing, given what we knew then. It now
2 appears that the resources can be relied upon to support
3 commercial fishing.

4 Based on this conclusion -- and we are always re-
5 evaluating that conclusion -- we believe that it is possible
6 and prudent, with careful infrastructure and business
7 improvements, to become a seafood company participating in
8 diverse fisheries and providing the full range of services
9 that a fisherman can obtain in less remote areas around the
10 Alaska coast.

11 Our vision includes fishing from herring the spring
12 through Arctic lamprey in the fall. It includes fishermen
13 participating in a variety of fisheries and crew working at
14 several locations in the region.

15 We are creating sustainable markets so that we can
16 continue to pay good prices to fishermen for those products

17 that currently have value, and will increase the return to
18 fishermen for those with less value through marketing and
19 product development.

20 Just a word about that -- one thing the Japanese
21 market has -- that has changed in the Japanese market over the
22 years is at one time the Japanese took every king salmon that
23 could -- it didn't matter if it had whale bites on it and
24 anything. They took everything. In the last couple years,
25 they said okay, we'll take -- we want all your number ones,

00024

1 your high-grade number ones, your top-grade number twos, but
2 we don't want any of your red skins. We don't no -- we don't
3 want no number threes. So we have a major problem with the
4 red skins. What do we do with these things -- these fish are
5 still better than Copper River.

6 What do we do with them? So we're -- what we're doing
7 right now, we're currently are doing is we're taking those
8 bust fish (ph), we're smoking them, we're -- we're not smoking
9 them on our own, we're running them through the commercial
10 smoker, and they're going to a high-end smoke market. Whole
11 Foods Select Foods is marketing -- or selling -- or buying a
12 certain amount per week of this smoked product throughout
13 winter. But that's an example of one way we're targeting
14 high-end -- what -- a fish that the Japanese market don't
15 want. And they said if we -- if you want them -- if you want
16 to give them to us, we'll buy them for -- I think it was a
17 buck thirty a pound for these beautiful king. And I think my
18 fisheries manager said at that point we'll give them to the
19 Koreans before we sell them to the Japanese at that price.

20 Anyway, we are and will continue to be a source of
21 vessels and equipment, and we will provide repair services.
22 There is a lot to be done over the next four years, and we are
23 committing the financial resources to achieve our goals in
24 developing our regional fisheries.

25 Next, I would like to turn to our Bering Sea seafood

00025

1 industry investment program. As we described in our November
2 30th presentation, our program has concentrated in three
3 areas: the pollock mothership fisher, the catcher-processor
4 sector for crab and cod, and the catcher boat long-line sector
5 for sablefish, cod, and crab. As much of our strategy that we
6 used to make these offshore investments is proprietary, I will
7 not go into those details at this time, however, there are
8 some points I would like to make now.

9 First, in the two years of the current allocation
10 period, YDFDA has completed an investment in a cod/crab
11 catcher processor, the C/P Courageous, and is nearing
12 completion of investing in an additional two pollock catcher
13 vessels. Upon completion of these investments, YDFDA will
14 have an interest in one mothership, two catcher processors,
15 four pollock catcher boats, and one long-line catcher boat.
16 Each of these vessels is showing financial success.

17 Second, we are implementing specific strategies to
18 significantly increase the royalties that we receive from our
19 CDQ allocations. By investing in the mothership sector, we
20 are in a unique position to make this happen beginning with
21 the 2005 pollock CDQ. While I will not go into the details of

22 this plan now, our strategy will result in the maximizing of
23 both our investment return, and the value of our CDQ
24 allocations.

25 Third, YDFDA also is well-positioned to take advantage
00026

1 of the Bering Sea rationalization plans as they are
2 implemented. We are doing this by concentrating on the
3 fishing opportunities that we are investing in rather than
4 just looking at the vessels themselves.

5 At such time as rationalization plans are implemented,
6 we will begin stacking quotas for the various species on
7 vessels, so as to maximize the profitability of our
8 investments. Our current program to purchase halibut and
9 sablefish IFQ's is an example of what will begin to happen in
10 other fisheries under these new plans.

11 In fact, yesterday our -- we had a board meeting last
12 night, and the -- my board approved a purchase of some crab
13 history that the State will be rece- -- State oversight team
14 will be receiving in the way of a substantial amendment here
15 in the near -- in the next couple of weeks. And this would be
16 a plan to stack crab IFQ, when it becomes available, on one of
17 our existing boats or on a new vessel that we plan to purchase
18 at some point.

19 We believe that we have been very responsibility in
20 how we go about making our investments and our board's
21 involvement in our decision-making process. YDFDA is proud of
22 its investment record and believe the it will lead to a
23 diversified, financially stable company, able to succeed in
24 the fishing industry and providing our region with the
25 financial resources necessary to develop a healthy economy in
00027

1 our region. We look forward to discussing our specific
2 business strategy with you during the executive session.

3 Next, I would like to move into the area of Human
4 Resources. As I discussed during the November 30th hearing,
5 we believe that when residents of a region think about jobs,
6 training, scholarships for higher education, and just about
7 anything to do with their future, they immediate think of the
8 CDQ program and YDFDA. There are other entities, that serve
9 our region in these areas, however, each of them has a much
10 larger clientele than us alone, and none are located in our
11 six member communities nor in the other non-CDQ communities
12 along the lower Yukon River.

13 As a result, obtaining services is both difficult and
14 inconsistent. By being located in the region and by working
15 for our region's residents, we can have the on-going personal
16 relationships needed to succeed.

17 The need in our communities is greater now than it has
18 ever been before. As we have tried to explain in our CDP, the
19 bulge in our young age population is starting to enter the
20 work force. According to the 2000 census, there will be 350
21 more people looking for work in the 19-34 year age group in
22 2010 than there were in 2000. So in the area of Alaska with
23 the highest unemployment rates, the region needs to create
24 opportunities for an additional 350 residents just to stay
25 even.

00028

1 As a result, we are committed to doing everything
2 possible to meet this demand. We intend to do this by
3 upgrading our Human Resources program into a Human Resources
4 Department.

5 Why will this make a difference? First, it will
6 provide more resources in terms of personnel and time, plus it
7 will develop a broader range of programs to assist our
8 residents to reach their potential. As I have mentioned
9 previously in relation to our regional fisheries program, we
10 intend to increase the number of positions through more
11 seafood processing in more communities, more skilled positions
12 in the marine manufacturing business and fisheries support
13 center, and more opportunities for commercial fishermen.

14 While much of this work is seasonal, we will continue
15 to place residents in seafood jobs in the Bering Sea and in
16 internships in offices and businesses.

17 And then, of course, there is our scholarship
18 programs. YDFDA has built up over 2 million in our
19 scholarship program, and continues to put money into the
20 program. This will make an incredible difference in the
21 opportunities available to our residents.

22 MR. CHARLES: The Human Resource -- I think I want to
23 expand on that a little bit. You know, just like Ragnar says,
24 you know, when we are talking about this higher education or,
25 you know, jobs and training, the first thing the residents or

00029

1 the young people mention is the CDQ or YDFDA.

2 In the same way, we're Yupik speaking people and we're
3 talking to the Coastal Villages guys, and when we talk to
4 them, they think we're CVRF. So the CDQ is -- you know, has
5 meant a lot to a lot of the young people out there. I just
6 wanted to emphasize that.

7 MR. ALSTROM: Mr. Cashen, I would like to take this
8 time to highlight some of the accomplishments of our Human
9 Resource programs to date and over the first two years of the
10 current allocation period to give you an idea of what we can
11 accomplish as we upgrade our programs.

12 Between 1992 and 2002, YDFDA has placed residents in
13 1,739 positions related to the seafood industry. To give you
14 an idea of what this means, according to the 2000 census, we
15 have a work force of just over 1,800 people. If each position
16 equal one person -- which it does not, these are positions --
17 we would have placed residents in position virtually equal to
18 the entire work force.

19 Since 2003, the number of positions has been 859.
20 This includes 246 at Kwikpak, another 100 in offshore
21 fisheries. We also -- in addition to this, we also purchase
22 salmon from 440 individual permit holders.

23 Between 1992 and 2002, we provided 318 training grants
24 to region residents. In the last two years alone, we have
25 sponsored training for an additional 40 residents. Many of

00030

1 these training positions have led to permanent employment.

2 We are especially pleased with our aluminum welding
3 training program, which has resulted in high-skill technical
4 jobs at our skiff building facility in Alakanuk.

5 As this facility is expanded and the fishery support

6 center is completed, we see the training program is even more
7 important in filling these skilled positions.

8 I believe that the area in which we are most pleased
9 is in our scholarships programs. Since the beginning of 2003,
10 we have awarded 76 scholarships to 48 students. Considering
11 that the total graduating class from all of our member
12 community schools is approximately 40 annually, and that many
13 graduates do not go on to higher education, we are reaching
14 virtually all eligible students with our scholarship program.

15 One -- I think one thing, Mr. Cashen, that we don't do
16 very well is we don't tout or brag about our program as far as
17 scholarships very well. I seen in the paper a full page ad
18 recently, British Petroleum had awarded eight scholarships.
19 And, you know, it was a -- it was a pretty darned big -- and I
20 thought, you know, maybe we should be touting our program a
21 little bit. I'm very pleased with the scholarships we've
22 awarded. And more than that, more and more people -- more and
23 more students are looking to go to school. When we first
24 started there was very few, but more and more it's catching
25 on, and we've got the resources and finances available to do

00031

1 this.

2 The -- one of the counselors for the Lower Yukon
3 School District said that our program -- they've looked at a
4 lot of programs with the different districts -- was the best
5 scholarship program that they saw in the state. We're very
6 pleased with it.

7 MR. CHARLES: In our work out there, you know,
8 education is the most important thing that's going to, you
9 know, take us away from what we are today or what we were
10 yesterday. The education is very important and it's not -- I
11 don't -- I mean, some people may argue it's not a fisheries-
12 related program, but in a sense it is. I think education is
13 very important. We put a lot of emphasis, and the board does
14 also.

15 I'd like to repeat myself -- or repeat Ragnar too many
16 -- once or twice, but this is the first time I've read this
17 script.

18 MR. ALSTROM: Mr. Cashen, in summary, I would just
19 like to leave you with a sense of our philosophy when it comes
20 to Human Resources. We want to be the first place that people
21 think of when they're looking for a job, training, or
22 scholarship.

23 I want to emphasize that the first thing they think of
24 is the CDQ program. You know, you -- there's -- and I just
25 want to emphasize it again. I know I've done this a couple

00032

1 times. There's other entities out there. But come January,
2 those entities aren't going to provide a single job. I mean,
3 there's -- we're going to send out 40-50 people out on boats.
4 We've got a regional Native corporation -- I don't think a
5 single person from our village is going out. The non-profit
6 regional does provide training funds, but no jobs.

7 And as I said in the previous meeting -- and it -- you
8 know, it's through no fault of their own, they're trying to
9 service such a large area. So the villages in our area and
10 the non-CDQ villages in our area, we want them to think of the

11 CDQ program. In fact, our regional training jobs coordinator
12 just got back yesterday from a sweep through some non-CDQ
13 villages from St. Mary's all the way up -- how far did you go?

14 MR. REDFOX: To Grayling and Holy Cross.

15 MR. ALSTROM: To try to look -- to see if we could
16 place peoples from those villages in jobs in the offshore
17 sector. So we're reaching out to the other villages in our
18 area because no one else is doing it.

19 Mr. Cashen, we want to provide opportunities for
20 people to decide whether they want to live in the region or
21 elsewhere. We believe that people who have a wide range of
22 experiences will be happier with their choices.

23 This is -- you know, we have a very young population,
24 and as the Commissioners know, Mr. Cashen, that we have a --
25 the attendant problems with a young population -- the village
00033

1 I'm from has the highest suicide rate in the state and
2 probably in the United States. We have problems with alcohol
3 and drugs. So we're trying to address these problems.

4 I -- you know, as I said in the other previous
5 meeting, one thing I like -- one thing that Governor Murkowski
6 stated in his -- one of his debates that I appreciated was the
7 best hope you can give a person is give them training and give
8 them a job. You can give them all the social -- all the
9 counseling in the world, but they -- I don't think they'll
10 really feel good unless you train them and you give them a job
11 elsewhere.

12 I was asked at a meeting some years ago at one of
13 these allocation hearings, do you really believe -- by a
14 person no longer on the oversight team -- do you really -- is
15 it your philosophy to get a -- you know, you don't have a
16 problem with training a person and they move out? I don't
17 have a problem with that. If they have a -- if -- that's a
18 choice that they have. We train them and they go teach on the
19 North Slope, at least they've -- we've offered them a choice.

20 Mr. Cashen, YDFDA can proudly point to its Human
21 Resources programs and what we have accomplished. However,
22 considering the exploding demand, we must upgrade our programs
23 now.

24 Finally, I would like to move to our CDQ allocation
25 requests. YDFDA is requesting an increase in our allocations
00034

1 for pollock, Pacific cod, Atka mackerel, and Pacific Ocean
2 perch, and Area 4D halibut, as well as 20 percent allocations
3 for Eastern Aleutian Island golden brown and Adak red crab.

4 In our CDP, we have laid out our justification for
5 these increases, as well as status quo allocations for the
6 remainder of the species. I would like to take this time to
7 highlight the reasons for our allocation requests. I will
8 begin with some general comments and then include some
9 specifics on the increased requests.

10 Since the inclusion of Mountain Village and Grayling
11 into YDFDA, which added 30 percent to the total population of
12 our member communities, we have sought some increase in our
13 CDQ allocations, primarily in pollock.

14 This was more than twice the growth experienced by any
15 other CDQ group from the addition of these new communities in

16 1999. YDFDA's pollock allocations stood at 14 percent prior
17 to the addition of these two communities, and has remained the
18 same since, yet we have expanded our programs and
19 responsibilities far beyond the original four communities. In
20 fact, we have included the 2,300 residents of the Yukon River
21 communities between Mountain Village and Grayling in many of
22 our programs as well -- such as our scholarship program.
23 Those communities, even though they're not involved in the CDQ
24 program, are eligible for a scholarship from YDFDA.

25 This is the third time that we have requested an
00035
1 increase in allocations based upon this growth, and believe
2 that the time has come to finally address the issue.
3 Secondly, we again raise the issues of the tremendous
4 increase in the work force that we serve. The 350 person
5 growth during this decade -- nearly 20 percent of the entire
6 work force -- places tremendous responsibilities on our
7 organization. Additionally, as YDFDA is the only organization
8 directly addressing the growth in the work force, we are
9 dedicating new resources to our Human Resources programs. We
10 believe that this commitment to our residents deserves to be
11 recognized in our CDQ allocations.

12 Third, as I have described earlier in my presentation,
13 YDFDA recognizes the great challenge that we have in
14 developing the fisheries resources of the Lower Yukon/Norton
15 Sound region. We have made a good start in the development of
16 Kwikpak, the revitalizations of the Yukon River fishery, our
17 domestic marketing program, the Arctic lamprey fishery, the
18 Norton Sound crab fishery, our aluminum skiff manufacturing
19 program, and our loan guarantee program. However, much
20 remains to be done to become the full-service seafood company
21 that is needed for our region to reach its full potential.

22 Upgrade and construction of new facilities,
23 development of under-utilized fisheries, and improved
24 transport of product from the fishing grounds to the market
25 are all projects that we plan to carry out during the up-

00036
1 coming product allocation period.

2 YDFDA fully appreciates the intent of the CDQ program
3 -- to bring the benefits from the CDQ allocations in the
4 Bering Sea back to our communities to develop a sustainable
5 fisheries economy. While we support of the program beyond
6 this intent -- and we support Amendment 71A that was passed by
7 the Norton Fishery Management Council -- we see the need to
8 reach the development of our in-region fisheries potential
9 first.

10 Finally, since the inception of the CDQ program, YDFDA
11 has maintained a small administrative and programmatic staff.
12 We have only eight full-time positions, along with our six
13 part-time village representatives.

14 While our small staff has resulted in limited
15 administrative expenses, it is now time to begin a well
16 thought out expansion. We now need to expand in Human
17 Resources, regional development, and our administrative
18 support staff. We believe that our past performance limiting
19 our over head expenses and our measured approach to growth
20 should be recognized in the allocation process.

21 I would now like to take this opportunity to address
22 our specific species allocation requests:

23 In regard to pollock, we believe that all of the
24 reasons that I have cited here are our justification for our
25 three percent increase request, however, I would like to make

00037

1 a few additional points.

2 First, despite a relatively significant population
3 base, YDFDA received only a five percent pollock allocation in
4 the initial allocation cycle and did not reach our current
5 level of 14 percent until 1999. This greatly hampered our
6 ability to invest in the pollock fishery.

7 Once our allocations began to increase, we started to
8 invest in the fishery through the mothership sector. We
9 believe that our approach has been highly successful, however,
10 with rationalization plans beginning to be implemented for
11 other species such as cod and crab, the cost of entering into
12 the pollock, cod, and crab fisheries is becoming more and more
13 expensive.

14 An increased pollock allocation at this time is
15 essential for YDFDA to continue to make investments in the
16 offshore fishing sector.

17 Additionally, we believe that our strategy for the use
18 of the pollock CDQ will increase our royalties while
19 maximizing our profits from our investment in the M/V Golden
20 Alaska.

21 There is much that can still be done in the up-coming
22 allocation period if we have the financial resources
23 outstanding make sound investments consistent with our
24 investment strategy.

25 In regard to Pacific cod, we would like to make clear

00038

1 that YDFDA is and will continue to do everything possible to
2 take our quota. Currently, we have six vessels authorized to
3 harvest our Pacific cod to order -- in order to ensure that it
4 is caught by the end of the year.

5 The only time that YDFDA did not catch its entire
6 Pacific cod quota was when there was a large rollover
7 fortunately the trawl to the long-line sector. We have been
8 guarding against this happening again by authorizing a large
9 number of boats so that the quota can be taken in the little
10 time available at the end of the open access season.

11 The other point that we'd like to make is that if a
12 CDQ group is not using a portion of its cod quota for bycatch
13 in the flatfish fisheries, then that group should not be able
14 to take advantage of that extra quota in a directed cod
15 fishery rather than having to apply it to bycatch such as
16 YDFDA is doing presently.

17 We are not certain if there are groups not targeting
18 flatfish, and we leave that up to the State to make those
19 determinations and reallocation accordingly.

20 In regard to Atka mackerel and Pacific Ocean perch,
21 YDFDA seeks a return to a 20 percent allocation that has been
22 reduced to 18 percent over the past two allocation cycles.

23 YDFDA does not understand fully the reasons why our
24 allocation was reduced by two percent previously, given that
25 we are as actively involved in the Atka mackerel fishery as

00039

1 any other CDQ group. We have fully harvested our allocation
2 this year through our relationship in the fishery with Bristol
3 Bay, Coastal Villages, and Central Bering Sea CDQ groups.

4 YDFDA has also seen reduction in our Area 4D halibut
5 allocation from 33 percent in 1997 to 27 percent in 1998 to 20
6 percent in 2001. We are requesting an allocation for the
7 2006-2008 period of 27 percent.

8 While halibut has not been harvested by our small --
9 our local small boat fleet in Area 4E -- originally because of
10 -- the 4D/4E line wasn't permeable, and since then due to a
11 lack of availability of halibut in the past, we continue to
12 make efforts to find areas where halibut can be harvested and
13 delivered locally to our Emmonak plant.

14 We have found halibut nearshore, but not at levels
15 that would encourage local fishermen to participate in that
16 fishery based out of their home villages.

17 Yet even if we cannot harvest the halibut in the
18 nearshore waters, we still believe that an increase in our
19 allocation is warranted. A review of the 2004 fishery finds
20 that 84,000 pounds remains to be harvested -- or 16 percent of
21 the Area 4D quota, the quota where we get an allocation -- the
22 area where we get an allocation.

23 YDFDA has never failed to harvest 100 percent of its
24 halibut allocation, using local fishermen as crew members on
25 whichever vessel was being used to harvest the CDQ allocation.

00040

1 This year YDFDA harvested 100 percent of its allocation, and
2 did so with our own wholly owned vessel, the Lisa Marie. One
3 of the main uses of this vessel is as a training platform for
4 our residents.

5 What we do is we -- guys want to go train -- want to
6 get out on a boat -- Jack Damian (ph) from Alakanuk, and Tony
7 Redfox are two good examples. We put them out on that boat,
8 that 78-footer first. They go out, they do long-line halibut,
9 they do long-line black cod, and once they get used to the
10 cycle and they look like they want to stay, they like it --
11 there's a lot of people that go on for a week and say, I can't
12 hack this, I'm seasick all the time, or I -- this is not the
13 life for me. But the people who show that they can hack it,
14 we move them up into the pollock catcher boats. And you get
15 on the pollock catcher boat, you know, you can make a pretty
16 darned good living doing that, and we've got at least two that
17 have done that. Do we have more, Doug?

18 MR. PETESCH: Yes, we do have some people that are
19 trained in that program, so -- so it's a good program.

20 MR. ALSTROM: So we bought halibut IFQ. The CDQ
21 allocation is important, and this is one aspect of that --
22 it's used as a training platform to move people up.

23 Clearly, it is appropriate to return YDFDA to at least
24 the -- we're not asking for a return to 33 percent, what we
25 initially got -- but at least to the 27 percent allocation for

00041

1 halibut.

2 Finally, I would like to bring to your attention the
3 Norton Sound red king crab fishery. Our 50 percent allocation
4 is of a relatively low amount of just over 13,000 pounds.

5 YDFDA harvested our entire quota during the second quarter
6 this year, in conjunction with other activities during the
7 open access period.

8 As discussed earlier in my presentation, we believe
9 that maintaining this level of allocation is important as we
10 make our plans to being processing crab from our value-added
11 seafood facilities at Emmonak.

12 One last area that deserves some discussion concerns
13 the role that YDFDA is playing in our region. This is an
14 important -- this is as important for the State to consider,
15 given the reductions in government financial support for our
16 communities and their inability to continue to function as
17 they have in the past.

18 We are not suggesting that YDFDA should take over
19 local government functions, but what we are saying is that,
20 over time, YDFDA is becoming the one entity that will lead the
21 region in the future. We are becoming the major Human
22 Resources provider. We are the only entity out there -- with
23 the Lower Yukon Economic Development Council being de-
24 certified -- doing -- our looking at regional economic
25 development. We are the only entity doing regional planning.

00042

1 We're scheduled -- in January/February, Deborah Vo is going
2 out to the village to assist these villages in doing some very
3 basic -- getting their community economic development
4 strategies in place so they can access federal and state grant
5 monies. A lot of these villages don't have those overall
6 economic development plans -- I get them mixed up because it's
7 one and the same and the name keeps changing. They're
8 actually economic development strategies for villages -- or
9 the ones that do have them in place are -- you hate to say
10 this, but sometimes they're pie in the sky. I want -- so
11 we're -- what we're trying to do, we're going in and assisting
12 these villages to develop these economic development
13 strategies for their communities. Getting everyone involved
14 that are -- you know, sit down, is this what you want, you
15 know, 10, 15, 20 years from now? We're starting that process.

16 MR. CHARLES: Maybe if I could add here, Glen -- I
17 mean, Greg, this came about from the villages during -- you
18 know, early on. When we first started out we were talking
19 about the fishing industry out there. During the time that
20 the fish did not return, it was very important to try to
21 identify what can we do immediately in trying to address the
22 economic disaster because the fish did not return two years --
23 back in '98 to 2000. So this was very important. We had
24 economic summits out in the villages, and these are the things
25 that they addressed the short-term, while we're trying to work

00043

1 the long-term in developing a -- or revamping the fish company
2 that we have out there.

3 So this is not something that the board wanted to do.
4 We were kind of led to do it. We were the only organization
5 out there, and we did not -- you know, the projects that were
6 done were not directly funded -- like Ragnar said, we
7 identified grants that -- and we just kind of supplemented or
8 added onto those grants to get the people back on track or
9 assist people with the small jobs that became available.

10 MR. ALSTROM: Mr. Cashen, finally, we are the only
11 local entity actively participating in a leadership role in
12 the most important activity in the region, which is the
13 commercial salmon fishery.

14 You know, I'll expand on that a little bit. The
15 majority of the commercial season takes place -- the
16 commercial fishing operations in the Yukon takes place in my
17 villages. And there has been moves afoot, either at the
18 federal subsistence board, to close the fishery in recent
19 years -- to restrict the fishery, and this an international
20 treaty with Canada, which is very important.

21 People don't realize that number that hits the border
22 -- about 50/50, according to the Department of Fish & Game,
23 about 50 percent of it was fish that hit the mouth of the
24 river bound for Canada. The United States currently has a
25 treaty with the Canadians where we provide restoration and

00044

1 hatch (indiscernible) money to Canada and ensure that there's
2 escapement there. But the important number -- people don't
3 realize that -- is that that number that hits the border
4 there, since it's 50/50, if we're allowing -- and I sit on the
5 international panel, the Yukon River Panel, if there's 30,000
6 fish we want to go into Canada to go on -- because it's 50/50
7 at the mouth, we have to forego 60,000 up into the -- we don't
8 know which -- Fish & Game doesn't know which of the two are
9 Canadian bound, so that for every one we hit -- that hits the
10 border, we have -- they let two go by.

11 And the reason -- it's even more important than
12 subsistence, it's an international treaty, so by working and
13 keeping that number at a reasonable level, it ensures a
14 commercial fishery at the mouth -- because there's no other
15 place that that number, that foregone fish, comes out other
16 than the commercial fishery. So it's a continuous fight. The
17 federal subsistence board, the Board of Fish, and this
18 international panel, which is a sub-set of the Pacific Treaty.

19 We believe that the State should recognize that the
20 success of YDFDA is critical for the future of our region, and
21 should support our efforts to make that future a better one
22 for all of our residents.

23 In summary, we at YDFDA are very pleased with the
24 progress that we have made. We have increased our net assets
25 by 380 percent since 1999. We have developed a diversified

00045

1 portfolio of successful vessels and harvesting opportunities
2 in the Bering Sea. We have an exemplary record in our Human
3 Resources programs, and will be making an even greater
4 commitment in this area in the coming years. We have become a
5 major participant in our regional fisheries economy, and we
6 have been a responsible participant in the CDQ program, making
7 productive use of the opportunity for the benefit of our
8 region.

9 Thank you for this opportunity to describe our program
10 in a little more detail, and the staff and board are available
11 to answer any questions that you may have at this time. Thank
12 you.

13 MR. CASHEN: Thank you, Mr. Alstrom, Mr. Charles.
14 Appreciate your testimony. I'd like to take a five minute

15 break at this time, and then the State will proceed with our
16 questions in the next hour session. If we could go off
17 record?

18 (Off record)

19 (On record)

20 MR. CASHEN: Back on record.

21 COMMISSIONER BLATCHFORD: Same process, same
22 procedure. Greg Cashen's going to run the meeting, but -- and
23 what we do have are a series of questions. The CDQ team put a
24 -- spent a great deal of time coming up with the questions,
25 and it's the same process with all the CDQ groups. The
00046

1 appearance of fairness is absolutely important, but Greg and
2 Mark Davis have divided up the questions amongst us and I get
3 the first question.

4 MR. CASHEN: Mr. Alstrom, Mr. Charles, some of these
5 questions may be a little redundant.....

6 MR. DAVIS: This is Mr. Davis, for the record -- I
7 guess we should have asked for public comment first.

8 MR. CASHEN: Oh, I'm sorry. Yeah. Is there any
9 public comment on the Yukon Delta CDP, either in-person or on-
10 line in Bethel, Dillingham, or Nome?

11 (Inaudible response)

12 MR. CASHEN: If there's no public comment, I'd like to
13 proceed with our questions. Commissioner, do you want to take
14 the first question?

15 COMMISSIONER BLATCHFORD: I have been assigned the
16 first question, Billy and Ragnar. The CDQ program has been in
17 existence for 12 years. Please explain Yukon Delta's long-
18 range transition plan and investment strategy to create a
19 self-sustaining fisheries related economy in the region. What
20 steps has Yukon Delta taken during the current allocation
21 cycle, 2006-2008, to achieve this goal? And you may have
22 touched on it, Ragnar and Billy.....

23 MR. ALSTROM: Commissioner, Mr. Cashen, I think we did
24 touch on this quite at length in our -- in my presentation.
25 What we have done in the last couple years -- what's

00047
1 happening, there's also -- we're talking about rationalization
2 in the Bering Sea, there's rationalization in the regional
3 fisheries there on the Yukon and in proximity to Yukon. And
4 what we've done is we've taken a cautious step in investing
5 in-region, and we continue to be cautious. We've --
6 originally, our plan, Commissioner, was to maybe buy -- every
7 entity that buys fish on the Yukon is up for sale. They want
8 out, and they want out at premium prices. And we're not going
9 to pay those prices. They see the CDQ group as the money bags
10 out there.

11 So what we've done is we've taken the approach where
12 in regard to what we feel that Fish & Game -- we work with
13 Fish & Game, what they -- what we feel is coming back to the
14 river, as far as salmon, and we try to grow incrementally.

15 One thing that was important that we've accomplished
16 in the last couple years is we need a base of operations. We
17 need land to sit on, not lease. We need land to develop.

18 We've worked -- we worked through a series -- through
19 a -- attorney here -- we worked through -- we foreclosed on

20 some land and property, so we were able to get land and
21 property, a base, at a very cheap price. Instead of going out
22 and buying assets from another company that want a premium
23 price, we got land and buildings at a very discounted price
24 through a foreclosure from a defunct operation.

25 Now we're in the process of taking one of those
00048

1 buildings and we're saying, okay, the directed chum fishery --
2 chums have been down as probably all of you know, the bycatch
3 of chums this in the trawl fisheries, zoop, up to half a
4 million chums other -- other salmon. So we're going to have a
5 problem here in the very near future what we're going to do
6 with these darned things. Whether they're as a directed
7 future -- a directed fishery, or as a incidental catch to the
8 king -- and we're also trying to develop that fresh market for
9 king.

10 So then we've got one of these buildings we received
11 through foreclosure. We're upgrading. We got a grant from --
12 we got a infrastructure grant from the State -- DCED, I
13 believe, where we can buy equipment. We just laid a cement
14 floor on it. We're going to run our fresh and our value-added
15 chums through that facility. In fact, that project's on-going
16 this winter.

17 As these other processors out there -- they're -- they
18 have some good equipment, and as -- if those become available
19 at a reasonable price, we purchase those -- and we have
20 purchased a floating operation that we put up and use as a
21 buying operation in Mountain Village. But we're not going to
22 pay a premium price because somebody wants to retire. That --
23 we're not going to do that. I think our -- we have -- and we
24 plan on continuing our -- to grow.

25 I think our long-range plan is -- well, our long-range
00049

1 plan is we are going to be the only buyer out there. There's
2 very little doubt in my mind. You'll always have the fly-by-
3 night guys coming in and want to get two or three, 4,000 kings
4 and bring them out, but we are going to be the only buyer.
5 There's no doubt in my mind as to that. Every buyer out there
6 wants out.

7 And it's easy to be the only buyer and pay a lot for
8 these fish, prices that the fishermen are used to, ex-vessel
9 prices, and take a loss and subsidize that with our offshore
10 investments. But that's not what we want to do. We want to
11 build that marketing to support those prices, as I said
12 before. Those prices that can support a local fisherman going
13 fishing. And as I said, the only way you can do that is the
14 high-end market -- which we are the only entity out there
15 developing.

16 COMMISSIONER BLATCHFORD: Okay. A related question,
17 Ragnar or Billy, what about the other species that you
18 mentioned earlier, like eels and -- or lamprey and Norton
19 Sound crab and whatever else might be out there in your area?

20 MR. ALSTROM: Commissioner, Mr. Cashen, as far as
21 Norton Sound crab, that resource, we -- you know, it's at such
22 a low level right now. It needs to rebound to -- and it looks
23 like it is -- to a level that can sustain us bringing cab into
24 Emmonak.

25 We bought crab and we sold it. We can cook it there.
00050

1 We have a cooker there on board the processing barge. We can
2 cook them, we could freeze them. But at these levels, it's
3 probably in our best interest to work with Norton Sound.
4 They're just ain't enough volume there. So if we could -- you
5 know -- but there's going to be a point, if that fishery
6 rebounds to at least a half million pound summer commercial
7 fishery, then we're going to -- we'll strongly look at
8 bringing crab into Emmonak.

9 But at these low levels, it just doesn't make economic
10 sense, just to say we're doing it, to do it. It's not
11 prudent. But we're waiting to see that fishery rebound.

12 As far as what we hope is Arctic lamprey, the key for
13 that is -- I think last year we broke even with the lamprey.
14 We had sold the fish up-front. We had sold it to a Korean and
15 to a domestic market. Half and half. And the domestic
16 market, unfortunately, wanted not only all of our -- this
17 fall's product, but they wanted -- and we asked Fish & Game,
18 we want 80,000 pounds -- wanted to double the amount from Fish
19 & Game. Fish & Game says they didn't know enough about the
20 species to up it, so they gave us 20 metric tons again. And
21 as I said before, those fish were just at Mountain Village,
22 and the guy said, I'm sorry, state regulations here prohibit
23 us from importing this species into California for the
24 domestic market. And we just didn't have time -- the fish
25 were swimming by, and we just didn't have time to find a

00051
1 secondary market. But we plan on finding a market that's a
2 perfect fishery for -- that we can break even at, as we showed
3 last year, for the folks upriver.

4 There's other fish there that are -- and these other
5 fisheries aren't going to be large. There's a Bering cisco --
6 or least cisco fishery that can be probably utilized in Kotlik
7 and Nunam Iqua. Perfect fisheries for those two villages,
8 that cisco fishery -- but it ain't going to be big fishery.
9 Might put 1,000, 1500 bucks in people's pockets over in those
10 two villages, but our other fisheries like that, we're not
11 looking at -- the Norton Sound fish- -- the Norton Sound crab
12 fishery has tremendous potential if that fishery comes back,
13 but these other ones we're looking at, they're going to be
14 really village specific, like cisco.

15 And it's, you know -- but, you know, I think the
16 average -- I think we had 29 fishermen at the lamprey fishery
17 last year, and they averaged 1400 bucks a piece for 18 hours
18 of fishing. It's just like a Permanent Fund -- and lots and
19 lots of fun.

20 MR. CASHEN: Thank you, Ragnar. Yukon Delta has
21 requested an increase in their 4D halibut from 20 percent to
22 27 percent, and you talked a little bit about that in your
23 prior testimony. My question is will the larger vessels that
24 Yukon Delta is building in Alakanuk allow local fishermen to
25 harvest that 4D halibut since we have the permeability line

00052
1 from 4D to E now? Will that help your local fishermen travel
2 further, et cetera, to increase their catch rates?

3 MR. ALSTROM: Mr. Cashen, if the resource can be found

4 in proximity to Yukon, they'd be able to go out. The problem
5 is, in those fringe areas as was seen this summer in Hooper
6 Bay where Coastal Villages has a -- quite a nice plant, they
7 harvested 30 pounds of halibut this summer in Hooper Bay.

8 It doesn't make sense to invest money in an operation
9 that we're not quite sure that it'll be economically --
10 economically benefit anyone. So I -- if we found halibut --
11 and it looks like, from what we're finding, it looks like
12 there is halibut immediately to the south of us. That's where
13 we found the most halibut, but it didn't appear to be in
14 commercial quantities at this point.

15 The halibut seemed to be largely dependent on where
16 there's a crab resources. They come along on the bottom.
17 They munch off the legs and stuff of these things. So -- at
18 least that's what the crab guys tell me -- and the halibut
19 guys, so what the key seems to be is find out -- and the
20 Norton Sound crab fishery extends all the way down to either
21 Dall Point or Cape Romanzof down in the Coastal Village
22 territory -- I don't think they know that yet, but.....

23 The key is to find another school of crab out there,
24 and we're looking and we're finding crab and -- but not
25 schools of it. And we think if we find a school of crab,

00053

1 we're going to find the halibut.

2 I fished off of Nome there for six, seven years, and
3 overnight one time, halfway out to -- west there to St.
4 Lawrence Island, I think overnight in my 40 crab pots, I got
5 55 halibut out there. So the key seems to be the -- seems to
6 be pretty intertwined, but in all honesty, we're using the --
7 our locals on board Lisa Marie to harvest that halibut, and we
8 intend to keep doing that. And we'll continue to look
9 nearshore for halibut.

10 MR. CASHEN: Thank you, Ragnar. And I just wanted to
11 -- just a reminder that if there's any confidential
12 information -- if your testimony's confidential, we can
13 discuss that in executive session. Just a head's up.

14 I had one more question regarding the Norton Sound
15 king crab fishery, and I was wondering if any residents in
16 the Yukon Delta region have any open access rights, or would
17 your fishermen only be fishing CDQ Norton Sound king crab?

18 MR. ALSTROM: Mr. Cashen, I think I -- I think what
19 you're referring to is federal rights, LLP's.

20 MR. CASHEN: Right.

21 MR. ALSTROM: We control -- between us, our nine and
22 -- we control -- right now at this very moment we have 17
23 permits, whether individual or owned by the -- by Yukon Delta,
24 which equates to about a third -- 30 percent, thereabout.
25 There's about 60 LLP's up there.

00054

1 Now it's -- expand a little bit. Before the Board of
2 Fish in March, it's -- there's proposals up to limit that to
3 an LLP fishery. At this point, we don't know if we'll support
4 that. Our hesitation at supporting it is that it might be the
5 first step in going to an IFQ fishery. We've got the permit,
6 but maybe a lot of (indiscernible) permits don't have recency
7 (ph), and that's what we're afraid of. But the board's
8 directed me to go out -- and there's a few other permits out

9 there that are available, and to pursue those permits.
10 MR. CASHEN: Okay.
11 MR. ALSTROM: But we do own about a third of them --
12 or control.
13 MR. CASHEN: Okay. And do any of those fishermen
14 deliver -- would they deliver to Kwikpak?
15 MR. ALSTROM: Mr. Cashen, all of them would.
16 MR. CASHEN: Okay.
17 MR. WINEGAR: And for the record, Greg Winegar. How
18 does YDFDA feel about public disclosure of compensation levels
19 for key personnel?
20 MR. ALSTROM: Mr. Cashen, Mr. Winegar, we fully
21 support it. I -- and I don't want to sound like I'm brown-
22 nosing here. I just want to emphasize that this program is so
23 important to our people out there. It is the most important
24 program out there. There's no doubt in my mind. And if we
25 have to -- and we embrace oversight. If oversight needs to be

00055

1 adjusted, we -- we'd -- more than willing to work with the
2 State to -- and we have -- the other groups, too -- to make
3 changes to oversight.
4 But as far as disclosure of compensation, I -- we have
5 absolutely no problem in disclo- -- and what the oversight
6 team sees, it sees the actual -- we don't -- my salary is not
7 departmentalized. I -- half of my salary isn't hidden in
8 YDFI, in the for-profit group. What you see, what oversight
9 sees, is -- if you request a top five, if you request a top 10
10 -- or what is it? Top eight. We only have eight of us. If
11 you request every single one, we have absolutely no problem.
12 That's how important it is out there.

13 And, you know, I say that and I think to myself, I'm
14 the best paid person in Alakanuk. I might not be the best
15 paid person in the CDQ program, but I'm the best paid person
16 in the village, and I have absolutely no problem making that
17 compensation open to everyone. Absolutely not.

18 MR. WINEGAR: Thank you.

19 MR. DAVIS: This is Mr. Davis. (Indiscernible) just
20 follow-up. In your CDP, you've indicated you have an overhead
21 cost of approximately 20 percent. Is that 20 percent of the
22 CDQ royalties? I was a little unsure on what the 20 percent
23 referred to.

24 MR. ALSTROM: Mr. Cashen, Mr. Davis, to tell you
25 truth, I'm not sure either. Can't remember. I'll -- what

00056

1 I'll have is, I'll have our Controller, Doug Petesch, answer
2 that if that's okay?

3 MR. DAVIS: Sure.

4 MR. ALSTROM: Doug?

5 MR. PETESCH: We defined that as 20 percent of the
6 revenue, not the royalties. But I think we've always been
7 under the numbers, even the royalty numbers.

8 COURT REPORTER: When you're speaking, you need to
9 come up to a microphone.

10 MR. DAVIS: And yeah, why don't we let him come up to
11 the microphone? There's one other question. And do you have
12 -- when you're talking about the royalties, do you keep track
13 of how much of the royalty is spent on economic development --

14 fisheries related economic development as opposed to
15 administrative costs?

16 MR. PETESCH: I don't think I heard the question.

17 MR. DAVIS: Okay. The -- do you have a figure of the
18 percentage of the royalty you receive from the CDQ allocation
19 that is spent on in-region development versus administrative
20 costs?

21 MR. PETESCH: I think that number can be easily
22 derived from the financial statements we prepare because when
23 we prepare our financial statements we segregate the in-region
24 economic development activities.

25 MR. DAVIS: From the rest of the (indiscernible)?

00057

1 MR. PETESCH: Right.

2 MR. DAVIS: Good. Okay, thank you. Why don't we go
3 back to.....

4 UNIDENTIFIED VOICE: Did you get that one piece on the
5 record?

6 UNIDENTIFIED VOICE: Twenty percent for (indiscernible
7 -- away from microphone.)

8 UNIDENTIFIED VOICE: You want to repeat that?

9 COURT REPORTER: Yes.

10 UNIDENTIFIED VOICE: You should probably enter -- if
11 you could.....

12 UNIDENTIFIED VOICE: The question again?

13 MR. DAVIS: Sure. Yeah.....

14 UNIDENTIFIED VOICE:introduce yourself for the
15 record?

16 (Indiscernible - multiple voices)

17 MR. PETESCH: My name is Doug Petesch, P-e-t-e-s-c-h.
18 And the question was -- is we limit overhead to 20 percent of
19 -- was it of CDQ royalties or of revenue. And the question
20 is, we defined it as 20 percent of revenue.

21 MR. DAVIS: Thank you. That's all the questions I
22 had. Turn it -- we'll turn it back to your -- Mr. Ragnar.

23 Now you touched up on this in your testimony, but I
24 wanted to ask for more specificity, that is what is Yukon
25 Delta's current and future plans for employment with the

00058

1 harvesting and processing partners, and what are your plans to
2 get more people on the boats or on-shore -- or in-shore
3 processing?

4 MR. ALSTROM: Mr. Davis, our plan is to continue what
5 we've been doing, which I think we can put that record up
6 against any other CDQ group.

7 How do we expand? We expand by -- the job base by
8 taking our CDQ allocation of pollock and re-leveraging it.
9 Take it out of the mothership sector where it's currently at
10 -- which we are doing now, and place it on board another -- we
11 placed that on board a factory trawler. And one of the
12 provisions of doing that is that that factory trawler group
13 was not only in our villages, they were all the way up to Holy
14 Cross yesterday. So we -- when we -- we're -- we've invested
15 in the sector, leveraged our CDQ. Now we're taking that CDQ
16 out and we're leveraging it in another sector. I think we're
17 unique in that fashion as far as pollock, and keeping that --
18 the mothership pollock sector profitable, keeping those jobs

19 there, then re-leveraging this and getting additional jobs in
20 another sector.

21 MR. DAVIS: Okay. And then I also wanted to ask you
22 whether you have specific plans for in-region projects that
23 would lead to increased employment?

24 MR. ALSTROM: Mr. Davis, the plans are to -- right
25 now, in-region fisheries, we're doing basically head and gut

00059

1 operation, like I said. And not even a great deal of head and
2 gut. But our plan is -- with the renovation of this building
3 we're -- we've got there, is to do more in-region -- I hate to
4 use the word add- -- value-added, but it is. More head and
5 gut. Our -- the fresh market wants filet. We filet out
6 there. But that's the way of building that base.

7 We just recently purchased the Emmonak tribal's
8 smokery. Now it's -- it ain't going to be in operation next
9 summer, but our intent is to get the -- the only time it
10 operated successfully is when we ran it a number of years ago.
11 So we -- our intent is to get that back into operation. Right
12 now we -- we're utilizing a commercial smoker, but as people
13 get -- as the market gets familiar with the type of smoking
14 and so on -- we've got that all set up, we can start pooling
15 some of that out and doing it out of Emmonak. But.....

16 MR. DAVIS: And how many -- for example -- this is
17 Mr. Davis -- how many jobs do you think you might generate
18 with -- like the smoke operation?

19 MR. ALSTROM: Mr. Davis, you know, with the smoke
20 operation, in all honesty, year-round jobs, at the most,
21 eight. Because, you know, it won't be -- generate that many.
22 I think that the influx of jobs would be seasonal as to the
23 summer commercial fishery. You'd bring these people in and
24 they'd filet them or do whatever else is needed.

25 MR. DAVIS: How many people might work during the
00060
1 season?

2 MR. ALSTROM: I -- Mr. Davis, I -- based on the
3 numbers that we've had previously, I think a number of 125
4 would be a reasonable number. Is that -- Doug Petesch does
5 the payroll, and.....

6 MR. DAVIS: Would that be a total or at Kwikpak?

7 MR. ALSTROM: Kwikpak. There would be just the salmon
8 operations.

9 MR. PETESCH: I would guess that if -- we're using
10 that many people right now, basically just with the limited
11 operations we have. I would guess that if we expanded that
12 operation, which would include more heading and gutting and
13 freezing and fileting and all that, that that number -- and if
14 we expanded it to include those summer operations at Mountain
15 Village and Kotlik and that, that number could, you know, go
16 to 200 I think.

17 MS. LEAMER: Do you want the microphone closer to his
18 mouth?

19 COURT REPORTER: No. You're -- I don't want you
20 playing with it.

21 MR. PETESCH: Oh.

22 COURT REPORTER: Thank you.

23 MR. DAVIS: You're at an unfair advantage. Some of us

24 are very used to this. So one of the que- -- you'd mentioned
25 you think you have about 350 new residents by 2010, and what
00061

1 number do you think is going to be added to the work force out
2 of that 350?

3 MR. ALSTROM: Mr. Davis, that's a really tough
4 question because we're going to fight to break even. We're
5 going to fight -- it's going to be a fight to provide 350
6 jobs. My gut feeling -- or our feeling is probably we'll add
7 another 100 or 150 jobs. We're not going to fulfill the 350,
8 I don't personally believe.

9 We're going to do our best to -- if -- Mr. Davis, if
10 we're successful in investing in the -- in this other sector,
11 that's going to be a tremendous influx of jobs. Whether it
12 will equate to 350 jobs in the next up to whatever it is --
13 2009 or so, I don't know. I suspect not. I think I'd be
14 exaggerating if I said we're going to be able to fulfill 350
15 jobs. But we're going to do our best, and I -- you know, I
16 think 150 would be a reasonable amount.

17 It's very dependent on receiving an extra allocation
18 of pollock and be able to compete in purchasing up in the
19 offshore sector.

20 MR. DAVIS: Just in follow -- what's the connection
21 between the allocation and your ability to provide those jobs?
22 Why is there a connection between the two?

23 MR. ALSTROM: Mr. Davis, I'll go back to the -- maybe
24 the past here and see if I can answer the question.
25 Previously, in the CDQ program, when companies were courting
00062

1 CDQ groups they offered jobs -- come to work for us. So we
2 had a lot of jobs. Mr. Blatchford can remember. Looking at
3 those early reports, we had jobs at American Seafoods, Golden
4 Alaska.....

5 UNIDENTIFIED VOICE: Ocean Phoenix.

6 MR. ALSTROM: Ocean Phoenix.

7 UNIDENTIFIED VOICE: (Indiscernible - away from
8 microphone).

9 MR. ALSTROM: Everybody was courting us. As they
10 started partnering up, what's happened? We don't no longer
11 have jobs for you. But what we've seen now with re-leveraging
12 our -- with our re-leveraging out of the mothership, keeping
13 those jobs there and then bring it into another sector, it's
14 -- oh, we've got jobs for you again. I mean, that's
15 basically.....

16 MR. CHARLES: Yeah. You own the percentage of the
17 mothership, you bring in more quota to that, maintain what you
18 have there, and re-leverage it and do the same thing with
19 another sector the same way that you did with the mothership
20 sector. And they're -- they're more receptive to that. And I
21 talked to a factory trawler sector, that representative from
22 out in our village, and she was really excited about going out
23 there and visiting our communities and ensured [sic] us jobs -
24 - a small amount of jobs with the small percentage that we
25 moved over.

00063

1 MR. ALSTROM: Mr. Davis, if I could continue, one
2 thing that we will be pressing is that last year on the

3 mothership the Golden Alaska, we had 25 individuals in A
4 season there, and I think we lost one person. One person
5 quit. Twenty-four. So what we're trying to do is -- the work
6 force is about 100, so we said these people should be not
7 considered Yukon Delta residents anymore. They're crew.
8 Processing crew. Then move those people out and bring in more
9 people. So expanding the crew that stays. It's only been
10 until recent years where we had crews that stayed the whole
11 season, and this -- you know, these guys coming back and --
12 very proud of this crew. In fact, most of them are returning
13 next month.

14 MR. CHARLES: The work force is growing out there and,
15 you know, early on -- in early years we had real high
16 turnover. It's just getting people out there to complete
17 their contracts, to go home and demonstrate to the other young
18 people that are out there -- this is what we can do. And that
19 -- from there it kind of, you know, have that snowball effect,
20 and there are more people -- more young people getting more
21 interested in this program.

22 MR. DAVIS: Is there any correlation the education of
23 the crew members and their ability to complete the contracts
24 -- I mean, their training or education?

25 MR. ALSTROM: Mr. Davis, there doesn't appear to be.
00064

1 What appears to happen is you get a core group, for some
2 reason, that decides to stay. Then they attract another group
3 that stays. The core group working out there seems to be very
4 important to the integrity of the other workers staying.

5 Training does not seem to -- because if you go through
6 training at AvTech or something on onboard operations, you get
7 out there in that climate -- which is very different -- we
8 have, you know, salmon operations back in the village, you
9 head and gut and so on. You're a cog in the machine in the
10 pollock fishery, as you guys know -- or in the cod -- long-
11 line cod fishery. And that type of climate, you're working
12 with people that speak a different language -- Hispanic
13 sometimes -- and people aren't used to that climate. So more
14 so than training -- in fact, I think a core group that stays
15 seems to be the key.

16 MR. DAVIS: Thank you. That's all the questions I
17 have.

18 MR. CASHEN: Ragnar, I just had a follow-up question
19 to -- in addition to Mark's question. If there were more jobs
20 available in the offshore sector, do you feel that there would
21 be Yukon Delta residents who could fill those jobs? In other
22 words, would you be interested in more employment benefits
23 from the offshore sector?

24 MR. ALSTROM: Oh, Mr. Cashen, undoubtedly. There's a
25 waiting list for the people we have sending out currently on
00065

1 the Golden Alaska with American Seafoods.

2 MR. CASHEN: And if there were -- was some training
3 available from the State, do you feel that there would be
4 Yukon Delta residents interested in that type of training to
5 get into the jobs provided in the offshores sector?

6 MR. ALSTROM: Mr. Chairman -- Mr. Cashen, there would
7 be Yukon Delta residents interested but, you know, what I'd

8 really like to see training -- and if the State's going to
9 provide training in the seafood industry, is training on
10 actually salmon processing, and I'll tell you why. We have a
11 short season, and when you head and gut the king salmon you go
12 from a \$7 a pound fish, and you accidentally belly gut it, to
13 a dollar a pound fish.

14 We somehow need to train individuals from our
15 communities in fileting chums and stuff. That art is lost.
16 There was, at one point, a crew from Emmonak -- elderly people
17 now, that, you know, could filet with -- practically with
18 their eyes closed. We've lost that because of the downturn in
19 salmon. What we need more so than -- I think than in offshore
20 training is training in actual salmon, because you're actually
21 -- you're handling the fish. Offshore, you're basically
22 pushing the fish somewhere. Or, if you're quality control,
23 you're looking at the eggs and stuff. But you're actually
24 doing something to the product in salmon -- and probably
25 halibut.

00066

1 MR. CASHEN: Great. Thank you. Mr. Krygier?

2 MR. KRYGIER: I have a couple of fishery related
3 issues that -- this is Mr. Krygier, for the record -- that
4 have to do with some of the various species that you harvest
5 under the CDQ.

6 First, you have presented a -- in your CDP, a request
7 for some of the Eastern and Western Aleutian Island brown and
8 red king crab, and with the rationalization program that's
9 gone on -- going on at the Council, and some of the -- a lot
10 of the, you know, the possibility of either purchasing quota
11 shares, et cetera, how does that all fit together with your --
12 kind of your future expectations of what you'll do with the
13 rationalized fishery and how that king crab down in the
14 Aleutian Islands kind of fits into that package of what your
15 future plan is? You've got some vessels now that do some
16 crabbing, but I'm just curious how you put those pieces
17 together from a planning standpoint and where you see that
18 going together.

19 MR. ALSTROM: Mr. Cashen, Mr, Krygier, what I'll have
20 is our quota manager, William Quinlivan, address that question
21 if you don't mind?

22 MR. KRYGIER: No.

23 MR. QUINLIVAN: For the record, my name is Billy
24 Quinlivan. Mr. Krygier, on the....

25 MR. DAVIS: Could you -- excuse me. This is Mr. Davis

00067

1 -- could you spell your last name?

2 MR. QUINLIVAN: Q-u-i-n-l-i-v-a-n.

3 MR. DAVIS: Thank you.

4 MR. QUINLIVAN: On the Aleutian Island red, we own the
5 Baranof, which is a C/P, and it has rights in that fishery
6 already. And then on the Aleu- -- in the brown crab, we're
7 working together with Bristol Bay and Coastal Villages.

8 The fishery, as you know, it doesn't amount to that
9 much, but at least it promotes cooperation between three CDQ
10 groups. We have a pretty good working relationship, and we've
11 been expanding that all the time.

12 MR. KRYGIER: Okay. What about the other aspects of

13 the rationalization program? I notice you haven't asked for
14 any further increases in the other species.

15 MR. QUINLIVAN: Right.

16 MR. KRYGIER: And I just wonder if you guys are
17 thinking about any future purchases -- well, maybe we ought to
18 save that one 'til later.

19 UNIDENTIFIED VOICE: Yeah, that might.....

20 MR. KRYGIER: That's probably a later question.

21 UNIDENTIFIED VOICE: Yes.

22 MR. KRYGIER: Okay.

23 UNIDENTIFIED VOICE: Confidential.

24 MR. KRYGIER: Let me ask you a different question
25 then. On the -- you've done well on your utilization of crab,
00068

1 your harvest percentage of what you requested, and there's a
2 little bit -- some of your harvest levels on Greenland turbot,
3 yellowfin sole, have been down. And I know flatfish is
4 difficult, but if -- that's one question I'll have is what
5 you're planning to do to try to increase your actual harvest
6 rates on those species -- and then explain your sablefish
7 numbers, what's going on there, too.

8 MR. QUINLIVAN: Okay. Well, starting in 1988 -- 1998
9 when we had the multi-species CDQ, we had a different company
10 that was our primary contractor for the flatfish, Atka
11 mackerel.

12 At the time, it didn't work out very well for anybody.
13 And then we had an informal arrangement through APICDA with
14 their harvesting partner. And then in 2002, we took the
15 initiative to try and organize with some of the other CDQ
16 groups to obtain a market, because we didn't feel that the
17 royalty rates we were getting in the past were very good and
18 it was up to them to decide what they were or weren't going to
19 harvest. We had no say-so in any of it.

20 So we worked with Coastal Villages, Central Bering
21 Sea, Bristol Bay, and ourselves, and we put out a Request for
22 Proposals, and we signed one with -- a contract with U.S.
23 Seafoods, who is now harvesting just about 100 percent of the
24 Atka mackerel, 100 percent of the yellowfin sole.

25 UNIDENTIFIED VOICE: Sablefish.

00069

1 MR. QUINLIVAN: The turbot is usually -- in the trawl
2 fisheries you catch it as a bycatch, you don't want to do it
3 -- you don't want to take it, and then the turbot in the long-
4 line fishery has not been very profitable. You can't
5 profitably go out there and prosecute that fishery.

6 And that's exactly what's happened with the sablefish
7 fishery as well. If you look at this year's catch of Bering
8 Sea fixed gear sablefish, we took approximately half of the
9 CDQ that was taken, and then the Aleutian Islands, we also
10 took approximately 50 percent of what was harvested.

11 In the Aleutian Islands, we had three different
12 vessels that were authorized to go out there. One went out
13 there and he took 19 days to catch, like, 7,000 pounds. You
14 can't pay for an observer and operate a boat. I mean, that --
15 it just got to the point where they couldn't economically do
16 it in the Aleutian Islands. Nobody could. And consequently,
17 none of it was harvested.

18 And then in the Bering Sea, we our seasons around,
19 hoping that the sablefish rates would increase, and started
20 fishing halibut earlier. Two years ago we took the majority
21 of ours and a lot of other CDQ sablefish, and the catch rates
22 were real well, but for the past couple of years, it's just
23 been decreasing.

24 MR. KRYGIER: So is it your observer costs -- are you
25 doing two observers with a CDQ vessel or.....
00070

1 MR. QUINLIVAN: No, one.

2 MR. KRYGIER:on the sablefish?

3 MR. QUINLIVAN: One observer.

4 Mr. KRYGIER: On -- yeah.

5 MR. QUINLIVAN: One observer because they're catcher
6 vessels.

7 MR. KRYGIER: Okay. But the rates are just so low
8 that you couldn't offset that cost?

9 MR. QUINLIVAN: No, you can't afford to run the boat
10 out there. Even if you didn't have an observer on board, you
11 wouldn't be able to afford to run the boat. The boat doesn't
12 make enough revenue that the crew members could even earn any
13 money.

14 MR. KRYGIER: I have a -- one other question I'd like
15 to ask, and it has to do with -- I was at the Council meeting
16 recently and -- this is probably for Ragnar and Billy, and --
17 there was -- some individuals indicate that scholarships and
18 training are not necessarily fishery-related activity. And
19 Billy said something earlier which I wanted to follow up on --
20 and I'd like the response from both of you guys on this
21 because I believe that supposition is clearly incorrect, that
22 you ca- -- and -- that fishing -- that scholarships and
23 education is a fishery-related activity, and maybe you guys
24 could give us a little bit of input of your own experience of
25 how, in your area, scholarships and training are -- have

00071
1 helped in the various businesses that you guys have had going
2 in -- with Yukon Delta?

3 MR. CHARLES: I'll start out by saying, you know, I
4 think the education -- that employment and training is real
5 critical in developing a fish company. That's most important.
6 Maybe Ragnar can expand on some of the stories that -- you
7 know, individual stories -- success stories, that we've had
8 through training, employment, and education.

9 You know, from harvesting to market, I think, you
10 know, people that's going to manage a fishing industry that
11 we're trying to build, it's going to be very important -- the
12 education and training is going to be important in developing
13 this fish company. So, you know, I've always said that and --
14 you know, and there's some people in our company that went
15 through the (indiscernible) program and -- I mean, from -- I
16 just want to emphasize, you know, it is important. Whether
17 you develop -- you're developing a mining company or -- you
18 know, you still got to manage it, you still got to crunch
19 numbers. Education is very important in putting a fish
20 company together. And with that, maybe Ragnar can.....

21 MR. ALSTROM: Mr. Krygier, it's an interesting
22 question because this last -- two weeks ago in our board

23 training, lo and behold, what did we provide as training for
24 the board? How does an individual go about purchasing a Yukon
25 River salmon permit and what does he expect to earn?

00072

1 Salmon fishing and just about every fishing you enter
2 these days, as you guys know, it's a business. You have to
3 think as a business. It's not -- a lot of the people maybe in
4 the past thought of it as a lottery. I'm going to get in,
5 man, I'm going to make a lot of money. But it's not -- that's
6 not what it is anymore.

7 So we sat there and we went through how do you -- what
8 do you expect to -- what do you need to buy? You need an
9 education to figure this out. And education is fisheries-
10 related one way or the other. There's no doubt in my mind
11 because fishing is a business. We send these people out for
12 training. You could -- you know, people could say, no,
13 they're not -- it's not fisheries-related. It is fisheries-
14 related, and my board recognized that at this -- at our last
15 training session a couple weeks ago. We need to continue to
16 have smart fishermen.

17 MR. CASHEN: Thank you, Ragnar. Mr. Jones or.....

18 MR. CHARLES: The way fisheries is going now, you need
19 a lawyer to go out fishing.

20 MR. JONES: For the record, my name's Laird Jones.
21 The Council has recommended an allowance of up to 20 percent
22 of the annual pollock CDQ royalties that may be spent on in-
23 region sustainable, non-fisheries -- or non-fisheries-related
24 economic development projects. What are YDFDA's plans, if
25 any, for this allowance, and how will this allowance benefit

00073

1 Yukon Delta communities?

2 MR. ALSTROM: Mr. Jones, you know, we've talked of
3 what non-fisheries-related projects may be out there that are
4 self-sustaining. And a number -- you know, at least -- you
5 know, what we come up with, it's a pretty short list. So what
6 we're talking about -- I mean, we've talked to the School
7 District about providing teacher housing. They want to get
8 out of the housing business. So that's a self-sustaining
9 project that we might take a hard look at.

10 They have also -- want to get out of the -- not only
11 the School District, but other entities want to get out of the
12 bulk fuel storage and sale business. That might be an en-
13 project that would be -- well, it's fisheries-related, but for
14 the most part, not fisheries-related.

15 Those are just an example of two of the projects, but
16 there's a very short list. We've talked -- you know, some
17 communities have approached us as far as maybe gravel quarries
18 but, you know, some of these projects may sound good, but with
19 further due diligence you find out that -- I'm trying to think
20 of the word here -- there's a lot of manpower involved with no
21 profit, and they're not really self-sustaining. It's very far
22 -- very hard to find self-sustaining projects out in the
23 region, but those are two examples that leap -- come to mind.

24 So we are looking. We have talked about it. We're in
25 support of 71A, which allows for 20 percent as -- thank God

00074

1 there was a -- the price of oil skyrocketed here, because

2 those entities out there in the villages are -- whether
3 they're the city entity or the corporation or even the tribe,
4 when -- if Senator Stevens decides to retire, those funding
5 for the tribes, funding for the cities are hurting now, those
6 entities are going to be looking elsewhere. And my fear is
7 that they'll be looking to the CDQ groups, and we don't -- we
8 do not want to fund functions that are of a government nature
9 where these -- we -- these have to be self-sustaining projects
10 in-region.

11 MR. CASHEN: Thank you, Ragnar. Mr. Clough?

12 MR. CLOUGH: Thanks. Al Clough. In your allocation
13 justification, you're asking for a pretty modest 1 percent
14 peacod increase -- I believe that's 19 to 20 percent. What
15 active and proposed projects do you have that are actually
16 going to take advantage of that quota increase?

17 MR. ALSTROM: Mr. Cashen, Mr. Clough, I'm going to
18 have our quota manager answer that question.

19 MR. CLOUGH: Thanks.

20 MR. QUINLIVAN: The 1 percent allocation in cod
21 wouldn't be dedicated to any specific project, it would be --
22 the 1 percent allocation would be that you could take your
23 current allocation in the directed fishery and use the 1
24 percent as bycatch in your flatfish fisheries. I mean, the
25 value of 1 percent isn't that great.

00075

1 MR. CLOUGH: But that's your justification for doing
2 it is to give you some flexibility in bycatch?

3 MR. QUINLIVAN: It would give us more flexibility --
4 especially since we own the two catcher processors as well.

5 MR. CASHEN: So that increase in peacod would allow
6 you to more effectively prosecute your Atka mackeral, POP,
7 yellowfin.....

8 MR. QUINLIVAN: Yellowfin, rock sole.

9 MR. CASHEN:rock sole.

10 MR. QUINLIVAN: Everything. Right.

11 MR. CASHEN: Okay.

12 MR. CLOUGH: Without going into the current.....

13 MR. QUINLIVAN: Rather than taking the cod.....

14 MR. CLOUGH: Yeah.

15 MR. QUINLIVAN:from your dedicated fishery.....

16 MR. CLOUGH: Yeah.

17 MR. QUINLIVAN:and moving it over into the
18 flatfish fishery.

19 MR. CLOUGH: Okay.

20 MR. CASHEN: Greg -- oh, Mr. Krygier?

21 MR. KRYGIER: And that's because you have hard caps
22 for your cod, and if you go into yellowfin you're not as
23 allowed -- you have to use some of those cod instead of using
24 the 20 percent MRA, is that right?

25 MR. QUINLIVAN: Exactly.

00076

1 MR. KRYGIER: Yeah, okay.

2 MR. QUINLIVAN: Right. It all counts. It's all CDQ.

3 MR. KRYGIER: Yeah, the -- in the open -- and I'll
4 explain this to the rest of the group here, is in the open
5 fishery -- which is actually a limited access fishery, there
6 are no open fisheries any more -- or very few open fisheries.

7 In state waters there are, but in the federal waters, they're
8 all -- have a limited access component, so you have to have a
9 license.

10 But in the limited access component, they have what
11 they call a soft cap for the fishermen so that the -- those
12 who target on yellowfin and sole can have up to 20 percent of
13 their catch -- and they do catch a lot of cod as bycatch,
14 sometimes it has value, but they can take those at no cost.
15 They don't -- but the CDQ groups, it actually -- they have to
16 use some of their cod quota when they fish yellowfin.

17 MR. QUINLIVAN: Right.

18 MR. KRYGIER: And so it's -- it is an extra cost for
19 all the groups. And maybe it's a little unfair compared to
20 what the open acc- -- or the limited access folks get. So
21 anyhow, that's why -- what he's talking about.

22 MR. CASHEN: Bill, I have a follow-up question, and
23 either yourself or Ragnar -- it's regarding the flatfish pool.
24 I -- if you could -- you've talked about the benefits of the
25 flatfish pool already. If you could just expand on that a

00077

1 little bit and are there any employment benefits that your
2 flatfish partner is providing to Yukon Delta residents?

3 MR. QUINLIVAN: Right. Part of the contract we had
4 with them in the first place was to provide employment for the
5 four CDQ groups, and I believe Yukon Delta's had three people
6 out there until just this past month.

7 MR. CASHEN: Okay. Thank you.

8 MR. QUINLIVAN: Okay.

9 MR. CASHEN: Mr. Winegar?

10 MR. WINEGAR: For the record, Greg Winegar. You've
11 kind of partially answered this question already, but if you
12 could kind of give us a brief update of the Kwikpak fisheries
13 operations in the Yukon and point out some of the benefits for
14 the region -- and especially in terms of employment
15 opportunities and that kind of thing that this provides?

16 MR. ALSTROM: Mr. Winegar, Kwikpak -- let me see, I
17 don't know how far back I should go here. The fishery on the
18 Yukon is changing. Fishermen out there, for one reason or
19 another, feel that the prices -- ex-vessel prices should be
20 what they were historically, or maybe more. So we have a job
21 of educating our fishermen as to the reality of the new
22 situation out there.

23 First, we had a problem with hatcheries. Now we have
24 a problem with farmed fish. Factories killed our chum
25 fishery. Farmed fish are killing our chinook fishery -- and

00078

1 it also killed the roe fishery up in District 4A. And as
2 these -- as the markets we're developing constrict, get
3 smaller -- and we're trying to look for new markets, the
4 fishermen in the further reaches of the river, up in Districts
5 2 and at one point District 3 -- there's no longer a
6 commercial fishery there, the market doesn't want that fish.
7 The same problem is now happening in the top half of District
8 2.

9 So what our kind of our vision is, is the only way
10 those guys are going to continue a market is if we find a
11 high-end market for them. This bust fish problem that we're

12 trying to develop high-end, it's not a problem in District 1
13 -- it's a minor problem. It's a problem, but it's not to the
14 extent it is in District 2, which is one CDQ village and a
15 whole bunch of non-CDQ villages. So what we're trying to do
16 is we're trying to address a problem that affects us a cer- --
17 a section of the river, District 2, that'll benefit all those
18 people in there.

19 And further, if we expand the operation -- we have a
20 buying operation in District 2 at Mountain Village, a CDQ
21 village, if we expand that operation to now do it -- and that
22 barge is capable of head and gutting, we provide more jobs in
23 that area. The current amount of jobs, I think, is -- I think
24 we've heard from Doug Petesch earlier, was in the neighborhood
25 of 100, 110 people thereabout, so -- that the key is to get

00079

1 into this value-added operations. At the very least, primary
2 processing. Then as, the chums come back, do secondary
3 processing which -- you know, my estimate was 125, but I --
4 the Controller actually works with the numbers there. People
5 working was more like 200.

6 So they should not only be in our area, but in
7 District 2 and in those non-CDQ villages that are affected.
8 The worst thing I can -- that can happen as Y1 fisherman is
9 there's 250 guys up in District 2 don't have a market, they
10 come down into my area.

11 So what we're trying to do is we're trying to solve a
12 multiple problem here, and sometimes by bringing the message
13 to the people that are affected, they identify us as being the
14 problem -- we didn't have a problem until you told us about
15 it. And they don't tell it to you -- to us like that, they
16 holler it at us. Which they have done.

17 But we're trying to -- even though we're working our
18 way through that, we're trying to address a problem that
19 affects -- if it affects District 2, it's going to affect the
20 people in District 1. So we're trying to solve that area --
21 I'm not sure if I answered your question, but -- I kind of
22 rambled.

23 MR. WINEGAR: Yeah, I think you did. So it's had a
24 pretty significant impact.....

25 MR. CHARLES: Yes.

00080

1 MR. WINEGAR:from an employment standpoint?

2 MR. ALSTROM: Tremendous. Tremendous.

3 MR. CHARLES: I don't know if, Ragnar, you could
4 remember the number -- percentage of the total income of our
5 area? I think it was 20 percent was related to fishery. So I
6 don't know if that.....

7 MR. ALSTROM: When the -- Mr. Winegar, when the
8 fishery was closed in 2001, it opened in 2002, it was like
9 Christmas. I am not exaggerating.

10 MR. CHARLES: Uh-huh (affirmative).

11 MR. ALSTROM: 7:00 o'clock in the morning when they're
12 delivering fish, it was like Christmas. The -- so many people
13 are involved in this fishery, it's amazing. It's -- and
14 that's why we're involved. It -- if it wasn't for us -- no
15 other entity goes before the Board of Fish and fights for the
16 fishery. These entities want out. I'm not exaggerating.

17 And they'll -- and we're -- we've been accused by the
18 Japanese -- last summer the Japanese, they don't collude but
19 they sure do talk to each other. One Japanese company talked
20 to the other and got the message to use we were paying too
21 much on the river. The year before that, the State got two
22 letters from the Japanese stating that, in effect, we were
23 paying too much for our fish. I think we agreed to state and
24 say -- saying it was none of their business what we were
25 paying.

00081

1 MR. CASHEN: Mr. Krygier?

2 MR. KRYGIER: How many fishermen do you have
3 delivering to Kwikpak?

4 MR. ALSTROM: Mr. Krygier, I believe that I stated
5 earlier it was 440 permit holders. There's 700 permit
6 holders, so 440 permits deliver to us. It -- as the season
7 got on there, we more and more of the people -- we were taking
8 more and more of the fish. And two years ago we took 65
9 percent of all fish sold. Last year it was over half.

10 MR. CASHEN: Ragnar, could -- on a related note, could
11 you talk a little bit about your marketing efforts for the
12 Yukon River kings? There was an article, I believe, in the
13 New York Times or -- about your success in marketing Yukon
14 River kings?

15 MR. ALSTROM: Mr. Cashen -- and that's the key. We
16 need to market that fantastic chinook. We need to market it
17 fresh. And the other key is we need to market it fresh-frozen
18 or frozen-fresh. Get this good fish into the restaurant,
19 high-end restaurant or high-end market, then feed it with --
20 because at -- the time limit. So that's what -- our long-
21 range plan with this high-end fish: fresh and fresh-frozen.

22 And what we did is we -- first, we've participated --
23 Billy was at the Long Beach show -- we're trying to get the
24 word out, not to -- not as a commodity, but to these high-end
25 users. And we've -- we hired people to go out there, East

00082

1 Coast papers. It was all -- in fact, there's a company in --
2 out of Kenai -- I was -- I got on their website for selling
3 Yukon fish, and I was -- they were quoting an article that we
4 wrote about how good Yukon fish was.

5 But our marketing campaign has been generic. Yukon
6 fish is the best fish. It really doesn't matter if our
7 competition in St. Mary's sells it. It benefits someone on
8 the river. Some fisherman. So we've been trying to -- and
9 we've applied for another grant and we're continuing.

10 That Copper River, you know, they had a marketing
11 campaign for years before it got the name recognition, and
12 we're just in our infancy in a domestic market. And we
13 continue -- we plan on pushing that, the high-end domestic
14 market.

15 MR. CASHEN: Thank you. Commissioner, do you
16 want.....

17 COMMISSIONER BLATCHFORD: Okay. Mr. Charles and
18 Mr. Alstrom, can you give us an update on experimental
19 fisheries for non-CDQ species in the region? I think you
20 touched on it earlier, but if you can maybe summarize?

21 MR. ALSTROM: Commissioner, of course, we have the

22 lamprey that we thought we had this year. We're going to
23 continue pursuing that. It's a good fishery, as I said. And
24 we're -- we have plans to -- the cisco is a -- the next, that
25 is an idea that I think, if we could find a market, will work.

00083

1 We've taken samples of the broad whitefish that come
2 into the Yukon and the sea fish. The problem (indiscernible)
3 -- and this is why I said these will be small fisheries, these
4 in-river fisheries, we have a subsistence usage on them.
5 These aren't large populations of fish. The cisco is a fairly
6 large population, but it's heavily utilized in subsistence
7 fisheries. So what we're going to do is, with the lamprey,
8 you know, a small fishery that benefits not a great number of
9 people, but still a significant number. And that's what we
10 plan to do.

11 There is -- you know, we -- last year we explored a
12 saffron cod market. We thought, oh, man, we're going to -- we
13 did find a market for saffron cod at six cents a pound F.O.B.
14 a suburb of Seattle. Just didn't make too much sense -- and,
15 unfortunately, saffron cod is the number one species in the
16 Norton Sound. It's tom cod.

17 But we are looking at these other species. We've got
18 samples. There are small markets for them -- whether it's
19 broad whitefish or sea fish or cisco. We haven't really
20 looked at the snails up there in Norton Sound. There's a lot
21 of snails. We've got pots for them, and at least our quota
22 manager has been pushing clams for quite a number of years,
23 that we need to pursue.

24 MR. CHARLES: But even these are small fisheries,
25 Commissioner. Any -- you know, anything to help. We are

00084

1 subsistence communities. Anything to augment the subsistence
2 activity out there will be -- would help a lot in the poorest
3 region in the nation.

4 MR. CASHEN: Thank you. Ms. Leamer?

5 MS. LEAMER: This is Lola Leamer, for the record.
6 Mr. Ragnar, would you describe some of your in-region benefits
7 to your communities -- which would include your scholarships,
8 internships, education, and employment?

9 MR. ALSTROM: Ms. Leamer, I'm trying to think where to
10 start here. The -- and I don't have access to the numbers,
11 here, but I'm thinking as a young person and getting out of
12 high school there, what benefits would I see? Well, first of
13 all, I'd see a -- if I want to go to higher education, a
14 scholarship benefit. The board has authorized placing in the
15 scholarship program \$350,000 a year annually into the various
16 scholarships programs.

17 We've currently got over 2 million dollars -- we'll
18 have about two and a half million dollars in the scholarship
19 programs by the end of this month. And we're continuing to
20 build that. There's going to be some point -- if we go away,
21 we want to endow that. At least the -- you know, at least
22 people will be educated.

23 What else could I do? I'm getting out of school here,
24 I can go to AvTech or another vocational school training.
25 We've got training funds, we've got training scholarships

00085

1 funds for me to do that -- Yukon Delta does. And we work
2 closely with the other entities -- whether it's State or
3 WorkForce Investment Act or AV- -- the Association of Village
4 Council Presidents, to put people into voca- -- not everyone
5 wants to go to higher education.

6 But I'm not quite out of school. I'm still in school,
7 but I don't want to go to school. I hate math. What do we
8 do? Yukon Delta has a program that -- that's vocational in
9 nature. We work with the Lower Yukon School District to
10 educate -- encourage people to stay in school.

11 (Indiscernible) partnership, LYSD, Yukon Delta, to
12 keep them in school to get this education. We had a training
13 academy last fall that was pretty successful and we plan on
14 continuing those.

15 Well, I don't want to go to school, I want to go to
16 training. I stayed in school because of Yukon Delta's program
17 -- darn it, I want to go to work on a boat. So we've got
18 internships in catcher vessels. The Lisa Marie, then work
19 your way up. We've got internships in seafood companies in
20 Seattle. Of course, we've got processing jobs on board the
21 boats.

22 Now a lot of these offshore jobs, we're very strict on
23 drug and alcohol requirements so some people do drop out.
24 We've been fairly forgiving. If the person shows that they've
25 gone through programs -- treatment programs, we allow them

00086

1 back into the program.

2 What else can I do? Well, I can -- fishing is a --
3 salmon fishing seems to be coming back, so Yukon Delta has a
4 loan guarantee program with the Division. I can apply for a
5 loan, get a loan, and maybe access a herring or salmon permit
6 -- looks like there's going to be a herring fishery this
7 summer. So Yukon Delta has that program.

8 What else?

9 MR. CHARLES: I can't think of anything else.

10 MR. ALSTROM: Those are some of the programs.

11 MR. CHARLES: I'm sure there's more.

12 MR. CASHEN: Those are a lot of benefits being
13 provided to your region. That's great. Are there any other
14 questions from the team?

15 (Inaudible response).

16 MR. CASHEN: Okay. I'd like to conclude this section
17 of the public hearing. Take a five minute break. We'll come
18 back. I'm going to explain the executive session. We've got
19 Chris Poag here with Department of Law, so if we could go off
20 the record at this point?

21 COURT REPORTER: Off the record.

22 (Off record)

23 (On record)

24 MR. CASHEN: Thank you. We're back on the record.

25
00087

1 executive session, and we have Chris Poag here with the
2 Department of Law to explain the procedures we're going to
3 follow. Chris?

4 MR. POAG: Chris Poag from the Department of Law, and
5 we're still on the record publicly. Yes, I'm the person you

6 blame for the legal advice that the Open Meetings Act applies,
7 but you can blame the team for accepting the advice.

8 What happens when the Open Meeting Act applies is that
9 everything has to be open to the public, and as you can tell,
10 that's happened here today. There are some exceptions, and
11 we're going to -- the team wishes to institute two of those
12 exceptions today. Mr. Cashen will move that we move into
13 executive session, and it's based on 44.62.310, sub-section
14 C(3) and (4), and those are state law protections for, in this
15 case, private confidential business information and private
16 confidential business records.

17 We believe that the right to privacy that attaches to
18 your business plans and your royalty rates exceeds or is more
19 weighty or more lofty than the public's right to know what
20 those business plans or royalty rates are. So under Alaska
21 state constitution, we believe those are protected as
22 proprietary information and we intend to discuss only those
23 two topics in executive session.

24 We would ask that if you have discussion that exceeds
25 or goes beyond the bounds of that, that we'll go back on the

00088

1 public record to discuss that.

2 If we follow the proper executive session procedure,
3 then we won't have to come back and do this again, but if we
4 don't and we go into matters that aren't protected by
5 executive session, then we could be asked to do this again.
6 So let's try and limit our conversations to those two areas.
7 And, again, if we have a question that goes outside the scope
8 of that, we can save it 'til when we're back on public record
9 -- or we can go back onto public record right then if it's
10 important to do so.

11 I realize that bef- -- we are going to record the
12 executive session, and I imagine that makes you folks nervous.
13 There is no con- -- there is no requirement in our statute
14 that it be recorded, but this is an administrative advisory
15 body and NMFS is going to rely on our administrative record to
16 make a decision, and we've made a determination that we prefer
17 to create a proper administrative record.

18 We do believe that this private executive session is
19 not a public record that we would disclose -- in fact, we
20 would deny a request for that and a person would have to seek
21 judicial review of that. We do know that there is a NMFS
22 administrative appeal process. We don't know exactly how
23 that's going to proceed. It's a new process. We also intend
24 to invoke that this is confidential information that shouldn't
25 be disclosed to any other groups, that this is your private

00089

1 business information, but that it's helpful to the team in
2 making a recommendation to NMFS.

3 We have advised the other groups that if there is a
4 request for any of this confidential information, that your
5 lawyer, yourselves, will be advised of that. You can
6 intervene if you wish. We encourage you to do so to prohibit
7 the disclosure of this information.

8 So I guess what I'm saying is the State intends to do
9 everything we can to protect this information. It may end up
10 in a court's decision, not ours, but if we follow the

11 procedure correctly, we should have immunity from challenge.
12 Okay? Are there any questions? Mr. Alstrom?

13 MR. ALSTROM: Mr. Cashen, could you reiterate the two
14 items that can be discussed in executive session one more
15 time, please?

16 MR. POAG: Maybe I should -- no, (indiscernible -
17 background noise) statute.....

18 MR. ALSTROM: Oh, okay.

19 MR. POAG: There are two subject matters that we
20 believe are protected under sub-section C, paragraph 3 and
21 paragraph 4, and those are protected by State law. And the
22 State law that we're invoking here is the Alaska constitution,
23 and it's your protection for your private business
24 information.

25 We believe that includes business plans for the future
00090

1 -- what you folks intend to do. Obviously, there's a need for
2 you to protect that. Other groups would want that
3 information. Other folks in the public would want that
4 information. Their right right to know is outweighed by your
5 desire and your need to have privacy.

6 The other area we think that is protected is your
7 royalty rates. There's hard-fought bargains as to how you
8 reach those royalty rates and, again, your right to keep that
9 private exceeds the public's right to know that information.
10 Does that help?

11 MR. ALSTROM: Thank you.

12 MR. CASHEN: Thank you, Chris. I'd like to move to go
13 into executive session at this time. Is there a second?

14 MS. LEAMER: Second.

15 MR. CASHEN: It's been moved and seconded. Any
16 discussion? Hearing no discussion, all those in favor of
17 going into executive session say aye.

18 MULTIPLE VOICES: Aye.

19 MR. CASHEN: All opposed say nay.

20 (Inaudible response)

21 MR. CASHEN: Hearing no nays, motion passes.

22 2249

23 (Enter executive session)

24 3587

25 (Out of executive session)

00091

1 MR. CASHEN: Commissioner, do you have any additional
2 comments in the public portion?

3 COMMISSIONER BLATCHFORD: I have no additional
4 comments. I've enjoyed the presentation by Billy and Ragnar
5 and other members of your team. Very good presentation. We
6 were pleased that you brought your key board members and the
7 key management folks, and we think this has been a nice --
8 very nice, very fruitful presentation, so thank you very much.

9 MR. CHARLES: Thank you, Commissioner.

10 MR. CASHEN: Thank you. With that, we'll conclude the
11 public hearing and go off record.

12 COURT REPORTER: Off the record.

13 * * * END OF PROCEEDINGS * * *

14

15

16
17
18
19
20
21
22
23
24
25
00092

C E R T I F I C A T E

1 UNITED STATES OF AMERICA)
2) s.
3 STATE OF ALASKA)

4 I, Alexandra Wormuth, Notary Public in and for the
5 State of Alaska and Reporter with Metro Court Reporting, do
6 hereby certify:

7 THAT the foregoing pages numbered 02 through contain
8 a full, true and correct transcript of the Public Hearing
9 before the Department of Commerce Community and Economic
10 Development, CDQ Program Committee, was taken by Janice Scott
11 and transcribed by me.

12 THAT the Transcript has been prepared at the request
13 of The State of Alaska, Department of Commerce, CDQ Program,
14 Juneau, Alaska.

15 DATED at Anchorage, Alaska this 24th day of January,
16 2005.

12
13
14
15
16
17
18
19
20
21
22
23
24
25

SIGNED AND CERTIFIED BY:

Alexandra Wormuth
Notary Public in and for Alaska
My Commission Expires: 9/30/06