



CITY OF SAINT PAUL

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The Honorable William M. Daley
Secretary of Commerce
U.S. Department of Commerce
14th Street and Constitution Avenue, NW
Washington, D.C. 20230

Dear Mr. Secretary:

The City of Saint Paul, Alaska, as an affected fishing community, formally requests that you make the determination, pursuant to Section 312 of the Magnuson-Stevens Fishery Conservation and Management Act ("the Act"), that a commercial fishery failure has occurred in the Bering Sea crab fishery due to a fishery resource disaster. This determination will allow the National Oceanic and Atmospheric Administration (NOAA) to work with the City of Saint Paul, the State of Alaska, the North Pacific Fishery Management Council (NPFMC), and the crab industry to assess the economic and social effects of the commercial fishery failure and to take appropriate actions, including the authorization of necessary sums, to restore the fishery, prevent a similar failure in the future, and assist the community and the industry in developing a more sustainable fishery.

St. Paul has successfully developed an economy based on the St. Paul Harbor completed in 1990. The strategic value of the harbor, located in the middle of the crab grounds and within 65 miles of 55% of the U.S. commercial fisheries, has proved itself to both the State of Alaska and the nation. Since 1995, St. Paul has been the primary crab processing location in the Bering Sea and the number two fishing port in Alaska, second only to Dutch Harbor/Unalaska, in generating sales and fish tax revenues for the State of Alaska. In the last two years, crab deliveries to St. Paul have exceeded 40% of the total harvest, confirming the Island's integral role in the fishery.

The St. Paul Harbor has generated nearly \$6 million per year in national economic benefits from *opilio* Tanner crab alone, by providing an alternative to at-sea processing or delivery to other locations.¹ St. Paul's fishery-based economy, as discussed further in sections II and III, *infra*, is almost totally dependent on crab. The economic viability of the community, as well as the St. Paul Harbor, is put in jeopardy by the collapse of the crab stocks.

¹ This information is taken from a recent report submitted to Congress by National Resources Consultants (NRC), a fishery consulting firm in the Northwest retained by the City of Saint Paul. A copy of this testimony, prepared by NRC and submitted to Congressman Jim Saxton, Chairman of the House Subcommittee on Fisheries Conservation, Wildlife and Oceans, is attached as Exhibit A.

**I. A collapse of the crab stocks
has occurred in the Bering Sea.**

Trawl surveys conducted by the National Marine Fisheries Service (NMFS) in 1999, revealed a significant decline in the biomass of the Bering Sea *opilio* Tanner crab, the nation's largest crab fishery, that is expected to fall even further. As a result, in September 1999, the Alaska Department of Fish and Game ("ADF&G") announced an 86% reduction in the *opilio* Tanner crab Guideline Harvest Levels ("GHL"s), from approximately 192 million pounds in 1999, to 28.5 million pounds for the year 2000.

Reports indicate that the *opilio* Tanner crab fishery probably will be entirely closed in 2001, and may remain closed or at low GHL levels, through 2004. The St. Matthew blue king crab and Pribilof red and blue king crab fisheries were closed for 1999, based on reports of dramatic declines in stock levels, and ADF&G announced that, for the fifth consecutive year, the *C. bairdi* Tanner crab fishery around Kodiak will be closed.

The exact cause of what is now accepted in the industry as a collapse of the Bering Sea crab fisheries has not yet been determined. The City retained Natural Resources Consultants (NRC) to prepare an analysis of the potential reasons for the crab collapse and projections for the future of the fishery.² A copy of the NRC report is attached as Exhibit B.

NRC's analysis of the collapse of the resource is found at pages 6-11 of the NRC report.¹ Based on the key factors of growth rates, natural mortality rates, allowed harvest rates and pre-recruitment abundance by size/sex categories, NRC projects *opilio* Tanner crab GHLs at 0-25 million pounds for the years 2001, 2002, 2003, and at 0-10 million pounds for the year 2004. The projected GHL, years 2000-2004, for St. Matthew blue king crab, as well as Pribilof blue and red king crab, is zero.

**II. The City of Saint Paul, St. Paul Island, Alaska
is an affected fishing community.**

The Act specifically authorizes an affected fishing community to request a determination of a commercial fishery failure in order to trigger the relief and management provisions

of Section 312. The term "fishing community" is defined under the Act to mean, a community that is substantially dependent on or substantially engaged in the harvest or processing of fishery resources to meet social and economic needs, and includes fishing vessel owners, operators, and crew and United States fish processors that are based in such community.

The community of St. Paul is a fishing community within this definition. As noted in the introduction, St. Paul Island, of the Pribilof Islands, is located in the middle of the Bering Sea, within 65 miles of 55% of the U.S. commercial fisheries. The St. Paul Harbor, sometimes referred to as "the shopping mall" of the

² NRC has conducted a number of analysis for NMFS and the fishing industry over the years and is a credible and well respected fisheries consultant.

¹ *Opilio* Tanner is the major crab resource. The 1999 *opilio* Tanner crab stock suffers from extremely low levels of juvenile pre-recruit males plus greatly reduced levels of large males and very large males, necessitating the extreme reduction of GHL. The lesser crab fisheries of St. Matthew Blue King Crab and Pribilof Blue and Red King Crab are closed for similar reasons, i.e., an extremely low abundance of the stocks.

Bering Sea fisheries, was opened in 1990, in connection with the transition of the Pribilof Islands from federal control to economic independence and self-sufficiency.⁴

The initial assumption in the development of the St. Paul Harbor was that its proximity to the Bering Sea fishing grounds would lead to industry development of a diverse multi-species fisheries-based economy on St. Paul Island. By the time the harbor was completed, however, important groundfish fisheries such as cod and pollock were fully developed, with industry having already invested in inshore processing plants with landing ports in Dutch Harbor/Unalaska and Akutan.

What the St. Paul Harbor did attract was the crab industry. St. Paul, a minimum of 180 nautical miles closer to the crab fishing grounds than Dutch Harbor/Unalaska and Akutan, provided shorter running time and off-load time, which reduced operating costs and lowered crab deadloss, increasing the economic value of the Bering Sea crab resources to the U.S. fishing fleet, improving the U.S. participation in the world market and increasing exports.

The harbor contains three shore-based processors, two floating and one onshore. During the 1998 season, more than 230 crab vessels and freighters, of up to 310 feet in length, operated in the harbor. Regulatory restrictions have continued to prevent St. Paul from processing other species, with the result that St. Paul's economy is almost totally dependent on crab.⁵

III. The City of Saint Paul will suffer severe economic impact from the collapse of the crab fishery.

St. Paul crab landings and processing account for approximately 85% of the cash entering the community. St. Paul receives a 3% sales tax on crab delivered to, and processed by, floating processors within three nautical miles of St. Paul Island, and a 3% sales tax on crab delivered inside St. Paul Harbor for processing. St. Paul receives sales tax on fuel and supplies sold in St. Paul Harbor. In addition, St. Paul derives revenue and jobs from the crab fishery from in-harbor processors and service support to the crab vessels calling at St. Paul.

A summary and analysis of the projected economic impact of the collapse of the crab resource appears at pages 5-7 and 11-14 of the NRC report. The stark conclusion is reached that:

The City of Saint Paul over the next five years crab seasons will likely receive no more than \$2.35 million in crab and sales tax revenues relative to the \$8.04 million received during the last five years crab seasons of January-March and September. St. Paul Harbor will basically be void of, or nearly void of, crab processing activity most of the year.

⁴ From 1869 until 1983, the Pribilof Islands of St. Paul and St. George were a government reservation on which the U.S. government administered the operation of the profitable fur seal harvest. NMFS, in charge of the fur sealing operation under the "NMFS Pribilof Island Program" would not allow commercial fishing and would not allow the construction of a harbor. Economic transition from government controlled fur sealing operations to a self-sufficient fishing-based economy began with the Fur Seal Act Amendments of 1983. The development of the St. Paul Harbor was the centerpiece of this economic transition.

⁵ A small amount of halibut is processed on St. Paul, but the amount is limited by allocation and, although important to the St. Paul fishermen, has not been of significant importance to the community's revenues.

Employment will decline, services will decline and it will become difficult to maintain even the existing harbor, for lack of harbor revenues.

Fish tax revenue will decline with the decrease in crab landings. Crab season fish tax revenues for the years 2000-2004 are projected to drop 66% to 90% of the 1995-1999 average, assuming St. Paul retains its historical market share of fleet totals.⁶

Sales tax from purchases of fuel and other fishery related goods by the crab fleet will also be sharply reduced with the decrease in the number of vessels calling St. Paul and the shortening of the crab season likely to occur at low crab abundance levels. Crab related sales tax revenues for 2000-2004 are projected to drop over 90% of their historical average.⁷ Indirect economic impacts will occur in the number of man hours available to the St. Paul work force for crab related activities and associated loss of income within the St. Paul community. These direct and indirect economic impacts, reaching 85% of the City's economic base, demonstrate the significant adverse effect of the crab collapse on the fishing community of St. Paul. Absent fisheries' diversification at St. Paul, this community's economy will wither, and it will wither rapidly starting in January 2000.

**IV. A commercial fishery failure declaration is needed
to allow the fishing community to access the
Federal programs available through Section 312(u).**

St. Paul must move quickly to address the economic impact of the crab collapse on its crab dependent fisheries' economy. The gravity of the situation facing St. Paul has been compounded by the recent postponement of the opening of the year 2000 *opilio* Tanner crab season from January 15, 2000, to at least April 1, 2000, as the result of extreme weather conditions and pack ice formation surrounding St. Paul Island and much of the crab grounds this winter.

The Alaska Board of Fish & Game, based on the best interest of the resource, and in consultation with the members of the crab industry and the City of Saint Paul, postponed the season. St. Paul and the crab industry had requested this postponement for safety, resource mortality, and economic reasons. The pack ice surrounding St. Paul Island makes fishing and delivery conditions dangerous, if not impossible. By obtaining a postponement of the *opilio* Tanner crab season until the weather conditions have abated, the crab industry and St. Paul sought to ensure that a more profitable harvest would occur, to the benefit of the resource, the industry, and the fishing community.

As a community almost totally dependent on one species, the City of Saint Paul is actively working to identify what will be necessary to allow it to gain access to other fisheries, so that the community can diversify its economy from crab. St. Paul's immediate need, in the wake of the collapse of the crab fisheries, is not merely survival income, but rather that assistance be provided to lay the groundwork for long-term economic and resource sustainability in a diversified fishery.

⁶ St. Paul's market share of the *opilio* Tanner crab harvest, for fish tax purposes, has ranged from 25.5% to 42.0%, and has averaged 36.1%, 1995-1999, based upon revenues. NRC Report, Exhibit B at page 13. A table of St. Paul's annual crab season revenues, 1995-1999, is found at pages 11-12 of the NRC Report.

⁷ For the 1995-1999 January-March and September crab seasons, the City of Saint Paul has received sales tax revenues totaling \$355,870. These revenues are projected to fall to \$35,000 for the next five years crab seasons. See NRC Report, Exhibit B, at page 14.

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V. Opportunities are presented, through Section 312, for the development of programs that will assist the fishing community and industry in creating and maintaining a sustainable Bering Sea fishery.

Traditionally, fishery collapses have been met with programs which directly assist the industry, such as gear reduction and vessel buy-back programs, or provide supplemental income to the fishermen whose livelihood has been impacted. Such programs will be needed to assist the crab industry and would be supported by the City of Saint Paul as part of any overall Section 312 package.

The opportunity exists to address broader Bering Sea resource management issues, through a combination of Section 312 regulatory and financial programs that will serve to benefit the fishing industry as a whole and further the development of sustainable fisheries and coastal communities.⁸

The Secretary is given broad authority under Section 312(a) to respond to a commercial fishery failure. Section 312(a) provides that the Secretary, upon a determination that there is a commercial fishery failure, has the authority:

[To] make sums available to be used by the affected State, fishing community, or by the Secretary in cooperation with the affected State or fishing community for assessing the economic and social effects of the commercial fishery failure, or any activity that the Secretary determines is appropriate to restore the fishery or prevent a similar failure in the future and to assist a fishing community affected by such failure. [Emphasis added].

St. Paul will have to expedite its move from a crab-dependent economy to a diversified fisheries-based economy. The logical steps for the community to take are to develop the infrastructure and make the harbor improvements necessary for inshore, multi-species processing. This, in turn, will provide the fishing industry with an alternative to at-sea processing for pollock, cod and other groundfish, and will allow it to take advantage of St. Paul's proximity to the fishing grounds. Development of a diversified fisheries economy on St. Paul benefits the community, and, more importantly, is consistent with federal fisheries' management policies and the objectives of the fishing industry.

The St. Paul Harbor is either closest or next closest, depending on the season, to the primary fishing grounds of the nation's largest fishery, Alaska pollock. The same is true for cod. See NRC testimony before the House Resource Committee, Subcommittee on Fisheries Conservation, Wildlife and Oceans, Exhibit A, at pages 1 and 3-4. Use of the St. Paul Harbor as a fisheries base for these and other groundfish fisheries will allow the intensive fishery effort in the Bering Sea to be distributed throughout the entire ecosystem in a manner that reduces localized depletion and has less impact on endangered species, such as Steller sea lions and other commercial species, consistent with NMFS' fisheries management objectives. Distribution of the fishing fleet throughout the ecosystem and seasons will also allow the U.S. industry to maximize its rate of return on the resource by avoiding temporal glutting of the market and overfishing of ages and classes of species.

⁸ "Transition to Sustainable Fisheries," the title of Section 312 of the Act, would be the goal of the overall strategy adopted under section 312(a).

From the perspective of the fishing industry, delivery to the more proximate port of St. Paul benefits the fishing fleet in reduced fuel costs, increased efficiency by reducing unproductive delivery time, reducing deadloss, and reducing safety risks for the fishermen.

St. Paul's proximity to the cod grounds would, if multi-species processing facilities were available at St. Paul, provide a readily suitable alternative to that portion of the crab fleet able to harvest pot cod, and create the ability for the fleet to maximize the efficient and sustainable use of existing gear and vessels. At this point in time, one of the legitimate considerations under Section 312 will be how to deal with excessive gear and vessels.⁹ The City of Saint Paul believes that multi-species processing on St. Paul should be an important part of this analysis.

Similarly, processing of pollock on St. Paul would provide an opportunity for the pollock fleet, which, as a result of the Steller Sea Lion Recovery Plan, has been required to redirect its fishing efforts away from the Aleutian chain, north to grounds surrounding the Pribilofs, to use St. Paul as a delivery base. The highest value for pollock is pollock fillets. The delivery period is crucial to the fleet's ability to deliver for processing of fillets. When the fishing grounds have been moved closer to St. Paul, delivery to the more proximate port of St. Paul will maximize the fleet's ability to process high value pollock fillets, and economic return on the harvest.

Additionally, the development of St. Paul as a multi-species processing center will further the objectives of bringing processing on shore and the development of sustainable fisheries in a manner consistent with the goals of the Magnuson-Stevens Fishery Conservation and Management Act and the American Fisheries Act.

As outlined at pages 20-23 of the NRC report, harbor improvements and infrastructure will allow St. Paul to move into multi-species processing. The ongoing Federal Project is improving and expanding the St. Paul Harbor to allow for safe access, as well as to accommodate the appropriate class of vessel operating within the region. Phase I of the Federal Project is under contract. Phase II has been appropriated. The Small Boat Harbor, Phase III of the Federal Project, has been authorized in WRDA 1999, but has not yet been appropriated. The Small Boat Harbor will support an in-shore fishery, which in turn can deliver halibut, cod, pollock and other species for processing and value added operations to St. Paul.

Thus, an already authorized and appropriated federal project is making the improvements necessary to support diversification. It is logical to take the next steps to allow diversification of the fisheries to occur at St. Paul.

St. Paul will need additional freshwater storage capacity and distribution for in-harbor fish processing, and to obtain a modified effluent permit to accommodate fish processing with or without meal plant capabilities. In addition to financial aid, regulatory and resource allocation issues will have to be addressed, to allow for processing of other species.

⁹ St. Paul recognizes that other programs will also be under consideration, including whether a portion of the crab fleet's gear and vessels need to be the subject of a buy-back program, or retirement. The point being made is that while a buy-back or similar program is part of an appropriate response, there are other possible alternatives to be considered that can provide the crab fishermen with alternative fishing opportunities and will provide a continued use for the valuable St. Paul Harbor and existing crab vessels and gear.

An important part of the section 312(a) analysis should be the manner in which the valuable St. Paul Harbor can be used, through the development of multi-species processing on St. Paul, to the benefit of the fishing community, the fishing industry, including the fishermen, resource management and international trade and export.

V. Conclusion.

A declaration under Section 312 is needed to authorize financial assistance that can be used by NOAA, the State of Alaska, the affected fishing community of St. Paul and fishermen to assess the social and economic impacts of the failure, to rebuild the fishery, and to assist those affected by the failure. Funding is needed for the development and implementation of a sustainable development strategy for the fishery, including programs such as possible vessel buy-back programs under section 312(b) and a limited economic development program which will aid in stabilizing the crab fishery and ensuring a sustainable fishery for the affected fishing community.

This assistance is critical and essential for the fishing community of St. Paul, whose economic base has been destroyed by the collapse of the crab fishery. *The City of Saint Paul requests that it be recognized as an affected fishing community under Section 312(a) of the Magnuson-Stevens Act and that you make the determination that (1) a relative absence of Bering Sea crab has resulted in a fishery resource disaster of undetermined but probably natural causes, and (2) that this resource disaster caused a commercial fishery failure in the Bering Sea.*

Thank you for your attention to this matter.

Sincerely,



Simcon Swetozof
Mayor



John R. Mercurief
City Manager

Enclosures

cc: Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young
Governor Tony Knowles

Steller Sea Lion Research Funding

What is the Administration requesting for scientific research supporting Steller Sea lion recovery activities in FY'01? Why is funding so much lower than that Congress has appropriated in past years? What are the existing and requested funds used for?

The FY'00 budget includes \$4.5M for Steller sea lion related research activities. These funds are supporting the following programs and activities:

- \$1M- Seward Sealife Center for nutritional studies on captive animal and evaluation of Steller activities on site at rookeries.
- \$850K- No. Pacific Consortium (industry sponsored) also for studies on captive animals, as well as growth pattern analyses.
- \$1M- State of AK for monitoring of vital rates (growth, pregnancy, abortion) as well as on site monitoring of rookeries.
- \$1.8M- NMFS for population monitoring (adult and pups), predatory/prey relationships, population dynamic modeling.

During the FY 2001 budget development process –that begins well in advance of the President's submission to Congress– we budgeted \$2.29M for what were determined to be the most critical research needs. This included *\$1.44 million in the Steller sea lion recovery plan budget line* to support recovery activities (survival and reproductive studies), of which \$850K goes to the state of AK. In addition, there is *\$850k in the Endangered Species Act Recovery Plan line* to assess the impacts of fishing in critical habitat areas. Since then there has been additional court related and fishery management actions and we are in the process of reevaluating our research priorities with our partners.

How much funding would be necessary, on an annual basis, to fully fund all of the research and recovery activities necessary to ensure the best chance of Steller's recovery?

Two weeks ago NOAA Fisheries convened a meeting of all our partners (fishing industry, academia, the Seward Sealife Center, and the state of Alaska) to coordinate the expenditure of the FY'00 Steller sea lion funding. In addition to developing an integrated research plan for the FY 2000 funds, the participants developed a draft spending plan that identified and prioritized annual research funding needs for Stellers. The draft spending plan can be characterized as follows:

- \$1M Core Studies (population studies & modeling, life history traits, stock structure)
- \$1.65M Nutritional Studies (food habits, captive studies, ship time)
- \$6.8M Fisheries Interactions (buffer zone experiment, surveys, foraging patterns)
- \$500K Environmental and Other Studies (subsistence take, killer whale activity)

While this is currently an unofficial assessment of Steller research needs, the broad participation of the most experienced marine mammal scientists in the North Pacific in the exercise lends it significant credibility. I intend to continue working with Congress and our partners in the North Pacific towards the recovery of Steller sea lions.