

## CITY OF UNALASKA

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February 23, 2009

Mr. Robert D Mecum  
Acting Administrator  
National Marine Fisheries Service  
Alaska Region  
P.O. Box 21668  
Juneau, AK 99802

**Subject: City of Unalaska Comments on Bering Sea Chinook Salmon Management Draft Environmental Impact Statement/Regulatory Impact Review/ Initial Regulatory Flexibility Analysis**

Dear Mr. Mecum:

On behalf of the City of Unalaska, I am writing to you today to comment on the National Marine Fisheries Service (NMFS) proposal on the Bering Sea Chinook Salmon Management Draft EIS/RIR/IRFA.

Unalaska is located in the heart of the Bering Sea and Aleutian Island fishing grounds, which are the nation's largest and most value commercial fisheries. According to the National Marine Fisheries Service, in 2007, Unalaska's local processing plants landed 777 million pounds of fish with an ex-vessel value of \$174 million. Unalaska has led the nation in volume of landings for the last 19 years and has been first or second in the nation in the value of catch for the past 14 years. The Eastern Bering Sea Pollock fishery, which is the nation's largest and most valuable, is the economic engine for Unalaska and other fishery-dependent communities in Southwest Alaska. This fishery has an annual quota of between 800,000 and 1.4 million metric tons and has an ex-vessel value of over \$1 billion. Unalaska's Port of Dutch Harbor is also the support base for the At-Sea Processing vessels that primarily target Bering Sea Pollock and Cod as well as Catcher Processors that participate in all of the other fisheries of the Bering Sea/Aleutian Island area. These vessels catch and process fish on board their vessels at sea, and through the Port of Dutch Harbor, transport international and domestic product, re-supply their vessels, make crew changes, repair electronics and deck gear, and purchase fuel.

Unalaska's economy depends almost entirely on the seafood industry. If the Pollock industry is impacted, it is felt throughout the community, from the seafood plants and harvesters, transshipping companies and longshoremen, to City revenues and enrollment in the schools. No sector escapes the impacts of a downturn in the fisheries of the Bering Sea. As a consequence, the City of Unalaska will be hard pressed to support any of the alternatives outlined in the Draft

EIS at this time. We feel alternatives 2, 3, and 4 in the document could cause severe harm and potentially a total closure of the Bering Sea Pollock fishery that is so important to the economic viability of the City of Unalaska and other communities in the region. The National Marine Fisheries Service's preliminary preferred alternative (PPA) includes a specified cap of 68,392 Chinook salmon; however, if the inter-cooperative agreements are not approved by the agency, the PPA cap will be replaced by a hard cap as low as 47,591, which could cause major harm to the Pollock industry of the Bering Sea and to the fishery-dependent communities they support.

We agree with the National Marine Fisheries Service (NMFS) that Chinook bycatch should be reduced, as should all bycatch in all fisheries of the Bering Sea. For years, Unalaska has supported the science-based research and policies that protect the marine environment and the North Pacific resource upon which our community depends for economic survival. We are encouraged that industry has independently chosen to implement changes in an effort to reduce salmon bycatch. They have developed the salmon excluder device for their trawl gear, and they have voluntarily closed areas even though such closures have reduced revenues and increased expenses. The industry, through Sea State, Inc., has developed a real-time monitoring system for the fleet. The harvesters have also developed and implemented all of the inter-cooperative agreements and continue to work on incentive plans to reduce Chinook bycatch, and they have participated in funding many other research projects.

We feel that the draft EIS is lacking in science and research. The document itself states that much of the controversy and many of the issues yet to be resolved revolve around the scientific uncertainty regarding the origin of the Chinook salmon taken as bycatch in the Bering Sea Pollock trawl fishery and the relationship of this bycatch to in-river abundance. NMFS also lacks sound data on the abundance of Chinook salmon in the Bering Sea. On-going research topics that have yet to reach a conclusion include impacts on climate change on the ecosystem, the energy flow within the ecosystem, and the impacts of fishing on the ecosystem. Chapter 3 of the draft EIS points to fluctuations in abundance, survival, and growth of salmon in the Bering Sea as having added significant uncertainty to the management of the Bering Sea resources. Similar fluctuations in the physical and biological oceanographic conditions have also been observed; the limited information on Bering Sea salmon ecology fell short of identifying mechanisms linking recent changes in ocean conditions to salmon resources. We recognize that research addressing many of the concerns on salmon abundance, ecology, and the ecosystem is underway. Unalaska's concern is that NMFS and the North Pacific Council will make their major decision on salmon bycatch hard cap amounts without the best science and research available to them, and in doing so invite unintended, negative economic consequences to the Bering Sea Pollock industry, the City of Unalaska, and other fishery dependent-communities of Southwest Alaska. It looks like the cure might be worse than the symptoms.

We were also very disappointed in the analysis in the Chapter 10 Cost and Benefit section of the draft document. Only 25-30 pages out of 227 pages in this section addressed the Pollock industry and the potential impacts to fishery-dependent communities in Southwest Alaska. The majority of this section focused on the impacts to Western Alaska salmon fisheries and to the river system communities. Such misplaced focus is difficult to understand in light of the fact that a



hard cap closure of the Pollock fishery could cost hundreds of millions of dollars in lost revenues not only for an entire industry and for Pollock-dependent communities, but for the Western Alaska CDQ groups that have invested in the Pollock industry and have approximately 40% ownership in companies involved with this fishery. The State of Alaska would also face revenue losses, not just from shares of fish tax revenues, but from the loss in marine fuel taxes paid by the Pollock fleets. At more than 60 million gallons a year, Unalaska's fuel sales are among the largest in the state, generating close to \$3 million in revenues to the State.

The Cost and Benefit section of the draft EIS states that the State-shared fish tax amounts per community are not available for the agency to review. However, we found that the Department of Revenue Shared Taxes and Fees annual report lists, by community, the Resource Landing Tax and the Alaska Fisheries Business Tax revenue the State returns to each community. The Cost and Benefit section does not address the impacts of a hard cap closure on the support sector businesses of fishery-dependent communities in Southwest Alaska. Nothing is mentioned of the investments made in these communities by the Pollock industry and support sector businesses. In Unalaska alone, over \$400 million has been invested in processing plants, support buildings, housing, docks, container cranes, restaurants, and other businesses. Currently, in Unalaska, an \$80 million dock and cold storage project is being completed by one of the At Sea Processing companies whose primary source of income is from harvesting Pollock. A hard cap closure during Pollock season would certainly affect the success of this major investment.

Closure of the Pollock fishery will have a direct, severe impact on City Unalaska revenues. Unalaska's annual general fund budget is approximately \$35 million. The City derives between \$6 million and \$7 million in direct revenues from the Pollock fishery each year. This revenue is based on the local 2% landing tax paid by the catcher vessels that deliver to the local processing plants, and on the State-shared Resource Landing Tax paid from the offshore processing vessels and the State-shared Alaska Fisheries Business Tax that comes in from the shore-based processing plants. This does not include the revenues of approximately \$7 million generated from sales taxes. A percentage of the City's revenue from sales tax is based on fuel sales to the commercial fishing fleets and goods and services sold to the various fishing fleets. The local processing plants pay the largest portion of the \$4.5 million in Real and Personal property taxes collected by the City.

The seafood industry and the support sector businesses are responsible for nearly all of the employment in our community. The seafood industry provides jobs in the processing sector, but it also responsible for countless jobs in support sector businesses like fuel suppliers, surface and air transportation, grocery stores, marine equipment suppliers, restaurants, and engine and electronic repair companies. The importance of the revenues they generate in Unalaska and in other communities in Southwest Alaska cannot be overstated. The failure of the draft EIS to recognize the significance of these contributions is very troubling. The impacts to this community will be felt across the board, from cuts in city services due to decreased city revenues and layoffs, to impacts on the transportation sector and longshoreman that depend on the shipping of seafood from this port for their livelihood. NMFS should conduct a full cost benefit analysis on the impacts to industry, to fishery-dependent communities, to CDQ groups, and to support

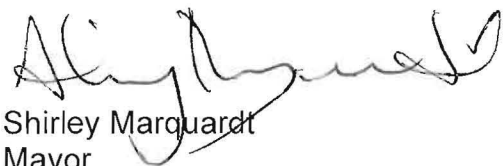
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sectors businesses, all of which will be impacted by the actions proposed on salmon bycatch alternatives. Attached to this letter are revenue graphs from the City of Unalaska that show up to ten years of tax revenues in various categories that have been generated by seafood industry in this community. They reflect the importance of the Pollock fishery which is the largest and most stable contributor in fish and sales tax revenues for this community.

We believe that the draft EIS alternatives are not ready for the North Pacific Fishery Management Council to make a reasonable and prudent policy decision at this time, and it is clear that the economy of Unalaska will be severely impacted if NMFS makes the wrong decision on the Salmon Bycatch Management issue. The impacts of restrictive hard caps could shut down the Pollock industry and devastate a healthy, vibrant community.

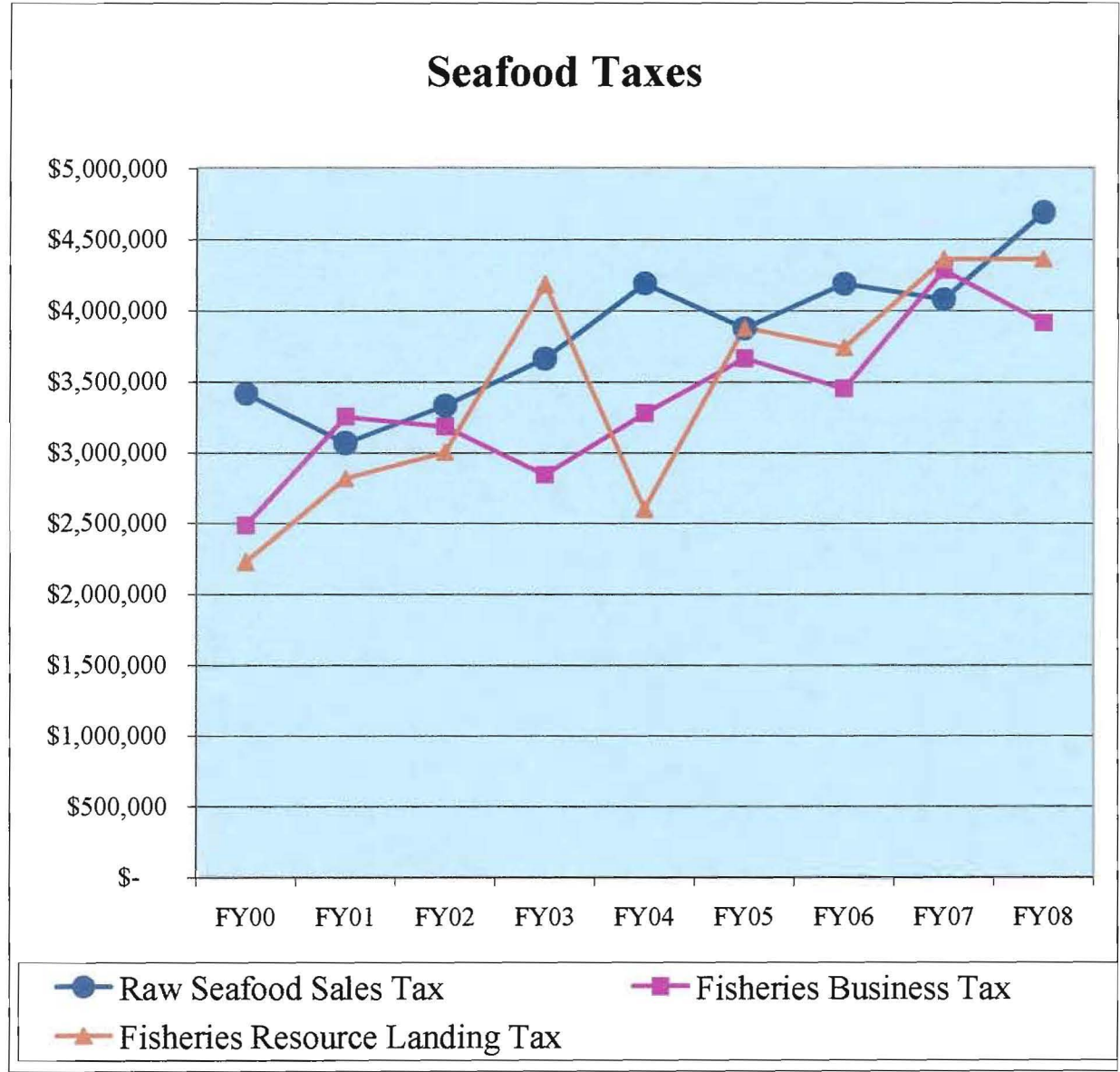
I cannot emphasize enough the importance of the seafood industry to the health of our communities in this remote area of Alaska. It allows us to maintain our infrastructure, to provide a strong school system for our children, to provide jobs for our residents, and to sustain the quality of life of our community. We ask that you give serious consideration to our concerns and comments on the Bering Sea Chinook Salmon Management Draft EIS/RIR/IRFA as it moves forward to final action before the NPFMC in April.

Sincerely



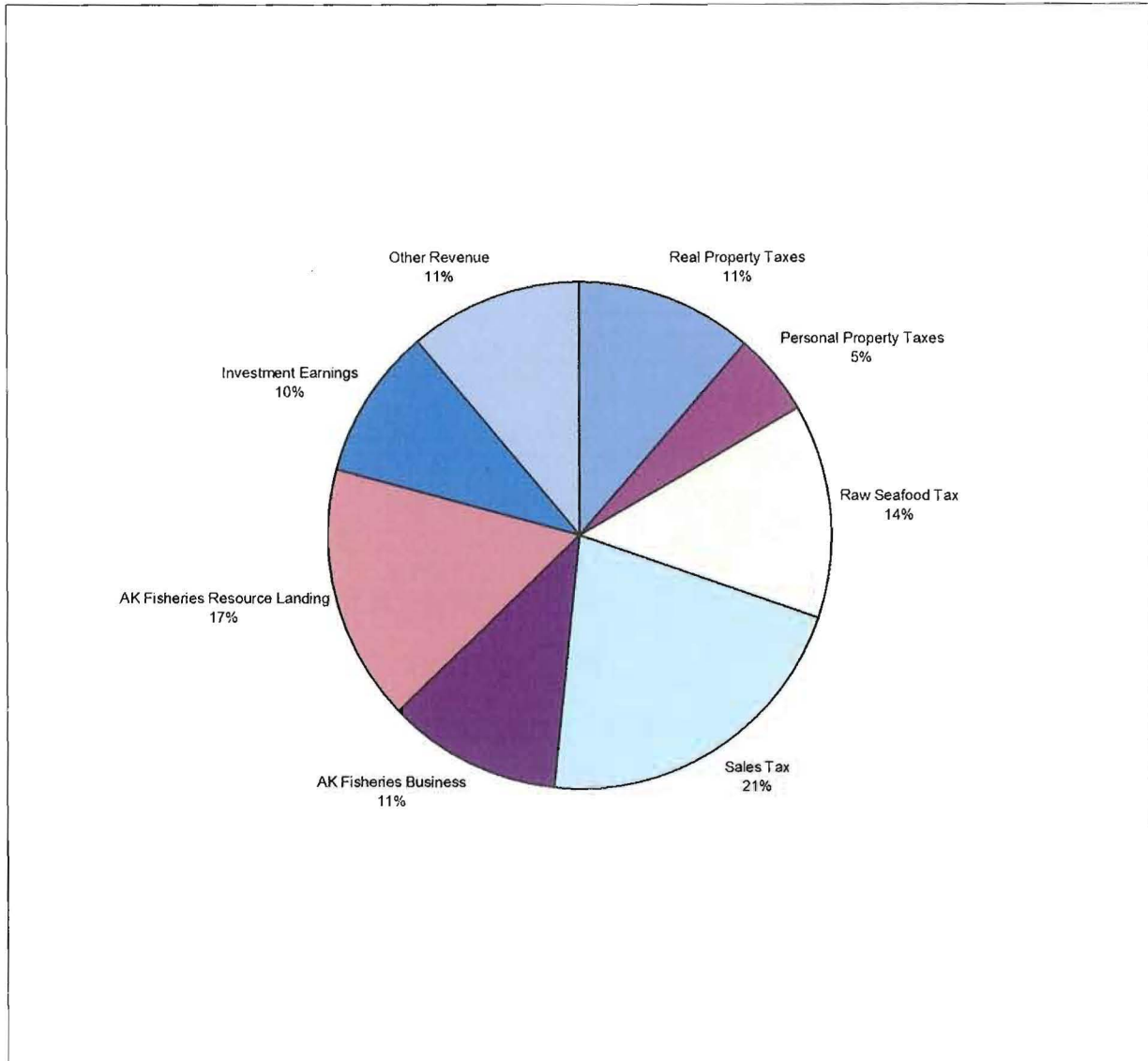
Shirley Marquardt  
Mayor

CC: Unalaska City Council Members  
Chris Hladick, Unalaska City Manager  
Frank Kelty, Resource Analyst





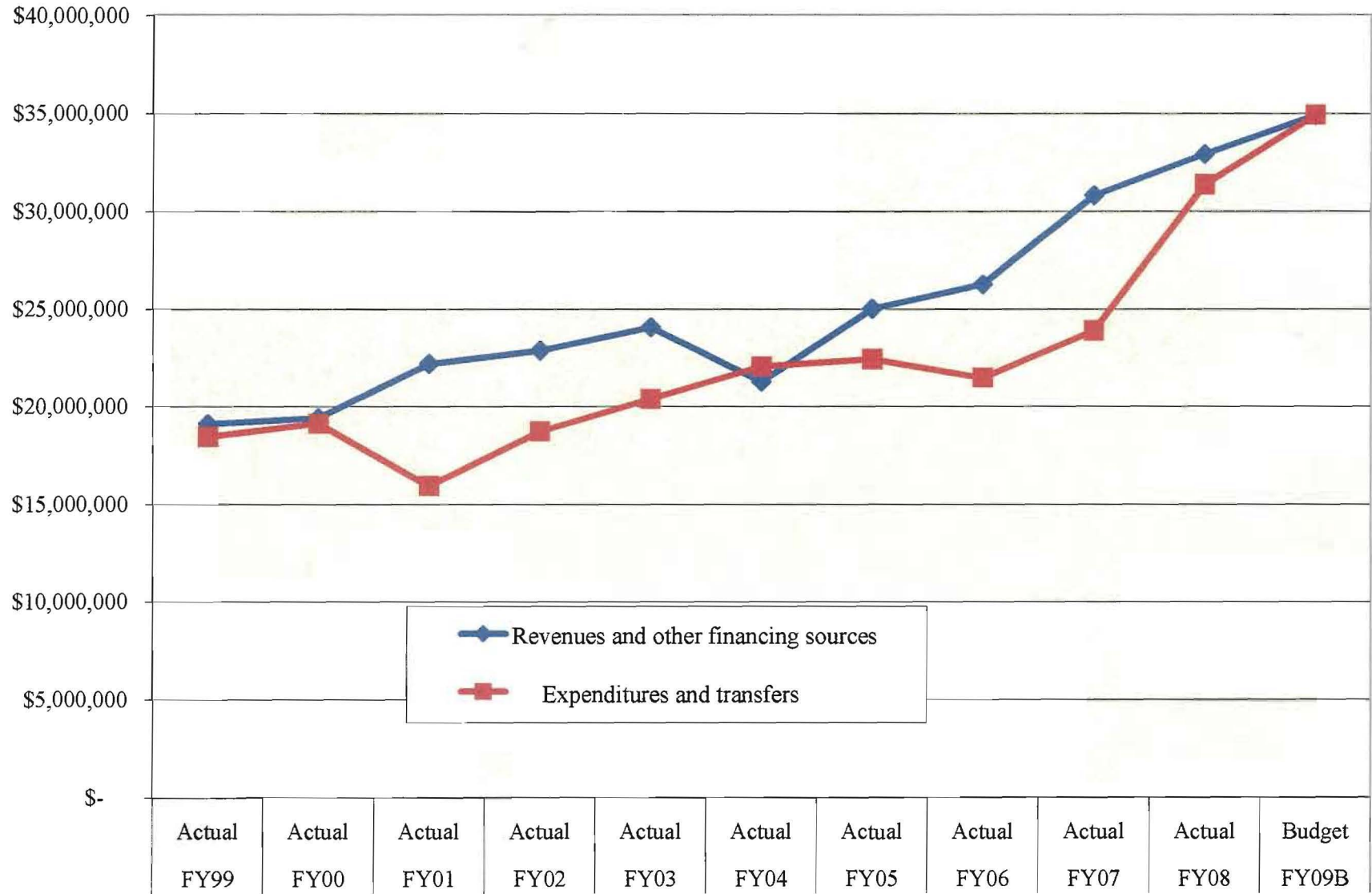
**General Fund  
Major Revenue Sources  
Fiscal Year 2010 Projected**



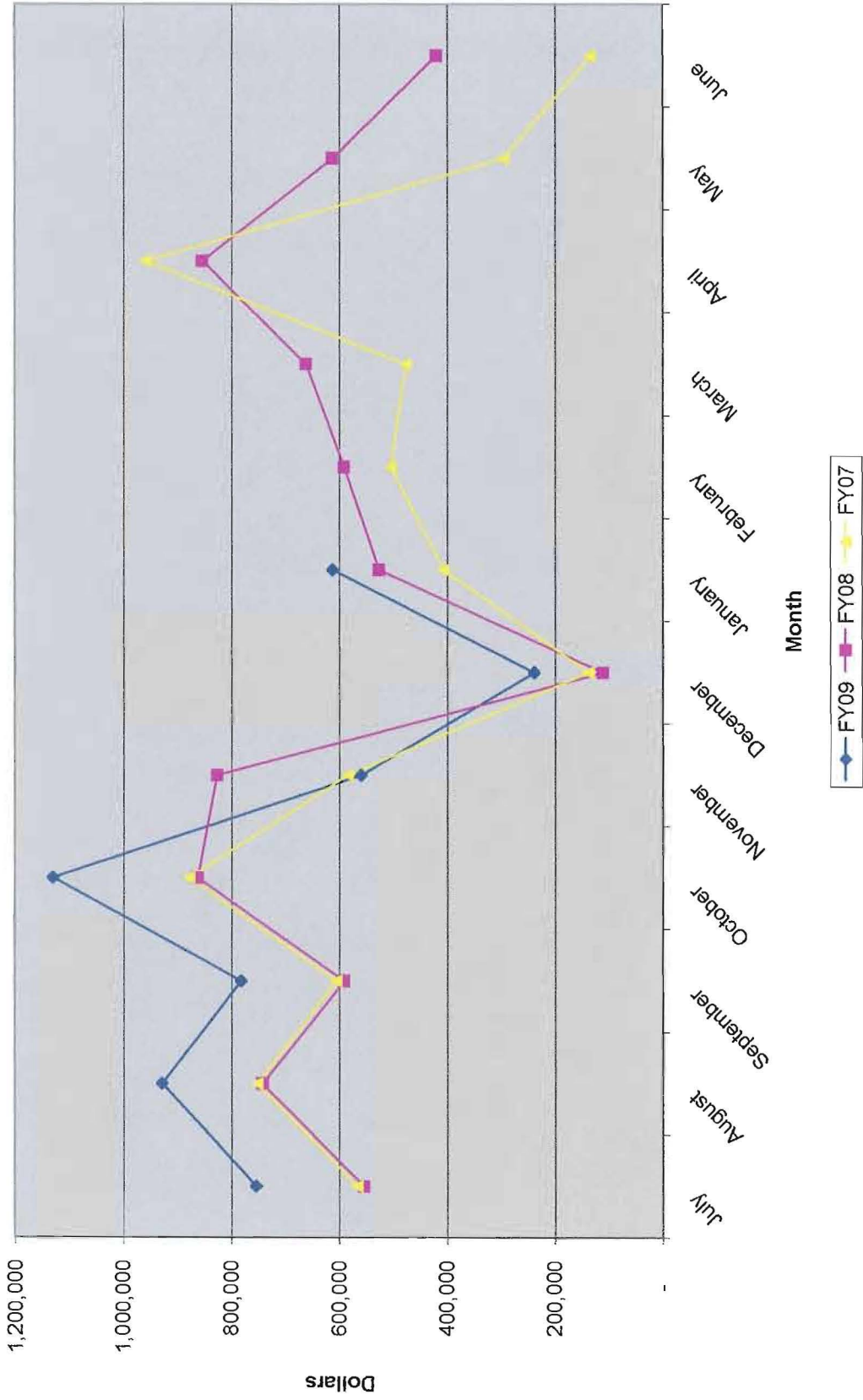
	FY03	FY04	FY05	FY06	FY07	FY08	FY09B	FY10P*	Percent Change From FY07 to FY09
Real Property Taxes	3,891,912	4,222,843	3,995,643	2,779,242	2,812,590	2,898,809	3,100,000	3,100,000	10%
Personal Property Taxes	1,146,305	1,231,722	1,207,222	1,214,105	1,360,267	1,380,844	1,450,000	1,450,000	7%
Raw Seafood Tax	3,662,646	4,190,139	3,873,868	4,188,063	4,076,762	4,689,810	3,325,171	3,700,000	-18%
Sales Tax	3,900,356	4,240,409	5,065,219	6,008,072	6,297,674	7,348,387	5,766,667	5,766,667	-8%
AK Fisheries Business	2,838,537	3,272,188	3,659,452	3,446,660	4,281,211	3,909,016	2,978,902	3,000,000	-30%
AK Fisheries Resource Landing	4,183,140	2,598,108	3,876,283	3,736,810	4,357,759	4,362,451	2,960,501	4,500,000	-32%
Investment Earnings	2,778,566	370,196	1,554,265	1,838,924	4,165,524	2,600,000	2,600,000	2,600,000	-38%
Other Revenue	1,637,686	1,146,653	1,776,026	3,026,297	3,439,622	3,044,812	2,879,784	3,026,342	-16%
<b>Total</b>	<b>24,039,148</b>	<b>21,272,257</b>	<b>25,007,979</b>	<b>26,238,173</b>	<b>30,791,408</b>	<b>30,234,128</b>	<b>25,061,025</b>	<b>27,143,009</b>	<b>-19%</b>

\* Projected numbers are higher than shown here because we continue to budget conservatively.

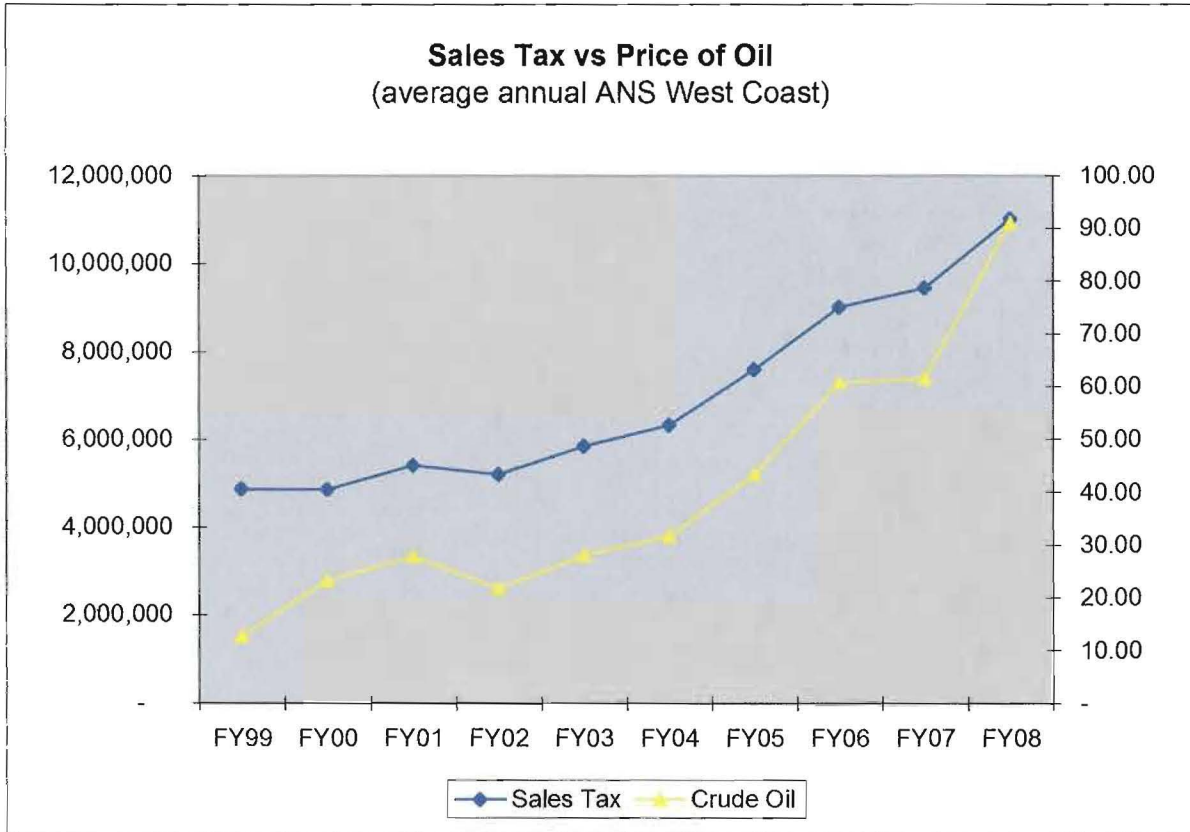
## General Fund Sources and Uses Ten years



Sales Tax History







### Property Tax History

