

M E M O R A N D U M

TO: Council, SSC, and AP Members

FROM: Jim H. Branson  
Executive Director

DATE: November 27, 1981

SUBJECT: Joint Venture Update

*ACTION REQUIRED*

*Reports by Mick Stevens on Soviet operations, John Schmeidtke on West German operations, Mike Jones on Taiwanese operations and possibly Charlie Jacobsen on Korean operations.*

BACKGROUND

Seven joint ventures have operated off Alaska in 1981. Below is a synopsis of their activities.

1. Nippon Suisan and Universal Seafoods

This operation harvested 7,000 mt of pollock and cod from the Bering Sea from June 1 to July 7, 1981. This catch is 100% of the 7,000 mt JVP allocation requested.

2. Taiyo and Pan-Alaska Fisheries

This operation harvested 5,315 mt of pollock and cod from April 11 to June 1, 1981. This catch is 76% of the 7,000 mt JVP allocation requested.

3. Soviet Joint Venture

The yellowfin sole fishery terminated on September 29. A written summary is provided as attachment B-5(a) and Mick Stevens will be on hand for an oral report. The Soviet joint venture catch for 1981 totaled about 48,000 mt or 66% of their original JVP allocation request.

4. Polish Joint Venture

William C. Fields of Mrs. Paul's reports that the venture is proceeding with one fishing vessel supplying one processor. See attachment B-5(b). Through September 18, 1981 the Polish joint venture had caught 2,173 mt or 12% of their original JVP request of 18,430 mt (9,810 mt in the Bering Sea/Aleutians, 8,620 mt in Gulf of Alaska).

5. Korean Joint Venture

A written report has been provided by Charlie Jacobsen of Fish Producers Associates. See attachment B-5(c). The Korean joint venture caught about 30,000 mt in 1981 or 39% of their original JVP allocation request of 77,500 mt.

6. West German Operations

Mr. John Schmeidtke will present a report to the Council at this meeting. Nordstern ended its joint venture operations on September 1, 1981 after purchasing about 3,000 mt or 12% of their original JVP request of 26,020 mt (17,000 mt in the Bering Sea/Aleutians, 8,000 mt in the Gulf of Alaska, 1,020 mt miscellaneous).

7. Taiwanese Operations

Mr. Michael Jones of Pribilof-Highly SeaProducts, Inc. will present a report to the Council at this meeting.

CP

NOV 20 1981

Agenda B-5(a)



# Marine Resources Company

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November 18, 1981		
<i>December Council Books</i>		

Jim Branson  
 Executive Director  
 North Pacific Fishery Management Council  
 Post Office Box 3136DT  
 Anchorage, Alaska 99510

Dear Jim:

For council reference we are happy to provide a short summary of our 1981 Bering Sea yellowfin sole fishery. Data from 1980, our first year of operation is also provided as a reference point.

	<u>1980</u>	<u>1981</u>
Fishery dates	June 1 - September 18	May 2 - September 2
Total days	110	150
Number catchers	5	8-9
Number processors	2-3	5-6
Total catch (processable fish)	13,177.6	31,855
Species composition:		
Flounder (food grade)	65.5%	54%
Pacific Cod (food grade)	10.8%	18%
Fishmeal grade	23.7%	28%

The Fishery was considered a success and we are in the early stages of planning for a similiar fishery in 1982.

Best regards,

Michael G. Stevens  
 Manager, Operations Department

MGS/kr

Domestic Fisheries  
Alaska Cod Landings (mt)

<u>Fishery</u>	<u>1981</u>	<u>1982 (Projected)</u>
Joint Ventures	12,000	24,000
Salt Cod	6,800	18,000
Factory Trawler	15,000	15,000
Bait	1,000	1,000
Fresh	500	1,000
TOTAL	35,300	59,000

During the period between September 1980, when the salt cod fishery was initiated, and September 1981, six vessels harvested cod and salted aboard: Pacific Viking, Royal Atlantic, Royal American, Great Pacific, Oceanic and Northern Aurora. Alaska-Shell also produced some salt cod at their shore plant in Akutan.

During the period September 1981 and September 1982, the same six vessels are expected to continue their operations and will be joined by the Gun-Mar. Shore-side processing of salt cod will expand to four plants: Vita and Jangard in Dutch Harbor and Trident and Alaska-Shell in Akutan. These shore plants will probably be supplied by up to 20 additional vessels.



Mr. James Branson

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- 4) We learned a good deal about the Alaskan Pollock fishery during the Summer months.
- 5) At least one of the fishing vessels wants to return in January for a continued and expanded joint venture, on essentially the same terms as those of this Summer.

Some of the significant difficulties included:

- 1) Initial difficulties in making contact with and locating the processing vessel.
- 2) One of the fishing vessels was able to catch only a modest amount of fish due, primarily, to its using nets which were too small.
- 3) The schools of Alaskan Pollock dispersed in the evening and were comprised of fish generally under 35cm.
- 4) The processing vessels were not able to accept all the Pollock which could be caught during the day for processing into fillet blocks, but were idle at night when the fishing vessels were unable to catch the Pollock because of dispersion.

(Note: The processing vessels did not seem to have much difficulty catching the Pollock in the evening when they chose to do so, on their own quota, since the power of their vessels was quite a bit greater and their nets were significantly larger (sometimes over 50 meters in diameter at the opening).

The venture is proceeding with one fishing vessel supplying one processor. While it is not presently anticipated that the full fifteen thousand ton quota will be caught, a sufficient amount has been caught to return a marginal profit for the parties concerned.

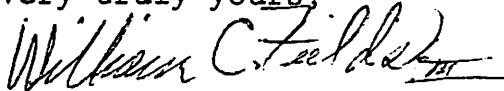
Mr. James Branson

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As stated, much has been learned from this venture. Certainly, we expect far greater successes beginning in '82 when we hope to receive permission for establishing a larger joint venture. We have also learned sufficiently about the habits of the Alaskan Pollock in the Summertime to make necessary adjustments and accommodations.

We have been most pleased with the response of the fishermen to the joint venture and their enthusiastic support of it. We have enjoyed very much working with them and look forward to doing so on a much extended basis in the years to come.

Very truly yours,



WILLIAM C. FIELDS, III  
Corporate Counsel

WCF/dd

# **Pribilof-Highly SeaProducts, Inc.**

YEAR END REPORT

to the

NORTH PACIFIC FISHERY MANAGEMENT COUNCIL

submitted

DECEMBER, 1981



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REVIEW

St. George - An Historical Note

St. George is one of two inhabited Pribilof Islands. The Aleut people there are the decedents of Aleuts taken by the Russians from other Aleut communities and forced to hunt marine mammals for their valuable furs in exchange for basic provisions. Following the purchase of Alaska from the Tzar of Russia the U.S. government maintained essentially the same relationship with the Pribilof Aleut communities, giving rather bear provisions for seal skins and setting up an administrative aparatus that grew to manage even the personal affairs of the Aleut people. During the Second World War the people were inturred in camps in southeast Alaska and, despite the hardships there, they descovered for the first time the freedom and wages that other U.S. citizens enjoyed as a matter of course. In 1951 the island communities filed suite before the Indian Claims Commission for back wages due, the difference between the value of subsistence provided by the government and the value of their labor as compared with wages for comparable work elsewhere in the U.S. The claim was settled in 1979 in favor of the Aleuts in the amount of \$8.5 million, however not a penny of those funds has yet been released by the government.

### The Seal Harvest - Historical Note

About 90% of the primary income for the Pribilof communities has been derived from the harvest of seal skins pursuant to international treaties involving the U.S., Canada, Russia and Japan. In 1972, in response to political pressures brought to bear by environmental and animal protection groups, a moratorium was declared on the harvest at St. George and a ten year research program to study the biology and population dynamics of the seals there was begun. During this period the Commerce Department has maintained a fairly steady budget for the island in 1972 dollars, adequate to keep a small labor force on the island to run the harvest again, but insufficient to provide new jobs to accommodate population growth.

Until the Reagan Administration took office it was believed by the people of St. George that the harvest would be reinstated in 1982 or '83. Now, however, a completely different future looms. Word has come down from people in this Administration that 80% budget cuts have been scheduled for the Pribilof program in FY '83. Unless other industries are developed that can replace the income that would be lost by such budget cuts, and provide a future for the island's young people, the community cannot survive.

Rather than accept this fate, the people of St. George are determined to create new industries to broaden their economic base and move the island from federal dependency to economic self reliance. Development of fishing, processing, cold storage and export operations is the backbone of the island's economic development program.

St. George has succeeded in obtaining a \$3 million state appropriation to begin construction of a dock that will enable large crab boats to offload their catches throughout most of the year. Plans are underway to construct a shore based processing and cold storage plant. Other plans call for establishing a day fishery to operate during good weather periods and to target primarily on hair crab and halibut. It is clear that the economic future of St. George will depend on the community's ability to catch, buy, process and export various species of frozen seafood.

Pribilof-highly SeaProducts, Inc.

The formation of this joint-venture corporation in January of 1981 is seen as one component of a larger fisheries based economic development program. St. George Tanaq, the ANCSA\* village corporation, owns 75% of the stock, and the remaining 25% is owned by Highly Enterprise of Taipei, Taiwan. The basic purpose of the joint-venture corporation is to provide a means for St. George to become involved in the Bering Sea fishing industry with an experienced partner by purchasing and operating American flag vessels. This objective is to be achieved in a two-step process: 1) an initial two year period during which Highly Enterprise vessels would fish pursuant to foreign fishing allocations granted in support of the project, and during which time a capital construction fund would be accumulated for the future purchase of American vessels, and training opportunities would be provided for the men of St. George; and 2) a second phase during which American vessels would be purchased and operated by the joint-venture corporation for mutual profit and job opportunities for the people of St. George.

\*Alaska Native Claims Settlement Act.

## FISHING REPORT

Highly Enterprise's fishing effort commenced this year when the Golden Dragon arrived on the fishing grounds February 13. The effort was joined later in the year by two other Highly vessels, HL-301 and HL-302, which fished only for short periods. Following is a summary of the catches by species and vessel.

	VESSEL NAME	GD-1	HL-301	HL-302	TOTALS
	PERIOD	2/13-11/28	9/13-11/28	7/15-11/28	
CODE	SPECIES				
129	Other Flounders	245.4 M/T	144.1 M/T	95.6 M/T	485.1 M/T
720	Yellowfin Sole	-----	6.6	102.3	108.9
737	Turbots	516.3	235	227.1	978.4
207	Atka Mackerel	-----	-----	-----	-----
499	Other Species	26.5	4.1	8.2	38.8
509	Squid	25.7	10.8	14.4	50.9
701	Pollock	1,305.9	206.5	678.4	2,190.8
702	Pacific Cod	471.8	3.1	18.6	493.5
703	Sablefish	35.2	12.5	24.7	72.4
780	Pacific Ocean Perch	16.9	16.8	9.8	43.5
849	Other Rockfish	-----	-----	1.3	1.3
<hr/>					
	TOTALS	2,643.7	639.5	1,180.4	4,463.6

### Commentary

The catches are somewhat lower than anticipated, which Highly attributes primarily to refrigeration and generation equipment failures aboard the Golden Dragon. According to both Highly and Advance Vessel Agency, these equipment failures put the Golden Dragon out of commission for virtually the entire second quarter of the year, for which Highly incurred both heavy expenses and losses. In addition, during this year's operations Highly attempted deck-to-deck transfers of frozen fish at sea for the first time. There was time lost in obtaining adequate fenders to separate the vessels, and they had to learn new techniques to accomplish the transfers.

Highly believes that they have gained valuable experience and does not anticipate that the lost time and heavy expenses of 1981 operations will be repeated next year, and that their fishing effort will therefore be much more effective.

1982 Program

In addition to expecting more effective operations by the Golden Dragon, Highly intends to commit its smaller but newer vessel, HL-301, to the fishery as part of the joint venture effort. Highly expects that this increased fishing effort will produce substantially higher catches pursuant to the joint venture allocation.

## CAPITAL CONSTRUCTION FUND

### Review

The creation of a capital construction fund, into which remittances would be made from earnings generated by the Golden Dragon for the future purchase of American vessels, is a major purpose of the venture. The program calls for accumulating \$250,000 per year for an initial two year period.

### Progress Report

The fund has been established and remittances have been made into the account. As of this writing the full schedule of payments have not been made into the account, due primarily, according to Highly, to the lost fishing effort and heavy expenses incurred by the Golden Dragon. St. George and Highly have discussed the situation in detail and the parties have agreed to put off one quarter's worth of payments to the first quarter of 1983. In view of the lost fishing effort by the Golden Dragon in 1981, this postponement is acceptable to all joint venture parties.

### 1982 Program

Highly's proposals for handling the fishing effort and contributions to the CCF and account next year have met with the approval and support of St. George. The payment schedule agreed to can be achieved provided that allocations committed to the venture in 1981 are also available in 1982.

## PURCHASE OF AMERICAN VESSELS

### Program Review

The long term objective of the venture is the purchase and operation of American built fishing vessels in the Bering Sea fishery. The capital construction fund will be the down payment source for the purchase of such vessels. Exactly what type of vessels to purchase, whether used or specially designed and constructed, and the timing of such purchases is to be the subject of research and board decisions when the balance of the capital construction fund is adequate to effect such purchases.

### 1982 Program

It is expected that by mid-1982 the capital construction fund balance will be adequate to leverage financing for the venture's first vessel purchase. At that time an intensive review will be made, a fishing program will be defined in which the partners have confidence, vessel purchase opportunities will be reviewed, and acquisition decisions will be made and carried out.



## TRAINING

### Program Review

The original program called for the recruitment and training of 10 to 12 Pribilof Aleuts in various fishing jobs, including third mate, second engineer and deck hand trainees. In addition, training was to be conducted in other support operations.

### Progress Report

Early in the year it was decided to begin with an initial pilot program of four candidates from St. George: one third mate and three second engineer trainees. The men boarded the Golden Dragon and spent five weeks aboard the vessel, during which they were rotated through various jobs. Greg McGlashan, the third mate trainee, received some special training in navigation. At the end of the five week period three of the trainees left the program and returned to St. George. Greg McGlashan asked to continue his training and now is enrolled in the two year commercial fishing program at Clatsop Community College, Astoria, Oregon, where he is doing well.

The training program aboard the Golden Dragon is viewed as a valuable experience for the design of future training programs. Following is a list of factors that contributed to the drop-out rate.

- a) Previous employment and wages. The three trainees who left the program had previously held positions with NMFS on the Island in which they had made very good wages.
- b) Training wages. The trainees were paid \$6.00 per hour while aboard the Golden Dragon. The Trainees felt that this was not adequate.
- c) Isolation. The trainees felt very isolated aboard the Golden Dragon. They were out of radio contact with their family and friends and, except for the radio operator, the Taiwanese crew did not speak English.
- d) Culture shock. It's clear now that everyone was unprepared for what can only be described as the culture shock experienced by the Aleut trainees. Life aboard the Golden Dragon and Taiwanese customs were completely different than life as experienced at St. George.
- e) Food. The trainees ran out of American food about midway through their tour. All of the trainees had lost considerable weight when they left the vessel.

### 1982 Program

Considerable discussion has been given to the training experience, and a number of constructive suggestions have been made that will be employed

in training efforts during 1982.

- a) Recruitment. Highly has suggested and St. George concurs that the next program should recruit younger men from the Island, and that in fact opportunities should be extended to older teenagers to have some experience at sea.
- b) Vessel. Rather than putting trainees aboard the Golden Dragon again, it has been decided to use Highly 301, a newer vessel with more modern equipment and better accommodations, for future training programs.
- c) Communications. Highly will see that someone fluent in English is on the boat during training exercises with particular responsibility for the trainees. Pribilof-Highly will see that radios are installed on the ship and at St. George to allow the trainees to have regular contact with family and friends.
- d) Food. Pribilof-Highly will see that adequate stores of American food is provided for the trainees, and that separate cooking arrangements are made (cook or microwave, depending on the number of trainees).
- e) Entertainment. A video tape deck and monitor will be provided, as well as other games and books, for the comfort and entertainment of the trainees.
- f) Wages. The wage situations will be reviewed. It is believed that younger trainees will not have the problem with the training wage scale that more experienced trainees did.
- h) Other training opportunities. Pribilof-Highly and St. George will explore other training opportunities, such as academic programs and placement of trainees aboard American vessels.

Training is still regarded as a very important part of the program. Two months ago a special meeting was held at St. George with the Island's teenagers to discuss future economic changes that will affect the Island community. A point strongly made by the Island's youth is that they want to start learning about fishing. This is where the training program will now focus.

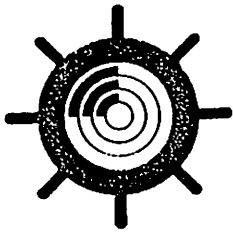
#### Business and Management Experience

An addition to training aboard fishing vessels, the board members and officers of the village corporation have in this venture gained very valuable experience in the kinds of efforts required to establish and manage a joint-venture fishing industry, including agreement negotiations, allocations requests, international communications, fisheries management issues, corporate management

and finance, etc. The St. George Tanaq board of directors have become increasingly involved, active and knowledgeable in the venture, and it is expected that this direct involvement will increase during 1982 to the benefit of both St. George and the joint-venture corporation.

ALLOCATION REQUEST

Despite the shortfall of production in relation to the allocations available to Highly in 1981, in view of the experience gained in 1981 and Highly's plans to commit a second vessel to the fishery in 1981, Highly requests and St. George strongly supports that the 1981 allocations increase on behalf of the venture be sustained in like amount by species for 1982.



North Pacific  
Fishing Vessel  
Owners' Association

*JP pub*

November 6, 1981

Ted Kronmiller  
Deputy Assistant Secretary for  
Oceans & Fisheries Affairs  
Bureau of Oceans & International  
Environmental & Scientific Affairs  
Room 7831  
Department of State  
Washington, D.C. 20520

Dear Ted:

The Association is most appreciative for your work in promoting groundfish joint venture operations in the waters of the Fishery Conservation Zone (FCZ) off Alaska. Without your active involvement, the prospects for a domestic groundfish fishery in this region would, indeed, be dim.

Due to circumstances in the king crab fishery this year and ensuing years, the establishment of joint ventures takes on a greater importance for U.S. fishermen than ever. Therefore, the Association asks that the Department of State direct its immediate attention to getting the large trawler-crabbers into joint ventures in 1982. If foreign nations are not quickly encouraged to engage in successful, large-scale joint venture operations with U.S. fishermen, then the large domestic vessels which fish in the Bering Sea will face severe financial difficulties. These hardships will, of course, also hinder the development of a U.S. groundfish industry for the waters off Alaska.

Although trawling off Alaska has been part of the long-range plans of the king crab fleet, the impetus has come from the monumentally poor harvest in this year's king crab fishery in the Bering Sea. At best, this fishery will attain a harvest that will be about 70% below last year's catch of 130 million pounds. And if the projections for the 1982 fishery hold true, the fleet will experience another 13% to 25% drop between this year's landings and next's. Neither can the fleet anticipate relief from the 1982 tanner crab fishery. Fisheries scientists are estimating a harvest of 30 million pounds of opilio, a 55% drop from the 1981 catch, and a potential yield of 15 million pounds of bairdi, a 51% decline from 1981.

Admittedly, as landings decline, prices paid to fishermen for these different species of crab should increase. But as vessels operate longer to catch less crab, the increased prices have less, if any, of mitigating effect on the upward spiral of such operating expenses as fuel, and maintenance and repairs. Nor do higher prices for smaller amounts of crab enable many owners of new vessels to meet their

interest payments, much less pay off the principals on their mortgages. For these owners whose multi-million dollar vessels were built in the last few years, interest payments of \$1,000 per day are not uncommon.

Because of the bleak outlooks for the king and tanner crab fisheries, it appears that the logical path of financial salvation open to large trawler-crabbers is joint ventures for Alaskan groundfish. However, these joint ventures must be bona fide operations: they must be created for success, and not only to give an appearance that the TALFF allocation criteria of the Magnuson Fishery Conservation and Management Act (MFCMA) is being complied with so that a foreign nation's vessels can keep fishing in the FCZ. In addition, these joint ventures must not be illusory--a foreign nation should not receive an allocation of fish from the FCZ on mere promises to buy U.S. fish products when these are available; instead, benefits must accrue to the U.S.

The Association presently envisions a legitimate joint venture operation as taking two forms: (1) foreign "over-the-side" purchases of fish harvested by U.S. fishermen; and (2) corporations jointly owned by U.S. and foreign interests which purchase U.S. harvested fish for processing aboard foreign vessels, and then market these U.S. fish products in world markets. Marine Resources Company of Seattle is an excellent example of a highly successful joint venture of the latter type.

The potential for U.S. development of the groundfish fishery in all waters off Alaska is mind-boggling. Maximum sustainable yields for pollock and Pacific cod stocks are conservatively estimated at 1.5 million metric tons and 200,000 metric tons, respectively. If these groundfish resources off Alaska can be utilized by domestic fishermen--first through joint ventures and later, whenever possible, in conjunction with U.S. processors--then domestic vessels will be less susceptible financially to the vagaries of the king crab and tanner crab resources. But should large trawler-crabbers be unable to engage in fisheries other than crab, then the consequences will undercut U.S. fisheries development and further increase the U.S. balance of trade deficit now and in years to come. Foreclosures on mortgages will result in tie ups of vessels and an exodus of good fishermen from the fishing industry. The substantial losses of harvesting capacity and experienced manpower would strike a crippling blow to any hopes for quick development of a domestic fishery for Alaskan groundfish. The long-term effects of such losses are less certain, but do not bode well for U.S. interests.

It is projected that at least 50 U.S. vessels will be available for joint ventures in 1982; already 41 vessels owned by members of the Association are equipped for trawling and have indicated a desire to participate in joint ventures. (Enclosed is a list of these vessels. Please feel free to distribute it as you see fit.) If these 50 vessels are able to fish for five months, together they have the potential to harvest up to 300,000 metric tons of Pacific cod and pollock. With ten months of fishing time, these vessels may be able to take as much as 600,000 metric tons of these species. Clearly, U.S. fishermen now have the capacity to harvest the entire

maximum sustainable yield for Pacific cod. Given this harvesting capacity and the MFCMA's mandate that only fish not able to be taken by U.S. fishermen can be made available to the foreign fleets, many of the Association's members are seriously questioning why there is a TALFF for Pacific cod.

Domestic fishermen would like to work with domestic processors to make the harvesting, processing and marketing of Alaskan groundfish an all-American industry. But domestic processors (in spite of the many chances available to them) have not set up processing facilities, created other processing opportunities such as becoming the American partner in a joint venture, or developed markets for these species. Therefore, U.S. fishermen must, in the short term, look overseas for markets for the fish which they are capable of harvesting. The success of large-scale joint venture operations, however, will not only put the trawler-crabber fleet on a sound footing, but will also open up markets abroad and result in the infusion of monies from bankers and investors into the construction of U.S. at-sea and onshore processing and handling facilities.

The ability of U.S. vessels to participate in joint ventures will depend, to a large extent, on the vigor with which the Department of State and the National Marine Fisheries Service (NMFS) encourage foreign nations and their fishing companies to engage in these operations. In addition to giving U.S. harvesters access to new or previously unaccessible markets, successful joint ventures result in the transfer of harvesting opportunities from foreign to U.S. vessels. Understandably, foreign nations would like to keep their vessels operating in the FCZ and continue to control the supply of Alaskan groundfish into the markets which they have developed. Thus, many foreign countries have perceived that it may not be in their interests to become involved in joint ventures; by their failure to participate, they can indirectly stem the growth of the domestic fleet and prevent U.S. intrusions into their markets. But these nations must be made to realize that Congress, in the MFCMA, made the development of the domestic groundfish fishery off Alaska a priority, and that cooperation with the U.S. fishing industry is a necessity if foreign nations are to receive allocations from TALFF.

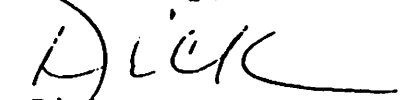
As you are well-aware, the MFCMA sets down a number of criteria which are to be considered in allocating fish from TALFF. With the present condition of the crab resources in the Bering Sea and the potential setbacks to the development of the domestic groundfish fishery if large trawler-crabbers are unable to harvest other fishery resources, the Association strongly believes that foreign nation's immediate participation in successful joint ventures should be the overriding consideration in making allocations from the Alaskan groundfish TALFF. The Association is especially troubled that Japan, which received 80% of the 1981 Bering Sea and Aleutian Islands TALFF for Pacific cod and pollock and 49% of the 1981 Gulf of Alaska TALFF for these species, only had two pilot projects for joint ventures for Alaskan groundfish. To allow Japan to garner

another large share of the 1982 TALFF for all the waters off Alaska without its involvement in successful, large-scale joint ventures would not only contravene the intent of the MFCMA, but would do a great disservice to American fishermen. We trust that the Department of State and NMFS will continue to actively encourage the Japanese to take immediate steps to enter into cooperative fishing agreements for Alaskan groundfish with U.S. harvesters.

The Association also suggests that releases of fish from TALFF be made on a quarterly rather than an annual basis. Such releases would enable the Department of State and NMFS to closely and carefully monitor the adherence of nations to the MFCMA's TALFF criteria. If a nation were not making good faith efforts at meeting these criteria, the U.S. response would be swift and immediate: fish would not be available in succeeding quarters until the errant nation brought its activities into line with the TALFF criteria. The present annual release system allows a foreign nation to depend on its past history of cooperation in order to obtain fish; by contrast, the proposed method of release will help ensure that compliance with the TALFF criteria is on-going and releases of fish reward current actions.

In closing, the Association has tried to present a realistic--not alarmist--view of the difficult situation confronting the large trawler-crabbers fishing off Alaska, and the steps which can alleviate some of these potential hardships. However, the Association cannot emphasize enough that the Department of State and NMFS must take quick and decisive action to ensure that foreign nations--especially Japan--participate in successful, large-scale joint ventures. Besides jeopardizing the financial well-being of this fleet and the continued growth of the domestic Alaskan groundfish industry, a failure by the federal government to respond quickly would not be in the best interests of the entire domestic fishing industry or the economy of the U.S.

Sincerely,

  
Richard J. Goldsmith  
Executive Director

Enclosure

cc: Lucy Sloan



# Jeff Hendricks & Associates

Commercial Ocean Fisheries

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IV  
pub com

M/V Alyeska  
M/V Antares  
M/V Americus  
M/V Altair  
M/V Alliance

PRESENTATION TO THE NORTH PACIFIC FISHERIES MANAGEMENT COUNCIL  
ON THE SUBJECT OF FOREIGN JOINT VENTURES BY JEFF HENDRICKS, MGR.,  
JEFF HENDRICKS & ASSOCIATES. DECEMBER 7, 1981 AT ANCHORAGE,  
ALASKA.

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I am Jeff Hendricks, managing owner of Jeff Hendricks & Associates. My associates and partners for the past 15 years are my two brothers-in-law, George Nations and Ron Beirnes and Robert Resoff and Sea Alaska Products, Inc. We currently own and operate 5 large Alaska combination fishing vessels.

I would like to take this opportunity to express our views on some matters of vital concern to us and the North Pacific fleet at large: That is the immediate need for significant expansion of joint ventures on Alaskan Pollock. Immediate would be during 1982 and significant would be 350,000 MT from the Bering Sea/Aleutian Island areas. This amount represents approximately \$50,000,000 in ex-vessel value which would provide significant employment for 50 of our capable vessels. Most of our newer vessels require gross annual incomes over \$1,000,000 to survive. These vessels are owned and operated by Alaskans and non-Alaskans alike.

Over the years we have seen the U.S. fishing industry's quick response to income opportunities. Fortunately the entire Alaskan ground fish resource potential for ex-vessel value (\$270,000,000) should not justify significant construction of new vessels but does provide a economic hope for the existing fleet. In fact, most all new fisheries are founded on a converted fleet. Alaskan groundfish is not going to be a bonanza. At best it will keep our existing fleet intact with few additions. It is important to keep in mind that the

entire optimum yield of Alaskan Cod converted to ex-vessel value \$32,000,000 is less than the total ex-vessel value of our last disastrous Bering Sea King Crab Season. The entire optimum yield of Alaskan Pollock converted to ex-vessel value \$186,000,000 is not much more than the ex-vessel value of the 1979/1980 Alaska King Crab seasons. Yellow-fin sole, Turbot and Flounder are significantly less than Cod.

As you are well aware, the precipitous decline in the harvest of King Crab and the impending decline in Tanner harvests has brought the prospects of financial hardships over much of the fleet. Many of these vessels were capitalized not only with hopes of prosperous King Crab and Tanner Crab harvests, but on the prospects of developing U.S. ground-fish industry as promised with the passage of the FCMA. My company is currently upgrading the trawl equipment on four of our 125 foot vessels at a cost of 2.4 million dollars. Our new equipment will reflect the most modern advances in fishing gear, deckwinches and machinery and electronic fish-finders. Several other large vessels are doing the same.

After 2 years of our own market studies, resource studies, infrastructure studies and production studies we realize some very basic conclusions:

- 1) Capital risk by our fleet without committed markets appear to be the prerequisite for invoking the FCMA allocation provisions.
- 2) Cod can now be fully utilized by the U.S. industry with the majority of the resources going to shoreside salt cod processing, shoreside frozen fillet processing, and at sea factory trawler or factory ship/catcher vessel operations.
- 3) The Cod resource in Alaska is relatively small compared to the world resource and its potential value is small relative to the existing capital investment in the related Alaska Fishing Industry. The ex-vessel value is equivalent to the required annual income of 30 vessels.
- 4) Pollock cannot at this time be economically utilized by shoreside processors. The basic problems are size, rapid decomposition and handling on board catcher vessels for a quality conscious U.S.

fillet or block market. This may likely change by technological innovations in the coming years.

5) Alaskan Pollock represents approximately 1/3 of the world resource and so long as other exporting countries have access to significant foreign Pollock resources, U.S. processors cannot compete in the world market. Major impediments are foreign trade and import protectionism imposed by the Asian countries and the EEC and the foreign countries willingness to protect their industries by subsidizing imported Pollock to the U.S. Converters without restriction at below real cost levels.

6) Pollock surimi is currently a totally Japanese market which provides extensive employment and infrastructure in added value processing and distribution throughout Japan.

7) Immediate processing of Pollock into surimi after catching is essential for quality, i.e. at sea processing within hours after catching.

8) The existing U.S. trawler fleet can in fact competively supply the entire catch of Alaskan Pollock to the at sea foreign processors while operating efficiently with less crew per vessel.

9) The foreign arguments against displacement of their fishing fleet must be only social/political such as the U.S. decision to support domestic auto workers in the face of foreign competition.

10) Pollock joint ventures are now unanimously supported by the U.S. fishing industry. They are now seen as the only potential foundation for economically stabilizing our fleet. It is of vital importance to realize that only a financially sound fleet will be able to aid in the development of U.S. shoreside processing.

U.S. processing companies must be able to phase into the groundfish industry with a fleet intact and available for expansion.

The final question after these observations is what in developing our industry is in the best overall interest of the existing fishing and processing industry, the State of Alaska, and the United States.

In our opinion a healthy industry should be developed in the following manor:

(4)

- 1) Pollock joint ventures should immediately expand to give a sound economic foundation for the existing fleet.
- 2) Shoreside processors should immediately look to processing Cod for the salt Cod, and fillet markets.
- 3) Shoreside processors and fishermen should immediately work on developing the technology of handling pollock and Cod for the U.S. fillet and block market. We believe the existing fleet with existing U.S. tender vessels can accomplish this where catcher vessels deliver to tenders for bleeding, gutting and icing.
- 4) The State of Alaska should immediately work towards providing the necessary infrastructure, i.e. an adequate airfield in Dutch Harbor to take advantage of the potential in supplying the U.S. with fresh Alaskan fish.
- 5) Long term government guaranteed loans should be made available to refinance and convert existing vessels to trawlers. Conversion costs are approximately \$600,000 each vessel.
- 6) The same loan program should be made available to shoreside processors.

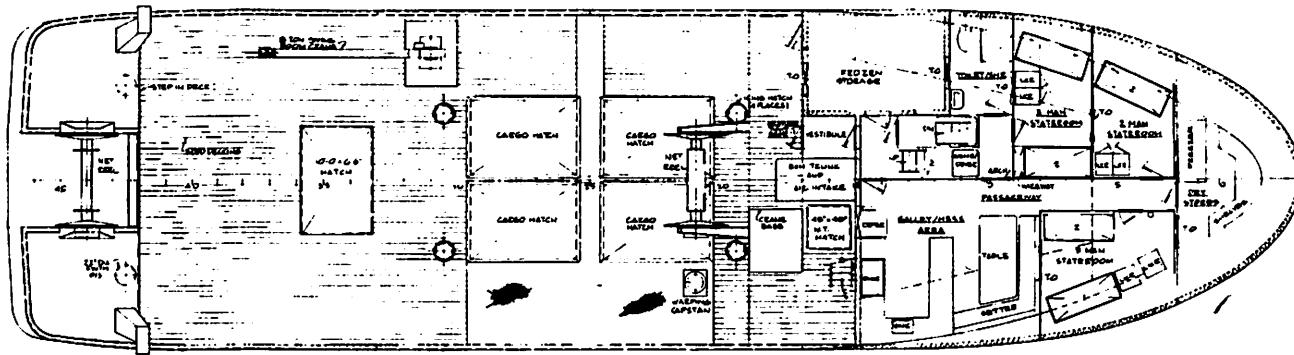
In conclusion, the first immediate step is a major one which depends largely on our U.S. government. That is to encourage foreign governments to expand their involvement in Pollock joint ventures, especially with foreign countries which have traditionally utilized that resource.

In the long run, the U.S. Pollock processing industry will rationally develop in Alaska in capacity, technology, and competitively with a highly trained and efficient U.S. fleet already in place and available.

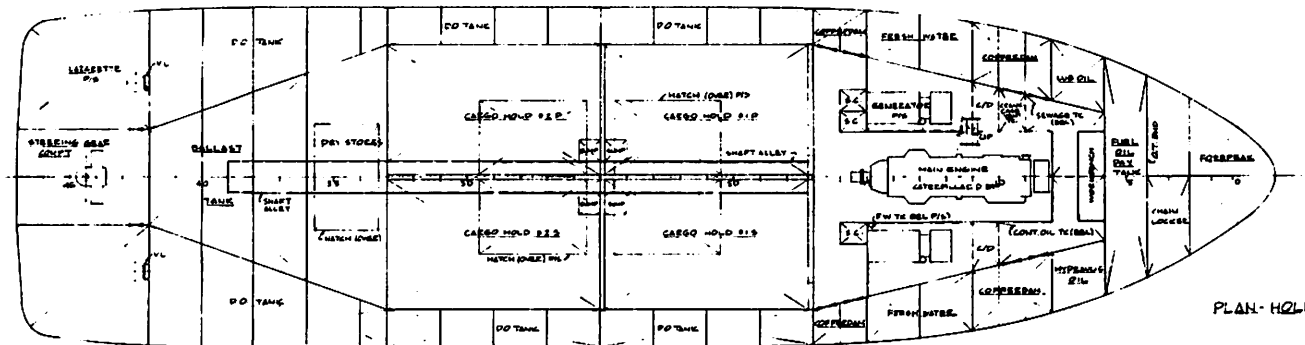
JEFF HENDRICKS, MGR.

JEFF HENDRICKS & ASSOCIATES





PLAN-MAIN DECK



PLAN-HOLD

DIMENSIONS:

LENGTH O.A	123'-9"	37.75 M
BREADTH MLD	32'-0"	9.76 M
DEPTH MLD	14'-0"	4.27 M

NAMES:

- F.V. 'ANTARES'
- F.V. 'AMERICUS'
- F.V. 'ALTAIR'
- F.V. 'ALYESKA'

BUILT BY: DAKOTA CREEK INDUSTRIES  
ANACORTES WA USA

<b>Owners:</b>	
<b>JEFF HENDRICKS &amp; ASSOCIATES</b> P.O. BOX 190 816 Fourth Street Anacortes WA 98221 U.S.A.	
<b>Design Agent</b>	
<b>J. FISHER-ANDERSEN</b> NAVAL ARCHITECTS/MARINE ENGINEERS KIRKLAND WASHINGTON 98033	
<b>125 FT. TRAWLERS</b>	
<b>PROFILE &amp; ARRGTs.</b>	
DATE 1/3/81	DRN. JFA
SCALE: NTS	<b>081 056</b>

*Edhannon*

December 7, 1981

North Pacific Fishery Management Council  
Anchorage, Alaska

Mr. Chairman:

I am Frank Bohannon, with me are David Stanchfield, Frank Steuart, and Dan Heasley. Together we directly represent 5 vessels, having participated in 11 joint ventures for hake, pollock, cod, yellowfin sole and herring involving 4 foreign nations. The common denominator between us is that we all participated in the FPA/KWF Korean Joint Venture of 1981; myself and David Stanchfield as co-captains of the fleet.

We are here today to review the past joint venture, and to set the record straight on an operation that was at times controversial and, more important, to make sure that the problems encountered during the last year's joint venture will be collectively reviewed and solved to everyone's satisfaction before a new joint venture begins in 1982.

The FPA/KWA joint venture started on 16 February, fishing for pollock in Shelikof Straights. It involved 3 Korean processors and 7 American boats. From February until the first week in May, a period of 2 1/2 months, we produced approximately 18,000 tons of pollock: an average of about 7,000 T/month. In May the fleet moved to Bering Sea fishing for about 2 weeks on yellowfin sole and then retargeting on pollock. This fishery was completed in October during which time another 13,000 tons was produced for an average of approximately 2,500 T/month.

The contracted tonnage for the 1981 fishery was 81,000 MT and that actually caught or reported was approximately 31,000 MT.

We, the American catcher boat fleet, feel that we could have produced considerably more tonnage if we had encountered fewer operational problems from our J/V partners.

Some of the major problems were as follows:

- 1] The Gae Choeg Ho, an older converted whaling mothership, had not been adequately converted to meet the needs of the present fishery.

- 2] Intermittent coordination and dependability on the part of the other factory vessels.
- 3] Short weights: We were not given credits for all fish delivered.
- 4] Imbalanced composition: Fish tickets, which were based on arbitrary estimates, reflected low roe counts and high fish meal counts, lowering the value of product to be paid to the American fishermen.
- 5] Long delays in payment: The American catcher vessels waited up to seven weeks for money that by contract was supposed to be paid weekly on an irrevocable line of credit.
- 6] Non-cooperation with our observer personnel.
- 7] Indifference of processing partners management personnel to remedy problems quickly and efficiently or at all.

In fairness, we have to admit that some of the problems were on the American side.

Some of the catcher boat fleet was poorly equipped for this type of operation and did not have the right attitude pertaining to a fleet operation.

The American intermediary, Fish Producers Associates, also contributed to the problems. For a company with basically 3 years experience, they had very little management personnel and that which they added was after the fact. They also fought each problem after the fact, instead of looking ahead and trying to foresee what might happen.

We feel that all of these problems can be solved if there is a service commitment on the part of Joint Venture partners. To work them out:

We understand that the FPA/KWF contract for 1982 is 30,000 ton taking place in the Shelikof roe fishery, January-April. The J/V will involve the same processing vessels, the same personnel and the same method of measurement and payment. The price will be the same as last year, except that the minimum size limit will be 14 1/2 inches, 1 inch larger than last year, and which we believe will lead to even larger percentages of fish meal, a waste of a valuable American resource.

Notwithstanding our desire to work out all the problems directly between the J/V partners, we recognize the political realities of the fishery and recommend the following:

- 1] That the Council (NPFMC) review each J/V permit with regard to who is going to participate and give considerable weight to past



performance before approving any new allocations. If there has been questionable performance previously, then the burdened partner should be made to provide guarantees in those areas of question.

- 2] That the Council establish what the economic yield of the fish to be caught is and that permits be approved on the basis of maximum value back to the American economy.

We also recommend:

- 1] That there be a quarterly release in direct fishing allotments, based on the TALFF criteria and past performance in joint venture fishing activity.
- 2] That NMES and U.S. Department of State set aside a block of tonnage to be used only by joint venture fishing.

In closing, we would like to leave the thought that in order for a joint venture to succeed there has to be a maximum of effort and planning on all parties of the partnership. A good example of this is the effort and success of the Japanese and Soviet ventures of 1981.

Not only do the foreign and American partners have to be oriented toward maximum production and profit, but also the American fisherman has to do his homework (the gear and technology are available both here and abroad) and develop an attitude toward a year-round, grind type fishery. Because without planning, goodwill, communication, integrity and profit, a Joint Venture fishery will not and cannot be a success.

Thank you.

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FRANK B. BOHANNON - F/V. NEAHKAHNE

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DAVID STANCHFIELD - F/V MORNING STAR

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DAN HEASLEY - F/V. AMBITION  
F/V MISTA SEA

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FRANK STEUART - F/V HALFMOON BAY  
F/V SUNSET BAY

**INTERNATIONAL** **ILWU ALASKA COUNCIL**  
**LONGSHOREMEN'S & WAREHOUSEMEN'S**  
**222 WILLOUGHBY AVE., JUNEAU, ALASKA 99801** **UNION**  
**(907) - 586-6642**



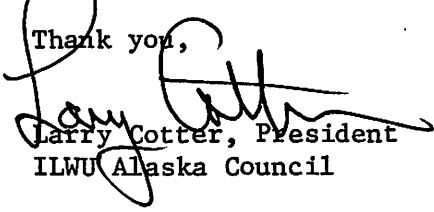
December 5, 1981

Mr. Jim Branson, Executive Director  
North Pacific Fishery Management Council  
P.O. Box 3136DT  
Anchorage, Alaska 99510

Dear Jim:

I would appreciate it if you would distribute the enclosed to all  
NPFMC participants regarding joint ventures.

Thank you,

  
Larry Cotter, President  
ILWU Alaska Council

In March of 1977 the first "joint venture" was officially proposed by the Korean Marine Industrial Development Corporation. The JV was touted by its proponents at the time, and continuing to date, as providing a vehicle (perhaps the only vehicle available) through which American fishermen could begin to harvest underutilized species within the FCZ. The proponents argued that in as much as high overhead costs of domestic processors were preventing the development of an economically viable bottomfish industry, and as this fact, in turn, precluded the entrance of American fishermen into this virgin industry in combination with the domestic processor, KMIDC could purchase underutilized species from American fishermen at a price competitive with or greater than that offered by the domestic processor, process the specie utilizing KMIDC labor, and market the product. As a result, KMIDC suggested, American fishermen would gain valuable knowledge concerning the methods and techniques of bottomfish harvesting; American fishermen would have a market for an abundant product where none currently existed; and, American fishermen would finally gain access to the vast fishery resource within the North Pacific FCZ in accordance with the intention of the MFCMA.

Opponents of the proposed JV argued vehemently against its adoption. Virtually every domestic processing company in Alaska, either on its own or through the auspices of its political organization, the Pacific Seafood Processors Association, as well as the International Longshoremen's and Warehousemen's Union, and various municipalities, opposed the JV. Opponents argued JV operations would further inequitable competition, that the American industry could not compete with Korean overhead costs (such as \$0.37/hour versus, in the least costly case, a minimum wage ten times as expensive); that the introduction of joint ventures would effectively preclude the entrance of the American processing industry into the bottomfish industry; that American processing workers would be denied the opportunity to secure yearround employment in their industry; that, quite simply, if one accepts the argument that the combination of high American overhead costs, foreign trade barriers, and intense foreign utilization of underutilized species from the North Pacific FCZ (4 billion pounds annually) are the primary impediments to the development of a U.S. based bottomfish industry, where is the logic in furthering the impediments to the American industry by creating a situation where

it becomes impossible for the American processor to equitably compete with foreign corporations (often subsidized by their government no less) for access to seafood products harvested by American fishermen? Opponents suggested that if the joint venture was approved there would be, quite frankly, little or no development of a United States domestic bottomfish industry in the North Pacific.

Joining the JV opposition was the North Pacific Fishery Management Council and the Pacific Fishery Management Council. Time and time again both Councils denied joint venture permits, apparently accepting the arguments presented by industry and labor. Eventually, however, politics overwhelmed dissent and joint ventures came into existence.

Four and one-half years have passed since the original KMIDC application. In that time many new and varied JV's have appeared. In 1981 alone, through September 26, joint ventures have accounted for a harvest of 203,005,000 pounds of underutilized species within the Bering Sea and the Gulf of Alaska versus a total allocation to the domestic industry of 84,117,000 (which we will not even come close to harvesting). Indeed, whereas joint venture allocations for 1981 amount to 7.3% of the OY, domestic allocations account for only 1.9%! Perhaps this is a measure of success for joint ventures. Perhaps it is merely proof of opponents claims that joint ventures and domestic processing are incompatible.

There is also a new twist to joint ventures: joint ventures between foreign corporations and domestic corporations. In 1981 Universal Seafoods (owned 49% by Nippon Suisan) engaged in a joint venture with Nippon Suisan. Likewise in 1981, Pan Alaska Fisheries (owned by Castle & Cooke) engaged in a joint venture with Taiyo. In each of these joint ventures fishing vessels under the corporate influence of Universal and Pan Alaska sold millions of pounds of bottomfish to Nippon and Taiyo without so much as a single pound of that product being run through the company's domestic facilities. The implication of these two JV's is obvious: so long as the domestic processor has access to "at sea" processing through joint venture agreements with foreign corporations we will not see domestic shoreside or at sea processing of underutilized species.

It is not the fault of Universal Seafoods or Pan Alaska Fisheries that they have become involved with joint venture operations: they had a need to utilize their vessels, they saw an opportunity, and they took it. But where do we go from here? Do we continue to increase JV allocations year after year? Do we encourage domestic companies to likewise engage in joint venture operations at the expense of domestic processing? Do we further the competitive inequities of bottomfish processing for those domestic corporations who desperately need product to run through their facilities and market yet who don't have the capital investment in fishing vessels to allow them to engage in joint ventures? Do we forget about all those facilities in Dutch Harbor, Akutan, Kodiak, and other areas which are lying idle and upon which payments have to be made? Do we ignore the economic needs of domestic processing workers who are struggling out of work while we allocate and reallocate hundreds of thousands of hours of employment to joint ventures?

Ample time has passed now for the NPFMC to undertake a complete analysis of the relative merits of joint ventures. Have they worked? What has been the impact on the domestic industry? What has been the impact on domestic fishermen engaged in joint ventures and domestic fishermen who haven't? What has been the impact on the domestic processor? What are we gaining annually in terms of dollars and cents to fishermen engaged in JV's? What would we be gaining annually in terms of dollars and cents if joint venture harvest were processed on shore? Are joint ventures necessary for the development of the industry? Why? Why not? What will be the longrange impact on joint ventures on the domestic industry and the development of a bottomfish industry? Are there alternatives to JV's?

All of these questions need to be answered. It is clear we are not developing a domestic bottomfish industry -- at least a domestic industry in the time honored sense that the industry is vertically domestic. I strongly urge the Council to undertake such a study.