

Briefing Paper for the North Pacific Fisheries Management Council
regarding a Bottomfish Allocation for a U.S./Foreign Joint-Venture
Training Mission

Prepared by the St. George Tanaq Corporation

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Preface

The St. George Tanaq Corporation, representing the Aleut people of St. George in the Pribilof Islands, is pursuing a fisheries development program intended to expand the economic base of the island community beyond dependence on the fur seal harvest, which is presently under a ten year moratorium (1972-1982). There is an alarming possibility that the moratorium may not be lifted in 1982. The only resources at hand are the fisheries of the Bering Sea. St. George Tanaq's development program includes a shore based Hair Crab harvesting, processing and marketing industry, which will provide jobs at the island community, and a larger sea based harvesting, processing and marketing operation in joint-venture with an experienced foreign company. It is the latter project to which this briefing paper is addressed.

The Concept

While the U.S. Bering sea fishing industry is presently experiencing difficulties, it is the judgement of the St. George Tanaq Corporation that in the years to come there will be an increase in world food requirements and that energy efficient combination vessels designed and constructed in 1980 will be competitive and profitable in the coming years. Tanaq wishes to enter the Bering Sea fishery for long term involvement to create jobs for its people, profits for the Corporation and dividends for its shareholders. Lacking sufficient capital and experience Tanaq has sought the participation of an experienced joint-venture partner. This search has concluded in a joint-venture agreement with the Highly Enterprise Corporation of Taiwan. This company has world wide experience in harvesting, processing and marketing operations, including bottomfish and other high value species. The joint-venture corporation is called "Pribilof-Highly Sea Products, Inc." (an Alaska corporation). Seventy-five percent of the corporation's stock is owned by the St. George Tanaq Corporation. The terms of agreement call for the purchase

of American built vessels to be owned and operated by the joint-venture corporation and a program to train and employ Aleuts in both skilled (skippers, mates, engineers, accounting, marketing and management) and unskilled positions.

It is estimated that the program to acquire American built vessels will require up to two years. While it may be possible to buy existing boats or to pick up options on vessels under construction, in which case acquisition may be accomplished fairly quickly, the joint-venture corporation may decide to pursue the design and acquisition of more modern and fuel efficient boats, in which case the full two years lead time would be required. However, Tanaq and its Taiwan partner wish to begin operations with a single vessel as quickly as possible so that we can gain joint operational experience in harvesting, processing and marketing, and so that a training and employment program for Aleuts can be implemented without delay. To achieve this objective the Highly Enterprise Corporation has offered to lease its 1,900 ton freezer/trawler "Golden Dragon No. 1" to the joint-venture corporation for purposes of conducting a training mission while American vessels are being acquired.

Special Allocation Requirement

We have been advised by various government representatives that to implement the leased vessel component of our training and employment program we will have to obtain an allocation and a permit for the Taiwan vessel to fish in U.S. waters. The allocation request would not be permanent but rather would be limited in time and amount and would be for the specific purpose of conducting a training mission and to establish joint operations in preparation for long term Aleut employment and operations using American built vessels. Our allocation requirements will be 4,000 metric tons per

year for two years, to include the following species suballocations:

<u>Species</u>	<u>Suballocation</u>
1 Flounders	1,200 mt
Pacific Cod	1,200 mt
Sablefish	1,000 mt
Others	<u>600 mt</u>
Total:	4,000 mt

St. George Tanaq is not experienced in obtaining such allocations and seeks the support and advice of the Council in this matter. It is the intention of the joint-venture corporation to begin leased vessel operations in January/81 with a share of the new calendar year overall foreign allocation.

Loading Zone Requirement

The operational plan for the leased vessel calls for shipment of product from Dutch Harbor to Taiwan. The Nicholson Act prevents offloading of fish caught by a foreign vessel at an American port and therefore we will request a special loading zone for cargo transfer at a protected area, to be specified in more detail to the Council prior to its 1/December/80 meeting.

Benefits

Obtaining an allocation as outlined above will provide the following benefits to Aleut Americans.

- 1) The following training and employment positions will be created:

<u>Position</u>	<u>Year 1</u>	<u>Year 2</u>
Second Mate	0	1
Third Mate	1	1
Second Engineer	0	1
Third Engineer	1	1
Accountant	1	1
Operations Support	1	2
Marketing	1	1
Deck Hands	5	10
Total Positions:	10	18

2) Transfer of bottomfishing and processing technology to Americans will take place.

3) A share of the profits of the leased vessel will be escrowed by the joint-venture corporation and pledged toward the purchase of American built vessels.

4) The Aleut people of St. George will be less dependent upon government support.

Action Program

The St. George Tanaq Corporation has constructed a detailed action program for the entire project. Portions of the action program relating to the allocation requirement, leased vessel operations and acquisition of American vessels are outlined below with time feames.

<u>Action</u>	<u>Target Date</u>
Briefing, North American Fisheries Mgm't Council	24/Sept/80
Discussions with Departments of Commerce and State	Sept/various
Initiate options and financial analyses for acquisition of American vessels	1/Oct/80
Formal allocation request prepared/submitted through appropriate channels	1/Nov/80
North Pacific Fisheries Management Council recommendation	1/Dec/80
Allocation award	15/Dec/80
Training and employment program finalized, candidates selected	5/Jan/81
Commence leased vessel operations	5/Jan/81
Complete options and financial analyses for purchase of American vessels	1/Feb/81
Financing commitments obtained	1/Jun/81
American vessel purchase orders	1/Jul/81
American vessels purchased and operational	1/Jan/83