MEMORANDUM

TO: Council, AP and SSC Members

FROM: Jim H. Branson
Executive Director

DATE: September 11, 1987

SUBJECT: Recommendations of Policy & Planning Committee on Joint Venture Policy Changes and Bering Sea Research Initiatives

ACTION REQUIRED

a. Review and adopt/not adopt Policy & Planning Committee's recommendations for changes in the Joint Venture Policy.

b. Recommend research initiatives and multi-national and bilateral action to Department of State for implementation as suggested by the Policy & Planning Committee.

c. Discuss requests from Midwater Trawlers Cooperative, Western Alaska Cooperative Marketing Association, and St. George Island Trust as they apply to joint venture policy.

BACKGROUND

The Policy & Planning Committee recommended in June that the Joint Venture Policy not be changed other than perhaps adding language expressing the Council's great concern over unreported pollock catches in international waters (donut hole) of the Bering Sea. On September 1 the Committee developed a paragraph to add to the policy under the section, "Basis for Recommendations," as a third paragraph. It would read as follows:

> The Council remains very concerned about the catches of pollock and other species of fish in the international waters of the Bering Sea and the impact those catches will have on the overall stock abundance, particularly as it relates to the setting of harvest quotas in the U.S. Exclusive Economic Zone. Any nation receiving directed allocations or operating in joint ventures off Alaska will be expected to provide timely, accurate, and verifiable data on their past, present, and projected catches of pollock and other species from the international waters in question, and to cooperate whenever possible in international research programs on those stocks.

They also recommended that research was needed on all Bering Sea pollock stocks and that the Council should take an active part in encouraging a multi-nation approach to accomplishing that research, perhaps through an organization such as PICES. They also recommended that the Council urge the Department of State to work on a bilateral agreement with the Soviets for immediate control of effort in the international area. Ambassador Wolfe will be at this meeting and is prepared to discuss this subject.

There are three requests before the Council that touch on joint venture policy. In fact, they can probably only be accomplished by changing the policy to allow more control of the joint venture fishery through the permits. The first is from the Western Alaska Cooperative Marketing Association, item C-5(a). It asks the Council to review the problem of the inshore joint venture fishery for yellowfin sole that occurred near Togiak this year.

The second is a letter from the Midwater Trawlers Cooperative asking the Council to require joint venture companies to submit with their application for the 1988 flounder fishery a plan for each of their processing vessels to ensure compliance with bycatch guidelines, rates and caps, and a plan and formula to discipline the processors and catcher boats to minimize the incidental catch of prohibited species, and require all joint venture companies to comply with the Council's policy and guidelines on bycatches as a condition of the joint venture permit during the '88 and '89 seasons. Details are in their letter (item C-5(b)).

The third item is a letter from Peter Hocson, trustee of the St. George Island Trust, asking the Council to approve a direct allocation of 175,000 mt of pollock for the use of Puffin Products, Inc. for 1988. Details are in item C-5(c).

If the Council wishes to pursue any of these requests it can probably best be done through conditions on permits. The Council is an advisory body in this case and can recommend to the Secretary any permit conditions they wish. Whether the Secretary can, or would, follow those recommendations would depend on the circumstances of each request and the supporting data and rationale for the recommendation.

AGENDA C-5(a)
SEPTEMBER 1987

Barry 1 w/d

WESTERN ALASKA
COOPERATIVE MARKETING ASSOCIATION

(907) 842-5592 • BOX 213 • DILLINGHAM, ALASKA 99576

RECEIVED
SEP 11 1987

September 9, 1987

Mr. James O. Campbell, Chairman
Mr. Jim H. Branson, Executive Director
North Pacific Fishery Management
Council
PO Box 103136
Anchorage, Alaska 99510

Gentlemen:
Our office is in receipt of your Council's September 4th letter Call For Groundfish Proposals. I have noted in reading the cover letter that these proposals must be received by October 1st, to be reviewed January 20-22nd, 1988, public review April and May and final consideration by the Council during June. This time frame indicates that any proposal that might pass the Council will not go into effect until the 1989 fishing season. This does not quite fit into the problem that we would like to address, but, I also note that within the proposal format under the heading of Need and Justification the form indicates "Why can't the problem be resolved through other channels?"

This is our question. I am not going to dwell on the problem of the inshore fishing by the joint venture yellow fin sole fishing operation in Bristol Bay this year. I believe that numerous other fishing organizations have presented this problem to the Council.

We have seen some of the preliminary by catch numbers of both Bristol Bay and Bering Sea. Presently, there is no exact way to determine the actual economic loss or the environmental damage sustained to the normal fishery, but the method of the joint venture (dragging) commercial fishing does intercept quite a variety of fish including herring, salmon smolt, salmon and inmature halibut. This intercept of both the normal fishery and future fishery is a significant economic loss to this region and justification for Council action and responsible management of this fishery.

Our organization is very concerned about this fisheries problem and we feel that this will jeopardize a very long established commercial fisheries. We request that the Council review this dragging operation prior to next season and really consider the adverse effect on both Bristol Bay and the Bering Sea. We feel that there is other management avenues open to the Council that would protect this fishery and not impose any ecomonic loss on the dragging fishery. We also feel that there has been many organizations that have written to the Council and voiced similar objections to the continuation of the joint venture drag operation.

We to wish to thank you and the Council for considering this letter.

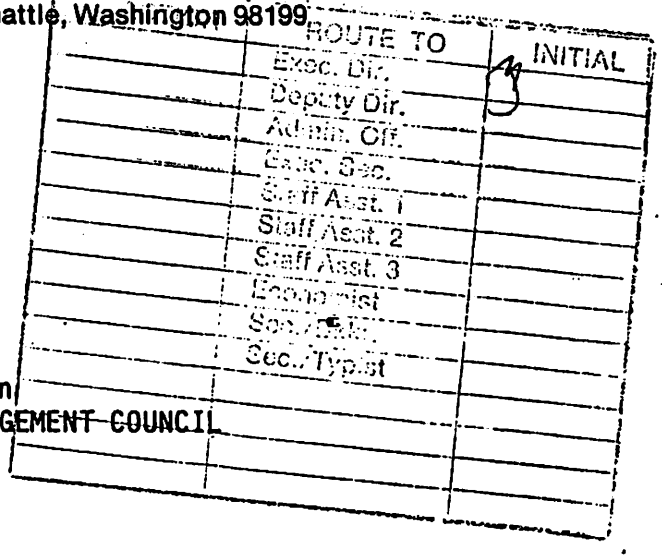
Sincerely,

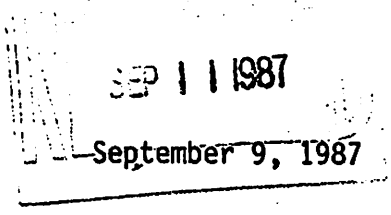
Harvey Samuelsen
President

cc Governor Steve Cowper
Senator Ted Stevens
Senator Frank Murkowski
Representative Don Young
Alaska Senator Fred Zharoff
Alask Representative Adelheid Herrman

Midwater Trawlers Cooperative

4055 21st Avenue West • Seattle, Washington 98199





September 9, 1987

MEMBER VESSELS
ANNIHILATOR
BAY ISLANDER
BLUE FOX
CAPE KIWANDA
COHO
ENDURANCE
EXCALIBUR
EXCALIBUR II
GOLDEN VENTURE
HAZEL LORRAINE
JONATHAN MICHAEL
LESLIE LEE
MUIR MILACH
NEW JANET ANN
NEW LIFE
PACIFIC CHALLENGER
PACIFIC RAM
PAT SAN MARIE
PATIENCE
PEGASUS
QUEEN VICTORIA
RAVEN
RONNIE C
ROSELLA
SILVER CHALICE
SLEEP ROBBER
VEGA
VEGA MARIE

James O. Campbell, Chairman
NORTH PACIFIC FISHERY MANAGEMENT COUNCIL
P.O. Box 103136
Anchorage, Alaska 99510

Dear Jim:

I've been instructed by the membership of the Midwater Trawlers Cooperative (note the member vessels on the letterhead) to write to you as Chairman of the North Pacific Fishery Management Council. The membership is very concerned regarding the way the flounder fishery was prosecuted in 1987. As you know, this Association has always tried to put the resources first and to do whatever we can to ensure orderly harvest and minimum disruption of other fisheries with regards to by-catch. I am including with this letter a copy of a letter from Janet Smoker in the Juneau office of National Marine Fisheries Service, which lists the names of Korean processors, their American joint venture partners, the Korean processing companies and the date on which these vessels actually suspended fishing in Zone 1.

As you will recall, National Marine Fisheries Service advised all flounder fishing vessels that Zone 1 was closed to all trawlers because the fleet, as a total unit, had taken the cap catch of bairdi crab. The effective advisory date was April 3, 1987.

The MRCI fleet and the Japanese/American joint ventures obeyed the advisory and left immediately. As you can see by the enclosed letter, several Korean processors and their catcher boats refused to leave. As soon as MTC realized this, MTC and MRCI put a great deal of peer pressure on the American joint venture companies who were in partnership with these Korean processors. Apparently, we didn't do a very good job, as you will notice the dates beyond April 3rd on which these Korean processors left.

The MTC fleet had taken (according to our data and NMFS observer data) only abut 65% of our total cap. We know also that there were Japanese/American joint ventures that were fishing clean.

I am also enclosing for your convenience a copy of a letter to Admiral Oh of the Korean Deep Sea Fishery Association, which has not been answered as of this date.

My membership strongly feels that any joint venture doing business with the bottom trawl fishery in the North Pacific FCZ must bE responsible for a control of by-catch. They passed the following resolutions:

> "RESOLVED, that the North Pacific Management Fishery Council should require joint venture companies to submit with their application for the 1988 Flounder Fishery a plan for each one of their processing vessels which will ensure compliance with by-catch guidelines, rates and caps; and
>
> "Further, the North Pacific Management Council should require joint venture companies to submit a plan and formula to administer discipline to the processors and catcher boats in order to minimize the incidental catch of prohibited species; and
>
> "The Council should require all joint venture companies to comply with the Council's policy guidelines on by-catches as a condition for the continuance of the Joint Venture Permit during the 1988 season as well as for 1989. The failure of American catcher boats or foreign processors to remain within the rates and caps should result in a loss of Permit for the foreign processor and a suspension of the catcher boats from the fisheries."

Our membership discussed the various proposals being made to the By-Catch Committee (chaired by Larry Cotter) from various American joint venture companies. The membership is convinced that the policies enunciated by MRCI do and will work. The membership has very little faith in the proposals made by Pro Fish and Alaska Joint Venture Fisheries. As one member put it succinctly: "You don't let the foxes and the coyotes make up the rules for the hen houses". Accordingly, the membership respectfully requests that the Council entertain the following Motion, which was unanimously passed by the membership:

> "RESOLVED, that Midwater Trawlers Cooperative unanimously supports Marine Resources Company International's position on by-catch guidelines for the 1988 Flounder Fishery in the Alaskan FCZ."

There were a couple of other Motions that I think are pertinent to pass on to the Council:

> "RESOLVED, that Midwater Trawlers Cooperative will request

that both Councils and the concerned fisheries in general think of alternatives to the "Olympic" system of harvesting, to provide for an orderly harvest and to maximize wise conservation practices and best use of the resources."

The final Motion was :

"RESOLVED, that Midwater Trawlers Cooperative go on record in recommending to both Councils that codend catch indicators be required for each vessel and employed by those vessels from the 1988 season on, in the whiting and pollock fisheries."

I'm quite sure you can sense the MTC membership wishes. We frankly think that good fishing practices which maximize sound conservation are attainable in the fishing fleet because of our record, and we think further that voluntary guidelines can and will work and can be administered rapidly. The membership realizes that in most instances, fishing regulations require plan amendments which, in turn, are laborious and lengthy to fashion. We also realize that the Council has the authority and the ability to use guidelines whose positive features can be attained by a variety of powers which the Council currently possesses. In the final analysis, our membership believes that it is high time for all of us to exercise a collective responsibility and those who cannot or will not assume the sense of responsibility, should not be allowed to fish.

Thank you very much for your interest, and I hope that Jim Branson can get copies of this to the appropriate members of the Council family for the September Council Meeting.

Sincerely,

MIDWATER TRAWLERS COOPERATIVE

R. BARRY FISHER
President
Chairman of the Board

pj/npfmc.ltr
cc: Jim H. Branson/Executive Director, NPFMC
Larry Cotter/Chairman, By-Catch Committee
By-Catch Committee Members
Joint Venture Permit Review Committee
Philip Chitwood/Director of Operations, MRCI
Steven Hughes/Technical Advisor, MTC
D. Lee Alverson/Natural Resources Consultants

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
National Marine Fisheries Service
P.O. Box 1668
Juneau, Alaska 99802

July 13, 1987

Mr. R. Barry Fisher, President
Yankee Fisheries
Route South, Box 144
South Beach, Oregon 97366

Dear Barry:

Bill Robinson asked that I put this information together for you as soon as I got back from vacation (table attached). As it turned out, certain elements of the data were only available from the Observer Program, so they ended up doing most of the work on your request. Russ Nelson pointed out that there were also several Korean vessels in Zone 1 which were participating in pollock joint ventures at the time and so were not affected by our warning, although he did not provide me with those names.

I hope this has been of assistance.

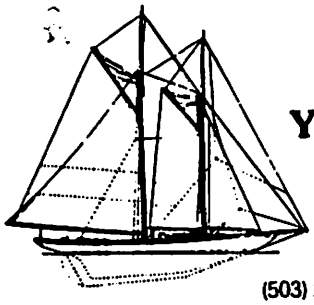
Sincerely,

Janet Smoker

Janet Smoker
Resource Management Specialist

Table 2.--South Korean vessels participating in the yellowfin sole joint venture fishery in Zone 1 of the Bering Sea during the week ending April 11, 1987 and the date which they completed fishing in Zone 1.

COMPANY	VESSEL NAME	LAST FISHING DAY IN ZONE 1
PROFISH/NAMYANGSA	SUNFLOWER NO. 7	4/8/87
	CRYSTAL DAHLIA	4/6/87
PROFISH/WON YANG	CHEOG YANG HO	4/8/87
PROFISH/SILLA	HAN KIL HO	4/9/87
	HAN JIN HO	4/8/87
	HANIL HO	4/8/87
PROFISH/SAJO	ORYONG NO. 503	4/8/87
PROFISH/DONGWON	YUYANG HO	4/8/87
	SHIN YANG HO	4/7/87
PROFISH/DONG BANG	DONG BANG NO. 71	4/8/87
ALASKA JV FISH./DAERIM	DAEJIN NO. 52	4/8/87
	DAEJIN NO. 21	4/8/87
ALASKA JV FISH./SAMHO	TAE BAEK NO. 29	4/11/87
ALASKA JV FISH./TAE WOONG	TAE WOONG NO. 602	4/11/87
	TAE WOONG NO. 603	4/7/87
CAL-ALASKA/MARINE ENT.	SANG WON NO. 7	4/9/87
JOINT VENTURE FISH./OYANG	OYANG NO. 70	4/11/87
DONA JV FISH./HANSUNG	DAE SUNG HO	4/11/87



Yankee Fisheries
FV Excalibur
FV Excalibur II

(503) 265-9317 Office
1626 North Coast Highway • Newport, Oregon 97365

(503) 867-6143 Residence
Star Route South Box 144 • South Beach, Oregon 97366

June 2, 1987

Admiral Kyung Hwan Oh (Ret)
KOREAN DEEP SEA FISHERY ASSOCIATION
CPO Box 2710
Seoul, Korea

Dear Admiral Oh:

I enjoyed meeting you even for such a brief time, during the meeting of NPFMC in Anchorage, Alaska. You have come into a very tough but vital job and I wish you every success.

It is somewhat painful to me to open a correspondence with you with complaints. I would like to call your attention to what I regard as transgressions by Korean processing ships belonging to member companies of the Korean Deep Sea Fisheries.

As they are all aware, there is a crucial problem in bottom trawling operations in the Bering Sea. We are constantly faced with the prospect of incidental catches of king crab, tanner crab and halibut. Two years ago, the joint venture companies, led by Marine Resources Company International, consulted with representatives of the crab and halibut fishery and came up with some guidelines by which all of the American fishermen could live cooperatively. This agreement was reached after strenuous and painful sessions. Men from the three fisheries appeared before the Council to give the Council the fishing industry's recommendations on the prohibited species incidental catch problem, which the Council unanimously approved.

This agreement threw upon us in the trawling industry an almost sacred responsibility to do everything in our power to lower the incidental catch of prohibited species. We pledged cooperative gear efforts, a low rate of catch of prohibited species and further, we agreed to placing a cap or a total number of king, tanner and halibut which could be taken by trawlers in designated zones.

It bothers me intensely that joint venture companies fishing with the Japanese and with the Soviet Union had to leave Zone 1 because of the apparent disregard by many Korean processing ships engaged in joint ventures. On April 3, 1987, the National Marine Fisheries Service advised all Korean joint ventures that the Korean portion of the tanner crab bairdi quota had been taken and that Korean joint venture operators should leave Zone 1. Some Korean ships

did immediately terminate - others did not. By April 11th, the Korean bairdi crab by-catch had increased by another 19,850 crab, for a total of approximately 51,950 crabs, or 3.4 times the Zone 1 crab by-catch allotment. National Marine Fisheries Service had no recourse but to close Zone 1 fishery to all users, including Japanese/American and Soviet/American joint ventures, who were far underneath their caps because of their good, intensive conservation efforts. I can identify some of those ships for you. These are Korean vessels who remained on the grounds after April 3rd:

Oy Yang #70	Han Il Ho
Tae Baek #29	Sunflower #7
#71 Dong Bang	Sheog Yang Ho
#7 Sang Won	Or Yong 503
Dae Sung	Han Jin Ho
Han Jo Ho	

We are quite sure this is a fairly accurate list. It was obtained from NMFS observers. Some of these ships did leave at some point after April 3rd. I would point out to your members that the reason they have joint ventures continuing to exist for flounders is because of the efforts of American joint venture fishermen, largely members of my Association, who did all the dirty work in reaching agreements with other fisheries and who had pledged their honor to see that these agreements were carried out.

I am a member of the Joint Venture Permit Review Subcommittee. I can promise you that the behavior of these ships and their companies will be a matter of extreme concern when the Committee meets in December. I think the behavior of these ships has shamed the interest of your Association and of your Nation. I am enclosing a description of the problem as reported in the Newsletter of the Midwater Trawlers Cooperative of May 26, 1987. I don't think any of the American fishermen intend to let the greed or the callousness of a few Korean ship owners and operators bring about a closure of the Bering Sea to all trawlers. I am enclosing almost the full Newsletter of our Association as a reference document. You can see by other articles in it that our Association really tries to do things that are in the best interest of the American fisheries and all of our joint venture partners. I think you will agree that what the listed Korean ships did in the flounder fishery was not in the best interest of the American fishermen, the overall Korean joint venture companies and the Korean Deep Sea Fisheries Association.

I had hoped that our first written communication would have been more pleasant than this one.

Sincerely,

R. BARRY FISHER
President
Midwater Trawlers Cooperative

Senior Fleet Captain
Marine Resources Company International

/pj

Encls: a/s

cc: James O. Campbell/Chairman
North Pacific Fishery Management Council

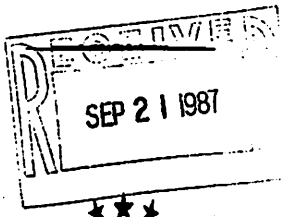
Jim H. Branson/Executive Director
North Pacific Fishery Management Council

bcc (w/o encls): Phil Chitwood
Steve Hughes

BPS: Steve, I would request that this letter be reprinted in the next MTC Newsletter.

RBF

AGENDA C-5(c)
SUPPLEMENTAL



September 21, 1987

James H. Branson, Executive Director
North Pacific Fisheries Management Council
Post Office Box Number 103136
Anchorage, Alaska 99510

Dear Mr. Branson:

The letter from Peter Hocson, President of Puffin Products, (St. George Island Trust,) dated July 14, 1987 has just come to our attention. We are at a loss to explain why two months have elapsed before we became aware of it.

Some of the "facts" are in error. The funding of the Trusts of Saint Paul and Saint George totaling $20 million was distributed to Saint Paul in the amount of $12 million and $8 million to St. George. The population in 1983 was estimated at 190 on St. George and 595 on St. Paul. Saint Paul has not used any Trust funds for construction purposes. The State of Alaska has granted a total of $17.6 million to St. Paul. St. George has received atleast as much in grants from the State as St. Paul. This year St. George in fact received $5.7 million and St. Paul $0. The U.S. Corps of Engineers has been "authorized" to spend $11.8 million on it's breakwater but this has yet to be appropriated. In fact, the City of St. Paul has put up $17.5 million in matching funds to make the Corps project possible.

We have no objection to St. George's request but if they receive a special allocation, why should not St. Paul also receive a special allocation? Moreover, the completion of the harbor with it's infrastructure is totally indefinite.

If you require additional information, please call me.

Very truly yours,

THE CITY OF SAINT PAUL

Vern C. Mc Corkle
City Manager

AGENDA C-5(c)
SUPPLEMENTAL
9/22/87

RE: ST. GEORGE ISLAND TRUST
REQUEST FOR POLLACK ALLOCATION

CONSIDERING THE PROBLEMS IN IMPLEMENTATION AND TIMING, WE RESPECTFULLY REQUEST THAT THE PROPOSAL BE WITHDRAWN AT THIS TIME.

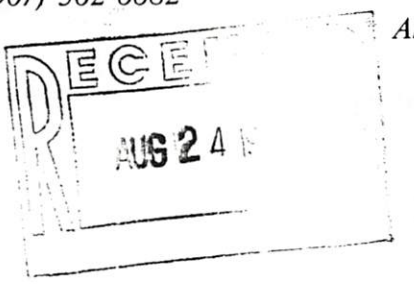
PETER D. HOCSIN, TRUSTEE
ST. GEORGE ISLAND TRUST

AGENDA C-5(c)
SEPTEMBER 1987

St. George Island Trust

Phone: (907) 562-6682
P.O. Box 196577 # 907
Anchorage, Alaska 99519-6577
TLX: 26487
KAYDAN AHG

w/2 Encl Rec'd 9/23



ACTION	ROUTE TO	INITIAL
	Exec. Dir.	
	Deputy Dir.	
	Admin. Off.	
	Exec. Sec.	
	Staff Asst. 1	
	Staff Asst. 2	
	Staff Asst. 3	
	Secretarist	
	Sec./Aide	
	Sec./Typist	

Hand Delivered to NPFMC
August 24, 1987

July 14, 1987

Mr. James H. Branson
Executive Director
North Pacific Fisheries Management Council
P.O. Box 103136
Anchorage, Alaska 99510

Dear Mr. Branson:

Puffin Products, Inc., a wholly owned subsidiary of the St. George Island Trust, respectfully requests that the following be placed on the North Pacific Fisheries Management Council agenda for action at their meeting scheduled to begin on September 23, 1987:

Request:

That the North Pacific Fisheries Management Council approve a Plan of Direct Allocation of one hundred seventy-five thousand (175,000) metric tons of Pollack for the use of Puffin Products, Inc. for the calendar year 1988. Profits from this business venture will be used exclusively to complete construction of the harbor on St. George Island, Alaska.

We would appreciate it if you would mail this Request and the attached information to all interested parties so that public comments can be returned to your office by the first week of September. In order for us to begin operation by the first part of January 1988, we need the Council to take action on our request at the September meeting. We hope that the attached information will clearly describe our reasons for this request and the benefits that will accrue to the U.S. Fishing Industry and the people of St. George Island.

Very truly yours,

PUFFIN PRODUCTS, INC.

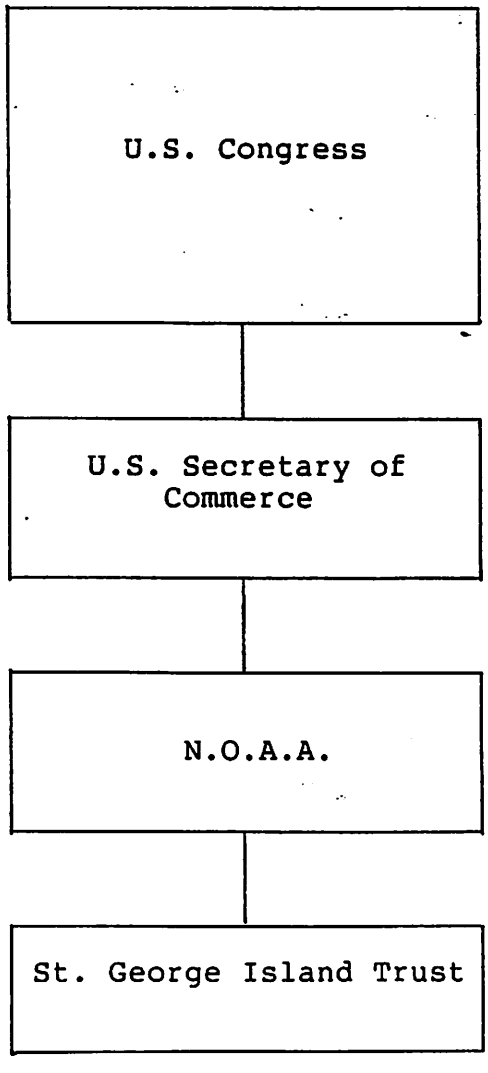
Peter D. Hocson
President

PCH:mdb/079A7
Attachments

PROPOSAL OF
ST. GEORGE ISLAND TRUST

I. Introduction

A clear understanding of this proposal requires an understanding of the relationship between the St. George Island Trust and the various federal entities involved in its creation and administration. The following chart summarizes these relationships:



Congress enacted P.L. 98-129 (Fur Seal Act Amendments of 1983) at the request of the Administration. Congress mandated creation of a federal trust to manage a one-time appropriation of $20 million to be used to diversify and shift the Island economies away from dependence upon sealing.

P.L. 98-129 established the Secretary as Trustor of the Island Trust.

NOAA was charged with the duty to implement P.L. 98-129 by nominating the Trustee and by reviewing various decisions of the Trustee.

The Trust is administered on a daily basis by a trustee who is appointed by the Secretary of Commerce.

II. Legislative Background

The St. George Island Trust was created for the purpose of developing a "stable, self-sufficient, enduring and diversified economy not dependent on sealing." 16 U.S.C. §1166(a)(1), Fur Seal Act Amendments of 1983, P.L. 98-129. This Congressionally stated purpose was not mere legislative "puff" but rather a mandate to the Secretary of Commerce. Pursuant to 16 U.S.C. §1166(g), Congress required the Secretary of Commerce to submit a report to Congress on April 30, 1986, "detailing all progress toward achieving these purposes [those set out in §1166(a)] since October 14, 1983."

It was expressly envisioned by Congress that diversification of the Island economies would be achieved by developing the Island's fishing industry. ("The primary economic activity which is anticipated is fishing." H.R. 98-212, 98th Cong., 1st Sess., reprinted in 1983 U.S. Code Cong. and Ad. News 1267, 1268.) Prior to enactment of P.L. 98-129, it was recognized that construction of a harbor on St. George would be crucial to the development of a fishing industry on the island. Dr. Anthony Calio, then Deputy Administrator of NOAA, in a November 1, 1982 letter to the people of St. George stated, "As you know, harbor facilities will be vital to the success of your efforts to establish a viable economic base." Dr. Calio further elaborated on the need for a harbor in his testimony before the House Subcommittee on Fisheries and Wildlife on May 19, 1983:

> Based on economic studies performed by Alaska and the islands, a possible answer was to build upon the Pribilofs' location in the midst of one of the world's richest fisheries. The islands are without harbor facilities, natural or manmade, and fishermen must rely on Dutch Harbor, over 200 miles away, to service their vessels and dispose of their catch. Harbor construction and the capital needed for fish processing and other facilities could provide a badly needed service/support industry, and could permit optimum development of the king crab, hair crab, and halibut fisheries as well as groundfish resources. . . . . Without harbors there can be no local fishery-based economy.

The other stated purpose behind the Fur Seal Act Amendments of 1983 was "to terminate federal administration of the islands' economy and social welfare." 129 Cong. Rec., H3169 (daily ed. May 23, 1983) (statement of Rep. Breaux). The legislative history of the original version of the Fur Seal Act Amendments (H.R. 2840) provided:

> The bill . . . authorizes a one-time appropriation of $20 million to a Pribilof Islands fund which will be used by . . . a native non-profit corporation, to facilitate the transition of the islands' economy from one entirely Based on federal handouts to one which is truly self-sustaining. With the enactment of this bill, the need for an annual appropriation of almost $6 million will cease. [Emphasis added.]

129 Cong. Rec. H3170 (daily ed. May 23, 1983) (statement of Rep. Breaux). While later revisions to the bill resulted in the utilization of trusts instead of nonprofit corporations, the goals remained the same.

The relative rights and obligations of St. George Island and the federal government were also affected by a Memorandum of Intent executed on December 14, 1982 by the Department of Commerce and various Island entities to implement the provisions of P.L. 98-129 and to "serve as a guide for developing the terms and conditions of subsidiary implementing agreements." (Memorandum at paragraph 9.) Under the terms of this agreement, the Department of Commerce obligated itself to :

> assist, whenever possible, St. Paul and St. George Islands in obtaining aid from agencies and departments of the United States government which is oriented towards encouraging the growth of a self-sustaining Island economy.

The St. George Island Trust (the "Trust") is keenly aware of the Congressional mandates under P.L. 98-129 and its rights and obligations under the Memorandum of Intent. The Trust has chosen to pursue an aggressive course of business development to turn the course of the Island's history from dependence upon governmental handouts to independence built upon a solid, enduring fishing industry. The Trust, however, is realistic in recognizing that a truly solid economy is not built overnight, but requires years to develop in a stable, orderly fashion. For this reason, the Trust firmly believes that the following proposal is the critical first step necessary for successful conversion of the Island's economy to a fisheries economy.

There are no legal prohibitions to the creation of a direct allocation to an individual entity under the Fishery Conservation and Management Act, or regulations promulgated thereunder. In fact, there are currently such allocations in place on the eastern seaboard. Nor are allocations entirely new in Alaska. In the Four C region, halibut was allocated in 1987 such that large catcher vessels could not fish until the smaller

local fisherman harvested 25% of the total allocation. The regulatory guidelines for Fishery Management Plans set forth at 50 C.F.R. §602.14(c) (3)(i)(B) provide:

> An allocation of fishing privileges may impose a hardship on one group if it is outweighed by the total benefits received by another group or groups. An allocation need not preserve the status quo in the fishery to qualify as "fair and equitable," if a restructuring of fishing privileges would maximize overall benefits. The Council should make an initial estimate of the relative benefits and hardships imposed by the allocation, and compare its consequences with those of alternative allocation schemes, including the status quo. Where relevant, judicial guidance and government policy concerning the rights of treaty Indians and aboriginal Americans must be considered in determining whether an allocation is fair and equitable.

In addition to the general authority which exists for a direct allocation, there is specific statutory authorization for the issuance of specialized permits for purposes of implementing the provisions of the Fur Seal Act Amendments. The Act provides:

> The Secretary is authorized to enter into agreements or contracts or leases with, or to issue permits to, any public or private agency or person for carrying out the provisions of . . . this chapter.

16 U.S.C. §1167. Thus, unlike other requests made to NOAA, the Trust's request for direct allocation is specifically authorized by federal statute.

II. Proposal

Presently, there are three obstacles to St. George Island's transition to a stable fishing economy. First, the Island lacks the shore and harbor facilities to support and maintain a fishing industry. Second, the Islanders do not themselves possess the fish processing vessels, let alone the catcher vessels necessary for economically significant involvement in the fisheries. Third, the Islanders lack the requisite fishery training and the opportunity to acquire such training.

On February 27, 1987, the trustee for the St. George Island Trust met with St. George officials and learned that the most recent estimate by the engineering consultants of funds

needed to complete the harbor improvement project is $12,000,000. (See chart attached hereto as Exhibit A.) Thus, without a significant infusion of capital, the harbor facilities will not become a reality.

With respect to the lack of vessels and training, the Trust does not believe that simple distributions of Trust assets to beneficiaries for the purchase of vessels will be a long-term answer to building a fishing industry. Rather, the Trust believes the Island's economic future lies in its shore support services and its involvement in fish processing and marketing. The Trust firmly believes that this form of economic development is the only long-term solution to ending the Island's dependence upon the federal government.

In an effort to solve all three impediments to the development of the Island's fishing economy, the Trust has created a wholly owned Alaska corporation, "Puffin Products, Inc." [See Exhibit B for further information on Puffin Products, Inc.] This corporation will charter a foreign surimi processing vessel, and will purchase fish only from U.S. catcher vessels. The processed fish will be processed at sea and transhipped to foreign markets to be marketed by a foreign trading firm. The Trust conservatively estimates that with an adequate supply of fish, a full year operation will return in excess of $3 million profit annually to the Trust's wholly owned corporation. These monies would then be dedicated exclusively to the economic development of St. George Island's shore facilities and harbor. In addition, the Trust estimates that other benefits from its operation would be annual gross revenue to U.S. fishing vessels of $25 million. The Trust would also require participants in its venture to employ Island residents on the processing and catcher vessels at the Trust's expense, thereby providing the Islanders with the necessary training to manage their own fishing operations in the future.

The key to success of the venture, however, rests in a direct annual allocation to Puffin Products of 175,000 metric tons of Pollack for 1988 through the completion of the harbor, which is projected to occur at the end of 1990. Without a direct allocation, there is no incentive for a processing vessel owner to join with the Trust in a venture designed, in part, to improve the Island's shore-side facilities and harbor. This is particularly the case where the Trust has no prior experience in the fish processing industry. The Trust needs the advantage of the direct allocation to induce existing private participants in the industry to join forces with the Trust to convert the Island economy to fisheries. The Trust's proposed fishing venture, which will create an infusion of private capital, obviating the need for additional governmental funding, which is precisely the result Congress envisioned when it enacted the Fur Seal Act Amendments.

PUFFIN PRODUCTS, INC.

Q: What is Puffin Products, Inc. ("PPI")?

A: It is an Alaska corporation wholly owned by the St. George Island Trust, created for the purpose of chartering a foreign flagged processing vessel. Fish would be purchased from American fishermen, processed on the foreign processor, and sent to foreign markets.

Q: What is the request of NPFMC?

A: The request is for 175,000 metric tons of Pollack for 1988 and each year until harbor completion. Puffin Products, Inc. would have exclusive use of this amount of fish.

Q: Why exclusive?

A: All business ventures have certain degrees of risk. This exclusiveness reduces the risk factor dramatically thereby enabling PPI to induce a foreign partner to join in a business relationship where PPI bears low financial risk and ensuring sufficient profits to complete the harbor on St. George Island.

Q: Why are the profits going to St. George's harbor?

A: We have been told on a number of occasions that the state and the federal agencies do not have additional monies for the harbor construction. Consequently we have to look elsewhere. The City of St. George needs $12 million plus to complete a fully operational harbor. This harbor will be for general public use and will provide, among other things, the following:

1. safe harbor for fishing and general use vessels;
2. fuel purchases;
2. repair facilities will be available;
4. lower user fees because the harbor will be debt-free
5. available potable water; and
6. fish processing close to the resource.

The Trust anticipates that there will be objections to its direct allocation from other participants in the fishing industry. These objections are to be expected any time there is a new entrant into the industry. The objections, however, can be answered by pointing out that unlike other joint venture operators within the FCZ, the Trust, through its corporate vehicle, Puffin Products, is vested with federal authority and has been legislatively mandated to implement plans to shift the Island's economy from sealing to fisheries. The Department of Commerce, as Trustor of the Trust, shares this burden and has been expressly empowered to take action by Congress by 16 U.S.C. §1167. It is this fact which distinguishes this joint venture from others. Further, the Trust's allocation is not for an indefinite period of time, but only until the harbor is completed, at which time the direct allocation will terminate. Finally, the Trust feels that completion of St. George's shore and harbor facilities will contribute significantly to the economic health and physical safety of the U.S. fishing fleet.

A national accounting firm with offices in Japan has been engaged to perform a study on the reasonableness of our profit projections in order to ensure sufficient profits for the harbor construction.

III. Conclusion

The Trust's joint venture operation, supported by a direct allocation, is the first, but most significant step in a series of events that will lead St. George Island to a "stable, self-sufficient, enduring and diversified economy." The Trust feels that with a direct allocation, it will be able to conduct a successful joint venture operation which will provide training and experience for the Islanders and provide a source of private funding for construction of the shore and harbor facilities, removing the need for further governmental appropriations. Completion of St. George Island's shore and harbor facilities will not only benefit the residents of St. George Island but also increase the economic opportunities and safety of the U.S. fishing fleet.

Q: Will the folks on St. George cooperate with the fishing and processing industry? There were rent incidents involving grounded vessels and a lack of immediate cooperation.

A: That did not occur on St. George Island. While we cannot speak for the entities that were involved in those incidents, we can tell you that the folks on St. George want this development and want to be very cooperative with the fishing and processing industry. They know that their long-term economy depends upon its good relations with the American fishing industry.

Q: Will we be setting a precedent for other companies or groups by approving this?

A: No. We feel that this request merely implements the Congressional mandate contained in P.L. 98-129. Only one other group is included in P.L. 98-129 and that is the St. Paul Island. However, it should be noted that St. Paul has received $20 million plus in monies. Further, two months ago, the U.S. Corps of Engineers approved an additional $24 million for the St. Paul harbor. That's a total of over $44 million as contrasted to $14 million that St. George has received. In other words, St. Paul has received, or will receive, their harbor construction costs in dollars and does not need an exclusive allocation of fish to pay for the completion of their harbor.

Q: After all is said and done, what are the expected results?

A:
1. Totally functional, <u>safe</u> harbor for use by the American fishing industry.
2. Harbor completion is paid for from private funds.
3. Reasonable user fees because harbor is debt-free.
4. Training of St. George Island residents in fishing and processing techniques.
5. No further funding requests made to the state or federal government for harbor construction.

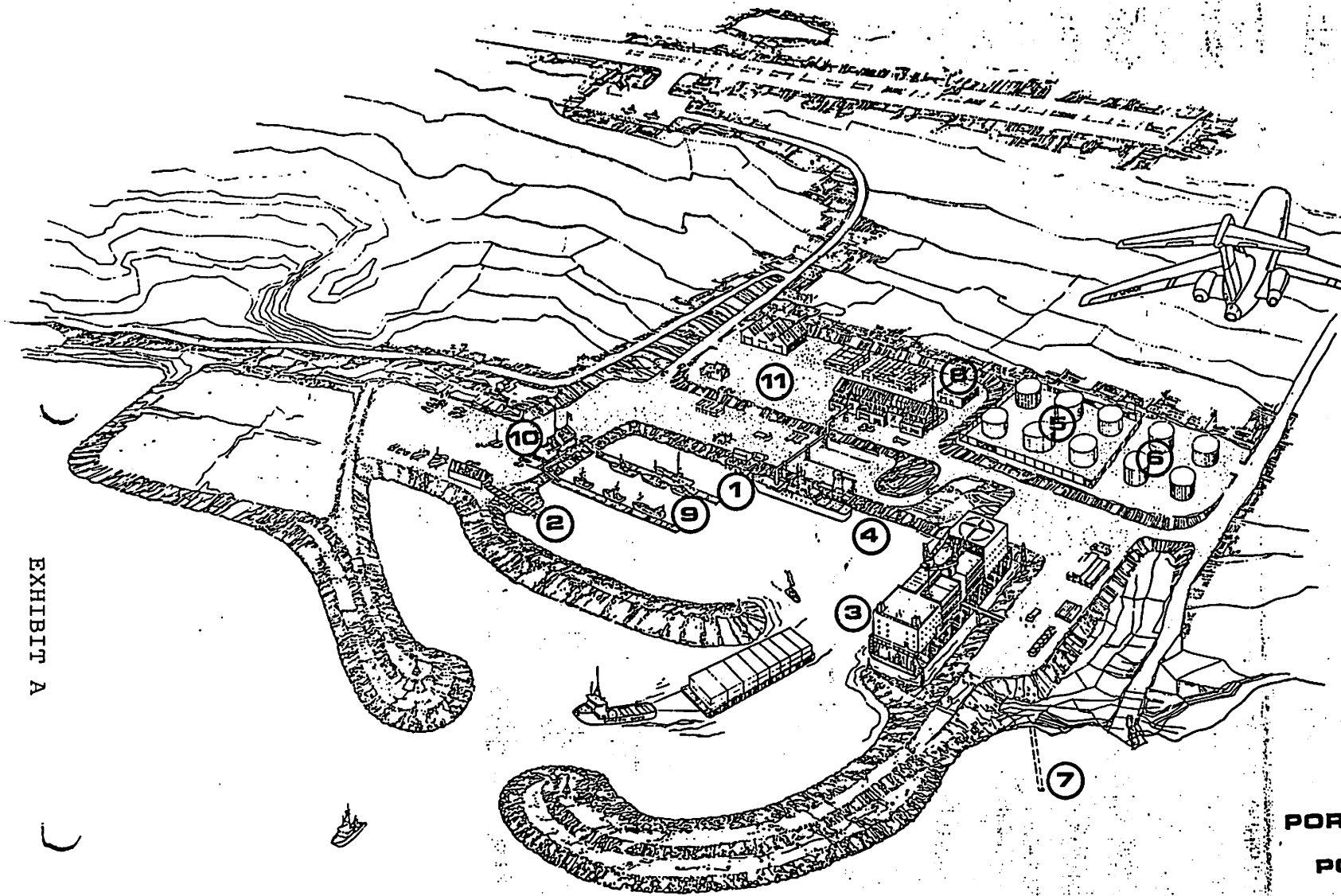


EXHIBIT A

PORT OF SAINT GEORGE
PART II:
PORT DEVELOPMENT

Peratrovich, Nottingham & Drage, Inc.
Engineering Consultants

FIGURE 2

September 23, 1987

To Carmen Blondin

Following the recommendation of the Ministry of Maritime Economy, Warsaw, glad to inform you that the Polish catch in the FAO statistical area 61 N.W. Pacific amounts in 1986 year 163,249 mt of walleye pollock and in the months of January through April 1987, amounts 118,260 mt of the same species.

Regards,

Dr. S. Karnicki
Deputy Director
Sea Fisheries Institute
GDYNIA

42A/AS