

North Pacific Fishery Management Council

Harold E. Lokken, Chairman
 Jim H. Branson, Executive Director

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March 2, 1978

Mr. Terry L. Leitzell
 Assistant Administrator for Fisheries
 National Marine Fisheries Service
 3300 Whitehaven Street, Page Bldg. 2
 Washington, D.C. 20235

Dear Mr. Leitzell:

At it's meeting in Anchorage on February 23rd and 24th the North Pacific Council considered the proposed interim policy to govern consideration of applications for permits by foreign vessels seeking to purchase or receive fish from U.S. fishing vessels in the U.S. Fishery Conservation Zone.

While generally supporting the recommendations made by the Pacific Council at it's meeting a week earlier in Portland, the Council suggested some other areas in the interim policy that they felt should be changed and/or strengthened. They feel that the supplementary information preceding the proposed policy in the Federal Register should recognize the need to offer protection under the Act to the domestic processing sector, and that that need should be recognized as a primary justification for the interim policy. While it is true that a potential conservation problem exists with joint ventures, most of the testimony at the public hearings on this subject centered around the need for U.S. processors to be able to compete fairly in the market.

The second of the three criteria for approval in the proposed policy which says "The capability and intent of the U.S. fishing industry to harvest fish to be sold or delivered exceeds the capability and intent of the U.S. industry to process such fish." touches on this point, but in the Council's opinion, does not state the case as fully as it should.

A possible revised wording might be in the sentence in the supplementary information section that starts "The consequence of all this is that a potential conservation problem now exists, in addition the ability of U.S. processors to compete for the products of a limited harvesting ability against foreign processors operating with lower overheads and fewer regulatory restrictions may be severely impaired."

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In addition, in the same criteria (2) referred to early, the Council suggests that it read "the documented capability and intent of the U.S. fishing industry to harvest fish-----!" Although recognizing that documentation of intent may be difficult, they feel that some verification of industry's intentions and their existing or proposed capabilities in this field is very desirable.

The Council also feels that some consideration of economic factors should be included in the policy statement. The present language might be interpreted to require a measurement of capability of intent without reference to the price paid to fishermen. One of the obvious fears of U.S. processors is that foreign processors, because of their lower wages and the lack of restrictions such as FDA and OSHA regulations that are imposed on American processors, will be able to substantially outbid American processors for the raw product.

As mentioned earlier, the Council did concur in and support the recommendations and amendments submitted to you by the Pacific Fishery Management Council in their letter of February 22nd, specifically, in the paragraph beginning; "In implementing this policy, the Secretary of Commerce may also take into consideration one or more of the following in evaluating a permit application and in setting conditions and restrictions governing any permit for a foreign vessel to purchase or receive fish from a U.S. harvesting vessel within the Fishery Conservation Zone."

Change standard 2 for evaluating a proposal to: "potential for gear and other conflicts between U.S. vessels or between U.S. and foreign vessels involved in harvesting such fish and other stocks or species in the same area and at the same time."

Add a 12th consideration as follows (12) potential for detrimental effects on fish stocks due to by-catch, impact on sanctuary areas or other factors.

The Council also felt that the interim policy should apply to FMP's implemented or in the hands of the Secretary to be implemented as of January 1st, 1978. This would include the Council's Fishery Management Plan for Groundfish in the Gulf of Alaska.

The Council also suggests that you consider a policy of "three-tiered allocation" in which fish caught by American fishermen for delivery to a foreign processor in the FCZ would be from that country's allocation. Countries participating in joint ventures with American fishermen should receive special consideration in their allocations and a specific portion of that country's allocation should be identified for use only in joint ventures. The three-tiered system then would consist of (1) regular allocations of resource surpluses to foreign countries, (2) allocations to foreign nations for use only in joint ventures, (3) that portion of the OY that has been identified as the domestic annual harvest. This system would accomplish two things. First, it would prevent overruns on

optimum yield, since once an allocation identified as for use in joint ventures was used the joint venture would cease, and secondly, it would provide a relatively painless transition from a foreign fishery to a U.S. fishery as domestic harvests increased and foreign allocation of both types decreased.

The Council would be very interested in working with you in promulgating a policy and regulations to further this concept.

The current climate in Alaska for joint ventures of the type proposed by KMIDC/Davenny and Associates is very difficult to define. Three U.S. processing companies in Alaska currently have standing offers for various species of groundfish for their plants in Dutch Harbor, Sand Point, Kodiak and Petersburg. None of them have been successful in getting fishermen to catch all of the product they would like to buy. So far as we can tell, their prices appear to be competitive with the announced prices of KMIDC/Davenny. On the other hand, Mr. Davenny, in his presentation at the last Council meeting, identified several fishermen who were anxious to fish for him and deliver to a Korean processor in the Gulf. It would appear that the only immediate competitive advantage that a foreign processor might have would be the so far theoretical ability of the catching vessels to deliver more fish at sea than they could to shore processors by eliminating the run into the plant when loaded.

The Council recognizes the extremely complex nature of this issue and welcomes the opportunity to work with your Department in developing a sound policy. They also appreciate the extension of the comment period so that they could be included in this first review of the interim policy.

Sincerely,

Jim H. Branson
Executive Director

cc: Regional Councils.

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AGENDA #3
March 1978

North Pacific Fishery Management Council

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EXECUTIVE DIRECTOR'S REPORT

To avoid confusion in the future, this sheet is a reminder that no Executive Director's Report was made for the March 24, 1978, NPFMC Meeting.

NORTH PACIFIC FISHERY MANAGEMENT COUNCIL
 Statement of Income and Expense
 February 2, - March 1, 1978

INCOME

Cash balance, February 2, 1978	33,466.30
Transfer, letter of credit, February 17, 1978	<u>100,000.00</u>
	133,466.30

EXPENDITURES

	<u>FY77</u>	<u>FY78</u>	
Council compensation		3,881.95	
Staff compensation		8,878.98	
Federal payroll taxes		7,274.56	
State payroll taxes		1,102.85	
Health, life insurance		687.23	
Retirement		1,610.84	
Travel		14,453.72	
Rent		4,126.41	
Communications		1,032.72	
Printing		-0-	
Contracts, administrative		1,590.70	
Contracts, research	5,454.27		
Supplies		430.01	
Equipment		507.55	
Management Plans	<u>11,673.25</u>	<u>1,450.61</u>	
	17,127.52	47,028.13	64,155.65
CASH BALANCE March 1, 1978			<u>69,310.65</u>

PAYABLES

Payroll taxes	377.95
Bills	<u>995.93</u>
	1,373.88

UNOBLIGATED CASH ON HAND, MARCH 1, 1978 67,936.77

NO.	TITLE & CONTRACTOR	AMT OF CONTRACT	PERIOD OF CONTRACT	REPORTS RECEIVED OR DUE	GRANT NO.	PAYMENTS MADE OR DUE	BILLING STATUS
77-1	ADF&G - Dev. & Writing of Mgt. Plans	\$60,000	3-1-77 to 9-30-78	None required	04-7-158-44026	9-9-77 - \$7,601.82 2-17-78 - 11,693.25	
77-4	University of Washington Continent of Origin	\$44,500	10-1-77 to 9-30-78	1-15-78 received 4-27-78 due	4-7-158-44145	2-9-78 - 5,454.27	
77-5	ADF&G Observer Program Groundfish	\$100,000	9-30-77 to 9-30-79	1-17-78 project reviewed Report due at March Council meeting	4-7-158-44145		Billing past due
78-1	University of Alaska Sea Grant - Joint Venture Investigation	\$33,431	1-16-78 to 6-15-78	3-20-78	04-7-158-44145		Billing due
78-2	ADF&G Pass Thru Funding	\$25,000	10-1-77 to 9-30-78	None required	4-8-M01-16		Billing due
78-3	State of Alaska Pass thru Funding Office of Governor	\$25,000	10-1-77 to 9-30-78	None required	4-8-M01-16		Billing due
78-4	Fisheries Information System - ADF&G	\$197,600	3-1-78 to 3-31-79		04-7-158-44145		Not signed
78-5	Herring Biology Study	\$103,000 - 1st year-funded \$137,000 - 2nd year			04-7-158-44145		Not signed
78-6	Herring Socioeconomic Study - Dames & Moore	\$ 85,000			04-7-158-44145		Not signed

RFP OR CONTRACTS APPROVED BY COUNCIL BUT NOT FINALIZED

<u>TITLE</u>	<u>APPROXIMATE AMOUNT</u>	<u>STATUS</u>
ADF&G - Troll Observer Program	\$ 35,000	Proposal to be presented to Council
Troll Long Book Data	\$ 10,668	Funding requested from NMFS/NOAA
ADF&G Tagging Recovery Program	\$ 79,300	Funding approved, not written
Benthics/Clam Study	\$ 125,000	Under review

LETTER OF CREDIT STATUS - March 21, 1978

GRANT NUMBER AND DESCRIPTION	TOTAL LOC	WITHDRAWELS	BALANCE
04-7-158-44026 (FY77 Admin. Funds & ADF&G Mgt Plan Contract)	\$356,400	\$290,000	\$75,400
04-7-158-4415 FY77 & FY78 Programmic Funds	\$356,000	\$18,000	\$338,000
04-8-M01-16 FY 78 Admin Funds, State Pass Thru and Mgt Plan Dev Funds	\$1,026,500	\$82,000	\$944,000
BALANCE	\$1,747,900	\$390,000	\$1,357,900

FUNDING APPROVED BY NOAA BUT HAVE NOT RECEIVED LETTER OF CREDIT

04-7-158-44145
 Eastern Bering Sea Herring - \$103,000
 Troll Fishery Tag Recovery - 79,300
 Observer Program Domestic Groundfish - 26,100
 Socio Eco Study - Herring - 85,000

TOTAL FUNDING APPROVED BY NOAA GRANTS OFFICE - March 21, 1978 \$2,041,300