MEMORANDUM

TO:

Council, AP and &SC Members

FROM:

Jim H. Branson

Executive Directo

DATE:

January 13, 1988

SUBJECT: Foreign Vessel Permit Conditions

ACTION REQUIRED

Recommendation on whether to condition permits to restrict joint ventures from targeting on roe-bearing rock sole before April 15.

BACKGROUND

In December the Alaska Factory Trawlers Association asked the Council to use permit conditions to restrict joint ventures from targeting on roe-bearing rock sole in the Bering Sea before April 15. The Advisory Panel recommended such a restriction until April 1. The Council asked that the issue be placed on the January agenda because there had not been any notice of the issue prior to the December meeting.

AFTA submitted a late proposal on December 23, 1987 to include this issue in the 1988 amendment cycle. Their proposed amendment is item C-7(a) under this tab. It will be discussed further under agenda item D-2.

Vessel permits would have to be amended to restrict joint ventures, a procedure which requires notice in the Federal Register. The nation whose vessels are involved, the owners of the affected vessels, their representatives, the agencies specified, and the public may submit written comments on the proposed changes for 30 days. After the comment period, the Assistant Administrator would make a final decision regarding the changes and provide the final changes to the nation whose vessels are affected, through the Secretary of State. It is unlikely conditions could be applied before mid-March or later.

December 23, 1987_

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Mr. James Campbell
Chairman, North Pacific
Fishery Management Council
P.O. Box 103136
Anchorage, Alaska 99510

Dear Chairman Campbell:

I am writing on behalf of the Alaska Factory Trawler Association to request that an amendment prohibiting joint venture operations from targeting on roe-bearing rock sole be considered in the 1988 amendment cycle. We realize that the initial cut-off date for amendment proposals has passed, but we believe due to the importance of this proposal, it warrants immediate attention.

At the December Council meeting, we became aware that a number of joint ventures were considering targeting on rock sole with roe. This was not known prior to the meeting, since joint venture applications apparently had not been submitted for those operations.

As we stated in testimony at the December 1987 Council meeting, the roe rock sole fishery has become very important to certain sectors of the DAP industry. This fishery was pioneered by the DAP industry, and to date no joint venture operations have participated. Market research done by member companies suggests that a very limited market exists for roe rock sole at current prices, and that a large increase in product could have dramatic impacts on price. In addition, it is feared that the availability of foreign processed product may foreclose the market to DAP product.

At the December Council meeting, we became aware that a number of joint ventures were considering targeting on rock sole with roe. This was not known prior to the Council meeting, since a joint venture application for these operations had not been submitted.

AFTA has requested that for 1988, joint venture permits be conditioned to prevent targeting on rock sole with roe. This can be done in a manner that would not disrupt the JV yellowfin sole

fishery. However, a long-term solution to this situation is preferred, and the amendment process provides that solution.

Attached you will find our amendment proposal. We hope that you will take the action necessary to have it included for consideration during this amendment cycle. Thank you for your assistance.

Sincerely,

William R. Orr

Director, Government Affairs

PLAN AMENDMENT PROPOSAL North Pacific Fishery Management Council

Name of Proposer: William R. Orr Date: Dec. 23, 1987

Alaska Factory Trawler Assoc.

Telephone: 206-285-5139

Fishery Management Plan: Bering Sea/Aleutian Islands

Brief Statement of Proposal: Prohibit joint venture processors from accepting deliveries consisting of more than (30%) rock sole (as a portion of total groundfish) during the roe-bearing period (from January 1 through April 1.

Objectives of Proposal: To preserve the fishery and markets for roe-bearing rock sole that have been established by the DAP sector.

Need and Justification for Council Action: Council action prohibiting joint venture targeting on roe-bearing rock sole is the most direct method of limiting foreign production of the product harvested in the U.S. EEZ. Allowing the increased harvest of roe rock sole that could result from joint venture operations could 1) lead to a dramatic reduction in price, as a result to increased product available to a limited market; 2) limit DAP access to foreign markets, since foreign processors often get market preference; 3) increase harvests during spawning season to unacceptable levels.

The Magnuson Act gives domestic processors preference to the harvest of the resource. In this instance, the only way to assure that priority is to prohibit joint venture competition during a portion of the fishing year.

Foreseeable Impacts of Proposal: The DAP sector would be assured that they would not be forced to compete with foreign-produced product that comes from the U.S. EEZ. The DAP sector could be expected to employ over 500 people at-sea, and have export revenues exceeding \$25 million for this fishery.

The joint venture yellowfin sole fishery would not be affected. NMFS foreign observer program reports that in the yellowfin sole fishery, rock sole has comprised less than 20% of the total groundfish catch in each of the last four years (1986 - 5.7%; 1985 - 12.7%; 1984 - 18.3%; 1983 - 17.6%). these results show that the joint venture fleet should be able to prosecute its fishery while staying well below the 30% figure.

Joint venture operations that planned to participate in the roe rock sole fishery would be denied that opportunity. This is the manner in which the Magnuson Act was designed to work. U.S. harvesting vessels would still have the opportunity to participate in the fishery, if they deliver to domestic

processors.

Enforcement costs would not be expected to increase significantly, and any increase could be offset by collection of fines. Foreign processors already are required to have observers monitor deliveries, and the observers currently identify the amount of rock sole delivered. If there is any increase in cost, this is likely to be outweighed by benefits to DAP.

Are there alternative solutions: The obvious alternative is to condition joint venture permits such that targeting on rock sole is prohibited prior to April 1. While this is an attractive alternative, it is short-term and would be revisited each year. A long-term solution is preferred.

Supportive Data & Other Information: NMFS has information on foreign, JV and DAP catch of rock sole. The Atkinson News Report, issue 227 (December 9, 1987), provides insight on recent production and market conditions.

William R. Om

Signature:



United States Department of State

Bureau of Oceans and International Environmental and Scientific Affairs

Washington, D.C. 20520

December 23, 1987

Dr. William E. Evans Assistant Administrator for Fisheries National Marine Fisheries Service 1825 Connecticut Avenue, N.W. Washington, D.C.

Dear Bill:

I am writing with regard to the recent North Pacific Fishery Management Council recommendation on permit conditions for foreign vessels operating in the U.S. exclusive economic zone (EEZ). As you are aware, at its December 8-11 meeting, the Council recommended that all foreign vessels which operate in the same calendar year in both the U.S. EEZ and the international waters of the Bering Sea should be willing to accept U.S. observers during their operations in international waters. The Department shares the Council's concern over the increased fishing activities in the donut and supports all efforts to address this issue, including the concept of an observer program.

We would, however, appreciate a clarification of the procedures which are required to implement permit conditions. It is our understanding that proposed permit conditions are generally provided for public review and comment well in advance of implementation. Because U.S. joint ventures could be adversely affected by the proposed condition, we would support submission of the Council recommendation for public This action would also allow foreign governments sufficient time to provide their comments on the proposal.

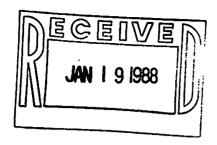
We also note that Polish and Chinese representatives at the December Council meeting stated they would consider accepting U.S. observers on some vessels. It may be possible to arrange for an interim observer program early next year with these and other countries fishing in the donut. In addition, we may have an opportunity to explore the observer issue in greater detail during our talks with the Soviet Union, the other country whose exclusive economic zone surrounds the donut area. As you are aware, we plan to consult with the Soviet Union on the donut issue in the near future.

I look forward to working with you on this issue.

Sincerely,

S&

Edward E. Wolfe Deputy Assistant Secretary Oceans and Fisheries Affairs



January 18, 1988

Mr. James Campbell, Chairman North Pacific Fisheries Management Council P.O. Box 103136 Anchorage, Ak. 97510

Dear Mr. Campbell,

I am an owner/operator of a vessel currently engaged in a joint venture operation for Rock Sole with roe. In this operation are two catchers and two small Japanese processors, each with a NMFS observer onboard. This generates a substantial amount of much needed information on this developing fishery.

It has been said that a JV operation for Rock Sole with roe would flood a very limited market, to the detriment of the catcher/processor segment of our industry. However, the market for this product in Japan has increased by approximately 50% in each of the last 2 years. In my opinion, a market that is less than 5 years old with a growth curve like that, cannot be called "very limited." From a biological standpoint, this species would have to be termed "under utilized," as the DY has never been reached. We are harvesting these fish at their highest value; which would certainly have a favorable effect on our balance of trade.

I realize our days as JV operators are numbered, but I feel it would be premature to lock us out of this rapidly developing fishery at this time. Thank you for your consideration.

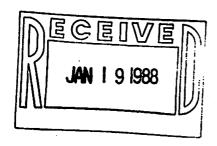
Sincerely.

Mark D. Chandler

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F/V Topaz P.O. Rox 116

Kodiak, Ak. 99615



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