

HJR

5

SENATE COMMITTEE REPORT

FURTHER:

3/6/87

DATE TURNED INTO OFFICE _____

Mr. President:

RESOURCES _____ Committee considered _____ SSHJR 5 am

REFLAGGING OF FOREIGN FISH PROCESSING VESSELS.

and recommended:

replace with CS FOR SSHJR 5 (Res)) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]
[Signature]

[Signature]
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION

No. 1

FISCAL NOTE

REQUEST: _____

Bill Version : SSHJR 5
 Publish Date : HOUSE 2/23/87

Revision Date: _____
 Title : Reflagging of Foreign Vessels

Agency Affected: Commerce & Economic Development
 BRU: _____

Sponsor : Davidson
 Requestor : _____

Components : _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS :

Prepared by: Paul Peyton
 Division : Office of Commercial Fisheries-Development

Phone : 465-2017
 Date : 02/20/87

Approved by Commissioner: *Davidson*
 Agency : Department of Commerce & Economic Development

Date : 2/21/87
/ /

Distribution (by preparer) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Alaska State Legislature

Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Arliss Stimpulewski
Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Eliason

Box V
Juneau, Alaska 99811
(907) 465-1907

TO: SENATE RESOURCES COMMITTEE
FROM: COMMITTEE STAFF
DATE: MARCH 27, 1987
RE: SSHJR 5 "Relating to the reflagging of foreign fish processing vessels."

This resolution would urge the Congress of the United States to pass legislation to close a loophole in U.S. law which permits a foreign fishing company to transfer the registry of their ships from foreign-flag to United States flag. Such "reflagging" would allow foreign fishing companies to obtain a preferential access to U.S. fishery resources.

CONTENTS OF FOLDER

1. Staff memo and contents
2. Fiscal Note from Commerce and Economic Development
3. Rep. Davidson's Resolution Analysis
4. Southwest Alaska Municipal Conference
5. Alaska House floor debate on SSHJR 5
6. House Research Agency Findings
7. Memo from joint venture operators
8. Rep. Don Young's H.R. 438 concerning reflagging
9. Sen. Ted Steven's S. 377 concerning reflagging
10. Congressional Record regarding reflagging
11. Article, Seattle Journal of Commerce
12. Article, Pacific Fisherman

The following is a partial transcription of floor comment concerning SSHJR 5 on 2/27/87

Speaker: The amendment number one should be on everyone's desk. Rep. Davidson.

Rep. Davidson: Thank you Mr. Speaker. The amendment merely cleans up some technical language in the resolution. We thought perhaps the U.S. Congress would have some trouble dealing with "dummy" corporations and we changed that to "token". And then the rest is merely technical clean up of the language in the resolution.

Speaker: Any further debate on amendment number one. Are there any objections to amendment number one. Hearing no objections, amendment number one has been adopted. Does the clerk have any further amendments upon her desk?

Clerk: No Mr. Speaker.

Speaker: C. Rep. Gall.

Rep. Gall: Thank you Mr. Speaker, I'm not sure whether I need to make an amendment. I had some discussion with the sponsor and apparently the question I asked had been resolved but I'd like to understand what the nature of the resolution was. So I do have one question of the sponsor through the chair if I may. And that is on page two, lines 11 through 14 in the resolved clause, the resolution asks that the Congress is urgently requested to pass legislation that would prevent the foreign takeover of United States fisheries through the use of the reflagging mechanism. Since there isn't a specific request for specific legislation, I like to ask the sponsor to put on the record what his interpretation of such legislation might be so that we could give a little more direction to the Congress if asked and so I that know whether or not additional language might be required. Thank you Mr. Speaker.

Speaker: Rep. Davidson

Rep. Davidson: Thank you Mr. Speaker. This resolution sends a message to the congress that we have a problem in coastal Alaska ensuring that our fisheries continues to thrive and the full utilization of that fisheries resource as protected and encouraged by the passage in 1976 of the Fisheries Management and Conservation Act, commonly referred to as the Magnuson Act, be realized. There is a problem in that if this reflagging loophole language is left then these foreign corporations can reflag foreign fish processing vessels and once they are considered or documented as American Vessels then they would be free to enter any fisheries and take on any of the jobs that our shore based processors would be able to do. I purposely left the language vague because after all this is a message to the congress, I don't want to tell the congress what to do, but simply that a problem exists and that we would like for them to deal with the problem and resolve the problem.

Speaker: The resolution is before us in second reading. The Clerk has no further amendments upon her desk. Advancement motion. Mr. Majority Leader?

Rep. Gruenberg: Thank you Mr. Speaker. I move and ask unanimous consent that SSHJR 5 be engrossed, advanced to third reading and placed on final passage.

.....

Rep. Davidson: Thank you Mr. Speaker. Yesterday the 15th legislature heard before the body here that there was a bright spot. A bright spot in Alaska's economic future and that was the fisheries. This bright spot threatens to become a mere dim afterglow if we do not address the problems that confront us in Coastal Alaska in dealing with our control over the resources. Ironically enough SSHJR 5 assists coastal Alaskan in competing fairly with foreign interests for American resources to serve, and here is the irony, American markets. I can sympathize with rep. for Dist. 13-B in his regards concerns for the Jones Act but I'm not here to debate the problem involved in that particular rather huge topic. I am here to say that we need to give our coastal communities some assistance because there has been a continued chipping away at our coastal communities ability to survive economically. Therefore I would ask and urge that each member consider this resolution on its merits to assist coastal Alaska to ensure that our fisheries becomes and remains a bright spot in our Alaska economy.

Rep. Hudson: I'd like to stand in support of this legislation. I believe that we have moved for the last 10 years to Alaskanize these fisheries and we're seeing recently effort to carry this industry offshore through processors of what I consider almost a loophole of taking foreign vessels and reflagging them and in essence performing the processing off the coast. For example, it is my understanding that Kemp fisheries, which has historically opened up in Dillingham and provided considerable labor on the beach in processing fish, will not open its doors this coming summer, and a lot of that is because there has been a growth in the off shore floating processor which I think is taking away valuable ex vessel taxes from the coffers of the State of Alaska as well as many of the jobs so I also understand that there has been legislation introduced in Washington D.C. basically to close this loophole as well from our congressional delegation so it isn't as though some action isn't already in the process back in Washington D.C. I can appreciate my colleges from 13B as far as the Jones Act is concerned but again I think this is an exceptional case and I urge passage.

Rep. Sund: I just like to point out that it's been the economic policy of this state for a long time to try to bring the fisheries on shore and encourage on shore processing. As a matter of fact, it my belief that if we don't get onshore processing the value of that resource to Alaska is very very small and one of the things that we see here is the, and it may be a little bit parochial, but the more expensive you can make the off shore processing the more competitive the on shore processing is going to become. And in some cases it is more cost efficient to process off shore and in some cases it is more cost efficient on shore, but it's undeniable that the impact to the State of Alaska comes from processing on the beach and on the shore where people live in our towns and eat our food and they are actually Alaskans that get involved in it. What's happened here when the reflagging issue is not only taking foreign vessels and a lot of them were seized by marshals and under those marshals sales you can reflag them as documented U.S. vessels. But we now have ship being built in Japan that are being built to U.S. Coast Guard specification for the specific purpose of coming here and to be reflagged and enter into the off shore processing off the Gulf of Alaska. And those vessels virtually do not even have to touch our beach. And that fish is caught, it's processed, and it's taken off. If this issue also helps out the U.S. ship building industry well I don't mind doing that either. It's not the primary purpose of it but if that's a secondary purpose that fine. The primary issue is to try to get some of the value, the added-value of that billion dollar resource on to the beach of Alaska and for the benefit of Alaska. I'm going to support the resolution. It may not be the most perfectly worded. It may not have the most contrite phrases in it but I think the essence is there. We do have a problem and we are going to instruct Congress or ask Congress to help us on it.

Rep. Goll: I just want to state for the record that my questions have been answered satisfactorily and I think the discussion that has taken place here and transmitted to the Congress will give them a clear indication of our needs and concerns. I'm proud to be a co-sponsor of this bill and I'd like to support its passage.

SENATE AMENDMENT

BY Sturqulewski

To: _____ SENATE BILL No. _____

To: SS HJR 5 am HOUSE BILL No. _____

PAGE:

LINE:

Page 2

Add after line 15

FURTHER RESOLVED that any legislation passed by the Congress contain a provision that all seamen and fish processing workers on a U.S. documented fish processing vessel be U.S. citizens.

CLOSING THE RE-FLAGGING LOOPHOLE

The waters off of Alaska contain enormous groundfish stocks that dwarf those available in other areas of the United States. Species such as Alaskan pollock, Pacific cod, and yellowfin sole, are part of a renewable resource that has an estimated value of over three billion dollars annually. Since the initiation of large-scale factory trawling activities in the late 1950s, the harvesting and processing of this resource has been dominated by foreign fishing fleets. In recent years, however, the United States fishing industry has taken over the harvesting of these species of fish. The domestic processing industry is also growing at a tremendous pace and the United States fishing industry will soon have the capacity to fully utilize the valuable groundfish resources off of Alaska. Yet, this rapid development may be thwarted by a loophole in U.S. law which permits a foreign fishing company to transfer the registry of their ships from foreign-flag to United States-flag, and thereby obtain preferential access to United States fishery resources.

1. Regulation Of Vessels In The United States Fishing Industry

a. Priority Access For U.S. Vessels Under The Magnuson Act

In 1976, Congress passed the Magnuson Fishery and Conservation and Management Act, 18 U.S.C. § 1801 et seq., to regulate fishing within 200 miles of our nation's shore and promote domestic utilization of the fishery resources within the newly created "exclusive economic zone" (EEZ). Under the Magnuson Act, United States vessels are accorded a preference to harvest and process fishery resources within the EEZ. Foreign vessels are only allowed access to fish that will not be utilized by the United States fishing industry. The definition of "vessel of the United States" is, therefore, critical for distinguishing who will have access to the fishery resources within U.S. waters.

b. Requirements To Be Documented As A Vessel Of The United States

The Magnuson Act in § 1802(27) defines the term vessel of the United States as "any vessel documented under the laws of the United States . . ." The Vessel Documentation Act, 46 U.S.C. § 1210 et seq., allows for any vessel to be documented as a vessel of the United States if it is over 5 net tons and, under the requirements of § 12102, is owned by --

- "(1) an individual who is a citizen of the United States;
- (2) an association, trust, joint venture, or other entity . . . all of whose members are citizens of the United States . . . ;
- (3) a partnership whose general partners are citizens of the United States, and the controlling interest in the partnership is owned by citizens of the United States;
- (4) a corporation established under the laws of the United States or a State, whose president or other chief executive officer are citizens of the United States and no more of its directors are noncitizens than a minority of the number necessary to constitute a quorum;
- (5) the United States Government; or
- (6) the government of a State."

Under the documentation requirements, a "vessel of the United States" can be entirely owned by foreign nationals as long as they incorporate in the United States or any state, and the requisite corporate officers are United States citizens.

c. Requirements For A Vessel To Engage In "Fishing"

For a vessel to engage in fisheries, 46 U.S.C. § 12108 requires that it be built in the United States or condemned as prize of war. Fish processing, however, is not included within the definition of fisheries under § 12101(6) of the Vessel Documentation Act. A foreign-built vessel, therefore, could process our domestic fishery resources if it were documented under the laws of the United States.

d. Manning Requirements For A United States Vessel

46 U.S.C. § 8103(b) provides that "[o]n each departure of a documented vessel . . . from a port of the United States, 75 percent of the seamen (excluding licensed individuals) must be citizens of the United States. . . ." The United States Coast Guard has informally ruled that if a U.S.-documented processing vessel were to depart from a foreign port, there would be no requirement that its crew be citizens of the United States.

e. Landing Of Fish Harvested In United States Waters

The Nicholson Act, 46 U.S.C. § 251, prohibits a foreign-flag vessel from landing in the United States any fish products taken aboard on the high seas, a term that includes the 200-mile EEZ. Of course, a United States documented vessel is permitted to land its harvest of fish or fish products in the United States.

2. Effect Of These Laws Upon The Fishing Industry

The interaction of these statutes would allow a foreign company to document a foreign-built vessel as a "vessel of the United States" and thus be able to claim priority access to process United States fishery resources. The vessel would not be permitted to "fish" within U.S. waters; however, by obtaining a U.S.-flag, the vessel would be permitted to process United States fish harvested within the EEZ, the territorial sea or the internal waters of any state. Further, if the vessel were to depart from a foreign port, there is no requirement that United States citizens be employed on the crew.

3. The Need For Legislative Action To Restrict Re-flagging

Foreign fishing companies currently operate large factory vessels capable of processing all of the groundfish resource from waters off of Alaska. Most of these vessels do not harvest fish directly, but instead receive deliveries of fish from United States fishermen in "joint venture" operations. In the past, there has been no incentive for foreign companies to re-flag their vessels because they were able to harvest or process fish that were not fully utilized by the United States industry. The United States groundfish processing industry, however, has recently grown at a phenomenal rate and in the near future there will not be "surplus" fish in U.S. waters available for foreign operations. If these existing foreign vessels are re-flagged as vessels of the United States, they will have priority access to United States fishery resources and directly compete with a growing fleet of United States processing vessels and shorebased processing plants. Because many foreign vessels are fully depreciated, a re-flagged vessel would provide a distinctive cost advantage to the foreign operation over their United States competitor. In short, foreign companies can re-flag their existing fleets and thereby retain control of U.S. fishery resources while thwarting development of the domestic fishing industry.

Two bills have been introduced in Congress to close the re-flagging loophole. In the House of Representatives, Congressman Young of Alaska has introduced H.R. 438, which would require that all vessels which receive U.S. documentation after October 31, 1986, be built in the United States, and in the case of a vessel owned by a corporation, the controlling interest in the corporation be owned by citizens of the United States. Additionally, H.R. 438 requires that at least 75 percent of the crew aboard such vessels be citizens of the United States. The bill has been referred to the House Merchant Marine and Fisheries Committee. In the United States Senate, S.377, has been introduced by Senator Stevens and co-sponsored

by Senator Murkowski. This bill provides for a ten year moratorium beginning January 1, 1987, on the documentation of all foreign-built vessels. S.377 would also require that 100 percent of the seamen employed on fish processing vessels be United States citizens. Senator Stevens' bill has been referred to the Senate Commerce Committee.

To protect the existing Alaskan groundfish processors from an "end run" around the preferential access afforded the domestic industry, and to ensure continued development of the United States groundfish processing industry, we strongly encourage hearings at the earliest possible date on these bills and support of efforts to close the loophole that allows for foreign vessels to be re-flagged as vessels of the United States.

9790b



**SOUTHWEST ALASKA
MUNICIPAL CONFERENCE**

Box 89 • Unalaska • Alaska 99685

January 27, 1987

Representative Cliff Davidson
Pouch V
Juneau, Alaska 99811

Dear Rep. Davidson:

Last year the Southwest Alaska Municipal Conference (SWAMC) was formed to promote economic development in our region. Included in our conference are the municipalities in Kodiak, Bristol Bay, Alaska Peninsula, Aleutian Islands and Pribilof Islands. Together, our communities represent 70% of the total value of Alaska's fisheries caught in 1986.

The SWAMC is seeking support for policies which would benefit our region, the State of Alaska and the Nation. Most of them are fisheries development issues: either developing new fisheries or retaining more economic benefit in Alaska from existing fisheries.

Enclosed is a description of the issues we feel need immediate attention from the State of Alaska. Besides the immediate issues of ~~reflagging~~, fish tax, and domestic observer program, there is the more long term program of developing a comprehensive regional development strategy. More than ever we need sound information from which to base our decisions.

The SWAMC has already devoted substantial resources to this strategy and we are prepared to invest more to realize this project. But we can't do it alone. We feel the State would be fully justified in providing economic assistance to this project which promises to make a substantial contribution toward rebuilding our State's economy.

We send you this information as an introduction to our policy goals and will be contacting you in the future to see how we can work together to put our State back on solid economic footing.

Sincerely,

Paul Fuhs,
President, SWAMC

REFLAGGING: AN ISSUE OF ECONOMIC CONCERN

INTRODUCTION

Reflagging, allowing documentation of foreign built vessels as U.S. vessels for the purpose of groundfish processing, serves neither the interest of the State of Alaska or the Nation as a whole. This issue is particularly critical to the communities within the Southwest Municipal Conference (SWMC) who stand to lose a large part of their economic base. Reflagging also has the potential for inhibiting the development of shore-based groundfish processing and thus is not consistent with the goal of Americanization of the groundfish industry.

Recognizing the significance of reflagging to the economic stability of southwestern coastal communities, the Southwest Municipal Conference has provided this overview of the issue. They have a number of projects underway which will quantify the potential impacts of reflagging to the communities in the region and to the State. This information will be available shortly, and will serve to provide additional support for our concerns. The various components of the reflagging issue are discussed separately below.

PRIORITY TO THE GROUNDFISH RESOURCES IN THE FCZ

The underlying reason for the emergence of the reflagging issue is the priority access to the groundfish resource in the fisheries conservation zone (FCZ) off Alaska. The Magnuson Fishery Conservation and Management Act of 1976 (MFCMA) clearly structures the priority of access to assist the Americanization of all fisheries in the FCZ. The North Pacific Fishery Management Council developed allocation guidelines based upon the authority of the MFCMA for its allocation of harvest privileges.

The highest priority in the allocation of groundfish in the FCZ is to domestic fishermen delivering to domestic processing companies. The processing companies can either be shore-based or at-sea floating processors. American factory trawlers engaged in both harvesting and processing groundfish are also included in this highest priority category.

The next level of priority access to the fishery resources in waters off Alaska is to joint venture fisheries. In joint venture operations, American fishing vessels harvest groundfish and deliver at sea to foreign processing ships. The growth of the joint venture groundfish fishery has been

nothing short of spectacular since 1981, and has been responsible for a large increase in the fishing capability of the Pacific Northwest fishing fleet.

Recognizing the growth of the domestic groundfish industry, the North Pacific Fishery Management Council eliminated all foreign fishing, and most joint venture fishing, in the Gulf of Alaska during their September, 1985 meeting. The Council also sharply reduced the foreign allocation of groundfish in the Bering Sea due to the growth in the U.S. shore-based, factory trawler and joint venture capacities. The Council also unanimously endorsed the call for action to prevent the documentation of foreign built vessels as U.S. vessels for the purpose of processing groundfish in the FCZ. The SWMC agrees with the Council resolution, but feels that additional action is necessary.

Reflagging would allow foreign fishing companies to continue to utilize their existing fleets and in addition be allocated priority access to the groundfish resource. While this would benefit foreign fishing companies, it would work against development of existing and planned U.S. groundfish development and would have detrimental effects to shore communities in the Gulf of Alaska and the Bering Sea. The reasons for our concerns are discussed briefly below.

POTENTIAL NEGATIVE IMPACTS OF REFLAGGING

If foreign fishing companies were allowed to transfer registry of their processing ships from foreign registry to U.S. registry, there would be several impacts on groundfish development, both for Alaska and the U.S. These impacts would not only affect the groundfish fishery, but could also impact other fisheries such as Alaska's salmon industry. The impacts from reflagging would affect:

- 1) jobs in processing sector
- 2) income to Alaska and the Nation
- 3) capital investment by U.S. companies into the groundfish industry

Jobs in the Processing Sector

It is in Alaska's best interest to assist the development of a diversified groundfish fleet combining both shore-based and at-sea processing. As a general rule, we can expect greater employment of Alaskan processing workers in shore-based groundfish plants rather than in at-sea processing ships. However, the SWMC recognizes that full Americanization of the groundfish fishery requires factory trawlers and float:

processing ships due to the nature of the resource. As shore communities, we hope to increase our economic base by directly participating in on-shore processing acting as points of supply to the offshore fleet.

Foreign fishing companies currently have processing fleets capable of harvesting all groundfish resources from waters off Alaska. If reflagging were allowed, the new foreign controlled U.S. companies might find it in their best interest to utilize foreign crew members. There would be no employment benefit to either the Alaskan or U.S. economy under this scenario. If processing crews were American workers, they would likely be hired from areas other than the local communities in the area.

Another potential impact to Alaskan communities is that groundfish processing of fillets requires a relatively larger number of workers compared with surimi production. Since it is our basic assumption that reflagged factory ships would tend to produce mostly surimi rather than a combination of surimi and fillets(1), the overall impact of reflagging would be to reduce processing jobs.

Income to Alaska and to the Nation

One of the primary reasons for the MFCMA is to assist development of American fisheries in harvesting and processing the fishery resources within the FCZ of the United States. In the opinion of the Southwest Municipal Conference and major components of the industry, reflagging of foreign processing ships would not assist Americanization of the industry.

Under the scenario of reflagging, foreign fishing companies would be able to utilize their existing fleet and still receive priority access to the groundfish resources. Even though they would be required to organize a domestic subsidiary to operate as a U.S. company, the operating decision would still be in the hands of the foreign fishing company.

Equally important is the consideration that foreign fishing companies have a large degree of control of imports of fishery products into their respective countries, particularly for surimi. These companies would have little incentive to increase access to their country's markets if

(1) This assumption is based upon the physical space limitations on floating processing ships which limits the potential for different product forms being produced simultaneously.

that action would increase the competitive position of the U.S. processing industry. A fleet of reflagged factory ships would also not offer Alaskan communities the opportunity to act as service and supply centers. Through their years of operation of distant water fishing, foreign fishing companies have an established system to supply their fleets and to provide for transportation of product. If reflagged factory trawlers became the dominant component of the groundfish fleet, there would be little opportunity for communities to provide supplies and services.

Capital Investment by the U.S. Industry

An important impediment to U.S. investment in groundfish processing in the Gulf of Alaska and the Bering Sea is caused by regulatory uncertainty. This uncertainty increases the risk of companies considering involvement in the groundfish industry. If the existing industry participants and those contemplating investment in the industry feel that there is a potential for a flood of newly created, foreign controlled, U.S. companies entering the groundfish industry, they will have little incentive to make capital investments in developing shore-based processing facilities in the area. The end result to Alaska would be very little benefit from harvest and processing of the groundfish resource.

A last issue related to regulatory uncertainty is the potential for disruption in other Alaskan fisheries from an emerging reflagged fleet. It can be assumed that if reflagging were allowed, competition for the groundfish resource would soon result in shortened season length. Pollock fishing is normally poorest during the summer months. Under existing regulation, there would be nothing to stop the reflagged processing fleet from processing salmon, crab or other species. The result of this development would bring great disruption to the economies of many Alaskan coastal communities and the existing fishing industry.

NEEDED: ACTION ON REFLAGGING

To deal with the threat of reflagging, the SWMC feels Congressional action will be required. To send a clear message to this affect, the Alaska Legislature should strongly support House Joint Resolution #5 which will prohibit the use of foreign hulls for fish processing within the U.S. FCZ. They should also work with Alaska's Congressional delegation to draft regulations which will prohibit the use of foreign labor for fish processing on U.S. vessels within the FCZ.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

January 23, 1987

MEMORANDUM

TO: Representative Cliff Davidson

ATTN: Cecil Ranney

FROM: Karen Oakley^{leo}
Legislative Analyst

RE: Groundfish Harvest and Processing and Reflagging of Vessels
Research Request 87.082

You requested that we locate recent figures on the amount of groundfish harvested and processed in Alaska and the number of foreign vessels that have been reflagged for use as fish processors in United States waters.¹ You specifically asked:

- How much groundfish was harvested from state waters during the last three years?²
- How much groundfish was harvested within the Exclusive Economic Zone (EEZ) off Alaska by U. S. and foreign vessels during the last three years?³
- How much groundfish was processed in Alaska by floating and by shore-based processors during the last three years?
- How many foreign vessels have been reflagged for use as fish processors in United States waters?

¹A vessel built in another country may be documented as a U.S. vessel and then used for international trade. A foreign-built vessel that has been reflagged cannot be used to harvest fish, but it can be used to process fish outside the three-mile limit. A reflagged vessel may transport goods between U.S. and foreign ports only; it may not be used to transport goods between two U.S. ports.

²State waters extend three miles from shore.

³The EEZ, formerly the Fisheries Conservation Zone, extends approximately 200 miles from shore.

Groundfish Harvest and Processing in Alaska

Fish tickets for groundfish harvest have only recently been modified to include the specific catch location within state waters. Fred Gaffney, Extended Jurisdiction Coordinator, Commercial Fisheries Division, Alaska Department of Fish and Game (ADF&G), could provide data on groundfish harvest from state waters for 1985 only. There were 3,575 metric tons of groundfish taken from state waters in 1985. These fish represented 0.2 percent of the approximately two million metric tons of groundfish harvested from the EEZ off Alaska in 1985. The relative volume of groundfish taken from state waters is small because the major groundfish stocks typically reside over three miles from shore.

The amount of groundfish harvested and processed in Alaska during the last three years is presented in the attached table. These data were prepared by Janet Smoker of the National Marine Fisheries Service.⁴ You may wish to contact her at 586-7221 if you have further questions about these data.

Reflagging

According to Rod Moore of Congressman Don Young's office, three foreign vessels have been reflagged to allow them to operate as fish processors in United States waters. Two of the vessels, the F/V GOLDEN ALASKA and the F/V ALASKA ONE, are now operating in Alaska waters; the third vessel, M/V HOLLAND, operated on the east coast for a time, but its owners are presently bankrupt. The F/V GOLDEN ALASKA is processing pollack in the Bering Sea, and the F/V ALASKA ONE is processing rockfish in the Aleutians.

As you are probably aware, Congressman Young recently introduced HB 438 to address the reflagging issue. This bill would change U. S. maritime law regarding the use of reflagged vessels in the U. S. fishery by:

- prohibiting the use of any foreign-built vessel that was reflagged after October 31, 1986;
- requiring that controlling interest in any corporation that uses a reflagged vessel be owned by United States citizens; and
- requiring that 75 percent of the crew of any reflagged vessel be United States citizens.

I hope you find this information useful. Please feel free to contact me if you have any questions. We have requested a copy of HB 438, and we will forward it to you when it arrives.

KO

Attachment

⁴-----
The National Marine Fisheries Service recently assumed primary responsibility for collection and analysis of groundfish data. Formerly, the ADF&G and NMFS had joint responsibility.

TABLE 1

 1984-1986 Groundfish Harvest and Processing in Alaska
 (1000's metric tons)

	Harvest from Alaska Exclusive Economic Zone			Processing in Alaska		
	Total	Joint Venture Vessels	Foreign Vessels	Total	Shore- based	Floating*
1984	1,892.3	577.2	1,315.1	na	na	na
1985	1,947.0	870.8	1,076.2	na	na	na
1986	1,663.4	1,167.7	495.7	144.0**	35.0**	109.0

 Notes:

All data are from the National Marine Fisheries Service (NMFS).

na=data not available from NMFS.

*includes catcher-processors

**Data from November and December 1986 have not yet been processed, so these values are for January through October 1986. A fair amount of groundfish is typically processed during November and December, and Janet Smoker of NMFS estimates that an additional 10,000 to 20,000 metric tons were processed by shore-based processors in November and December 1986.

Prepared by the House Research Agency, January 1987, 87-082.

WESTWARD TRAWLERS, INC.

FEB 25 1987

715 N.E. Northlake Way Seattle, Washington 98105

phone: 206-547-6840

ATT.
To Cliff & Fred

16 February 1987

To: All Westward catcher-boats & their owners

From: Hugh Reilly

Re: American High Seas Fisheries Association

Enclosed you will each find copies of organizational papers and membership application for the American High Seas Fisheries Association—which is presently in formation.

The Association was conceived late last year, principally by a number of the boats fishing in the Nissui venture. The purpose is stated in the Articles of Incorporation (Article III):

" . . . promotion of the interests of owners and operators of commercial fishing vessels that deliver fish at sea in the North Pacific Ocean and Bering Sea."

You have all doubtless gotten wind of this effort, either in Seattle recently or on the fishing grounds. A careful review of the enclosures will be somewhat illuminating; for example, in the BYLAWS:

Article I - Members

1.1 Qualifications. Membership in the association is limited to persons who are actively engaged as vessel owners or vessel operators and who receive 75% of their revenues from deliveries of fish to Japanese processors at sea in the North Pacific Ocean and the Bering Sea.

Article II - Assessments.

2.1 Assessments. The Board of Directors shall levy assessments to be charged against each member to provide necessary operating capital for the association. An annual assessment of \$1.00 per metric ton of groundfish delivered by each vessel, up to a maximum of \$15,000 per vessel, shall be levied against each member.

Frank Bohannon, Wilhelm Jensen and others in the Nissui fleet can give you background on what has led to the formation of the organization; and they can give you their ideas on what the Association should try to accomplish, and perhaps how it should go about it.

. . . cont'd

But it will ultimately be up to the membership and their Board of Directors to direct the Association. That process will begin at the organizational meeting of the Association in Seattle on March 9th (see enclosed Notice).

From our point of view, the Association is an unfortunate necessity for those of us (Owners, Captains, & crews) who derive our living from these joint fishing operations with the Japanese. As a group, we have a significant financial stake in the preservation of this method of selling our harvest, but our opponents are numerous . . . and increasingly effective. We now need to put up a fight to defend our interests, and it takes unity and money to win fights in fisheries politics.

Principal issues facing the membership and its Board of Directors in March will be organizational and philosophical in nature:

1) Should AHSFA work in concert with ventures with other countries (i.e. Korea) to preserve and extend the lifespan of ventures with both countries?

OR

2) Should AHSFA work to expand the tonnage of 'Japanese' boats by reducing the tonnage of other nations?

3) Should AHSFA pursue a 'high-visibility' role in the political arena (like NPFVOA, PSPA, AFTA, Alaska Druggers (ADA), etc.)?

OR

4) Should AHSFA keep overhead, staff, and "imagery" costs at a minimum, using its substantial funds (at \$15,000/boat we are talking some serious money!), at least initially, to get things accomplished using task-specific staff (probably part-time), working with and through existing organizations (i.e. NPFVOA, ADA, JFA, etc.), scientific specialists (consultants), public relations firms, and political professionals (i.e. lawyers/lobbyists)?

Personally, I favor alternatives 1) and 4); ultimately, these questions are for the membership/Board to decide. And I would like to see development of a similar association of 'Korean' boats—with which AHSFA can collaborate on funding common needs and influencing common issues.

Some of the key issues that face our particular segment of the trawl industry, and which must be strongly and clearly addressed during 1987 are:

- I. The 100 mile closure proposed around Dutch Harbor
- II. Pollock ree-stripping operations (both Korean & Japanese)
- III. Reopening the Gulf of Alaska to J/V's
- IV. Reflagging of foreign processors (without the TENYO MARU, where are we? Do we care what flag flies over the stern? or who owns her?)
- V. The possible increase of Bering Sea/Aleutians total allowable harvest (all species) from 2.0 million tons to 2.4 million tons . . . and with that, increase of Pollock tonnage available for J/V operations.

Again, we see the Association as an unfortunate necessity, one that will require considerable commitment of our monies, our time, and our influence. We encourage all of you to give membership in the Association the most serious consideration.

Representatives from each of the Westward catcher-boats should be coming home the end of the month and should be prepared to deal with this Association matter in behalf of everyone involved with each vessel.

We hope that everyone will be supporting the Association and will be represented at the organizational meeting on March 9th in Seattle. See the first four pages of the enclosed—which need to be filled out for membership.

copies to:

- CALIFORNIA HORIZON
- HALF MOON BAY
- SUNSET BAY
- MARGARET LYN -
- HAZEL LORRAINE I -
- SHARON LORRAINE -
- VIKING -
- SEAWOLF -
- OCEAN DYNASTY -
- WESTWARD I -
- GREAT PACIFIC -
- VAERDAL -

also to:

Dave Harville
Bob Dooley

Bill Lock
Terry Cosgrove

Trefon Anyasen
Phil Werdal

Steve Huddleston

REED MCCLURE MOCERTHONN & MORIARTY

A PROFESSIONAL SERVICES CORPORATION

ATTORNEYS AT LAW
3600 COLUMBIA CENTER
701 FIFTH AVENUE

SEATTLE, WASHINGTON 98104-7081

SEATTLE
(206) 292-4000

TACOMA
(206) 927-5888

CABLE RMMT SEATTLE
TELECOMEX (206) 292-0152
TELEX 321163

LEONARD B. ALLEN
STEVEN M. ARTHUR
WATSON B. BARN
FRANK B. BROWN
DAVID E. BROWN
BRANDON J. BROWN
PATRICIA A. CANNON
TIMOTHY L. COLE
MARGARET L. COOPER
WILLIAM C. CULBERTSON II
WILLIAM S. DUNN
ROBERT C. ELLIS
PATRICIA L. ELLMAN
LINDA D. C. HANCOCK
JILL HARRIS
WILLIAM H. HARRIS
WILLIAM L. HARRIS
JENNIFER M. HARRIS
LEONARD HARRIS
DAVID M. JACOBSON
ROBERT E. JONES
JERRY L. JOHNSON
MARK H. JOHNSON
CHRISTOPHER H. JOHNSON
JONATHAN M. JOHNSON
MICHAEL J. JOHNSON
MARK J. JOHNSON

SUSAN HILL
DANIEL L. MITCHELL
ROY J. MITCHELL
DONNA M. MITCHELL
CHARLES B. MORIARTY, JR.
DAVID W. MORIARTY
MARGARET W. MORIARTY
WILLIAM L. MORIARTY
CAMELIA L. MORIARTY
N. THOMAS MORIARTY
LISA MORIARTY
MICHAEL W. MORIARTY
MICHAEL C. MORIARTY
HEATHER MORIARTY
CHARLES A. MORIARTY
MICHAEL S. MORIARTY
DENNIS SMITH
JIMMY P. SMITH
MICHAEL STEVENSON
JENNIFER T. STEVENSON
STEPHEN M. TODD
GUY TODD
SCOTT W. TODD
WILLIAM J. WATSON
JAMES A. WATSON
JOHN D. WATSON
MICHAEL WATSON

JAMES C. BUSH
OF COURSE

RECEIVED
FEBRUARY 23 1987
FEBRUARY 23 1987
FEBRUARY 23 1987
FEBRUARY 23 1987

IN REPLY REFER TO
OUR FILE NO.

WRITE TO DIRECTOR
(206) 386-7028

February 3, 1987

Mr. Cecil Ranney
Legislative Assistant
c/o Representative Cliff Davidson
P. O. Box V
Juneau, AK 99811

Dear Cecil:

Enclosed is a copy of the Congressional Record which contains Senator Stevens' newly introduced bill regarding the re-flagging of foreign-built vessels. The legislation is co-sponsored by Senator Murkowski.

The first section of the bill creates a simple ten-year moratorium on the re-flagging of foreign-built vessels for fish processing activities. Any foreign vessel documented after January 1, 1987, would not be allowed to engage in fish processing.

Section 2 of the bill amends 46 U.S.C. 8103(b) by providing that 100 percent of all seamen employed on fish processing vessels documented under the laws of the United States, must be United States citizens. Section 8103(b) currently reads: "[o]n each departure of a documented vessel . . . from a port of the United States, 75 percent of the seamen . . . must be citizens of the United States." The United States Coast Guard has informally ruled that if the vessel were to depart from a foreign country, there would be no requirement that the crew be

citizens of the United States. Senator Stevens' bill eliminates this problem by clarifying that on fish processing vessels documented under the laws of the United States, all of the crew must be United States citizens, regardless of whether the vessel departs from a United States port.

Section 3 of the bill would encourage the Secretary of Commerce to issue regulations regarding the shipment into United States ports of fish products harvested by foreign vessels in our 200-mile waters. Currently, 46 U.S.C. 251(a) prohibits all foreign-flag vessels from landing their catch of fish or fish products in U.S. ports; however, it is not clear that this provision would prohibit a foreign processing vessel from offloading its harvest of fish to a United States documented vessel, which then could land the product in a United States port. Very little is actually known about the extent to which this transshipment of fish products may be taking place. Senator Stevens' bill will encourage the Secretary of Commerce to investigate the matter in more detail.

If you have any questions regarding this matter, please do not hesitate to call. I will be staying in contact with you and wish you every success with House Joint Resolution No. 5.

Very truly yours,

REED McCLURE MOCERI THONN & MORIARTY

Joseph T. Plesha
Joseph T. Plesha

JTP:jc:1296f
Enclosure

S. Res. 81. Resolution to direct the Senate Legal Counsel to represent the chief clerks of the Committee on Foreign Relations and the Select Committee on Intelligence in the case of *United States v. Morales, et al*; considered and agreed to.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. BINGAMAN (for himself, Mr. BYRD, Mr. LEVIN, Mr. ROCKEFELLER, Mr. CHILES, Mr. KERRY, Mr. BAUCUS, Mr. MATSUNAGA, Mr. LAUTENBERG, Mr. SASSER, Mr. BURDICK, and Mr. MOYNIHAN):

S. 374. A bill to promote economic competitiveness in the United States, and for other purposes; to the Committee on Governmental Affairs.

(The remarks of Mr. BINGAMAN and the text of the legislation appear earlier in today's Record.)

By Mr. EXON:

S. 375. A bill to amend title 10, United States Code, to permit the President to order to active duty units and members of the Army National Guard of the United States and the Air National Guard of the United States in cases in which the Governor of a State or other appropriate authority withholds consent; to the Committee on Armed Services.

(The remarks of Mr. EXON and the text of the legislation appear earlier in today's Record.)

By Mr. ROTH:

S. 376. A bill to amend the Tax Reform Act of 1986 to restore the full deductibility of IRA contributions; to the Committee on Finance.

DEDUCTIBILITY OF IRA CONTRIBUTIONS

o Mr. ROTH. Mr. President, today I rise to introduce legislation amending the Tax Reform Act of 1986.

This legislation is intended to correct a serious shortcoming in the tax bill passed last year. Despite the positive steps taken in the bill such as reduction of marginal rates and institution of a minimum tax for corporations, the bill took a giant step backwards in encouraging people to save money.

The restrictions placed on individual retirement accounts last year strike at the heart of middle-income families who are trying to earn a decent living, educate their children and save for their retirement years. While I am pleased to have helped preserve IRA's for a great portion of taxpayers, I am disappointed that millions of others have been cut off. These are working couples, in many cases, whose combined salaries push them over the income limit for fully deductible IRA's. Or, they are young workers—the young professionals in our society—whose ambition keeps our country moving forward in a fast changing world.

Mr. President, in my judgement, there is no issue of more critical importance to the American people and

this Nation than the issue of savings. We simply cannot meet the challenge of becoming competitive in the emerging world economy without addressing the need to increase our national savings rate. That is what we attempted to do when, in 1981, Congress voted to promote an individual retirement program for the American people. The idea was that each working individual could save up to \$2,000 a year tax free, and that money would help citizens meet their needs for retirement.

There has been much debate on the effectiveness of the program. In 5 years, 28 million families made a commitment to create an IRA for their future. Those individual decisions resulted in savings of \$250 billion, including a tremendous amount of new income for long-term capital investment.

Until this year, the IRA was the best available savings program for the middle class, working individuals of this country. Roughly 80 percent of those who have IRA's have incomes of \$50,000 or less; 65 percent have incomes of \$40,000 or less. With such statistics, it is difficult for me to understand how this savings program could ever be misapprehended as a rich person's tax break.

Under the new law, an individual who has earnings of \$25,000 or less continues to enjoy a tax deduction for his IRA. A married person with up to \$40,000 of earned income can have the same. But unfortunately, from that point on the benefits are phased out. It makes little sense to provide a tax deduction to encourage a young man or woman earning \$25,000 or less to save, and then to send them the signal that it is less important that they save when they start to earn a little more.

The same is true of two wage earners who make \$40,000 or more. As long as a married couple is earning \$40,000 or less they can deduct their IRA. But if their joint earnings are in excess of that figure, the deduction is phased out, and at \$50,000 it is eliminated. The current law penalizes those who are ambitious who are working hard, and who are succeeding. It penalizes those who are preparing for a secure and comfortable retirement with an IRA.

Under the new law, people who are not covered by a pension plan where they work can continue to deduct their IRA. However, this ignores the fact that many workers see their IRA not as a substitute for their private pension plan, but as a reliable supplement to that plan. With a deductible IRA to fall back on, workers would have the peace of mind of knowing their retirement security would not be completely dependent upon employer pension plans which may later be corporate takeovers or bankruptcy.

I can tell you there many families in my State of Delaware, with two wage earners, who don't think there is anything fair about what the tax bill did to their IRA. Take a young autowork-

er at a Chrysler plant in my State, earning \$33,000 with overtime. The spouse can be working, perhaps as a schoolteacher. Before long they are over the \$50,000 limit, and their deductible IRA is eliminated. Making the inequity even more apparent is another chilling aspect of the new law: If one spouse is an active participant in a qualified pension plan, no deduction for an IRA is allowed.

In closing Mr. President, I introduce this legislation today with a reminder to my colleagues. Much will be said in the upcoming days of this session about the need to preserve American jobs and expanding competitiveness of American manufacturers abroad. To that end we will try to determine how to reduce the cost of capital in this country relative to our trading partners. One place to start is to expand the tax incentives for savings, rather than reducing or eliminating them as was done by the Tax Reform Act of 1986. ●

By Mr. STEVENS (for himself and Mr. MURKOWSKI):

S. 377. A bill to impose a moratorium on the ability of foreign-built vessels to qualify for certain benefits under the Magnuson Fishery Conservation and Management Act, and for other purposes; to the Committee on Commerce, Science, and Transportation.

MORATORIUM ON BENEFITS FOR FOREIGN BUILT VESSELS

Mr. STEVENS. Mr. President, I would like to bring to the attention of the Senate an immediate and potentially devastating threat to the development of the U.S. fishing industry in the North Pacific. The threat is being caused by various interpretations of the vessel documentation laws and Magnuson Fishery Conservation and Management Act (MFCMA) which, if carried to extremes, would permit foreign fish processing companies to receive preferential treatment that Congress intended to reserve for the U.S. fishing industry.

The MFCMA has a three-tier process used in determining allocations of fish within an established conservation quota. Section 204 grants the domestic industry the preferential right to harvest and process fish to the maximum extent of its capacity.

The second tier involves an allocation to foreign fish processing vessels which receive fish at sea from U.S. harvesting vessels, but this allocation is permitted only if there is a surplus of fish left after the capacity of the domestic sector has been reached.

The third tier is established in section 201 of the MFCMA. It is lowest in priority and provides foreign harvesting fleets an allocation of any fish remaining after the first two allocations have been made.

In order to benefit from the preference reserved for the domestic industry, a fish processing vessel operating offshore within our Exclusive Econom-

ic Zone must be documented under the laws of the United States so as to be a United States fish processor under the statute. Those processing vessels not so documented under the laws of the United States are foreign fishing vessels under the MPCMA and cannot qualify for a processor preference.

This so-called processor preference has become increasingly important and valuable as our domestic capacity to harvest and process fish grows and the amount of surplus fish from our zone available for foreigners declines. This is precisely what the Congress intended—the domestic industry is growing and the fishery resources of the United States are becoming Americanized.

The problem is caused by an apparent loophole in the law that could allow foreign fishing companies to document foreign-built fish processing vessels under the laws of the United States. These re-flagged vessels could then be considered United States fish processors and fall within the scope of the processor preference category outlined in section 204.

The foreign fishing companies, using foreign-built vessels, might thereby benefit from a preference that was never intended to be granted them and also put the U.S. fishing industry at a competitive disadvantage due to lower vessel construction and labor costs.

Title 46 of the United States Code governs the documentation of vessels. Any vessel of at least 5 net tons may be documented if it is owned by a U.S. citizen, partnership, association, or corporation, 46 U.S.C. 12102.

It is possible for a corporation to be foreign-owned and still operate a vessel eligible for U.S. documentation. The law requires that the corporation must be established under U.S. law, and that the president and chairman of the board be U.S. citizens.

In addition, the law requires the number of a corporation's board of directors who are noncitizens be no more than a minority of the number of directors necessary to constitute a quorum. There is no requirement that the corporation be owned by U.S. citizens in whole or in part.

Title 46 prohibits the use of foreign-built, U.S. flag vessels as fish harvesting vessel, 46 U.S.C. 12108. There is no prohibition on the use of such vessels as fish processors.

The domestic processing industry in Alaska has also raised concerns about the ability to use foreign labor on both reflagged and domestic fish processing vessels.

The law currently requires 75 percent of all seamen employed on a U.S. vessel which departs from a U.S. port to be citizens of the United States, 46 U.S.C. 8103(b). This applies to fish processing workers as well as the crew.

However, the Coast Guard has informed me that this labor requirement is not applicable if the vessel departs from a foreign port.

Therefore, a foreign fish processing company is legally capable of establishing a corporate subsidiary with U.S. management to document foreign-built processing vessels under the laws of the United States. By doing so, these vessels could be entitled to the domestic processor preference embodied in section 204 of the MPCMA. In addition, both foreign and domestic processing vessels may avoid the U.S. labor requirements if the vessels are based in foreign ports.

These loopholes in the law hinder any meaningful attempt on the part of Federal fishery managers to develop a management regime which encourages the continued development of domestic processing capacity.

Widespread reflagging would impose a competitive disadvantage on legitimate domestic operations which have made substantial investments in on-shore processing equipment and U.S.-built vessels. Unless something is done, foreign companies will have the ability to claim the domestic preference, and compete with the domestic industry at greatly reduced capital costs.

There is also the potential for reflagging to create a competitive disadvantage within the domestic sector. The ability to reflag foreign-built vessels received little attention in the North Pacific until recently.

Domestic processors are now concerned that a decision to build vessels in U.S. shipyards in anticipation of the domestic preference could be turned into a costly mistake by the reflagging loophole.

In response to the growing concern of the North Pacific fishing industry, I am introducing legislation which will eliminate the ability of reflagged vessels to process fish.

This bill is designed to establish a level playing field for all domestic operators without impeding the free flow of investment capital necessary for the development of the fishing industry.

Section 1 imposes a 10-year moratorium on the ability of foreign-built vessels to engage in fish processing under the U.S. flag. The moratorium applies to foreign-built vessels documented after January 1, 1987. I know of no such vessels documented after January 1, and believe it is fair and equitable to close the loophole as of that date.

I want to put forth foreign and domestic companies on notice that a race to reflag vessels during the pendency of the congressional review process will not be tolerated. Any companies which reflag vessels after January 1 in anticipation of a different effective date do so at their peril.

Section 2 imposes a permanent requirement that all seamen employed on fish processing vessels documented under the laws of the United States be U.S. citizens, irrespective of the port from which such vessels may depart.

Section 3 addresses an issue which is related to another aspect of activities by foreign fish processors. It has come

to my attention that the law permits U.S. cargo vessels to deliver fish into U.S. ports from foreign fish processors, even though direct delivery by the foreign processor itself is prohibited.

The Federal Government has very little information about the actual extent of such transshipment of fish products. This section grants the Secretary of Commerce the authority to issue regulations requiring U.S. cargo vessels engaged in transshipment to provide information on the extent to which this activity is taking place. It also requires the Secretary to submit a report within 6 months on the potential impact of such transshipment on the development of the U.S. fishing industry, and to provide recommendations on how to best regulate this practice, if necessary.

Section 4 provides for the termination of the provisions of this act at the end of a 10-year period. This sunset provision is necessary to ensure that the provisions of this legislation did in fact assist in the continuing americanization of the U.S. fishing industry.

The fishermen and processors of Alaska have convinced me of the urgency of addressing these issues so that investments in the domestic fishing industry can continue apace. I urge the Senate to review this issue as quickly as possible.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 377

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law, it shall be unlawful for any foreign-built vessel documented under the laws of the United States after January 1, 1987, to engage in the processing of fish for commercial use or consumption.

SEC. 2. Section 8103(b) of title 46, United States Code, is amended—

(1) by striking "or yacht" and inserting in lieu thereof "yacht, or foreign-built fish processing vessel"; and

(2) by adding immediately after the first sentence the following: "All of the seamen employed on a fish processing vessel documented under the laws of the United States shall be citizens of the United States."

SEC. 3. Section 4311(a) of the Revised Statutes of the United States (46 App. U.S.C. 2511a) is amended by adding at the end the following: "The Secretary of Commerce may issue such regulations as the Secretary considers necessary to obtain information on the transportation of fish products by vessels of the United States from foreign fish processing vessels to points in the United States. The Secretary shall submit a report to the Senate Committee on Commerce, Science and Transportation, and to the House Committee on Merchant Marine and Fisheries—

(1) setting forth, within six months of the date of enactment of this Act—

(A) an evaluation of the potential impact of such transportation of fish products on

the development of the domestic United States fishing industry; and

(B) recommendations, if any, for legislation or other action to regulate such transportation of fish products in a manner most beneficial to the future development of the domestic United States fishing industry; and

(2) at such other times as the Secretary of Commerce determines that legislation is needed to assure the full development of the domestic United States fishing industry.

SEC. 4. The provisions of this Act shall be effective until June 1, 1997.

Mr. MURKOWSKI. Mr. President, it is a pleasure to join my colleague, Senator STEVENS, in introducing this legislation of vital importance to the development of a strong U.S. fish processing industry.

This legislation would remove a loophole caused by various interpretations of the vessel documentation laws and the Magnuson Fisheries and Conservation Management Act. It would impose a 10-year prohibition on the use of reflagged foreign vessels for the purposes of fish processing.

Documentation does not require that a vessel be built in the United States or that corporations seeking to document a vessel have U.S. shareholders. The law does restrict the use of reflagged vessels in the coastwise trade and as fish harvesting vessels. However, there is no restriction on the use of reflagged vessels as fish processing vessels.

This loophole, if not closed, could result in a situation in which a foreign processing company can, by merely establishing a U.S. subsidiary and employing minimal U.S. management, document a foreign vessel as a "vessel of the United States" and thereby receive access to prime fishing areas reserved for the domestic industry. The fish processed on such a vessel could then be directly delivered to markets in the United States.

In order to encourage the development of a strong domestic fish processing industry, the MFCMA grants the authority to reserve access to prime U.S. fishing resources for the domestic fishing industry. Under U.S. law, a vessel is considered "a vessel of the United States" if it is documented under U.S. law.

Because U.S. law does not require "vessels of the United States" which embark from foreign ports to employ U.S. labor other than the master and chief of this ship, vessels could enjoy this access while employing predominantly foreign seamen.

The law it currently stands has put U.S. built and manned offshore processors and onshore processors at a competitive disadvantage in relation to reflagged processors. While the bill would grandfather in the rights of existing reflagged processing vessels, a 100 percent U.S. citizenship requirement would be imposed for crews working on these vessels. This requirement, and the 10-year prohibition on the use of reflagged vessels for fish processing would serve to level the playing field for all fish processors.

Finally, let me note the importance of additional provisions of this legislation requiring the Secretary of Commerce to investigate the extent to which transshipment, the practice by which foreign processors transfer processed fish to U.S. cargo vessels for delivery to the U.S. market, may impair the continuing effort to fully develop the U.S. fishing industry.

In the closing days of the 99th Congress, I introduced similar legislation to call to my colleagues' attention the need to address this serious problem. I am pleased to join my colleague, the senior Senator from Alaska in once again addressing this issue and I urge my colleagues to join us in supporting this legislation.

By Mr. THURMOND:

S. 378. A bill to amend the Tariff Schedules of the United States to continue the suspension of duty on menthol feedstocks; to the Committee on Finance.

SUSPENSION OF DUTY ON MENTHOL FEEDSTOCKS

Mr. THURMOND. Mr. President, today I am introducing a bill that was introduced by me in the 99th Congress which would further extend the temporary suspension of the duty on certain menthol feedstocks. These feedstocks are utilized by domestic manufacturers to produce synthetic menthol. A duty is imposed on these chemicals when they are imported into the United States from West Germany. Since there are no domestic industries that produce these particular feedstocks, this duty affords no protection to any chemical manufacturer in the United States. To the contrary, it imposes an unnecessary financial burden on the U.S. menthol industry by increasing production costs.

To relieve this unnecessary burden, I introduced a bill in 1983 to temporarily suspend the duty on menthol feedstocks. That legislation was ultimately incorporated into the Miscellaneous Tariff Act of 1984 which became law in October 1984. It provided for the suspension of this duty until December 31, 1987.

Unfortunately, the situation facing our domestic menthol industry has worsened since 1984. There are still no American producers of menthol feedstocks. The American menthol industry must import these vital feedstocks to produce menthol products. The American menthol industry is then forced to compete against foreign, cheaply produced menthol products in domestic and international markets. In 1984, the market price for the finished menthol product was \$10.70 per pound. Since that time, the market price has steadily declined. The decline in market prices is due to foreign countries which subsidize and protect their menthol producers. This decline in prices had a severe impact on our domestic industry. The United States has only one domestic manufacturer of menthol. This producer has suffered a 10-percent drop in operat-

ing profits from 1985-1986. Despite eroding profits, this company has managed to maintain its market share over the past few years. However, if the suspension of this duty is not extended, the future of domestic menthol production looks bleak.

This bill would simply extend the suspension of the duty on menthol feedstocks for 5 more years, until December 31, 1992. It would permit the continued receipt of the particular feedstocks necessary to produce menthol without paying a duty.

Mr. President, I realize this bill will not solve all the numerous trade difficulties faced by our domestic menthol industry. However, it would assist one domestic business in its competition against foreign manufacturers. It will help preserve the American menthol industry and many American jobs. For these reasons, I urge the prompt passage of this important legislation.

By Mr. THURMOND:

S. 379. A bill to amend the Tariff Schedules of the United States with respect to extracorporeal shock wave lithotripters; to the Committee on Finance.

EXTRACORPOREAL SHOCK-WAVE LITHOTRIPTERS

Mr. THURMOND. Mr. President, today I am introducing legislation which is designed to remedy an existing inequity in the Tariff Schedules of the United States concerning the classification of extracorporeal shock wave lithotripters.

The extracorporeal shock wave lithotripter is a new invention which generates a shock wave to disintegrate kidney stones without invasive surgery. At present, the only lithotripter manufacturer which has received Food and Drug Administration approval for use in the United States is Dornier Medical Systems, which is based in West Germany. There are no domestic manufacturers presently producing a lithotripter approved by our Government.

The lithotripter enables patients to avoid surgery. It reduces pain and suffering, inpatient hospitalization, and the cost of kidney stone treatment. In fact, many lithotripter procedures can be performed on an outpatient basis.

Under the present tariff schedule, lithotripters fall under the "electromedical apparatus" category. Within this category there are two different duty schedules. A duty of 9.2 percent is imposed on an "electrosurgical apparatus." All other items in this category carry a 4.4-percent duty. Whether the procedure is surgical or nonsurgical is apparently a determining factor in regards to the amount of the duty. The duty on a surgical apparatus is over twice the duty on any other electromedical apparatus, and represents a great deal of money on costly items like lithotripters. Specifically, the difference in duties when applied to the present price of the lithotripter is approximately \$100,000.

100TH CONGRESS
1ST SESSION

S. 377

To impose a moratorium on the ability of foreign-built vessels to qualify for certain benefits under the Magnuson Fishery Conservation and Management Act, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 22, 1987

Mr. STEVENS (for himself and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To impose a moratorium on the ability of foreign-built vessels to qualify for certain benefits under the Magnuson Fishery Conservation and Management Act, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That, notwithstanding any other provision of law, it shall be
4 unlawful for any foreign-built vessel documented under the
5 laws of the United States after January 1, 1987, to engage
6 in the processing of fish for commercial use or consumption.
7 SEC. 2. Section 8103(b) of title 46, United States Code,
8 is amended—

1 (1) by striking "or yacht" and inserting in lieu
2 thereof ", yacht, or foreign-built fish processing
3 vessel"; and

4 (2) by adding immediately after the first sentence
5 the following: "All of the seamen employed on a fish
6 processing vessel documented under the laws of the
7 United States shall be citizens of the United States."

8 SEC. 3. Section 4311(a) of the Revised Statutes of the
9 United States (46 App. U.S.C. 251(a)) is amended by adding
10 at the end the following: "The Secretary of Commerce may
11 issue such regulations as the Secretary considers necessary to
12 obtain information on the transportation of fish products by
13 vessels of the United States from foreign fish processing ves-
14 sels to points in the United States. The Secretary shall
15 submit a report to the Senate Committee on Commerce,
16 Science, and Transportation, and to the House Committee on
17 Merchant Marine and Fisheries—

18 “(1) setting forth, within six months of the date of
19 enactment of this Act—

20 “(A) an evaluation of the potential impact of
21 such transportation of fish products on the devel-
22 opment of the domestic United States fishing in-
23 dustry;

24 “(B) recommendations, if any, for legislation
25 or other action to regulate such transportation of

100TH CONGRESS
1ST SESSION

H. R. 438

Requiring American ownership, construction, and manning of commerical fishing industry vessels

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1987

Mr. YOUNG of Alaska introduced the following bill; which was referred to the Committee on Merchant Marine and Fisheries

A BILL

Requiring American ownership, construction, and manning of
commerical fishing industry vessels

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 SECTION 1. Except as provided in section 2, a fishing,
4 fish processing, or fish tender vessel (as defined in section
5 2101 of title 46, United States Code) greater than 5 net tons
6 may not be issued a certificate of documentation under chap-
7 ter 121 of title 46, United States Code, after October 31,
8 1986, unless the vessel was built in the United States and, in
9 the case of a vessel owned by a corporation, the controlling

1 interest in the corporation is owned by citizens of the United
2 States.

3 SEC. 2. The provisions of section 1 do not apply to a
4 fishing, fish processing, or fish tender vessel that has been
5 issued a certificate of documentation before November 1,
6 1986.

7 SEC. 3. Section 8103 of title 46, United States Code, is
8 amended—

9 (a) in subsection (b) by inserting “, fish process-
10 ing, fish tender,” after “fishing”; and

11 (b) by adding a new subsection (i) as follows:

12 “(i) On a fishing, fish processing, or fish tender vessel
13 that has been issued a certificate of documentation under
14 chapter 121 of this title, at least 75 percent of the entire
15 complement (including licensed individuals) must be citizens
16 of the United States.”.

○

1 fish products in a manner most beneficial to the
2 future development of the domestic United States
3 fishing industry; and

4 “(2) at such other times as the Secretary of Com-
5 merce determines that legislation is needed to assure
6 the full development of the domestic United States
7 fishing industry.”.

8 SEC. 4. The provisions of this Act shall be
9 effective until June 1, 1997.

○

Reflagging foreign fish processors

SEATTLE — With surprising rapidity, the foreign fish harvest in the North Pacific within the U. S. 200-mile fishery zone has declined this year to only 54,000 tons for well over 2 million tons in 1973.

American-flag harvest vessels have now nearly completely displaced fleets from Japan, Korea, Poland, U. S. S. R. and the other foreign countries that previously dominated the high value/low volume bottom fisheries off Alaska. Cod and pollock are now as important to American fishermen, if not more so, as king and tanner crab catches were in the late 1970s. The Magnuson Fishery Conservation and Management Act has worked — at least in the eyes of the fishermen.

The processing sector still holds a different point of view.

Much of this large U. S. fish harvest is still delivered at sea to foreign factory processing vessels that reduce the fish to frozen filets, blocks or surimi the raw material for imitation crab legs, and other "analog" products. Many of these products come back into the United States to compete with those sold by U. S. fish processors or they dominate markets to the exclusion of U. S. processors. Thus, the strong push to "Americanize" the processing of the U. S. fish catch continues, led by the large fish processing companies in the Pacific Northwest.

Port of Tacoma picks engineer

TACOMA — The Port of Tacoma has selected ABAM Engineers of Federal Way to design an estimated \$31 million containership project known as Terminal 3.

The project will consist of extending a present wharf by 360 ft., increasing containership berthing by 960 ft. and installing several container cranes. Work is expected to be completed by December of 1989.

A facility for fishing boats will need to be moved for the project, which the port hopes will attract additional containerized enterprises to Tacoma.

Law
of the
Sea
by
James P. Walsh
of
Davis Wright & Jones



Walsh is chairman of Davis Wright & Jones' Admiralty and Maritime Law Practice Group. In addition to Seattle, Davis Wright & Jones has offices in Bellevue, Richland, Anchorage and Washington, D. C.

Due to the need to keep quality high, bottom fish must be processed quickly. Now nearly all the catch is processed at sea in foreign-flag processing vessels or in a small number of U. S.-flag catcher-processors now operating out of Seattle.

In effect, many fishermen are now becoming processors. Because of the Magnuson Act policies to Americanize and good financial returns, additional catcher-processors are now being built from scratch or by conversion of surplus oil supply boats purchased at rock bottom prices in the Gulf of Mexico.

A fairly large increase in U. S.-flag, at sea processing capability is expected to come on line this year, displacing foreign fish processing vessels now engaged in joint ventures with U. S. fishermen.

Last year as a result of heavy lobbying by a U. S. shipyard, it was brought to the industry's attention that foreign built processing vessels could be placed under the U. S. flag. All that is necessary is to purchase a surplus Japanese, German or other foreign-built vessel, transfer it to a bona fide U. S. citizen corporation.

Such a vessel could process fish in the U. S. 200-mile zone, although it would be unable to catch them.

Foreign built vessels are of course much cheaper than those constructed in U. S. shipyards. Fishermen who have either in-

vested in, or plan to invest in, new catcher-processors fear that they will be undercut by reflagged fish processing vessels. U. S. shipyards fear lost business opportunities for construction and repair of American vessels.

As is frequently the case in fishery policy matters, several bills were introduced in the 99th Congress to close the reflagging loophole. The issue remains in the forefront in the 100th Congress.

Two bills have already been introduced in the House and Senate addressing this question. Congressman Don Young (R-Alaska) introduced H. R. 438, a bill with three objectives. First, it would require that all fishing, fish processing and fish tender vessels be built in the United States. Secondly, the bill would require that any U. S. corporation that owns a fishing, fish processing or fish tender vessel must have to be controlled by citizens of the United States, which means 51% equity ownership. Thirdly, the bill would require that 75% of all workers on fishing, fish processing or fish tender vessels be United States citizens.

This latter requirement addresses a recent Coast Guard ruling that a fish processing vessel which does not operate from a U. S. port need not observe the 75% citizen manning requirement applicable to those vessels that depart a U. S. port.

Senators Stevens and Murkow-

(Continued on Page 12, Column 6)



Its first call at the Port of Portland brought a cargo of 2,466 Honda auto and a plaque commemorating the port's general manager, automob-

(Port of Portland photo)

afloat tract

Larry Bernardin, Tacoma's chief financial officer, said \$33.8 million contract should be the company's financial employment stability.

They say everything comes to the who wait," said Bernardin. company had waited through postponements of the Navy's ion date on the contract e the award came on Friday. e company's uncertainty the contract had led to three s of a hearing on its upcy reorganization plan. ia Boat, citing debts of more 100 million, filed for protec- under federal bankruptcy September 1985.

new contract is for the il of the Hayes, a twin- esearch ship. The contract complete rebuilding of the er a 32-month contract

ship, now layed up in . N. J., was built as a ship. It will be converted arindetection ship.

din aid the ship will in average of about 70 . . . project. The first works — engineers to late — are due to be in the next two weeks, hile ship will not ar- out 6 months.

ip will be towed to t Navy. The Hayes is k wide to go through 3inal, so it will have rround the tip, of

Seattle Daily Journal of Commerce
1 2/24/87

State Employ Sec v \$1,326.77, SAT.
 folz v Skartvedt aka —
 Household Finance Corp — \$2,314.73.
 Lake Marcel Community Pacer et ux — \$1,047.94.
 Same v Same — Same.
 Berlin Robbins & Mertel v Spion aka — \$2,361.00.
 Hulthaven Corp dba v — \$1,639.95, SAT.
 O'Connor v Henke — SAT.
 Site Employ Sec v Han- \$3615, SAT.
 Site Revenue v Ratzsch — \$1,132, SAT.
 Site v Suburban Proper- \$880.5, SAT.
 McNeil Corp dba v no — 1,427.00, SAT.
 N Collectors Inc v Log Homes Inc etano — SAT.
 Beck Services NW Inc v et ux — \$1,456.02, SAT.
 King County etano v Nor- — Co.
 Sullivan v Sullivan — 00, SAT.
 exander v Washington 327, SAT.
 Mills v Same — 68, SAT.
 3rd NW Assoc v Grr 11.00.
 Ipanos Const Inc v reast — \$11.00.
 Williams v Williams — 000.00.
 34th Tractor & Equip- Co v Bona — \$5,932.93, SAT.
 9th et ux v Johns Man- Corp et al 2,521.85, SAT.
 515 v York — \$270.00.
 106 Willard Leasing Co etano Wendler — \$44,407.12 & 5,745.76.
 06873 Johnson etano v Land — \$19.25, SAT.
 07421 -erhouse Apts etano v et ux — \$22.81.
 08022 -ite Rev v Contractors onding & Intano — \$4,838.00.
 08339 -eck Services NW Inc v arne et ux — 68.61, SAT.
 11646 -n collectors Inc v Gil- bertson dba — \$4,023.83.
 12857 -eck Services NW Inc dba v Watson — \$827.09, SAT.
 12858 -rhanbright v Arban- bright — \$3.
 1621 -anlon etano v Munro etano — \$3.
 1633 -ainier Nat'l Bank v Burnett et al. 500.78.
 1688 -ravelers Acceptance Corp v TX Financial Services — \$96,540.40.
 1734 -erson v Everson — \$1,584.00.1
 1837 -erald City Graphics Inc v Lambert 43.12, SAT.
 1811 -lot Savings Bank v Brown et ux 8.96.
 1821 -on Bldr Materials Inc v Ploof et — \$5,017.37, SAT.
 1902 -ate Labor & Ind v Wisner et al 443.41, SAT.

87-9-02524-7 Old Nat'l Premium Finance Co v Baker dba et al — \$4,672.43.
 87-9-02525-5 Agren v Dreitzler — \$5,062.02.
 87-9-02526-3 Myers et al v Littlejohn — \$11,643.85.
 87-9-02527-1 Aetna Casualty & Surety Co v Reitz etano — \$2,106.70.
 87-9-02528-0 Stoneman et al v Chappel etano — \$40,159.00.
 87-9-02536-1 Ninman dba v Wolfstone dba etano — \$1,543.56.
 87-9-02538-7 Colson v Colson — \$350.00.
 87-9-02540-9 Meyer v Lundberg — \$1,292.60.
 87-9-02545-0 US Plywood Corp v Forest Products Corp — \$2,509.01.
 87-9-02569-7 Herr Lmbr Inc v Harbor Homes of Wash Inc etano — \$6,925.10.
 87-9-90189 State Revenue v Bajema dba — \$4,516.32.
 87-9-90230-2 Same v Burnette dba — \$4,866.11.
 87-9-90261-2 Same v Western Automataion Corp — \$24,256.44.
 87-9-90301-5 Same v Holen et ux dba — \$1,604.68.
 7-9-90302-3 Same v October Inc dba — \$3,834.10.

Export-Import Bank of the United States in cooperation with the U. S. Agency for International Development has under-

Reflagging

(Continued from Page Two)

ski of Alaska also introduced a bill to further define "Americanization." Their bill, S.337, seeks to close the existing documentation "loophole" that allows foreign fishing companies to document their vessels in the United States and to be given the processor preference allowed U. S. processing companies under the Magnuson Act.

The Senate bill, like the Young bill, would require that all fish processing vessels documented after a certain date be built in the United States. However, S.371 would go one step further with regard to manning, and require that 100% of the crew of a fish processing vessel be U. S. citizens.

It is expected that both of these bills will be subject of hearings before the Senate Committee on Commerce and the House Merchant Marine and Fisheries Committee in early spring. It appears that strong support is building for these bills.

Opposition is likely to be small. As a result, one of the goods of these draft bills has already been achieved. Plans for reflagging have come to a standstill.

The gnawing question that remains with regard to this legislation is that although everyone would have to compete on the same basis, they assume that the resulting increased processing production costs will not hurt U. S. processors in the marketplace.

This question is a major economic uncertainty.

The U. S. merchant marine is clearly losing out to foreign-built vessels with foreign crews. The United States tuna industry has left the continental United States (except for one small plant) and is trying to hold its own against cheaply priced processed tuna from Thailand and the Philippines.

The American consumer unquestionably indicated over the last few years that "Made in the U. S. A." is nice to say, but if the quality is high and the price is right, we all will buy the foreign product.

Let's hope it doesn't happen to the "Americanized" bottomfish product.

With the... said Pierce Quinlan, executive vice president of the National Alliance of Business.

"They have a direct stake in the product of the schools," Quinlan said. "And schools will have to begin to improve their product to make the students marketable."

The "business-education compact" gives at-risk students who reach set educational goals the first chance at entry-level jobs, said Quinlan.

The program is funded by a federal grant and is based on the successful "Boston compact," which has built partnerships between local businesses and school systems to offer jobs to youths.

The seven cities participating in the program are Albuquerque, N. M., Cincinnati, Louisville, Ky., Memphis, Tenn., Indianapolis, San Diego and Seattle.

The cities were selected because they displayed a history of collaboration between business and education, have potential for long-term local funding and a commitment by local businesses to hire program graduates, Quinlan said.

Quinlan described the program as a "contract" between local businesses and school systems where technical assistance and limited funds are made available to help educate at-risk youths and businesses make jobs available.

"It's a movement whose time has come," Quinlan said. "This is a long-term commitment. We're talking 10 to 20 years."

When a business joins the compact, a career counselor helps the company identify positions that will be available and then helps tailor educational programs to help students to qualify for the jobs, Quinlan said.

Students are selected on the basis of their attendance, efforts in school, interest and need, Quinlan said. Determinations are made by high school principals.

In Boston, Quinlan said the two-year-old program is credited with increasing school attendance from 78.4% to 84.9% while area businesses provided 2,600 summer jobs, up from 500 before the program began.

After graduation, 967 students found permanent jobs at 364 companies, compared with from 415 at 150 companies three years earlier, Quinlan said. The average hourly wage rose to \$5.43 from \$4.30.

NW stocks

(Continued from Page Three)

	Yield or Nav	Offer	Prev. Bid
U. S. Bancorp	27%	27%	26
Washington Federal Savings & Loan	40%	40%	39
Washington Mutual Savings Bank	28%	29	27%
Utilities			
N. W. Natural Gas	23%	23%	23%
Pacific Telecom	18	18 1/2	18
Washington Energy Company	29%	29%	29%
Insurance			
First Farwest	14	14 1/2	14
Safeco	60	60%	61
Columbia Growth	—	—	26.39
Columbia Daily Income	—	—	5.35
Composite Growth Fund	—	—	12.05
Composite Bond & Stock Fund	—	—	10.71
Composite Cash Management	—	—	5.15
Composite Income	—	—	9.50
Composite Tax Exempt	—	—	7.73
Composite U. S. Government	—	—	1.07
Shearson Fund'l Value Fund	—	—	7.54
Safeco Growth Fund	—	—	16.63
Safeco Income Fund	—	—	16.97
Safeco Equity Fund	—	—	11.39
Safeco Municipal Bond Fund	—	—	14.30
Safeco Money Market Fund	—	—	5.46
Safeco Tax-Free Money Mkt. Fd.	—	—	3.31
Safeco U. S. Gov't Securities	—	—	10.00

For close competition in contract bidding, publish your official bid calls in the Daily Journal of Commerce. The cost is insignificant by comparison with the important savings that may result.

Subscribe to the Seattle Daily Journal of Commerce—\$125.00 per year.

8702200, same, 2-17.
 8702201, Eco Homes Inc, 33110 Pacific Federal Way, 1-15.
 8702202, 33110 Pacific Hwy S 1, Federal 11.

Industry looks carefully at reflagging issue

The Alaskan-North Pacific bottom fish industry is looking carefully at the issue of "re-flagging," to determine if this loophole in the law presents a threat to its continued growth. The Pacific pollock constitutes the biggest annual catch in the world, the Alaskan waters accounting for 30 percent.

To date foreign vessels still dominate, processing 90 percent of the area's fish, but Americans have been determined to catch up. \$310

million of capital has been invested into building about 25 ships that could take over the bottomfish industry in the Northwest and Alaska.

In a recent study conducted by Natural Resources Consultants, Seattle, Wa, the value of the bottomfish fishery to the U.S. amounted to \$6 million in 1980, and will total \$358 million this year and half billion dollars in 1987.

"With a dozen U.S. factory (fish-processing) trawlers now operating off the Alaskan coast and large trawlers coming on line in the fall, this spells the end for foreigners in the north Pacific, "according to one U.S. fishing company official.

But re-flagging may prevent this from happening. Re-flagging is the transferring of documents to the U.S. flag, whereby foreign companies instantly get top priority in a U.S. allocation system.

Some feel that the foreign competitive threat is over-stated. Ronald Jensen, president of Sea-Alaska Products, a division of ConAgra Inc., one of several companies opposed to efforts to plug the re-flagging gap, says, "My view is the fastest way to totally Americanize this industry is to take existing foreign vessels, re-flag them and crew them U.S." (*Wall Street Journal, Dec. 4*)

The North Pacific Fishery Management Council, a federally appointed body, has asked congressmen to look into the re-flagging situation. "There is a real problem here, something to be concerned about," according to Ronald Miller, special adviser to the council.

*Pacific Fisherman
Feb.*