HJR

5

SSHJR 5

The Resources Committee has considered:

SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 5
Relating to the reflagging of foreign fish processing vessels.

and recommends the following amendment:

Amendment No. 1 by Davidson:

Page 1, line 16:

Delete "a loophole in"

Page 1, line 17, after "laws":

Delete "allows"
Insert "are written so broadly to allow"

Page 1, line 18:

Delete "dummy"
Insert "token"

Page 2, in the paragraph beginning with "COPIES":

Insert "the Honorable Walter B. Jones, Chairman, House Merchant Marine and Fisheries Committee;"

Insert "the Honorable Robert Byrd, Senate Majority Leader;"

Recommending do pass (5): Herrmann (Co-chairman), Davidson, Sund, Pearce, Hoffman

A zero fiscal note was published February 23, 1987.

SSHJR 5 was referred to the Rules Committee for placement on the calendar.

HB 47

The Labor & Commerce Committee has considered:

HOUSE BILL NO. 47
"An Act relating to the Alaska Railroad Corporation."

and recommends it be replaced with:

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 47 (L&C)
(same title)

- House Amendment -

REED McCLURE MOCERI THONN & MORIARTY

ATTORNEYS AT LAW
3600 COLUMBIA CENTER
701 FIFTH AVENUE
SEATTLE, WASHINGTON 98104-7081

(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

Congressional Record
- with Letter -

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

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

• 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 wageearners 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 autoworker 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 MFCMA 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 MFCMA. 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 onshore 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 pla[illegible] for all domestic op[illegible] impeding the free flow [illegible] 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 foreign 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 transhipment of fish products. This section grants the Secretary of Commerce the authority to issue regulations requiring U.S. cargo vessels engaged in transhipment 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. 251(a)) 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 supporing 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 has had a severe impact on our domestic industry. The United States has only one domestic manufacturer of menthol. This producer has suffered a 40-percent drop in operating 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.

II

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

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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—

- S. 377 -

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

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.

O

100TH CONGRESS
1ST SESSION

H. R. 438

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

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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

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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

- HR 438 -

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.".

O

SECOND READING OF HOUSE RESOLUTIONS

SSHJR 5

The following was read the second time with the Resources Committee report (page 295):

SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 5
Relating to the reflagging of foreign fish processing vessels.

Amendment No. 1 by the Resources Committee (page 295).

Representative Herrmann moved and asked unanimous consent that Amendment No. 1 be adopted.

Representative Pettyjohn objected and withdrew his objection.

There being no further objection, Amendment No. 1 was adopted.

SSHJR 5am

Representative Gruenberg moved and asked unanimous consent that SPONSOR SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 5 amended be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

SSHJR 5am was read the third time.

The question being: "Shall SSHJR 5am pass the House?" The roll was taken with the following result:

SSHJR 5 AM

Yeas: 39 Adams, Barnes, Boucher, Boyer, Brown, Cato, Collins, Cotten, Davidson, Davis, Donley, Ellis, Frank, Furnace, Goll, Gruenberg, Grussendorf, Hanley, Herrmann, Hoffman, Hudson, Koponen, Larson, Menard, Miller, Navarre, Pearce, Pettyjohn, Phillips, Pourchot, Rieger, Shultz, Springer, Sund, Swackhammer, Taylor, Ulmer, Wallis, Zawacki

Nays: 1 Martin

SSHJR 5am

Excused: 0

Absent: 0

And so, SSHJR 5am passed the House and was referred to the Chief Clerk for engrossment.

LEGISLATIVE CITATIONS

Representative Gruenberg moved and asked unanimous consent that the House approve the citations on the calendar. There being no objection, the House approved the following citations:

Honoring - Eric D. Wardell

Honoring - Roberta Ann Vittone, Mrs. Alaska 1987

The citations were referred to the Chief Clerk for transmittal to the Senate.

SPECIAL ORDERS

Representative Herrmann moved and asked unanimous consent that the following citations be taken up as a Special Order of business at this time:

Honoring - Dillingham Wolverine Girls Basketball Team, Region I 3A Tournament Champions

Honoring - Dillingham Wolverine Boys Basketball Team, Region I 3A Tournament Champions

There being no objection, it was so ordered.

Representative Herrmann moved and asked unanimous consent that the House approve the citations. There being no objection, it was so ordered.

The citations were referred to the Chief Clerk for transmittal to the Senate.

SENATE COMMITTEE REPORT

FURTHER: RESOURCES

2/26/87

DATE TURNED INTO OFFICE Mar 5, 1987

Mr. President:

TRANSPORTATION Committee considered SSHJR 5 am

Relating to the reflagging of foreign fish processing vessels.

and recommended:

[ ] replace with CS FOR ____________) [] same title
[ ] or adopt ________ CS FOR ____________) [] new title

[ ] attached amendment(s) and

[X] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to ____________

[ ] letter of intent adopted ____________

Committee [X] attached or [ ] adopted fiscal note(s)
[ ] new [ ] updated or [X] previous
[X] zero [ ] fiscal impact

MEMBERS SIGNING DO PASS	OTHER RECOMMENDATIONS
Tim Kelly	
[signature]	

[signature] Do Pass
Chairman signature and recommendation

[X] Committee Backup Attached

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
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?

----

[1]A 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.

[2]State waters extend three miles from shore.

[3]The 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

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[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.

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

Paul Fuhs,
President, SWAMC

- Position Paper -

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, 1986 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 floating

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.

In other action, the Port of Portland Commission approved:

• entering into a three-year a sole-source agreement with International Business Machines in an estimated amount of $320,000 to purchase data processing equipment.

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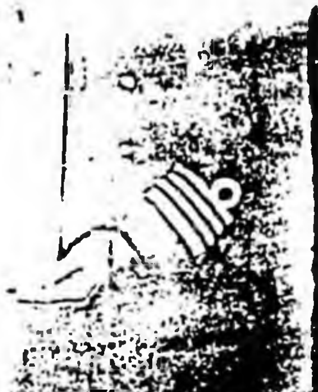
Texaco Florida, AM, Shell, Valdez Shell.
Ferndale
Arco Sag River, AM, Mobil, Valdez Arco.

(Continued on Page 14, Column 1)



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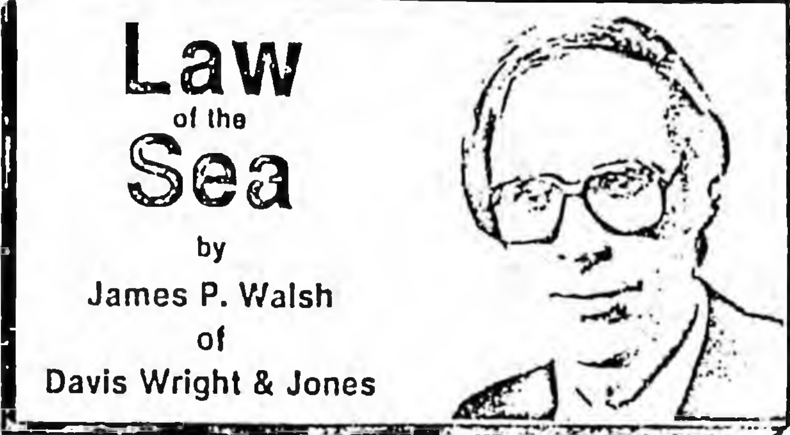
Reflagging foreign fish processors



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.

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.

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. citicizen 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 invested 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)

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.

Article - Seattle Daily Journal of Commerce Journal of Commerce

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Community Bank — $4,665.13.
87-9-02517-4 Veasey v Veasey — $.....
87-9-02521-2 Housing Auth of Seattle v Walker — $338.42.
87-9-02522-1 Same v Lakey — $521.15.
87-9-02523-9 Lemke v Gire etano — $945.00.
87-9-02524-7 Old Nat'l Premium Finance Co v Baker dba etal — $4,672.43.
87-9-02525-5 Agren v Dreitzler — $5,062.02.
87-9-02526-3 Myers etal v Littlejohn — $11,643.85.
87-9-02527-1 Aetna Casualty & Surety Co v Reitz etano — $2,106.70.
87-9-02528-0 Stoneman etal 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 — $2,507.01.
87-9-02569-7 Herr Lmbr Inc v Harbor Homes of Wash Inc etano — $6,925.10.
87-9-90189-6 State Revenue v Bajema dba — $4,516.32.
8.. 9-90230-2 Same v Burnette dba — $4 ..46.11.
87-9-90261-2 Same v Western Automation Corp — $24,256.44.
87-9-90301-5 Same v Holen etux dba — $1,604.68.
..7-9-90302-3 Same v October Inc dba — $3,334.10.

NW stocks

(Continued from Page Three)

U. S. Bancorp	27½	27⅜	26
Washington Federal Savings & Loan	40½	40⅜	39
Washington Mutual Savings Bank	28½	29	27½
Utilities			
N. W. Natural Gas	23½	23½	23⅜
Pacific Telecom	18	18½	18
Washington Energy Company	29⅜	29⅜	29½
Insurance			
First Farwest	14	14½	14
Safeco	60	60½	61

	Yield or Nav	Offer	Prev. Bid
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

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and also because of ... of keeping development assistance programs separate from export promotional activities.

In recent years, however, the 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.

... pledging to hire them after they graduate, officials said.

"The business community has to become more deeply involved with the educational community," 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.

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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 overstated. 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.

- Article -
Pacific Fisherman

No. 1

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

18

REQUEST:

Revision Date:
Title: Reflagging of Foreign Vessels
Sponsor: Davidson
Requestor:

Bill Version: SSHJR 5
Publish Date: HOUSE 2/23/87
Agency Affected: Commerce & Economic Developmen
BRU:
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)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Paul Peyton
Phone: 465-2017
Division: Office of Commercial Fisheries-Development
Date: 02/20/87

Approved by Commissioner: [signature]
Date: 2/2/87
Agency: Department of Commerce & Economic Development

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page ___ of ___

Fiscal Note