

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672  
5490 SRES SJR 7 - SJR 51

1 1,000,000 acres, all high priority refuge lands; and

2 WHEREAS the indigenous people of Alaska, through their corporate rep-  
3 resentatives, have recognized the potential of the coastal plain of the  
4 Arctic National Wildlife Refuge to provide for the well-being of future  
5 generations of their people consistent with the Alaska Native Claims Set-  
6 tlement Act; and

7 WHEREAS, while sec. 7(i) of the Alaska Native Claims Settlement Act  
8 applies to transactions that involve revenue from subsurface and timber  
9 resources on Native corporation land, it does not apply to revenue generat-  
10 ed from acquired subsurface resources if only the surface estate is traded  
11 for the subsurface estate and

12 WHEREAS, since only the value of the surface estate is being exchanged  
13 by the Native corporations, the provisions of sec. 7(i) of the Alaska  
14 Native Claims Settlement Act do not apply; and

15 WHEREAS oil and gas activities conducted in the coastal plain of the  
16 Arctic National Wildlife Refuge on land for which the subsurface potential  
17 has been exchanged for surface values in other refuges have the following  
18 potentially beneficial effects:

19 (1) exploration would be conducted on a limited and closely  
20 coordinated basis, thereby minimizing adverse environmental effects;

21 (2) experience and data gained through early exploration would  
22 allow for a better designed lease sale, resulting in the generation of  
23 higher revenue, while further minimizing adverse environmental effects; and

24 WHEREAS the concurrent exchange concept is therefore most responsive  
25 to the needs of those wishing to relinquish their high priority refuge  
26 inholdings, as well as that of the federal government in its wish to ac-  
27 quire the inholdings in the public interest; and

28 WHEREAS, while the participation of Native corporations in these  
29 value-for-value exchange discussions has raised the question of the

1 protection of traditional interests and the intent of the Alaska Native  
2 Claims Settlement Act, the Native corporations feel that their sharehold-  
3 ers' traditional use of the land is protected under the subsistence clauses  
4 of the Alaska National Interest Land Conservation Act and that federal  
5 refuge management and stewardship more than adequately protects their  
6 interests and lifestyle; and

7 WHEREAS there are 430 federal wildlife refuges comprising approximate-  
8 ly 90,000,000 acres; and

9 WHEREAS 16 of those refuges, comprising 77,000,000 acres, are in  
10 Alaska, with the result that 77,000,000 of the 90,000,000 acres are in  
11 Alaska; and

12 WHEREAS there is an opportunity for the United States Department of  
13 the Interior to eliminate or acquire the 13,000,000 to 15,000,000 acres of  
14 inholdings in the federal wildlife refuges in Alaska and this acreage  
15 approximates the total of the federal wildlife refuges in the contiguous  
16 United States; and

17 WHEREAS the Alaska State Legislature believes that this is the largest  
18 and most significant land transaction ever undertaken on behalf of the  
19 national refuge system; and

20 WHEREAS after all the oil and gas in Alaska have been explored, devel-  
21 oped, and consumed, the exchange effort could stand as a lasting testimony  
22 to our commitment, wisdom, and foresight for future generations; and

23 WHEREAS administrative actions taken by the Secretary of the Interior  
24 with regard to refuges and mineral leasing on refuge land do not in any way  
25 minimize the fact that it is the Congress that sets the policy provided in  
26 the Mineral Leasing Act of 1920; and

27 WHEREAS the Mineral Leasing Act provides that each state receives 90  
28 percent of the revenue share, either directly or through the Reclamation  
29 Fund, and 10 percent goes to the federal government; and

1           WHEREAS, while the Secretary of the Interior may remove an area from  
2 leasing under the Mineral Leasing Act, it does not follow that if the land  
3 is ultimately leased, the Mineral Leasing Act does not apply; and

4           WHEREAS Congress applied the Mineral Leasing Act of 1920 to Alaska in  
5 secs. 6(h) and 28 of the Alaska Statehood Act, and as such became an inte-  
6 gral part of the compact between the United States and the State of Alaska  
7 unde: sec. 4 of the Statehood Act; and

8           WHEREAS the Alaska State Legislature and the Governor of the State of  
9 Alaska firmly believe that the 90/10 revenue snare of royalties from the  
10 production of subsurface resources within national wildlife refuges within  
11 Alaska may not be changed without the consent of the people of the State of  
12 Alaska; and

13           WHEREAS Congressional action on the Arctic National Wildlife Refuge  
14 should not include restrictions on the Alaska labor force as union or  
15 nonunion because that decision is best addressed by individual private  
16 sector employers through the collective bargaining process; and

17           WHEREAS the national trend toward decreasing dependence on foreign oil  
18 sources is reversing and net United States oil imports during the first 10  
19 months of 1986 were 29 percent above the comparable period for 1985 and the  
20 United States is moving once again toward dependency on foreign sources of  
21 oil; and

22           WHEREAS expansion of domestic oil production has several advantages  
23 relating to the nation's economic and military security, and the expansion  
24 of other domestic energy supplies or energy conservation, to the extent  
25 that it can substitute for imported oil, would have similar advantages; and

26           WHEREAS a higher United States oil production will exert downward  
27 pressure on the world price of oil; and

28           WHEREAS increased domestic oil production reduces the chances of a  
29 supply disruption that would have a sharp impact on the world oil price,

1 because less United States demand for oil imports will cause slack in world  
2 oil markets; and

3 WHEREAS if there is a disruption of the oil supply, the costs to the  
4 United States economy will be reduced if United States oil import demand is  
5 less relative to its total oil supply; and

6 WHEREAS decreased United States dependence on foreign oil allows  
7 United States foreign policy to be more flexible and strengthens relation-  
8 ships with oil-importing allies; and

9 WHEREAS the agencies within the United States Department of the Inte-  
10 rior and the State of Alaska, including the Governor of Alaska, have en-  
11 dorsed the exploration, development, and production of hydrocarbon reserves  
12 that may be present in the coastal plain of the Arctic National Wildlife  
13 Refuge; and

14 WHEREAS the Alaska State Legislature believes the single most impor-  
15 tant decision the Congress will make in the areas of domestic production  
16 and national energy security in the next 18 months is the opening of the  
17 coastal plain of the Arctic National Wildlife Refuge to energy exploration  
18 and production;

19 BE IT RESOLVED that the Alaska State Legislature strongly urges that

20 (1) the Congress open the Arctic National Wildlife Refuge under  
21 the Mineral Leasing Act of 1920 in the public interest, and encourage an  
22 expeditious but prudent exploration, development, and production of hydro-  
23 carbon resources in the coastal plain of the Arctic National Wildlife  
24 Refuge;

25 (2) oil and gas exploration, development, or production of the  
26 Arctic National Wildlife Refuge not involve the federal or state govern-  
27 ments in any capacity other than as lessor of subsurface rights and as  
28 regulator of private sector activities;

29 (3) the entire coastal plain of the Arctic National Wildlife

1 Refuge be opened to oil and gas activities with proper consideration being  
2 given to purposes of a wildlife refuge;

3 (4) each party proceed with value-for-value exchange negotia-  
4 tions, having consideration for the heritage of the Native community in  
5 Alaska protected by the Alaska Native Claims Settlement Act and the Alaska  
6 National Interest Lands Conservation Act and with an equitable adjudication  
7 of the applications for the subsurface tracts in the coastal plain of the  
8 Arctic National Wildlife Refuge that are selected simultaneously by the  
9 Native corporations and the State of Alaska;

10 (5) Congressional action not include restrictions on the union  
11 or nonunion character of the Alaska labor force in development activities  
12 that may take place in the Arctic National Wildlife Refuge; and

13 (6) the United States government reach agreement with the gov-  
14 ernment of Canada to ensure protection and maintenance under sustained-  
15 yield principles of the porcupine caribou herd without the enactment of a  
16 treaty, agreement, compact, or provision between the government of Canada  
17 and the United States that would negate or reduce the right and responsi-  
18 bility of the State of Alaska or the United States Fish and Wildlife Ser-  
19 vice to manage the porcupine caribou herd resource or a portion of its  
20 habitat within Alaska; and be it

21 FURTHER RESOLVED that

22 (1) given the nature and complexity of the issues relating to  
23 the Arctic National Wildlife Refuge and given the long-term effects that  
24 any action taken by the Congress will have on the state's and the nation's  
25 domestic and international affairs and economies, the State of Alaska  
26 Arctic National Wildlife Refuge Policy Committee is established; the mem-  
27 bers of this committee shall be the Governor of Alaska, the commissioner of  
28 natural resources, an officer of the executive branch to be appointed by  
29 the Governor; the President of the Senate, the chairman of the Senate

1 Resources Committee, one Senate member appointed by the Senate President;  
2 the Speaker of the House of Representatives, the Chairman of the House  
3 Resources Committee, and one House member appointed by the Speaker of the  
4 House; the responsibility of the committee is to galvanize an Alaska  
5 consensus on the issues relating to the Arctic National Wildlife Refuge and  
6 advocate these positions before the Congress; and

7 (2) considering that it is in the national interest to remove  
8 inholdings from federal conservation units and that the surface management  
9 of these inholdings by the federal government severely restricts or prohib-  
10 its development of the surface of this land, the State of Alaska should  
11 divest itself of its interests in the surface estate of inholdings within  
12 federal refuges and national parks and trade these interests for subsurface  
13 interests in the coastal plain of the Arctic National Wildlife Refuge; and  
14 do it

15 FURTHER RESOLVED that the Legislature

16 (1) supports and urges maximum participation and job opportunity  
17 for Alaska residents in all phases of energy development that might occur  
18 in the Arctic National Wildlife Refuge coastal plain areas;

19 (2) supports the exchange of interests, involving land within  
20 the Arctic National Wildlife Refuge coastal plain under the provisions of  
21 the Alaska National Interest Land Conservation Act and state statutes where  
22 applicable, between the United States government and the State of Alaska  
23 and between the United States government and Alaska Native corporations;

24 (3) opposes the establishment of additional, or the enlargement  
25 of existing, National Parks, Preserves, or Monuments, National Wildlife  
26 Refuges, National Conservation or National Recreation Areas, National Wild  
27 and Scenic Rivers, Areas of Critical Environmental Concern, National Wil-  
28 derness Preservation areas, or other conservation system units on federal  
29 land within Alaska;

1 (4) opposes adding to the existing, or creating new,  
2 conservation system units in exchange for an affirmative decision by the  
3 Congress to open the Arctic National Wildlife Refuge coastal plain area to  
4 oil and gas exploration and development, and believes that decisions  
5 affecting public land and resources should be made on the basis of sound  
6 scientific information and the public interest rather than political ex-  
7 pediency.

8 COPIES of this resolution shall be sent to the Honorable Ronald  
9 Reagan, President of the United States; the Honorable George Bush, Vice-  
10 President of the United States and President of the U.S. Senate; the Honor-  
11 able Jim Wright, Speaker of the U.S. House of Representatives; the Honor-  
12 able George P. Shultz, Secretary of State; the Honorable Donald P. Hodel,  
13 Secretary of the Interior; the Honorable J. Bennett Johnston, Chairman of  
14 the Senate Committee on Energy and Natural Resources; the Honorable Morris  
15 K. Udall, Chairman of the House Committee on Interior and Insular Affairs;  
16 and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.  
17 Senators, and the Honorable Don Young, U.S. Representative, members of the  
18 Alaska delegation in Congress  
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SJR

8

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

DATE TURNED INTO OFFICE \_\_\_\_\_

3/11/87

Mr. President:

RESOURCES \_\_\_\_\_ Committee considered \_\_\_\_\_ SJR 8

federal tax on imported oil.

and recommended:

[ ] replace with CS FOR \_\_\_\_\_ ) [ ] 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

*Tom Durkin*  
*...*  
*...*  
*...*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*J. A. ...*  
Chairman signature and recommendation

[ ] Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2-25-87 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: RESOURCES  
FINANCE

\*\*FISCAL NOTE(S) ATTACHED  \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

DATE TURNED INTO OFFICE 3-11-87

Mr. President:

OIL & GAS Committee considered SJR 8

federal tax on imported oil.

and recommended:

[ ] replace with CS \_\_\_\_\_ [ ] same title  
[ ] attached amendment(s) and [ ] new title

do pass

[ ] do not pass

[ ] no recommendation

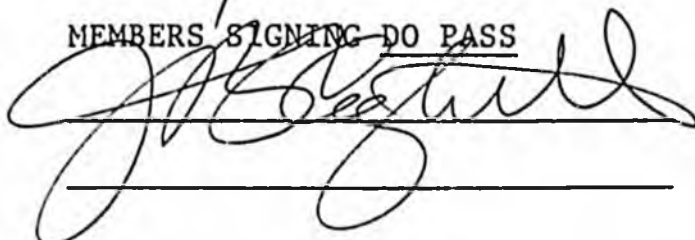
[ ] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted and attached

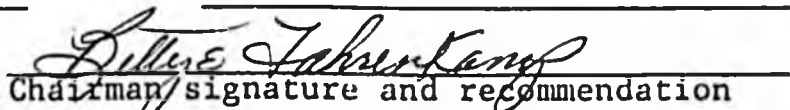
\*\* Committee  attached or [ ] adopted fiscal note(s)  
 zero [ ] fiscal impact

MEMBERS SIGNING DO PASS



OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Chairman signature and recommendation

[ ] Committee Backup Attached

# Alaska State Legislature

## Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman  
Sen. Paul Fischer, Vice-Chairman  
Sen. Lloyd Jones  
Sen. Athiss Sturgulewski  
Sen. Jim Duncan  
Sen. Fred Zharoff  
Sen. Dick Etason

Box V  
Juneau, Alaska 99811  
(907) 465-4907

TO: SENATE RESOURCES COMMITTEE  
FROM: COMMITTEE STAFF  
RE: SJR 8 "Relating to a federal tax on imported oil"  
DATE: APRIL 1, 1987

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SJR 8 urges the U.S. Congress to impose a federal tax on imported oil. There are at present at least two oil import fee proposals before the U.S. Congress, S 302 and S 460.

Proponents of such an import fee believe that the tariff would reduce the national deficit, protect our national security and maintain the viability of our domestic oil industry.

Economists from the Division of Oil and Gas predict that an import tariff would greatly increase state revenues. For example, a \$10 per barrel fee would increase state revenues by as much as \$1.5 billion a year.

Such a fee would also greatly increase the cost of oil products to consumers as well, and is therefore opposed by representatives from the major oil consuming states.

SJR 8 does not recommend the amount that such a tax should be.

### CONTENTS

1. STAFF MEMO
2. FISCAL NOTE
3. BACKGROUND MATERIAL

No. 115

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

SENATE  
BILL VERSION: SJR 8  
PUBLISH DATE: 3/11/87

REQUEST: \_\_\_\_\_

Revision Date: February 24, 1987

Title: Federal tax on imported oil

Agency Affected: Natural Resources

BRU: Petroleum Management

Sponsor: Josephson, Kelly, Halford, Sturges, Lewis Components: Petroleum Management

Requestor: \_\_\_\_\_

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						
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REVENUE		*	*	*	*	*
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS :

\* SEE ATTACHED

Prepared by: James E. Eason

Division: Oil and Gas

Phone: 762-4241

Date: February 24, 1987

Approved by Commissioner: William J. Arnold, Deputy

Agency: Natural Resources

Date: 2/25/86

Distribution (by preparer):

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

It is not anticipated that a federal import tax on imported oil would generate increased expenditures from either the operating or capital budgets. The tax would increase income to the state treasury by increasing the wellhead price of Alaska oil. Actual monetary benefits will depend upon the actual amount of the proposed tariff and the projected wellhead price. At this time it is not known if the wellhead price of Alaskan crude could adjust to match the tariff increase. Thus, all that can be said is that for every one dollar increase in wellhead price, between \$135 million and \$150 million would annually accrue to the state treasury as a result of increased royalties and severance taxes. Assuming a ten dollar per barrel tariff and a full corresponding adjustment to wellhead prices, at current production levels, the state would receive about \$1.35 to \$1.50 billion dollars annually.

By raising the wellhead price of domestic oil, and in effect, creating a floor price for domestic oil, the federal tariff would also encourage (1) more intensive drilling and production in existing reservoirs; (2) development of marginal fields near Prudhoe Bay, such as offshore Lisburne, Pt. Thompson, and Gwyder Bay; and (3) exploration in more remote, wildcat areas.

## Oil import fee gains state leaders' support

By CHUCK KLEESCHULTE

THE JUNEAU EMPIRE

The nation's oil industry seems to be preaching to a choir urging Alaska to support an effort to get Congress to impose an oil import fee that would raise prices for crude oil — including Alaska's share for its North Slope royalty oil.

Members of the Senate Special Committee on Oil and Gas last week received uniform encouragement to pass a resolution asking Congress to pass a variable tariff on foreign oil imports. The import fee would raise consumer costs for gasoline and petroleum products, but would hike state revenues from its oil and likely encourage additional recovery from existing oil fields.

Experts also testified that an import fee at a high enough level likely would encourage new exploration in Alaska — some speakers noting that for the Arctic National Wildlife Refuge to be produced, if opened to oil exploration and production, oil prices will have to rise above current world prices of \$16 to \$18 a barrel. Prices for Alaska oil traditionally are several dollars a barrel below that of the world price.

Sen. Joe Josephson, D-Anchorage, appeared to express the Senate's likely support for an import fee.

"In 14 years in this legislature I have never supported a proposal, and I have never voted for a proposal, whose benefits to Alaska were more clearly self-evident than the benefits contemplated by this resolution," he said.

"For the nation to continue to have an energy producing industry

beyond the short term we have to have an import fee. Without that our energy independence is questionable and our security in jeopardy," said Sen. David Boren, R-Okla., in a statement read by an aide.

Boren and Tim Dowd, chairman of the Interstate Oil Compact Committee testifying from Oklahoma, argued that without an import fee America's reliance on foreign imported oil will continue to grow. Currently about 40 percent of the nation's daily consumption comes from exports, up from 24 percent in July 1985 — American production falling by 700,000 barrels a day over the past year, while exports from Saudi Arabia have risen by 685,000 barrels.

Experts predicted that by 1990 America, if prices remain at around \$18 a barrel, will likely be importing more than 50 percent of its oil with the industry being severely hurt as far as being able to ever replace lost domestic production. America currently produces about 8.3 million barrels a day.

Bob Anderson, Alaska district manager for Union Oil of California, said ideally an import fee would be placed so that oil would cost \$24 to \$25 a barrel — the minimum needed to encourage new exploration in frontier areas like Alaska.

While it appeared highly likely that lawmakers will vote for the resolution, pushed by Alaska Sen. Frank Murkowski, Borden's aide said approval in Congress is unlikely barring another major dip in oil prices since the Reagan administration continues to oppose any change in a "free-market" pricing structure.

# Federal study indicates energy crisis likely

*Journal Empire 2/25/87*

By LEE A. DANIELS

THE NEW YORK TIMES

**NEW YORK** - Declining domestic crude oil production and the growing dependence of the United States on petroleum imports could lead to an energy crisis in the 1990s far worse than those experienced in the 1970s, according to the draft report of a federal advisory committee.

The study, conducted by the National Petroleum Council at the request of Energy Secretary John S. Herrington, warns that current conditions pose a serious threat to the viability of the American oil and gas industry - and to national security and economic stability.

The council, made up of experts from outside the government, is an official advisory body to the energy secretary. The draft report reaches conclusions similar to those of several other recent studies that warn that a severe oil shock could be just a few years away.

The final version of the council report is to be delivered to Herrington on Tuesday after a meeting of the council in Washington. A copy of the draft report was obtained by The New York Times. Several members of the council said that the final report was not likely to substantially differ from the draft report.

The council study, begun last spring when crude oil prices had plummeted \$19 in six months and were still falling, found that by 1995 as much as 60 percent of the nation's oil needs would have to be supplied from foreign sources, up from 27 percent in 1985.

The study states that even under a "best case" outlook, the level of imports was likely to reach 48 percent by 1995, about 10 percentage points higher than during the 1979 oil shock. Using the "best case" scenario, the import level in 1990 was predicted to be the same as it was just before the 1979 oil shortage.

The study contends that by the early 1990s the members of the Organization of Petroleum Exporting Countries, particularly those in the Persian Gulf, will probably be exerting greater control over the world oil market than they did in the 1970s.

"It makes it very clear that we've entered into that cycle that led to the oil shocks of 1973 and 1979," said George P. Mitchell, a member of the committee that prepared the report.

"The country could have very serious problems within a short period of time," said Mitchell, who is chairman, chief executive and president of the Mitchell Energy and Development Corporation of Houston.

John H. Lichtblau, president of the Petroleum Industry Research Foundation and a member of the committee, said that the report's message is that "the period of declining oil prices and declining U.S. dependence on foreign oil has come to an end."

He continued: "We are going to be much more dependent on foreign oil, and our national energy policy has to take that into account."

The study found that each of the 1970s oil shocks pushed the economy into a recession, causing the value of goods and services produced to fall

as much as 3.5 percent, unemployment to rise by up to 2 percentage points and inflation to rise by 3 percentage points. It said that the potential of an equal or greater impact increases in tandem with the country's dependence on imports.

Committee members said the study is the most comprehensive to date on the domestic ramifications of the crash in world crude oil prices that began in November 1985. At that time, West Texas Intermediate, the major American crude oil, was priced near \$32 a barrel. In late summer of 1986, the price bottomed out at \$9.75 and has since risen to around \$17 or \$18.

The council's report lists 13 general options that it says the government and the public should consider. The options include opening more federal lands to exploration for oil and natural gas; revising tax policies to encourage exploration and production; imposing a tariff on imported oil; de-controlling natural gas prices, and adding crude oil to the

nation's strategic petroleum reserves as a supply buffer.

The report also lists methods of encouraging energy conservation, including increased taxes on fuels, particularly gasoline and heating oil, and greater use of alternative fuels.

"The Congress, the administration, and the public must realize something has to be done," said Michel T. Halbouty, another committee member, and the chairman and chief executive of the Michel T. Halbouty Energy Co.

"Sure, some of these options are controversial," Halbouty said.

The draft report was called disappointing by one outside expert, Christopher Flavin, senior researcher of Worldwatch Institute, an environmental research organization.

After the report's list of options was read to him, Flavin said: "It sounds like a fairly tired old laundry list of options. Among all those things, I don't see a single one that strikes me as being new and innovative."

OIL IMPORT TARIFF

## The case for a tax on imported oil

WASHINGTON — A new federal tax on all imported crude oil and petroleum products — a concept often debated but never adopted by Congress in recent years — may be an idea whose time has come.

Within the petroleum industry, support for an import tax generally has been limited to independent producers in the Southwest. They would reap a financial bonanza from such a levy because they could increase the price of their domestic oil to match the post-tax price of imports.

When the American Petroleum Institute recently held its annual meeting in Houston, however, API Chairman George M. Keller called for an oil import fee or a similar mechanism to establish a "minimum floor price" that would provide "disaster insurance."

In addition to heading the industry's main trade association, Keller is chairman of Chevron, the nation's third largest oil company.

Like other integrated, multinational firms with domestic and offshore crude oil reserves, Chevron long has adamantly opposed any government intervention in petroleum pricing.

Keller, speaking for his company but not API, suggested that an oil import tax of \$2 to \$4 per barrel could revive the financially devastated domestic oil industry.

### In Washington



by  
Robert  
Walters

Sen. Gary Hart, D-Colo., has proposed an import tax of \$10 per barrel. He would also provide rebates to the low-income consumers who would be most adversely affected by price increases.

(Each \$1 increase in the price of a 42-gallon barrel of crude oil is equivalent to 2.3 cents in the cost of a gallon of gasoline.)

After global oil prices collapsed late last year, a barrel of crude oil plunged from \$32 to less than \$10 before recovering to the current price of about \$15.

That has led to what George P. Mitchell, one of the country's leading independent producers, has described as "a severely reduced U.S. production capacity and greater dependence upon foreign producers."

Indeed, petroleum imports during the first nine months of this year averaged 5.94 million barrels per day compared with 4.85 million barrels daily during the same period last year — an increase of 22.5 percent.

Hart is among those who argue convincingly that the higher post-tax price would encourage conservation. Mitchell, head of the Mitchell Energy & Development Corp., notes that the proposed levy would provide a needed stimulant to "our country's faltering energy productivity."

President Reagan is firmly opposed to the tax because of his antipathy to both increased taxes and government intervention in the free market.

But when the Senate convenes next year under Democratic leadership, two key committees will be chaired by legislators from leading oil-producing states who enthusiastically support an oil import tax.

Sen. Lloyd Bentsen of Texas will head the Finance Committee, while Sen. J. Bennett Johnston Jr. of Louisiana will lead the Energy and Natural Resources Committee.

Thus, industry and political pressure could surmount White House opposition to an idea that is eminently sensible, especially if domestic producers are willing to make a sacrifice in return for the financial windfall they will receive.

Specifically, they should relinquish unjustified tax benefits from accelerated depreciation allowances and immediate write-offs of intangible drilling costs.

# BUSINESS

## Economists See Faults in Oil Import Fee

By John M. Berry and Anne Swanson  
Washington Post Staff Writers

Imposition of an oil import fee—which is actively under consideration by some Reagan administration officials and members of the Senate Finance Committee—would reverse some or all of the economic growth and lower inflation and interest rates generated by the current decline in oil prices, many economists say.

These economists, who range from conservative to liberal, question whether it would be worth paying that price to boost federal revenue—particularly if the purpose of the fee is to replace the revenue lost from lowering personal income tax rates by a greater amount and increasing corporate taxes by a smaller amount than proposed in the House passed tax revision bill pending before the committee.

Moreover, such a fee does not seem to be

the first choice of many economists because it would raise business costs and make American products less competitive on world markets.

Many economists also see falling oil prices as a special boon this year when the inflationary impact of the declining value of the U.S. dollar on foreign exchange markets is expected to be felt. Some analysts fear that the Federal Reserve Board could decide to tighten credit conditions and slow economic growth if inflation begins to accelerate. The oil price decline is seen as reducing that possibility.

Perhaps surprisingly, most segments of the oil industry oppose such a fee. Not only are major companies such as Exxon Corp., Mobil Corp. and Chevron Corp. against it, but so is the Independent Petroleum Association of America, whose members are small drilling and producing companies. "... Taxes, tariffs, fees or quotas on im-

ported crude oil or petroleum products would be counterproductive to the national interest at this time," a recent IPAA policy statement said.

A \$5-a-barrel fee, the most commonly mentioned figure, would be equal to about 12 cents a gallon and raise about \$8 billion a year if imports of crude oil and refined products remained at last year's levels.

Imports account for less than 30 percent of U.S. petroleum use. If their cost were raised by a fee, the price of domestically produced crude oil and natural gas liquids also would go up, and the U.S. oil industry's revenue would increase by about \$20 billion.

A portion of that increase would be taxed away through the federal crude oil windfall profits tax as the price of oil rose, and through the corporate and personal income taxes as well. How much additional federal revenue those taxes might yield would depend on a number of things, including how

higher oil prices affected the overall economy, economists say.

There also could be some increase in natural gas and coal prices—or at least less of a decline than otherwise would occur—if oil prices are propped up by an import fee.

Altogether, the direct increase in the cost of petroleum products, if passed through entirely to users, would approach \$30 billion and be equal to about 0.7 percent of this year's gross national product, which is expected to be about \$4.2 trillion.

It probably would take about two years for the higher prices to work their way through the economy, according to economists who have studied the situation.

At the moment, oil prices are falling while the import fee is still only a proposal, albeit apparently a serious possibility, according to Senate Finance Committee Chairman Bob Packwood (R-Ore.). That timing difference led economist Alan

Greenspan of Townsend-Greenspan & Co. to caution the committee last week. "There is somehow an assumption it is politically easy" to impose a fee, Greenspan said. "There is almost never a way to time such a tax so that prices don't fall and then rise again when it is put on."

Greenspan's point was that whatever restraining influence falling oil prices may have on various price indexes will have occurred already by the time an import fee could be imposed. Then, when the higher oil prices begin to show up in the indexes, the additional inflation will be highly visible, he predicted.

The Finance Committee is considering the fee for several reasons, including providing some price support for the sagging domestic oil industry and for bankers who have risky loans to it. But the principal concern is to find added revenue to offset other

See OIL TAX, P8, Col. 1

# Oil Import Fee Questioned

OIL TAX, From F1

tax cuts that President Reagan and members of the committee want to make as part of the massive tax revision bill passed late last year by the House of Representatives.

Several committee members are backing legislation to enact a fee. Sen. Malcolm Wallop (R-Wyo.) wants a sliding fee to capture any decline in crude prices below \$22 a barrel. Sen. David L. Boren (D-Okla.) is pushing a \$5-a-barrel fee that would begin to phase out if the price rose above \$25 a barrel and would disappear after the price reached \$30 a barrel.

Both proposals include a higher fee on imported refined products to provide additional protection for U.S. refiners. Wallop would add \$3 a barrel; Boren, \$10 a barrel. Sen. Lloyd Bentsen (D-Tex.) is a cosponsor of both bills. Senate Majority Leader Robert J. Dole (R-Kan.) also favors an import fee, as does ranking committee Democrat Russell B. Long (D-La.).

All the sponsors are from oil-producing states. Committee members from other parts of the country generally oppose the idea. For example, Sen. George Mitchell (D-Maine) said, "It's an incredible windfall for the domestic oil producers. I don't see what benefit there is to the nation in that. And it would be extremely inflationary."

This split mirrors the different economic impact a fee would have in various regions. Areas such as New England that are heavy users of oil products would pay higher prices but get little of the benefits flowing to the domestic oil industry. Oil-producing areas in the Southwest also are heavy oil consumers, but they would share in the gains of the domestic producers.

Greenspan, a former chairman of the Council of Economic Advisers, noted that a fee on oil imports would raise the cost of chemical products made from oil, of which the United States is a substantial exporter. Higher oil prices could have a significant impact on many lower-cost products, he said.

Nevertheless, Greenspan believes that the fee ought to be looked at as a possible revenue source. "It is the least worst of the available political decisions," he declared. "Whether it's desirable is another question."

Another former CEA chairman, Murray L. Weidenbaum of Washington University, who also testified before the Finance Committee last week, said he would not impose an oil import fee because it would worsen the U.S. competitive position.

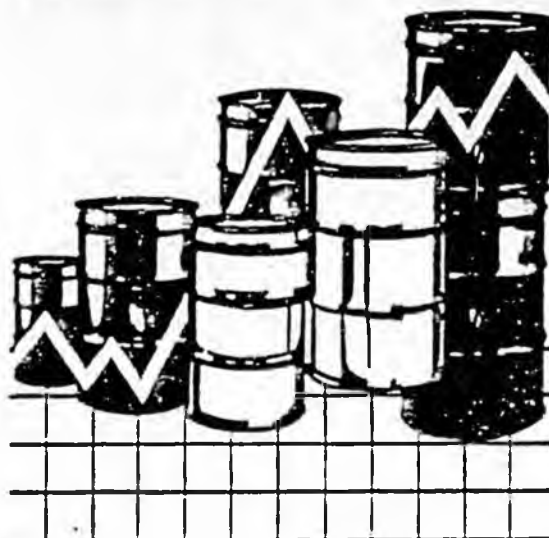
John Makin, a tax economist at the American Enterprise Institute, opposes the proposal. "I really think the energy tax is just a habit of thought," he said. "There was a lot of talk about it in the late 1970s. People have reports and studies, and they dust them off. I don't think that's a good way to go."

Charles L. Schultze of the Brookings Institution, Weidenbaum's predecessor at the CEA, flatly opposes an oil import fee. Falling oil prices "will take some or all of the sting out of the falling dollar," he said. Putting on a fee "would undo some of the good things" that lower prices will produce.

A \$5-a-barrel fee would generate about \$10 billion in additional revenue, Schultze estimated. "If that was the last \$10 billion needed for a decent budget package (to reduce the deficit), I'd hold my nose and buy it but I would not advocate it," he said.

However, the Senate Finance Committee is looking at a fee primarily as a way of making Reagan-backed changes such as reducing the top personal income tax rate from a proposed 38 percent to 35 percent—it is now 50 percent—and increasing the current \$1,080 personal exemption to \$2,000 for all but the highest-income taxpayers.

Other changes Reagan is seeking include a corporate income tax rate of 33 percent instead of the 36 percent



members also want to reduce depreciation allowances on business investments in new plants and equipment significantly less than did the House.

Harvard University economist Martin Feldstein, another former CEA chairman, strongly advocates reducing investment incentives by less than what the House has proposed. In order to do that, while still keeping the tax revision measure from generally neither raising more or less revenue than current law, Feldstein would use the fee. "It's a good tradeoff," he said, adding, "It would be better still to have a combination of an oil import fee and a gasoline tax, with heavier weight on the gasoline tax." Feldstein is much less enthusiastic about using part of the revenue from an import fee to offset revenue lost by reducing the top marginal rate for individuals from 38 percent to 35 percent.

Most of the discussion in recent months about an oil import fee has been in the context of raising revenue to reduce the large continuing federal budget deficits. It was in that vein that President Reagan included a \$5-a-barrel fee on both imported and domestic oil in a contingency tax package he proposed in early 1983. That package—which he later let be known he did not want to have passed—would have gone into effect only if several conditions were met, including prior enactment of major spending cuts.

Recent public statements by some of the major oil companies, including a Mobil Corp. advertisement in today's Washington Post, generally oppose the fee as a way of cutting deficits. Mobil calls the fee "a dud" because of its inflationary and competitive consequences for the American economy.

An Exxon Corp. statement declares, "These additional fees, which are in effect taxes, would increase consumer prices, increase inflation and reduce real gross national product. In addition, they would distort competition among fuels, place energy-intensive U.S. manufacturing industries at a competitive disadvantage against foreign competition and fall inequitably on different regions of the country . . .

"If it is determined that tax increases are necessary, however, they should be as broad-based as possible."

Former Treasury tax economist Harvey Galper has been invited by the Finance Committee to testify this week on the impact of taxes on international competition and capital formation. Galper said he plans to tell the committee that the most solid way to improve America's competitive position and to increase capital formation is not by providing larger investment incentives through the tax code—especially if the price is imposition of an oil import fee—but rather to increase national saving. And he said that the best way to increase the amount of savings available for investment is to reduce federal

## Tax Oil to Save Oil

As surely as rising oil prices taught Americans to conserve energy, lower prices will lead them to forget. That would be a national tragedy, and a foolish security risk. Prices are falling because we conserved. Now that the price is not incentive enough to save, add a tax.

No new oil price shock is in sight. But the world's affordable supplies are still being depleted, and the risk of upheaval in the Middle East is ever present. As long as they last, lower prices mean greater consumption the world over.

Homeowners won't tear out insulation bought when heating costs soared; new energy-efficient buildings won't be razed. But the pressure to spend money for more conservation is being lost.

Just think about automobiles, which burn more than half the oil we consume. At less than \$1 a gallon, drivers lose their incentive to slow down and tune up, and they stop caring about mileage ratings on new cars. They drift back into larger models, and Government can't resist relaxing the regulations that made the biggest '86 cars more efficient than the smallest in 1973.

America consumed 17.5 million barrels of oil a day in 1973. Today, in an economy one-third larger, consumption has fallen below 16 million. Dependence on foreign oil has also declined, from 36 percent of consumption in 1973 to 30 percent, and, significantly, the decline is much sharper for Persian Gulf oil.

The Reagan Administration wants only to reap the disinflation benefits. It favors more off-shore domestic drilling and, rightly, more deregulation of natural gas. But it is blindly rushing past this chance to build up the Strategic Petroleum Reserve at bargain prices. For transient budget benefit, it would even sell off three naval reserve fields. And it has unwisely relaxed the pressure on Detroit's car designers.

Federal fuel standards and other regulation would be less necessary if we turned to a tax to encourage more conservation. With prices falling, we

could conserve by paying ourselves instead of Middle East potentates.

What's the best form of tax? On alternate days, President Reagan offers to consider a tax on oil imports — provided it's called a "fee" and is used to finance tax-law revisions. Congress, too, seems to prefer an import fee to a tax on gasoline or all energy. An all-energy tax, in any case, would have no special impact on oil consumption. The choice comes down to taxing imported oil and refined products or taxing gasoline at the pump.

An import fee would reduce dependence on foreign sources and encourage domestic production. The oil patch likes the idea because raising the price of foreign oil would let American producers charge more for domestic oil. The consuming states of the Northeast and West Coast and Florida balk at the idea and would, at the least, insist on taxing away the domestic producers' windfall. So taxing imports would lead to taxing all oil.

That would raise the cost of living, retard growth and damage friendly suppliers, like Mexico and Canada, which might need exemptions. The petrochemical industry, too, would want exemption, and who knows who else. The administrative complexity is offset by the political attraction: the public wouldn't much notice an import fee.

A gasoline tax would be highly visible even if it only held prices at prior levels. But it would be simple to administer atop the existing Federal tax of 9 cents a gallon. And it would not discriminate against any region.

Either tax could be shaped to yield as much as \$100 billion over five years — \$8 a barrel on imports combined with a 50 percent "windfall" profits tax, or 20 to 25 cents a gallon on gasoline. The revenue could help balance the Federal budget and thus improve the economy.

The main and lasting benefit of either tax would be in conservation and national security. An oil conservation tax is good policy any time. It is more easily achieved now that prices are down.

**HARVARD STUDY URGES  
OIL IMPORT FEE**

A study by Harvard Univ. economists Harry Broadman and William Hogan, both with the Energy and Environmental Policy Center, calls for the immediate imposition of a \$10-\$11/bbl fee on imports of crude oil and products in order to halt the nation's rising dependence on imports. They argue that such a tariff could reduce U.S. import levels to the point where the costs to society of importing an incremental barrel of oil just balance the benefits.

The market price paid for imported



# International Gas Technology HIGHLIGHTS

Volume XVI

December 1, 1986

No. 24

## OPTIMAL TARIFF AND COST OF FREE MARKET POLICY PROBABILITY DISTRIBUTIONS

### High price case (\$27)

	\$/bbl			
	Lower 25%	Median	Upper 25%	Expected Value
Economic Tariff	\$ 1.95	\$ 2.85	\$ 3.90	\$ 3.14
Security Tariff	3.63	5.64	8.52	6.44
Combined Tariff (\$ per barrel)	7.00	8.96	11.26	9.58
Cost of Free Market Policy (\$billion/year)	4.64	8.24	13.18	10.60

### Low price case (\$15)

	\$/bbl			
	Lower 25%	Median	Upper 25%	Expected Value
Economic Tariff	\$ 4.03	\$ 5.68	\$ 6.87	\$ 5.86
Security Tariff	2.80	4.20	6.65	5.23
Combined Tariff (\$ per barrel)	8.71	0.81	1.89	11.09
Cost of Free Market Policy (\$billion/year)	11.72	7.90	27.93	22.44

oil does not reflect its true cost, which includes what the economists call an "economic component" and a "security component." The greater the volume of oil imported into the U.S., the higher the price, which means that, as demand rises, all importers must pay a higher price. Rising oil prices also have an adverse effect on the U.S. economy and the trade balance.

As for the security component, the U.S. is vulnerable in the event of a price run-up to an increased transfer of wealth abroad with all the attendant costs, and this vulnerability is a direct function of the volume of imports. Also, the larger the value share of oil in the economy at the time of a disruption, the greater the macroeconomic costs from the price shock.

In order to calculate the optimal premium, Broadman and Hogan developed a model that maximizes the

expected net social benefits of oil imports for normal and disrupted periods and allows for the simultaneous estimation of the premium's individual components. The table shows their estimates of the optimal tariff and the costs of continuing a free-market policy.

The authors consider 3 optional forms of tariff: a simple fixed fee, a variable fee, and a fee defined in proportion to the price of oil. They prefer the first on the grounds that it provides approximately the right incentives at the margin and the closest approximation to the optimal tariff calculations revealed by their analyses, and avoids the difficulties of managing the macroeconomic costs during an interruption.

The authors note that while the redistribution of resources throughout the economy will have both "winners" and "losers," the winners' gains are likely to be larger than the losers' costs.

Copies of the study are available from Nancy Kingston, Energy and Environmental Policy Center, Harvard Univ., 79 John F. Kennedy St., Cam-

SJR

14

# Alaska State Legislature



SENATOR  
ARLISS STURGULEWSKI

Chairman, Senate Community and Regional Affairs Committee  
Vice-Chairman, Senate Judiciary Committee  
Member, Senate Resources Committee

2937 SHELDON JACKSON STREET  
ANCHORAGE, ALASKA 99508

While in Juneau  
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JUNEAU, ALASKA 99811  
(907) 465-3818

## Senate

MEMORANDUM

February 24, 1987

TO: Senator Jack Coghill, Chairman  
Senate Resources Committee

FROM: Senator Arliss Sturgulewski *(Signature)*  
Senate District F

RE: SJR 14 "Relating to the documentation and crews of United States documented fish processing vessels."

SJR 14 "Relating to the documentation and crews of United States Documented fish processing vessels," is offered in response to a "loophole" in the Magnuson Act that allows foreign built vessels to be "reflagged" as U.S. vessels and engage in fish processing activities detrimental to the U.S. fishing industry.

The Magnuson Act has a three-tier process in determining the allocation of fish within an established conservation quota.

Tier One:

Grants preferential allocation to the domestic industry to harvest and process fish to the maximum extent possible.

Tier Two:

Grants allocation to foreign processing vessels which receive fish from U.S. harvesting vessels if there is a surplus.

Tier Three:

Grants allocation to foreign harvesting fleets if any surplus from Tiers One and Two.

A vessel must be documented under U.S. laws to qualify under Tier One allocations. "Reflagged" foreign vessels are considered to be U.S. documented vessels and could benefit from this processor preference. Widespread use of this "loophole" would put the U.S. and Alaska fishing industry at a competitive disadvantage due to lower construction and labor costs of foreign built vessels.

In addition, this resolution would require that fish processing laborers and crew members on U.S. documented vessels be U.S. citizens.

It is extremely important that we show support for these changes to the Magnuson Act for the benefit of the Alaska fishing industry. Passage of this legislation will help to strengthen and enhance the growing domestic industry now operating in the U.S. Exclusive Economic Zone.

# Alaska State Legislature

## Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman  
Sen. Paul Fischer, Vice-Chairman  
Sen. Lloyd Jones  
Sen. Arliss Sturqulewski  
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: FEBRUARY 25, 1987  
RE: SJR 14 "Reflagging"

### CONTENTS

1. Resources Committee staff memo
2. Department of Commerce fiscal note
3. Alaska Journal of Commerce article
4. Lodestar article
5. Letter, from Paul Fuhs, Southwest Alaska Municipal Conference
6. Congressional Record, January 22, 1987, Comments from Senators Stevens and Murkowski concerning reflagging

# Alaska State Legislature

## Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman  
Sen. Paul Fischer, Vice-Chairman  
Sen. Lloyd Jones  
Sen. Artiss Stupulewski  
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: FEBRUARY 25, 1987  
RE: SJR 14 "Reflagging"

Senate Joint Resolution 14 requests Congress to prohibit the use of reflagged foreign-built vessels for fish processing until at least January 1, 1997, and to require that 100 percent of the crew members of vessels documented as United States processing vessels be U.S. citizens.

The fish industry has urged a solution to the problem of the reflagging of foreign vessels as soon as possible.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

Bill Version : SJR 14  
Publish Date : \_\_\_\_\_

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title : Fish Processing Vessels

Agency Affected : Comm. & Econ. Dev.  
BRU: \_\_\_\_\_

Sponsor : Sturgulewski  
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	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

Prepared by: Paul Pevton, Director Phone: 465-2162  
Division: Office of Commercial Fisheries Development Date: \_\_\_\_\_

Approved by Commissioner: *Anthony Smith* Date: \_\_\_\_\_  
Agency: Department of Commerce and Economic Development

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

## Sen. Ted introduces legislation to stop reflagging of foreign fishing vessels

In response to growing concern in the North Pacific fishing industry, Alaska Sen. Ted Stevens Jan. 22 introduced legislation which would eliminate the ability of re-flagged vessels to process fish.

The measure would correct an apparent loophole in the vessel documentation laws which erode the domestic processor preference embodied in the Magnuson Fishery Conservation & Management Act (MFCMA), Stevens said.

The loophole would allow foreign fishing companies to document foreign-built fish processing vessels under U.S. law. Such reflagging could result in foreign vessels being considered as U.S. fish processors, allowing them to be eligible for processor preference intended in the MFCMA only for the U.S. domestic fishing industry, he explained.

"The foreign fishing companies, using foreign-built vessels, might thereby benefit from a preference that was never intended to be granted to them," Stevens said.

"The preference could also put the U.S. fishing industry at a competitive disadvantage, due to lower vessel construction and labor costs," the senator said.

"This so-called 'processor preference' has come increasingly important and valuable as our domestic capacity to harvest and process fish grows," Stevens said in a statement on the Senate floor. "At the same time the amount of 'surplus' fish from our zone, available for foreigners, declines."

The legislation would apply to foreign-built vessels documented after Jan. 1, 1987. "I know of no such vessels documented after Jan. 1," Stevens said, "and I believe it is fair and equitable to close the loophole as of that date."

"I want to put both foreign and domestic companies on notice that a race to re-flag vessels during the time period of the Congressional review process will not be tolerated," he said. "Any companies which re-flag vessels after Jan. 1, in anticipation of a different effective date, do so at their own peril."

The loophole, which the proposed legislation is designed to close, hinders any meaningful attempt on the part of federal fishery managers to develop a management regime which

would encourage the continued development of domestic processing capacity, Stevens said.

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

Sen. Frank Murkowski is a co-sponsor of the legislation.

JOURNAL OF COMMERCE 2/2/87



## REFLAGGING THE FLEET

*see Paul Zink letter*

### Freedom, or foul play?

**I**s the U.S. bottomfish processing industry in danger of giving away its future? Or are a few entrepreneurs just trying to hold onto a solid investment opportunity?

These and other questions have been sparked by a controversial issue known as reflagging. The controversy centers around a law which allows foreign-built processing vessels to be given U.S. documentation and a U.S. flag, and operate in U.S. waters enjoying unrestricted priority access to the fisheries resources.

As explained by Sen. Frank Murkowski (R-Alaska) in the Congressional Record, "It is possible for foreign companies to retain access to U.S. fishing resources through a quirk in our vessel documentation laws. Under present law, a foreign-owned company can simply re-flag its foreign-built processing vessel....As long as such a vessel only conducts processing activities, it would be considered a domestic operation and would thereby receive priority access to U.S. fishery resources, even though it may be wholly foreign-owned."

The possibility of reflagging has enraged some members of the industry and encouraged others. Some maintain that the opportunity to invest in a foreign-built processor at a lower cost than a U.S.-built ship would encourage domestic investment in the Alaskan seafood industry.

Others believe that foreign processors, facing decreasing allocations, will use the reflagging opportunity to set up U.S.-based "front" companies to acquire fully amortized vessels, man them with foreign crews, and operate at a distinct advantage over domestic-owned processors, while control and profits remain in Seoul or Tokyo.

Are there really sharks in our waters? Or is the young domestic industry just teething on a new development opportunity? The issue is as complex as it is controversial. Some say that as long as a corporation is at least 51% U.S.-owned, it should be allowed to invest its money wherever its board of directors may choose. Others say that foreign ownership is not the problem—many shore-based pro-

Continued next page

these lower-cost foreign processing vessels rolled over under the U.S. flag. Preventing this paper Americanization of our fisheries now will go a long way toward maintaining the present positive investment climate which is fostering true Americanization of our fisheries..."

In an attached letter to the Congressional delegates, NPFMC chairman Jim Campbell said that foreign-owned U.S. flag processing ships will contribute nothing to Alaska's coastal communities "because the processing jobs will be offshore and the foreign-owned ships will not purchase supplies ashore."

The letter continues: "U.S. companies with processing vessels built or in the planning stages may either see their vessels devalued or their margins drastically reduced by being forced to compete against foreign-built, lower-cost operations. U.S. shoreside plants already processing or planning to process groundfish may also face this unfair competition from foreign-built, U.S. flag factoryships." The Council voted unanimously to support a reflagging ban.

The City of Kodiak introduced a resolution at the November Alaska Municipal League conference urging Congress to ban reflagging because "reflagging... would be extremely detrimental to American processors and their efforts to proceed toward our national goal of full utilization of groundfish resources."

In response to strong urging by fishermen and processors this fall, Murkowski introduced a bill amending the Magnuson Act to clarify the definition of "vessels of the U.S." as vessels built in and documented in the U.S. The law, if passed, would be effective October 1, 1986.



A.D. Chandler, government liaison for NFI, said that at a time when President Reagan is trying to encourage foreign investment in U.S. industries, he will not likely support a move to restrict U.S. investments. Chandler said that Murkowski's bill "would restrict investments in fishing vessels to 51% U.S.-owned companies. It would eliminate foreign ownership even in the parent corporation." That's not exactly veto-proof legislation, he said.

Chandler said that many believe Japanese ownership of the shoreside industry helped keep it alive. "If the industry gets its money for development from Japan, or from National Bank of Alaska, what's the difference? These are the arguments we've been hearing, and there's a lot of skepticism," he said.

#### Make manning laws equitable

One argument maintains that no matter who owns the majority shares of the corporation, if all processing vessels are required to abide by U.S. manning, safety and labor laws—that is, to hire primarily U.S. crews, pay scale wages, and uphold the health and

if the controversy can't be solved by lighter manning requirements, or by requiring a majority U.S. ownership in corporations involved in the industry, is the answer to ban reflagging altogether, and require U.S. vessels to be U.S. built?

#### Just a shipbuilder's issue?

Ralph Anselmi of Tampa Shipyards testified before the NPFMC in September, urging the council toward its resolution to ban reflagging. Anselmi said his company plans to invest more than \$35 million in the next few years in a series of surimi trawlers geared for operation in Alaskan waters. "If reflagging is not banned, and it looks like we will have to compete with (reflagged) vessels of this kind, Tampa Ship probably will not make the investment in the industry," Anselmi said. A council member asked him, "Do you mean to say that if reflagging is not banned, your company will not get into the surimi business at all?" Anselmi answered, "No, we will not under those circumstances."

Some put stock in Anselmi's words because Tampa Shipyards plans to be one of the biggest investors in the U.S. seafood industry to date. Others say Anselmi's testimony is a thinly-veiled campaign for Tampa Ship, a subsidiary of American Shipbuilding Co.

Brad Gilman, fisheries aide for Sen. Ted Stevens (R-Alaska), said Stevens does not endorse U.S.-built requirements for U.S.-flagged vessels. "We're not concerned about whether they're U.S.-built or foreign-built," Gilman said. "That's something the shipyards are concerned about. But our fishermen haven't asked us to look at it from that angle. We're looking at this from a processor's point of view, and from the Alaskan perspective. We're not here to work for the shipbuilding industry, or for anyone in the Lower 48."

are really just paper transactions."

Baker said that reflagging has been legal for a long time. "If it was that cost efficient, people would have done

more of it during the boom of the crab fishery. We looked at reflagging a foreign vessel when we were first getting started, and we found it just wasn't that economical. We didn't want to have nightmares over downtime on foreign equipment. I think if people explore it as an option, they'll find it just isn't that economical."

However, a foreign processor hiring foreign crew can save thousands of dollars a year in wages alone. The *Alaska Fisherman's Journal* reports that yearly labor costs for a U.S. crewman are \$30,000/year; wages for a Korean crewman are about \$1,000/year.

#### Issue requires more input

There are, of course, many other viewpoints that have not been represented here, and many questions that have yet to be asked. How can the industry ensure that future reflagging efforts will bring true benefit to the U.S., as the reflagged German trawler, The Golden Alaska, did?

How can anti-reflagging legislation be written to allow domestic operators to expand their business unobstructed? Are the domestic processors who oppose reflagging simply afraid of competition? Does the seafood industry want to give up its only exemption to the Jones Act?

Three solutions seem to come into focus: 1) ban all reflagging, and require all ships that fly U.S. flags to be built in the U.S.; 2) allow reflagging only by corporations under majority control by U.S. citizens; or 3) allow reflagging but strengthen requirements on manning, labor, and safety laws so everyone plays by the same rules.

**REFLAGGING THE FLEET: continued**

cessing plants are foreign-owned—but that requiring all processors to purchase U.S.-built vessels would put them all, foreign and domestic alike, on equal footing.

**Widespread support for total ban**

The reflagging issue has attracted attention in many arenas in the past several months, including the North Pacific Fishery Management Council (NPFMC), the Alaska Municipal League, the Resource Development Council, the National Fisheries Institute (NFI), a number of fishing and processing organizations, and the Alaskan congressional delegation.

The reflagging controversy appeared publicly at the September NPFMC meeting, where 14 representatives of fishing and processing associations released a letter urging Congress to support legislation that would: 1) prohibit any foreign-built vessel from being documented as a vessel of the U.S.; 2) require that any U.S. documented fishing or processing vessel be majority-owned and controlled by U.S. citizens; and 3) establish September 21, 1986 as the effective date for such regulations.

The letter states: "True Americanization of our fishery resources will be abruptly halted and our hard-earned gains set back severely if this activity (reflagging) is not halted immediately. The American fishing industry will have great difficulty competing with these lower-cost foreign processing vessels rolled over under the U.S. flag. Preventing this paper Americanization of our fisheries now will go a long way toward maintaining the present positive investment climate which is fostering true Americanization of our fisheries..."

In an attached letter to the Congress

Murkowski's bill came too late in the session to be acted upon; it will be re-introduced in the 100th Congress, according to his fisheries aide, Doug Humes.

**Don't restrict U.S. investments**

But will such legislation be perceived by the Reagan administration as protectionist, and therefore be subject to veto? Does a law requiring U.S. processors to buy U.S.-built vessels restrict more than encourage industry development?

"I want to be able to buy a piece of equipment anywhere in the world just like any other industry or any other consumer," said Thorne Tasker, chairman of Alaskan Joint Venture Fisheries, Inc. "If I want to buy a Norwegian vessel, that's not necessarily beneficial to the U.S. shipbuilding industry, but it is beneficial to the U.S. seafood industry." Tasker, who owns four joint venture fishing vessels, said he also is afraid of the paper transfer of control of the industry, but he doesn't want such fears to shut the door on real development opportunities for the U.S. industry. He suggests a partial solution that would place restrictions on vessels actively involved in processing, but would allow processors to build boats in other countries, or convert other vessels to processing ships. "I have the same fears as everyone has, but I'd like for hulls to be available for real U.S. investment," he said.



safety standards required of U.S. corporations—that equitable competition would be guaranteed. If the ships are built to U.S. specifications, and manned by U.S. crews, what's the problem?

Paul Fuhs, mayor of Dutch Harbor and president of the Southwest Alaska Municipal Conference, believes continued reflagging of foreign vessels would give foreign companies the chance to enter domestic fisheries with such an advantage over domestic companies that the foreigners soon would control the industry.

"A few foreign companies are making over \$625 million in annual profits from U.S. cod and pollock resources, and they spend very little in our communities," Fuhs said. "Right now they're looking at decreased access to our resources as domestic activity increases. Reflagging presents them with a perfect opportunity to enter the domestic side of the industry with fully amortized vessels, gain domestic priority allocations, and under current laws they can man their vessels with 40% foreign crew. This does nothing to help Alaska's coastal communities, to employ its residents, or to accelerate Americanization of the industry. It's just another way the foreign interests can maintain control of the U.S. fishery industry, and I feel very strongly that changing ownership requirements or manning laws isn't going to solve the problem."

If the controversy can't be solved by tighter manning requirements, or by requiring a majority U.S. ownership in corporations involved in the industry, is the answer to ban reflagging altogether, and require U.S. vessels to be U.S. built?

Just a shipbuilder's issue?

Ralph Antelmi of Tanna Shipyards

"And we're looking at it from the foreign point of view, as it relates to Alaska. We may hear from the joint ventures that banning reflagging would hurt their markets," he said. Stevens has sponsored an investigation of the issue which will analyze the legal aspects of reflagging, manning, and ownership of reflagged vessels. Gilman said the senator would not take a stand on the issue until the analysis is complete and hearings with the industry have been held.

But some members of the industry have indicated concern for U.S.-built requirements. The letter signed by 14 fishermen and processors at the NPFMC stipulated that no foreign-built ship be documented as a U.S. vessel. Legislation introduced by both Murkowski and U.S. Rep. Don Young (R-Alaska) specifically calls for U.S. vessels to be built in the U.S.

**Stop paper transactions**

One surimi processing ship owner said banning reflagging of foreign-built ships would stem his fears of unfair competition. "I'm not so concerned about the present equipment out there. What worries me is the flow of new boats being built in Korea," said Terry Baker, president of Arctic Alaska Seafoods. "No one argues that if foreign companies are required to play by the same rules we are, it would at least be fair competition. But I think the real concern is that some of the deals that have been contemplated are really just paper transactions."

Baker said that reflagging has been legal for a long time. "If it was that cost efficient, people would have done more of it during the boom of the crab fishery. We looked at reflagging a foreign vessel when we were first getting started, and we found it just wasn't

Dear Editor,

I am writing to clarify the position of the Southwest Alaska Municipal Conference on the issue of reflagging foreign processing vessels into the United States fleet.

The Southwest Alaska Municipal Conference is a coalition of the communities in Kodiak, Bristol Bay, the Alaska Peninsula, the Aleutian chain and the Pribilofs. Our main emphasis is on fisheries development issues. We have been meeting with the Southeast Alaska Conference...and with (Anchorage) Mayor Knowles and his staff to explore areas of cooperation in fisheries development.

With oil revenues declining drastically, Alaskan communities are working to put this state back together again and put the "Bush vs. Anchorage" syndrome behind us. But we have to have something economically real to work with. Potential for expansion of the fisheries industry in Alaska is great, especially with development potential of fisheries in the 200 mile limit.

This is why we are so deeply concerned over the reflagging of foreign vessels into the United States fleet. These foreign vessels have operated near our Southwest communities for many years and contribute little or nothing to our economy. The only time we see them is when a crewman is hurt and they need our services such as ambulance, clinic, etc. They avoid purchasing anything in our communities even when we are competitive in price, because they want to give the business to another subsidiary of their parent corporation.

To have this fleet reflagged into the U.S. fleet at a time when we are finally seeing some actual results of "Americanization" would be devastating. Once they are reflagged, they could also process salmon, crab, shrimp, or anything else any American corporation is allowed to process. This is a direct threat to all coastal Alaskan communities that depend on shore-based fish processing for our economic

base. There would also be no more "fish and chips" negotiations, as these reflagged vessels would have domestic access priority to the fish resource, even over the joint venture operations.

It is no secret that our communities prefer shore-based processing. We have worked hard to provide incentives for fish processors to locate on shore through tax policies, infrastructure development, lowering electric rates, etc. Realistically, we know there will still be some floating processing operations. We are prepared to do our best and then let the chips fall where they may.

At least with the U.S. bottoms we are playing on the same ballfield. There is no way we could compete with reflagged vessels—fully amortized, cheaper construction costs, cheaper capital costs, able to use 25% foreign labor at as low as 45 cents an hour.

Unfortunately, there are those who would put their own short term greed ahead of the future of our Alaskan communities and the Americanization of fisheries within the 200 mile limit. These people, who would be the front groups for the foreign owners of those reflagged vessels, will try to complicate this issue with "ownership" schemes which we know can be easily manipulated; or they may argue that we just need to "fix" U.S. labor laws; or they say it is just a shipyard issue.

All these arguments obscure the fact that if we allow the reflagging of the foreign fleet under U.S. flags, we can kiss away shore based processing in Alaska, and with it our local economies.

I cannot stress enough the importance we attach to this issue. Our perception is that when exposed to the full light of day, it will be clear who stands for Alaska and who stands for continued foreign domination of our fisheries.

Paul Fuhs  
President,  
Southwest Alaska  
Municipal Conference

standards to increase product reliability, product identity, and buyer confidence, thereby assisting efforts to gain a greater share of the world's protein market?

Will the U.S. seafood industry provide adequate leadership and cooperation to marshal industry resources and federal programs to compete effectively?

These and other questions were raised in a U.S. General Accounting Office report to Sen. Ted Stevens (R-AK) entitled, "Seafood Marketing: Opportunities to Improve the U.S. Position," issued in October.

The report targeted some problems, and here are a few:

The U.S. seafood industry generally is more concerned about production than marketing, and is made up of many independent firms with little industry integration or cooperation.

Some competitors—namely foreign industries, and even domestic protein interests such as poultry—far surpass the U.S. seafood industry in their use of marketing techniques and their ability to provide consistent, high-quality products.

The report suggests several ways the federal government could help the industry better market its products. It examined the current roles of the National Marine Fisheries Service (NMFS), U.S. and Foreign Commercial Service (US&FCS), and the Foreign Agricultural Service (FAS). These agencies complement each other in covering most market development areas, and because they are funded by user fees or import tariffs they minimize federal costs.

However, the current programs do not cover all the areas that need attention (e.g., product quality), and they are designed so that the industry will assume most of the responsibility for developing new markets. But the seafood industry itself suffers from little cooperation or organization, and this

"If analyzed closely, one can b strategy: to link up with American assuring penetration into the lucr while also doing an end-run ar Meanwhile, the economy back hc dollars. And the strategy takes st anti-Japan sentiment by creating Americans.

"Com  
Prepared F

S. Res. 21. Resolution to direct the Senate Legal Council 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. KEURY, Mr. BAUCUS, Mr. MATSUNAGA, Mr. LAUTNERBERG, 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 judgment, 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 \$280 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 301 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-

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 re-flagged 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. 8101(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 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, 1957. 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:

#### § 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, 1957, to engage in the processing of fish for commercial use or consumption.

Sec. 2, Section 8101(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 411(a) of the Revised Statutes of the United States (46 App. U.S.C. 241(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 ports 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

(3) 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 STRYZEK, 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 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 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 8 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 8.3 percent is imposed on an "electrosurgical apparatus." All other items in this category carry a 4.6-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.

SJR

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SENATE COMMITTEE REPORT

FURTHER:

3/23/87

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

RESOURCES \_\_\_\_\_

Committee considered \_\_\_\_\_

CSHJR 15(Res)

high seas drift nets.

and recommended:

replace with

or adopt \_\_\_\_\_

CS FOR

CS FOR \_\_\_\_\_

CS HSR 15

)  same title

)  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

*[Handwritten signatures: Madeline, McKellean, Curtis Fungulandis, Paul T. Blawie, James D. ...]*

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*[Handwritten signature]*

Chairman signature and recommendation

Committee Backup Attached



1 (B) species of marine mammals, seabirds, and  
2 marine turtles which breed within, or are other-  
3 wise dependent upon, areas subject to the jurisdic-  
4 tion of the United States, including its territorial  
5 waters and its exclusive economic zone; and

6 (3) "Secretary" means the Secretary of Com-  
7 merce, or the Secretary's designee.

8 MONITORING

9 SEC. 4. (a) Section 201(i) of the Magnuson Fishery  
10 Conservation and Management Act (16 U.S.C. 1821(i)) is  
11 amended—

12 (1) in paragraph (1)(A), by striking "(2)," and  
13 inserting in lieu thereof "(2) and (3),";

14 (2) in paragraph (2)(A), by inserting immediately  
15 after "vessels" the following: ", other than vessels  
16 harvesting anadromous species under the International  
17 Convention for the High Seas Fisheries of the North  
18 Pacific Ocean, and the North Pacific Fisheries Act of  
19 1954 (16 U.S.C. 1021 et seq.),";

20 (3) by inserting immediately after paragraph (2)  
21 the following:

22 "(3) The requirement in paragraph (1) that a United  
23 States observer be placed aboard each foreign fishing vessel  
24 may be waived by the Secretary with respect to foreign fish-  
25 ing vessels harvesting anadromous species under the Interna-  
26 tional Convention for the High Seas Fisheries of the North

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**



1 seabirds, and other living marine resources in the  
2 Pacific Ocean (including the Bering Sea) off the coasts  
3 of the United States;

4 (2) there is a pressing need for detailed and reli-  
5 able information on the number of fish, marine mam-  
6 mals, seabirds, and other living marine creatures that  
7 become entangled and die in actively fished driftnets  
8 and in netting that is lost, abandoned, or discarded;  
9 and

10 (3) increased efforts are necessary to monitor,  
11 assess, and reduce the adverse impacts of driftnets.

#### 12 DEFINITIONS

13 SEC. 3. As used in this Act, unless the context other-  
14 wise requires, the term—

15 (1) “driftnet” or “drift gillnet” means a gillnet  
16 composed of a panel of plastic webbing one and one-  
17 half miles or more in length that is placed in the water  
18 and allowed to drift with winds and currents for the  
19 purpose of entangling fish in the webbing in the course  
20 of commercial fishing operations;

21 (2) “living marine resources of the United States”  
22 includes—

23 (A) anadromous species, as defined in section  
24 3(1) of the Magnuson Fishery Conservation and  
25 Management Act (16 U.S.C. 1802(1)); and

1 (B) species of marine mammals, seabirds, and  
2 marine turtles which breed within, or are other-  
3 wise dependent upon, areas subject to the jurisdic-  
4 tion of the United States, including its territorial  
5 waters and its exclusive economic zone; and

6 (3) "Secretary" means the Secretary of Com-  
7 merce, or the Secretary's designee.

8 MONITORING

9 SEC. 4. (a) Section 201(i) of the Magnuson Fishery  
10 Conservation and Management Act (16 U.S.C. 1821(i)) is  
11 amended—

12 (1) in paragraph (1)(A), by striking "(2)," and  
13 inserting in lieu thereof "(2) and (3),";

14 (2) in paragraph (2)(A), by inserting immediately  
15 after "vessels" the following: ", other than vessels  
16 harvesting anadromous species under the International  
17 Convention for the High Seas Fisheries of the North  
18 Pacific Ocean, and the North Pacific Fisheries Act of  
19 1954 (16 U.S.C. 1021 et seq.),";

20 (3) by inserting immediately after paragraph (2)  
21 the following:

22 "(3) The requirement in paragraph (1) that a United  
23 States observer be placed aboard each foreign fishing vessel  
24 may be waived by the Secretary with respect to foreign fish-  
25 ing vessels harvesting anadromous species under the Interna-  
26 tional Convention for the High Seas Fisheries of the North

1 Pacific Ocean, and the North Pacific Fisheries Act of 1954  
2 (16 U.S.C. 1021 et seq.) if the Secretary stations—

3 “(A) at least two research observers aboard each  
4 fish processing vessel serving such harvesting vessels;  
5 and

6 “(B) a sufficient number of research observers  
7 aboard such harvesting vessels to ensure that an ade-  
8 quate sample is obtained to estimate, with 95 percent  
9 confidence, the number of fish, marine mammals, sea-  
10 birds and other living marine resources harvested or  
11 killed and discarded or lost by such vessels.

12 The costs of providing such research observers shall be  
13 included in the surcharge imposed under section 201(i)(4).”;  
14 and

15 (4) by redesignating paragraphs (3) through (6) as  
16 paragraphs (4) through (7), respectively.

17 (b) Section 204(b)(6) of the Magnuson Fishery Conser-  
18 vation and Management Act (16 U.S.C. 1824(b)(6)) is  
19 amended by adding at the end thereof the following:

20 “(C) The Secretary shall not approve any  
21 permit for a vessel aboard which the facilities for  
22 quartering of any United States observer required  
23 by section 201(i) or for carrying out the functions  
24 of such observer are determined by the Secretary

1 to be so inadequate that the health, safety, or  
2 welfare of such observer cannot be assured.”.

3 (c) The Secretary shall—

4 (1) immediately initiate, through the Secretary of  
5 State, negotiations with each foreign government that  
6 conducts, or authorizes its nationals to conduct, driftnet  
7 fisheries that result in the taking of living marine  
8 resources of the United States in waters off the coasts  
9 of the United States, for the purpose of arranging for  
10 reliable cooperative monitoring and assessment, with  
11 95 percent confidence, of the numbers of fish, marine  
12 mammals, seabirds, and other living marine creatures  
13 killed and retrieved, discarded, or lost by the govern-  
14 ment's driftnet fishing vessels in waters beyond the  
15 jurisdiction of the United States,

16 (2) not issue any permit under section 204(b) of  
17 the Magnuson Fishery Conservation and Management  
18 Act (16 U.S.C. 1824(b)) for fishing, other than to re-  
19 ceive at sea or transport United States harvested fish  
20 from vessels of the United States, to any vessel of any  
21 foreign government that fails, within one year after the  
22 date of enactment of this Act, to enter into an arrange-  
23 ment under paragraph (1) that is determined to be ade-  
24 quate by the Secretary after consultation with the Sec-  
25 retary of State, except that the Secretary may deny

1 any such permit to receive at sea or transport United  
2 States harvested fish for any vessel of any foreign gov-  
3 ernment that fails, within two years after the date of  
4 enactment of this Act, to enter into such an arrange-  
5 ment; and

6 (3) provide to the Congress by not later than one  
7 year after the date of enactment of this Act a full  
8 report on the results of the Secretary's efforts under  
9 this section.

10 IMPACT REPORT

11 SEC. 5. The Secretary shall provide to the Congress,  
12 within one year after the date of enactment of this Act, and  
13 every twelve months thereafter, a report identifying the  
14 nature, extent, and impact upon living marine resources of all  
15 driftnet fisheries in waters off the coasts of the United States,  
16 both within and beyond the exclusive economic zone of the  
17 United States (as defined in section 3(6) of the Magnuson  
18 Fishery Conservation and Management Act (16 U.S.C.  
19 1802(6)). The report shall include the best available informa-  
20 tion on the number and flag state of vessels involved, the  
21 areas fished, the length, width, and mesh size of driftnets  
22 used, the target species, and the number of fish, marine mam-  
23 mals, seabirds, and other living marine creatures killed by  
24 such fishery, as well as any other information the Secretary  
25 considers appropriate. The Secretary, through the Secretary  
26 of State, shall request such information for inclusion in such

1 report from the relevant foreign governments and shall in-  
2 clude in such report an evaluation of the adequacy and reli-  
3 ability of the data and estimates received from such govern-  
4 ments or other sources.

5 **ENFORCEMENT AND FOREIGN FISHING PERMIT FEES**

6 **SEC. 6.** Section 204(b)(10) of the Magnuson Fishery  
7 Conservation and Management Act (16 U.S.C. 1824(b)(10))  
8 is amended by adding at the end thereof the following:

9           “(G) The Secretary shall include in the de-  
10 termination of the total costs of carrying out the  
11 provisions of this Act the costs of an effective en-  
12 forcement program for the exercise of exclusive  
13 management authority and, in particular, to  
14 ensure the conservation and management of all  
15 anadromous species throughout their migratory  
16 range, consistent with section 101 of this Act.  
17 The Secretary shall consult at least annually with  
18 the Secretary of the department in which the  
19 Coast Guard is operating to determine the costs  
20 of an optimally effective enforcement program so  
21 that it can be reflected in and fully recovered  
22 through the schedule of fees established pursuant  
23 to subparagraph (A).”.

24 **NET BOUNTY SYSTEM**

25 **SEC. 7.** The Secretary shall promulgate regulations to  
26 implement a net bounty system to pay persons who retrieve

1 from the marine waters of the United States and deposit with  
2 the Secretary, or the Secretary's designee, lost, abandoned,  
3 or discarded driftnet or other plastic fishing net material. The  
4 Secretary shall make such payments for this purpose as the  
5 Secretary determines to be appropriate from the Fishing  
6 Vessel and Gear Damage Compensation Fund established  
7 under section 10 of the Fishermen's Protective Act of 1967  
8 (22 U.S.C. 1980) to the extent and in such amounts as are  
9 provided in advance in appropriation Acts.

10 NET MARKING, REGISTRY, AND IDENTIFICATION SYSTEM

11 SEC. 8. (a) The Secretary shall, in consultation with  
12 officials of other Federal agencies and such other persons as  
13 may be appropriate, evaluate the feasibility of and develop  
14 recommendations for: (1) the establishment of a driftnet  
15 marking, registry, and identification system to provide a reli-  
16 able mechanism for the determination of the origin by vessel,  
17 if possible, of lost, discarded, or abandoned driftnets and frag-  
18 ments of driftnets; (2) the establishment of a cooperative  
19 driftnet fishing vessel tracking system making use of tran-  
20 sponders aboard such vessels and satellites or other equip-  
21 ment and techniques to facilitate cooperative efforts to moni-  
22 tor the location of driftnet fishing vessels; and (3) the use of  
23 biodegradable or other materials in a portion or all of the  
24 driftnet that would accelerate the decomposition of driftnets  
25 left to float at sea and thereby reduce the hazards such drift-  
26 nets pose to living marine resources.

1 (b) The Secretary shall provide to the Congress, not  
2 later than six months after the date of enactment of this Act,  
3 a report setting forth—

4 (1) the evaluations and recommendations devel-  
5 oped under subsection (a) of this section;

6 (2) the most effective and appropriate means of  
7 implementing such recommendations;

8 (3) the need, if any, for further research and de-  
9 velopment efforts and the estimated cost and time re-  
10 quired for completion of such efforts; and

11 (4) the need, if any, for legislation to provide au-  
12 thority to carry out such recommendations.

13 SEABIRD PROTECTION ZONE

14 SEC. 9. (a) There is established a seabird protection  
15 zone surrounding the Aleutian Islands off Alaska within  
16 which no driftnet fishing is permitted. The inner boundary of  
17 the zone is a line coterminous with the low water line on the  
18 shore of each of the Aleutian Islands and the outer boundary  
19 of the zone is a line drawn in such a manner that each point  
20 on the line is no less than sixty miles from the inner boundary  
21 line, except to the extent that such outer boundary would  
22 extend beyond waters or territory subject to the jurisdiction  
23 of the United States.

24 (b) The Secretary, in cooperation with the Secretary of  
25 the department in which the Coast Guard is operating, shall  
26 enforce the prohibition against driftnet fishing in the seabird

1 protection zone established under subsection (a) of this sec-  
2 tion. Any such driftnet fishing within the zone shall consti-  
3 tute, be treated as, and be deemed to be a prohibited act  
4 under section 307 (16 U.S.C. 1857) and subject to sections  
5 307 through 311 of the Magnuson Fishery conservation and  
6 Management Act (16 U.S.C. 1857-1861) relating to enforce-  
7 ment and penalties for such prohibited acts.

8 (c) The Secretary, after consultation with the Secretar-  
9 ies of State and the Interior, may modify by regulation the  
10 inner and outer boundaries of the seabird protection zone es-  
11 tablished under subsection (a) of this section if the Secretary  
12 determines, after notice and an opportunity for comment, that  
13 such modification will provide an equal or greater degree of  
14 protection for seabirds. The Secretary shall not modify the  
15 outer boundary of the seabird protection zone to extend  
16 beyond waters or territories subject to the jurisdiction of the  
17 United States.

18 CONSTRUCTION WITH OTHER LAWS

19 SEC. 10. Nothing in this Act shall serve to be construed  
20 to expand or diminish the sovereign rights of the United  
21 States, as stated by Proclamation Numbered 5030, dated  
22 March 10, 1983, and reflected in existing law on the date of  
23 enactment of this Act.



# Alaska State Legislature

## Senate Resources Committee



Sen. John B. (Jack) Coqhll, Chairman  
Sen. Paul Fischer, Vice-Chairman  
Sen. Lloyd Jones  
Sen. Arliss Sturgulewski  
Sen. Jim Duncan  
Sen. Fred Zharoff  
Sen. Dick Ellason

Box V  
Juneau, Alaska 99811  
(907) 465-4907

TO: SENATE RESOURCES COMMITTEE  
FROM: COMMITTEE STAFF  
DATE: APRIL 20, 1987  
RE: HJR 15, "Relating to high seas drift nets"

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### CONTENTS

1. SPONSOR'S STATEMENT
2. FISCAL NOTE
3. MEMO FROM STATE HOUSE COMMITTEE ON FISHERIES
4. MEMO FROM STATE HOUSE COMMITTEE ON FISHERIES
5. BERING SEA FISHERMAN ARTICLE
6. COPY OF S. 62, BY SENATOR STEVENS

# STATE OF ALASKA



LYMAN F. HOFFMAN  
REPRESENTATIVE

P. O. BOX V  
JUNEAU, ALASKA 99811  
(907) 465-4530, 465-4453

## HOUSE OF REPRESENTATIVES


### DISTRICT 25

AKJACHAK  
AKIAK  
ATMAUTLUAK  
BETHEL  
CHEFORNAK  
EEK  
GOODNEWS BAY  
KASIGLUK  
KJPNUK  
KONGIGANAK  
KWETHLUK  
KWIGILLINGOK  
MEKORYUK  
NAPAKIAK  
NAPASKIAK  
NEWTOK  
NIGHTMUTE  
NUNAPITCHUK  
OSCARVILLE  
PLATINUM  
QUINHAGAK  
TOKSOOK BAY  
TUNTUTLIAK  
TUNUNAK

### MEMORANDUM

April 8, 1987

TO: Senator Jack Coghill

FROM: Representative Lyman Hoffman 

SUBJECT: Hearings in Washington D.C. pertaining to Senator Stevens' Senate Bill 62.

I recently learned from Senator Steven's Office in Washington, that on April 30, there are to be hearings on S.62 which was introduced by Senator Stevens. I contacted you about this legislation earlier, and would be glad to provide you with any back-up information.

My reason for contacting you again is to request that you schedule HJR 15 in Senate Resources as soon as possible. HJR 15 is a resolution supporting the passage of Stevens' Bill S. 62. The Resolution was cosponsored by nine representatives from both the majority and minority, was passed by a unanimous vote of the House, and received three "do pass" in Senate Labor and Commerce. I don't expect that you will see any opposition to the resolution.

It would be very helpful if HJR 15 could be passed in the State Senate in time for the hearings in D.C. I feel that it would be a meaningful show of support and "vote of confidence" for Senator Stevens.

Please contact me if you wish to discuss this at all, thank you.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

Bill Version : HJR 15  
Publish Date : \_\_\_\_\_

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_

Title: Relating to High Seas Drift Nets

Agency Affected: None

BRU: \_\_\_\_\_

Sponsor: Hoffman

Requestor: House Resources

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 -
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REVENUE	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
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**FUNDING: (Thousands of Dollars)**

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)**

No agencies of the State of Alaska are impacted by this resolution

Prepared by: House Resources Committee

Phone: 465-4942

Division: \_\_\_\_\_

Date: 2/27/87

Approved by Commissioner: Adelheid Herrmann

Date: 2-27-87

Agency: \_\_\_\_\_

**Distribution (by preparer):**

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



Official Business

# Alaska State Legislature

House of Representatives

Pou  
Juneau, Alas.

Special Committee on Fisheries

February 11, 1987

TO: Representative Hoffffman

FROM: Lee Goodman

SUBJECT: Update on the Japanese Drift-net situation.

A lot has happened since the INPFC agreement last April. While that agreement was much less than the Alaskan interests had hoped, it has had several positive effects. Among these, while the treaty only moved the line of the land-based fleet one degree west, it did result in Coast Guard patrolling of that line. Consequently the opportunity for foreign vessels fishing well east of the agreed upon line is less. There are also improved attempts to provide more comprehensive observer coverage of the mother ship fishery. As you know, there is now only observer coverage on vessels that fish within our EEZ. Even with this minimal coverage, the U.S. suspects that with one observer and two delivery stations per boat, various methods are used for misrepresenting the catch. NMFS suspects that there was cheating on the sockeye catch.

The most promising and exciting activity has been in Congress. Senator Stevens filed a bill last year that would have imposed strict observer requirements on high seas driftnet vessels in waters outside the EEZ (Attached is a short article I wrote on this bill). The bill also provides a sea-bird protection zone around the Aleutian Islands, and a reward (bounty) to be paid for the retrieval of lost nets. The bill did not pass last session in Congress, but it has been reintroduced by Stevens and Young, and we are optimistic about its chances for passing.

Another opportunity for curtailing the driftnet catch lies with an administrative law judge in Seattle. In catching salmon within our waters, the Japanese necessarily take an incidental harvest of marine mammals. NOAA has to give a permit for this harvest of marine mammals. If it can be shown that the mammals harvested in the driftnets are not at their optimum population, the Judge may recommend that the NOAA administrator refuse to award the permit. The marine mammal species in question here are the fur seal, the sealion, and the dahl's porpoise.

After the Judge's decision, there will follow a period during which the public may either refute or support his recommendation. It is unclear if the Administrator can give a permit for one or two of the marine mammal species

if it can be shown that one of the species is below optimum population. Apparently we may expect a decision from the judge sometime in early March.

It should be remembered that this permit only applies to fishing within the EEZ. The Japanese are already committed to a three year phase out of fishing in the doughnut (international waters) of the Bering Sea. Apparently the Japanese have threatened to reverse this phase out if they do not get the permit to fish in domestic waters, but this threat does not seem very solid.



Official Business

# Alaska State Legislature

## House of Representatives

### Special Committee on Fisheries

Pouch V  
Juneau, Alaska 99811

Phone:  
(907) 465-4924

#### FOREIGN SQUID AND BILL-FISH DRIFTNET FISHERIES

The impact of Japanese drift nets in the directed salmon fishery has been brought to the attention of legislators and the general public. The potential impact of high seas driftnets that ostensibly target on other fisheries has received less attention, but is of equal or potentially greater detriment.

In addition to the directed salmon fishery, Japan has a 600 vessel fleet that targets on bill-fish such as marlin and swordfish. Japan, Taiwan and Korea all conduct driftnet fisheries for squid. According to a report by Robert Eisnebud of the U.S. Senate Committee on Commerce, Science and Transportation, "There are approximately 1,693 pelagic driftnet vessels fishing in the North Pacific setting at least 20,503 miles of net each day during the fishing seasons for a total of at least 1,065,510 miles each year." The mesh size for these squid nets (about 3.7 inches) is exactly the size that would be used for targeting the immature salmon of the high seas.

This summer the National Marine Fisheries Service impounded 230 tons of juvenile salmon in a Tacoma warehouse. At first it seemed that this Taiwanese salmon had stopped in the U.S. just for "laundering," so it could be transported to Japan in violation of Japanese restrictions. A closer investigation however indicates that the salmon may have been caught in U.S. fishing areas by Taiwanese vessels. First, the Taiwanese don't have a salmon fleet, also the Taiwanese squid fleet was not observed fishing in their usual area this summer, and finally scale analysis seems to indicate that the salmon come from waters of the North Pacific near North America.

In addition to the damage to our fisheries resources, these nets are extremely destructive to marine mammals and sea bird populations.

It is increasingly apparent that we need some way to police the foreign fisheries that have the potential of impacting our domestic fisheries. The State Department should have taken responsibility for resolving this problem, but has failed to do so. The driftnet bill sponsored by Senator Stevens is a Congressional means of mandating the adequate monitoring of these fisheries.

# Fishermen Praise Stevens Driftnet Bill

A bill introduced in the U.S. Senate by Ted Stevens would make it possible to assess the damage done to our fisheries and other marine resources by foreign high seas driftnet vessels: In introducing Senate bill 2611, Stevens called these foreign driftnets, "A devastating curtain of death for all living marine resources."

Demming Cowles, lobbyist for United Fishermen of Alaska said of Stevens' Bill, "It is the first positive step taken in Congress since the debacle of the [INPFC] agreement with the Japanese. It is the first effort to rectify what [the U.S. State Department] was unwilling to do."

The foreign driftnet fisheries have recently attracted attention for the number of sea birds, marine mammals and 'non-target' fish they entrap. In addition, "The Japanese mothership and land based salmon fleets also harvest 8 million salmon of North American origin each year" Stevens said.

About 640 miles of these gillnets are lost each year, and left to drift around the ocean indiscriminately catching fish, birds and marine mammals. A report by Robert Eisenbud (Counsel for Oceans Policy to the Committee on Commerce, Science and Technology) states that "over 50,000 northern fur seals also become entangled and die each year in lost and discarded nets and debris," and that this mortality "suspected as the chief cause of the continuing decline of the fur seal population."

Senate Bill 2611 would require that U.S. observers be on all foreign fishing vessels in U.S. waters, and on Japanese salmon vessels fishing in accordance with the INPFC agreement. Foreign vessels which are considered unsafe for carrying an observer would be denied fishing permits. Observers would document the number of mammals, birds, and nontarget species taken by the driftnets.

For vessels fishing outside U.S. jurisdiction, the bill includes a provision to encourage cooperation with the observer program. "The bill states that no permits to fish within U.S. waters will be given to a vessel of any government that has not entered into such an agreement," says Mary Munson of the Committee on Commerce, Science and Technology. "It forces them to come up with monitoring even though they are outside 200 miles" Munson said, "If they won't cooperate in international waters, they can't fish in our waters."

The Bill also requires the Department of Commerce to report on the impact of the high seas driftnet fisheries, and to supply the Congress with recommendations for solutions. The bill includes a provision that a study will be made into the practicality of making biodegradable gillnets. If the nets were biodegradable, once lost they would eventually break apart.

Lost nets, referred to as 'ghost nets' continue to fish effectively and are considered to be an un-

controlled and severe hazard to marine mammals, fish and sea birds. "Examination of one such abandoned salmon driftnet revealed ninety nine dead seabirds and more than 200 salmon entangled in just a portion of the net" according to Eisenbud's report. Stevens' Bill requires that a bounty system be established to pay vessel operators who retrieve these ghost nets.

To reduce the tremendous number of seabirds that are caught by high seas driftnets, the Bill establishes a "Seabird Protection Zone." High seas driftnets, will be prohibited around

the Aleutian Islands from the shore out to a distance of sixty miles.

Fishermen's groups and environmental groups are praising Senate Bill 2611 as a major step towards assessing and reducing the damage caused by high seas driftnets. "The net bounty system and the sea bird protection zone will immediately reduce much of the damage these nets are doing. The observer program will provide the information to prove what horrible damage the nets are capable of. Stevens is to be congratulated heartily" Cowles said.

*From the Bering Sea Fisherman  
August, 1986*

*S. 2611 refiled as  
S. 62*

SJR

17

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

R

FURTHER:

\*\*FISCAL NOTE(S) ATTACHED \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

2/19/87

DATE TURNED INTO OFFICE 3/8

Mr. President:

RESOURCES

Committee considered SJR 17

Relating to federally managed conservation units in the state.

and recommended:

replace with CS SJR 17 (Res)  same title  
 new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

OTHER RECOMMENDATIONS

[Signature] no rec.

[Signature] No Rec

[Signature] (No Rec)

\_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[Signature] DO PASS  
Chairman signature and recommendation

Committee Backup Attached

Senator John B. (Jack) Coghill  
Alaska State Legislature



Box V  
Juneau, Alaska 99811  
(907) 465-4797

Box 55028  
North Pole, Alaska 99705  
(907) 488-0862

MEMORANDUM

TO: Senate Resource Committee Members

FROM: Senator Coghill

RE: SJR <sup>17</sup>~~14~~; Relating to federally managed conservation units in  
the state.

DATE: May 4, 1987

-----  
This resolution has been heard as part of the ANWR hearings.

I have three amendments I would like to add to this resolution.

1. Change of title to: Relating to federal conservation system units in Alaska.
2. Add at line 27 after the semicolon "and"
3. Add at line 28: WHEREAS the Congress of the United States recognized in section 101(d) of the Alaska National Interest Lands Conservation Act that the need for future legislation designating new conservation system units, new national conservation units, or new national recreation areas has been obviated by passage of the Alaska National Interest Lands Conservation Act;

The first amendment clarifies the title.

The second is a technical word addition.

The third amendment is substantive and the underlined portion is word for word from sec.101(d) of ANILCA.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

*File*  
Bill Version: SJR 17  
Publish Date: 2-19-87

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Federally Managed Conservation  
Units in the State  
 Sponsor: Coghill, Faiks, Jones  
~~Requester: Fahrenkamp~~  
 Requestor: Resources

Agency Affected: Office of the Governor  
BRU: Office of Management and Budget  
 Components: Governmental Coordination

**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						
<b>TOTAL OPERATING</b>		0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		0	0	0	0	0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS : (Attach a separate page if necessary)**

Prepared by: Michael M. Nizich, Director *M. Nizich*  
 Division: Administrative Services

Phone: 465-3616  
 Date: 2-27-87

Approved by Commissioner: Carol P. Kastelic *CPK*  
 Agency: Office of the Governor

Date: 2-27-87

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

BE IT RESOLVED BY THE ALASKA STATE LEGISLATURE THAT THE CONGRESS AND THE PRESIDENT NOT DESIGNATE FURTHER ACREAGE IN THE STATE OF ALASKA WITH WILDERNESS STATUS AND NOT ADD FURTHER ACREAGE TO FEDERAL CONSERVATION SYSTEM UNITS, EXCLUDING ADDITIONS RESULTING FROM LAND EXCHANGES AUTHORIZED UNDER SECTION 1302 OF THE ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT, IN THE STATE OF ALASKA UNTIL EXTENSIVE MINERAL, FOREST, AND WILDLIFE RESOURCE ASSESSMENTS HAVE BEEN CONDUCTED WITH FULL PUBLIC PARTICIPATION FOR THE GOOD OF THE NATION AND THE PEOPLE OF ALASKA FOR GENERATIONS TO COME.

# SENATE AMENDMENT

BY: Resources Committee

TO: \_\_\_\_\_ SENATE BILL NO. SJR 17

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

ADD to line 6, page 1, before "units" : system

ADD beginning at the end of line 27, page 1: ; and

WHEREAS the Congress of the United States recognized in section 101(d) of the Alaska National Interest Lands Conservation Act that the need for future legislation designating new conservation system units, new national conservation units, or new national recreation areas has been obviated by passage of the Alaska National Interest Lands Conservation Act;

DELETE in line 1, page 2, "the conservation system" INSERT: federal conservation system units, excluding additions resulting from land exchanges authorized under section 1302 of the Alaska National Interest Lands Conservation Act,

(TURN IN ORIGINAL AMENDMENT TO SENATE SECRETARY'S OFFICE.  
THE AMENDMENT WILL BE NUMBERED, COPIED AND DISTRIBUTED.)

SJR

34



STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST: \_\_\_\_\_

Bill Version: SJR 34  
Publish Date: 3/27/87

Revision Date: 3/27/87  
Title: Relating to the interception of Alaska salmon on high seas  
Sponsor: Binkley, Jones, et.al.  
Requestor: Senate Resources

Agency Affected: ADF&G  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL	-0-					
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REVENUE	-0-					
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-0-					
PART-TIME	-0-					
TEMPORARY	-0-					

ANALYSIS : (Attach a separate page if necessary)

\_\_\_\_\_

Prepared by: Poland Shanks  
Division: Commissioner's Office

Phone: 465-4100  
Date: 4/8/87

Approved by Commissioner: Quill Callanworth  
Agency: Fish and Game

Date: 4.8.87

Distribution (by preparer):

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

# STATE OF ALASKA

## DEPARTMENT OF FISH AND GAME

### OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

P.O. BOX 3-2000  
JUNEAU, ALASKA 99802-2000  
PHONE: (907) 465-4100

March 20, 1987

The Honorable John D. Negroponte  
Assistant Secretary  
Oceans and International Environmental  
and Scientific Affairs  
Department of State  
Washington, DC 20520

Dear Ambassador Negroponte:

Harold Sparck has indicated that he had a chance to discuss the Japanese high seas salmon fishery and your forthcoming trip to Japan. Harold requested that I follow up with you regarding the status of Western Alaska chinook stocks and the economic and biological implications of high seas interceptions of these fish.

Enclosed is a department paper outlining western Alaska chinook stock status. I apologize for its length, but it is mostly for background to use as you see fit. I will summarize the findings and their implications for the 1987 season.

Conservation problems exist for two of the major stock components in this area--the Yukon and Kuskokwim. These are not short-term problems, as escapements in both rivers have been depressed for four or five years. In the case of the Kuskokwim, this problem is so severe that it will preclude a directed commercial fishery and may require some restrictions in the subsistence fishery. Protection of chinook will also probably mean a reduction in the number of chums and reds which can be taken commercially as well, since the timing of these stocks overlap. Total losses to the Kuskokwim fishery from these restrictions may be as much as \$1 million in a fishery that only averages about \$3 million ex-vessel value per year.

The Yukon and Kuskokwim region is one of the most economically depressed in the United States. Fisheries are the single most important source of cash income in this area as well as an important food source to the subsistence economy of most villages. Despite its importance to the area, the average commercial fisherman makes less than \$7,000.00 per

year for his efforts. Obviously, interception of salmon on the high seas has a very significant economic impact to the Indian and Eskimo residents of this region.

Estimates of interception of western Alaska chinook salmon average about 100,000 fish per year for recent years prior to the latest INPFC renegotiations. An additional loss is incurred by fish which drop out of the nets uncounted which is only partially offset by the fact that some of these fish would have died from natural mortality before returning inshore. The net result was probably an average loss of 160,000 western Alaska chinook salmon per year. The renegotiation will result in a zero interception in the Central Bering Sea, but it takes eight years to totally close this area. It does not substantially reduce interceptions in our EEZ, but hopefully the U.S.S.R. quota of 50,000 chinook salmon will be more closely adhered to since their catches are being better monitored by our negotiated increase in observer coverage. Overall, the renegotiation should reduce known interceptions by about one-half over time.

To make a long story short, it would be desirable from a conservation and economic standpoint to reduce their interceptions of western Alaska chinook as far as possible as soon as possible. Adherence to the U.S.S.R. quota level in our zone will help, but we would also like to ensure that we get more help, faster in the central Bering Sea (donut) area than currently envisioned under the treaty eight year phase out. The Soviets also have a 20,000 fish chinook quota in the donut area. We would like to have a better feeling for how tightly the Soviets will try to make the Japanese adhere to this figure, but beyond that we would like some assurances the actual catch is monitored. The Soviets do have observers on Japanese motherships in this area but not on catcher boats. There is no way to determine if catcher boat operators are discarding chinook to avoid the ceiling without this coverage.

For the last several years, the U.S. has had an industry agreement with Japan that allowed us to leave our catcher-boat observers onboard when their boats went to the donut from our zone. Japan has now indicated that this agreement ended with the 1986 season and they refuse to renew it. This is unacceptable to us since it will leave us with no ability to monitor catch levels in the donut area. We may have large increases in retained or non-retained catch during this period of phaseout with a very negative impact on our ability to rebuild these stocks.

Even with better catch monitoring and assuming the Soviets force Japan's compliance with their quotas, the net impact of Japanese interceptions (known catch and dropout) could

March 20, 1987

total 80,000 western Alaska chinook in 1987. The alternative of an unmonitored central Bering Sea fishery is potentially much worse. We have no way to apportion these catches by river system, but the Yukon and Kuskokwim account for the majority of the western Alaska runs, so we would assume a substantial portion of these fish would be bound for these rivers.

In summary, our conservation problems on Kuskokwim and Upper Yukon chinook stocks are worse than was known during the recent negotiations. We believe this warrants additional action on the part of the Japanese. The actions which we think need to be taken are:

1. Maintenance of prior levels of U.S. catcherboat observer coverage in the central Bering Sea (donut) area.
2. Assurance by Japan that their mothership fishery catches of chinook salmon in the central Bering Sea and our EEZ during the period of phaseout under the current agreement will not exceed those of recent years which have generally been less than the Soviet quotas for these areas.
3. Reduction in these catch levels in at least the short term in each area to take into account the severity of the current conservation problem.

Thank you for your assistance. Please feel free to contact me for any further information you may need. We would be pleased to meet with you and Japanese government or industry representatives to explain these issues if required.

Sincerely,



Steven Pennoyer  
Deputy Commissioner

Enclosure

cc: Senator John Binkley  
John Katz  
Rod Swope

Senator: John B. (Jack) Coghill  
Alaska State Legislature

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Juneau, Alaska 99811  
(907) 465-4797

Box 55028  
North Pole, Alaska 99705  
(907) 488-0862



TO: SENATE RESOURCES COMMITTEE  
FROM: COMMITTEE STAFF  
DATE: APRIL 10, 1987  
RE: SJR 34, "RELATING TO THE INTERCEPTION OF ALASKA SALMON  
ON THE HIGH SEAS"

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CONTENTS

1. FISCAL NOTE
2. LETTER FROM FISH AND GAME TO AMBASSADOR NEGROPONTE
3. LETTER FROM GOVERNOR SHEFFIELD TO SECRETARY OF STATE  
GEORGE SHULTZ

# Senator John Binkley

Alaska State Senate  
P.O. Box V • Juneau, Alaska 99811 • (907) 465-4985



Finance Committee  
Co-Chairman

## M E M O R A N D U M

April 7 ~~APR~~ 10 1987

TO: SENATOR JACK COGHILL, CHAIRMAN  
Senate Resources Committee

FROM: SENATOR JOHN BINKLEY *John Binkley*

SUBJ: SJR34, relating to the high seas interception of  
Alaska salmon

I am extremely concerned over recent developments regarding the status of certain western and interior Alaska salmon stocks and actions taken by the Japanese with respect to onboard observers on their high seas salmon fleets. The recently negotiated U.S./Japan high seas salmon agreements are completely unsatisfactory in providing adequate protection for certain severely depleted western and interior Alaska salmon stocks. Furthermore, I believe that the recent position taken by the Japanese by refusing to allow United States observers on Japanese catcher vessels operating in international waters off the coast of Alaska makes folly of the recent salmon renegotiations between our two countries.

For the past several years, United States observers have been allowed on Japanese catcher vessels operating in international waters off the coast of Alaska to monitor compliance with international salmon harvest agreements. Without independent onboard observers there is little incentive for the Japanese high seas fleets to respect the negotiated chinook salmon quotas.

Some western and interior Alaska salmon stocks are so severely depressed that extraordinary conservation measures are required again this year. The proposed restrictions include the reduction and elimination of certain directed salmon fisheries, as well as additional subsistence restrictions. Conservation problems for the Kuskokwim and upper Yukon chinook stocks appear to be long-term, as escapements in these river systems have been far below Alaska Department of Fish and Game (ADF&G) objectives for the past four to five years.

Senator Jack Coghill  
April 7, 1987  
Page 2

The Yukon and Kuskokwim region in western Alaska is one of the most economically disadvantaged in the United States. Commercial fisheries represent the single most important source of cash income, yet produce an average of less than \$7,000 per fisherman per year. The ADF&G estimates that total losses from the proposed conservation restrictions on the Kuskokwim fishery may total \$1 million this year from a fishery in which the total amount paid to the fishermen averages \$3 million per year.

In a March 20, 1987 letter to Ambassador Negroponte, the ADF&G states that conservation problems for Kuskokwim and upper Yukon chinook stocks are worse than were known during the recent renegotiations. The ADF&G believes this warrants additional action on the part of the Japanese.

One mechanism to generate leverage for Japanese concessions on the interception problem is through the issuance of the marine mammal permit. I recommend that we appeal to National Oceanic and Atmospheric Administration Administrator Calio through Senate Joint Resolution 34 to not issue the permit until the Japanese have agreed to allow United States observers on their vessels in international waters. Moreover, I further recommend that we request Administrator Calio impose, at a minimum, the restrictions recommended by Administrative Law Judge Dolan on the number of certain marine mammals that can be taken by the Japanese fleets incidental to their salmon harvest.

I am optimistic that a reduction in the marine mammal take by the Japanese high seas salmon fleets will result in a reduced harvest of Alaska salmon.

We are experiencing a conservation crisis with respect to this important American resource. Our local fishermen are being shut down so that the Japanese can catch our salmon in our waters. This situation is unacceptable to me and to the thousands of western Alaskan fishermen who depend on salmon for income and food.

Thank you for your consideration and support of this most important resolution.

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 14, 1986

The Honorable George P. Shultz  
Secretary of State  
U.S. Department of State  
Washington, DC 20520

Dear Mr. Secretary:

The recently concluded agreement between negotiators regarding U.S./Japan high seas salmon relationships falls far short of our ultimate goal of eliminating significant interceptions of North American salmon and steelhead by the high seas fleets of Japan. By our calculation, the agreement in its present form will provide no more than a 20 to 30 percent reduction in the interceptions currently being made by these fleets over an eight year period.

The agreement does not reduce interceptions in the U.S. Exclusive Economic Zone. It does not move the land-based fishery ten degrees farther west as required to eliminate significant interceptions, nor does it remove the Japanese from the central Bering Sea as quickly as we desired.

I am extremely disappointed that you were unable to achieve greater reductions in Japan's time and area of fishing, particularly in the land-based fishery. Although an improvement over the current situation, the agreement is not an acceptable end to the interception problem. We must continue to seek further movement in reducing interceptions.

While the phase-out of Japanese fishing in the central Bering Sea has long been an objective of ours, I believe that the primary value of this agreement is the improved enforcement, research, and catch monitoring programs jointly agreed to by the two countries. These aspects of the agreement serve as the basis for future evaluation of what further measures will be required to eliminate significant interceptions.

The agreement contains the appropriate language regarding research and monitoring, but the governments of both countries

Secretary Schultz

-2-

March 14, 1986

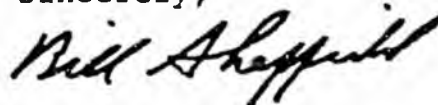
must commit resources to ensure that this program goes forward. Since the U.S. State Department has committed to this process in lieu of immediate regulatory relief from interception, I believe that it is the obligation of the State Department to help secure the funding to support this agreement.

The National Marine Fisheries Service, Fisheries Research Institute at the University of Washington, and the Alaska Department of Fish and Game are cooperating in drafting proposals for research and monitoring, including the presence of U.S. observers on Japanese research and enforcement vessels. These proposals will be provided to Ambassador Ed Wolfe for his information.

I respectfully request that you strongly support Administration funding of these proposals. I also request that you support funding of the presence of a U.S. Coast Guard cutter in the eastern part of the land-based fishery during the entire season that this fishery is open. I believe only by this type of cooperative research, monitoring, and enforcement presence can we ensure that the government of Japan will reciprocate and that any long-range benefits of this agreement can be realized.

Thank you for your consideration of my views.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield  
Governor

SJR

44

# Alaska State Legislature

## Senate Resources Committee



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

Box V  
Juneau, Alaska 99811  
(907) 465-4907

### MEMORANDUM

TO: Senate Resource Committee Members

FROM: Senate Resource Committee Staff *ERG*

RE: SJR 44; Relating to water quality standards of the State of Alaska under the Clean Water Act.

DATE: May 7, 1987

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The whereas clauses of this resolution are identical to SCR 29. The resolve however directs our congressional delegation in Congress to seek general actions that would assist the state in solving the current water quality standard dilemma.

State believes this resolution is consistent with the Governors directive to his commissioners regarding placer mining and with SCR 29.

This resolution has no fiscal impact.

SJR

51