

**TESTIMONY OF
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U.S. DEPARTMENT OF COMMERCE**

**ON
RENEGOTIATING THE SOUTH PACIFIC TUNA TREATY: CLOSING LOOPHOLES
AND PROTECTING U.S. INTERESTS
BEFORE THE
HOUSE FOREIGN AFFAIRS SUBCOMMITTEE
ON ASIA, THE PACIFIC AND THE GLOBAL ENVIRONMENT
U.S. HOUSE OF REPRESENTATIVES**

SEPTEMBER 22, 2010

Thank you for inviting the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) to provide testimony at this important hearing on U.S. Interests and the South Pacific Tuna Treaty (Treaty). My name is Russell Smith, and I am the Deputy Assistant Secretary for International Fisheries for NOAA. Although the Department of State has the lead, NOAA shares the responsibility for implementing the Treaty. I appreciate the opportunity to discuss NOAA's interests and roles regarding the Treaty and the changing nature of this fishery.

BACKGROUND

When the Treaty entered into force in 1988, about 50 U.S. purse seine fishing vessels were fishing in approximately 10 million square miles of the area covered by the Treaty. After the Treaty's implementation, the total number of licenses available to U.S. vessels under the Treaty was set at 55. After the Treaty's third (10 year) extension in 2002, the number of available licenses was reduced to 40, with an additional five licenses reserved for joint venture arrangements. The number of licensed U.S. vessels operating in the Treaty Area reached a high of 49 in 1994, and generally declined over the next decade. No joint venture license has ever been issued. Several factors contributed to the decline in the number of vessels operating under the Treaty, including the declining real price of raw product for canning of yellowfin and skipjack tuna, and the significant increases in the real cost of fuel and insurance. Each of these factors affected the profitability of purse seine fishing and by 2007, only 11 vessels were licensed under the Treaty. However, following the addition of new Taiwanese-built purse seiners to the U.S. fleet and the passage of legislation to allow internationally licensed officers to be employed aboard these vessels in the Treaty Area, the size of the U.S. distant water fleet began to rebound, coupled with a shift away from American Samoa-based operations. By the end of 2008, the fleet returned to 38 vessels, equaling the number of participants in the early 1990s. Currently, there are 36 U.S. purse seine vessels licensed under the Treaty.

Preliminary figures for 2009 show that in the Western and Central Pacific Ocean (WCPO) approximately 250 large purse seine vessels from several nations landed a record 1.9 million

metric tons of tuna; predominantly skipjack, with lesser amounts of yellowfin and bigeye tuna. The U.S. purse seine fleet is one of the four major fleets in the region, with Japan, Korea and Taiwan. Other large purse seine vessels come from China, Spain, New Zealand and several Pacific Island countries. Of this total amount in 2009, the U.S. purse seine fleet landed about 260,000 metric tons, or roughly 14 percent of the WCPO purse seine total. The ex-vessel value – the price the fishermen receive - of the entire WCPO purse seine fishery’s catch, virtually all of which is destined for canneries in several countries (e.g., American Samoa, Thailand, the Philippines, Ecuador, etc.), was estimated to be just over \$2 billion [approximately \$1050 per metric ton or \$0.48 per pound], suggesting that the value of the U.S. fleet’s 2009 purse seine catch was in excess of \$300 million. The U.S. purse seine fleet operating under the Treaty is, by far, the greatest revenue-producing U.S. fishing fleet operating outside of U.S. waters. Industry trend data suggests that in 2009, ex-vessel revenues were down approximately 20 percent from those in 2008, which was considered by many in the industry as a good year in terms of profitability. Inter-annual variation in the ex-vessel price of tuna can be as great as 50 percent. This variability, coupled with rising fuel and operating costs, continue to make purse seine fishing in the WCPO a risky enterprise. Growth in the past few years has been accomplished by mitigating this variability and reducing operating costs, where and when possible.

CONSERVATION OF THE FISH STOCKS

Skipjack tuna is the predominant target species in the U.S purse seine fishery in the WCPO, followed by yellowfin tuna. Bigeye tuna, although not an important target species in the purse seine fishery, is caught in quantities equal to the region’s longline fishery. The bigeye bycatch of the purse seine fleets in the region is predominantly made up of juvenile fish due to fishing on fish aggregating devices.

For fishery management purposes, the health of a fish stock is generally characterized by its population or biomass and the ongoing level of fishing relative to the maximum sustainable yield (MSY) of the stock. MSY refers to the largest long-term average catch or yield that can be taken from a stock or stock complex under prevailing environmental conditions and fishery technological characteristics. The status of skipjack tuna in the WCPO is generally considered good: the size of the stock is considered to be greater than the maximum sustainable yield and the exploitation rate (or level of fishing) is below the maximum sustainable yield. There are concerns, however, about the status of yellowfin and bigeye tuna in the WCPO. Yellowfin tuna stock size is slightly greater than the MSY and the exploitation rate of yellowfin tuna in the WCPO is estimated to be close to, but still less than the MSY. The exploitation rate of bigeye tuna in the WCPO is considered to be greater than the MSY, but the bigeye stock has not yet declined below the MSY. These two tuna species are important to the region’s longline fisheries, including the U.S. longline fishery, which produces high-value sashimi-grade tuna. Although the WCPO longline fishery lands substantially less tuna by weight, it rivals the purse seine sector in terms of overall value.

NOAA’S ROLES

NOAA has a number of administrative and operational roles with respect to the Treaty, as well as enforcement responsibilities. NOAA provides technical and fisheries policy support to the

Department of State during the ongoing treaty negotiations. The testimony provided by Mr. William Gibbons-Fly, the Director of the Office of Marine Conservation at the U.S. Department of State will provide details on the status of the ongoing negotiation of an extension to the Treaty as well as describe the relationship between the U.S. and the Parties to the Nauru Agreement regarding the Treaty. NOAA, on behalf of the Secretary of Commerce, is responsible for issuing the domestic regulations needed to carry out the terms of the Treaty and the objectives of the implementing legislation, the South Pacific Tuna Act of 1988 (Tuna Act). These regulations are issued with the concurrence of the Secretary of State, and after consultation with the Secretary of Homeland Security (due to Coast Guard responsibilities). Regulations issued under the Tuna Act are applicable to all U.S. purse seine vessels operating under the Treaty. Regulations include requirements related to vessel licensing under the treaty, reporting on fishing activities, carrying vessel observers, and operating transmitters used as part of the satellite-based vessel monitoring systems. NOAA has recently proposed regulations to establish an allocation system among U.S. purse seine vessels for the 40 general licenses that are available under the Treaty. This action was prompted by the recent increase in the size of the fleet and the increased likelihood that the number of license applications received in a year will exceed the 40 licenses available. The proposed rule was published on June 28, 2010, and NOAA anticipates issuing a final rule in the next few months.

It is important that the U.S. negotiating positions developed for the Treaty are consistent with and support the position being pursued by NOAA in the Western and Central Pacific Fisheries Commission (Commission). The Commission is the regional fishery management authority with overall responsibility for highly migratory fish stocks in the WCPO, including the targets of the purse seine and longline fisheries, i.e., skipjack, albacore, yellowfin and bigeye tuna. The U.S. has the unique position of being both a Coastal state with a significant amount of Exclusive Economic Zone (EEZ) waters with both fish and protected species under our national jurisdiction and a major fishing state, primarily due to our purse seine fleet. NOAA, providing the U.S. leadership to the Commission, has vigorously pursued strong positions on both fronts; achieving strong measures for conservation as well as successfully preserving fair and equitable access for U.S. fishing activities. The Commission has implemented a number of conservation and management measures applicable to purse seine vessels that NOAA has implemented by domestic regulations, including restrictions on the use of fish aggregation devices, high seas closures, 100 percent observer coverage, and effort limits.

NOAA staff in Pago Pago, American Samoa, is responsible for ensuring that vessel daily catch and effort reports are submitted in a timely manner to the Pacific Islands Forum Fisheries Agency (Forum Fisheries Agency), as the Treaty Administrator for the Pacific Islands Parties. These NOAA staff also monitor fish landings, including tracking the composition of the catch by species and measuring the lengths of tens of thousands of fish each year. These data are particularly important in regional tuna stock assessments. These NOAA staff also facilitate placement of Forum Fisheries Agency observers on the Treaty-licensed U.S. purse seine fishing vessels. Under the Treaty, observers are required to be deployed on 20 percent of fishing trips in the Treaty area. Under a recent measure of the Commission, agreed to by the U.S.; all purse seine vessels of all nations must now carry observers on 100 percent of their fishing trips in the Commission Convention area, which significantly overlaps the Treaty Area. For the past year

and a half, the Commission mandated observers have been provided by the Forum Fisheries Agency at full cost to the U.S. industry.

The U.S. purse seine fishing vessels are continuously monitored via the satellite-based vessel monitoring system (monitoring system) by NOAA Enforcement agents in Honolulu. Vessel observers and monitoring systems are now considered standard monitoring and data collecting mechanisms in the world's fisheries. These tools were first adopted under the Treaty and then they became regional standard in part because of the responsible practices demonstrated by the U.S. purse seine fleet operating in the WCPO. NOAA is currently working to implement an electronic logbook reporting system that will facilitate accurate and timely reporting of catches to both U.S. and Forum Fisheries Agency authorities. This system will allow near real-time fish catch and effort reporting in the U.S. purse seine fishery in the WCPO.

CHANGING NATURE OF THE FISHERY

As the U.S. purse seine fishery first developed in the western and central Pacific back in the late 1970s, U.S. vessels shifted from fishing in the eastern tropical Pacific to the western and central Pacific. Many of these purse seine operators, though not all, delivered to the two canneries in American Samoa, as well as used Pago Pago as a base of operation. Those vessels developed a viable business model whereby they would take four to six trips a year, spending roughly 200 days per year at sea fishing and the remainder in port unloading or otherwise maintaining their vessel and gear. It is unclear why so many vessel owners decided to get out of the fishery in the 1990s and early 2000s. Some have attributed the decision to a general lack of profitability given the large capital investment and risks associated with the operation of purse seine vessels. This was a period of generally declining fish prices and increasing operational costs. Additionally, the remaining participants had to share a higher portion of the \$3 million industry payment under the Treaty.

In 2007, a component of the industry developed an alternative business model after building new vessels that were equipped to efficiently transship fish. These vessels also benefited from more efficient hull designs, fuel-efficient engines and improved electronics. These vessels do not base out of a single specific port in the region, rather they maintain the flexibility to transship in ports depending on where their fishing is located. This reduces operational costs and allows vessels to spend more days fishing rather than transiting to and from a single base of operation. They unload their catch of fish to a carrier vessel that takes the fish to canneries. This alternative business model attracted about 20 vessels to join the U.S. fleet in 2007 and 2008. While it was not anticipated, 2008 was a good year for purse seining. Despite high fuel costs, both catch and ex-vessel price aligned to provide operators one of their best years of the decade. This return to profitability had new vessels basing operations in Pago Pago again; however, the closure of one cannery has caused at least a few of these vessels to turn to transshipping given the reduced demand for tuna in Pago Pago. The change in the business model now challenges NOAA to carry out the Treaty-mandated monitoring and catch sampling responsibilities in areas outside of U.S. jurisdiction. NOAA is currently pursuing cooperative agreements with marine resource agencies in the Republic of the Marshall Islands and the Federated States of Micronesia to ensure that all landings from U.S. purse seine fishing vessels are monitored appropriately.

In addition to the Treaty requirements, the Commission conservation measures, and other regional standards applied to fishing, all U.S. fishing vessels, including those in the purse seine fleet and operating in the WCPO are required to conform to all applicable U.S. domestic laws, including the Marine Mammal Protection Act, the Endangered Species Act, the Magnuson-Stevens Fishery Conservation and Management Act and the Shark Finning Prohibition Act. In NOAA's view, few other fishing fleets in the region are monitored as diligently and operated as responsibly as the U.S. fishing fleet. It is important to remember this U.S. purse seine fishery serves as a model for purse seine fisheries of other countries and supports U.S. conservation and management objectives in the region.

The U.S. areas in the Pacific, territories of American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands (CNMI) have seen direct economic benefits at one time or another during the course of the Treaty. There was a period in the 1980s during which a significant fleet of U.S. purse seine vessels based operations in Guam. For many years, Guam derived significant economic benefits from these vessels in terms of net repair, provisioning, logistical and recreational activities. It has been estimated that each port of call netted hundreds of thousands of dollars. Benefit also flowed to the CNMI, through a large cold storage facility in Tinian through which many of the Guam-based vessels transshipped significant quantities of fish from that port or placed their fish in the cold storage facility for later sale to international buyers. The benefits to American Samoa and U.S. purse seine vessels based there have been significant for almost 20 years. Vessels continue to supply tuna to the remaining cannery in American Samoa and the territory enjoys other benefits associated with vessel support such as provisioning and crewing, albeit at a reduced level from the past. Purse seine fishing and the determinants that make it worth the risk to U.S. investors have been and remain dynamic. The Treaty has mitigated some of the uncertainty by providing a stable operating environment, but changes in the business model are driven by the need to be competitive in the face of foreign competition.

CONCLUSION

In summary, NOAA is committing its efforts to supporting the renewal of the Treaty, and, working within the Commission to ensure the long-term health of the WCPO tuna stocks to maintain a beneficial economic return on the U.S. investment. Without significant U.S. participation in this fishery, NOAA's ability to influence decision-making in the Western and Central Pacific Fisheries Commission would be diminished. As the region's fisheries continue to evolve in reaction to the dynamic social, ecological, political and economic factors at play, and while the Treaty is being re-negotiated, in order to continue its leadership role in regional fisheries conservation and management, it is important for NOAA to have a strong and productive U.S. purse seine fishery in the region. Thank you again for the opportunity to address the Committee. I would be happy to take questions.