

STANDING COMMITTEE REPORT NO. 16-01

RE: C.R. NO. 16-06/R&D

SUBJECT: FISHING AGREEMENT BETWEEN NORMA AND TAIWAN DEEP SEA PURSE
SEINE BOAT-OWNERS AND EXPORTERS ASSOCIATION

MAY 19, 2009

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
First Regular Session, 2009

Dear Mr. Speaker:

Your Committee on Resources and Development ("R&D"), to which was referred C.R. No. 16-06, entitled:

"A RESOLUTION APPROVING THE ACCESS FISHING AGREEMENT BETWEEN THE NATIONAL OCEANIC RESOURCE MANAGEMENT AUTHORITY AND THE TAIWAN DEEP SEA TUNA PURSE SEINE BOAT-OWNERS AND EXPORTERS ASSOCIATION.",

begs leave to report as follows:

The intent and purpose of the resolution are expressed in its title.

On May 15, 2009, your Committee held a hearing on Miscellaneous Communication No. 16-1 with representatives from the National Oceanic Resource Management Authority (NORMA), the President's Office and the Department of Resources and Development.

In Miscellaneous Communication No. 16-1, the Authority is seeking Congressional adoption on the said resolution concerning a Foreign Fishing Agreement between NORMA and the Taiwan Deep Sea Tuna Purse Seine Boat-Owners and Exporters Association.

The Executive Director, Mr. Thoulag informed your Committee that the parties executed this agreement on April 23, 2009 in Palikir, Pohnpei. He further explained that the Agreement is the first fishing access agreement that the Authority has negotiated and concluded that will implement the Vessel Day Scheme (VDS). In the Agreement there are new provisions that implement the VDS by allocating days, establishing the value of a fishing day and options for requesting additional days in the future when the allocated days are fully expended during the agreement period.

The Agreement covers thirty-two (32) purse seine vessels with a provision for an additional two (2) vessels to join the fleet in the future for a maximum of thirty four (34) purse seine vessels.

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Currently, the Agreement allocated 1,536 days for the 32 vessels during each year. Once the two new vessels join the fleet, which will be around six months, an additional 96 days is added with a total of 1,632 fishing days per year. The value of a fishing day during the period of the Agreement is fixed at \$2,000 for up to 2,000 days. In the event the Association exceeded the allocated 2,000 days, the Association can request for additional days with the approval by the Authority. The value of a fishing day above and beyond the 2,000 days is \$2,500. In terms of access fees, the Association will pay \$3,072 for the 1,536 days or \$96,000 per vessel.

In this Agreement, the Authority introduces a Management Fee of \$2,500 per vessel per year and a Development Fee of \$2,500 per vessel per year. With the access fee and these two fees (Management Fee and Development Fee), each vessel will be paying a total of \$101,000 per annum. Potentially, the \$101,000 per annum can increase if the Association requests more additional days.

In addition, this Agreement will implement the elements of the Third Implementation Arrangement (3IA) as agreed by the Parties to the Nauru Agreement. The elements of the 3IA include Fish Aggravating Devices (FAD), a Full Catch Retention Scheme, Closure of High Seas Pockets south of FSM and a 100% observers coverage. As a member of the PNA group, the Authority is obligated to place observers in all vessels. If the Authority cannot afford to place FSM observers, they can place other foreign observers in the vessels. The Executive Director informed your committee that the Authority has already engaged in the recruitment of observers, and has requested the President to increase the threshold amount of the Observer Revolving Fund.

Your Committee conducted another hearing on the subject resolution on May 18, 2009. The Committee inquired whether the potential revenue that could be generated in this agreement is included in the fiscal year 2009 and/or 2010. The Executive Director indicated that the potential revenue that could be generated in this agreement could be realized after six months after Congress approves the Agreement. The Authority can potentially collect up to \$3,072,000 per annum or \$15,360,000 for the five-year period. Your Committee understands that the old Agreement is for five years, which will expire on May 19, 2009. This agreement is for another five years.

The Committee is concerned on the monitoring of the vessels when they are fishing in the FSM Exclusive Economic Zone. The Executive Director informed the Committee that the Authority monitors the fleet with the Vessel Monitoring System (VMS). When vessels are fishing in the Exclusive Economic Zone, the observers placed in the vessels can

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also verify how many number of days the Association had already fish in the Exclusive Economic Zone. If the vessels are at port, they are not fishing. On the allocated fishing days, the days cannot be transferred between years and between boats. Once the Association loses its allocated days in the given year, it loses such days.

The Committee raised some concern on the potential revenue the Association will be paying compare to how much the Association can make on its catch. The Executive Director cannot really come up with an accurate answer but can transmit to congress later. The Committee also raised a concern on the word "strict compliance" in the agreement and need further interpretation from the Department of Justice on this particular issue. In addition, the Committee urges the Authority to gather information on the potential benefits that the State and the National governments can realize on transshipment of the vessels in FSM ports.

Representatives from the Department of Resources and Development commented that there is need to strengthen the level of coordination between the Department of Resources and Development, NORMA and the Department of Justice on fisheries development projects, especially on conservative issues, trade issues, environmental issues, exploitation of marine resources and goals and mission of the department relating to fishing access agreement. Mr. James Movick informed the Committee that the issues on the value of catch and access agreements will be increased in the future; therefore, there is a need to look at ways in which the FSM National Government could improve collection on the access status as compared to the value of catch. On the onshore development relating to fishing access agreements, the Department has already engaged in the collection of data on the benefits of onshore development on fisheries, and may transmit to congress upon availability of such data.

Pursuant to Section 405 of Title 24 of the Code of the Federated States of Micronesia, this Agreement is required to be approved by Congress. Therefore, the Authority respectfully requests Congress' favourable action and approval on this Agreement.

Your Committee on Resources and Development is in agreement with this Agreement, and in accord with the intent and purpose of C.R. NO. 16-06, and recommends its adoption.

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Respectfully submitted,

/s/ Roger S. Mori
Roger S. Mori, chairman

/s/ Tony H. Otto
Tony H. Otto, vice chairman

/s/ Dion G. Neth
Dion G. Neth, member

/s/ Peter Sitan
Peter Sitan, member

/s/ Dohsis Halbert
Dohsis Halbert, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member