



# P.S.V.O.A.

## NEWSLETTER



Happy Holidays!

DECEMBER 2008

### MINUTES OF THE 2008 PSVOA ANNUAL MEETING

The 73<sup>rd</sup> annual membership meeting of the Purse Seine Vessel Owners (PSVOA) was held in Lynnwood, Washington on November 22, 2008 at the Embassy Suites Hotel. The meeting was attended by a combined 106 members and proxies. This constituted 26% of the voting membership and a quorum to conduct business. President Bob Plenkovich called the meeting to order at 10:20 a.m. and the agenda was approved.

#### FINANCIAL REPORT & MEMBERSHIP

A preliminary 2008 financial report projected both net income and expenses at \$473,500, which represents a 6% decrease from 2007. The decrease in operating expenses was primarily attributable to reductions in federal lobbying and political contributions. PSVOA was required to take a slightly larger SVR management fee due to a \$35,000 reduction in membership dues income. The drop in dues income was solely attributable to the lowering of affiliated dues to \$100. Balancing the decline in dues income, PSVOA enjoyed increased revenue from management of its related insurance programs and legal services.

A motion to maintain membership dues at \$300 and affiliated dues at \$100 for 2009 was approved without objection. There has not been an increase in membership dues since 1986 with the exception of a \$1,000 surcharge in 1995 to finance a Washington State anti-commercial fishing initiative. An estimated 18% or \$54 of 2008 dues are allocable to certain lobbying expenses and are not deductible for federal income tax purposes. Total membership stood at 445, including 172 affiliated members.

Staff then presented reports on the following items:

#### PUGET SOUND SALMON

For the second consecutive year the Fraser salmon season can only be described as non-existent. The total U.S. Fraser sockeye catch was less than 50,000 with a non-tribal seine catch of 6,000. Last year there was no directed sockeye fishery in either U.S. or Canadian waters. It was reported that \$2 million in federal disaster relief may be made available to U.S. fishermen impacted by the 2007 closure. On the plus side, a new chum annex to the U.S. - Canada Salmon Treaty will increase the annual U.S. harvest in the San Juans (Area 7&7A) to 135,000.

Puget Sound chum salmon returns were below forecast with South Sound (Areas 10 & 11) being the major disappointment. Cushioning the downturn was a strong return to Hood Canal and a second consecutive year of high ex-vessel pricing. Regrettably, PSVOA remains embroiled in a gear allocation controversy triggered by a 2003 decision by WDF&W to grant gillnets up to three times more fishing opportunity in response to historic low participation by the gillnet fleet. This increased gillnet opportunity coupled with larger chum runs and higher prices, created unintended harvest consequences and a re-evaluation by WDF&W. The 2008 pre-season schedule reduced gillnet time in South Sound, which triggered a lawsuit by gillnet interests seeking to overturn the pre-season schedule and establish a new schedule providing gillnets roughly half of the South Sound harvest. PSVOA intervened in the lawsuit also seeking a new schedule returning both gear groups to equal fishing time in all areas with alternating first starts. The court rejected the claims of both groups and held that WDF&W had demonstrated a sufficient record to support its pre-season schedule.

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## 2008 Non-Tribal Chum Catch by Area and Gear

AREA	Seine	Gillnet	TOTAL
San Juan	25,000	7,440	32,440
Skagit	440	1,656	2,096
Everett	3,031	36,441	39,472
South Sound	92,241	36,734	128,975
Hood Canal	183,534	64,167	247,701
TOTAL	304,246	146,438	450,684

There were numerous questions from membership relating to what future action PSVOA would take on this allocation issue and other WDF&W management decisions.

### SOUTHEAST SALMON FLEET CONSOLIDATION

This long over due program to **consolidate or buy-back permits** in the Southeast purse seine fleet finally moved forward this spring with implementation of phase one financed with \$2.87 million in federal grant from the Pacific Coast Salmon Recovery Fund awarded to the Southeast Revitalization Association (SRA). The SRA conducted a reverse auction and received 82 bids to sell permits ranging from \$44,000 to \$700,000. The SRA accepted bids ranging from \$55,000 to \$94,950 or an average of \$82,020. The program purchased a total of 35 permits or 8.4% of all permits leaving 381 permits in the fishery.

The second phase of the program is also moving forward with the FY 2008 Commerce budget authorizing up to a \$23.5 million loan to finance the program. SRA is now in discussions with National Marine Fisheries Service (NMFS) to determine the final loan amount. This has been a troublesome issue. Erratic ex-vessel pricing and harvest levels has made it difficult for NMFS to assess what revenue will be generated by the 3.0% assessment to repay the loan. To quantify this question, NMFS contracted with the McDowell Group, an Alaska research firm, to analyze future harvest volumes and ex-vessel prices for the fishery. The study concluded that harvest volume through 2017 will be consistent with the most recent 10-year average of 194 million pounds. Thereafter, the harvest will drop to the 20-year average of 175 million pounds. Turning to price, the study found that the average ex-vessel price per pound (assuming 2% inflation) will be only \$0.26. By contrast the 2008 average ex-vessel price was \$0.53. This was a major disappointment and certainly runs contrary to recent price increases. Fortunately, the 30-year U.S Treasury bill rate, which

provides the benchmark for establishing the interest rate on the loan, has fallen to 3.1%. This translates to a loan interest rate of 5.1%. Therefore, even assuming the future low ex-vessel prices, the fishery should generate revenue sufficient to service the full \$23.5 million loan amount.

The mechanics of the program will be relatively simple:

1. The SRA in consultation with NMFS and the Alaska Commercial Fisheries Entry Commission (CFEEC) will develop a consolidation plan and bidding procedures. SRA is contemplating a fixed bid price—and not the reverse auction format utilized in phase one.
2. Once a plan is agreed upon, SRA will mail bidding instructions to all permit holders.
3. The SRA will review all bids submitted and determine whether there is sufficient participation to submit a Final Plan to NMFS for approval. The SRA is under no obligation to move forward with a Final Plan if it believes there are insufficient bids to achieve meaningful consolidation or permit reduction. Simply put, the SRA must be satisfied that those remaining in the fishery (and who will pay the 3.0% assessment) support the level of consolidation to be achieved.
4. If SRA submits a Final Plan, which will identify the number of permits to be purchased and the total dollar amount to be expended, NMFS will conduct a referendum or vote to approve the plan. A majority of all the remaining 381 permit holders in favor of the plan would bind all permit holders to repay the loan.

SRA looks forward to resolving the remaining issues with NMFS by February 2009 and then proceeding with the actual bidding process in late spring. However, it's very unlikely that permits can be effectively retired before the fishery gets underway.

[On a related and equally positive note, the U.S.-Canada Salmon Treaty is set to provide a 10 year rollover of the Boundary Annex, which includes management of the highly important Southeast District 104 seine fishery.]

### 2008 ALASKA SALMON CATCHES AND PRICES

This statewide salmon harvest of 146 million salmon was 14 million above the preseason forecast and the 16th largest since statehood. The ex-

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vessel value should reach \$500 million with anticipated post season price adjustments. The season was highlighted by strong pink and chum catches in Prince William Sound (PWS), which was forecasting very poor returns due to cold weather in the parent year plus record low water temperatures in the Gulf of Alaska. The Peninsula also enjoyed strong sockeye and pink catches. A catch summary by region and a 2007 comparison follows.

AREA	SOCKEYE		PINKS		CHUM	
	2007	2008	2007	2008	2007	2008
SOUTHEAST	1.91	0.42	44.18	15.9	6.23	6.32
<i>Cost Recovery</i>					3.18	2.76
BRISTOL BAY	29.46	27.76			2.04	1.12
PWS	3.23	1.2	50.91	35.81	2.55	3.89
<i>Cost Recovery</i>			12.54	6.66	1.02	0.48
KODIAK	1.78		24.77	8.71	0.75	0.91
PENINSULA	5.85	4.13	8.46	13.53	0.79	0.99
CHIGNIK	0.83	0.69	2.02	2.39	0.08	0.21
COOK INLET	3.64	2.77	0.43	0.67	0.78	0.22
<b>TOTALS</b>	<b>46.7</b>	<b>36.97</b>	<b>143.31</b>	<b>83.67</b>	<b>17.42</b>	<b>16.9</b>

Stable market demand for Alaska salmon flesh and roe combined with relatively low catches will likely double the ex-vessel prices for chum and pink salmon. Post season price adjustments should take ex-vessel pink prices to \$0.40 per pound and chum to over \$0.70. A convergence of many factors contributed to this price increase:

First and perhaps foremost, today Alaska salmon comprises only 15% of world consumption and this number will continue to decline. We are transitioning to a niche market for consumers who want natural seafood harvested in sustainable fisheries. These are long-term trends that will require industry to improve quality and product forms. Currently Alaska is the only major salmon producer now certified as a sustainably-managed fishery by the Marine Stewardship Council (MSC), which is a major consideration for European consumers. However, Russia is seeking certification for its comparable salmon resources and Japan is considering certification of its Hokkaido chum and pink hatchery production.

Alaska salmon, especially pink and chum salmon, are export commodities and highly dependent on foreign exchange rates. This past summer the dollar was at record low levels compared to the currencies

of foreign salmon buyers. Consequently, the devaluation of the U.S. dollar reduces the price of salmon in relation to prices of the foreign country's goods. For example, if the U.S. dollar could previously buy 1.5 Euros-worth of salmon, and now can only buy 1.0 Euros-worth, the salmon price would now be only two-thirds what it had previously been in Euros. Also driving prices upward is the recent demand for pink salmon roe in Russia and Eastern Europe spurred by new-found oil wealth, and this year's poor Russian salmon returns.

The convergence of these events to boost Alaska salmon prices have now vanished. The U.S. dollar has strengthened appreciably over the past few months, with the exception of the Japanese yen, which remains very strong. The Eastern European economy has nose dived. Large volumes of pink roe sold into the Ukraine remain at the dock as buyers cannot obtain credit to complete the sale. And 2009 points to strong pink returns to Russia and Alaska. With that said, we remain optimistic.

#### WEST COAST FISHERIES

This year's Pacific sardine fishery marked the first time since the onset of federal management that the harvest guideline (89,000 metric tons) was taken before the end of the season. The 2007 guideline was a whopping 152,000 metric tons. Compounding the problem for Northwest fishermen, the availability of sardines in the Monterey area and increased market demand spurred much stronger fishing effort throughout California. An allocation/harvest summary showed California fishermen taking 67% of the 2008 harvest guideline.

For 2009 the PFMC (Pacific Fishery Management Council) adopted a harvest guideline of only 67,000 metric tons based on a biomass estimate of 663,000 metric tons. This decision met strong industry objection, which asserted the existence of a far greater biomass, based on a 2008 industry funded aerial survey. This reduced guideline will not support current harvesting capacity and we should expect a migration of vessels into the 2009 Alaska salmon fisheries. Perhaps the only bright spot was the decision of the PFMC to set aside a portion of the harvest guideline to fund an expanded aerial survey in 2009 and instruct the science committee to conduct a full review of the model utilized to estimate the Pacific sardine biomass. We need a model for assessing the biomass that contains an expanded database to accurately

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represent Northwest sardine populations.

WDF&W will sponsor legislation in 2009 to transition the current sardine experimental fishery to a limited entry commercial licensed fishery. The license will be fully transferrable with no minimum landing requirement. This legislation will complete a comprehensive federal/state limited entry system for the Pacific sardine fishery.

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The PFMC also has recommended sweeping changes to the West Coast commercial groundfish management by adopting an IFQ system for the shoreside trawl fishery, and a system of structured harvest co-operatives for the at-sea whiting/hake fishery. These recommendations will now be forwarded to the Secretary of Commerce for approval and incorporation into federal law. The new system seeks to reduce bycatch levels impeding rebuilding of various groundfish stocks and will require 100% observer coverage. The PFMC manages over 90 different groundfish species.

The IFQ system will create 140 federal limited entry trawl permits. While the initial allocations will go to the vessel owners, the IFQ may be subsequently transferred, leased, or sold. Initially, processors argued that they should receive 20% of the IFQ allocations. The Magnuson-Stevens Act prohibits processors shares; and the shares awarded to processors in the Bering Sea pollack and crab fisheries required a specific Congressional exemption. Unable to gain support for a similar arrangement in this fishery the processors argued for an actual share of the harvesting rights. The PFMC rejected this notion reasoning that the major processors did not need this additional economic advantage. PSVOA strongly supported this outcome.

The whiting co-operatives were structured differently and incorporated many of the provisions that now exist in the Bering Sea fisheries, including three separate harvesting groups: the catcher-processors, mothership and shoreside sectors. This resulted in processors receiving a 20% harvest allocation of the whiting IFQ and 10% of the non-whiting groundfish.

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The July 2007-June 2008 California squid harvest fell to 35,000 metric tons. The harvest for the first quarter of 2008 is only 4,000 metric tons. Offsetting the low harvest numbers was an ex-vessel metric ton price of \$700. A harvest summary for 2000-2006 showed catches ranging from 41,000 to 119,000

metric tons. A CF&G license summary showed the seine fleet holding 76 transferrable market squid permits and 12 non-transferrable permits. The light boat permit number was 64.

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In 2007 the Washington Legislature was prepared to appropriate funds for a buyback program in the dungeness crab fishery and instructed WDF&W to work with the industry to develop a proposal. The program contemplated a federal funding component based on tribal fishing rights reducing the commercial harvest. However, an assessment of commercial catches did not establish the requisite harvest loss. For that reason, any federal commitment to fund the program was limited to a loan along the lines sought by the Southeast salmon seine fleet. This met strong industry opposition and there is no apparent desire to move a buyback plan forward.

#### HALIBUT CHARTER ALLOCATION

The North Pacific Fishery Management Council (NPFMC) overwhelmingly adopted a catch sharing plan or allocation in Area 2C (Southeast) and Area 3A (Southcentral) between the charter sector and commercial IFQ fisheries. Under the plan the NPFMC would request that the Halibut Commission establish a combined charter and commercial IFQ catch limit for each of those areas.

In Area 2C, the charter allocation would be 17.3% when the catch limit is less than 5 million pounds. The charter allocation would fall to 15.3% when the catch limit is greater than 5 million pounds. In Area 3A, the charter allocation would be 15.4% when the catch limit is less than 10 million pounds and 14.0% when the catch limit is greater than 10 million pounds.

The plan also provides for charter limited entry permits and would allow charters to lease commercial IFQ in order to provide anglers with additional harvest opportunities. The plan must now be approved by the Department of Commerce, which previously opposed a NPFMC plan to limit the charter fishery. If this plan is approved by the Secretary of Commerce, a lengthy regulatory process would likely delay implementation until 2011.

## GUEST SPEAKER AND ELECTIONS

Jim Harmon of SEASHARE made a presentation on the operations of this non-profit entity financed by the fishing industry to supply food banks with seafood products. The organization was initially formed in 1994 to ensure that previously discarded bycatch in the North Pacific trawl fisheries could be directed to food banks. There were a number of follow-up questions from membership on application to the Alaska salmon fisheries. The scheduled speaker, John Garner, was not available.

Current at-large Board members **Sven Stroosma** and **Ed Manning** were re-elected for another two year term. Current port members also re-elected were **Bob Glenovich** (Bellingham), **Ryan Kapp** (Blaine) and **Jim Leese** (Everett). **Gregg Lovrovich** was elected to the Gig Harbor port position.

The meeting adjourned at 12:40 p.m. for a hosted lunch.

## **MINUTES OF THE 2008 SVR ANNUAL MEETING**

The 23<sup>rd</sup> annual meeting of the Seine Vessels' Reserve ("SVR") was called to order at 1:15 p.m. The meeting was attended by a combined 98 members and proxies. This constituted 24% of the voting membership and a quorum to conduct business.

A preliminary financial report as of October 31<sup>st</sup> placed projected surplus at nearly \$1.3 million or a 51% of return of total contributions. This projected return is based on total claims of a near record low \$525,000.

Membership voted to maintain existing contribution rates for 2009 and approved the following amendment to Article XII (3) of the Articles of Association:

If membership is cancelled or withdrawn, surplus from preceding years credited to that Member account, if any, shall only be distributed in the same year available for payment or credit and proportionate amount as such surplus is credited against contributions to Members owing contributions in that same year as specified under paragraph 2 of this Article.

Total membership surplus was projected at \$4.366 million. Consistent with SVR Articles XI (1), mem-

bership voted to approve a 2009 distribution of \$.366 million. This distribution will consist of the remaining 2000 surplus and 18% of the 2001 surplus.

Under other business, membership instructed the Board to establish a statement or policy to provide that "blocking" by vessels is grounds for cancellation. Membership also proposed reinstating survey requirements for current members, financial incentives to members who are claim free or undertake safety measures, and a more extensive medical history inquiry under the crew contract.

Current Board members **Tim Lovrovich** and **Richard Tarabochia** were re-elected and **Lauchlin Leach** was elected to replace Kirby Green who chose not to seek re-election. The meeting adjourned at 3:00 p.m.

## **NEWS BRIEFS**

### ALASKA BOARD OF FISHERIES

The Board considered over 130 proposals during the PWS meetings on December 1-7 in Cordova. Actions on certain proposals relating to the purse seine salmon fishery are briefly summarized:

1. Failed to open seine areas to provide June harvest opportunity.
2. Failed to allow seines in Coghill District and Port Wells prior to July 21st.
3. Failed to increase seine length to 225 fathoms.
4. Approved deletion of 200 mesh minimum depth requirement for seines.
5. Failed to allow seine vessels greater than 58 feet in length.

The Board will meet on February 17-26, 2009 in Sitka to consider Southeast finfish proposals. Many of the proposals involve enhanced allocation issues on which the Regional Planning Teams appear to have reached consensus. The Board will also consider a number of issues on the Sitka sac roe herring fishery, including the question of equal shares, which was hotly debated at the 2006 meetings.

### 2009 ADF&G FORECASTS

ADF&G has announced a forecast 42 million pink harvest in Southeast. This forecast reflects a more cautious approach than in earlier years. The Bristol Bay sockeye run is forecast at 33.8 million with a commercial harvest of 25 million. The Sitka sac roe herring harvest guideline is 15,300 tons, which is up from 13,800 tons in 2008.

### 2009 HALIBUT CATCH LIMITS

Halibut fishermen are bracing for further reductions in catch limits when the Halibut Commission meets next month. The staff is recommending a 2009 catch limit of 54 million pounds compared to a 2008 limit of 60.4 million pounds and a 2007 limit of 65.2 million pounds. The biggest recommended cut in 2009 is in Area 2C (Southeast) where the catch limit would drop to 4.47 million pounds compared to 6.21 million in 2008.

### WDF&W BUDGET

Last week Governor Gregoire announced her 2009-2011 budget calling for a 7% reduction in department operations. The Governor's budget calls for the closure of five of the 88 operating hatcheries, including the McKernan Hatchery, which is a major contributor to the Hood Canal chum fishery. To illustrate the magnitude of this proposed closure, McKernan produces 10 million fall chum fry or almost half of all hatchery chum production in Hood Canal. It is unclear whether the production can if necessary, be transferred to the Hoodsport Hatchery which already produces 12 million chum fry.

### EXXON VALDEZ

The first round of punitive damage payments have been made by Exxon. Earlier this year the oil company was ordered by the U.S. Supreme Court to pay only \$507 million of the original \$5 billion verdict. Payments to individual claimants will now average only \$15,000. Other than closure, the only other positive was the favorable tax treatment Congress accorded Exxon claimants.



## ASSOCIATE MEMBERS

*\*Also members of the Pacific Salmon Treaty Coalition*

Alaska General Seafoods\*  
Alaska Glacier Seafoods  
Alaska Marine Lines  
American Canadian Fisheries  
Ballard Hardware & Supply, Inc  
Ballard Oil Co.  
Bellingham Cold Storage  
Blomquist Marine Surveys  
Coastal Marine Surveying  
Covich-Williams Co., Inc.  
Delta Western, Inc.  
E.C. Phillips & Son, Inc.  
Great Western Pump Co. Inc.  
Hammer & Wikan, Inc.  
Harbor Bar and Liquor  
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LFS, Inc.  
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Peter Pan Seafoods, Inc.\*  
Petersburg Shipwright, Inc.  
Phillip Hingston, Inc. CPA  
Piston & Rudder Service, Inc.  
Redden Marine Supply, Inc.  
Seaview Boatyard East, Inc.  
Shoreline Bank  
Silver Bay Seafoods, LLC  
Snopac Products, Inc.  
Taku Oil Sales  
The Boat Company  
Tom-Mac Shipyards, Ltd.  
Trident Seafoods Corp.\*



*We hope that you enjoy your holidays  
and we wish you all the best in 2009.*

*- Rob, Bob, Rachel & Anna*