

MINUTES OF THE 2006 PSVOA and SVR MEMBERSHIP MEETING

PSVOA MINUTES

The 71st annual meeting of the Purse Seine Vessel Owners Association (PSVOA) was held in Lynnwood, Washington at the Embassy Suites Hotel. The meeting was attended by a combined 105 members and proxies. This constituted 26% of the voting membership and a quorum to conduct business. Vice-president Skip Anderson called the meeting to order at 10:25 a.m. and the meeting agenda was approved.

Financial Report and Membership

A preliminary 2006 financial report projected both net income and expenses at \$476,500, which is a 4% increase from 2005. For the fifth consecutive years, PSVOA required a reduced management fee from Seine Vessels' Reserve (SVR) to achieve a balanced budget. A growing share of PSVOA income is derived from management of non-SVR insurance programs and increased legal/consulting services. Specifically, the Bristol Bay and Southeast drift net insurance pools generated 2006 management fees in excess of \$65,000.

A motion maintaining membership dues at \$300 for 2007 was unanimously approved. It was reported that 11% or \$33 of 2006 dues will be allocable to lobbying expenses and not deductible for federal tax purposes. Total membership stood at 410, including 100 affiliated members. Membership in 2005 was 423 members with 107 affiliated members.

Puget Sound Salmon

Bob Kehoe, PSVOA general counsel and Fraser Panel representative, provided an overview of the 2006 Fraser sockeye and Puget Sound chum fisheries with particular emphasis on the early closing of the sockeye fishery due to chinook impacts. PSVOA is now exploring various options to avoid such closure in the future, including controversial options to legislatively restructure the fishery by having purse seines elect whether to fish in the Fraser fisheries or the remaining Puget Sound and Hood canal chum fisheries. PSVOA is also pursuing legislative and agency action to restore equal purse seine and gillnet fishing times during the chum fishery.

PSVOA executive director, Rob Zuanich, then gave the following reports:

Southeast Salmon Fleet Consolidation

Congress has still not passed legislation amending the federal buyback loan provisions of the Magnuson-Stevens Act to allow application by a state-water fishery. By way of background, Alaska law provides for the voluntary, regional consolidation of salmon fishing permits by gear type. Unfortunately, Alaska law provides for a piecemeal funding approach where purchases of permits would be limited to actual funds collected through an approved annual assessment. Under the Southeast program, the annual assessment would service a loan approximately 15-20 times larger than the annual assessment. This will allow for an immediate one time purchase of the maximum number of permits.

For a variety of reasons, some unrelated to the efficacy of the consolidation program, PSVOA and Southeast Alaska Seiners Association (SEAS) have been unable to finalize the legislative package notwithstanding no apparent opposition to the program. Confirming this point, Congress has previously appropriated \$4 million to fund the program and has earmarked an additional appropriation in the FY 2007 budget.

PSVOA remains confident that Congress will pass legislation next month or early in the 2007 legislative session. If so, we remain hopeful that permit holders will have the opportunity to vote upon a referendum on the consolidation plan, including eligibility requirements, permit sale price and most importantly—the assessment to repay the loan.

If legislation does not pass in 2007, PSVOA must reluctantly conclude that there are greater forces working against the buyback concept. If so, PSVOA should examine whether there are other options to achieve fleet consolidation. For example, last year the Alaska Legislature authorized the Board of Fish (BOF) to grant additional fishing privileges to dual salmon permit holders. Next month the BOF will consider a proposal by PSVOA affiliate, Bristol Bay Reserve, to allow an additional 50 fathoms of gear to a holder of two (2) Bristol Bay drift net permits. It is estimated that 300 Bristol Bay permit holders currently own two permits and that the number would increase if this BOF proposal passes. Clearly fleet consolidation is now occurring in the Bay. Although this approach is more problematic and perhaps ultimately more expensive, PSVOA cannot rule out this alternative to buyback.

2007 Alaska Legislature

With a new governor and recently reconstituted Senate with a Republican/Democrat plurality, it is likely most of the session will focus on the ownership and financing of a natural gas pipeline. However, we expect there will be some movement initiated by Chignik fishermen to grant the BOF authority to create salmon coops.

IFQ Overview and Sport/Charter Halibut Fishery and Other Federal Issues

The Alaska halibut and black cod fisheries are enjoying unprecedented prosperity. This year the ex-vessel price reached \$350 million with landings of 53 million pounds halibut and 33 million pounds of black cod. Populations are relatively stable with cyclical fluctuations between catch areas and age classes. The only downside on the immediate horizon centers on the rapidly growing charter halibut fishery. The fishery continues to exceed its annual harvest guideline, particularly in Southeast Alaska, and these overages come off the commercial share. A 2005 effort at the North Pacific Council to institute on new charter operations and imposition of an IFQ system was narrowly defeated. PSVOA will work through the United Fishermen of Alaska (UFA) to establish a moratorium and related management plan for the fishery.

Although PSVOA membership participates in a variety of federal fisheries off Alaska (and the West Coast), it does not have the personnel to actively monitor and influence issues affecting each and every fishery. For this reason, PSVOA has significantly increased its role within UFA to allow for broader input and involvement on federal issues. Two issues of immediate concern is federal legislation concerning reauthorization of the Magnuson-Stevens Act and the National Aquaculture Act. The UFA position on these two issues is:

Magnuson-Stevens Reauthorization:

1. Reaffirm opposition to processor quota shares;
2. Oppose auction of fishing privileges; and
3. oppose concept of limited durability in limited access programs.

National Aquaculture Act:

1. States should determine whether aquaculture can occur in its waters;
2. Five (5) year moratorium on new aquaculture to ensure adequate scientific and economic analysis;
3. Regional Fishery Management Councils have jurisdiction over aquaculture in federal waters;
4. Prohibition on farming certain species that would compete with wild catch commercial fisheries with particular emphasis on salmon, halibut and black cod; and
5. If aquaculture is allowed, develop federal and state programs to maintain the economic vitality of wild capture fisheries.

West Coast Sardine and Squid Fisheries

Having adopted state/federal long-term fishery management and license limitation plans in both fisheries, PSVOA allocated substantively less time to these fisheries. The current primary challenge for both fisheries centers on market expansion and ex-vessel pricing.

With respect to West Coast sardines, there is a combined 105 limited entry permits. The California fishery operates under a federal licensing scheme while Washington and Oregon are under state licensing programs. The 2006 coastwide catch was 77,000 metric tons. The 2007 harvest guideline is a whopping 152,000 metric tons.

The 2006 California squid catch stands at 49,000. Efforts to increase the annual license fee for the purse seine market squid permit from \$2,000 to \$6,000 has been successfully referred to the California Fish and Game Commission subcommittee on marine resources.

Building on experience gained in attempting to bring Russian salmon processors into Alaska state waters, PSVOA has established a framework to prepare membership for potential ownership of seafood processing facilities. Fulfilling that objective, Zuanich, with the prior approval of the PSVOA, has supported the establishment of a fishermen investor group to construct and own a processing facility in Sitka, Alaska. A majority of the investors are PSVOA members. Zuanich will take a lead role in the ownership and management of the facility.

This particular processing project will not meet the specific financial or business objectives of many PSVOA members. However, if properly formed and managed, it will hopefully provide a template for future processing projects by membership with available assistance provided by PSVOA.

Other Business and Election of Board of Directors

There was discussion regarding the need to expand Board representation to encompass the Washington Coast or to have port representation based on areas of fishing rather than residency. A motion to have the Board review the issue of Board representation and report back at the next membership meeting was approved with one objection.

NSRAA Board member Bud Marrese gave a report on 2006 catches, 2007 run forecasts and future capital construction needs at various NSRAA facilities. There was also brief discussion on fuel credits and the Exxon deadline for the unhoiled fisheries.

Current at-large Board members, Ed Manning and Sven Stroosma were nominated and re-elected for another two year term. The meeting then adjourned at 12:25 p.m. and affected membership convened to their respective ports to elect the following Board members

<u>Port</u>	<u>Board Member</u>
Bellingham	Bob Glenovich (replaces Stan Nelson who declined another term)
Blaine	Ryan Kapp
Everett	Jim Leese (replaces Bob Quarterman)
Seattle	Brian Wartman

SVR MINUTES

The 21st annual meeting of Seine Vessels' Reserve (SVR) was called to order at 2:00 p.m. by President Richard Tarabochia. The meeting was attended by a combined 106 members and proxies. This constituted 27% of the voting membership and a quorum to conduct business.

A preliminary 2006 financial report showed member contributions at \$2,527 million and expenses of \$2.391 million. Claims to date were slightly over \$1.5 million.

Membership next received a report on SVR investments. Total assets stood at \$4,826 million with an average weighted return of 5.13%. The stock portfolio, which comprises 20% of the assets, showed a net annual gain of \$96,000.

The preliminary financial report projected a 2006 surplus of \$585,147. However, there was the very real possibility that claims could exceed \$1.55 million, which could trigger an additional \$350,000 reinsurance expense. If this were to occur, 2006 surplus would fall to \$235,000 and aggregate surplus would then be projected at \$3.988 million. Consistent with the policy to maintain aggregate surplus at a minimum of \$4 million, membership approved a Board recommendation to withhold any 2007 surplus distribution pending further clarification on 2006 claims. The following summarizes existing reserves as of December 31, 2005 plus the 2006 projections:

<u>Year</u>	<u>Amount</u>
1999	\$648,525
2000	\$912,614
2001	\$794,579
2002	-0-
2003	\$312,228
2004	\$816,413
2005	\$268,907
2006	<u>\$461,871</u>
PROJECTED TOTAL	\$4,338,413

In the event claims remain under \$1.55 million, the Board will consider a distribution of 1999 surplus later next year. [Earlier this year SVR distributed \$470,002 in 1999 surplus, including \$154,287 to affiliated members

Membership next considered two Board recommendations regarding 2007 contribution rates:

1. Recommendation to maintain all contribution rates at current levels, which was unanimously approved.
2. Recommendation to assess a \$1,000 annual surcharge (and \$500 surcharge each succeeding year) for each new hired skipper or charterer (operator); and a \$500 surcharge for each currently approved operator.

This Board recommendation, which was predicated on recent claims history, was met with a great deal of discussion and alternative approaches. A motion to double the Hull and P&I deductibles for members utilizing this class of operators was defeated 65 to 36. Ultimately, the Board recommendation was approved 56 to 37. However, a follow-up motion was unanimously approved providing that the assessment would be waived for existing members whose operator has been claim free for the prior three (3) years while operating a SVR member vessel. This waiver would also apply to new operators after the requisite three (3) year period.

PSVOA staff member, Rachel Agent, made a short presentation and answered questions on the recently enacted Coast Guard drug and alcohol testing requirements after a marine accident.

Responding to a member question regarding the Alaska Fishermen's Fund, PSVOA will explore introducing legislation to make the Fund more responsive to the needs of the entire fishing fleet. Currently, the Fund is managed to handle crew claims of uninsured fishermen while offering little or no benefit to injured crew on insured vessels. At first blush, this is poor public policy and encourages or promotes uninsured fishing operations.

Current Board members, Tim Lovrovich and Richard Tarabochia were nominated and re-elected for another two year term. Kirby Green was nominated and elected to serve a two year term; and replaced Davis Barrett who was nominated, but declined to serve another term.

The meeting adjourned at 3:50 p.m.