



# P.S.V.O.A.



## NEWSLETTER

DECEMBER 2004

### CONGRESS APPROVES LOAN FOR SOUTHEAST CONSOLIDATION

This month Congress approved legislation authorizing a \$50 million loan to fund the consolidation "buyback" of the Southeast salmon purse seine fleet. Congress also appropriated \$500,000 to the Southeast Revitalization Association (SRA) for the 1% start-up cost under the federal loan program. The SRA was formed after the Alaska Legislature passed a 2002 law allowing salmon permit holders to voluntarily develop and implement a fleet consolidation plan for their region.

By approving this legislation, Congress recognizes that a viable Southeast consolidation plan will require substantial funding and consistency with state law. Unfortunately, the legislation did not address certain key issues:

1. The consolidation "plan" initially authored by the Southeast Alaska Seiners Association (SEAS) placed heavy emphasis on federal grants to fund loans to permit holders in rural communities and transitional payments to permit holders who would no longer participate in the Southeast salmon fishery. If grant money is not available, we must seriously examine whether to maintain these elements of the plan.
2. The plan also provides that any loan would be repaid by an assessment not to exceed 2% of the ex-vessel value of all salmon landed. However, the current terms of the \$50 million loan are less favorable than those anticipated under the plan. We are now conferring with federal officials to determine what level of funding can be financed by a 2% assessment.

3. The current loan authority is under a federal lending program designed for federal water fisheries. Accordingly, the National Marine Fisheries Services is expected to implement and arguably design any consolidation plan. This would not be acceptable. Alaska law specifically allows permit holders to pursue and implement consolidation without substantial state or federal interference. Consolidation cannot otherwise proceed.

Fleet consolidation will remain the focal point for stabilizing Alaska's salmon industry. We understand this opinion is not universally shared as is any effort which disrupts the status quo. With that said, consolidation can and will occur in Southeast and elsewhere if offered under a comprehensive and durable framework supported by the permit holders remaining in the fishery.

### MINUTES OF THE 2004 PSVOA ANNUAL MINUTES

The 69<sup>th</sup> annual meeting of the Purse Seine Vessel Owners (PSVOA) was held on November 13, 2004 at the Embassy Suites Hotel in Lynnwood, Washington. The meeting was attended by a combined 84 members and proxies. This constituted 22% of the voting membership and a quorum to conduct business. President Bob Plenkovich called the meeting to order at 10:30 a.m.

The meeting agenda was amended and approved. A motion to maintain dues at \$300 for 2005 was approved without objection. It was reported that 16% or \$48 of 2004 dues are allocable to certain lobbying expenses and are not deductible for federal income tax purposes. A motion to eliminate the Board of Director seat now

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assigned to the Port of Anacortes and designate the seat as "at large" was approved without objection.

Executive director Rob Zuanich then provided commentary and answered questions on the following agenda items:

Financial Report & Membership: A preliminary 2004 financial report projected both net income and expenses at \$445,000, which is 1% increase from 2003. For the third consecutive year, PSVOA required a reduced management fee from Seine Vessels' Reserve to achieve a balanced budget as a growing share of PSVOA is derived income from activities outside the management of SVR.

Total PSVOA membership stood at 378 with 240 vessel owners, 59 hired skippers and 79 affiliated members who continue to receive SVR surplus distributions. Membership in 2003 stood at 374.

Southeast Salmon Consolidation: A Congressional committee report recommended a \$20 million loan to fund the program. It is expected that federal funding could reach \$50 million with the hope that some portion is grant money. Funding at the lower \$20 million level would require a scaled down program focused exclusively on reducing permits to the 180 target level. Recent comments by the National Marine Fisheries Service also raises the question of what role it might play in the program.

Alaska Legislature: There is almost universal membership support for the **elimination of cost recovery fisheries**. This of course will require an alternate source of hatchery funding. We are considering new legislation that would allow permit holders to approve a higher enhancement tax within a special harvest area. PSVOA will also continue to support legislation or Board of Fish policy allowing permit holders to fish each fishery for which they hold a permit—**multi-area registration**.

Squid and Sardines: The recently adopted California squid management plan, including a limited entry program effective April 1, 2005, was summarized. Next year the Pacific Council is scheduled to consider a revised coastwide sardine allocation.

The current framework unnecessarily limits a growing fishery in the northwest.

General Counsel Bob Kehoe reviewed the 2004 Puget Sound salmon season. Commercial chum catches reached a record 1.1 million. Again there was relatively low tribal fishing effort resulting in substantial foregone harvest. The Fraser sock-eye fishery was again a major disappointment and spawning escapements were exceedingly low.

There were three nominations to fill the two "at large" Board of Director seats for the 2005-2006 term. Ed Manning and Sven Stroosma were elected by the membership. The respective port members then elected the following for the 2005-2006 term: Ryan Kapp (Blaine), Stan Nelson (Bellingham), Bob Quarterman (Everett) and Brian Wartman (Seattle).

The meeting adjourned at 12:40 p.m. for lunch. During lunch UFA President Bob Thorstenson made a presentation on UFA accomplishments and objectives over the past three years plus an overview of the upcoming Alaska Legislature.

### MINUTES OF THE SVR 2004 PSVOA ANNUAL MEETING

The 19<sup>th</sup> annual meeting of Seine Vessels' Reserve (SVR) was called to order at 1:45 p.m. by President Richard Tarabochia. A preliminary year end financial report placed total member surplus at \$4.2 million. Claims in 2004 were estimated at \$.65 million, which marks the second consecutive year of relatively low claims. Reduced claims plus a major reduction in reinsurance expenses should result in a 45% return of premium in 2004.

Membership next received material summarizing reinsurance and claims expense for the period 1997-2004 plus a breakdown of claims by fishery. Total claims for this period were \$16.4 million. Reinsurance expense was \$2.8 million while reinsurers paid out \$5.2 million in claims or net loss to reinsurers of \$2.4 million. Membership also reviewed current contribution rates and granted the Board authority to set 2005 rates.

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Starting in 2002 SVR began withholding a portion of member surplus scheduled for distribution. Last year membership instructed the Board to develop a policy regarding future surplus distributions. The following policy, which amends Article XI(2), was adopted:

1. Future member surplus distribution will be made consistent with the requirement to maintain a minimum \$4 million aggregate surplus.
2. Future distributions will be made from the earliest preceding year for which surplus exists.

A motion to distribute the balance of the 1998 surplus was approved without objection. The next earliest year is 1999 with a current \$1.1 million surplus.

There were five nominations to fill three Board of Trustee seats for the 2005-2006 term. Davis Barrett was elected while Tim Lovrovich and Richard Tarabochia were re-elected.

The meeting adjourned at 3:15 p.m.

### **STATE SAYS TOO MANY BRISTOL BAY SALMON PERMITS**

The Commercial Fisheries Limited Entry Commission (CFEC) is proposing a regulation calling for an optimum number range of 800 to 1,200 permits for the drift gillnet fishery. CFEC had originally adopted a maximum number of 1669 permits for the fishery. For a variety of reasons, the maximum number was exceeded and today there are 1,857.

The proposed optimum number regulation is based upon recommendations from a study of the fishery by CFEC staff. Perhaps most notable, the study found that the net economic return has dropped dramatically since 1997. The net economic return per permit fished in 2003 was estimated at only \$4,000 while net profit was a negative \$3,300.

Comments to the proposed regulation must be submitted by February 15, 2005. Bristol Bay Reserve (BBR) will submit comments supporting an optimal number of 929 permits. The basis for this number is two-fold:

1. The 929 number is well within the proposed CFEC range and is more consistent with the need for dramatic reductions to restore a viable economic return per permit fished.
2. The number reinforces the option of "stacking" permits to encourage consolidation and is consistent with Board of Fish regulations allowing the use of additional fishing gear when a second permit is onboard.

### **SALMON AND PROCESSOR RIGHTS**

The Alaska Board of Fisheries is now considering a far reaching regulation that would require an in depth analysis of potential consequences flowing from proposals to change management of a salmon fishery for economic and social reasons. This heightened concern is no doubt related to the controversy created by creation of the Chignik Co-op. Regarding the rights of salmon processors, Alaska's Attorney General office noted:

"The Board of Fisheries has authority to allocate fishery resources among personal use, sport, guided sport, and commercial fisheries. That authority has not been interpreted to extend to processors. New statutory authority would be needed to allocate fishery resources to processors."

### **TRADE ADJUSTMENT ASSISTANCE**

Alaska salmon fishermen who fished in 2003 have again qualified for assistance under this USDA program provided your salmon income that year was less than 2001. Remember, only salmon income is considered, which means income from other fisheries (e.g. halibut, herring, crab...) can be excluded. The payout up to a maximum of \$10,000 is based on 3.1 cents per pound of salmon landed. This program is ideally suited for the high volume seine fleet. The deadline for applications is January 13, 2005. If you have questions contact the office or call 1-866-872-3320.

### **SITKA HERRING**

In October the Board of Fisheries declined to accept an agenda change request filed by PSVOA through its affiliate Alaska Seine Boat Owners

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(ASBO) to adopt a management plan allowing for an equal, prorated share of the annual Sitka sac roe herring harvest for the 51 permit holders. Despite acknowledging the competitive nature of the fishery and potential safety issues the Board elected to take no action until the 2005/2006 cycle. *[It is unclear what future role ASBO may play in this matter.]*

**RECORD ALASKA HALIBUT CATCH**

The 2004 halibut catch of 57.3 million pounds fetched a record \$168 million, up \$3 million from the previous record set in 2003. Longliners lucky enough to hold quota shares are seeing rapid appreciation reinforced by the willingness of banks and other financial institutions to extend loans at these higher values. Further strengthening demand for quota share is a recently enacted State loan program allowing coastal fishing communities to purchase quota share on the open market. This month the City of Craig became the first community to qualify under the program. The North Pacific Council recently passed a package of amendments, including a medical transfer provision for IFQ fishermen.

**NEWS BRIEFS**

⇒ The Alaska Department of Revenue reported that wholesale values for salmon are up 27% this year. Equally encouraging, there is a growing acceptance of frozen product in the U.S. market. However, experts see little chance for a market rebound in salmon prices to fishermen.

⇒ The Anchorage Daily News reports that Alaskans account for only 20% of the weight and 39%

of the value of commercial fisheries. The bottom fisheries have long been dominated by non-residents and particularly Bering Sea pollack. However, Alaskans are now also bailing out of the salmon fisheries. This should aid the Southeast consolidation program, which attempts to maintain permits in the rural communities.

⇒ The Pacific Council will likely change the coast wide sardine allocation in time for the 2006 season. The fishery is under an interim framework that allocates one-third of this year's 135,000 coastwide quota to the Northwest, which was fully harvested. California fishermen took only half of their quota. The 2004 California squid fishery through November has landed a near record low 20,000 tons, although catches have picked up in December.



**ASSOCIATE MEMBERS**

*\*Also members of the Pacific Salmon Treaty*

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|---------------------------|-----------------------------|
| Alaska General Seafoods*  | Norquest Seafoods*          |
| Ballard Hardware & Supply | Northwest Farm Credit       |
| Bank of America           | Ocean Beauty Seafoods*      |
| Cloud Trading             | Peter Pan Seafoods, Inc.*   |
| Covich-Williams Co., Inc. | Petersburg Shipwright, Inc. |
| Delta Marine Industries   | Phil Hingston, CPA          |
| Fishing Vessel Owners     | Puget Sound Hydraulics      |
| Marine Ways               | Radtke Marine, Inc.         |
| Hammer & Wilkan, Inc.     | Redden Marine Supply, Inc.  |
| Icicle Seafoods*          | Seattle Marine Supply       |
| LFS, Inc.                 | Stew Ellison, Merrill Lynch |
| Monterey Fish Company     | Trident Seafoods*           |
| Norcoast Marine Services  |                             |

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***Happy Holidays to you and your family from all of us at PSVOA***

**ADDRESS CORRECTION REQUESTED**