



P.S.V.O.A.

NEWSLETTER



DECEMBER 2005

MINUTES OF THE 2005 PSVOA ANNUAL MINUTES

The 70th annual meeting of the Purse Seine Vessel Owners (PSVOA) was held in Seattle, Washington on November 19, 2005 at Anthony's Restaurant at Shilshole. The meeting was attended by a combined 106 members and proxies. This constituted 25% 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.

Financial Report & Membership:

A preliminary 2005 financial report projected both net income and expenses at \$451,000, which is 1% increase from 2004. For the fourth consecutive year, PSVOA required a reduced management fee from Seine Vessels' Reserve 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.

A motion to maintain dues at \$300 for 2006 was approved without objection. It was reported that 12% or \$35 of 2005 dues are allocable to certain lobbying expenses and are not deductible for federal income tax purposes. Total membership stood at 423, including 107 affiliated members who continue to receive SVR surplus distributions. Membership in 2004 stood at 378.

Executive director Rob Zuanich provided commentary and took questions on the following legislative, regulatory and policy issues affecting membership interests.

[Post meeting developments are bracketed]

Alaska Legislature:

House Bill 218 would allow for the elimination of salmon **hatchery cost recovery** fisheries by permit holders approving a higher enhancement tax within a special harvest area to replace the cost recovery revenue. The bill unanimously passed the House last session but stalled in the Senate due to opposition from certain hatcheries, especially operators, and NSRAA. The bill should pass next session, but that still leaves the challenge of devising a plan acceptable to both fishermen and the hatchery.

House Bill 251 authorizes the Board of Fish to grant additional fishing privileges to owners of **two salmon permits** within the same fishery. This legislation is strongly supported by Bristol Bay fishermen as an alternate form of fleet consolidation. PSVOA supports the bill provided the Board would not act without strong support from permit holders in the fishery.

Alaska Board of Fish:

This week the Board of Fish (BOF) tentatively approved a plan to allow the controversial **Chignik salmon cooperative** to go forward in 2006, subject to an anticipated ruling by the Alaska Supreme Court. This spring the Supreme Court ruled that the coop violated the Limited Entry Act because permit holders did not actively participate in the fishery. To address this concern, the BOF passed an emergency regulation requiring additional landings for the 2005 season. A lower court still found the coop illegal. The Supreme Court, however, said the lower court ruling would not take effect until after the 2005 season, and in the meantime it would expedite a review of the ruling prior to the 2006 season.

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A group of **Sitka sac roe** purse seine herring permit holders, all of whom are PSVOA members, are proposing to divide the annual harvest equally among the 51 limited entry permit holders. PSVOA is contributing administrative and technical support. The proposal will meet opposition from tenders and local businesses, and likely strong opposition from certain processors although an equal share fishery would slow the harvest allowing for higher roe content and likely less processing in Canada. Legal issues raised in the Chignik coop case may also be a consideration. The BOF will consider the proposal at its January 2006 meeting in Ketchikan.

PSVOA continues to pursue a BOF policy allowing limited entry permit holders to fish each fishery for which they hold a permit – **multi-area registration**.

North Pacific Council:

The Council wants to reconsider the **halibut charter IFQ** system it initially recommended in 2001. The charter fleet is quickly growing and has nearly doubled in Areas 2C and 3A since 1999. Their 2005 catch in these areas exceeded the harvest guidelines by 350,000 pounds, which must come off the 2006 commercial catch. The charter fleet counters that the commercial catch was 37 million pounds when the IFQ system was established in 1995 and this year the catch is 57 million pounds. This is a persuasive argument in the Anchorage area.

[This month the Council voted 6 to 5 to rescind the previously recommended IFQ plan, sending a clear message that an expanded Alaska charter fleet has support at the state and federal level. ADF&G has committed to a number of short-term efforts to keep the charter harvest within the guidelines while also pursuing a moratorium on new entrants and a charter IFQ system tied to a fixed allocation of the total available harvest.]

The Council is evaluating management options in the Gulf of Alaska cod and pollack fisheries that include fishing and **processor quotas**. Because the fishery occurs in both state and federal waters, the Council requested companion state legislation to facilitate parallel management in state waters. PSVOA did not oppose the legislation at the request of affected membership. The question was raised whether PSVOA was supporting processing quotas. PSVOA was the first fishing organization to join with Icicle and Norquest Seafoods to form the “Fair Fish-

eries Coalition” to oppose quotas after the American Fisheries Act gave a few processors the exclusive right to purchase Bering Sea pollack. The Coalition later dissolved after Icicle purchased pollack processor rights and Norquest realized it would receive processor quota rights under a then discussed Bering Sea crab buyback. PSVOA will not support processor quotas, but must remain cognizant of membership who believe the negatives of processor shares must be balanced against the potential for increased profits and safety under a “rationalized” management plan. (See PSVOA October 2003 Newsletter.)

[The bill Senator Stevens will submit reauthorizing the Magnuson-Stevens Act removes controversial language establishing any new processor quotas in federal waters. Governor Murkowski also came out in strong opposition to further processor quotas. Oregon Senator Gordon Smith, however, wants legislation creating fishing and processing quotas in the hake fishery off Oregon. Not surprisingly, the legislation is supported by most of the fishermen, many of whom also have pollack rights in the Bering Sea.]

Washington Legislature:

Legislation will again be introduced to reduce the Puget Sound **commercial crab catch allocation** combined with a buyback of licenses funded by a surcharge on sport catch cards. The legislation has little chance of passing, but shows the rapid expansion of the sport fishery and the challenge facing the 250 commercial license holders. The coastal crab fishery and those 228 commercial license holders are not part of the legislation, but face ever increasing tribal fishing demands. Membership participation in the coastal fishery is growing and will likely lead to future PSVOA involvement.

[The scheduled December 28th start for the WA/OR coastal fishery is threatened by strike talk based on a \$1.15/lb. price compared with last year's \$1.50. However, dual permit holders and those with later scheduled non-crab fisheries works against a fully coordinated harvest strategy.]

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Southeast Salmon Fleet Consolidation:

This much over due program to **consolidate or buy-back permits** in the purse seine fleet is now scheduled to start prior to the 2006 season. Congress has appropriated \$4 million in funding and we now have agreement with federal and state officials on necessary legislation to clarify the respective roles of the National Marine Fisheries Service (NMFS) and the Southeast Revitalization Association (SRA) under the program. We do not, however, have agreement on the final loan amount that will fund a large portion of the program. The SRA has insisted that any tax to repay the requested \$22 million loan cannot exceed 3% of ex-vessel value while NMFS believes a 4% tax would be necessary.

[Congress will not take up the needed legislation until next February. This should not delay our schedule start, provided the SRA can move other portions of the program in the interim. There is still no agreement on the loan amount, but a final number will be reached in January. Upon finalizing the loan amount, the SRA will mail a notice to all permit holders describing the consolidation plan, including eligibility requirements, permit sale prices and the referendum to determine whether permit holders will authorize the tax to repay the loan.]

Promote Processing Opportunities:

PSVOA has worked to expand seafood processing and most recently in 2003 to gain entry for Russian salmon processors in Alaska state waters. Building on that experience, PSVOA believes there is the need to prepare membership for potential **ownership of processing facilities**. There is ongoing consolidation of the seafood industry through the awarding of harvesting and processing quotas. A few processors are gaining dominant positions on the West Coast and Alaska. To counter this trend, fishermen must have the ability to move their catch closer to the ultimate consumer. Vertical integration is essential to maintain competitive ex-vessel pricing. It is unlikely PSVOA or another affiliated entity would participate in ownership, but rather act as a conduit for those members seeking to invest in processing facilities.

General counsel Bob Kehoe summarized a very poor 2005 Fraser sockeye and Puget Sound chum fisheries. The non-treaty sockeye catch was only 65,000 while the chum catch of 370,000 paled the prior three year average of 1.1 million.

Membership voted to reinstate a dinner and dance following the 2006 meeting. For cost-cutting reasons, the Board had cancelled the annual event back in March 2003.

Current at-large Board members, Skip Anderson, Nick Babich and Dale Marble, were nominated and re-elected for another two year term. Current port members also re-elected: John Curry (Blaine), Bill Burton (Everett), Nick Jerkovich (Gig Harbor) and Bob Plenkovich (Seattle). The meeting adjourned at 12:45 p.m..

MINUTES OF THE SVR 2005 ANNUAL MEETING

The 20th annual meeting of Seine Vessels' Reserve (SVR) was called to order at 2:00 p.m. by President Richard Tarabochia. A preliminary financial report placed member reserves at \$4.45 million. Because 2005 claims may exceed \$2 million, SVR is now projecting only a \$360,000 reserve or a 16% return of premium. Consistent with the policy to maintain aggregate reserves at a minimum of \$4 million, membership voted to approve a 2006 distribution of \$.468 million or 42% 1999 reserves.

Membership next received a report on SVR investments and an overview of reinsurance and claims expenses since 1997. After a lengthy discussion, the Board was instructed to evaluate for implementation in 2007: 1) augmentation of bilge alarm requirements, 2) readjustment of P&I rates and 3) a discount formula to offer affiliated members a lump sum payment to close their reserve accounts.

Current Board members, Andy Babich, Tom Manos, Bud Marrese and Gene Vitalich were nominated and re-elected for another two year term.

The meeting adjourned at 3:45 p.m.

BRISTOL BAY NEWS

CFEC has adopted an **optimum number** range of 900 to 1,400 limited entry permits for the drift gillnet fishery. There are currently 1,858 permits in the fishery. CFEC originally proposed an optimum number of 800 to 1,200, but recommended no approach

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for reducing permits. A total of 32.7 million sockeye are expected to return to Bristol Bay in 2006.

WEST COAST PELAGICS

Northwest **sardine** catches will reach the 45,000 metric ton quota allocated under this year's Pacific Council management plan while California catches continue to fall far short of the southern quota. In April the Council adopted a new, industry supported plan to start in 2006 that recognizes more harvesting and processing capacity is entering the Northwest fishery.

California **squid** catches were 18,000 metric tons through October, but the fishing picked up in earnest last month with strong ex-vessel pricing. The Fish and Game Commission has adopted regulations finalizing the squid management plan and newly created limited entry permits are now transferable.

WASHINGTON UNEMPLOYMENT TAX

PSVOA has again successfully represented a member who challenged the right of the Employment Security Department to impose a tax on crew wages earned in Alaska. Consistent with prior administrative rulings, Washington based fishing vessel owners operating in Alaska without a "land based office" in Washington are **not subject to Washington unemployment taxes**. Repeated efforts by the department to expand the meaning of a land based office have been unsuccessful. Please contact the office if you require more information.

NEWS BRIEFS

⇒ Alaska's 206 million salmon harvest was the third-largest on record and for the first time since 1999 the value will exceed \$300 million. The halibut catch of 57 million fetched a \$170 million, while prices for some of the 36 million pound black cod catch have topping \$4 a pound.

⇒ Because of increased prices and reduced imports of farmed salmon, fishermen will not qualify for the USDA Trade Adjustment Assistance for 2004. Many seiners were eligible to receive a \$10,000 payment in 2002 and 2003. PSVOA will pursue new support programs when Congress considers the 2007 Farm Bill.

⇒ Your insurance certificate is in the mail. The 2005 SVR financial statement and surplus checks to affiliated members will be mailed in March.



ASSOCIATE MEMBERS

**Also members of the Pacific Salmon Treaty*

Alaska General Seafoods*
Ballard Hardware & Supply
Bank of America
Cloud Trading
Covich-Williams Co., Inc.
Delta Marine Industries
Fishing Vessel Owners
Marine Ways
Hammer & Wilkan, Inc.
Icicle Seafoods*
LFS, Inc.
Monterey Fish Company
Norcoast Marine Services

Norquest Seafoods*
Northwest Farm Credit
Ocean Beauty Seafoods*
Peter Pan Seafoods, Inc.*
Petersburg Shipwright, Inc.
Phil Hingston, CPA
Puget Sound Hydraulics
Radtke Marine, Inc.
Redden Marine Supply, Inc.
Seattle Marine Supply
Stew Ellison, Merrill Lynch
Trident Seafoods*

Purse Seine Vessel Owners' Association
Fishermen's Center Building
1900 W Nickerson Street Suite 320
Seattle, Washington 98119



*Happy Holidays to you and your family
and we wish you a prosperous 2006.*

— Rob, Bob, Rachel & Amy

ADDRESS CORRECTION REQUESTED