



P.S.V.O.A.



NEWSLETTER

DECEMBER 2002

MINUTES OF PSVOA 2002 ANNUAL MEETING

The 67th annual meeting of the Purse Seine Vessel Owners Association (PSVOA) was held on October 26, 2002 at the Embassy Suites Hotel in Lynnwood, Washington. The meeting was attended by a combined 119 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 10:40 a.m..

FINANCIAL REPORT & MEMBERSHIP

A preliminary financial report projected both PSVOA income and expenses at \$518,000, which is 7% less than 2001. Expenses declined due to a greatly reduced role in California fisheries. The only new major expenditure was the opening of a PSVOA office in Anchorage, which conducts business under the name Alaska Seine Boat Owners.

For the second consecutive year, PSVOA income for management of Seine Vessels' Reserve was reduced to simply balance the budget. This had the effect of reducing Seine Vessels' Reserve (SVR) administrative expenses. PSVOA continues to receive a growing share of income from insurance brokerage and legal fees outside the operation of SVR.

Total PSVOA membership stood at 462 with 323 vessel owners, 90 alternate skippers and 49 affiliated members who continue to receive SVR surplus distributions. We anticipate a

slight decline in 2003 membership.

Membership voted to maintain dues at \$300 for 2003 with a designation of \$125 for lobbying expenditures and political contributions.

RESTRUCTURING ALASKA'S SALMON INDUSTRY

Executive director Rob Zuanich noted the expanded mission statement for PSVOA in response to membership transitioning into multiple fisheries. Yet, Alaska salmon remains the dominant fishery. Restoring economic viability to Alaska's salmon fisheries is now PSVOA's paramount objective.

Despite record salmon production, the Alaska salmon industry is reeling from the unbridled growth of farmed salmon. Statewide, fishermen received only \$140 million for their 2002 catch as compared to a record \$770 million in 1988.

Although there is no single answer or approach to the problem, PSVOA maintains that any durable solution will require 1) reducing harvest capacity in almost every fishery and 2) increasing ex-vessel salmon prices.

In many ways these dual objectives are mutually exclusive. Reducing harvest capacity will not increase salmon prices. Similarly, higher salmon prices will not eliminate excess harvest capacity.

(Continued on Page 2)

PSVOA fully recognizes the need to achieve both of these objectives. Higher prices will involve multiple considerations and unpredictable market conditions—many outside our immediate control. Similarly, there is no quick fix for over-capitalization. However, PSVOA and affected permit holders can take immediate and substantive action. Throughout 2002 PSVOA has pursued policies to establish programs that will reduce harvest capacity. **These programs, however, must be voluntary and crafted to fit the unique interests of each region, fishery, and class of permit holders.**

SOUTHEAST SEINE FLEET

Starting in the fall of 2001, PSVOA and Southeast Alaska Seiners Association (SEAS) actively pursued legislation in the Alaska legislature that would allow a private program to reduce harvest capacity, and more recently developed a draft plan to conduct a permit reduction program. David Bedford, SEAS executive director, provided the following update and comments:

Reducing the number of permits in the fishery and thereby increasing the harvests for seiners was the best way to stabilize the fishery in the short term. At the same time those leaving the fishery should have some help in reestablishing themselves in another vocation.

We have been working with U.S. Senator Stevens' office to determine whether federal aid will be available to help with the program. The program would rely largely on federal appropriations. However, those remaining in the fishery should shoulder part of the cost in the form of a low interest loan. Consistent with this reasoning, we seek roughly \$40 million in federal grants and a federal loan of \$10 million. The program will go into effect only if two thirds of all permit holders support it and only if we receive a commitment for federal appropriations.

What the program will accomplish

1. Reduce the number of permits in the fishery, which over time should increase harvest opportunities and income for those remaining permit holders.

2. Fishermen leaving the fishery would receive federally funded economic transition assistance.
3. Encourage permit holders in small, fishery-dependent communities to remain in the fishery by providing federally funded trade adjustment assistance grants.

How the program would work

1. Reduce the number of permits in the fishery to 225 by paying \$75,000 each to 191 permit holders to extinguish their permits. SEAS has already formed a nonprofit association that would contract with individuals to extinguish permits by returning them to the Alaska Commercial Fisheries Entry Commission.

This permit reduction would cost \$14,325,000 with \$10,000,000 covered by a federal loan. To service the loan, seiners would vote to assess a 2% landing fee on the value of their catch starting upon completion of the permit reduction program. A federal grant of \$4,325,000 would supplement the loan.

2. An estimated \$30 million federal appropriation for economic transition assistance for fishermen leaving the fishery with individual payments of up to \$215,000 to a fisherman who:
 - a) extinguishes a permit;
 - b) certifies that he will not have any ownership interest in a boat or permit in the Southeast seine fishery; and
 - c) certifies that he will not purchase a permit in any other Alaska salmon fishery.

Transitional assistance would be awarded based on permit holder participation in the fishery for the period 1995-2001 and calculated according to the following schedule.

1995 \$ 15,000
1996 \$ 20,000
1997 \$ 25,000
1998 \$ 30,000

(Continued on page 3)

1999 \$ 35,000
2000 \$ 40,000
2001 \$ 50,000
Total \$215,000 (maximum)

3. An estimated federal appropriation of \$6,450,000 to provide \$215,000 trade adjustment assistance to as many as 30 permit holders who are dependent on the fishery for a livelihood and live in a small, fishery-dependent community. We must keep permits in rural areas. The loan would be due in equal annual payments for ten years. For each year in which the individual participated in the fishery and continued to live in the fishery-dependent community in the region, the payment would be forgiven. Permit holders who reside in most Southeast Alaska communities smaller than 2000 could qualify for trade adjustment assistance if the fishery provided the bulk of their gross income.

The bottom line

If fully funded, the program would give those who leave the fishery payments ranging from \$75,000 to \$290,000. This should be sufficient to induce the required number of individuals to sell their Southeast seine permits.

The program would also help keep the local economies of small coastal communities intact by offering a payment of \$215,000 to encourage rural fishermen to stay in the fishery rather than taking the lump sum payment offered in the permit reduction program.

For those remaining in the fishery, the number of permits would shrink to a maximum of 225 thereby eliminating latent, and some, current harvest capacity. **The program should not be evaluated in light of current conditions, but rather what future opportunities exist for the remaining permit holders.**

Paying the tab

The prospect of paying a tax to cover part of the program cost is daunting in the current economic climate. However, the 2% assessment would not be collected until the permit reduction

program was completed. Moreover, the assessment would be capped at 2% to insure that the obligation to repay the loan varies with the ability of the fleet to pay.

The next step

We must have the support of two thirds of all permit holders to place a levy on salmon landings that would repay the permit reduction loan. To gauge the level of interest in the fleet, SEAS will mail out a survey in early January to determine if permit holders support this draft proposal.

If the survey indicates permit holders strongly support the proposal and we receive firm commitments for the required federal appropriation, then SEAS will conduct a formal poll of the permit holders to determine support for the assessment on landings to help pay for the program.

[Mr. Bedford's comments were modified to reflect recent developments and refinements to the draft proposal.]

COOPERATIVES

Reduction in the number of limited entry permits is not the only approach to addressing excess harvest capacity. In January 2002 the Board of Fish created a Chignik purse seine quota system allocating a percentage of the sockeye harvest to a cooperative fleet based on the number of permit holders participating. The system gave little, if any, recognition to prior catch history or participation in the fishery. Rather, all permit holders were assigned a relatively equal share of the allowable catch that was either collectively harvested by the co-op or assigned to the open access fishery.

Disgruntled purse seiners, some who had initially supported a co-op concept that provided a varying allocation to each permit holder based on prior catch history, filed a lawsuit claiming the co-op system violated the Alaska Constitution and statutes. The court's ruling, which upheld the co-op, can be briefly summarized:

(Continued on page 4)

1. The Board of Fish has express statutory authority to allocate between the same commercial gear type within a single fishery to achieve different economic purposes.
2. The co-op does not violate the "equal access" provision of the Constitution because it does not create a closed class of permit holders or unnecessarily limit the individual's ability to fish. Rather, it only requires each individual to choose between the co-op and the open access fishery.
3. The limited entry system does not require a permit holder to actively participate in the fishery nor does it prohibit cooperative or joint venture fishing efforts.

This ruling has been appealed to the Alaska Supreme Court.

[This month the Board of Fish reauthorized the Chignik co-op with expanded authority for the 2003 season. PSVOA does not oppose the co-op concept provided it takes into account prior participation, catch history, and investment in the fishery.]

MARKETING

The design and long-term funding of a marketing and product development strategy for Alaska salmon must remain at the forefront of PSVOA objectives. Many Alaska salmon fishermen are exploring direct marketing of their product or the regional branding approach, which has worked well in the Copper River fishery. However, there is an urgent need to simply sell more Alaska salmon. This is particularly

true for pink salmon given the higher percentage of sales to USDA surplus programs and levels of foregone harvest in Southeast and Kodiak.

It is very likely that the 2003 U.S. Commerce Department budget will contain \$20 million for the marketing of Alaska seafood. This funding is largely attributable to the efforts of PSVOA members and United Fishermen of Alaska (UFA) marketing chairs, Scott McAllister and Bruce Schactler, who have tenaciously pursued this funding.

UFA is insisting that this funding must improve conditions for Alaska salmon fishermen—and not fall prey to misguided consulting fees and bureaucratic programs. UFA is requesting that all marketing funds be administered by an industry committee that has the experience and real time product to expand existing and to establish new markets for Alaska salmon. We need to demonstrate concrete results and real benefits to fishermen. This is the only way to ensure ongoing federal marketing dollars for Alaska salmon.

(Continued on Insert—Legislative Salmon Task Force)



ASSOCIATE MEMBERS

**Also members of the Pacific Salmon Treaty*

Alaska General Seafoods*	Northwest Farm Credit Services
Ballard Oil Co.	Peter Pan Seafoods, Inc.
Bank of America	Phil Hingston, CPA
Cochrane & Hellman, P.C.	Redden Marine Supply, Inc.
Covich-Williams Co., Inc.	San Juan Seafoods*
Global Maritime	Seattle Marine & Fishing Supply
Hammer & Wilkan	Trident Seafoods*
Icicle Seafoods*	Wards Cove Packing*
Paul Anderson, Attorney	Westmar Marine
Norcoast Marine Services	
Norquest Seafoods*	

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

WISHING YOU HAPPY HOLIDAYS



2002-2003

ADDRESS CORRECTION REQUESTED

LEGISLATIVE SALMON TASK FORCE

At the close of the 2002 session, the Alaska Legislature formed a task force to examine statutory and regulatory changes to help the commercial salmon industry. The task force, chaired by state Senator Ben Stevens, will make final recommendations in January 2003—but do not expect too much. Potential recommendations may include stable ASMI funding, long-term implementation of quality standards, ease restrictions for the direct marketing and sale of product by fishermen, statewide hatchery standards, Board of Fish decisions and additional options to address excess harvest capacity.

[The meeting adjourned for lunch at 12:15 p.m. and reconvened at 1:30 p.m.]

CALIFORNIA SQUID & WEST COAST SARDINES

PSVOA will continue to monitor and seek to influence decisions of the California Fish & Game Commission regarding a limited entry system for the squid fishery. No final decision will be effective prior to April 1, 2004. Recent actions establishing marine reserves at the Channel Islands will result in loss of traditional fishing areas.

The 2003 West Coast sardine harvest guideline is estimated at 110,000 metric tons. Shifting migratory patterns have resulted in rapid expansion of the Washington and Oregon “northern” fishery and calls for reevaluation of the existing allocation scheme. The California fishery south of Monterey, which is under a federal limited entry system, is currently allocated two thirds of the harvest while the northern open access fishery receives the remaining one third. PSVOA seeks a revised allocation plan that responds to annual variations in the fisheries and a compatible northern licensing system.

FRASER & PUGET SOUND SALMON

PSVOA general counsel, Bob Kehoe, who is the Fraser Panel industry representative, reported

on the 2002 season highlighted by poor catches and massive excess escapement to meet conservation objectives. The 2003 outlook calls for very little U.S. fishing. On a related issue, PSVOA will continue efforts to secure the remaining state funding for buyback of Puget Sound seine licenses.

Early catches point towards a strong Puget Sound chum season. PSVOA has received assurances that WDF&W will take steps to increase commercial fisheries if tribal fishers forego their 50% share.

[The non-tribal commercial catch reached a record 1.1 million. Again there was little tribal fishing effort. Unfortunately, WDF&W refused to aggressively pursue the tribal harvest share or run size increases which at least would have increased our share.]

BOARD OF DIRECTORS ELECTIONS

Ed Manning was overwhelmingly re-elected to fill the one at-large position. The respective port memberships then elected the balance of the expiring Board terms:

<u>Butch Barcott</u> , F/V <i>Point Defiance</i>	Everett
<u>Ryan Kapp</u> , F/V <i>Ryan D. Kapp</i>	Blaine
<u>Tim Maricich</u> , F/V <i>Donna Kathleen</i>	Anacortes
<u>Stan Nelson</u> , F/V <i>Tribute</i>	Bellingham
<u>Bob Quarterman</u> , F/V <i>Tongass Lady</i>	Everett

The Board then re-elected Bob Plenkovich and Skip Anderson as President and Vice-President.

[The meeting adjourned at 2:20 p.m.]

MINUTES OF THE 2002 SVR ANNUAL MEETING

The 18th annual meeting of Seine Vessels' Reserve was called to order by President Richard Tarabochia at 2:30 p.m. A preliminary year end financial reported placed member surplus at \$4.047 million—or \$.789 million less than

2001. This estimated surplus is also subject to any 4th quarter (October 1st through December 31st) reinsurance expense or new claims.

Claims in 2002 are now estimated at \$2.7 million and for the fifth consecutive year exceeded our annual aggregate claim limit. Higher claims exposure and reinsurance premiums are consuming an unacceptable share of member contributions and existing surplus.

For 2003, our yet unidentified reinsurers will demand greater involvement in determining what vessels SVR can insure. We anticipate the need to establish two, or perhaps three, vessel groups (or pools) based on claims history, vessel type, and areas of operation. Reinsurance will be purchased separately by each group.

Membership approved the following amendments to the Articles of Association effective January 1, 2003:

1. Distribute only 50% of the 1999 surplus previously scheduled for payment in 2003. Distribution of the remaining 50% will await assessment of 2003 claims.
2. Amend articles to selectively increase annual contribution rates and deductibles as to be determined by the Board of Trustees and PSVOA.

The following members were elected to the Board of Trustees for the 2003-2004 term:

<u>Tim Lovrovich</u>	F/V Harbor Gem
<u>Lance McDaniel</u>	F/V Daniel T
<u>Richard Tarabochia</u>	F/V Kathy T

[The meeting adjourned at 4:05 p.m.]

[A December 18th joint meeting of the SVR and PSVOA Boards adopted the following amendments:

- a. Amend Article IV(1)(c) to provide for a Hull deductible equal to 5% of the SVR insured value up to a maximum of \$15,000.
- b. Amend Article IV(2)(a) to increase the P&I

deductible to \$5,000. The remaining provisions of this section relating to higher deductibles for multiple claims are eliminated with the exception that the deductible for a claim without a signed crew contract will be \$7,500.

- c. Amend Article VIII(1) to increase the annual Hull contribution rate to 4% for those members submitting a hull claim after January 1, 2000. This higher rate will remain in effect for three years after submittal of the claim. New members will have an annual contribution rate of 5% in the first year of membership.

Annual Hull contribution rates and deductibles may further vary for those member vessels placed in the new (non-SVR) pools.]

NEWS BRIEFS

⇒ After 75 years Wards Cove Packing Company has announced the closure of its Alaska salmon operations. President Alec Brindle traced the closure to higher operating costs and competition from salmon farming. Newly elected Alaska Governor Frank Murkowski directed his office to reexamine the issue of allowing foreign processing into Alaskan waters.

⇒ The class action lawsuit by Bristol Bay fishermen is now scheduled for trial to start in Anchorage Superior Court on February 3, 2003.

⇒ UFA has been granted intervention in a federal lawsuit filed by Oceana and other environmental groups. The suit claims that the National Marine Fisheries Service is in violation of the Marine Mammal Protection Act (MMPA) by failing to develop plans, including observer coverage, to reduce the take of mammals in Alaska commercial salmon fisheries. UFA intervened to insure that fisheries are not impacted by shortcomings or administrative inadvertence in the MMPA process.