



P.S.V.O.A.



NEWSLETTER

MAY 2003

MURKOWSKI SAYS NYET TO RUSSIAN PROCESSORS – FLEET CONSOLIDATION LOOMS EVER LARGER

Last month Governor Frank Murkowski turned down the applications of several foreign companies that were seeking to process pink and chum salmon inside Alaska state waters. Federal law gives Governor Murkowski complete discretion to grant an application. However, it also provides that he cannot grant the permit if he determines that processors within the state have the capacity, and will utilize such capacity, to process all the salmon harvested.

Why did Governor Murkowski deny the applications? First and foremost, the domestic processors with strong backing from many public officials contend that allowing foreign processors to operate in Alaska utilizing cheap labor would undercut Alaska's goal of promoting employment opportunities and new investment in shoreside facilities.

Did Governor Murkowski believe there is sufficient capacity and willingness to process the state-wide salmon catch? Despite processor assurances, this seems unlikely given 2003 pink salmon forecasts, last year's imposition of trip limits and current canned pink inventories. Rather, he received a commitment from processors to buy more salmon than initially planned and to use their best efforts to provide markets for resident fishermen. These commitments were not quantified and can only be evaluated post-season.

PSVOA supported foreign processing this year for the following reasons:

1. U.S. processors do not want to buy the forecast pink harvest. Forcing processors to buy more fish than needed is economically dubious and will only increase canned pink inventories.
2. Opponents argue that foreign processors have lower wage scales and workplace require-

ments. This does provide a competitive advantage over U.S. processors. By the same token, we now compete with farmed salmon, which benefits from lower wages and lack of environmental regulations. Because of these lower costs, many U.S. processors supplement their salmon sales with foreign farmed salmon. This business practice is just as harmful to Alaska's salmon industry as allowing the foreign processing of surplus pink and chum salmon. Furthermore, the benefit of added revenue to Alaska salmon fishermen would have far outweighed any potential harm caused by allowing foreign processing. *(Emphasizing this benefit, PSVOA entered into discussions with the Russian Embassy and later the Jarus Company (Jarus), a Vladivostok based processor to purchase 14 million pounds of Southeast pink and chum salmon at ex-vessel prices of \$.15 and \$.30, respectively. Jarus had also established a \$1 million irrevocable line of credit with an Anchorage bank.)*

3. Alaska pink salmon is now canned in Alaska or exported to Asia for canning or other value added products. Jarus agreed not to can pinks. Rather, they agreed to sell and distribute whole pink salmon in the Russian domestic market. Pink salmon products, including roe, are well-known to Russian consumers and demand is growing. Consequently, U.S. processors in 2003 would operate without interference from foreign competitors while we opened a new market for Alaskan pinks.

.....
No one can legitimately claim that allowing foreign processors into Alaska state waters would cure our ailing salmon industry. Perhaps the need to protect salmon processing facilities based in Alaska justifies disregarding potential new foreign markets and higher prices for some fishermen. For now and the foreseeable future, the Murkowski Administration has made that choice. And by making that choice,

(Continued on Page 2)

we have one less option to restore viability to a seine fleet already reeling from overcapacity, shrinking markets and plummeting incomes. But a much bigger mess is still avoidable.

PSVOA is aggressively pursuing consolidation within the Alaskan salmon seine fleet because it offers the only immediate and durable solution. We must reduce the number of permits in each of the salmon seine fisheries to establish market equilibrium. Current circumstances do not support adding harvesting capacity beyond anticipated 2003 levels. In fact, we should expect further reductions to increase efficiencies in a global salmon market.

LEGISLATIVE SALMON TASK FORCE

The Alaska Legislature has extended the joint legislative salmon industry task force through May 2004. The task force, chaired by state Senator Ben Stevens, has made little real progress as it labors under a bureaucracy of insular interest groups and intransigence. PSVOA maintains the task force must confront two major issues that are central to a restructured salmon industry:

1. Last year the Board of Fisheries created a Chignik purse seine quota system allocating a percentage of the sockeye harvest to a cooperative fleet. This decision was strongly opposed by the processors. Responding to this opposition, the Task Force requested that the Board of Fisheries delay consideration of any future salmon cooperative proposals until the task force had developed its policy regarding salmon harvesting cooperatives. *[Although referencing only salmon, this request was a primary consideration when the Board of Fisheries summarily rejected a proposal supported by a super majority of the permit holders to establish individual harvest shares in the Sitka herring fishery.]* This policy, if developed, will more clearly define respective rights to Alaska's salmon resource.

2. In 2002 Alaska hatchery operations produced nearly 26 million salmon or 23% of the harvest in common property fisheries. The estimated ex-vessel value was \$29 million—primarily pink and chum production in Prince William Sound and Southeast. Production levels have largely stabilized and programs are generally at planned capacities. On the flip side, hatchery debt and deferred interest owed to the Alaska Division of Investments exceeds \$105 million. This debt is increasing and a greater share of hatchery production is now allocated to cost recovery to offset lower salmon prices. For example, this year over 80% of the PWSAC pink production will be taken for cost recovery. Equally notable is

that that processors in Prince William Sound appear to prefer purchasing product from cost recovery rather than the common property fisheries. PSVOA is strongly urging the task force to examine further restructuring or forgiving outstanding hatchery debt to restore hatchery production for the primary benefit of the common property fisheries. In turn, these steps in combination with fleet consolidation may allow for integrated, state-wide hatchery objectives and production levels.

\$50 MILLION PLAN TO REVITALIZE SALMON INDUSTRY

Last month Governor Murkowski announced a plan to inject \$50 million into Alaska's salmon industry. Federal dollars comprise the entire \$50 million package. The program will be largely administered by the departments of Community and Economic Development and Labor. Key elements of the plan include:

1. \$25 million in a concentrated marketing and advertising campaign conducted by a national ad agency. The campaign will likely seize upon recent Congressional action allowing for Alaska salmon to be labeled as "organic" food for marketing purposes. *[This \$25 million is in addition to \$10 million in federal funding to establish a new Alaska Seafood Marketing Board.]*
2. \$10 million in direct aid to fishermen and communities disproportionately impacted by low salmon prices.
3. \$10 million to fund economic development projects.
4. \$5 million to improve quality standards and transportation systems.

The plan clearly demonstrates Governor Murkowski's willingness to spend federal dollars to market Alaska salmon and improve infrastructure. There is some concern that the size and scope of the marketing program lacks processor involvement caused by the ongoing Bristol Bay price fixing lawsuit.

BRISTOL BAY ECONOMIC STUDY

The Bristol Bay Economic Development Corporation concluded a study analyzing options to restructure its salmon fishery. As expected, the study shows that consolidation and eliminating the race for fish would greatly enhance the wealth of a fishery that is near financial insolvency. *[PSVOA manages the 140 member Bristol Bay Reserve (BBR)]*

(Continued on page 3)

insurance pool. The BBR vessel review committee is proposing to expand its duties to include the influence and design of potential restructuring options for the fishery. This is a positive step and further ensures we get a statewide system crafted to fit the unique interests of each region and class of permit holders.]

NON-RESIDENT REVENGE

More than few eyebrows were raised last month in Juneau when state officials emphasized the need to secure salmon markets for residents. Of course there are still many residents today without markets and the whole affair only magnifies the need to change the way salmon fisheries operate. Ironically, last month the Alaska Supreme Court returned a case to superior court involving nearly \$30 million in refunds to non-resident fishermen who had paid over triple the amount for license and permit fees.

The two-decade long lawsuit involves the U.S. Constitution barring states from interfering with interstate commerce, and charging higher fees to non-residents can do just that. The courts have generally agreed and last year the Legislature changed the law so that the state now only charges a differential of \$120 for non-residents above resident fees.

The attorney for plaintiffs estimates the biggest refund checks for non-resident permit holders could reach \$30,000 with an average of \$2,500 for the 11,000 individuals involved. In typical *Exxon Valdez* fashion, the assistant attorney general representing the state says we are years away from a decision ordering the state to pay refunds. *[Speaking of Exxon, attorneys for plaintiff predict another 18 months before the Ninth Circuit rules on Judge Holland's decision reducing the punitive damage award from \$5 billion to \$4 billion.]*

PUGET SOUND OUTLOOK

The Fraser sockeye forecast is grim with a U.S. commercial catch of no more than 60,000. Any fishery would likely occur in early August. The fishery would be very limited and there is even discussion of trip limits. Fraser pink forecasts are unpredictable. This year the total catch is estimated at 10 million with the U.S. commercial share at 1.25 million. The fishery would start in late August. Because there was little tribal or Canadian effort in 2001, the commercial pink share could increase if markets are available.

Puget Sound pink fisheries are scheduled in Everett Bay and Skagit Bay (Areas 8A & 8) starting the

weeks of August 17th and 24th, respectively.

Last year the commercial catch of Puget Sound chum was a record 1.1 million. This year the forecast is slightly over 500,000 with the first fisheries scheduled the week of October 12th in South Sound (Area 10 & 11) and the San Juans (Areas 7 & 7A).

Total funding for the Puget Sound license buyback now stands at \$33.3 million with the Washington Legislature still needing to appropriate \$1.7 million. With growing state deficits, we will be fortunate to secure any funding in the current budget. We hope to purchase two additional seine permits this year taking total purchases to 181 with 79 licenses remaining.

WEST COAST SARDINES AND SQUID

The West Coast sardine fishery is conducted under a general federal management plan. Historically the allocation framework annually divided the catch two-thirds to an area south of Monterey California and the remaining one-third from Monterey north to the Canadian Border. On October 1st any remaining catch was reallocated equally to each area. Due to changing migratory patterns and higher quality sardines, the northern fishery has increased rapidly. This has resulted in early closure of the northern fishery while portions of the larger southern allocation go unharvested.

Last month the Pacific Fishery Management Council, subject to NMFS approval, adopted a plan advanced by PSVOA to change the definition of the southern area to include Monterey. The northern fishery will now include only the fisheries off Washington and Oregon. In addition, the date for reallocating any remaining catch will advance to September 1st, which for now should avoid early closure of the northern fishery. The plan allocates 80% of any remaining catch to the southern area. This will ensure that the southern fishery has an unimpeded fall fishery. Northern fishermen and processors argued that this option still does not provide for an optimal harvest. If so, the new allocation framework can be revised before the 2005 fishery. For now, the new allocation is a substantial improvement for northern fishermen and should provide considerable increases in employment and income.

Running parallel to this Council action, WDF&W intends to limit entry into the fishery off Washington.

(Continued on page 4)

A total of 20 permits will be issued to persons who landed more than 200 tons of sardines during 2000-2002. Oregon has issued an identical number of permits. The California fishery has 62 federal permits.

Under the Washington plan, permit holders must pay an annual renewal fee and land a minimum 100 tons of sardines. To avoid speculation, vessels can qualify no more than one permit in a calendar year. A second list of prioritized individuals who have participated in the fishery will replace permit holders who fail to meet the renewal requirements.

Dwindling catches and fluctuating markets have dramatically curtailed the California squid fishery. Imposition of a limited entry system, which initially triggered PSVOA involvement in the fishery, has been delayed on repeated occasions. However, the California Fish and Game Commission is again scheduled to take final action on a limited entry plan this year. Currently the Commission is scheduled to take public testimony on November 6th and 7th in San Diego with final action on December 4th and 5th in Sacramento. *[PSVOA will forward additional information to members who may qualify for a permit. We encourage membership to attend these meetings.]*

ALASKA HALIBUT AND SABLEFISH

The 2003 halibut fishing season opened March 1st, two weeks earlier than usual. The Alaska quota is more than 59 million pounds with the current catch at approximately 16 million. Prices are higher than last year and the industry is now discussing a year-round season with concerns of potential competition from Atlantic halibut farms in eastern Canada. The sablefish quota is almost 35 million pounds with a current catch of almost 11 million pounds.

NEWS BRIEFS

⇒ Last fall the United Fishermen Alaska and other industry groups successfully intervened in a lawsuit brought by environmental interests under the Marine Mammal Protection Act forcing NMFS to develop take reduction plans for almost every Alaska salmon fishery. Last month the lawsuit was dismissed without any direct or immediate impact on our fisheries.

⇒ David Bedford, former executive director for Southeast Seiners Association, has been selected by newly appointed ADF&G Commissioner Kevin Duffy to serve as his Deputy Fish Commissioner. They both deserve our warmest congratulations.

⇒ Former Wards Cove fishermen may be eligible for retraining assistance and trade adjustment allowances under the Trade Adjustment Assistance Act through the Department of Labor. For more information go to www.jobs.state.ak.us/taa.forms.htm.

⇒ The 68th PSVOA annual membership meeting and dinner/dance will be held on Saturday November 22nd at the Embassy Suites Hotel in Lynnwood, Washington. Please mark your calendar.



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 a safe and prosperous fishing season



ADDRESS CORRECTION REQUESTED