



# P.S.V.O.A.



## NEWSLETTER

DECEMBER 2001

### MINUTES OF PSVOA 2001 ANNUAL MEETING

The 66<sup>th</sup> annual meeting of the Purse Seine Vessel Owners' Association (PSVOA) was held on November 17, 2001 at the Madison Renaissance Hotel in Seattle 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 10:30 a.m.

### FINANCIAL REPORT

A preliminary financial report for 2001 projected both income and expenses at \$560,000. Because of higher revenue from brokerage, claims adjusting and legal fees, the management fee charged by PSVOA affiliate, Seine Management Services Inc., was reduced to only 6.3% of net premium to provide for a balanced budget. Expenses in 2002 should be slightly less as we reduce legislative lobbying in California while opening an office in Anchorage.

### MEMBERSHIP COMPOSITION AND DUES

Total membership stood at 498 categorized in the following groupings:

Current vessel owners	324
Charterer or hired skipper	77
Affiliated	60
Associate business	37
<b>TOTAL</b>	<b>498</b>

Membership voted to maintain dues at \$300 for the year with a designation of \$150 for lobbying expenditures and political contributions.

### PSVOA OUTLINES 2002 AGENDA

In recent years PSVOA has greatly expanded its mission statement to take account of membership transition into multiple fisheries. PSVOA cannot be all things to all

members. Rather, it continues to focus on member concerns that now or potentially affect a significant portion of membership. The Board of Directors reported and took membership comment on the following issues:

#### Charting a Course for Alaska Salmon

There is no single answer or approach to the problems facing the Alaska commercial salmon industry, and particularly the individual permit holder. However, there is little dispute that every Alaska salmon fishery is plagued by overcapitalization. For this reason, any comprehensive plan to restructure the industry will require substantial reductions in existing and latent harvesting capacity consistent with limited entry laws.

Although limited entry is supported by an amendment to the Alaska Constitution, the constitution also provides that salmon be available to all citizens under the No Exclusive Right of Fishery clause. The Alaska Supreme Court has emphasized the constitutional tension between limited entry laws and those favoring open access to Alaska salmon. For example, a region or fishery could implement a buyback program reducing permits only to have a court find the remaining number of permits too exclusive or less than the "optimal number" – requiring the Commercial Fisheries Entry Commission (CFEC) to add more permits back into that fishery. Because of this potential inconsistency, PSVOA will pursue restructuring or buyback plans that minimize uncertainty for the remaining permit holders.

United Fishermen of Alaska (UFA) has identified four possible methods to reduce harvesting capacity. Each would require a change in current law. More importantly, the following proposals or other such plans must be voluntary and crafted to fit the unique needs of each region, fishery and affected class of permit holders.

1. Amend existing state buyback law to allow for 1) the purchase permits only—not vessels and gear; 2) clarification of funding mechanism and 3) an optimum number study without the requirement to actually implement buyback.

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2. Change current law to allow a person to own or "stack" more than one permit in a particularly fishery. The Board of Fish would determine what advantage, if any, would attach to "stacked permits" (e.g. more gear, additional fishing periods).
3. Change current law to allow permit holders to form a "group" for the private buyback and holding of permits for the benefit of the remaining permit holders. Unlike traditional buyback programs, CFEC would not purchase and retire the permit. Rather, the remaining permit holder group would purchase the permit and then elect whether to hold in trust or allow the permit to expire. Because the permit is not necessarily retired the question of the fishery becoming too exclusive becomes more remote. In addition, if a court should require more permits in the fishery then the group could release or sell the requisite number. [Establishment and operation of a group, acquisition of funding to purchase permits and related statewide effects on other fisheries, if any, remain under consideration.]
4. Allow for the development of coops and other experimental programs to take fish with techniques not presently qualifying for licensing. [These concepts have been proposed by Chignik seiners and False Pass gillnetters.] Aside from opposition within those respective regions, the larger concern for UFA centers on the potential impacts of freed-up fishers or capital spilling over to other fisheries. This may be inevitable and even advantageous. Yet, it must be accomplished with statewide consensus.

Reducing harvesting capacity (and capital) in conjunction with economic incentives to permit holders no longer willing to participate in Alaska salmon fisheries will be PSVOA's primary objective. However, PSVOA will actively pursue other related objectives:

1. Develop policies and infrastructure to encourage new markets for Alaska salmon.
2. Expand, if necessary, USDA purchases and price supports for Alaska salmon.
3. Promote integration of harvesting and processing to find greater efficiencies in the catching and landing of Alaska salmon.
4. Rational management of subsistence fisheries to maintain commercial fishing opportunities.

## **ANCHORAGE OFFICE**

To reach these objectives, PSVOA will open an office in Anchorage prior to the 2002 salmon seasons and the legislative and gubernatorial elections. A large number of citizens and legislators who live in the Anchorage region either disfavor or know little about Alaska's commercial fishing industry. We must develop and gain statewide approval to implement a business plan for the salmon industry demonstrating its economic, social and cultural

importance to Alaska and its coastal communities.

## **PUGET SOUND LICENSE BUYBACK AND THE FUTURE**

Congress appropriated an additional \$5.4 million to complete its \$30 million commitment to the buyback of Puget Sound commercial salmon licenses under the Pacific Salmon Treaty agreement. This latest appropriation plus unspent administrative funds will purchase an additional 25 - 30 purse seine licenses in February 2002. If the Washington Legislature appropriates the remaining \$2.6 million its \$5.0 million commitment, then approximately 70 purse seine licenses will remain for the start of the 2003 season.

PSVOA general counsel, Bob Kehoe, has been appointed to fill the industry seat on the Fraser River Panel. Starting in 2002, PSVOA will seek a more favorable inner-gear allocation for Fraser sockeye. For the Puget Sound fall fisheries, PSVOA will seek the elimination of unnecessary gear requirements and establish foregone opportunity policies to allow additional commercial fisheries when Indian treaty fisheries elect to forego their share of the catch (e.g. 2001 South Sound chum).

## **CALIFORNIA SQUID**

Last September California passed legislation calling for the adoption of a squid management plan on or before December 31, 2002. This action concludes five years of PSVOA involvement in the California legislative process. In October the Fish and Game Commission established a 125,000 ton quota for the fishery, but did not adopt a PSVOA recommendation to establish a 60 ton trip limit. By next July the Department of Fish and Game will submit a final management plan, including a limited entry system, to the Commission for public comment and final action by December 2002. With respect to limited entry, PSVOA continues to support a system that allows continued participation by all members qualifying under the current Department proposal plus all other members who have landed squid on or after April 1, 1997.

## **WEST COAST SARDINES**

In California, now under a federal management plan and limited entry system, PSVOA seeks free transferability of permits with restrictions to vessels of significantly greater tonnage. In Washington and Oregon, which remain under state jurisdictions, PSVOA seeks compatible management plans, including trip limits, to maximize harvest opportunities for smaller vessels. Eventually, all fisheries should operate under a coast wide management plan with open access to all areas by qualified vessels/persons. For 2002, the coast wide harvest quota is 119,000 tons.

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## **GULF OF ALASKA COD AND POLLOCK**

In the Gulf of Alaska (GOA), PSVOA will continue to support groundfish rationalization that promotes the legitimate interests of the small boat fleet. Any effort to rationalize the fisheries without vessels/persons having guaranteed ownership of a specific quota will fail. Unlike Congressionally authorized pollock rationalization in the Bering Sea, the GOA will likely require approval by the North Pacific Council and balancing the concerns of various and diverse interest groups. Of paramount importance to PSVOA, is the reconciliation of federal and state water fishing rights in any individual quota system. On a more positive note, member vessels impacted by Stellar sea lion restrictions in the GOA will soon receive an estimated \$50,000 - \$60,000 in federal disaster relief.

## **BOARD OF DIRECTORS ELECTIONS AND SPEAKER**

Membership nominated five and then elected the three listed below to serve as "at large" members to the Board of Directors for the 2002-2003 term. The respective port members then elected the balance of Board members for the 2002-2003 term. Bob Plenkovich was re-elected President for 2002. The meeting adjourned at 12:30 p.m. followed by lunch and remarks by David Bedford, executive director for Southeast Alaska Seiners Association, who discussed a proposed amendment to the Alaska Constitution providing for a rural subsistence priority thereby allowing Alaska to regain management of subsistence fisheries.

	<b>Position</b>
Skip Anderson, <i>F/V Esperanza</i>	At-Large
Nick Babich, <i>F/V Lucia &amp; Eileen</i>	At-Large
Dennis Dohner, <i>F/V Destiny</i>	Blaine
Nick Jerkovich Jr., <i>F/V Pacific Raider</i>	Gig Harbor
Dale Marble, <i>F/V Adventurous</i>	At-Large
Bob Plenkovich, <i>F/V St. Nicholas</i>	Seattle

## **MINUTES OF THE 2001 SVR ANNUAL MEETING**

The 17<sup>th</sup> annual meeting of the Seine Vessels' Reserve (SVR) was called to order by President Richard Tarabochia at 2:30 p.m. A preliminary year end financial report placed membership surplus at \$5.0 million -- or \$.6 million less than 2000. This first ever drop in surplus was due to higher claims and increasing reinsurance costs. Next year we will pay higher reinsurance premiums and have a higher annual aggregate deductible. To combat these developments (and others presented in the discussion paper), membership approved the following amendments to the Articles of Association effective January 1, 2002:

### **Surplus Distribution**

1. Distribute only 50% of the 1998 surplus previously scheduled for payment in 2002. Distribution of the

- remaining 1998 surplus will await assessment of 2002 claims and 2003 reinsurance costs.
2. Retain 20% of surplus scheduled for payment to affiliated member who on or after January 1, 1996 submitted a claim in excess of \$50,000.

### **P&I Deductibles -- Amends Article IV (2)(a)**

1. Members submitting a P&I claim in excess of \$15,000, which occurred after January 1, 1998, will have a \$5,000 deductible for a period of three years from the occurrence date. Members submitting two claims in excess of \$15,000 each after 1-1-98 will have a \$7,500 deductible for the same period.
2. Members who submit a P&I claim without a signed crew contract will have a \$5,000 deductible for the year the claim occurred.

### **Total Loss -- Amends Article XI (1)**

Members submitting a total loss or total constructive loss hull claim shall forfeit all surplus attributable to that vessel or an earlier replaced vessel for the year of the occurrence plus the succeeding year's surplus.

### **Safety Requirements -- Amends Article VI (2)(h)**

Completion of the U.S. Coast Guard vessel safety specification is mandatory.

## **SVR BOARD OF TRUSTEES ELECTIONS**

Membership re-elected the three below listed members to the Board of Trustees for the 2002-2003 term. The meeting adjourned at 4:30 p.m.

Andy Babich, *F/V Ocean Dream*  
Nick Jerkovich Sr., *F/V How Kan*  
Tom Manos, *F/V Equinox*  
Gene Vitalich, *F/V Flamingo*

## **A TAXING MOMENT**

Because we often emphasize the economics of fishing, we will devote a portion of future newsletters to a related financial matter. With 2002 approaching, federal taxation seems appropriate.

No tax hits small boat commercial fishermen harder than self-employment tax. This year the tax is 15.3% of your first \$80,400 of Schedule C net income and 2.9% thereafter.

Many commercial fishermen form Subchapter S corporations to reduce their self-employment tax. For example, a commercial fisherman with net profits of \$90,000 in 2001 would pay \$12,580 in self-employment taxes. Assuming the same \$90,000 of net income in an S corporation, the fishermen (and sole shareholder) could pay himself a salary of \$12,000. The shareholder takes the re-

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maining profit as a cash or property distribution (dividend), leaving no profit in the corporation. The self-employment tax on the \$12,000 salary is \$1,836. The self-employment tax has been reduced by \$10,744.

For the IRS, the key question is whether the \$12,000 salary is reasonable compensation. And of course you will have the burden to prove that the distribution of dividends (rather than payment of salary) was appropriate. If you fish on the vessel, your salary must at least equal a crew share. However, the more important question is how you characterize income received for your vessel, fishing gear and licenses. If you incorporate and retain these items as individual assets and rent them to the corporation, the rental income is reportable on a Schedule C, and subject to the self-employment tax. The amount of rent is measured against what the corporation would have to pay an unrelated party to rent the same items. Current conditions show a massively over-capitalized fishing industry with idle vessels, gear and fishing licenses. For these items, particularly gear and permits, rent should be extremely low. Provided the rent or compensation paid to the shareholder is reasonable, the corporation is free to pay additional dividends not subject to self-employment taxes.

## NEWS BRIEFS

⇒ New research shows that waste from Chilean salmon farms is discharged without any kind of treatment. The waste is equivalent to that generated by a human population of 3 – 4 million. In British Columbia, a Canadian investigation showed that salmon farms cause major environmental damage and pose a significant threat to wild fish stocks. Make no mistake, foreign farmed salmon has devastated traditional markets for Alaskan salmon. For the long run, however, ongoing environmental concerns about farmed fish should provide some upside for wild salmon.

⇒ For those completing a 2002 renewal form, your 2002 SVR insurance certificate will arrive shortly. Please re-

new now to avoid any disruption in coverage.

⇒ The Halibut Commission will meet in Seattle on January 22-25 to take final action on 2002 harvest recommendations. Halibut and sablefish farming, although underway in Norway and British Columbia, for now appears only as a long-term threat to current IFQ holders.

⇒ United Fishermen of Alaska will meet in Juneau on January 30 – February 2, 2002.



## ASSOCIATE MEMBERS

*\*Also members of the Pacific Salmon Treaty*

Alaska General Seafoods*	Montgomery Maritime Survey, Inc.
Anderson Marine	Norcoast Marine Services
BBG Corporation	Norquest Seafoods*
Ballard Oil Co.	NRC (Natural Resource Consultants)
Bank of America	Ocean Beauty Seafoods*
Bornstein Seafoods, Inc.	Pacific Fishing Magazine
Cochrane & Hellman, P.C.	Peter Pan Seafoods, Inc.
Covich-Williams Co., Inc.	Phil Hingston, CPA
Delta Marine Industries, Inc.	Radtke Marine, Inc.
Faim & Swanson	Redden Marine Supply, Inc.
Global Maritime	San Juan Seafoods*
Farm Credit Services	Seafood Producers Coop.*
Fishing Vessel Owners Marine Ways	Seattle Marine & Fishing Supply
Hammer & Wilkan	Sea Wave Corp.
I.S. Co., Inc.	Stewart Ellison, Financial Consultant
Icicle Seafoods*	Trident Seafoods*
Integrated Marine Systems	Wards Cove Packing*
LFS, Inc.	Westmar
Law Offices of Paul Anderson	

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## HAPPY HOLIDAYS

**ADDRESS CORRECTION REQUESTED**