

# **CAPACITY REDUCTION PLAN FOR THE SOUTHEAST** **ALASKA SALMON PURSE SEINE FISHERY**

**By Southeast Revitalization Association**

The Southeast Revitalization Association (“SRA”), pursuant to Title 50 of the *Code of Federal Regulations*, Section 600.1107(e)(1) submits the following Reduction Plan (“Plan”)<sup>1</sup> to implement a fishing capacity reduction program (“program”) for the Southeast Alaska Purse Seine Salmon Fishery (“fishery”).

## **I. STATUTORY AND REGULATORY BACKGROUND**

The program was established under the Consolidations Act of 2005 (Section 209 of Title II of Division B of Public Law 108-447). This federal law was subsequently amended by Section 121 of Public Law 109-479 (the Magnuson-Stevens Reauthorization Act of 2006) codified at 16 U.S.C. §1801 *et seq.* The authority for the SRA to conduct this program is Alaska Statute 16.40.250.

Based on these federal and state measures the National Marine Fisheries Service (“NMFS”) established regulations in the *Federal Register*, Vol. 76, No. 194, October 6, 2011, to administer and implement the program.

The purpose of the program and this Plan is to permanently reduce the number of limited entry fishing permits issued by the Alaska Commercial Fisheries Entry Commission (“CFEC”) for the fishery thereby promoting economic efficiency and improving the conservation and management of the fishery.

The regulations established by NMFS divide the program into six phases. The SRA has certain unique roles relating to three of these phases: (1) Enrollment; (2) Bid Selection; and (3) Plan Submission.

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<sup>1</sup> This Plan is generally modeled under portions of “Harvester Proponents’ Implementation Plan” as provided under the Magnuson-Stevens Act, Section 312(e).

## II. ENROLLMENT

Under the enrollment phase the SRA is required to perform four separate duties in preparation for submittal of the Plan.

### A. MAILING OF BIDS

On November 29 and 30, 2011, the SRA, pursuant to 50 CFR §600.1107 (c)(1), sent a copy of the bid documents by certified mail to each holder of a valid entry permit issued by CFEC to operate in the fishery.<sup>2</sup>

### B. BID CLOSING DATE

Pursuant to §600.1107(c)(3), the SRA specified a bid closing date of December 28, 2011.

### C. SUBMITTAL OF BIDS

The SRA contracted with the independent accounting firm of Elgee, Rehfeld, Mertz, LLC in Juneau, Alaska, to assist in the Enrollment phase of the program, including the collection and compilation of all bids and other supporting documentation submitted by permit holders wishing to relinquish their permits. Pursuant to §600.1107 (c)(2)(v)(A)&(B) the accounting firm also made an initial determination whether the bid application conformed with the prescribed requirements and notified bidders of non-conformity, if any.

### D. RECEIPT OF BID APPLICATIONS

The accounting firm received a total of seventy (74) conforming bid applications during the prescribed enrollment period.<sup>3</sup> Each of the bid applications was recorded by date of receipt, permit holder's name, permit number and bid amount. The information and related documentation was transmitted to the SRA.

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<sup>2</sup> See affidavit of Rachel Agent marked as Exhibit A.

<sup>3</sup> Three (3) of the bid applications were received by the accounting firm on December 29, 2011. However, all documentation was executed within the enrollment period and the SRA deemed these bids were timely received. This determination was also based, in part, on the aggregate bid amount not exceeding the maximum loan ceiling.

### III. BID SELECTION

Under the bid selection phase the SRA is required to perform five separate duties in preparation for submittal of the Plan.

#### A. RANKING OF BIDS

Pursuant to §600.1107(d)(3), the SRA ranked the 74 bids by using a reverse auction format. The SRA ranked the bid with the lowest dollar amount first and successively ranked each additional bid with the next lowest dollar amount. The individual bid amounts ranked from a low of \$175,000 to a high of \$350,000. The 74 bids were in the aggregate amount of \$15,817,980.

#### B. CONSULTATION WITH CFEC

Consistent with §600.1107(d)(1)(i), the SRA, in consultation with CFEC, examined each of the 74 bid applications for consistency, including the validity of the permit and whether any authorized party held a security interest in the permit.

#### C. ACCEPTANCE OF BIDS

Pursuant to §600.1107(d)(4), the SRA accepted sixty-four (64) ranked bids with an aggregate bid amount of \$13,133,030, or an average of \$205,204.<sup>4</sup> As required under §600.1107(d)(4)(e), SRA certifies that each of the ten (10) bid applications not accepted contained a bid amount higher than \$240,000.<sup>5</sup>

#### D. NOTIFICATION TO BIDDERS

Pursuant to §600.1107(c)(4) the SRA, via certified mail, notified each of the 64 accepted bidders that their bid had been accepted and the effective date for their agreement to relinquish a permit.

Pursuant to §600.1107(d)(4) the SRA transmitted to CFEC the Conditional Notice form restricting the renewal and transfer of each of the 64 permits for which a bid was accepted. The SRA also notified each of the non-accepted bidders by regular mail.

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<sup>4</sup> See schedule of accepted bids marked as Exhibit B.

<sup>5</sup> These 10 non-accepted bids totaled \$2,684,500, or an average of \$268,450, ranging from a low of \$248,000 to a high of \$350,000. The SRA maintains acceptance of one or all of these bids would be an excessive deviation from current fair market values, and, therefore, not cost-effective. See Section IV(A)(2)(a)(i) of the Plan. Moreover, the SRA maintains that acceptance of bids in excess of \$240,000 would result in a crucial segment of permit holders voting in the referendum against the Plan.

#### IV. REQUIRED FINDINGS

Pursuant to §600.1107(e)(2), approval of the Plan requires a finding that the Plan is (1) consistent with applicable provisions of federal law, and (2) will provide increased harvesting productivity for post-reduction participants in the fishery. The Plan satisfies both requirements as set forth below.

##### A. CONSISTENCY WITH FEDERAL LAW

There are two separate federal laws authorizing this program: 1) the amended Consolidated Appropriation Act of 2005 and 2) portions of the Magnuson-Stevens Act codified at 16 U.S.C. 1801 *et seq.* Both of these laws are further identified in Section 1 of the Plan.

##### 1. CONSOLIDATED APPROPRIATIONS ACT OF 2005

The Plan is consistent with the amended Consolidated Appropriations Act of 2005 for the following reasons: (1) total program costs identified under the Plan do not exceed \$23,476,500; (2) the Plan provides the assessment (or industry fee) cannot exceed a maximum three percent (3.0%) of the value of the fishery; and (3) the SRA with the submittal of this Plan has fulfilled its respective role and duties relating to the development and implementation of the program.

##### 2. MAGNUSON-STEVENSONS ACT

The enabling legislation, the Consolidated Appropriations Act of 2005, authorizing this program waives many of the fishing capacity reduction program requirements of the Magnuson-Stevens Act. There were a variety of reasons for this waiver. Unlike other industry financed capacity reduction programs undertaken by NMFS, this program involves no federal fishing permits. More importantly, this program does not retire fishing history and places no restrictions on the accepted bidder or how the vessel, if any, to which the relinquished permit applies can be used in the future.

The enabling legislation does, however, provide that the program meet the requirements of the Magnuson-Stevens Act, §312(b)(1)(C) and (2), which are:

1. Cost-Effectiveness;
2. Capability of repaying the loan; and
3. Achieving the maximum sustainable reduction in capacity at the least cost.

#### a. COST-EFFECTIVENESS

Cost-effectiveness is not defined in these regulations or the Magnuson-Stevens Act, which complicates evaluation of this requirement. Typically, a cost-effectiveness analysis is a comparison of the relative cost-efficiencies of two or more alternative ways to achieve the objective—in this case improving the harvesting productivity for the remaining permit holders participating in the fishery. The SRA does not have a range of alternatives from which to select the most cost-effective approach; and NMFS considered no other alternative other than a no action alternative. By definition this program and the related Plan provides only one approach to achieve a sustainable reduction in fishing capacity. Without an alternative method, the analysis of cost-effectiveness hinges solely on the question of whether the number of permits relinquished and related costs under the Plan is worth doing.

The SRA maintains the answer to this fundamental question requires a two-part analysis. First, is the total amount of accepted bids rationally related to the current fair market value of permits? Secondly, is the reduction in fishing capacity sufficient to warrant the cost and duration of the loan?

#### i. FAIR MARKET VALUE

According to advertisements in commercial fishing trade journals and permit broker websites, the current offering price for a permit ranges from \$130,000 to \$135,000.<sup>6</sup> State of Alaska records show for the period 2007-2010 the average permit price has increased from \$59,700 to \$87,400.<sup>7</sup> The SRA expects the average 2012 permit price published by the State of Alaska will closely approximate the average accepted bid amount of \$205,204.

The recent increase in permit values is a function of four factors: (1) relatively stable salmon production; (2) rising prices for Alaska salmon especially pink and chum salmon; (3) reduced number of inactive permits<sup>8</sup>; and, (4) the upward speculation fueled by the potential approval and ultimate implementation of the subject Plan.

The present fair market value is predicated on a total of 379 permits. If the Plan is approved and subject to a successful referendum, 315 permits or 83.1% of the existing permit total will remain eligible to participate in the fishery. The SRA maintains this reduction will result in a substantial increase in the fair market value of the remaining permits to a level equal or greater than the average accepted bid amount.

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<sup>6</sup> Pacific Fishing Magazine, December 2011 and websites of vessel/permit brokers, Dock Street Brokers and GSI Company, based in Seattle, Washington.

<sup>7</sup> See CFEC Basic Information Table—[www.cfec.state.ak.us/bit/X\\_SO1A](http://www.cfec.state.ak.us/bit/X_SO1A)

<sup>8</sup> The SRA previously purchased 35 permits under a 2008 State of Alaska program with federal grant funds. The average accepted bid amount was \$82,020.

ii. LOAN COST AND DURATION

(a) Loan Terms

The Plan will utilize a principal loan amount of **\$13,133,030**. The loan will bear interest at an estimated initial rate of **5.125%** per annum.<sup>9</sup> The final interest rate will be fixed at the end of the 2012 federal fiscal year and will not vary over the remainder of the loan term. The SRA maintains this very favorable interest rate, which will be the lowest ever provided under a NMFS funded reduction program, is a major factor supporting the cost effectiveness of the program. As authorized under the enabling legislation, the loan shall be amortized over a forty (40) year term. The annual debt service would be **\$778,513**.

The SRA concedes this analysis is limited in scope and is inherently complicated.<sup>10</sup> The three key components employed by the SRA in projecting the duration of the loan are (1) future harvest volumes; (2) species composition; and (3) ex-vessel price. Each of these components can and do vary from year to year, especially harvest volumes. The SRA has attempted to consider each of these components and the related commonalities in making its projection.

(b) Prior Harvest Volumes and Future Harvest Projections

The SRA maintains the recent 12 year period 2000-2011 is the most appropriate measurement of time to project future harvest for the duration of the loan period. The average annual harvest during this period was approximately **175 million pounds**. Annual harvest during this period ranged from a low of 95 million pounds, to a high of almost 264 million pounds this past fishing season. The SRA projection was favorably influenced by poundage falling below 100 million pounds in only two of the years. This indicates that although annual production may fluctuate, the collapse of the Southeast salmon populations is highly unlikely.

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<sup>9</sup> The interest rate is the U.S. Treasury's cost of borrowing equivalent maturity funds plus two percent. A thirty (30) year treasury, which is the nearest equivalency, currently is paying 3.125%.

<sup>10</sup> The volatility of such projections is most clearly evidenced by the 2005 report on projected ex-vessel earnings for the fishery prepared by the McDowell Group in Juneau, Alaska and funded by NOAA Fisheries, Alaska Region. This report projected a 40-year average pink and chum ex-vessel price of \$0.16 and \$0.21, respectively.

Year	Total Pounds
2000	141,311,987
2001	251,148,561
2002	171,339,251
2003	212,141,903
2004	207,090,560
2005	226,693,325
2006	96,076,388
2007	185,269,369
2008	95,024,646
2009	139,056,463
2010	112,494,356
2011	263,981,481
TOTAL	2,101,628,290
Annual Average	175,135,690

(c) Prior Harvest Composition by Specie and Future Composition Projections

In terms of poundage, pink salmon are the single largest component of harvest in the fishery. Chum salmon comprise the second largest component followed by sockeye, coho and chinook salmon. Estimating the future harvest composition is challenging given that pink salmon harvest is based on production within literally thousands of watersheds throughout the Southeast region, while most chum production comes from enhanced hatchery-reared fish. For consistency purposes, the SRA draws upon the most recent 12 year average (2000-2011) to project the following future harvest composition by specie and poundage.<sup>11</sup>

Pink	Chum	Sockeye	Coho	Chinook
76.0%	20.0%	2.0%	1.6%	0.4%

Based on these projections the SRA estimates the annual harvest will be distributed as set forth in the following table:

Specie	Percentage	Poundage
Pink	76.0%	133,300,000
Chum	20.0%	35,000,000
Sockeye	2.0%	3,500,000
Coho	1.6%	2,800,000
Chinook	0.4%	700,000
TOTALS	100.0%	175,000,000

<sup>11</sup> See 2010 Alaska Fish & Game Annual Management Report; Table 1, page 58. See also Fish & Game 2011 salmon harvest estimates by gear in the Southeast Alaska fisheries.

(d) Ex-Vessel Price Projections

Unlike the future harvest and species composition projections set forth above, the SRA maintains it is not appropriate to consider the most recent 12 year average to project future ex-vessel prices. Alaska salmon prices have seen considerable appreciation during the last five years (2007-2011), especially pink and chum. Over this time period the ex-vessel price of pink and chum in the fishery have increased from \$0.21 and \$0.39 to \$0.45 and \$0.90, respectively.<sup>12</sup> This increase has occurred despite record harvest levels.<sup>13</sup> The SRA maintains the reason for this continued upward trend despite an increasing supply is that Alaskan pink and chum salmon are the most cost-effective salmon options in the world market.<sup>14</sup>

The traditional high-value species make up only four percent (4%) of the harvest. During the last five years the ex-vessel price per pound of sockeye has averaged \$1.25 while the coho and Chinook price has averaged \$1.00 and \$3.00 per pound, respectively.<sup>15</sup>

Based on these averages and future market conditions, the SRA maintains that the ex-vessel price per pound for the fishery will stabilize for the duration of the loan period at the following levels. The SRA projection further assumes inflation will have a zero impact on ex-vessel values.<sup>16</sup>

Pink	Chum	Sockeye	Coho	Chinook
\$0.35	\$0.70	\$1.25	\$1.00	\$3.00

(e) Projected Ex-Vessel Value of the Fishery

Based on the foregoing, the SRA projects the average annual value of the fishery for the duration of the loan period will be \$80,430,000 as set forth in the following table:

<sup>12</sup> See Alaska Department of Fish & Game website [www.adfg.state.ak.us](http://www.adfg.state.ak.us) Information by Fishery.

<sup>13</sup> The 2009 Russian pink salmon harvest reached a record 924 million round pounds. For context, Alaska's average harvest of pink salmon for the period 2007-2011 was 386 million pounds. The 2011 Russian pink harvest is estimated at nearly 900 million pounds with a 395 million pound harvest in Alaska.

<sup>14</sup> There are growing markets for frozen pink and chum salmon, particularly pin-boned fillets and other value-added products. Shifting demographics and better access to food information is driving consumers to buy salmon. Consumers emphasize cost and ease of preparation, which is a favorable position for frozen pink and chum salmon from Alaska. Alaska Seafood Marketing Institute, Seafood Market Bulletin, Summer 2011.

<sup>15</sup> See footnote 11.

<sup>16</sup> This is a very conservative component of the projection given inflationary trends and the rise in commodity prices and demand for salmon in the world's developed nations.



Specie	Poundage	Price	Ex-Value
Pink	133,300,000	\$0.35	\$46,655,000
Chum	35,000,000	\$0.70	\$24,500,000
Sockeye	3,500,000	\$1.25	\$4,375,000
Coho	2,800,000	\$1.00	\$2,800,000
Chinook	700,000	\$3.00	\$2,100,000
<b>TOTALS</b>	<b>175,000,000</b>		<b>\$80,430,000</b>

(f) Projected Annual Assessment or Industry Fee

Based on the projected ex-vessel prices and a maximum three percent (3.0%) assessment, the fishery will on average annually generate **\$2,412,900**.

(g) Projection of Loan Amortization and Pay-Off

Annual assessment revenue of \$2,213,012, which is almost \$200,000 less than the amount estimated by SRA for the fishery, will allow for repayment of the loan in six (6) years, or by October 2018.<sup>17</sup> The projected amortization schedule is set forth in the following table:<sup>18</sup>

Date	Payment	Principal	Interest	Balance
06/01/2012	-0-	-0-	-0-	\$13,133,000
10/01/2012	-0-	-0-	\$224,355	\$13,357,355
10/01/2012	\$2,213,012	\$2,213,012	-0-	\$11,144,343
10/01/2013	\$2,213,012	\$1,628,256	\$584,756	\$9,516,087
10/01/2014	\$2,213,012	\$1,713,692	\$499,320	\$7,802,395
10/01/2015	\$2,213,012	\$1,803,611	\$409,400	\$5,998,784
10/01/2016	\$2,213,012	\$1,898,249	\$314,763	\$4,100,534
10/01/2017	\$2,213,012	\$1,997,852	\$215,160	\$2,102,682
10/01/2018	\$2,213,012	\$2,102,682	\$110,330	-0-
<b>TOTALS</b>	<b>\$15,491,084</b>	<b>\$13,357,355<sup>19</sup></b>	<b>\$2,133,729</b>	

<sup>17</sup> Pink salmon are the single largest harvest component in the fishery. The year-to-year harvest of pink salmon varies widely and the variation has a predictable pattern based on the two-year life cycle of the fish. The harvest in odd-numbered years is typically much stronger than in even-numbered years, owing to the abundance of the parent year fish. For example, the offspring of the large pink salmon numbers that spawned in 2011 will return to the spawning grounds in 2013, their off-spring return in 2015. The first year of the assessment will be 2012—an even numbered year. Consequently, the 2012 harvest poundage and ex-vessel value of the fishery will likely fall below the average projected under the Plan. For this reason, the amortization schedule applies a number less than the SRA projection to offset this likely first year shortfall.

<sup>18</sup> The schedule assumes reduction payments will be received by accepted bidders on June 1, 2012 and the first year assessment will be transmitted by October 1, 2012.

<sup>19</sup> This principal amount includes \$224,355 in additional interest from the projected date of the reduction payments to transmittal of the 2012 assessment.

iii. Summary

The SRA maintains reduction in fishing capacity is necessary. The Plan is cost-effective for two overriding reasons: (1) The average price of the 64 accepted bids is reasonably related to current market valuations and the fair market price the SRA maintains will exist post-implementation of the Plan. (2) The projected duration and cost of the loan, considering the interest rate and current value of the fishery, is consistent with the reduction in fishing capacity achieved under the Plan.

b. CAPABILITY OF REPAYING LOAN

The Magnuson-Stevens Act, §312(b)(ii)(C) requires a showing that the program is “prospectively capable of repaying any debt obligation” incurred under the Plan. This requirement is fully satisfied considering the projected loan amortization and pay-off analysis contained in Section IV(A)(2)(a)(ii)(g) of the Plan. In fact, reducing the rate from 3.0% to only 0.97% would still generate an annual assessment sufficient to repay the loan within the prescribed term.<sup>20</sup> Moreover, the Plan utilizes only 55.9% of the maximum loan ceiling.

c. MAXIMUM SUSTAINED REDUCTION IN FISHING CAPACITY

The Magnuson-Stevens Act, §312(b)(2) requires the program to achieve the maximum sustained reduction in a minimum period of time. The SRA maintains this requirement is satisfied by the very nature of the program and that fishing permits are permanently relinquished. Unlike other federal capacity reduction programs, under this Plan there is no buyback of fishing history or quota and there is no restriction on the vessel, if applicable, to which the relinquished permit applies. Therefore, each permit, including currently inactive or latent permits, constitutes additional, if not equal, fishing capacity. The only constant measurement of fishing capacity in the fishery is the fishing permit. By definition, therefore, relinquishing 64 of the 379 permits is equal to a 16.9% permanent and sustainable reduction in fishery capacity.<sup>21</sup> The Plan does not immediately achieve maximum sustainable reduction in capacity. To achieve that objective, without consideration of cost-effectiveness, the SRA would need to accept the ten (10) non-accepted bids described in Section III(C) of the Plan.<sup>22</sup>

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<sup>20</sup> This reduced rate would generate an annual assessment of \$778,513. See Section IV(A)(2)(a)(ii)(a) of the Plan.

<sup>21</sup> CFEC may issue additional permits in the future if the fishery becomes too exclusive. This would require CFEC to conduct an “optimum number” study before any decision could be made on whether the fishery had become too exclusive. The SRA thoroughly considered this possibility before electing to submit the Plan.

<sup>22</sup> The Plan provides for a \$13,133,030 loan amount. The remaining \$10,343,470 would be available for future reduction payments as part of a later, separate Reduction Plan. See 50 CFR Section 600.1107(f)(1). The Plan does not consider what percentage of additional reduction can be achieved with the remaining funds.

B. INCREASE HARVEST PRODUCTIVITY FOR POST-REDUCTION PARTICIPANTS IN THE FISHERY

As is the case with cost-effectiveness, increased harvest productivity is not defined in these regulations or the Magnuson-Stevens Act. As a rule, harvest productivity would be defined as the volume or pounds of salmon harvested in the fishery divided by the fishing time required to harvest the salmon. Under such a definition productivity would be measured by the volume of fish available and the efficiency of the harvesting vessel. There is no question that the size and design of today's purse seine vessel is resulting in greater "harvest" efficiency. However, the "productivity" of the vessel is more closely related to the volume of fish available to harvest rather than the number of permits participating in the fishery. For these reasons, the term "increased harvest productivity" may not properly capture the primary objective of the program. Rather, the pivotal question is whether after implementation of the program will the individual permit holder participating in the fishery have the opportunity to catch a relatively greater percentage of the available salmon harvest?

This can be a complicated and somewhat subjective question since it requires future forecasting in an industry that is historically fraught with uncertainty. The SRA again starts from the proposition that each fishing permit represents a potentially equal increment of fishing capacity.<sup>23</sup> The SRA analysis also considered a review of participation in the fishery for the 1997-2011 time period as set forth in the following table combined with a projection of future participation.<sup>24</sup>

Year	Permits Issued	Permits Fished
1997	415	351
1998	415	377
1999	415	359
2000	415	356
2001	414	345
2002	413	273
2003	416	235
2004	414	209
2005	415	232
2006	414	230
2007	415	237
2008	380	212
2009	379	256
2010	379	235
2011	379	277

<sup>23</sup> This proposition is further supported by the program containing no limitation or restriction on the rights of an accepted bidder to relinquish a permit and then purchase another permit to participate in the fishery.

<sup>24</sup> See CFEC Basis Table Information, footnote 7.

Participation has trended upwards since 2005 with greater increases occurring in the odd number years. Participation increased by 2.2% from 2005 to 2007; 8.0% from 2007 to 2009 and 8.2% from 2009 to 2011. This increased participation is directly related to rising ex-vessel prices. However, other factors are promoting increased participation.

There is an ever growing demand for wild Alaska salmon. Not until 2008 did salmon processing companies and other buyers stop restricting their purchases of pink and chum salmon in the fishery. The SRA assumes this was in response to processing capacity limitations or depressed prices resulting from oversupply. Today these same processing companies and new entrants are increasing processing capacity. There is now excess processing capacity in the fishery. Consequently, these companies are aggressively seeking to introduce more harvesting capacity into the fishery reasoning the need to have more harvesting vessels to maintain their current share of the available harvest.<sup>25</sup>

Fishermen are diversifying. Participation in multiple fisheries has become a simple economic fact. Fishermen generating solid revenue in one fishery are constantly analyzing the cost and benefit of investing and participating in a new fishery. SRA maintains many fishermen with no prior participation in the fishery are preparing to invest and periodically participate in the fishery.

The fishery is biologically strong. For the past 20 years, escapements have been at historical high levels for pink salmon. Harvest is rarely constrained by poor escapement. Today, annual production is dependent mostly on over-wintering and climate ocean conditions. Although salmon runs will fluctuate, the collapse of a stock is unlikely because of intense in-season management requiring adequate escapement before commercial harvest. Moreover, freshwater rearing habitat is intact and will remain that way given the Alaska's current regulatory status.

The SRA maintains that within the next 3-5 years every now inactive or latent permit will be owned by an active fishermen or otherwise controlled by a processing company or other fishery related entity. The SRA cannot maintain with certainty that reducing the total number of permits by 16.9% will result in an immediate increase in the percentage of harvest taken by those remaining participants in the fishery. The SRA does, however, maintain that the 16.9% reduction will lessen the possibility that latent permits will be activated thus minimizing further reductions in harvest levels or percentages to be enjoyed by remaining participants in the fishery.

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<sup>25</sup> This can take variety of forms. Processing companies are now offering loans to new fishermen seeking to enter the fishery or providing financing to existing participants for vessel improvements. Companies are now more closely examining regional salmon forecasts and encouraging fishermen to operate in areas where they believe more production is available. Companies may also encourage or require participation in the fishery as a condition to offering those fishermen markets in other regions or for other seafood harvest.

#### E. SUPPORTING DOCUMENTS

Consistent with §600.1107(4)(e), the SRA makes part of this Plan the following documents for each of the accepted bidders:

1. Bid
2. Relinquishment Contract
3. Conditional Notice to CFEC
4. Conditional Relinquishment of Entry Permit

#### F. CONCLUSION

The SRA recognizes there has been a substantial change in circumstances since the 2006 enactment of federal legislation to establish and implement this program. The initial motives for creating the program were predicated on stagnant ex-vessel salmon prices and lack of processing capacity, which were threatening the very economic viability of the fishery. Today the overriding motivation is to stabilize harvest productivity by those now participating in the fishery while maintaining orderly management of the fishery. Although the circumstances and challenges may have changed, the SRA maintains the solution remains the same—sustainable and cost-effective reduction in fishing capacity. Fortunately, the correctness of the SRA decision is ultimately and rightly left to the permit holders in the referendum process.


DATED this 27<sup>th</sup> day of January, 2012

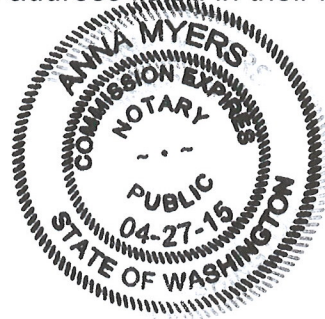
Respectively submitted,

  
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Robert Zuanich, Manager  
Southeast Revitalization Association



the Bid agreement. I and my co-workers deposited the letters with sufficient postage for certified mailing in the United States Mail to each of these 64 permits holders at the address listed in their bids. The SRA also provided us with a list of ten (10) non-accepted bidders/permits holders and a letter notifying of non-acceptance which was sent by regular mail at the address listed in their bids.

  
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Rachel Agent



STATE OF WASHINGTON            )  
  )ss.  
COUNTY OF KING                            )

I, Anna Myers, Notary Public in and for the State of Washington, do hereby certify that on this 23 day of January, 2012, personally appeared before me Rachel Agent to me known to be the individual described in and who executed this affidavit of mailing and acknowledged that she signed the same of her free and voluntary act and for the uses and purposes herein mentioned.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 23 day of January, 2012.

  
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Notary Public in and for the State of Washington, residing at Seattle, King County. My appointment expires on April 27, 2015.

**EXHIBIT B--SCHEDULE OF ACCEPTED BIDS PURSUANT TO  
CFR TITLE 50, SECTION 600.1107(d)(4)**

	Last Name	First Name	Permit No.	Bid Amount
1	Krigbaum	Michael	S01A58031W	175,000
2	Jensen	Douglas	S01A59714N	180,000
3	DeGroen	Johnny	S01A58505S	185,000
4	Michael	Mercury	S01A55386C	185,000
4	Reimnitz	Hartmut	S01A578995	185,000
6	Zuanich	Michelle	S01A57849F	185,000
7	Veerhusen	Daniel	S01A56638X	189,000
8	Hansen	William	S01A55442A	191,000
9	Svensson	John	S01A56492N	191,000
10	Gruenheit	Michael	S01A55083V	193,000
11	Jolibois	Timothy Larry	S01A56018A	194,000
12	Spearin	James	S01A59372G	194,973
13	Jurlin	Marie	S01A58547R	195,000
14	Nash	Paul	S01A57907M	195,000
15	Reifenstuhl	Ivan	S01A55171A	195,000
16	McGee	Gary	S01A56559	196,000
17	Christensen	Dale	S01A60803V	196,500
18	Finney	Paul	S01A64933S	197,000
19	Haldane	Robert	S01A56620L	197,000
20	Kvernvik	Carolyn	S01A55231R	197,000
21	McLean	John	S01A56270P	197,000
22	Tarabochia	Dominick	S01A56600P	197,000
23	Wills	Charles	S01A58070V	197,000
24	Zuanich	Michelle	S01A568811	197,000
24	Beritich	Mitchell	S01A58923M	197,200
26	Barrett	Davis	S01A58501W	197,202
27	Marrese	Andrew	S01A57909W	197,202
28	Markusen	Kenneth	S01A55584K	198,000
29	Scudder	Bradley	SO1A56000N	198,000
30	Schonberg	Peter	S01A56601I	199,000
31	Bill	David	S01A58338U	199,500
32	Manos	Andrew	S01A59222I	199,990
33	Nugent	Matthew	S01A55689G	199,999



34	Hanson	Jeff	S01A57976	200,000
35	Johns	Justna	S01A55403	200,000
36	MacDonald	Clifford	S01A55545L	200,000
37	Olney	Virginia	S01A57720	200,000
38	Suydam	Antril	S01A57910N	200,000
39	Kohlase	Ernest	S01A56199V	201,500
40	Mann	Bruce	SO1A56187	205,000
41	Haltiner	Fred	S01A55617L	207,000
42	Marvin-Denkinger	Victoria	S01A58429X	209,000
43	Krieger	Kenneth	S01A59613M	209,000
44	Rocheleau	Rick	S01A58478	209,000
45	Menten	Erik Keller	S01A57726X	209,500
46	Fanning	Christine	S01A60909J	209,800
47	Wallace	Bruce	S01A55827B	214,000
48	Thorstenson	Peder	S01A59806J	215,000
49	Alfieri	Joe	S01A60791I	220,000
50	Sorensen	Paige	S01A58511U	223,000
51	Demmert	Nicholas	S01A56948W	223,875
52	Wamser	William	S01A60071B	224,000
53	Buschmann	Ronn	S01A55479D	224,500
54	Dontos	Larry	S01A59705K	224,900
55	Botsford	Wallace	S01A63175B	224,989
56	Manos	Thomas	S01A60642C	225,000
57	Schonberg	Mart	S01A56882A	225,000
58	Alfieri	Anthony	S01A55646M	229,000
59	Maricich	Timothy	S01A59569W	229,900
60	Selivanoff	Douglas	S01A57856A	230,000
61	Pfundt	Michele	S01A56392F	235,000
62	Peterman	Chad	S01A55986F	237,000
63	Haynes	Bradley	S01A574950	237,500
64	Blair	Andrew	S01A59085F	240,000

**TOTAL**

**13,133,030**