

**P. U. H. A. ANNUAL GENERAL MEETING  
SEPTEMBER 13, 2005  
RICHMOND, B. C.**

ATTENDEES:

Geoff Krause	Ross Morris	Mike Featherstone
Darin Macey	Tim Joys	George Dennis
Keith McMurray	Al Shanks	Louise Harker
Gary Grant	Ken Ridgway Jr.	David McRae
Ken Ridgway Sr.	Mark Ulanowski	Dan Leus
William Choi	Oresto Panacui	Sung Kim
Paddy Wong	Chris Machat	Dave Lansdowne
Francis Cheung	Alice	

**53** voting licences holders plus **10** proxies = 63 votes

Meeting commenced at 10:00 a.m. at the Best Western Hotel, Richmond, B.C.

**2004 Annual General Meeting Minutes**—mike featherstone

The 2004 Annual General Meeting Minutes were presented for approval. Motion for approval by Ken Ridgway Sr.—seconded by David McRae—approved by the membership.

**PRESIDENT'S REPORT**—mike featherstone

The focus by the biologist who replaced Dimitri was on finishing off the survey reports. Nine year's worth were completed and everything is now up to date.

The tight coordination by the fleet once the OGM was gone worked out very well and the guys did a very good job. The consistency of supply worked out pretty well and it saved quite a few dollars as well.

The financial picture of PUHA is looking pretty good right now as it turns out, due in part to prudent planning but also to the way a number of things worked out.

**Ottawa**

Going to Ottawa is a real eye opener because this is where most of the decisions are made and the effort to get there really pays off through easier access to high level decision makers. Discussions with Rick West- two RSU licences were purchased this past year by the government at about \$180k per. Professional Fisherman's Association (PFA): constrict the use of IVQ on East coast and would like to see them gone on the West coast as well. These work very well on the west coast and the PFA should not be lobbying for wrong-headed policies like this instead of focusing on issues that it should be like safety, handling and other training issues.

**ESE**

This is the world's largest seafood show with about 40 - 50K people attend this event every year. Grand Hale and Kiku had samples of fresh and frozen product available at the booth which went over very well. Kiku entered its canned uni into the new products

contest as a high-end caviar with a very attractive origami type label. It came in second in its category and there have been a bit of a fix involved as the first place product turned out to be Danish entry in a relatively plain package. Still, the episode did attract some good attention for Kiku. There are about 5-6 categories in the contest- PUHA will put a link to the site on its website.

### **BCSA**

a) WCB- WCB rate for commercial fishing is \$0.06/\$100 in wages. The system has changed of late to increase accountability and decrease the number of accidents which are not actually related to any fishing activities including some where the skipper does not even find out a claim has been made for his boat. The number of claims has declined since 1989 but there has also been declines in the number of people and boats in the fishing industry. There was some concern expressed that the salmon aquaculture claims are being included in the commercial fishing column even though they logically should not be. There were also some questions about where packers fit into the system.

b) First Nations Access: an example of how government has mis-stepped and hurt the economics of profitable operations lies with the roe on kelp fishery when DFO offered up too many licences. This diluted the market (increased supply too much) but more importantly also spread the experienced people around to too many operations. Quality became inconsistent and the reputation of the industry and the price of its product took a pretty big hit. The product now fetches a price that lies about \$2 below the costs of production.

c) SARA: socio-economic issues are not considered by DFO as part of the SARA process. For example, the Cultus and Saginaw Lake sockeye were not listed but only because the Department found out through industry consultations that restricting the fishing on Fraser socks to protect these fish would likely only save an additional 6-8 fish per year at an annual cost of upwards of \$80m to the commercial fishing industry, there are also a number of other issues affecting these fish, including too many in-lake predators and a milfoil infestation, that would likely make even these efforts fruitless. Controlling these a bit better could only cost ~ \$300 K per year and produce much better results. Mike will prepare a letter calling for incorporating a some sensible level for including a socioeconomic balance in the process and email it out for guys to print off, sign and mail into their MP's etc.

d) DFO cost and earnings study: Everybody gets nervous when DFO starts gathering financial data from fishermen particularly as once they make a determination on policy it is very difficult to change it. For instance- 3 years ago the price for RSU was between \$0.80 - 1.00 and if they determined some great new policy around that guys would very likely be hurting even worse now that prices are now \$0.40 - 0.80.

e) Transport Canada - CMAC: Stability tests are a pretty big issue now and all fishing vessels are likely to require one sometime within the next five years. Unfortunately these cost about \$10k each and the industry's position is that government assistance seems to be warranted.

f) Transport Canada- Sewage regulatory reform: All boats, including cruise ships, can now just pump out their tanks when and where ever they want while in Canadian waters. This is causing some embarrassment for the government and is going to be changed for all vessels. New holding tanks will not probably be required until ~ 2011.

i) Traceability: There is increasing interest in developing a trace system so the product can be traced right from the boat to the store shelf despite the claims of processors who maintain it is only needed back to the plant. Y&L (PUP?) Is the only processor who currently has a full traceability system implemented. (probably as a result of its trans-border shipments into the US where there has been a de-facto full traceability requirement in place since about March 31, 2005 as part of their homeland security drive) There was also some discussion here about the need for incentive pricing from the processors for more intensive QA measures on the boats. The prices at some plants are currently set by the crackers who are tasked with assessing the quality of the load. This sounds a bit like a bad joke. George Dennis motioned to accept the President's Report—seconded by David McRae—approved by the membership.

#### **FINANCIAL REPORT**—david van gruen (accountant)

The annual financial report was summarized by the Associations accountant, which showed that all 9 processors contributed \$2500.00 each towards PUHA's marketing program and the water loss study. Our promotional costs for overseas marketing shows \$20,500.00 while the actual costs were about \$72,000.00, with approximately \$52,000.00 contribution from CAFI (Cdn. Agriculture & Agrifood). Deferred contributions of \$20,433.00 are for the Logistics program to be finished next year. David McRae motioned to accept the financial report—seconded by Ken Ridgway—approved by the membership

#### **D. & D. REPORT**—darin macey

Just as a quick recap of the season, the North Coast season extended to about the end of April with about 88% of the quota taken. The South Coast season started on September 1 in Tofino, with fairly dismal results as discussed at the Marketing Committee meeting on August 16, 2005, and had moved to the Johnstone Strait area by the 20<sup>th</sup> or so. The South Coast fishery closed on the 16<sup>th</sup> of March with 97% of the quota taken. 107 of the 110 available licences were active, including 17 in the South and 90 in the North, on 47 boats (vs. 52 last year). The number of active buyers increased by two to nine from seven the previous year. The two fleet system on the North Coast worked well at the end of the year but it should again be noted that the volunteer efforts by the fleet coordinators are absolutely critical to keeping the whole thing from going off the rails. One change of note is that Ross is taking over the collection of the validation fees from D&D as a cost savings measure. This means there will be some changes on getting the log books and guys will not be able to arrange all the permissions/fees payments etc on the fly as they have in years past. With regard to problems with charts and data, DFO has noted that it is the same guys year in and year out who are not completing the requirements on time. As a result DFO is going to start charging the licence owners as well as the vessel operators - which is probably going to be a pretty major surprise to some of the licence owners. On the water loss project- all the data sheets etc are ready to go but a number of the processors are not cooperating and there is not enough data to present anything of note to DFO in this regard. GHMP and Palladin have not submitted any data as yet. This of course means that there will be no change in the situation and the processors will not be

getting they have requested. DFO has also brought in another with regard to On Grounds Monitors for all fisheries that is going to turn into a major bomb lobbed by Conservation and Protection (C&P) affecting about 40 OGM's in BC. It seems that anyone with a "C" licence or anyone who has any fishing infractions on record will be eligible to act in this role. Mike Miles has agreed to come back to train the new OGM for the RSU fishery. D&D has also purchased and is testing the same Electronic Vessel Monitoring System used in many East Coast fisheries as a pilot study using Cory Hayes' boat as the test platform. This system comprises a GPS linked black box which responds automatically to queries from a satellite service provider to provide automatic tracking of any vessel with the system installed. Boats on the East Coast are queried about 8-10 times per day but D&D is anticipating only 2 per day at least for this pilot phase. The data will be forwarded to D&D where it will be appropriately logged. The data can also be accessed by the vessel owners so they can see where their boat(s) are fishing.

The black box cannot be manipulated on the boat, although it can be turned by the vessel operator when they are not fishing so they can avoid the subscription costs when they are not actively fishing, There is a one-time purchase cost of about \$1,200 and a monthly operating charge of \$30 per month. It appears that C&P is not aware of the East Coast practice and they are thus far completely reluctant to endorse or contribute to the innovation, even the cost and labour savings involved are very significant.

With further reference to D&D's efforts to control costs, so they can avoid fee increases, they are planning to eliminate night staff this year so any night calls will only be picked by the answering service. Hailing in at night for the next day's fishing is common, if (technically) illegal as 24 hours notice is required to change (sub?) areas. Unfortunately the decisions on where to fish are often not, and often cannot be, made until after 1700 hrs so now the routine will be to phone it in to the answering service followed by a call back for a confirmation number the following day during business hours. Later calls generally deal with problems so there will have to be something put in place to deal with emergencies.

Along the same vein, validators will no longer be sent down to the dock until the boat(s) are actually in. Experience in past years has seen validators sitting at the dock for hours, collecting wages of course, prior to the boats arriving. There will no doubt be some glitches along the way but the system should be workable as long as everybody is willing to cooperate.

As per the agreement last month, Allison Harbour opened and fishing (by one boat) commenced around the beginning of September. The idea was to keep Tofino closed until at least mid-month to give the product quality time to improve but Alice sent a boat in on the opening date, September 6, forcing Paddy to follow along in order to hang on to his workers. The processors have since shut them down because of poor quality, as was predictable, but there are some reports that the product was not looking too bad. part of the problem might have been due to high temperatures which seems to provoke more immediate spawning and more melting. The lack of control by fishermen hurts everyone involved. Areas which are known to be good at certain times of the year are ignored during those periods and then fished when the quality is not so great.

A researcher from the University of Florida who works at the Bamfield marine Station reported that Barkley Sound urchins spawn between February and June with March and April as the peak, as might be expected as urchins are well known to use rising

temperatures and lengthening days as a spawning trigger so their larvae have the optimal feeding and survival conditions. This suggests that the best fishing time(s) are in November December. The same probably holds for Tofino, but this area is generally fished earlier as a matter of convenience despite the quality, and therefore revenue, sacrifices.

The Quota Planning is run to try and optimize the fishing operations throughout the year but it seems that it is actually the processors who run the show, notwithstanding the plans made by the fishermen. This leads to occurrences like Tofino with dissension in the ranks and leaves Japan in the drivers seat again because the Canadian does not seem able to present a common front.

Last year D&D's website got some 80,000 hits from Japan. The fishing information of interest to them provided leverage for them in any price or ordering discussions so it was like shooting ourselves in the foot. This information has now been removed and will be updated at wider intervals so Canadian sellers are no longer so handicapped.

David McRae motioned to accept D. & D.'s Report—seconded by George Dennis—approved by the membership.

### **SOUTH COAST REPORT—ken ridgway**

Dan Carter is trying to force all the unloading to one spot but of course this passes along extra traveling time and costs and reduces the flexibility of the fleet to fish over wider areas. This has led to boats unloading themselves on occasion and this can be expected to be going on again this year. Dan is also upset because he is taking flak from fishermen (who want him to take all the product) and from processors who want to restrict access. When he does unload them the processors sometimes retaliate by not sending along enough totes to cover the fleet's needs. There was a request last year to get Port Alberni designated as a landing port but there has been no action on that as yet. Rising fuel prices are possibly making this a less attractive option for the fishermen, because of the extra running times involved, but it is difficult getting trucks to run in and out of Bamfield because the road is in such lousy shape. It may make sense to check into the schedule for the Lady Rose and try to use it as a transport on occasion. Bamfield also has only a hand winch at their dock so a number of fishermen are not keen to use the site for that reason as well.

Mark Ulanowski motioned to accept the South Coast Report—seconded by George Dennis—approved by the membership.

### **NORTH COAST REPORT—mike featherstone**

The experimental fishery was tentatively scheduled to begin September 1 but events have of course conspired to get that changed. It seems that September 20<sup>th</sup> is now a reasonable target. It is important to get onto this area this year - remembering that the study area was removed from the normal fishing territory available and it used to be a fairly good productive area. The experimental attracts some funding from the Species At Risk Fund to support it. DFO is primarily interested in changes in recruitment and growth in RSU, abalone and kelp by the fishery while the fishermen are looking more at changes in the product quality indices. It is also to the benefit of the Association to establish good

working relations with the Haida Fisheries. It would be a good thing to be able to fish the Queen Charlottes for a bit and draw down some of the area quota following the experimental fishery while the boats are in the area. It is probably more realistic that, with the number of boats heading for the sea cucumber fishery, most of the rest of fleet will head back towards the top end of Banks Island instead- as per usual simply because there won't be enough boats around to make the operations worthwhile (too few take too long to fill a packer). Still they might be able to squeeze out Cumshewa Inlet because it is just a small quota and if the weather is good it makes sense to have the flexibility to take advantage of it while we can. Rivers and Smiths are now open- and will remain so as was the case last year.

Louise Harper motioned to accept the North Coast Report—seconded by David McRae—approved by the membership.

### **BIOLOGISTS REPORT—dan leus**

Alan Campbell is changing over the model used to provide the RSU biomass estimates along the BC coast. The problem stems from the long term decline in biomass that is trending in the current model which is not thought to reflect reality. This will lead to a declining TAC in the future. Dr. Campbell is comfortable with leaving the TAC as it is for the next while until the model is up and running because the harvest rate only amounts to about 3-4% of the available biomass. The current 'bed areas' model, which is also used for geoduck fishery, has a number of 'static' assumptions, meaning that it assumes the urchins are not particularly mobile. The urchins of course move around in response to changes in feed and ground conditions and the populations distribution is in fact quite dynamic and the actual RSU found on the reefs where they are fished are thought to comprise only a proportion of the total population. The Science is therefore changing over to a 'shoreline-based' model in which the biomass estimates are correlated to the adjacent shoreline, which is the same model as is used in the sea cucumber fishery. The habitat being considered extends down to about 10m BCD and is based on proportioning the good and poor habitat off each segment of the shore. Surveys are conducted at intervals along the coastline and the urchins in the unfished intervals are then counted as part of the overall population. The new model is looking quite promising to this point although it is still in the preliminary beta testing stage. This work will be represented at the November 30<sup>th</sup> PSARC meeting so they can get proper authorization to continue developing and extending it to cover the whole coast. An error factor which is still being worked out revolves around the presence of submerged reefs offshore which have no attendant shore line to count. A refinement for the model then might involve using the 3-5 m depth contour as a virtual shoreline, although here too the bathymetric data is still not dense enough to support the accuracy required.

Keith McMurray motioned to accept the Biologist's Report—seconded by Louise Harker—approved by the membership.

## **BUDGET—mike featherstone**

The new budget was presented and reviewed covering all proposed revenues and expenditures. Essentially, the budget is similar to last years.

Ken Ridgway motioned to accept the budget—seconded by Gary Grant—approved by the membership.

## **ELECTION OF OFFICERS—mike featherstone**

All officers have agreed to stand again for the year 2004/05 season. The director's are as follows: Mike Featherstone—president, Director's Bob Hegedus, Tim Joys, Dave Lansdowne, David McRae, Ken Ridgway and Mark Ulanowski. Ross Morris is Secretary/Treasurer.

Louise Harker motioned to accept the above mentioned persons—seconded by David McRae—approved by the membership.

## **LOGISTICS PROGRAM—geoff Krause**

There are a number of market and cost issues which are putting additional pressure on the bottom lines of Canadian suppliers and squeezing margins and profitability. All companies must identify cost savings wherever they can and one of obvious places to look is product loss due to excessive quality deterioration. These are largely avoidable costs and the aim of this project is to develop an effective process to quantify the effects, identify the causes (Phase I) and pilot and test mitigating procedures and technologies (Phase II).

The preliminary phase of the project defined the issues and measured some of their impacts on the product's ultimate quality. Observations reported here on the fishing and transport operations used in the fishery include the harvest vessel and packer conditions and procedures, the various transfer operations and the trucking of the product down to processing facilities in the Lower Mainland. Soliciting the opinions of the various people contributing at each stage was also considered worthwhile.

Probably the main source of mechanical damage to the product comes from overloading the totes. The reasons behind it are varied but it is likely simply an inherent feature of the current dependence on bags throughout the recovery, stowage and transport sequence. Standardizing all components and containerizing the urchins as soon possible to reduce handling and exposure to impacts could greatly increase the efficiency of the transfer operations, providing significant productivity and cost advantages.

The temperatures at which the urchins are held from the time they arrive on the packer until they reach the plants in Vancouver ranged from 10 - 13.5/ C. This may be affecting the quality of the final product and a second study phase to characterize the actual effects has been proposed. The quality of the uni obtained with the different treatments based largely on differing pre-chill intervals, will be assessed (recovery, colour, taste, texture, amino acids) and possibly during the 2005 mission to Japan so we can obtain the judgment of the Japanese buyers directly, assuming the schedules can be coordinated and appropriate samples prepared.

A number of easy harvest boat procedures were put forward to be used to protect the quality of the product. These include leaving the catch in the water until the end of the

day, covering the catch with white or insulated tarps to protect them against the elements, rinsing any urchins exposed to freshwater with saltwater to reduce the leaching of the red dye into the product (if boats install a working deck hose it makes life much easier than simply depending on a bucket), and using wetted burlap to protect against both heat and freezing in adverse conditions.

Some preliminary tests were undertaken out of Port Hardy in the first week of September 2005 to test out the equipment and procedures to be used on the more extended work to be done during the experimental fishery. A number of RSU had temperature loggers inserted in them as they were caught so their recoveries could be related back to the temperature environment the urchins were held in over various amounts of time. In general, a significant inverse relationship between the accumulated temperature for the urchin, measured in °C - Hours, and the subsequent recovery found for the urchins was detected. This of course means that the warmer the urchin and the longer the length of post-harvest time to processing the lower will be its apparent recovery. The data are not definitive at this point but more temperature, recoveries and preventative measures effects data will be gathered up during the experimental fishery.

Tim Joys motioned to accept the Logistics Program Report—seconded by William Choi—approved by the membership.

#### **AAFC CAFI MARKETING PROGRAM—geoff Krause**

2004 Program Summary: The purpose of the initiative is to secure market share and recognition by buyers & consumers of our commitment to better address their requirements. Primary focus remains Japan but also some effort to Europe 2004 activities included updating promotional materials, trips to the ESE and Tokyo seafood shows and a mission to Japan in November by a representative cross section of the BC industry to build &/or maintain relationships, credibility and understanding even as we work with Japanese players on issues of common interest.

2005 Program Plan: Trip to ESE already undertaken and a single trip to Japan in the fall by fishermen and processors is planned. This year will also see a conceptual web-based communications and marketing proposal for consideration by Canadian and Japanese companies as part of a Joint Marketing Initiative. This will allow a direct service-based relationship with consumers and will comprise a Web address as part of packaging with areas of website translated into Japanese offering promotional programs, consumer surveys and response areas. Getting some on-grounds video clips cycling through as content may also provide another draw.

It is now technologically possible to market individual boats and the site may also be used to provide full traceability info and notification of promotions to the consumer if or as such need develops. Reports generated by the project are, or will be, available electronically as pdf's through Ross.

Louise Harker motioned to accept the Marketing Program Report—seconded by Mark Ulanowski—approved by the membership.

## **JOINT MARKETING BOARD—william choi & geoff krause**

William Choi and Geoff Krause have been working on an idea of a joint marketing board as a means to increase the value of the product for the past few months. The idea is modeled on the VQA (Vintners Quality Assurance) program used by the BC wine industry to increase the value of their production and is meant to consolidate enough product under one roof that it engenders some pricing power in the market. Japanese buyers are known to cooperate somewhat on their end to control the price structure for the uni coming from different sources while there is only limited to non-existent cooperation between sellers on this end, to the detriment of market pricing ability etc on our part. They let each other know what prices they are dealing with and use that information to constantly pressure prices downwards. An interesting note is that the VQA program increased the unit value of its production by over 33% in recent times. We hope to copy this success and escape the pricing trap we now seem to be in.

A key point here is that it is not good enough to just talk the talk, we also have to walk the walk when it comes to product quality- this is the point of the logistics program. This will tie right in with accelerated efforts to better preserve the product quality. At this point, boats do not get any immediate feedback on the quality of their production and so cannot adjust their fishing or handling practices. Francis Cheung mentioned that every boat used to be informed of the recoveries and the breakout of grades for their production but that is no longer the case, perhaps (to be fair) because it did not make any difference to what and how product was fished and handled on the boats.

There is at this point no incentive for boats to produce higher quality product- everybody gets the same price regardless of what sort of effort they employ. This is something that must change to improve the quality. Right now it seems that the processors depend upon averaging out the good with the bad and still make a buck, and since they know how different operators work, they tend to favour those producing better product with more fishing opportunities, albeit at the same price as guys who just do not care. Palladin pays by a piecework rates, thereby acknowledging the value of rewarding higher productivity and quality work.

The shares for the new Uni Co. will be distributed to licence holders who chose to participate and the quota's for each licence will be dedicated to the new company. The product processing would then be farmed out on a sort of custom processing basis to the various participating processors and then marketed by the Uni Co. marketing board. Full transparency would be required throughout, including the application of a standard grading scheme and next-day advisories to each of the delivering fishermen as to the quality of their production along with the costs and revenues associated with its subsequent processing and sale. For example freight represents about 14% of a processors costs and labour perhaps 28%. Joint sales like this should also permit load consolidation for air transport and trucking on the Japan side, which will provide cost savings.

It may be possible to have a second class of shares which could be used to establish an income trust or other such device to bring more investment into the fishery. George Dennis suggested that it might also provide a means to offer licence shares to divers as an investment vehicle to give them a more direct incentive to improve the quality and value of the catch. This would involve licence holders offering up portions of their licences at

fair market value to a pool in the company for divers who could then buy 5% of a licence for \$7,500, or whatever price is fair, so they could become involved as owners. This is still at an early development stage with lots of brainstorming still to be done. Any suggestions would be welcomed.

### **URCHIN MARKET**—processor's overview

The Industry processing capacity is currently about 80,000 lbs/day for 5 days a week- the market just does not want any more than this. Canadian product is being undervalued in part because it is being pushed onto the market (akin to pushing on a rope) as opposed to being pulled by the market. GHMP (did not catch a number), Palladin (@ 20-25 quotas) and Kiku (I think) are each forecasting a small increase in volumes from last year.

Alice reported a price of \$67/kg for grade A bulk, \$62 for B+ and \$58 for B grade. Other price indications include \$12 for a 250 gram B1 grade tray and \$9 for the same at a B2 grade. GHMP figures that the price for its best trays is about ¥ 100 less than last year while prices for lower grade trays are about ¥ 150 less.

The big issue still is the entrance of the new buyers into the industry. The established companies are worried about the new companies poaching their trained workers so they can avoid the training costs, undercutting prices to steal markets (it is interesting to note that the new guys are paying more to the fishermen, despite their alleged undercutting- so how does that work) and general piggy-backing on the resources and information developed by the established companies over the past years. At any rate- the situation is deteriorating and lead to proposals to restrict access to the packers, unloading and trucking to only the established companies - but again this simply means that the fishermen are suffering. The new companies will get their product one way or another so this infighting only leads to higher unit costs for everybody- which of course eventually comes out of the fisherman's pocket. Divers and crew are bailing out of the industry because they are not making enough money to make it worthwhile and it is getting more difficult to find good experienced workers on the water.

### **OTHER BUSINESS**

With regard to the packers, the processors have come up with a contract that offers no price increase over last year, does not allow fuel surcharges despite the large increase in fuel prices and imposes other terms and conditions (including no access to new processors and the assumption of all financial risks etc. associated with the load by the carrier) that the packer owners feel will prevent them from operating without severe losses this year. The processors are warning that they have at least 5 other seine boats that are willing to take over the job.

The meeting was adjourned at 3:45 p.m.