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Testimony of Michele Longo Eder

before the

Senate Committee on Commerce, Science and Transportation

January 16, 2001

Senator Ron Wyden, Presiding

Mr. Chairman, Senator Wyden and Members of the Committee:

I am a fisherman's wife, as well as a practicing attorney representing commercial fishing businesses. I serve as Vice President of Newport Fishermen's Wives and am a member of the Women's Coalition for Pacific Fisheries.

My husband, Bob Eder, and I own two vessels, 66 ft and 40 ft in length, that are engaged in the groundfish fisheries on the West Coast. We employ seven crew members and in 2000, had a crew payroll in excess of \$400,000.00

We fish for sablefish, one of the 83 groundfish species managed by the Pacific Fishery Management Council, using species-specific baited traps. Habitat-kind and resource friendly, in the deployment of this gear, there is virtually no bycatch of other species. We also fish for pink shrimp with trawl gear, impacting the groundfish resource as a result of the bycatch of species other than shrimp. My husband also fishes with traps for Dungeness crab.

Bob has been a commercial fisherman for over 25 years. It has been his entire career. Our two sons, now 20 and 18, though pursuing their further education, have fished since they were young boys. Fishing is an indelible part of our family, our culture and our community. We don't intend to stop. Given that reality, I would like to direct my comments to ways in which the federal government can assist fishing businesses and the groundfish resource in the face of declining stock assessments.

Amend the Merchant Marine Code and the Internal Revenue Code to:

- 1) Allow fishermen to rollover funds from Capital Construction Fund accounts into Retirement accounts;
- 2) Allow fishermen to use Capital Construction Funds to purchase limited entry permits and/or individual fishing quotas or to fund buyback plans
- 3) Allow fishermen who choose to remove their vessels and permits from the fishery to withdraw their funds from the accounts, without payment of penalty for a non qualified withdrawal;

Why is this important? The Capital Construction Fund was created in 1970 to allow vessel owners to defer income tax on profits from vessel operations if the money was set aside in a special account that would be used to purchase or reconstruct a vessel. This program has had a significant effect on capitalization in the fishing industry.

According to a report in July 1999 of the Federal Fisheries Investment Task Force, as of 1995, the last year for which data was available from NMFS, over 1.82 billion had been deposited in the program and about 1.58 billion withdrawn. There were 3,500 active CCF agreements, and the net balances were about 250 million dollars.

These balances, and the strict requirements for withdrawals, create too much pressure to make new capital investments in fisheries at a time when the fishing industry is generally perceived to have excess fishing capacity. Congress can help by first removing those penalties for non qualified withdrawals for those who choose to retire vessels and permits from the fishery; secondly, by providing more flexibility in the use of these accounts, such as rollovers into retirement accounts; and third, allowing those who choose to stay in fishing a mechanism to fund **market based** solutions to fleet reduction.

In no way am I suggesting a termination of the Capital Construction Fund program. Fishing is a capital intensive business and it requires large amounts of funds to be available for reconstruction when necessary. Often the capital requirements may exceed a given year's profits. Dangers inherent in fishing make it crucial that vessel owners be able to make necessary changes to their vessels regardless of the success or failure of a particular year. Vessels can require large non-discretionary capital expenditures at

unpredictable times. Banks aren't always friendly, and they are never fast. Failure to promptly make the necessary adjustments to the vessel can jeopardize not only the existence of the business, but the safety of the crew as well.

The CCF program has provided a means of meeting the unique needs of the fishing industry for the last 30 years. It's now time to make some adjustments to the program that will allow fishermen to end their careers and remove capacity from the fishery, if that is their choice, but to also provide flexibility to those who remain.

During the last session of Congress, Senator Wyden introduced a bill that would have allowed both the rollover of CCF Funds to retirement accounts without penalty, and would have allowed fishermen to withdraw their funds if they removed the vessel and the permits from the fishery. This session, I'd like to ask you to go one step further—add to the bill language that will allow fishermen to use the funds for permit purchases, quota purchases, and buyback programs. Then pass it.

Thank you for the opportunity to testify.