

January 5, 2009

The Port of Seattle and Fishermen's Terminal:  
Regressive Impacts of Current Policies

Pete Knutson

Dear Port of Seattle Commissioners:

I am a member of the Fishermen's Terminal Advisory Committee. My family operates two fishing vessels based at Fishermen's Terminal and runs a fish retail/wholesale business.<sup>1</sup> I also have a history of service to the commercial fishing industry of the Pacific Northwest.<sup>2</sup>

This paper questions current Port initiatives regarding the net sheds and fish sales policy in light of recent Port of Seattle management decisions at Fishermen's Terminal.

\*\*\*\*\*

Working waterfront dedicated to commercial fishing support is becoming very scarce in our region. Witness the transformation of the former Marco plant on the Ship Canal to yacht moorage and condominiums. Witness the eviction of the Everett commercial fishing fleet, following the razing of their net sheds and processing plant. Consider as well the disappearance of the commercial fishing fleet from Tacoma and current gentrification plans for the Bellingham harbor. In this context of disappearing access, the maintenance of the Fishermen's Terminal facility becomes critically important to the North Pacific fishing industry and the related industrial complex which it supports in the Ballard/Interbay manufacturing complex.

Port of Seattle staff recently justified a 7% moorage increase for commercial fishermen at Fishermen's Terminal based upon what they termed "market" and "comparables." This indicates that Port staff does not grasp the unique character of this facility. There is, in fact, no other Fishermen's Terminal upon which "market" or "comparables" can be based. It is a unique institution.

Even though the 370 vessels based at Fishermen's Terminal are small businesses, they collectively have a large economic footprint, equivalent to a major manufacturing plant in central Seattle. As a primary producer and a key link in the local food economy, the FT-based fishing industry is important to the region, particularly in the current period of severe economic contraction.

---

<sup>1</sup> Loki Fish Company, lokifish.com.

<sup>2</sup> Commissioner of the Puget Sound Salmon Commission (WSDA); President, Puget Sound Harvesters Association; former Board Member of United Southeast Alaska Gillnetters' Association; former President of the Commercial Fishermen's Cooperative Association, Ketchikan, Alaska.

Given the importance of this primary industry, it is curious that the fishing industry is nowhere to be found on the Port of Seattle's home page, which lists the many activities conducted on Port property. Nor was it included as a priority in one of CEO Yoshitani's inaugural statements that the primary business of the Port is "containers and cruise." The recent internal transfer of Fishermen's Terminal from the Seaport Division to Real Estate further suggests that the Port understands Fishermen's Terminal more as portfolio than as industry.

In contrast, the Port of Seattle has gone to great lengths to prioritize the cruise industry. Not only do these offshore corporations get their own button on the Port's home page, they recently received extensive subsidies including a one million dollar tax rebate, two years of free moorage and a publicly financed \$110 million dollar cruise terminal at Pier 91.

Is the public interest served by the Port's choices and priorities concerning its seaport? A key measure of such public benefit is industrial output, measured in jobs, wages, business revenues and size of the tax base. Consider the relative production of the Fishermen's Terminal-based fishing industry vs. the economic contribution of the cruise industry, as measured by the Port's contract economists.

	Fishing Impact (FT only)	Cruise Impact (including Seatac)
Total jobs	5524	1072
Mean income/job	\$69,333	\$36,380
Total Wages/Salary	\$383 million	\$39 million
Business revenues	\$180 million	\$124 million
State/local taxes	\$38 million	\$3.8 million
<p>The Fishermen's Terminal fleet of 370 vessels generates about 50% of the 11,836 jobs generated by the expanded economic impacts of fishing in the Seattle Port.</p> <p>Source: Martin and Associates, "The Economic Impacts of the Seattle Seaport", 2003, POS website accessed 1/4/09</p>		

The FT-based fishing industry dwarfs the economic impact of the cruise operations at the Port of Seattle. It produces a job footprint five times as large as all cruise impacts, with an average wage double that of the low wage cruise industry. Total wages generated by the FT-based fishing industry is nearly tenfold that of the cruise industry. The tax base generated by the fishing industry

at Fishermen's Terminal is again tenfold that of the cruise industry.

As evidence of its good faith with the fishing industry, the Port of Seattle cites its recent electrical upgrade and dock replacement project at Fishermen's Terminal. In fact, the Port had little choice but to replace the Depression-era docks.

The rebuild was at least three decades overdue and was precipitated by a near collapse of the physical plant. The Seattle fire department refused to risk its fire trucks on the rotten docks and approaches. Full of termites and dry rot, pilings were deteriorated, broken and a hazard to navigation. Entire docks were closed to cargo loading due to structural collapse.

The docks were a deathtrap. Four people drowned at Fishermen's Terminal in one winter. That was more dead fishermen than were lost from Seattle in the North Pacific that year. Labor and Industries subsequently investigated conditions and imposed fines upon the Port.

Port Manager Mark Knudsen blamed the victims, stating they made "poor lifestyle choices" and that fishermen live aboards were "not exactly upstanding citizens." He went on to publicly question how he could bring yachts into Fishermen's Terminal when unruly fishermen were moored nearby.

The sixty million dollar Port of Seattle reinvestment at Fishermen's Terminal was an excellent use of public money, *if* the POS maintains Fishermen's Terminal as an industrial facility. If the new facility has a forty year life, it will produce a public benefit over that time of 22.5 billion dollars in wages and business revenues, assuming an industry of 2003 proportions.

Given the history of Port promises to fishermen, a long-term commitment to the fishing industry at Fishermen's Terminal is an arguable assumption. The new docks and the power grid (with cable TV outlets) are quickly convertible to recreational use. Dock Nine has been substantially converted to a passenger loading dock for cruise ships in the two hundred foot class. Since the recent introduction of non-industrial vessels at Fishermen's Terminal, FT signs have been redone with a subscript which reads "A Port of Seattle Property."

Fishermen still remember that the Port of Seattle solicited their letters to the Army Corps of Engineers in support of Federal funding for the construction of Shilshole Marina. As a condition of the Congressional appropriation, the Port was mandated by the federal government to manage Shilshole Marina to support the fishing industry.<sup>3</sup> Within less than a decade, however, fishermen were no longer accommodated at Shilshole .

---

<sup>3</sup> That, in fact, was a condition of the congressional appropriation for the breakwater construction. By Port **Resolution #1666 in October** 1955 the Port of Seattle agreed to accept Congressional funding to carry out the construction of the breakwater at Shilshole Bay. The Port Commission agreed in writing to become the local sponsor to undertake the development of a fishing terminal within Shilshole as a part of the breakwater project.

The Port of Seattle has little institutional memory. Managers come and go at Fishermen's Terminal. Fishermen remember the false promises and are skeptical of current Port intentions.

In 1989, when the Port redeveloped FT and installed the new retail core, fishermen were promised investment in a direct sales/auction/ice facility on the West Wall. See, for example, the Makers Study commissioned by the Port. None of that materialized. Instead, the Port constructed a new retail core and replaced perfectly sound structures, such as the Wharf Restaurant. In the absence of a business plan oriented toward broader social goals, Port managers return to a default setting of managing for the maximization of rent and investment opportunity.

### I. Net Shed Conversion and Real Estate Development

In 2001 debate raged regarding the introduction of yachts into the industrial harbor of Fishermen's Terminal. At the time, the Port Commission denied that yachts were the wedge which would open the harbor to the wave of real estate development sweeping the Ballard/Interbay area. Said Commissioner Miller with great emphasis, "it's not on the radar screen." Fishermen were told that the pleasure boat changes were temporary and were designed to defray costs to help support an active commercial fishing fleet.

However, it was later discovered that Port staff had, in fact, already contracted with Heartland Corporation to prepare FT for title transfer, possible sale in segregated parcels, removal of net sheds, the creation of a recreational marina and "deal structure options" for the property.<sup>4</sup> Port Commissioners claimed that the contract was made without their knowledge.

When the Heartland study was finally published POS prefaced the report with the proviso, *"the only thing that would trigger redevelopment of the kind mentioned in the Heartland Study would be vacancies in the net sheds."*

All of the Heartland recommendations for FT redevelopment involved the removal of net sheds and replacement with alternatives, none of which were related to the fishing industry. Approximately half of the Fishermen's Terminal acreage is covered by net sheds and older support structures, such as the vacant Seattle Ship Building and the Nordby Building.

The 252 net lockers remain essential infrastructure for the fishing industry. It is where fishermen store tons of commercial fishing gear, including longline, trawl, pots, gillnets, purse seines, and troll gear. The net sheds are critical work sites

---

<sup>4</sup> Contract PV-0307065 for \$50,000 was signed on July 2, 2001 by David Schneider, the Manager of Customer Services for the Port of Seattle and by James Reinhardsen of Heartland, LLC.

where gear preparation occurs prior to the fishing voyage.

Many of the sheds themselves date back to the early days of Fishermen's Terminal. Some of the newer sheds were constructed in the 1960's. According to anecdotal reports from retired fishermen, the net sheds initially were free with moorage. Subsequently, POS began charging a separate fee for their rental.

POS has not re-invested in the net shed support facilities since the 1960's. POS assesses capital set-aside moneys ("depreciation") against the FT facility on an annual basis.<sup>5</sup> None of these moneys have been re-invested in the net shed infrastructure. None of the newer sheds have sprinkler facilities and the wiring in the older shed lacks metal cladding standard in other industrial facilities. Fishermen have improvised over the years to make the sheds productive for their businesses, installing work benches, lofts, shelving, pulleys and lifts.

Given the economic value of fishing activity based at Fishermen's Terminal, the question is: why has the Port neglected to re-invest capital in shoreside storage and work spaces for the industry?

### De Facto Eviction

CEO Yoshitani has assigned a special envoy to oversee the net shed "loft removal" project. Port management has notified fishermen that they will be required to remove all fishing gear from the net sheds for "one or two days."<sup>6</sup> Following gear removal Port staff will remove all internal structures, such as lofts and shelving. Subsequently, fishermen will be allowed to move gear back into the lockers.

The Port plan amounts to de facto eviction. Removal of internal structures will reduce usable storage space by at least half. This renders the sheds inadequate to their purpose. Fishermen will be physically unable to restore their gear. Moreover, the removal of fishing gear by fishermen tenants involves a major cost of time and labor for which they will not be compensated.

Port management has shown little concern for the consequences of this removal program. At the November FT Advisory Committee meeting, FT Director Lyles flatly rejected the idea of an economic impact study of the Port's proposed net shed plan.

Even though there has never been a major fire in the net sheds, Port staff claim that the loft removal project is motivated by safety concerns.

Specifically, the Port claims that lofts and shelving block the operation of the

---

<sup>5</sup> In year 2000, POS assessed Fishermen's Terminal a depreciation expense of \$1,195,415. Source: <http://intranetr.portseattle.org/apps/psfs/budgets/s5500bd>

<sup>6</sup> POS, "Fishermen's Terminal Net Locker Storage FAQ sheet"

overhead sprinkler system. However, *none of the newer lockers have sprinkler systems of any kind* and FT director Lyles has stated that there is no plan for installation. In cases where there is no sprinkler system, Director Lyles argues that internal structures such as lofts, present an unspecified “structural hazard.”

Manager Lyles also rejected a modification to the existing sprinkler system which was mentioned to me by Seattle Fire Department personnel. Private contractors routinely install “in-rack” sprinkler systems which can run vertically with multiple sprinkler heads. Such a system would accommodate existing lofts and eliminate the need for the Port’s removal program. This option was also rejected at the November Advisory meeting by Port staff as too expensive.

At the November FTAC meeting, Manager Lyles also attributed the new concern with locker loft removal to the citations and fines levied by Labor and Industries against POS at Fishermen’s Terminal.<sup>7</sup>

### Commentary

The Port pushes ahead with its net shed program, regardless of effective alternatives to loft removal and regardless of the cost to the fishing industry. This plan will induce vacancies in the net sheds and create preconditions to enable the real estate development plans already prepared in the Heartland Report.

Net shed removal preceded the conversion of the Everett harbor to non-industrial uses. The Port net shed plan is a poor public policy choice which will impact the viability of the fishing industry at Fishermen’s Terminal.

In this time of economic contraction, why jeopardize the operation of a major employer in central Seattle? Should not the Port be looking forward and considering new projects to enhance fishing industry infrastructure and promote economic sustainability?

---

<sup>7</sup> “He (Manager Lyles) also seemed to blame FTAC member Pete Knutson for the new focus on safety because Knutson called Labor and Industries a few years ago following several drowning deaths at the Terminal.” (Magnolia News 11/19/08)

## II. POS Restraint on Fishermen's Direct Sales to the Public

### History

*"To organize and solidify the scattered fishing industry of the Northwest, to provide a home for the extensive fishing fleet, to give such aid as the Port should rightfully give **in protecting the fishermen in marketing his hard-earned products**—this surely is an ambition worthy of the most earnest efforts of the Port Commission."* (emphasis added)

--- Brig. Gen. Hiram Chittenden, one of three original Port of Seattle Commissioners, dedication statement January 11, 1914 Fishermen's Terminal

Fishermen's Terminal, created by public vote, was intended, from its inception, to assist fishermen in the marketing of their fish products.

Until the Port's 1989 redevelopment of FT, fish sales and marketing of catch constituted an unquestioned, core function of the facility. Puget Sound small boat salmon fishermen commonly sold smoked salmon from the Fall chum salmon season from their vessels. Halibut and tuna fishermen utilized the facility to sell directly to the public from their vessels. The direct sales option functioned as an insurance policy during times in which major processors cut prices to levels below the cost of harvest.

In 1989, following the Exxon Valdez disaster and a sudden expansion in farmed salmon production, wild salmon prices collapsed, losing about 85% of value over the next decade. In a parallel to agribusiness consolidation, small fishers who sold catch to large processors found themselves forced out of business, unable to cover expenses. Consolidation and "rationalization" reduced fleet size and favored larger fishing operators who could sustain themselves through harvesting large volumes of relatively low quality product at "dump truck" commodity prices.

In reaction to the globalization and corporate consolidation of agribusiness, small organic farmers moved away from commodity production and promoted a new ethos for farming which stressed "eating local" and "meeting the producer." An analogous process occurred amongst small boat fishers as they developed new value-added products and innovative local marketing efforts.<sup>8</sup>

Unfortunately, this new direction in the small boat fisheries has not been supported by Port of Seattle policy at Fishermen's Terminal. Since the 1989 redevelopment at Fishermen's Terminal, the Port has primarily been concerned

---

<sup>8</sup> for a description of this strategy see my article in the [Weston Price Journal](http://www.westonaprice.org/farming/wildsalmon.html), "The Business of Wild Salmon: How Independent Fishers are Escaping the Corporate Net," Vol.4 No.1, Spring 2003; <http://www.westonaprice.org/farming/wildsalmon.html>

with its controversial new retail vision for Fishermen's Terminal.<sup>9</sup>

As part of its 1989 redesign the POS established a fish market in its retail core from which it receives rent and a percentage take of sales. Along this new retail emphasis at FT, came restrictions on fishermen's direct sales to the public. Although the Port promised fishermen investment in an auction house/ice plant/direct sales facility, this plan never materialized.

In 1992, POS Harbor Director Mark Knudsen suppressed the Guilmet family's direct sale of their troll-caught, processed catch at Fishermen's Terminal.<sup>10</sup> Knudsen cited a new Port contract with the Wild Salmon Fish Market which reserved exclusive rights to sell processed fish for the Port's vendor. He ordered the Guilmetts to cease selling at Fishermen's Terminal and take their sales to Shilshole Marina, where the Port had no fish sales vendor. The Guilmetts objected, stating,

*“This is a fishermen's dock, and that (Shilshole) is a yacht dock.”*  
*“We don't want to be difficult, but they're being difficult with us.”*

The Port enacted a formal rule restraining fishermen's sales of processed product in 1996. Said POS spokesman Mick Schultz,

*“The rule was put in place in 1996, about two years after Paula Cassidy took over Wild Salmon Fish Market in the terminal. It was intended to encourage the market's success by preventing competition from fishermen who were catching and processing fish and then setting up shop at the terminal.”<sup>11</sup>*

For the next six years, FT fishermen sold fresh and processed catch despite the Port's new rule. During the 2001-2002 controversy over the Port's introduction of pleasure boats, the Port continued to allow fishermen and their families to sell fresh, frozen and processed products.

On March 23, 2003 the Fishermen's Terminal Advisory Committee voted to endorse repeal of the Port's prohibition on fishermen's direct sale of value-added products. The resolution read,

*“Fish products to be sold would include fresh(head-on dressed) and frozen fish. Other value-added products may be sold and may include the following: frozen fillets, portions, cured, smoked and related products.”*

---

<sup>9</sup> Halibut fishermen initially stopped the Port's plan to install a 100 foot long neon sign atop the Terminal. See John Marshall's 3/12/88 PI piece, “At Fishermen's Terminal, A Yuppy Sign Gets the Hook.”

<sup>10</sup> 1/31/92, “The ‘Future of Fishing’ Poses Problem for the Port” Seattle Post-Intelligencer, Don Carter

<sup>11</sup> “Port May Hand Fishermen a Lifeline”, Seattle Post-Intelligencer, 2/19/2002

Port management ignored the FTAC vote and on May 1, 2003 extended the prohibition of sale of processed fish to Bell Harbor and Shilshole Marina. For POS Darlene Robertson wrote,

*“Previously the sale of processed (canned, smoked, etc.) was allowed at Bell Harbor and Shilshole but not at FT or Mic. For consistency purposes this is no longer the case.”*<sup>12</sup>

Port managers also imposed new regulations which required that every fish be tracked to the vessel of origin. Since my family had two vessels and, to this point, stored our catch in common, we were unable to comply with this regulation. Such a regulation would require several months notice to allow fishermen to comply with new tracking mandates.

Manager Lyles ordered that all direct-selling fishermen on the West Wall be placed under video surveillance to determine if they were complying with Port policy. On May 1 Lyles and staff videotaped my dockside public sales for eight hours. Lyle’s crew videotaped our customers without their knowledge and, at one point, followed me off Port property.

Even though we had ceased our sales of smoked product, our operation was then shut down, under threat of vessel seizure. Manager Lyles’ complained that I had filed a public disclosure request against his management, stated that I was in violation of the new Port sales policy and informed me that I was being videotaped. I later received the surveillance video through a public disclosure request.

The absurdity of this Port action was later pointed by Seattle PI columnist Joel Connelly, who offered the Port a valentine wish,

*“ To the Port of Seattle: a special Homeland Security grant to maintain round-the-clock surveillance of whether gillnetter (and port critic) Pete Knutson is violating port rules by selling smoked salmon from his boat at Fishermen's Terminal.”*<sup>13</sup>

Other controversial Port actions were also subsequently taken to restrain fishermen’s trade on the West Wall, such as the prohibition on EZ-up farmers’ market style tents to protect customers from rain and sun.

On 11/14/08 the FT Advisory Committee again voted unanimously to urge POS to lift the prohibition of fishermen’s direct sales. (FTAC is an advisory committee appointed and convened by the Port of Seattle. Its members include fishermen/tenants and individuals who do marine-related business with POS) The FTAC resolution read:

---

<sup>12</sup> email 4/08/2003

<sup>13</sup> Joel Connelly, Seattle Post-Intelligencer, 2/14/05

- 1) *Value-added products may be sold in addition to what is currently allowed provided the following conditions are met by the seller:*
  - a) *Products for sale must be made from the fish caught by the licensee and be the primary ingredient.*
  - b) *A chain of custody can be provided for the products for sale. This may include fish tickets, bills of lading and processing documents.*
  - c) *All Department of Health and labeling Regulations are followed and evidence of product liability insurance provided.*
  - d) *This policy will be reviewed two years after adoption by FTAC.*

According to the press coverage<sup>14</sup> FTAC did not accept Port staffs' recommendation to impose a daily fee/percentage assessment upon direct-selling fishermen. Darlene Robertson, POS, informed Commissioners that the proposed fee/percentage assessment upon direct selling fishermen was requested by the owners of the Wild Salmon Fish Market as a means to "level the playing field."

Regardless of previous advisory committee actions, Port staff has now apparently recommended that, for the first time, direct-selling fishermen be assessed a fee by POS. The rationale for this tax has not, to this point, been tied to any improvement of upland facilities to support catcher/sellers.

### Commentary

It is time for the Port to adopt the FTAC proposal and finally lift the restraint on fishermen's direct sales of fresh, frozen and processed catch. This would be a progressive step in the public interest.

Fishermen's Terminal was established by public vote precisely to enable the direct selling of product by fishermen. To impose a tax on this core activity is at odds with the mission of Fishermen's Terminal. It is in the interest of the public and the small boat fisheries to encourage direct sales, entrepreneurship and value-added activities, particularly in this time of economic contraction.

A tax on fishermen's direct sales is both regressive and punitive. Consider the \$400 per day salary expense of the FT Harbor Manager. How much salary will it cost to monitor fishermen's sales for compliance with the various restraints of trade? In all likelihood, such a tax will cost more to enforce than it will generate for the Port of Seattle.

The imposition of a new tax on fishermen at the apparent behest of a vendor, the Wild Salmon Fish Market, raises troubling questions about the process of policy development at the Port of Seattle. Was the the public interest ever considered in this back and forth between Port staff and a Port retailer?

---

<sup>14</sup> Seattle Post-Intelligencer, (11/14/08) and the Queen Anne/Magnolia News (12/03/08)

Fishermen's sales benefit the fish market and benefit the entire retail development at Fishermen's Terminal by inducing commerce. There has been tremendous community interest in direct purchase of fish from harvesters at Fishermen's Terminal.<sup>15</sup> Consumers drive in from outlying areas of the region to purchase directly "off the boat." Frequently, these people will also visit the restaurant and the fish market, which has a much wider selection of seafood than any individual fisherman. The option to purchase directly from fishermen has been acclaimed as a significant public benefit.

The growth of the Port's retail market was directly subsidized by the restraint on fishermen's trade which began in 1992. Removing that restraint "levels the playing field" and returns the Port's management of FT back to its primary purpose, serving the needs of the fishing industry.

The public is rightly concerned about the provenance of their food. Small boat fishermen look for a new niche to develop the "future of fishing." The Port should be working with the public, fishermen and stakeholders to develop a new business plan for Fishermen's Terminal.

\*\*\*\*

Former CEO Mic Dinsmore compared the Port to Boeing and Weyerhaeuser. The Port of Seattle has an identity crisis. It wants to act like a large corporation, yet it remains a public agency. This is a big part of the problem at Fishermen's Terminal.

The Port does not manage any other facility remotely like Fishermen's Terminal. The fishing community sees the Port as a caretaker of a public trust. The Port, on the other hand, conceives of the Terminal as part of its portfolio. For the Port, Fishermen's Terminal remains "A Port of Seattle Property."

We are not on the same page.

---

<sup>15</sup> See, for example, the front page Post-intelligencer coverage, "Buying Off the Boat," 11/21/2004, Hsiao-Ching Chao