

The Wheel Watch

a newsletter of the

Fishing Vessel Owners' Association
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Thank you for your support!

Dear Longliner:

This newsletter will bring you up-to-date on issues before the NPFMC, PFMC, IPHC, Washington, D.C., and Markets.

****NPFMC****

I want to thank John Crowley, F/V Kristiana, Jack Knutsen, F/V Grant, Paul Clampitt, F/V Augustine, and Jim Bodding/ F/V Aleutian Isle for attending this month's Council meeting in Anchorage and testifying on the Halibut Charter reallocation agenda item.

This issue has seen at least four (4) final actions by the NPFMC over the past 19 years. These final actions have been derailed in D.C. due to the significant political clout of the Charter/Sport-tourism industry in Alaska. Governor Parnell, Senator Begich and Congressman Norm Dicks intervened most recently sending the 2008 action back to the Council for a redo. We have seen Senator Stevens, and both Murkowski's wade into this in the past as well.

The following tables summarize the options that were before the Council and the reallocation effects. FVOA and other commercial groups supported Alternative 2 with the hope the Council would choose Alternative 3 for both Areas 3A and 2C. Alternative 2, which was the Council's preferred option in 2008 but derailed in D.C., represents the status quo allocation.

Proposed Area 2C charter allocations

Alt 1		Alt 2		Alt 3	Alt 4	Alt 5
If Total CEY is greater than (Mlb)	GHL in Mlb (Status Quo)	Combined Catch Limit (CCL)	2008 Preferred Alt.	2012 PPA (2008 PA adjusted for allocation and logbooks)	Option 1 (2008 Pref Alt + 3.5% of CCL)	Option 1 adjusted (2012 PPA + 3.5% of CCL)*
4.779	0.788	< 5 Mlb	17.3%	18.3%	20.8%	21.8%
5.841	0.931	≥ 5 Mlb - 9 Mlb	15.1%	15.9%	18.6%	19.4%
6.903	1.074	≥ 9 Mlb	15.1%	15.9%	15.1%	15.9%
7.965	1.217					
9.027	1.432					

Proposed Area 3A charter allocations

Alt 1		Alt 2		Alt 3	Alt 4	Alt 5
If Total CEY is greater than (Mlb)	GHL in Mlb (Status Quo)	Combined Catch Limit (CCL)	2008 Preferred Alt.	2012 PPA (2008 PA adjusted for allocation and logbooks)	Option 2 (2008 Pref Alt + 3.5%)	Option 2 adjusted (2012 PPA + 3.5% of CCL)*
11.425	2.008	< 10 Mlb	15.4%	17.2%	18.9%	20.7%
13.964	2.373	≥ 10 Mlb - 20 Mlb	14.0%	15.6%	17.5%	19.1%
16.504	2.734	≥ 20 Mlb	14.0%	15.6%	14.0%	15.6%
19.042	3.103					
21.581	3.650					

As an example, Alternative 3 transfers an additional 1.8% over Alternative 2 to charter interests in Area 3A at low harvest and 1.6% at higher harvest levels. John Crowley was successful in getting the Advisory Panel to adopt Alternative 3 as a recommendation to the Council for both Area 2C and 3A.

However, the Council went with a different solution which was put forward by Ed Dersham, Charter Rep, and Dan Hull (3A QS Holder), both members of the Council. The vote ended up 10 to 1 with Sam Cotten objecting that there was no justification for commercial to give up more in Area 3A. He supported Alternative 3 for both 3A and 2C. The Council chose Alternative 4 for 3A and Alternative 3 for 2C. This results in the following: When the harvest gets back to 20,000,000 lbs., we get back to status quo or 14%.

Area 2C			
CCL (Mlbs)	Charter %	Charter Mlbs	IFQ%
0-<5.000	18.30%		81.70%
5.000-≤5.755		0.915	
>5.755	15.90%		84.10%

Area 3A			
CCL (Mlbs)	Charter %	Charter Mlbs	IFQ%
0-<10.000	18.90%		81.10%
10.000-≤10.800		1.890	
>10.800-≤20.000	17.50%		82.50%
>20.000-≤25.000		3.500	
>25.000	14.00%		86.00%

Area 3A at low harvest levels gives up 3.5% while 2C transfers about 1% to charter interests. There is a provision that allows a QS holder of halibut to lease 15% or 1500 lbs, whichever is greater, to charter interests. CQEs can use 100% of their own quota for charter interests.

The Council added an economic impact section. This section shows that for a given amount of quota share held (122,579 shares) the value has actually declined due to reductions in quota. The revenues have also declined, even with higher prices. The reductions in quota have actually left QS holders "financially underwater." We gave testimony to this effect also pointing out crews have had to be laid off due to declining quotas.

3A - 2									
Year	Quota shares held*	Quota Share price (\$/share)	Value of Quota Share held (\$)	Annual ratio of Quota Shares to IFQ	Annual IFQ pounds	Average ex vessel price (\$/pound)	Annual ex vessel revenue (\$)	Approximate average vessel harvest* (pounds)	Annual ex vessel revenue (of ~ average vessel harvest) (\$)
2003	122,579	1.20	147,094	8.17	15,000	2.89	43,410	15,000	43,410
2004	122,579	1.88	230,448	7.38	16,611	3.04	50,413	17,000	51,595
2005	122,579	2.49	305,220	7.26	16,884	3.07	51,869	18,000	55,296
2006	122,579	2.46	301,543	7.34	16,705	3.78	63,179	16,000	60,512
2007	122,579	2.91	356,703	7.06	17,368	4.40	76,472	15,000	66,045
2008	122,579	3.51	430,251	7.63	16,055	4.40	70,644	13,000	57,200
2009	122,579	2.87	351,800	8.52	14,385	3.12	44,824	12,000	37,392
2010	122,579	2.28	279,479	9.25	13,251	4.62**	61,222	12,000	55,440
2011	122,579	2.52	308,898	12.88	9,519	6.61***	62,923	12,000	79,320

* Shares assumed received under initial allocation under this scenario. Amount is based on the median vessel harvest by C category vessels (60 feet and under LOA) in 2003 (all areas).

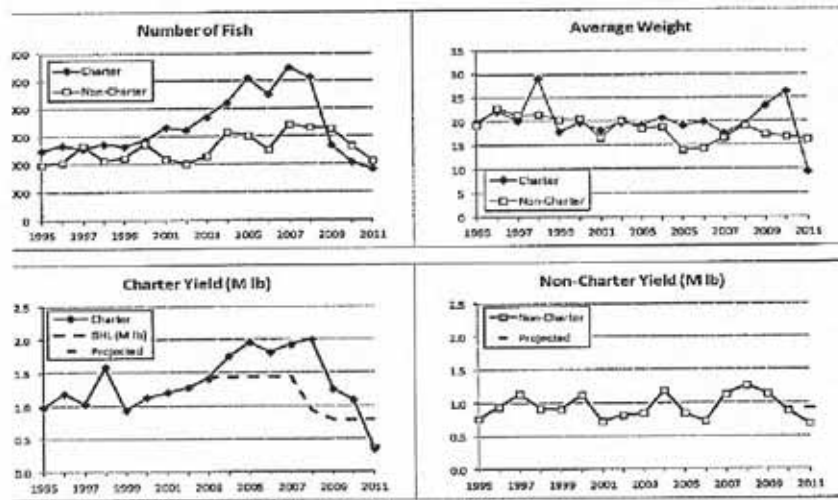
** Statewide price

*** Average of monthly Central Gulf prices from notification of standard prices and fee percentage (76 FR 238 pp. 77209-14). Except as noted prices are from RAM annual report to the fleet and annual transfer reports.

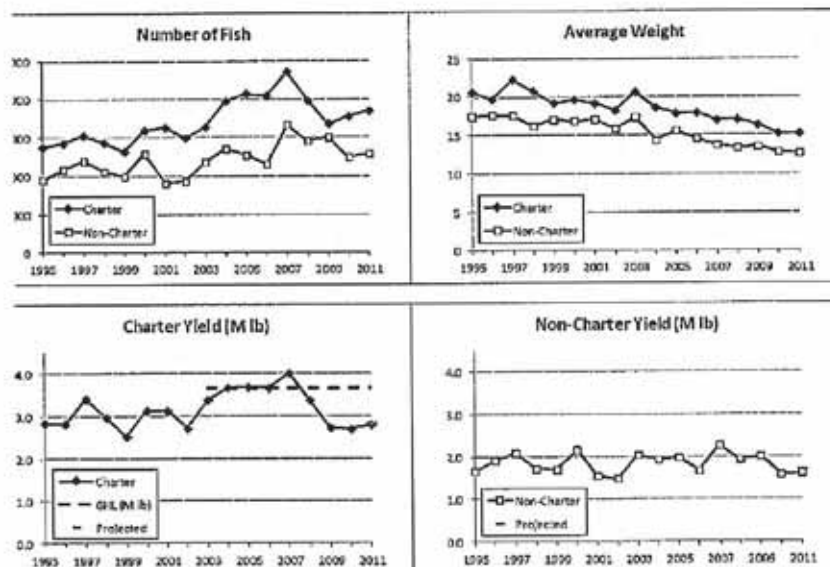
The politics of this decision, from my perspective, are that the charter fleet in 2C is made up of significantly non-resident vessel owners so the Alaska-dominated Council gave a more preferable position to the commercial interest in Area 2C by transferring only 1% of their QS to charter. Area 3A charter businesses are 95% Alaska residents and even though there was no justification to transfer more from commercial, since Senator Begich, Governor Parnell, and Congressman Dicks made the Council redo this allocation fight, something different had to go back east to D.C., so they took 3.5% out of the commercial guys' wallet. The commercial quota in 3A was close to 12,000,000 lbs this year. A 3.5% re-allocation amounts to 420,000 lbs. At \$30/lb. asset value, the Council transferred \$12,600,000 in asset value to the Charter/3A fleet.

Is this the end of this fight? Well, you would think so. This proposed action will hopefully be implemented in the 2014 season if the charter folks don't overturn it. Some of the charter people claim they got the short end of the decision. A pro-charter publication had the title "Proposed cuts again leave Alaska charter boats dangling like halibut."

2C



3A



Observer Program. The NMFS unveiled their new observer program for those vessels that previously had less than 100% coverage. NMFS has divided the fleet by vessel length with different protocols for taking observers.

Vessels >57.5 feet. Before each trip (at least 72 hours) you will need to call the NMFS. You will be told at that time if you will take an observer. You will have a 13% chance that you will be chosen. If you are chosen and decline to go fishing, you cannot make your next trip unless you fulfill your observer obligation.

Vessels <57.5 feet. If chosen, you will receive a letter three weeks before a calendar quarter alerting you that you have an observer obligation for that 3-month time period. You will be obligated to take an observer for all halibut/sablefish and your groundfish operations that you participate in during that quarter. If you only have QS for one or two trips, this maybe a small inconvenience. If you fish cod continually for three months, you will become close to your observer as your obligation is for a full 3-month period. You can stop fishing or tell NMFS you do not plan to fish in the quarter that you are chosen for. If you do that, your name goes back in the hat for the next quarter.

The program, as presented, is disappointing in that it focuses on covering 13% of the vessels rather than looking at those vessels removing the most resources. We estimate the longline fleet will have 60% of the observers even though they produce 18% of the total harvests. The trawlers will have about 35-40% of the observer coverage even though they produce 82% of the impacts.

The first year of the program is financed by the U.S. Congress at \$4.3 million. In 2013, you will pay an ex-vessel fee. You will contribute .625 percent of your exvessel landings and the processor you sell to will match this with another .625. The processor will make one payment at the end of the year to NMFS.

Unfortunately, NMFS has not tightened up the definition of a trip. The program can be gamed similar to the current program. We testified to these concerns but no significant changes are expected until 2014, if any. The Council advised the NMFS to redirect coverage to the species with PSC bycatch Caps. This would be the trawl fleet. They also asked NMFS to not be aggressive on coverage for <57.5 ft. fleet.

New Rules and Regulations.

12/20 Rule – this rule has not yet been put into place by NMFS. This regulation requires an initial recipient to be a recorded owner on a vessel in the amount of 20% and have had that ownership for 12 months, if they are going to have a vessel catch their fish. This could be implemented this fall.

Control Date, February 12, 2010. the Council's actions to disallow initial recipients to purchase quota after February 12, 2010 without being physically on the vessel when it is caught, has yet to leave the NPFMC, When it does, it goes to NMFS where an 184-day review process will take place.

Pacific Council

No big changes here.

Allowable Catch Levels.

	Sablefish Coastwide	Sablefish N. of 36°	Sablefish S. of 36°
ACL 2012	6645 Mt	5347 Mt	1298 Mt
ACL 2013	5451 Mt	4012 Mt	1439 Mt
ACL 2014	5909 Mt	4340 Mt	1560 Mt

The fleet is saying they see lots of small 2 lb. fish. This should reflect the 2008 and 2010 year classes which are reported to be both strong year classes. Harvest Levels will bottom out next year at 5451 Mt and then are expected to make a slow recovery for five years.

Trawl Sablefish (IFQs). The Council's ITQ program for trawl fish allows you to catch sablefish with either pots or longlines. We have been contacted by several QS holders looking for someone to fish their quotas this fall. If you are interested, please call.

The lawsuit on this program has locked down the ability to purchase actual quota. Hopefully, the lockdown will end after 2013.

Note – the trawl industry had a \$23,000,000 buy-back loan and has a 5% fee assessed against delivery to pay for this. This is a cost the trawl ITQ program is paying back.

Markets

Halibut. A recent delivery into Yakutat received \$5.50 for 10-20's; \$5.75 for 20-40's. and \$6.00 for 40 ups. A recent delivery into Bellingham received \$6.30 for 10-20's; \$6.70 for 20-40's; and \$7.00 for 40 ups. There is market resistance. Halibut seems to be the second most expensive item on restaurant menus. That's a good thing! However, there are rumors that there is still 2011 frozen inventory around. The IPHC will present their harvest recommendations in late November. Although the price has been good all year, it is a bit off of last year's record prices. The catch is approaching 90% of the approved 2012 harvest level.

Individual Fishing Quota (IFQ) Allocations and Landing For Fishing Year 2012

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	TAC	
					Remaining Pounds	Percent Landed
2C	Halibut	1,135	2,392,384	2,624,000	231,616	91
3A	Halibut	1,612	10,464,620	11,918,000	1,453,380	88
3B	Halibut	540	4,496,211	5,070,000	573,789	89
4A	Halibut	190	1,480,888	1,567,000	86,112	95
4B	Halibut	116	1,264,902	1,495,200	230,298	95
4C/4D	Halibut	86	1,137,578	1,328,827	191,249	86
Total		3,679	21,236,583	24,003,027	2,766,444	88

Sablefish. Prices to FVOA boats in Bellingham have been \$8.40 for 7 ups; \$6.40 for 5-7's; and \$5.25 for 4-5's. In S.E. Alaska, prices have been \$8.10 for 7 ups; \$6.60 for 5-7's; \$4.80 for 4-5's; \$3.90 for 3-4's; and \$2.75 for 2-3's. All are eastern dressed.

Individual Fishing Quota (IFQ) Allocations and Landing
For Fishing Year 2012

Area	Species	Vessel Landings	Total Catch Pounds	TAC		Percent Landed
				Allocation Pounds	Remaining Pounds	
AI	Sablefish	105	1,638,809	2,710,776	1,071,967	60
BS	Sablefish	142	890,940	1,966,503	1,075,563	45
CG	Sablefish	569	9,012,350	10,158,797	1,146,447	89
SE	Sablefish	581	6,632,559	6,995,196	362,637	95
WG	Sablefish	168	2,517,592	3,139,350	621,758	80
WY	Sablefish	225	4,152,531	4,356,290	203,759	95
Total		1790	24,844,781	29,326,912	4,482,131	85

Pacific Cod. Prices have dropped to below 30¢ a pound for round delivered cod to Kodiak. Prices are down largely due to increased international supply.

The International Council AM Explorations of the Sea recommended a 25% increase in the 2013 quota for North East Arctic cod in the Barents Sea. The 2013 quota will be 940,000 Mt., up from 740,000 Mt.

Washington, D.C.

Senate Bill 3332 – U.S. Coast Guard Bill H.R. 2838. There are only a few legislative actions for this fall. The EPA "Small Vessel Discharge Exemption" is the single most important bill before Congress for you. If these bills fail, all of you are in trouble. If you deliver iced fish with blood in it, if you press your tanks and hold fish in them for delivery, such as, crab, salmon, sablefish, etc., this bill helps you get out of a very dangerous and onerous EPA requirement.

House Bill 2838 (Coast Guard Bill) was passed before the Congressional recess. It contains an exemption for all commercial fishing vessels. Cong. Doc Hasting of Washington and Young of Alaska were helpful with this. The Senate passed its version of this bill but there was no exemption in it and Senate Bill 3332, which would exempt fishing vessels, was not yet marked up before the congressional recess.

Senator Lisa Murkowski has written a letter to the Senate Majority supporting the small vessel discharge exemption. Senator Cantwell is supportive of the exemption but certain ballast water restrictions have kept her from co-authoring Senate Bill 3332. We have not heard from Senator Wyden and Murray. Senator Boxer is lukewarm but supported an exemption for yachts, known as the "Tom Cruise" California party boat exemption (my words.)

The actions of the House at least force a negotiation between the Senate and House on this issue. I suspect a vote in the Senate after the elections on the Coast Guard bill.

****Eat on the Wild Side****

Brussels. In a move that will protect one of the most biodiverse areas on earth, the European Commission today proposed phasing out destructive bottom trawling and bottom gillnetting among deep sea fishing fleets in the Northeast Atlantic. The Pew Environment Group praised EC Commissioner for Maritime Affairs and Fisheries, Maria Damanaki, for the bold proposal to finally put an end to these unsustainable and destructive deep-sea fishing methods. Marine scientists have roundly concluded that deep-sea bottom trawling is the most direct and widespread threat to fragile deep-sea ecosystems. These ecosystems harbor a diversity of life—much of it as yet unidentified—that may exceed the biodiversity found in the Amazon rainforest. ...*Independent News*

MSC. As reported to you, halibut and Alaskan sablefish were recertified by the Marine Stewardship Council in London. Here are some selling points for MSC.

- Over \$3.2 billion in annual retail sales of MSC labeled seafood;
- More than 2000 companies with MSC Chain of Custody certification;
- 147 fisheries certified;
- 14,700 distinct MSC labeled products;
- 4,000 MSC labeled products in Germany, including (Alaska Sablefish);
- 70% product growth in new markets – Spain 90%, Italy 70%;
- 13,000 food service outlets certified.

Halibut and Sablefish have also been certified sustainable by the ASMI Global Trust and the FAO of the United Nations.

****Second Watch****

Seattle/Juneau – U.S. Coast Guard. The Coast Guard is requiring all commercial fishing vessels that operate or fish more than three (3) miles from the territorial sea baseline, to complete a mandatory Coast Guard dockside safety exam beginning October 16, 2012. There are estimated over 17,000 vessels that will need this in the North Pacific, so get your exam early to avoid the rush next spring.

Four Thousand Hooks. A book written by Dean Adams, a true story about coming of age on the high seas of Alaska while on the F/V Grant. It is about a greenhorn crew member. Sig Hansen says it is a "must read!"

Captain License Training. November 5-15, 2012 at Foss Harbor Marina, Tacoma, WA. Call (253) 905-5972. Course in charting and Navigation, Rules of the Road, Deck Seamanship; Safety and Environmental.

Problem With Mustang Inflatable PFDS. The Coast Guard has become aware of certain Mustang Survival Inflatable PFDS with Hammar MA1hydrostatic (HIT) inflation systems which may not inflate and require a new re-arm kit to properly inflate by manual or automatic activation. The attached safety alert identifies which products are affected.

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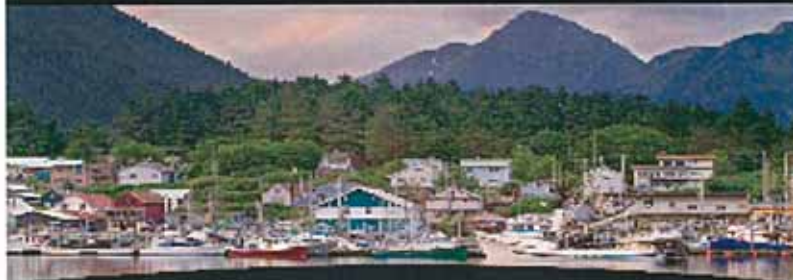
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****Calendar of Events****

October 31-November 5, 2012 Advisory Bodies may begin Tue., Oct. 30 Council session begins Wed. Oct. 31	PFMC Meeting	Hilton Orange County/Costa Mesa Costa Mesa, CA
November 22-23, 2012	Thanksgiving Holiday	Office Closed
November 28-29, 2012	IPHC Interim Meeting 9:00 am on Wed. thru Thurs. afternoon	Offices of the IPHC Seattle, WA
December - week of December 3	NPFMC Meeting	Anchorage Hilton Anchorage, AK
December 24-26, 2012	Christmas Holiday	Office Closed
December 31-Jan. 1, 2013	New Year's Holiday	Office Closed
January 21-25, 2013	IPHC Annual Meeting	Fairmont Empress Victoria, BC.

Happy Halloween!



Happy Thanksgiving!