# The Wheel Watch

*a newsletter of the*

Fishing Vessel Owners' Association


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***Thank you for your support!***

Dear Longliners and Sustaining Sponsors:

This spring newsletter will bring you up-to-date on the April North Pacific Council and Pacific Council meetings, IPHC, Washington, D.C. activities and USCG safety updates on Alternative Compliance and market price information.

# **North Pacific Council**

***Council Membership.*** Governor Bill Walker of Alaska has recommended to NOAA and the Commerce Department that Ms. Theresa Peterson from Kodiak and Michael (Buck) Laukitis are his preferred nominees for appointment to the NPFMC. Many of you know "Buck" Laukitis from Homer, Alaska as a long-time commercial salmon and halibut fisherman. He will replace David Long, the factory trawler skipper from Wasilla, Alaska. Theresa Peterson and her husband are cod jiggers, halibut and salmon fishers. She replaces Duncan Fields from Kodiak who has served three terms on the Council. Their first meeting, if appointed, will be in October.

***Recreational Quota Entities (RQE).*** This was the focus of most of the Council attention at the April meeting. This proposal would allow an entity, likely approved by the Council/State of Alaska to purchase your halibut Quota Shares (QS) should they come up for sale and put it into a 3A or 2C holding account. From this account, the Charter industry could use this extra quota to reduce restrictions on themselves. The following are the preferred elements the Council has developed for analysis and a likely December 2016 final action. The SSC and industry Advisory Panel recommended the options were not sufficiently analyzed for public review, but the Council authorized some corrections and have set this for final action.

***Preferred Element 1.*** Have one entity with two area quota pool areas 2C and Area 3A with a limit on what can be purchased annually.

Based on the tables below you can see the Quota Share transfer rates from 2010 to 2014 in 2C and 3A. If the RQE got the money to actually purchase quota and the Council allowed an annual quota share transfer of 2% a year, you can see that this represents 50% to 100% of the actual quota that has transferred. In Area 3A, QS transfers ranged from 2.00% to 4.7% from 2010 to 2014. This would have undeniable huge upward price effects on QS purchases. The .5% option was adopted based on our FVOA testimony request.

**Table 4-22 Halibut QS transfer rates by year for Area 2C and 3A**

| Year | 2C | | | 3A | | |
|---|---|---|---|---|---|---|
| | Year-end total QS (QS units) | Year-end total QS Transferred (QS units) | QS Transfer Rate % | Year-end total QS (QS units) | Year-end total QS Transferred (QS units) | QS Transfer Rate % |
| 2010 | 59,552,039 | 3,882,076 | 6.50% | 184,911,315 | 6,181,814 | 3.30% |
| 2011 | 59,552,039 | 1,302,243 | 2.20% | 184,911,315 | 8,430,949 | 4.60% |
| 2012 | 59,536,185 | 2,238,095 | 3.80% | 184,894,204 | 3,786,802 | 2.00% |
| 2013 | 59,536,185 | 2,980,296 | 5.00% | 184,893,008 | 5,202,286 | 2.80% |
| 2014 | 59,477,396 | 3,198,620 | 5.40% | 184,893,008 | 8,753,810 | 4.70% |

Source: NMFS RAM Division, QS Transfer Report, 2015 (NOAA 2015a)

Table 4-24 Annual prices for halibut QS and IFQ transfers in Area 3A, 2010 through 2014

| Year | Mean Price $/IFQ | Standard Dev Price $/IFQ | Total IFQ transferred used for pricing | Mean price $/QS | Standard Dev Price $/QS | Total QS transferred used for pricing | Number of transactions used for pricing |
|---|---|---|---|---|---|---|---|
| 2010 | 21.06 | 4.6 | 218,565 | 2.28 | 0.5 | 2,022,792 | 61 |
| 2011 | 32.46 | 6.73 | 250,484 | 2.52 | 0.52 | 3,225,433 | 72 |
| 2012 | 34.41 | 10.37 | 117,877 | 2.22 | 0.67 | 1,828,933 | 56 |
| 2013 | 30.99 | 4.65 | 79,112 | 1.85 | 0.28 | 1,326,640 | 30 |
| 2014 | 37.58 | 4.4 | 123,156 | 1.49 | 0.18 | 3,111,301 | 55 |

Source: NMFS RAM Division, QS Transfer Report, 2015 (NOAA 2015a)

Table 4-23 Annual prices for halibut QS and IFQ transfers in Area 2C, 2005 through 2014

| Year | Mean Price $/IFQ | Standard Dev Price $/IFQ | Total IFQ transferred used for pricing | Mean Price $/QS | Standard Dev Price $/QS | Total QS transferred used for pricing | Number of transactions used for pricing |
|---|---|---|---|---|---|---|---|
| 2010 | 22.71 | 5.13 | 108,127 | 1.68 | 0.38 | 1,463,469 | 59 |
| 2011 | 32.42 | 13.42 | 11,562 | 1.27 | 0.53 | 295,435 | 27 |
| 2012 | 36.22 | 5.66 | 42,314 | 1.6 | 0.25 | 960,255 | 43 |
| 2013 | 41.46 | 4.47 | 64,525 | 2.07 | 0.22 | 1,293,594 | 43 |
| 2014 | 44.29 | 4.56 | 66,288 | 2.47 | 0.26 | 1,189,215 | 45 |

Source: NMFS RAM Division, QS Transfer Report, 2015 (NOAA 2015s)

The QS prices in 2014 for 3A were $37.58. (See tables above.) This year's small sales at $60/lb. have occurred. If they allow a trade and RQE purchase of 2%/year, you could have a 30% to 50% increase in QS prices above the $60 prices being experienced this spring. So, $80 to $90/lb.

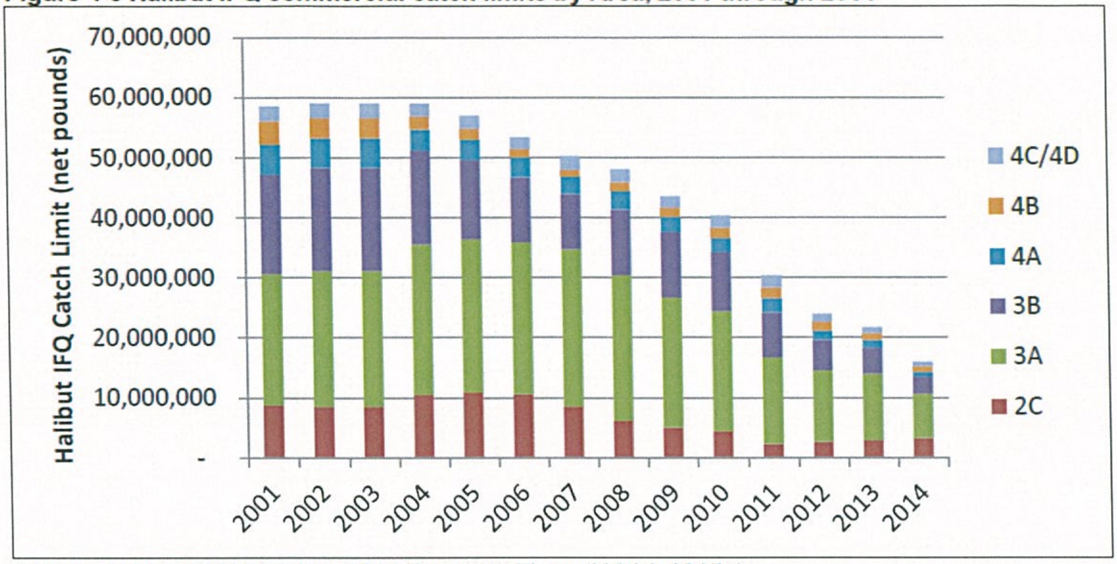
***Preferred Element 3.*** Have a cumulative limit to be held by the RQE and the current leasable Guided Angler Fish (GAF) fish of 10% in 2C and 15% in 3A of RQE and GAF. The previous option ranged from 5% to 20% so the Council has reduced the upper end from 20% to 15%.

The current analysis for 3A suggests that the charter industry needs 7.7% of the current commercial catch in order to become whole or have a 2 fish limit. We will be supporting something less than the upper ranges the Council is looking at.

There are a number of rules for the RQE for its inner workings that I will not touch on. However, what happens if the RQE buys quota and the harvest levels go up in 3A and 2C, such that they do not need the quota they have put in their RQE. This could likely happen in 3A but not as likely in 2C. The options to deal with this are (1) return it evenly to all QS holders; (2) return it to only QS holders that have 1500 to 3000 lbs. in 2015 lbs.; (3) return it to the tax exempt Community Quota Entities (CQEs). The CQE's could then lease it out to the residents of their area. There are special definitions of what a resident is. The Council's preferred action is to distribute evenly to small quota shareholders and the CQE's, both at 50/50.

The RQE amendment will be on the agenda for the December 2016 meeting for a final vote. It is clear that the State of Alaska is supportive of this action as is the Washington representative from Olympia. It will be interesting to see if the two new Alaskan Council members have any different ideas on what the final action looks like.

**Figure 4-8 Halibut IFQ commercial catch limits by Area, 2001 through 2014**




Source: NOAA RAM Division, 2014 Report to Fleet, (NOAA 2015a)

***Gulf of Alaska Rationalization (GOA Rationalization).***

At its June 2016 meeting in Kodiak, the Council's main agenda has two main alternatives. The number two alternative is a comprehensive QS program that would allocate directed species such as Pacific cod, flounder, and Pollock with halibut and Chinook bycatch restrictions. The third alternative is only a bycatch allocation of Halibut and Chinook. Both options require belonging to a processor co-op and 100% observer coverage.

This is primarily a trawl catcher vessel QS program. The trawl fleet and their processors appear unanimously opposed to Alternative 3, which happens to be the State of Alaska's sponsored option. The State of Alaska believes a comprehensive QS program gives too much market power to the processors and too much QS value to out-of-state interests. I am not uncertain that that is what actually happens under Alternative 2. The first look at the analysis will be in June.

There were rumors a couple weeks ago that Washington members of Congress might sponsor separate legislation as an end run around the NPFMC should the Council fail to take meaningful action on GOA Trawl Rationalization. All Washington and Alaska members of Congress say there is no legislation to do this, but they admit they have heard concerns from both trawl boat owners and shoreside processors.

***Pots for sablefish.*** NMFS believes this action will not be available until the 2017 season.

***DMR's.*** Discard Mortality Rates. The Council with the NMFS, IPHC and other scientists are reviewing long-term studies that could change DMRs currently in use for all fleet sectors. The directed halibut fleet is assigned a 16% mortality of halibut released at the rail largely due to the 32 inch size limit. The freezer longline fleet is assessed a 7% to 9% rate and the factory trawlers were assessed up to 90%. All the numbers are going through new analysis.

# **Pacific Council**

Not much to report. Paul Clampitt attended the PFMC meeting for me in April. He caught a chance to secure the amendment to allow both a sablefish tiered permit and a trawl permit to be on the vessel at the same time and also to change the "ownership and control" rule we have been sponsoring for 13 years. Go Paul Go! Thanks for attending the meeting.

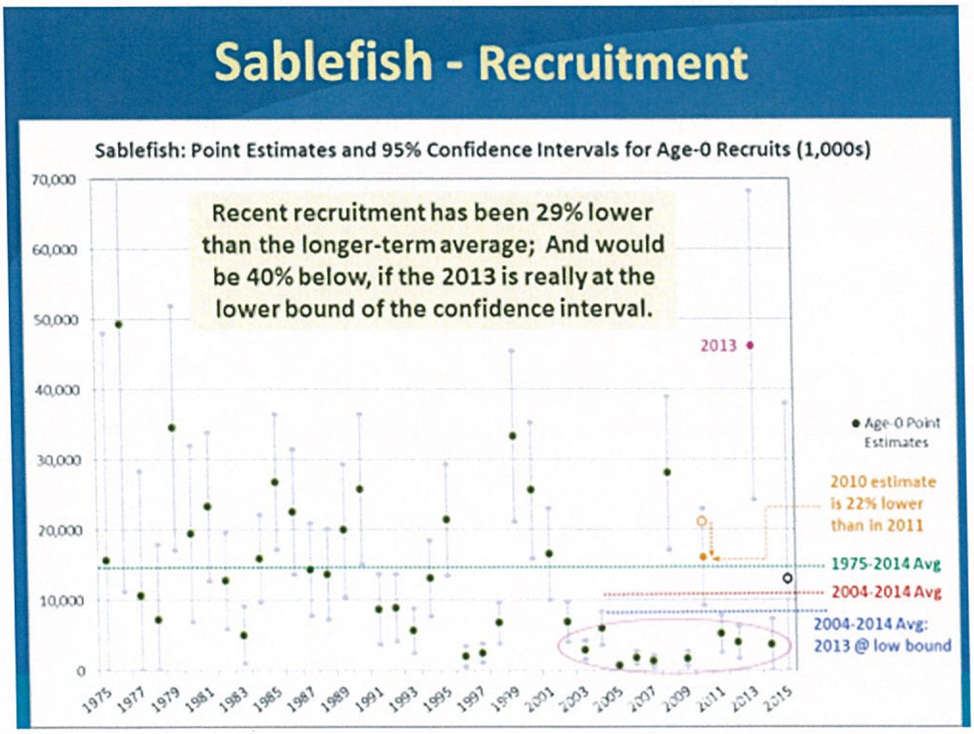
The sablefish fishery north of Point Chehalis will be allowed 110 lbs. of halibut per 1000 lbs. of cut sablefish plus 2 halibut. This is an increase of 35 lbs. from the 2015 season.

Tiered 2016 Limits

| | |
|---|---|
| Tier 1 | 45,053 lbs. |
| Tier 2 | 20,479 lbs. |
| Tier 3 | 11,702 lbs. |

All pounds in round weights

The next meeting of the Pacific Council will be in Tacoma and they will be taking comments on their trawl QS program.




***Pacific Council Sablefish Recruitment.*** As you can see recruitment from 2001 to 2015 has been very much below average. However the 2008 year class is well above average; the 2010 year class is still above average even with reduction in expectations and the 2015 year class may prove to be above average. The gray lines above and below the black dots are error ratios. The positive year classes should maintain current harvest levels into 2017.

## ****Marketing****

***Halibut.*** **With only 15% of the quota delivered, prices to FVOA vessels were 40 ups - $7.00; 20/40 - $6.75; and 10/20 - $6.45. Anthony's/Chinooks is doing a season opener special on halibut. The Seattle Times featured new halibut menus. Chef John Sundstrom says that his storied Capitol Hill restaurant, "Lark" is serving "a little Eastern Mediterranean influence with za'atar yogurt, green chickpeas, spicy Aleppo pepper and salad with raw artichoke heart and herbs". $35 a plate! Yum, yum.**

### Individual Fishing Quota (IFQ) Allocations and Landings

For Fishing Year 2016

| Area | Species | Vessel Landings | Total Catch Pounds | Allocation Pounds (TAC) | Remaining Pounds (TAC) | Percent Landed (TAC) |
|---|---|---|---|---|---|---|
| 2C | Halibut | 219 | 1,180,244 | 3,924,000 | 2,743,756 | 30 |
| 3A | Halibut | 215 | 1,202,529 | 7,336,000 | 6,133,471 | 16 |
| 3B | Halibut | 18 | 171,089 | 2,710,000 | 2,538,911 | 6 |
| 4A | Halibut | *** | *** | 1,390,000 | *** | *** |
| 4B | Halibut | *** | *** | 912,000 | *** | *** |
| 4C/4D | Halibut | *** | *** | 88,320 | *** | *** |
| | **Total** | **456** | **2,604,923** | **17,152,320** | **14,547,397** | **15** |

***Sablefish.*** **Meanwhile the 13.6% reduction in sablefish quotas in Alaska has pushed up some prices early this year. Early April prices were: 7 ups - $8.60; 5/7's – $7.10; 4/5's – 5.55; ¾'s – $4.70 and under 3 - $4.00.**

**The yen versus the dollar has improved since last year moving to 109/$ from 119/$ giving the Japanese increased purchasing power. However, one buyer I talked to sold sablefish to 32 different countries in 2015.**

### Individual Fishing Quota (IFQ) Allocations and Landings

For Fishing Year 2016

| Area | Species | Vessel Landings | Total Catch Pounds | Allocation Pounds (TAC) | Remaining Pounds (TAC) | Percent Landed (TAC) |
|---|---|---|---|---|---|---|
| AI | sablefish | *** | *** | 2,059,0906 | *** | *** |
| BS | sablefish | *** | *** | 1,014,116 | *** | *** |
| CG | sablefish | 59 | 442,585 | 7,094,403 | 6,651,818 | 6 |
| SE | sablefish | 129 | 1,536,254 | 5,108,058 | 3,571,804 | 30 |
| WG | sablefish | 9 | 101,409 | 2,244,283 | 2,142,874 | 5 |
| WY | sablefish | 54 | 906,404 | 2,832,911 | 1,926,507 | 32 |
| | **Total** | **257** | **3,115,296** | **20,352,867** | **17,237,571** | **15** |

***Pacific Cod.*** **Those doing Alaska cod way out west with pots, deliveries were paid at .32/lb. for larger fish.**

# **Second Watch**

***Sad News.*** ***Charlie Kelly,*** who skippered the halibut schooner, F/V Arrow since 2004, passed away early this month. Charlie was sport fishing for chinook on a tributary of the Columbia River and was lost. Charlie and his brother, Blaine, operated the F/V Arrow and worked on deck for many years with their father, David Kelly. Charlie fished from Attu to the Pribilof's and back to Yakutat for many years. He will be missed.

***Please welcome*** as new Sustaining Sponsors the following two companies. ***Icicle Seafoods, Inc., Seattle, WA.,*** John Woodruff, Executive Vice President of Operations; and ***Taku Fisheries, Juneau, AK.,*** Hank Baumgart, owner. Thank you for your support!

***Alaska Taxes.*** The State of Alaska is currently underfunded due to the precipitous drop in oil prices. In order to help float the state with new tax dollars here are a few bills that have been under consideration.

***HB 241*** – Non-resident surcharge commercial fishing – was withdrawn by the sponsor
***HB 211*** – Motor fuel tax – there was a draft circulating that would increase marine fuel tax from .05/gallon to .10/gallon. This would be based on Texas sweet crude prices. If the price were $85/barrel or lower, the marine fuel tax would be raised to .10/gallon.
***HB 250*** – Personal Income Tax – this bill likely will not be addressed seriously for another year.
***HB 251 & SB 198*** – This will likely become effective next year; it is the raw fish tax that is currently at 3% of ex-vessel price. This will go up to 4% or a 33% increase in your landing taxes.
***SB 198*** – 12.5% royalty tax – this would be a tax on fish caught in state waters by L.E. permits or interim permits; US permits such as halibut in federal waters could be exempt. This bill is not likely to pass.
***HB # -*** Is a bycatch tax that will likely not go anywhere.

***U.S. Coast Guard – Alternative Compliance.*** FVOA has met with the U.S. Coast Guard twice and attended the Newport, Oregon and Seattle meetings. The USCG, by requirement of Congress, is to come up with new safety rules to be submitted by January 2017 and implemented by 2020. The new rules seem to reflect conditions most of you already comply with through your hull and liability pools. Congress may extend the time of implementation as the Gulf of Mexico states and Atlantic states are nowhere near a state of compliance compared with West Coast standards.

***Senator Murkowski*** continues her fight against "Frankenfish." The FDA announced a ban of GE Salmon until labeling guidelines are introduced. The State of Washington will likely have a labeling bill on the ballots this fall.

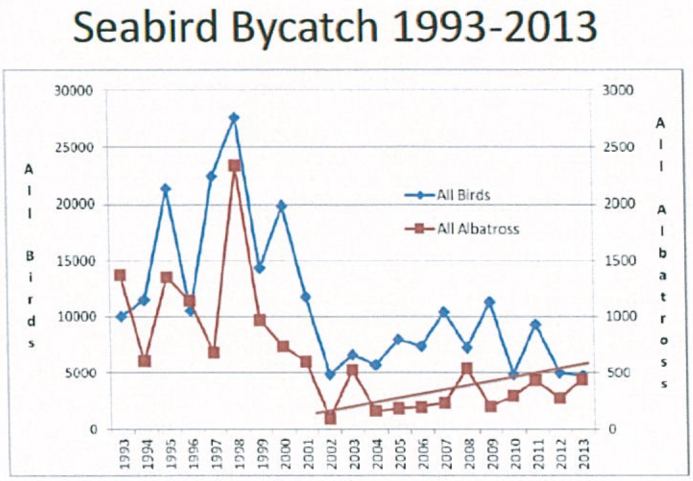
**No more commercial trawling** in Unalaska Bay. This action was taken by the Alaska Board of Fish.

# **Washington, D.C.**

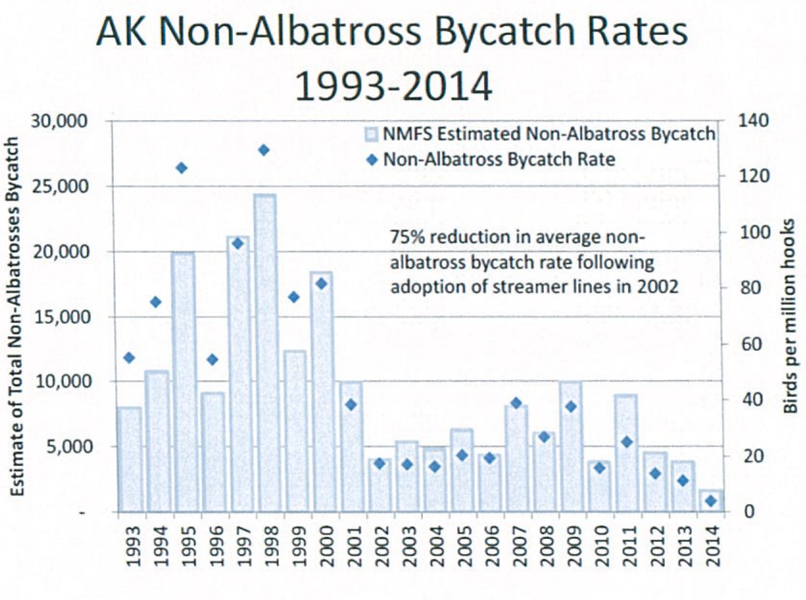
***Magnuson-Stevens Act*** is likely on hold until the 2017-2018 Congressional cycle.

***Appropriations*** - Senator Rubio may sneak in a new allocation on red fish for the Gulf of Mexico. Commercial vs. Sports.

## **Seabird Bycatch**




Total estimated bycatch of all seabird species (blue) and all albatrosses (red) in Alaska Groundfish fisheries, all gear combined from 1993 through 2013. Pacific halibut and vessels less than 60 feet long were first monitored by the North Pacific Groundfish and Halibut Observer Program (NPGHOP) in 2013. Data from NMFS 2014.




Annual total estimated bycatch (bars; number of birds) and bycatch rates (diamonds; birds/million hooks) of non-albatross seabird species in Alaska longline fisheries for groundfish and halibut from 1993 through 2014. Pacific halibut and vessels less than 60 feet long were first monitored by the North Pacific Groundfish and Halibut Observer Program (NPGHOP) in 2013. Bycatch rates are derived from the observer samples using data collected by the NPGHOP.

**Seabird bycatch data from the North Pacific Groundfish and Halibut Observer program by target species.**

Table 1. Hooks and vessels monitored and number of vessels with bird bycatch and albatross bycatch by target species.

| Target Species | No. Hooks Monitored | | No. Vessels Monitored | | **No. Vessel with Birds** | | No. Vessel with Albatross | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 | **2013** | **2014** | 2013 | 2014 |
| **Sablefish** | **2,883,798** | **2,536,952** | **81** | **102** | **13** | **15** | **11** | **15** |
| **P Halibut** | **643,013** | **790,621** | **79** | **116** | **6** | **8** | **2** | **2** |
| Turbot | 357,821 | 464,419 | 4 | 3 | **1** | **2** | 0 | 1 |
| Pacific Cod | 51,381,689 | 59,760,927 | 50 | 59 | **26** | **28** | 1 | 3 |
| Total | 55,266,321 | 63,552,919 | 214 | 280 | **46** | **53** | 14 | 21 |

Table 2. Number and rates (birds/ million hooks) of albatrosses and non-albatrosses in the observer sample by target species.

| Target Species | Albatross in OPS | | Non-Albatross in OPS | | **Albatross/mill hooks** | | Non-Albatross/mill hooks | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 | **2013** | **2014** | 2013 | 2014 |
| **Sablefish** | **35** | **21** | **13** | **8** | **12.14** | **8.28** | **4.51** | **3.15** |
| **P Halibut** | **2** | **3** | **4** | **4** | **3.11** | **3.79** | **6.22** | **5.06** |
| Turbot | 0 | * | 19 | 10 | **0.00** | * | 53.10 | 21.53 |
| Pacific Cod | 1 | 6 | 579 | 225 | **0.02** | **0.10** | 11.27 | 3.77 |
| Total | 38 | 30 | 615 | 247 | **0.69** | **0.47** | 11.13 | 3.89 |

* Fewer than 3 vessels participated; OBS is Observer Program Sample.

# *****Calendar of Events*****

| | | |
|---|---|---|
| **June 6-14, 2016** | NPFMC Meeting | Kodiak, AK |
| **June 23-28, 2016**<br>Advisory Bodies may begin Wed. June 22 | PFMC Meeting | Murano Hotel<br>Tacoma, WA |
| **Sept. 15-20, 2016**<br>Advisory Bodies may begin Wed. Sept. 14 | PFMC Meeting | Riverside Hotel<br>Boise, Idaho |
| **October 3-11, 2016** | NPFMC Meeting | Anchorage, AK |
| **November 16-21, 2016**<br>Advisory Bodies may begin Tues., Nov.15 | PMC Meeting | Hyatt Regency Orange Council<br>Garden Grove, CA |
| **November 29-30, 2016** | IPHC Interim Meeting | Seattle, WA |
| **December 5-13, 2016** | NPFMC Meeting | Anchorage, AK |

Don't forget! We've replenished our supply of FVOA Centennial cookbooks. $20 plus shipping. Available in the FVOA Office.

# ENJOY!