

The Wheel Watch

a newsletter of the

Fishing Vessel Owners= Association
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Dear Longliner:

This newsletter will bring you up-to-date on activities occurring at the North Pacific Council and Pacific Council, IPHC, Washington, D.C., and markets.

****NPFMC****

Hired Skipper Restrictions. The Council, on a 7 to 4 vote, chose to restrict initial IFQ recipients. If you are an initial IFQ recipient and you purchased QS as of February 10, 2010, you will have to be on the vessel in order to harvest that quota. You may still hire a skipper for the quota you had before February 2010. This will likely take two fishing seasons to become effective. The four council members from Washington and Oregon voted against the proposal. Those from industry who supported this action were Petersburg Vessel Owners, ALFA of Sitka, and Frank Miles of Kodiak, the author of the proposal. FVOA members and crew testified against this action in February 2010 in Portland, January 2011 in Seattle, and March 2011 in Anchorage. Those in favor eventually indicated they did not expect much quota to become available and this action would not likely decrease the cost of QS. The analysis tried to justify the action by suggesting the opposite. The Council supporters argued that the movement to second generation was not taking place fast enough. Indeed the analysis says initial recipients are on the average 61 years old. The interpretation being, you are not moving on fast enough.

Some fishers from SE (Area 2C) suggested last week before the Advisory Panel and in Seattle in January, that second generation quota share holders were more stewardship-minded than hired skippers. This was a bit galling. There were suggestions that the crews would be fired if they testified against the change. I personally found much of the testimony for this action to reflect envy. I was surprised at the Council decision to stay with the control date of February 2010. I have been a member of both the NP Council and the Pacific Council when control dates have been considered. When a final vote on policy was taken, the control dates have been moved to avoid unintentional harm. It seemed this Council was intent on inflicting pain on this issue for some unknown reason. The quota involved would have amounted to 1.2 to 1.4 percent of all QS, hardly worth making a fight over. FVOA members testified that the analysis did not make the case for a change. The analysis stated the following confirming that the program is working as intended:

Table 48 shows changes in the prior decade of QS holdings by type of QS holder (second Generation/Individual Initial Recipient/Hired Skippers) in numbers and QS units by species, area, and vessel category. Table 48 summarizes this data for all halibut and all sablefish, separately. In comparing the three types of halibut QS holders over the 200-2010 period, all second generation QS holders increased by 29 percent, compared to all hired skipper QS holders who increased by 9 percent, and all individual initial recipient QS holders who declined by 49 percent. For sablefish over the same period, all second generation QS holders increased by 54 percent, compared to all hired skipper halibut QS holders who increased by 4 percent, and all individual initial recipient halibut QS holders who declined by 27 percent.

Table 49 summarized RAM data for different types of QS holders differently. Over the last ten years, second generation halibut QS holders have increased from 149 (2000) to a peak of 238 (2008) while all initial recipients peaked at 256 (2000 and 2003) and dropped to a low of 203 in 2010. Over the last ten years, second generation sablefish QS holders have increased from 82 (2000 and 2001) to a peak of 121 (2010) while all initial recipients peaked at 120 (2003) and dropped to a low of 74 in 2005 (and 77 in 2010).

There has been an increase in the use of hired skippers by initial recipients. Those in favor of the Council action cited this as a failure of the program. We argued this is what you would expect as the second generation begins to learn how to run a vessel and take over

from the initial recipients. This gives younger crewmen more opportunities as well. We expressed that it was a good sign younger people were running boats. The Alaskan Council members did not agree.

There were more than several irritating unsubstantiated comments in the analysis, such as:

“The Council has been frustrated by continued attempts by initial recipients to circumvent the intent of the IFQ program.”

“The Council never intended the hired skipper privilege to be used as a retirement from fishing.”

“The program was not intended to promote family dynasties.”

Surprisingly, a lot of Homer and other Alaskans showed up and did not support the action. It was clear that this surprised some Alaskan Council members.

The annual IFQ Report to the Fleet shows about two-thirds of the Halibut QS holders are Alaskans. These initial recipients from Alaska represent a significant QS market demand with their asset values. The Council action potentially dampens a lot of Alaskan families' ability to purchase quota unless they go on the boat and fish it themselves. The Council's analysis chose not to mention the effects of CDQ and CQE tax-exempt entities on quota prices. There are potentially 45 tax exempt CQEs throughout the Gulf. Rep. Austerman of Kodiak has proposed a bill, HR 141, in Juneau that could provide the CQEs \$1,000,000 each for 10 years of no interest money to purchase halibut and sablefish IFQs. Several Council members commented, and we testified to the fact that any new quota that comes on the market will be bid up by these tax exempt corporations, CQEs, using interest free money. It appears to me that Alaska has made a major policy decision. They want to acquire IFQs into Alaskan tax-exempt CQEs that will in turn lease the fish out to residents of Alaska that fit special residency rules. The net effect will be to turn the independent Alaskan family operation that does pay taxes into share croppers of CQEs. To have mentioned this in the analysis would have revealed the randomness of the Council decision. This brings up the question, are CQEs, which are allowed to lease and hire skippers, going to be allowed to take excessive lease fees off the backs of Alaskan fishing families?

I want to thank Mark Worley, F/V Golden Chalice, Paul Clampitt, F/V Augustine, and John Crowley, F/V Kristiana for helping me during this difficult week at the NPFMC.

The single best testimony was given by a Homer resident who had to be pushed in a wheel chair to the podium and lambasted the council for going back on earlier commitments to initial recipients. His obvious inability to fish on deck could not be ignored. The Alaska Council members ignored his objections. I am afraid that the spirit with which the action was taken will leave a rift in the longline fleet among those who should be allies.

12-Month Rule. This affects initial recipients. The requirement to own 20% of a vessel 12 months in advance in order to qualify for hiring a skipper will likely not be published for final rule making until late summer. I suspect NMFS is not convinced of its' function and I suspect a growing number of the fleet no longer thinks it will be a useful tool.

Charterboat L.E. The charter operators of Alaska filed a lawsuit against the Secretary of Commerce citing that they have been done wrong. The L.E. program went into effect 2/1/2011. They had to prove they operated from 2004 or 2005 and in 2008. They claim 40% of them have gone out of business. So these guys filed a lawsuit on the 1 bag limit in S.E. Alaska. They file this lawsuit and they will likely sue over the 37 inch rule. Just what is acceptable to the Charter industry?

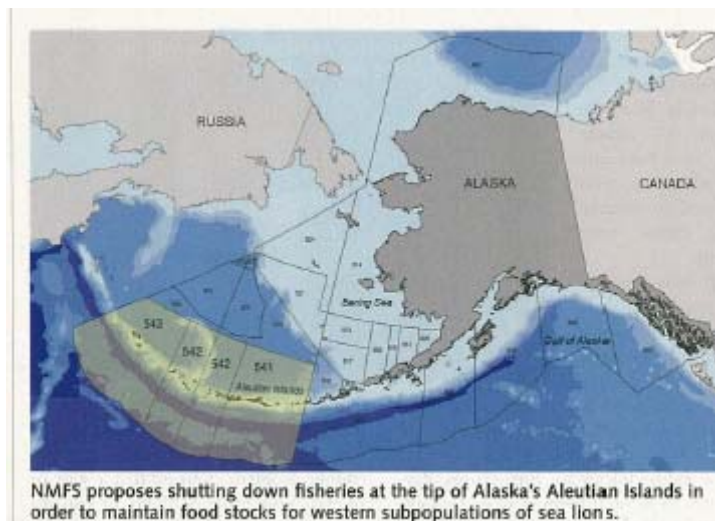
37-Inch Limit in S.E. Alaska. NMFS did adopt the 37 inch size limit in S.E. I doubt if this would have occurred had the IPHC not reduced the commercial quota by 47% in Area 2C.

"Murkowski said she had been lobbied hard on the issue by both charter and commercial fishermen from the region and that while she understands the need to conserve the halibut biomass, she doesn't think the potential economic impacts to the charter fleet were fully considered." –**Sitka Sentinel**

"In the current cycle of low abundance, both sectors need to take actions to conserve this valuable resource." – **Senators Lisa Murkowski and Mark Begich**

Observer Program. I attended the Council's Observer Committee meeting last month regarding Electronic Monitoring (EM) coverage on smaller vessels. We got some encouraging news that there is a possibility of the NMFS reprogramming \$3.8 million in order to fund the 2013 year for observers. This means NMFS intends to have this program ready for the 2013 season rather than the 2014 season. The cost of EM hardware is significant and the committee concluded that EM investment will need to be balanced with actual observer needs. We concluded a small number of EM units hopefully can be made available in the first years of the program for smaller vessels. So the 1.25% fee for all QS participants will likely begin in 2013.

Sea Lions. Well, even the halibut guys are now affected. In Area 541 and westward in the Aleutian Islands, you cannot retain pacific cod as a bycatch. I know you do not catch much and what you do catch, you use as bait. But, you can no longer do that in these areas. The Sea Lions need to eat Cod.



****Markets****

Sablefish. The markets opened hot this spring. Yakutat prices were as follows: \$8.10 for 7

ups; \$7.60 for 5-7's; \$6.80 for 4-5's; \$6.00 for 3-4's; \$5.50 for under three's. The early fishing price for Washington and Oregon was \$6.25/lb. (average price) with a 3 lb. average. Prices are running about .50/lb. less per poundage category than Alaskan prices.



The yen vs. the dollar has been at 80 to 82 for a year with some weakening against the dollar in the last month. Supply of sablefish will be down about 18% off the lower coast of Washington and Oregon, down similarly in British Columbia and slightly up in the Gulf of Alaska. The total supply number should result in upward pressure on prices. Sablefish exports for 2010 totaled \$78,350,502 (Commerce Dept.)

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
AI	Sablefish	***	***	2,738,113	***	***
BS	Sablefish	***	***	2,513,244	***	***
CG	Sablefish	53	360,126	8,359,843	7,000,717	4
SE	Sablefish	60	1,105,989	6,481,524	5,375,535	17
WG	Sablefish	***	***	2,857,162	***	***
WY	Sablefish	36	749,469	3,844,822	3,095,353	19
Total		161	2,377,782	26,794,708	24,416,926	9

The problems in Japan with the Fukushima Nuclear Reactors are the biggest worry hanging over Japanese economic stability.

Halibut. Prices for halibut opened at \$6.75 and \$6.50 with a 20 lb. break. More recently prices in Cordova were \$5.65 for 10-20's; \$5.95 for 20-40's; \$6.56 for 40 ups. Opening prices dropped by \$1.00 when 730,000 lbs of British Columbia halibut hit the market in a two week period. I expect firm prices throughout the year. Weather has been unusually good this spring in Alaska and British Columbia resulting in good fishing.

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
2C	Halibut	119	345,303	2,330,000	1,984,697	15
3A	Halibut	167	1,882,465	14,360,000	12,477,535	13
3B	Halibut	13	163,649	7,510,000	7,346,351	2
4A	Halibut	***	***	2,410,000	***	***
4B	Halibut	***	***	1,744,000	***	***
4C	Halibut	***	***	845,000	***	***
4D	Halibut	***	***	1,183,000	***	***
Total		304	2,410,442	30,382,000	27,971,558	8

A Norwegian company, Nordic Sea Farms, plans to sell 600 Mts of farmed halibut this year in Europe and Ellsworth American of Maine subsidized by NOAA could sell 300 tons with focus on New York City. Maybe that would be a good budget cut!

Pacific Cod. H&G prices are stable at about \$1.45/lb. Prices of round GOA cod have seen \$.35/lb to \$.38/lb.

Seabird Bycatch in Alaska Demersal Longline Fishery Trials

1. 5,135 seabirds (.017 birds/1000 hooks) were killed annually between 2002 and 2006 in the Bering Sea, primarily in the cod fishery.
2. 70% of the resident seabirds were caught during post breeding period in October and November.
3. A significant male sex bias was confirmed for Fulmars. Two-thirds of all birds were adults.
4. Bycatch rates of fulmars and gulls in the Bering Sea cod longline fishery were lower when the pollock trawl fishery was open.

****Pacific Council****

Sablefish Assessment. FVOA has hired Mr. Tom Jagielo to bird-dog the development of the West Coast Sablefish Assessment. This assessment will affect 2013 and 2014 harvest limits. The first meeting was in Newport on April 5, 2011.

Port Orford Proposal. Fishermen from Port Orford have requested that the current 10-hour directed halibut fishery, conducted south of Pt. Chehalis, be reallocated to the fixed-gear sablefish fisheries. The Council has asked for a review of several options. The most interesting would be to transfer quota in excess of 200,000 lbs of the directed commercial catch, to the southern sablefish fishermen (high trigger) and transfer 100% to the directed fishery quota to the central sablefish fishery if the directed quota is less than 150,000 lbs. (low trigger). No transfer if the directed quota is between 150,000 and 200,000 lbs. Southern is defined as south of Pt. Chehalis. This is at least a two-year project.

Harvest Limits. The NMFS said they are not recalculating your sablefish tier limits. The

2011 numbers listed below went into effect on March 1, 2011. At the request of FVOA, these numbers are under review for correctness.

	2011		2012
Tier 1	41,379	Tier 1	40,113
Tier 2	18,809	Tier 2	18,233
Tier 3	10,748	Tier 3	10,419

The 2012 tier limits are subject to change, but probably won't.

Trawl IFQ program. Several of our members have purchased trawl LE permits, which they can affix trawl sablefish to, then catch the fish with fixed gear. If you are interested in this new program, give me a call. You should try to have these in your portfolio as much as possible. The program is complicated by certain overfished species, which you need bycatch for. Below are some of the critical species under rebuilding programs.

Species	Target Rebuilding	Allowable Catch Limit
Canary	2027	102 Mt
Boccaccio	2022	263 Mt
POP	2020	157 Mt
Yellow-eye	2074	17 Mt

****Washington, D.C.****

Seafood.com. "In the wee hours, the U.S. House passed an amendment blocking NOAA from spending more money on limited access fishery management programs, like catch shares in the jurisdiction areas of the New England, Mid-Atlantic, South Atlantic, or Gulf of Mexico Fishery Councils."

American Antiquities Act of 1906. The House Republicans tried to amend the act so that it would not allow funds to be used to designate monuments (closed areas) under the Act. This Act was used by President Clinton to close the Hawaiian Archipelagos to fishing. Fear has been expressed that the current Administration will attempt to close the Aleutians or certain Bering Sea Canyons under this Act. The amendment failed 209 to 213. Cong. Doc Hastings and Cong. Cathy McMorris from Washington were in the minority. If this bill comes up again, it would be good to put an industry effort into getting it passed.

Secretary of Commerce Gary Locke has been asked to become the Ambassador to China. Secretary Locke was, of course, seen as a strong proponent of West Coast Catch Shares. This is a loss for the fishing industry from Washington.

Senator Begich (D-AK) has been named Chairman of the Oceans Subcommittee. Senator Cantwell gave this up. She is still Chairwoman of Commerce which oversees fishery issues. This strengthens Alaska's fisheries positions.

****Second Watch****

State of Washington B&O Taxes. The Association hired a State of Washington tax specialist to determine if income from IFQs is a B&O Taxable event. We received an initial review

from the Dept. of revenue. In brief, if you are having your fish caught and the vessel is going in and out of Alaskan ports, your sales and leases are not taxable in Washington. For further information, please call the office.

Tony Martinis, a past trustee of the Marine Safety Reserve P&I pool, passed away in February in Everett, WA. Tony had the vessel, "Blue Chip," and fished for salmon. The Martinis family built at least five seiners and fished from the Columbia River to Bristol Bay.

One of our sister vessels in Hawaii, *F/V Marine Star*, owned by John and Sue Myking, was used as a background boat in an episode of "Hawaii Five-0." So if you are a fan of this new TV series watch next season and see if you spot the *Marine Star*.

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Penalty Policy of NMFS. NMFS has been under significant scrutiny regarding fairness and penalties assessed. FVOA, in collaboration with other fishing groups, requested attorney, Paul McGregor, to express concern to NMFS on our behalf. The following is a Penalty Matrix for the Magnuson Stevens Act fines. This is supposed to be a National Policy. Of concern is the last penalty. Please take a look.

APPENDIX 2

Penalty Matrix for the Magnuson-Stevens Act

Gravity Offense Level	Level of Culpability			
	A Unintentional	B Negligent	C Reckless	D Intentional
I	Written warning- \$2,000	Written warning- \$4,000	\$2,000-\$6,000	\$6,000-\$8,000
II	\$2,000-\$5,000	\$4,000-\$6,000	\$6,000-\$10,000	\$10,000-\$20,000
III	\$5,000-\$10,000	\$10,000-\$15,000	\$15,000-\$20,000	\$20,000-\$40,000 and permit sanction of 5-20 days for a second violation*
IV	\$10,000-\$15,000	\$15,000-\$25,000	\$20,000-\$40,000 and permit sanction of 10- 20 days*	\$40,000-\$60,000 and permit sanction of 20- 60 days*
V	\$15,000-\$25,000	\$25,000-\$40,000 and permit sanction of 10- 20 days*	\$40,000- \$60,000 and permit sanction of 20- 60 days*	\$60,000- \$100,000 and permit sanction of 60- 180 days*
VI	\$25,000-\$40,000 and permit sanction of 5-20 days for a second violation*	\$40,000-\$60,000 and permit sanction of 20- 60 days*	\$60,000- \$100,000 and permit sanction of 60- 180 days*	\$100,000- statutory maximum and permit sanction of 180 days to 1 year *

*Under catch share or similar programs, where permits allow for a certain amount of fishing quota per year (instead of fishing days per year), permit sanctions will be assigned as a percentage of the quota, at a rate of 0.27% for each day of permit sanction time listed in the matrices (100% divided by 365 days per year is approximately 0.27% per day).

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

National Fisherman. Giant blue fin sets record at Tokyo auction opening; 754 pounder nets \$396,000.

Sablefish. We are told that due to radioactive concerns in Japan, out-of-country fish, such as Alaskan and lower-coast sablefish, is doing well in Japan. The MSC label for Alaskan Sablefish is actually helping sales in Japanese markets. Perhaps it is a verification of a food source outside the waters around Japan.

Anne Mosness wrote an article for the April 2011 ***PCC Sound Consumer*** entitled “Can farmed fish be organic?” Anne is a researcher/consultant on marine and fisheries issues and has fished commercially in Alaska. She’s also a Food and Society Fellow, and president of the Women’s Maritime Association. Here are some excerpts from that article.

Farmed fish have been called many things – but organic isn’t one of them. You may have seen “organic” salmon from Chile, Norway or other exporting countries in some markets or on restaurant menus. Such fish labeled “organic” reflect certification standards of foreign countries and may not meet the expectations of U.S. organic consumers.

The National Organic Standards Board (NOSB) Livestock Committee recommended in 2007 that the National Organic Program (NOP) “implement rule changes to allow for certification of aquatic species and to engage the industry and the organic community in dialogue in further development.” What kind and how seafood may be farmed is yet undetermined. NOSB members have said that since farmed fish are here already, setting U.S. Department of Agriculture (USDA) standards will raise the bar on an industry with notoriously dirty practices.

PCC’s view is that it’s important for seafood bearing the organic label to be produced in ways that are compatible with organic principles – that is, adhering to practices that “restore, maintain and enhance ecological harmony ... and balance natural systems.”

These principles require protecting biodiversity, minimizing environmental impacts, controlling inputs, and allowing “natural behaviors.” Many consumer, food safety and environmental groups are concerned that floating feedlots in our marine environment cannot meet them.

One requirement for organic livestock, which now includes fish, is that the feed must meet organic standards. The NOSB previously decided that since diets of free-swimming wild fish could not be controlled, wild fish could not be certified organic.

Consumers, producers, any anyone wishing to comment on aquaculture or any other topics pertinent to organic standards, may submit remarks in writing or in person to <http://www.ams.usda.gov/nosbseattle> until April 10.

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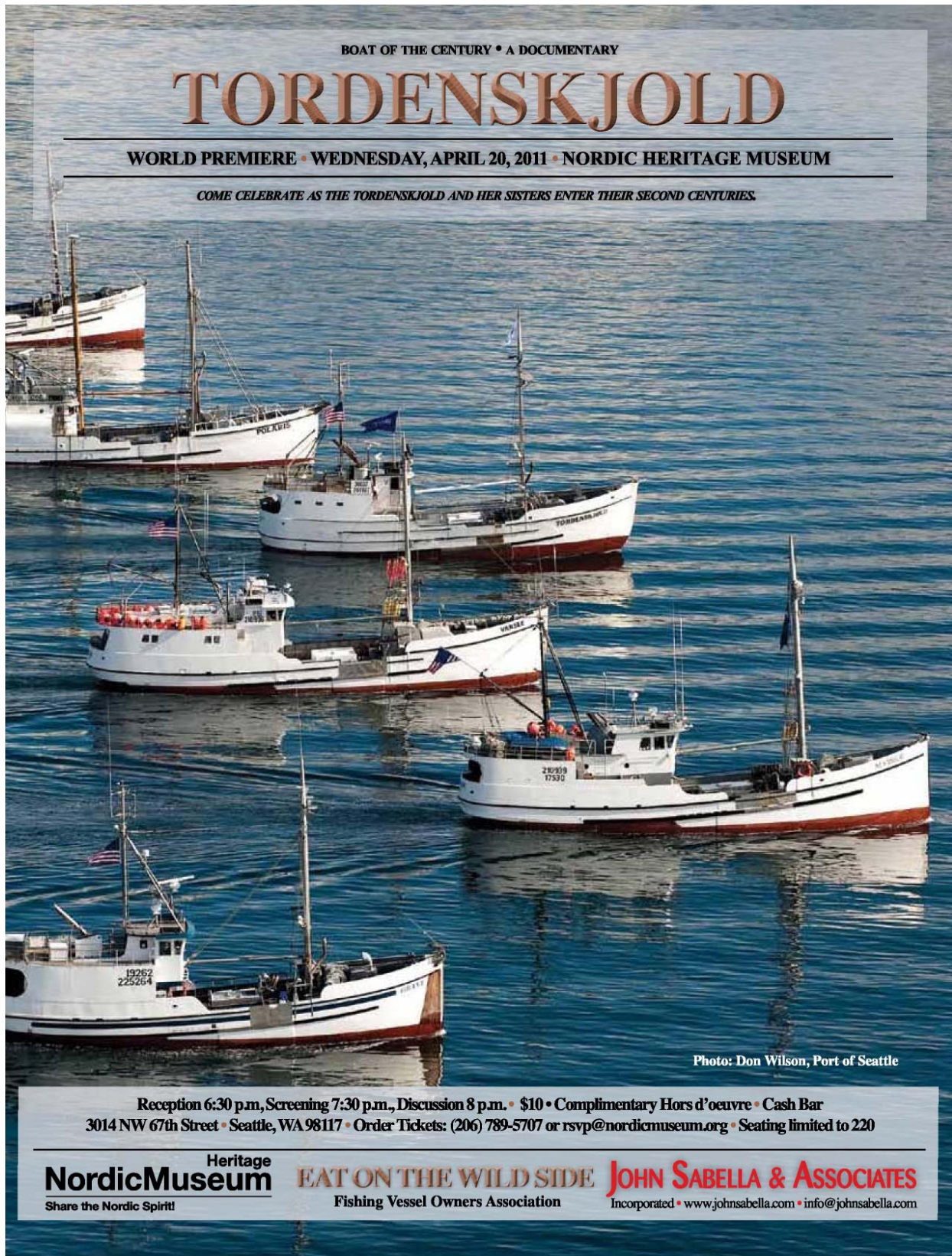
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****Calendar of Events****

April 9-14, 2011 Advisory Bodies may begin Thurs. April 7 Council Session begins Sat. April 9.	PFMC Meeting	San Mateo Marriott San Mateo, CA 94402
April 20, 2011 6:30 Reception; 7:30 Screening	Tordenskjold Premiere	Nordic Heritage Museum Seattle, WA
April 25, 2011 1-3 pm	Clean and Safe Practices Seminar	Nordby Conference Center Fishermen's Terminal
May 1, 2011 2:00 pm	Seattle Fishermen's Memorial Service	Memorial @ Fish. Terminal Seattle, WA
May 10-14, 2011	Seattle Maritime Festival	Various locations Seattle, WA
Week of June 6, 2011	NPFMC Meeting	Nome, AK
June 8-13, 2011 Advisory Bodies may begin Tues. June 7 Council Session begins Wed., June 8	PFMC Meeting	Doubletree Hotel Spokane City Center
September 14-19, 2011 Advisory Bodies may begin Tue., Sept. 13; Council Session begins Wed., Sept. 14	PFMC Meeting	San Mateo Marriott San Mateo, CA 94402
September 27 - October 5, 2011	NPFMC Meeting	Dutch Harbor, AK
November 2-7, 2011 Advisory Bodies may begin Tue., Nov. 1 Council Session begins Wed., Nov. 2	PFMC Meeting	Hilton Orange County/Costa Mesa Costa Mesa, CA 92626
Week of December 6, 2011	NPFMC	Anchorage Hilton Anchorage, AK



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