

# The Wheel Watch

*a newsletter of the*

Fishing Vessel Owners' Association  
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Dear Longliner:

The summer months are here and this newsletter will discuss the June actions of the North Pacific Council and the Pacific Council, Senate and House actions on Magnuson/Stevens, market information and general issues of interest.

## **\*\*North Pacific Council\*\***

The Council focused on two items that affect the fixed-gear industry. They were Amendment 80 and Halibut/Sablefish IFQ amendments.

**(1) Amendment 80.** This amendment dealt with giving the non-Pollock H&G factory trawl fleet in the Bering Sea an IFQ format to rationalize itself. This fleet targets primarily Yellowfin sole, Rock sole and Pacific cod. The vessel owners will be allowed to pool their fishing histories into co-op arrangements similar to the Pollock and whiting co-ops. It is estimated that of the 35 factory trawl vessels affected, there could be 16 left after rationalization. Testimony by some H&G vessel owners suggests the ex-vessel value of this fleet may be \$150 million. With the IFQ asset value equivalent being 5 or 6 to 1, the Council has created about a billion dollars in asset value for the H&G fleet.

Part of the original goal of this rationalization was to reduce halibut trawl bycatch mortality. The current trawl cap for halibut is 3,400 Mt in the Bering Sea. The Council's preferred action in April was to reduce this by 20% of the H&G halibut mortality. The Council's final action was to reduce the halibut mortality by 200 Mt over five years with 50 tons being reallocated to the CDQ natives to expand their trawl operations. The reduction ends up at about 5%. This was a disappointing result compared to the preferred position of nearly a million pounds of halibut which would have helped Area 4, 3B, and 3A participants. The CDQ representatives on the Council, because they get 10% of all these rationalized fish, opposed further reduction of the halibut PSC. FVOA was the only organization to testify on halibut PSC limits. This was discouraging.

In summary, the Council put together a program that should be very workable for the H&G factory trawl fleet. The co-op format should provide the ability to fish much cleaner but we will not likely see much savings accrue to the halibut fleet. The Alaskan dominated Council once again provided basically a Seattle-based fleet with a billion dollars of IFQ assets; 10% will accrue to CDQ companies that pay no corporate taxes or IFQ fees and non-CDQ Alaskans get, well if non-CDQ Alaskans ever learn to vote as a block, they will get something.

**(2) IFQ amendments.** The Council adopted four mini-amendments. They included: (1) allow non-IFQ species on a vessel to be processed (i.e. such as cod or rock fish) when fishing for IFQ halibut in categories B, C, or D; (2) withdraw halibut and sablefish quota shares that have never been used and put them in a lottery; (3) allow temporary transfer of IFQs by mobilized reservists and guardsmen; and (4) allow use of pot, longlines in Bering Sea and Aleutians during June.

Relative to the last issue, the longline fleet's lack of comment or concern due to gear conflicts with pot gear was a significant reason this action passed. Longliners were just not

heard from.

**Past Council Actions.** (a) The Council's request to have VMS in the Aleutians for the purpose of monitoring vessels near the coral gardens, I have been told this will become effective sometime in August. I have also been told it will become effective January 2007. So if you plan to fish Area 4B after August, please call NMFS information or our office to double check. (b) The requirement that first generation IFQ holders will have to own a vessel one year in advance before being able to transfer their quota to that vessel will be effective January 2007.

**Request for IFQs.** The S.E. Alaskan Inter-Fish and Wildlife Commission has asked the Council to give each of the 42 communities that are eligible to set up tax exempt non-profit companies in order to buy IFQ to give each of them 200,000 lbs. of halibut, or 8,400,000 lbs., or about \$160,000,000 of someone else's assets, and 100,000 lbs. each of sablefish, or 4.2 million pounds or about \$54 million of other people livelihood and assets. Twenty-six of the 42 communities are in Area 2C so this could be about half of Area 2C's quota. They say: "The Council should have known the program would not pencil out economically or financially. The cost in the end is too high."

The Director of the Council wrote back indicating the proposal was declined for several reasons and indicated that "the magnitude suggested of your proposal could be extremely disruptive to the current fisheries and the communities that depend upon these fishermen."

**Hearing.** The Council spent an entire day listening to well over 150 Kodiak residents relative to Gulf of Alaska rationalization. At least, 90% of those who testified were opposed to the forced delivery requirements, processor shares, and any form of IFQ. However, several of those who testified wanted more fish for themselves. Several pot vessel owners supported some action. The Council took this item off their June and October agendas. The speculation is that Governor Murkowski and his brain trust simply have no vision quest of their own on how gulf rationalization should end up and therefore, do not want to run an election with it looming on each Council agenda through the fall or they do in fact have a plan and they know it won't be popular. This is the same administration that second guessed charter boat IFQs and put it back on a planning schedule.

Joe Sullivan, who works with Paul MacGregor's law firm, which was very instrumental in setting up the AFA Pollock co-ops, testified to the following in Kodiak earlier this spring on behalf of one of his many clients relative to IFQ rationalization in other species.

"It effectively transfers what is, prior to rationalization, a public resource into the hands of the folks that are first generation recipients of shares, and from that point on, the right to enter the fishery becomes subject to someone's ability to purchase those shares, and the wealth, the value related to the fishery is transferred to that first generation, and barriers are created for the next generation who would like to enter the fishery. That is very troubling, obviously, because of all the social and economic effects associated with that."

Joe, Joe, Joe, say it ain't so. Perhaps you could get Paul and APA to offer an amended AFA format for Senator Stevens whereby your ideas would affect the Bering Sea Pollock fishery giving everyone a working example of what you have in mind. Perhaps crab rationalization could benefit from this working example.

Council meetings are always interesting. Tom Casey perhaps was the most honest when asked by a Council member why he was representing a freezer longliner. He simply said, "I'm a mercenary."

I want to thank Jack Knutsen for attending with me at the Kodiak NPFMC meeting.

### **\*\*Pacific Council\*\***

The Pacific Council took final action on setting harvest and regulatory action for the 2007 and 2008 seasons. The Council's final action for sablefish tier limits for 2007 and 2008 are as follows. They are down 23% from 2006.

	<b>2006</b>	<b>2007 &amp; 2008</b>
<b>Tier 1</b>	<b>62,700</b>	<b>48,500</b>
<b>Tier 2</b>	<b>28,500</b>	<b>22,000</b>
<b>Tier 3</b>	<b>16,300</b>	<b>12,500</b>

FVOA has hired Dr. Jack Tagart to assist FVOA in understanding how recent modeling changes have impacted the resource assessment. The fixed gear fleet will have to fish seaward of 100 fathoms to reduce Canary and Yellow-eye rockfish impacts. The FVOA members fishing off the lower coast are working with NMFS and WDF&W on a log book program. The lower coast just does not have adequate at-sea research to provide a good data set for resource assessment such as is available off Alaska.

Next year, all vessels will need a VMS if you land one rockfish. Please double check your VMS as we had one member whose VMS went down and was presented with a \$26,000 fine. Please double check that your equipment is functioning.

This June's Pacific Council meeting was my last meeting as a Council member. I want to thank all of you who have helped me over the years get those appointments. Much of the nine years on the Council was spent correcting management features allowed in the mid-80's and through the mid-90's. The following is a brief recap of nine years on the Council. Many of the issues eventually corrected were the result of assistance from Jack Crowley, John and Mary Crowley, Jim Ponts, Michele Eder, Tom Ghio, Mike Deach, Harold Hoem, Mr. & Mrs. Chuck Deach, and Arnold and Janice Jardstrom.

- (1) The establishment of a federally-funded observer program that treats all permit holders equally, regardless of size of vessel. This was a two-front process (a) the Council process to approve an observer program and (b) Senator Slade Gorton's effort of providing \$2.6 million dollars seed funds for the observer program.
- (2) Charlie Nogel, Paul Clampitt, and Dave Olsen sablefish allotments were corrected based on their true history of participation.
- (3) The sablefish tiered program was unanimously passed. This required an amendment to the Magnuson-Steven's act in order to exempt this tiered program from the IFQ

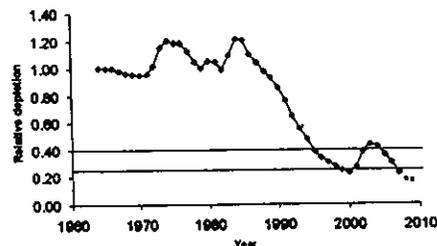
national blackout on IFQs. We thank Senator Gorton for his help nationally in getting this exemption and I want to thank the current chairman, Don Hanson, of the Pacific Council for his support on the Advisory Panel and at the Council level in getting this mission completed. This was better than a 10-year project with many disappointments but due to the courage and devotion of family owned operations, success was ultimately realized.

- (4) The better part of nine years on the Council was spent working through seven overfished species, rebuilding proposals and trying to allow some commercial activity to take place. As many of you know, FVOA and its members testified during the 80's and 90's as to our concerns about rockfish management. Often we were mocked. Council management, during the 80's and 90's was an outrage. Even some members of the SSC were obstructionists to establishing an observer program. At the September 1997 meeting, Dr. Ray Corser and Dr. Ralston presented an unbiased state of nature relative to the rock fish complex off the lower coast. It would require some species be cut 90% and seven declared as overfished to start the road to recovery as well as a no fish zone from Washington to southern California. The Secretary of Commerce declared the situation a disaster for the West Coast. Below you can see some of the cuts that have had to be taken.

Species	1985 ABC	1995 ABC	2006 ABC
Bocaccio	6100 mt.	1540 mt	218 mt
Canary	3500 mt	2900 mt	44 mt
P.O.P	1500 mt	1300 mt	150 mt
Widow Rock	7400 mt	5400 mt	368 mt
Yellow eye			23 mt
Dark blotch			290 mt

The good news is that during the last nine years, the Council did institute seven overfished plans that are very restrictive. Lingcod was rebuilt; however, species like Yellow eye may take 77 years to rebuild. It is estimated that the required cut-backs have resulted in a loss of \$50 million annually from the coastal communities based on ex-vessel values or about \$100 million in jobs and economy to the coastal communities annually. To rebuild this resource over the next 20 years will easily cost the coastal communities \$2 billion in forgone commercial employment. **The downward trend in all these species has been stopped.** Bocaccio, Widow and Dark blotch seem to be ahead of their rebuilding schedules.

As some of you know, I was in opposition this year to the harvest level for whiting. I won't go into a long explanation. Please look at this Relative Depletion Index curve and ask yourself if the highest harvest in five (5) years is warranted. If your answer is no, then you agree with me, but at last, I lost 13 to 1. That bottom line is called the overfished level.



## \*\*Markets\*\*

**Halibut.** The halibut harvest is 50 percent in. The average price of halibut in Seward has been \$3.65. If these prices prevail through the rest of the summer, the U.S. harvest of 55 million pounds will top \$200 million of value. Recent Seward prices were: 10-20's - \$3.30, 20-40's - \$3.75, and 40 ups - \$3.90.

### IFQ Allocations and Landings March 5, 2006 through June 26, 2006

Area	Species	Vessel landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
2C	Halibut	1279	5,841,960	10,630,000	4,788,040	55
3A	Halibut	1348	14,723,657	25,200,000	10,476,343	58
3B	Halibut	312	4,644,447	10,860,000	6,215,553	43
4A	Halibut	51	714,552	3,350,000	2,635,448	21
4B	Halibut	21	329,092	1,336,000	1,006,908	25
4C	Halibut	26	12,923	805,000	792,077	2
4D	Halibut	3	142,689	1,127,000	984,311	13
4E	Halibut	0	0	0	0	0
<b>Total</b>		<b>3040</b>	<b>26,409,320</b>	<b>53,308,000</b>	<b>26,898,680</b>	<b>50</b>

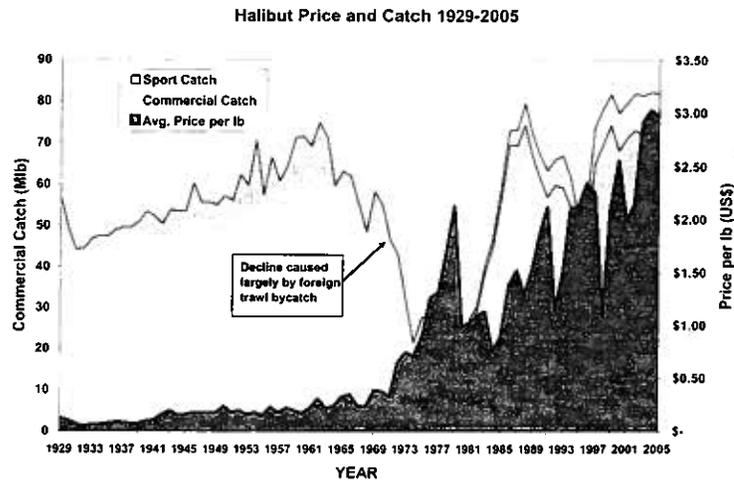
The average price of sablefish in Seward has been \$4.05 with breaks as follows: 1/3's - \$3.20; 3/4's - \$3.40; 4/5's - \$3.80; 5/7's - \$4.20 and 7-ups - \$4.50. Alaskan deliveries should top \$100 million.

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
AI	Sablefish	28	734,557	3,968,280	3,233,723	19
BS	Sablefish	42	580,697	2,486,789	1,906,092	23
CG	Sablefish	399	7,999,197	11,234,642	3,235,445	71
SE	Sablefish	387	4,322,351	7,760,192	3,437,841	56
WG	Sablefish	68	2,316,705	4,709,026	2,392,321	49
WY	Sablefish	165	3,235,509	4,387,154	1,151,645	74
<b>Total</b>		<b>1089</b>	<b>19,189,016</b>	<b>34,546,083</b>	<b>15,357,067</b>	<b>56</b>

The Los Angeles Times reports the following: "this season's silver lining is Pacific halibut, which, thanks to a big salmon shortage, might finally get its moment in the spot light. Halibut is a fish that charms all. Even better, you can feel like a really good person when you're cooking it. The halibut fishery is regarded as an ecological model. It is rated a "best

choice” by the Monterey Bay Aquarium’s Seafood watch program.”

There is currently a 15% duty on Pacific halibut and an 8 percent duty on Atlantic halibut into the European Union.



## \*\*Second Watch\*\*

**Sablefish Tiered Regulations.** The second generation on board rules go into place as of March 2, 2007. So if you owned at least one sablefish permit as of 11/1/2000 but no longer own one, and if you buy one by March 2, 2007, you will retain your first generation rights.

**West Coast sablefish endorsed permits** – You have until July 1<sup>st</sup> to submit to NMFS (206-526-4353) your ownership information or your permit will be voided until you do so.

**Top Seafood Companies.** #1 Trident Seafoods, \$800 million; #3 Pacific Seafood Group, \$700 million; #5 Nippon Suisan USA, Redmond, WA, \$589 Million; #9 Ocean Beauty Seafoods, \$500 Million; #10 American Seafoods Group, \$461.7 million. It is reported that half of American Seafoods is owned by CDQ investors who pay no 1120 corporate taxes. – Seafood Business

**Eat on the Wild Side.** We have had good exposure of our DVD. If you are interested please call. News of the MSC green label has been published in most of the retail magazines. It has strengthened the green image of longlining. The people who are interested in Dungeness crab, Albacore, Trawl cod, King crab in the B.S. and A.I. are all now seeking MSC certification.

**Governor Schwarzenegger** signed Marine Aquatic legislation sponsored by Joseph Simitian, D-Palo Alto. Water quality, marine ecosystems, and wild fish impacts are considered. Governor Schwarzenegger claims he is helping create jobs and protect the environment with this bi-partisan legislation.

**President Bush.** “Congress needs to move forward with my administration’s plan to build a well-managed system of offshore aquaculture. Aquaculture, or “fish farming,” uses pens in the ocean – open ocean to feed and grow shrimp, shellfish, and many other types of fish.

And when we get this right, these farmed fish can provide a healthy source of food and reduce pressure on the ocean ecosystems.”

**P.Cod** – Norwegian professor Terje Vassdall has warned that farmed production of cod would collapse the cod market in Europe. He reported the current price of farmed and wild to be at 2.3 to 2.6 euros per kilo. However, he says the price would not be affected if 20,000 tons were produced by the farmed industry. But cod may have a competitor said the Vietnamese Fish Minister because they will produce 1.8 million tons by 2010 of tilapia at ¼ the cost of farmed cod. – fishupdate.com.

**Shetland Farms** expect to produce 800,000 tons of cod by 2012 for British consumption. This company has left halibut aquaculture for cod because it turns over more easily. “This project is not to be like salmon farming.” Cod digest their food more slowly – hence, excretion contains less polluting material to the environment.

**Free Streamer Lines.** Distribution points include Taku Fisheries, Seattle Marine & Fisheries Supply, Seward Fisheries, Kodiak Marine Supply.

**Magnuson-Steven's Act.** It is looking like this could be finalized by late fall. In examining Senate Bill 2012, significantly crafted by Senator Stevens, versus the House Bill 5018 (Young and Pombo), the Senate bill is superior. Why? (1) Because S.B.2012 has the better paragraph on protecting existing IFQ programs including halibut/sablefish, crab, co-ops, etc. (2) The changes to the observer program in the Senate Bill still have the 2 percent cap. The House bill was attempted to be amended with a cap on observer fees by Congressman Inslee but the drafters have it moused up and it is difficult to follow. One reading could put all vessels in the GOA delivering shoreside paying the actual cost of an observer program, with no cap on expenses, this would affect Gulf trawlers, pot, and most longline operations. (3) The House bill creates a new fee (i.e. Tax) on all IFQs sold in the future at 1% of value (crab, halibut, Pollock, non-Pollock); (4) The House bill creates a new fee (i.e. Tax) on new IFQs such as whiting, GOA rationalization of 1% at initial allocation. The republicans in the House basically have no cap on observer fees, new taxes on IFQ transfers, and a new tax on initial allocation. Some are referencing the House Bill 5018 as the 'Tax-MoBill'. Imagine, Congressman Inslee, a democrat, trying to put a cap on expenditures in a republican Congress. We thank Congressman Inslee for his effort. In fairness, the House Bill does attempt to address some difficult issues.

At the time of printing this newsletter, we had a great talk with Congressman Young on the lack of a cap on observer fees as well as the other new taxes. Congressman Young has asked for specific information that would help him to make an argument to Congressman Pombo to address these new taxes. FVOA is putting together these numbers for Congressman Young.

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

Sept. 9, 2006	Fishermen's Fall Festival	Fishermen's Terminal Seattle, WA 98199
Week of Sept. 11, 2006	PFMC Meeting	Crowne Plaza Foster City, CA
Week of October 1, 2006	NPFMC Meeting	Dutch Harbor, AK
Week of November 12, 2006	PFMC Meeting	San Diego, CA
Week of December 3, 2006	NPFMC Meeting	Anchorage Hilton Anchorage, AK

***Fishing Vessel Owners' Association  
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***Have a safe fishing season!***