

# The Wheel Watch

a newsletter of the  
Fishing Vessel Owners' Association  
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## **\*\*Washington, D.C. Update\*\***

Senator Snowe has introduced her version of new Magnuson-Stevens Act amendments. Her bill provides support for stopping shark finning, proposes amending the Internal Revenue Code to allow for income averaging for fishermen, a lot of language on the protection on corals, and extends the moratorium on new IFQs until October 1, 2003. Senator Snowe is from New England and the politics there are overwhelmingly opposed to IFQs. It has been whispered that there are attempts being made to provide for "regional cut outs" for possible new IFQs. The Pacific Council and possibly the North Pacific Council could receive limited authorization to develop IFQ "like" programs. However, Senator Snowe has resisted regional cut-outs and would like a broad national policy on IFQs. Existing IFQ programs were not under attack in Senator Snowe's bills.

Specifically, for Alaska, pollock-style co-ops, and the two-pie programs are being considered to rationalize the Alaska industry. Both are very controversial at this time. The "two-pie" option is where a harvester is granted harvesting privileges like an IFQ allocation, and the processors are granted fish receiving privileges based on historical landings to a plant. All the harvesters and processors must somehow all match up their delivery cards and receiving poundages. It is feared that this will create a closed class of buyers.

In the lower Pacific, there is hope that the fixed gear sablefish tiered program can be given a multi-month opening. Technically, the additional time to fish would make this existing trip limit fishery an IFQ. It is unlikely that anything will be completely settled until late summer or early fall; however, please be aware of what is being considered for harvesters, processors and brokers by the folks in D.C. The following, I hope, will give you a heads up on some of the proposals.

The National Fisheries Institute, comprised of mostly canners, importers, and processors, has been aggressive on the IFQ front. Their position paper to Congress states the following: "NFI can only support the expiration of the congressional moratorium on IFQ programs provided that the award of IFQ shares results in the harvesting and primary processing sector each receiving 50% of the total economic value of the shares awarded."

IFQs, up until now, have been seen as the last resort to rationalize overcapitalized harvesting fleets. The harvesters use the value of the IFQ to buy the fleet down or exit the fishery. Apparently, the NFI, unable to figure out how to secure processing privileges in an IFQ format, want 50% of the value of the harvesters' IFQs. It is unclear what problem this solves, or how this decapitalizes the fleet let alone decapitalizes the processors. NFI's position is intellectually hollow. Do they intend to pay for 50% of the debt incurred by the fleet to buy the fleet down? Obviously not. The issue they bring to the table is how to secure vertical control of the industry in order to control harvesting costs as well as the upper end of the market. This is made evident with HANA's proposal, below.

The Halibut Association of North America (HANA) just asked the North Pacific Council to allow processors to purchase class B and C (catcher) halibut and sablefish IFQs. HANA's

argument was “a vertically integrated firm might be better able to develop an economically efficient operation than one having **to negotiate with independent vessel owners about prices and delivery conditions.**” Clearly the processors want to reduce the cost of the raw product, which is a natural business instinct, unless you happen to be a harvester. However, the processors have tactically opened the political door for the harvesters to secure 50% of the processing privileges and associated values. Value is not quantified by NFI, but the last time I checked, the value processors sell the product for is usually higher than the fishermen’s values. Could NFI be proposing a raise for fishermen? I do not think this is the case. Where does 50/50 come from? This is obviously arbitrary and inequitable. There are certain fisheries where processors represent 70% or more of the investment. Does NFI mean 50/50 in these situations? There are other fisheries across the country where the harvesters represent the majority of investment. A ‘one size fits all’ federal mandated 50/50 will not justly fit all fisheries. This is why the ‘open’ Council process should be the forum of debate for these discussions, not Congress. These types of mandates are designed to limit the ability and authority of the Councils, which NFI cannot control otherwise. Wasn’t it Congress that set up the Councils to take care of the regional differences in our fisheries?

There is one more salient point to NFI’s recommendations to Congress, which is the idea of “primary processors”. The best that we can figure out is that this means, if some broker made a deal for your fish and used someone else’s dock facilities, the broker is out and the person whose dock was used is in. What happens at public cold storages is not mentioned. Perhaps the Northwest Fisheries Association should have a forum on this considering they represent hundreds of brokers. What will be the new cost of using someone’s dock under these alternatives?

Icicle Seafoods has a public position paper that makes the following two proposals regarding the discussions of Gulf of Alaska co-ops. (1) Icicle supports a two-pie concept in the Gulf of Alaska. Icicle states, “All federally-managed groundfish species should be included in the plan for determining initial eligibility, **including sablefish.** Sablefish should continue to be managed under the current IFQ system, but sablefish harvesting and processing history should be used to determine initial eligibility.” Additionally, Icicle proposes the following: (2) “Harvester-Processor Relationships. One option for providing equal value to harvesters and processors is to establish a two-pie share system. Under a two-pie approach, we believe that more options are available for defining the relationship between harvesters and processors than under an AFA-type system. Under the AFA, this issue has been very controversial, controversy which we believe can be avoided.” –Icicle Seafoods

FVOA will oppose any change in the sablefish IFQ relationship between buyers and sellers in the Gulf. FVOA trustees and officers approached Icicle in 1994 to discuss the IFQ program. Icicle’s CEO refused to negotiate. The rest is history. Take sablefish off the table!

All of the above ideas will need some relief from the language in Senator Snowe’s bill, which proposed extension of the IFQ moratorium.

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

**Correction.** In the last newsletter, I indicated that the qualifying tonnage for freezer longliners in the Bering Sea was 300 mt. The Council's final action was  $300 - 30 = 270$  mt, round weight, which allowed a 10% variation in catch history.

### **Amendments to the IFQ Program**

**Gulf Coalition Proposal.** The 40 non-profit rural villages that want their communities to buy halibut/sablefish IFQs, made their official proposal public. Some of their ideas are as follows:

- (1) Communities authorized would have populations of less than or equal to 2500;
- (2) The block provisions and size limitation that affects everyone else, could be waived;
- (3) There are approximately 40 villages, 20 of which are in the 2C area. One suggestion is to restrict the villages to purchases within the geographic area the village is from. The potential of 20 villages each looking for a cap limit of sablefish and/or halibut in S.E. Alaska may create a problem for existing crews and vessel owners.
- (4) A range of overall purchases by the villages was suggested from 10% to 20% of the halibut and 20% to 40% of the sablefish. The community report acknowledges that in 1995, the initial allocation of IFQs saw 10.5% of the halibut go to smaller communities and 3.01% of the sablefish. Should the low end or high end option of overall collective purchases be allowed and realized, this would mean a shift in jobs from Sitka, Petersburg, Kodiak and Seward to less populated areas of Alaska. It was unclear if this degree of shift in jobs from the above communities to smaller communities is a new preferred policy of Governor Knowles. It is one voters should perhaps inquire about.

The Council will ask the general public for input on the Coalition proposals to be reviewed in the fall.

**Halibut Association of North America.** HANA's proposal to allow processors to buy "catcher" shares of IFQs did not get accepted. It was pointed out that the proposal was out of order due to the two year amendment cycle for IFQs. It will likely be resubmitted for consideration in the next amendment cycle.

**Block Amendments Relaxed.** Under staff tasking, the Council did not approve for analysis, industry proposals to relax the block program in areas west of Kodiak. This could happen at the October Council meeting.

**Cod Rumor.** I picked up a report that the Bering Sea Cod quota could be lowered 30 to 50 percent in 2001. This is based on the 1999 survey, not the 2000 survey, which will be completed shortly after July.

**Seabirds.** Four FVOA vessels are working with the U. of Washington on bird avoidance devices. The initial reports are verifying our speculations, that is, weighted gear plus two tory lines have a 90%

reduction in bird interactions. Many thanks to the owners and crews of the F/V Judi B, F/V Republic, F/V Kristiana, and F/V Seymour.

**Halibut IFQ Charter Cap.** The Coastal Community Coalition also proposed getting certain charter boat privileges that, do not yet exist, based on the halibut GHIL voted on this last winter by the Council. There is a Council subcommittee working to get to some level of tradeable charter IFQs at this time, but no agreement has emerged. Mark Lundsten represents Washington interests on this panel. It is speculated that should the village coalition carve something out of the GHIL, before a GHIL IFQ can be developed, the GHIL with the Charter fleet will fail. The Council was not particularly enthusiastic about this proposal.

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

The Pacific Council will meet the week of June 26<sup>th</sup> in Portland, Oregon. The big issue will be the Tuesday night presentation by the Strategic Planning Committee. The report is intended to help guide the Council out of the groundfish disaster. I will send a Pacific Council update following the meeting as to their recommendations. However, as a member of the subcommittee, I have a copy of the report that will be presented, so here are some of the highlights. I figure you will get this newsletter about the time the Council has its Tuesday night meeting, where the attending public will hear the following ideas relative to capacity reduction, marine reserves, and observers.

### **Capacity Reduction**

- (1) Immediately begin the amendment procedure to provide for the stacking of fixed-gear sablefish permits and allow for a multi-month harvest time-frame. Final action to be taken on November 8, and implementation mid to late 2001. This requires some relief from the existing moratorium on IFQs.
- (2) Proceed with a stacking option for the trawl permits.
- (3) Fixed-Gear and Trawl "A" permits need to be reduced by a minimum of 50%. This can be accomplished with new minimum landing requirements, stacking and/or mandatory stacking.
- (4) Fixed-gear "A" permits for rockfish, establish a minimum landing requirement to reduce those who can target rockfish and allow stacking.
- (5) Reduce the open access fleet by over 50 percent and evolve them into the limited entry permits.
- (6) Open access non-groundfish activity may be restricted on their bycatch. An example of this would be the shrimp fleet that keeps a bycatch of rockfish.

### **Marine Reserves**

Examine an option of having 10 to 20 percent of the rockfish habitat rolled into a coast-wide Marine Reserve, potentially a no-take area. Meaning, no fishing of any kind.

**Observers**

Enact mandatory observers, if the Congress fails to provide funding for an observer program. The House and Senate currently have approved \$2.2 million for the West Coast observer program. I expect some form of observer operation, with deployment in 2001. The current concept is to provide three satellite areas, such as Eureka, Newport, and Westport, where permanent, full-time, hired observers would be deployed onto the groundfish fleets.

Well, that's a start! There are recommendations on Council procedures and science as well. I will give you an update on what happens following the June Council meeting.

**2000 Opening Date**

The Council will make a final decision on the opening date in late June. I am assuming the pre-announced preferred date of August 6 will still be the opening date.

**\*\*Market Reports\*\*****Individual Fishing Quota (IFQ)****Allocations and Landings**

From 15-MAR-00 through 19-JUN-00

Area	Species	Vessel Landings	Total Catch Pounds	----- TAC -----		
				Allocation Pounds	Remaining Pounds	Percent Landed
2C	halibut	1,506	4,790,791	8,400,000	3,609,209	57
3A	halibut	1,522	9,901,768	18,310,000	8,408,232	54
3B	halibut	396	6,507,449	15,030,000	8,522,551	43
4A	halibut	89	1,247,042	4,970,000	3,722,958	25
4B	halibut	50	846,035	3,928,000	3,081,965	22
4C	halibut	2	7,346	1,015,000	1,007,654	1
4D	halibut	8	243,556	1,421,000	1,177,444	17
4E	halibut	0	0	0	0	0
<b>Total</b>		<b>3,573</b>	<b>23,543,987</b>	<b>53,074,000</b>	<b>29,530,013</b>	<b>44</b>

The market for halibut is absolutely hot, hot, hot! The Association auction sold the F/V Vigorous into Bellingham with 63,000 pounds of halibut. Prices were about 40¢ to 50¢ above Homer's prices for mid-June. Under 20, \$2.86; 20-60's - \$2.99; 60's Up - \$3.16. After three months of fishing, 44% of the fish is caught with five more months to go. The cold storages the first of May were at 2.9 million pounds, only 2% different from 1999. Should cold storages begin to build, the price will fall, but so far, things look okay.

Sablefish.		----- TAC -----				
Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
AI	sablefish	39	561,975	3,215,189	2,653,214	17
BS	sablefish	51	369,324	1,296,305	926,981	28
CG	sablefish	430	6,697,404	10,105,886	3,408,482	66
SE	sablefish	521	4,827,115	7,832,944	3,005,829	62
WG	sablefish	76	1,370,596	3,245,171	1,874,575	42
WY	sablefish	194	2,979,046	4,230,627	1,251,581	70
<b>Total</b>		<b>1,311</b>	<b>16,805,460</b>	<b>29,926,122</b>	<b>13,120,662</b>	<b>56</b>

Sablefish prices have been high for the past three months, inviting a lot of boat owners and crews to harvest their sablefish before targeting halibut. With five months to go, and only 44% of the quota to go, sablefish should be strong all year. However, it is reported that prices have weakened in the last three weeks. Mero landings, however, are slumping due to international overharvesting and a resulting higher price for Mero. This should still have an upward affect on sablefish prices.

**Pacific Cod.** Prices have fallen off since the beginning of the year. Prices for 2/3, \$1.07; 7/8, \$1.49; 11/12, \$1.47, 13/14, \$1.50. Prices came down reportedly from April due to the product being post spawn. Safeway prices are in the mid \$4 range.

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

Please welcome the following new Sustaining Sponsors/Advertisers. **Farm Credit Services - Fisheries Branch**, Michael Wittman, Assistant Vice President - Account Manager, Seattle, WA; **Rickey & Associates**, Stuart Rickey, owner, Juneau, Alaska; **Seafresh - Wards Cove Packing**, Seattle, Washington. Thank you for your support!

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

<b>June 26-30,2000</b>	<b>PFMC Meeting</b>	<b>Doubletree Inn, Columbia River Portland, Oregon</b>
<b>September 11-15,2000</b>	<b>PFMC Meeting</b>	<b>Sacramento, CA</b>
<b>September 23, 2000</b>	<b>Fishermen's Fall Festival</b>	<b>Fishermen's Terminal Seattle, WA</b>
<b>October 2-6, 2000</b>	<b>NPFMC Meeting</b>	<b>Sitka, AK</b>
<b>December 4-10,2000</b>	<b>NPFMC Meeting</b>	<b>Anchorage, AK</b>

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