

The Wheel Watch

a newsletter of the

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Dear Longliner:

This newsletter will bring you up-to-date on the February North Pacific Council meeting, the IPHC meeting in January, the upcoming Pacific Council meeting, as well as events in Washington, D.C.

****North Pacific Council ****

Commercial Halibut and Sablefish IFQs. The Council initiated two new amendments and four discussion papers to amend the IFQ program stemming from a 2009-2010 call for proposals.

One IFQ amendment would allow halibut Area 4B category D quota shares to be fished on category C vessels. This proposal was previously analyzed in 2006 under Omnibus IV but not adopted by the Council at that time based on stakeholder recommendations. The previous analysis will be updated and scheduled for final action at a future Council meeting.

A second IFQ amendment would prohibit use of hired skippers for future transfers of halibut and sablefish catcher vessel QS by initial recipients, using a control date of February 12, 2010. The Council identified an array of issues for both individual initial QS recipients and corporate initial QS recipients to be addressed in the analysis.

The Council also initiated discussion papers on possible actions to:

- a) Allow retention of Area 4A halibut incidentally caught while targeting sablefish in the BS and AI management areas. This action would have the objective of not increasing halibut bycatch levels. Any future action would be under IPHC regulatory authority, and would not require an amendment to the IFQ program.
- b) Explore the implications of using pots in the GOA Sablefish Fishery. The Council may form a gear committee of affected stakeholders in the future to review the paper and recommend action to the Council
- c) Assess whether the problem of unharvested halibut IFQ in Area 4 is attributable to the current halibut IFQ vessel cap, or whether there are other contributing factors that have led to the underages.
- d) Remove the block program for sablefish A category QS and increase the use cap for sablefish A category QS.

CQE Program Review. In February, the Council reviewed a discussion paper evaluating the Community Quota Entity (CQE) Program. This paper was reviewed in conjunction with several IFQ proposals requesting changes to the regulations governing the program. Under GOA Amendment 66, the Council revised the IFQ program to allow a distinct set of 42 remote Gulf coastal communities to purchase and hold catcher vessel QS in Areas 2C, 3A, and 3B, in order to help ensure access to and sustain participation in the commercial halibut and sablefish fisheries. Eligible communities can form non-profit corporations called CQEs to purchase catcher vessel QS, and the IFQ resulting from the QS must be leased to community residents annually. In effect, the CQE remains the holder of the QS, creating a permanent asset for the community.

Five years after implementation, only one CQE has purchased quota share to-date, and thus, the program has not come close to reaching its regulatory limits (i.e., use caps).

The Council initiated a regulatory amendment to allow CQEs located in Area 3A to purchase Area 3A category D quota share. Currently, CQEs are not allowed to purchase D category QS in Areas 3A or 2C. Under the proposed amendment, Area 3A C category QS purchased by CQEs would be required to be fished on D category vessels (35' or less). In addition, CQEs would be limited in their cumulative purchase of D category QS to an amount equal to the total D category QS initially issued to individual residents of Area 3A CQE communities. In addition, the Council initiated a discussion paper evaluating development of CQE Program for non-CDQ communities located in Area 4B.

I find it a curious thing that current fisheries policy in Alaska is overwhelmingly supportive of tax-exempt entities acquiring groundfish, crab and halibut fishing privileges. When an individual vessel owner or crewman acquires these permits, it empowers the individual, while the tax-exempt entities turn coastal Alaskans into renters of the resource. It is acceptable that tax-exempt entities lease and hire skippers and "cut coupons" off the backs of labor and independent fishermen, but it is not acceptable for individual fishermen to operate in such a fashion. Tax-exempt entities do not pay withholding tax, don't pay both sides of Social Security and Medicare taxes as do crew and vessel owners, and because of this can pay 20% to 30% more for quota than a second generation IFQ crew person or initial IFQ recipient. Is Alaska pursuing a policy that will eventually pit independent Alaskan coastal fishermen against tax exempt Alaskan entities in a very difficult cultural clash?

It has been reported that up to 40% of the factory trawl fleet out of Seattle is owned and/or controlled by the CDQ tax-exempt companies out of the Bering Sea. Much of the freezer longline fleet, as well as fifty percent of Ocean Beauty Seafoods have been purchased by the CDQ tax-exempt companies. Is this the future for the Gulf of Alaska? Is the day of the independent commercial fishermen coming to an end with the use of tax-exempt entities that will lease out fishing rights to share crop the fishermen and processors of Alaska?

Most of the CDQ companies do not want to pay federal corporate taxes on income they generate on their investments such as the 50% purchase of Ocean Beauty. The Federal Government did a review that concluded Uncle Sam would lose \$92 million to \$124 million through the year 2019 if this were allowed. Wesley Loy, "Deckboss", In other words, the CDQs would be \$92 million to \$124 million more competitive than existing processors and fishermen. I have noticed that tax-exempt entities contribute nothing for federal wages and retirement programs but considering how popular they are, the rest of us should ask for similar tax-exempt status. If you have an opinion on this, talk to your representatives.

Senator Begich: (202) 224-3004

Senator Murkowski: (202) 224-6665

Cong. Don Young: (202) 225-5765

If you haven't noticed, voting tax payers should have maximum leverage this political season but then again, maybe not if they choose not to talk to their elected officials. If you are put on hold, leave a message, be sweet.

Observers. The Council moved forward with possible changes to the current observer program. The option getting some support would assess those vessels that have less than

100% observer coverage, 2% of the ex-vessel price. The money will be managed by NMFS to place and hire observers. The old 30% rule would be dropped. The tax would be 1% from you and 1% from the processor off all sablefish, halibut and Groundfish caught outside 3 miles. This new program could place observers on the <60' vessels including the <60' trawl fleet and halibut fleet.

If you believe the current observer program is not accurately recording the trawl mortalities, here is a cost benefit consideration. If you have 100,000 lbs. of GOA halibut and you believe the current trawl cap of 2000 Mt is being doubled, the 2000 Mt overage from the trawl fleet would be 13% of the current quotas for 3A, 3B, and 4A. This means you are losing 13,000 lbs. annually valued at \$20/lb. for asset value or \$260,000 and \$52,000 of gross income a year at \$4.00/lb.

Subsistence. Table 18 – Halibut removals in Alaska, by regulatory area, 2008

Pounds net weight

Area	Commercial	Sport	Subsistence	Wastage	Bycatch	Total
2C	6,206,000	3,083,000	458,360	224,000	344,000	10,35,360
3A	24,521,000	5,629,000	337,403	985,000	2,964,000	34,436,403
3B	10,748,000	18,000	42,248	685,000	1,338,000	12,831,248
4	8,654,000	43,000	70,642	276,000	5,588,000	14,631,642
Alaska	50,129,000	8,773,000	908,654	2,170,000	10,234,000	72,214,654

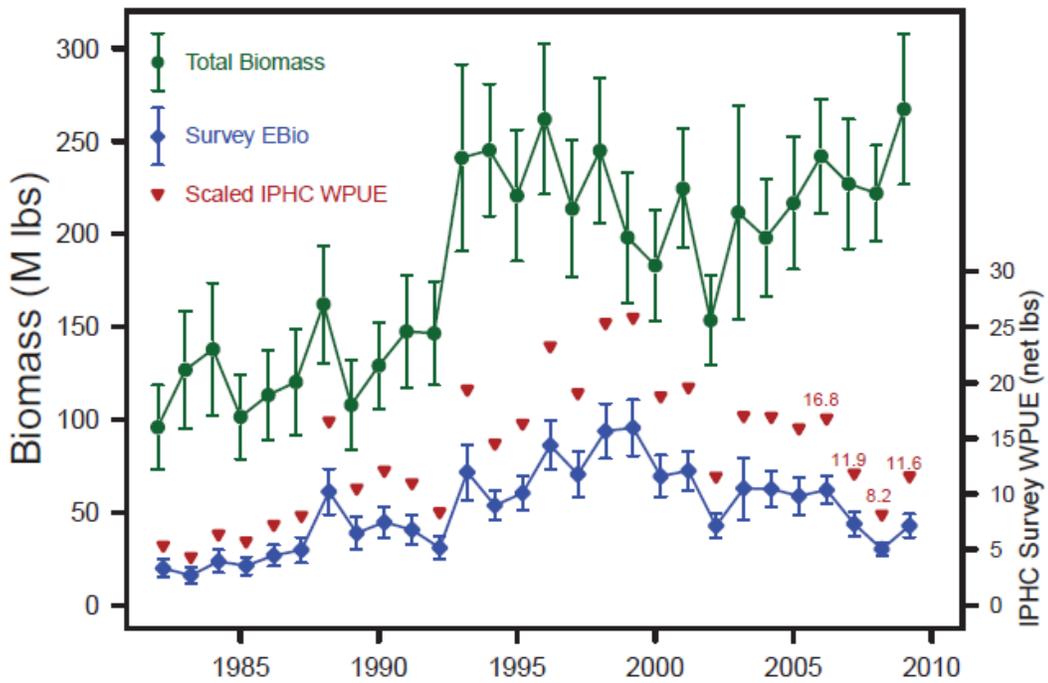
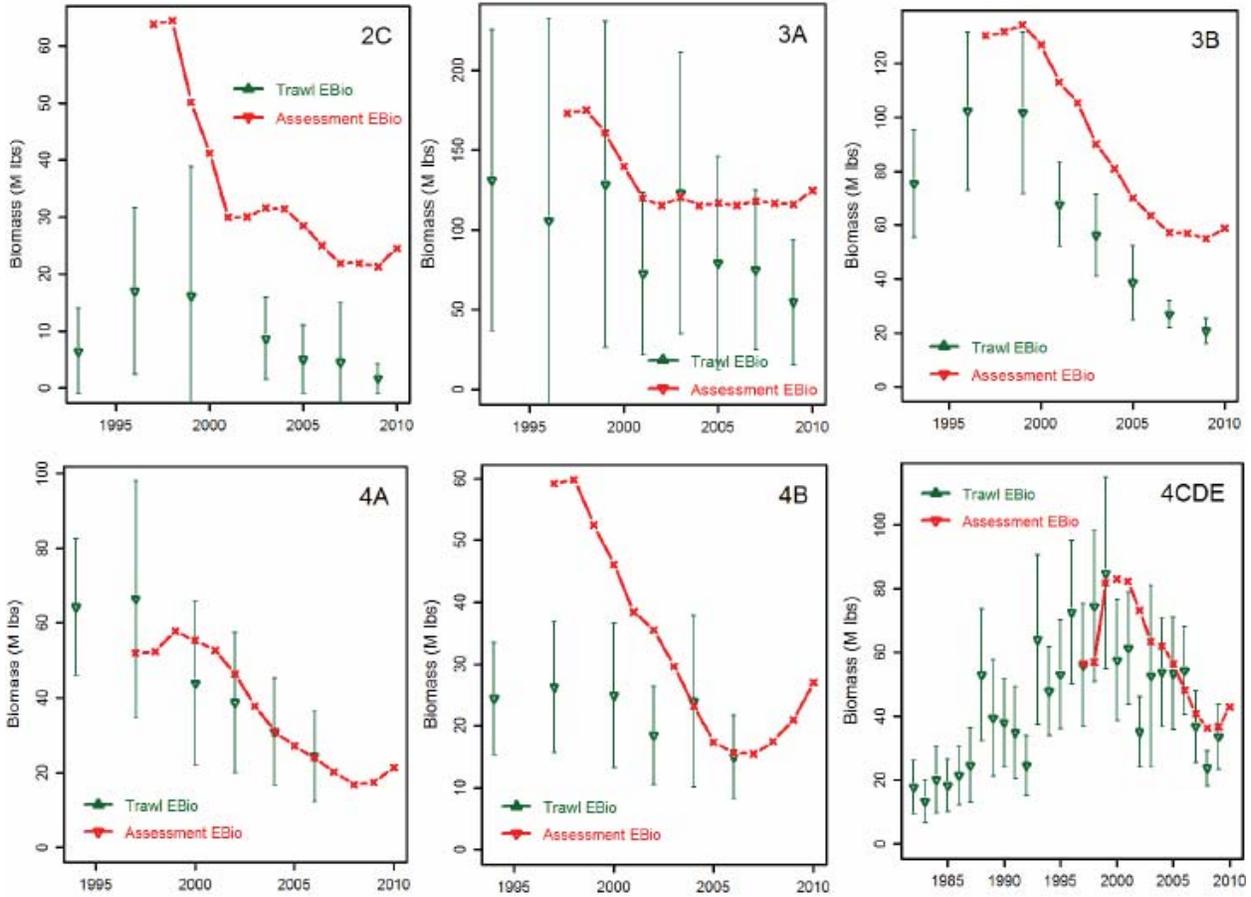
Note that this data is three years old; it is their most up-to-date information. The subsistence take in S.E. Alaska is approaching 10% of the 2010 2C harvest limit.

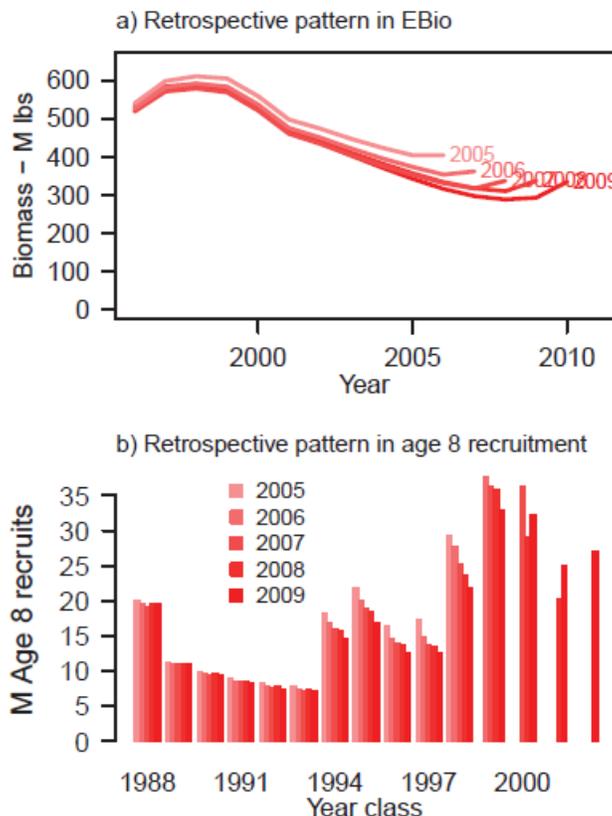
Charter. The NMFS approved the Limited Entry language from the council but liberalized those who get to receive permits. This concerned the Council and they will review two new options to possibly cut back permits and amend the program.

In area 2C, the number of charter-caught halibut was 52% below the 2008 numbers; however, total catch is estimated to be 1.3 million lbs. The charter harvest limit is 788,000 lbs. This was with the 1 fish bag limit. This still represents a 65% overage of the charter catch limit. In Area 3A, the charter harvest was down 21% from 2008. The 2009 projected harvest from charter vessels is projected to be 2.564 million lbs., which is below the Guideline Harvest for 3A. Note – the one fish bag limit in 2C resulted in a larger fish being harvested suggesting high grading on the charter boats.

****IPHC****

On the following pages are some graphics of where IPHC staff think the halibut resource is headed. The concern is that IPHC has been thinking that the upward trend would have started two years ago. The IPHC claims the juvenile halibut are there. They have been very slow moving into the commercial fishery. EBO stands for Exploitable Biomass. WPUE stands are Weight Per Unit of Effort.





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

“Customers will pay more for eco-labeled seafood even during a recession says Nordsee restaurant chain chief, Jurgen Glaser. ...*SFI*

Target announced that it has eliminated all farmed salmon from its fresh frozen and smoked seafood offerings chain wide. Even sushi will be converted to wild-caught salmon by the end of the year. ...*SFI*

Monterey Bay Aquarium have put “closed containment” coho on their watch list as their spokesman, Sheila Bowan said the fish are fed chicken and poultry. ...*Monterey Bay Aquarium*

MSC Eco-Seal Ranks #1 – A study by World Wildlife Fund has found that the MSC label comes out on top among other eco-groups. ...*SFI*

****Second Watch****

Black Carbon. The Center for Biological Diversity has petitioned the EPA to regulate the emissions of black carbon resulting from diesel engines. The petition states that emissions coming from the Arctic have a disproportionate effect on global warming. The request asks EPA to establish daily emission loads for black carbon to meet regulatory standards set by EPA. This is an end run around Congress and their emissions bill that is stalled in the Senate.

Carlson Lawsuit – Seafood.com. This lawsuit involved a court order to pay back nonresidents permit fees. The State of Alaska legislature may or may not decide to fund the judgment of \$74,800,697. The State of Alaska has lost four times at their own Supreme Court and the Alaska judge has ordered an interest fee of 11% on the unpaid balance. Governor Parnell's press secretary has indicated the state is looking at other legal options.

Tony Blore, longtime employee of Arrowac Seafoods has joined Dana F. Besecker Company at the Bellingham office. His number is (360) 676-1606.

****Markets****

Halibut. The season starts March 6, 2010. The cold storages are all spoken for; there shouldn't be any carry over of the 2009 harvest. Frozen fillets at retail outlets are selling from \$7-\$16/lb., and are being rationed. The overall quota is down 8%. The reduced quota will put upward pressure on prices as will adding 11 more sales days to the season. Prices should be better than last year.

Sablefish. Markets are asking for more, both domestic and export markets. The harvest limits will be 5% down on the lower Washington coast; down by 20% off Canada and down in Alaska by 7% in the GOA. The yen versus the dollar is at 88.6. This is stronger than last year and that is good for you. Sablefish prices will be higher in 2010.

Cod. The price of pot-delivered Pacific Cod in Dutch Harbor this winter has been 20¢/lb. for fish 19" to 23" long and 35¢/lb. for over 23" long. Most fish have been the larger sized.

The Alaska longline cod companies are forming an export group, backed with a federal export guarantee and anti-trust exemptions, that will allow them to set prices, divide up markets, and deny products to unapproved sellers in certain countries. These companies export H&G Longline cod. The group includes all the cod longliners except for Fishing Company of Alaska, which has never participated in the industry wide efforts. ...SFI This is known as a legalized export cartel. It is available to the sablefish fishery as well if you could ever herd all the fishermen.

SFI. Barents Sea cod bound for China for processing have picked up recently. The lower price of cod is at the same price of tilapia fillets in the U.S.

Maruha Nichiro, president Hiro Okazaki, wants to increase North American sales. Maruha Nichiro includes Westward Seafood, Alyeska, Premier Pacific, Supreme Alaska, TransOcean, and Peter Pan. ...**Seafood.com**

Supreme Alaska Seafoods mothership, Excellence and Phoenix Processor of Ocean Phoenix merge. ...**Seafood.com**

Thomas George, CEO of Sterling Seafoods pleads guilty to a mislabeling scheme selling catfish as grouper to avoid \$60 million in duties. ...**Seafood.Com**

Nippon Suisan sees North American revenues reach \$900 million in 2009. ...**Seafood.com**

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

The Senate of the State of Alaska passed Resolution #29 that states the following:

“Requesting the Alaska Congressional delegation to introduce and seek passage of an amendment to the Magnuson-Stevens Fishery Conservation and Management Act to create four new voting seats on the North Pacific Fishery Management Council to be filled by appointment of members of federally recognized tribes or Alaska Native organizations who are not employed by a community development quota program or the pollock industry.”

This is the result of Yukon Chinook bycatch in the Bering Sea Pollock fishery. This request from the Alaska Senate however may spark requests for additional seats to the Council from Washington and Oregon.

The New England fishing industry are upset with the management requirements of the Magnuson-Stevens Act specifically, the requirements to have Allowable Biological Catch limits and not exceed them and the overfishing requirements to rebuild stocks. The so-called “New England Greens” such as Congressman Barney Frank are clamoring for exemptions. Senator Maria Cantwell and Senator Murkowski have indicated they don't wish to reopen the Magnuson-Stevens Act.

****Calendar of Events****

Week of March 6-12, 2010 Advisory bodies may begin Thurs., March 4 Council session begins Sat., March 6	PFMC meeting	Doubletree Hotel 2001 Point West Way Sacramento, CA
Week of April 6, 2010 AP and SSC start Tuesday, because of Easter, Council starts Thursday	NPFMC meeting	Anchorage Hilton Anchorage, AK
Week of April 10-15, 2010 Advisory Bodies may begin Thurs., April 8 Council session begins Sat., April 10	PFMC meeting	Sheraton Portland Airport Hotel 8235 N.E. Airport Way Portland, OR
Week of June 7	NPFMC meeting	Sitka
Week of June 12-17, 2010 Advisory Bodies may begin Thurs., June 10 Council Session begins Sat. June 12	PFMC meeting	Crowne Plaza – Mid Peninsula Foster City, CA

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