

The Wheel Watch

a newsletter of the

Fishing Vessel Owners' Association
Room 232, West Wall Bldg., 4005 - 20th Ave. West
Seattle, WA 98199-1290
Phone: (206) 284-4720 / 283-7735
Fax: (206) 283-3341
Website: www.fvoa.org

Robert D. Alverson
Manager

Carol M. Batteen
Executive Assistant

Vol. XX, No. 5

December 2006

Sustaining Sponsors

Alaska Fresh Seafoods	Ballard Oil	Bank of America
Bellingham Cold Storage Co.	CityIce Cold Storage	Covich & Williams, Inc.
Cummins Northwest	Dana F. Besecker Co., Inc.	Danielson, Harrigan, Leyh & Tollefson
Dock Street Brokers	Northwest Farm Credit Services	Fishermen's News
The Fish Factory	Fishing Vessel Owners /Marine Ways	Haven Boatworks, LLC
Philip D. Hingston, Inc, P.C.	Icelander, Inc.	Marine Resources Consultants.
Marine Service & Supply	Marsh	Mundt MacGregor L.L.P.
Nautilus Seafoods, Inc.	Northern Lights Seafoods	Northport Fisheries, Inc.
Northwest Electric Corp	Ocean Beauty, Inc.	Offshore Systems, Inc.
Pacific Fishermen, Inc.	The Permit Master	Resurrection Bay Seafoods LLC
Rickey & Associates	Seafood Producers Co-op	Seafreeze Cold Storage
Seafresh Marketing LLC	Seattle Marine & Fishing Supply	Sitka Sound Seafood & Alaska Pacific Seafoods
Trident Seafoods	Unisea, Inc.	Viking Community Bank
Westward Seafoods, Inc	Satellite Technical Services	

Thank you for your support!

Dear Longliner:

This newsletter will bring you up-to-date on the new Magnuson-Steven's Act, Halibut Commission recommendations for 2007, NPFMC harvest levels and Halibut Charter Boat actions, Pacific Council and market news.

****Magnuson Act Amendments****

Well it passed after four (4) years and two (2) Congresses. The MSA is authorized for seven (7) years, or to 2013. Some of the changes that affect IFQ holders are as follows:

- (1) There are two strong grandfather provisions for existing IFQ programs. The primary FVOA drafted savings clause from the '96' amendments was beefed up. It reads:
Sec. 303A
(h) EFFECT ON CERTAIN EXISTING SHARES AND PROGRAMS
Nothing in this Act, or the amendments made by the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006, shall be construed to require a reallocation or a reevaluation of individual quota shares, processor quota shares, cooperative programs, or other quota programs, including sector allocation in effect before the date of enactment of the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006.
- (2) Fees - The existing 3 percent NMFS fee was based on NMFS cost for management and enforcement. The new amendments include charges for management, enforcement, data collection, and analysis. I expect this will raise the fee close to the full 3% amount for 2007. The fee for 2006 was about 1%. The last House version included transfer fees, initial allocation fees and significant changes in the observer fee mechanism. All of this went out the scuppers, largely because of the 178 ballot petitions you sent into the members of congress on new fee issues.
- (3) IFQs now are referred to in the bill as Limited Access Privilege Programs (LAPP) and (LAPP's) must pay the 3% IFQ fee. Congress saw fit to not define CDQs as a LAPP, and therefore, CDQ's now are exempt from contributing any 3% (IFQ) fee. In separate legislation CDQ companies do not pay 1120 corporation taxes either. However, CDQs get all the benefits you pay for. Not everything is perfect!
- (4) Observer data, including video camera information, is now officially protected for confidentiality reasons. This was added when a "Green Group" subpoenaed NMFS for observer information by individual vessel a couple of years ago.
- (5) Halibut violation fines were quadrupled for civil and criminal activity going from \$50,000 to \$200,000 and from \$100,000 to \$400,000 per days of offense. This occurred because Congress found out how valuable IFQs or LAPPs are.
- (6) Processor shares (PQS) are not explicitly authorized; however, regulations can be crafted to have a similar effect. Crab PQS are grandfathered.

New IFQ programs must go through a new set of procedures at the Council level. There is a limit on duration on them. New IFQs are automatically renewed unless a Council changes them. New programs must be reviewed at least every seven (7) years by the authorizing Council. This MSA bill is much, much superior to the House version and follows much of the Senate version. **Senator Steven's did a great job getting this bill through a Lame Duck session. A big thank you for Senator Stevens**

****IPHC****

Halibut. The IPHC staff recommendations by area are as follows:

Regulatory Area	2006 Fishery Catch Limit	2007 IPHC Staff Recommended Fishery Catch Limit	Percentage Of Change
2A	1.38	1.02	25%↓
2B	13.22	9.72	26%↓
2C	10.63	7.50	29%↓
3A	25.20	25.90	3%↑
3B	10.86	12.83	18%↑
4A	3.35	3.98	19%↑
4B	1.67	1.97	18%↑
4CDE	3.55	3.65	3%↑
Total	69.86	66.56	4.79%

The overall quota is down 4.7% from 2006. The IPHC notes that the Setline Survey CPUE values were lower in almost all regulatory areas, compared to those of 2005. They were about 14% to 20% lower except in 4B, the only area where there was an increase. Notable declines occurred in 2A, 2C, 3A, 4A, 4C and 4D. Areas 2B, 3B and 4B were largely unchanged. The 1994-1996 year classes continue to recruit in strong numbers in most areas.

The Commission has not released their annual "blue book" with all the data in it yet but here is some insight to what will be included in it. The "pit tag" study suggests large migrations of adult halibut continue after 8 years of age. This was believed in the past not to be the case. In fact, up to 15% of 4A and 3B adult halibut are moving eastward every year. Area 3A however, loses very little to out migration while areas 2C and 2B are big recipients of eastward migrating adult and juvenile halibut. The Commission has indicated that they may have been 50% high on their biomass estimates over the last 10 years in Area 2 and these areas have been kept reasonably healthy by the eastward migration of adult halibut. The IPHC has recommended up to a 26% reduction in 2B and 29% reduction in 2C to correct for this miscalculation.

Area 3A seems to be about the same under the new migration assumptions. However, 3B and 4A do somewhat better under the new model of migration. Area 4B, because of its remote area, has the lowest migration rates, about 1/20 of other areas.

The Commission will report in Victoria that the 98 and 99 years classes could equal the 87

year class. It will take two to three seasons to verify their strength. Based on excellent recruitment, IPHC forecasts an upward trending biomass, particularly in Area 2C and 2B over the next four years, and in Areas 4A and 3B. 3B could increase as much as 40% by the 2009 season if recruitment forecasts come to fruition. Area 3A looks like it may flat line over the next four years with a slight decrease, but 3A apparently received adult migrating halibut from 4A and 3B, and juvenile recruitment from Area 2. The potentially large eight-year old recruitment is found 20% in 3B, 43% in 3A, 11% in 2C and 10% in 2B.

Commercial CPUE's

Year	2A	2B	2C	3A	3B	4A	4B	4C	4D	4E	Total
2002	181	222	244	507	399	402	245	148	503	—	376
2003	184	231	233	487	364	355	196	105	389	—	350
2004	145	212	240	485	328	315	202	120	444	—	338
2005	155	197	203	446	293	301	238	91	379	—	313
2006	131	202	174	407	299	257	231	71	294	NA	292

Increasing charter boat activity has begun to cut into the commercial harvest. Below is a history of this growth in areas 2C and 3A where the Council voted to use a Guideline Harvest Allocation but the federal government did not authorize any regulations to control the charter boat growth. The overage in 2C amounts to 681,000 lbs. or about 22% of that areas proposed reduction.

Charter Halibut Harvests in IPHC Areas 2C and 3A

Area 2C The Charter Halibut GHL adopted by the Council in February 2000 is 1.432 million pounds, net weight.

Year	No. Fish	Avg. Net Wt.	Biomass	Deviation from GHL
1999	52,696	17.8	0.938	-34%
2000	57,208	19.8	1.132	-21%
2001	66,435	18.1	1.202	-16%
2002	64,614	19.7	1.275	-11%
2003	73,784	19.1	1.412	-1%
2004	84,327	20.7	1.750	22%
2005	102,206	19.1	1.952	36%
2006 ¹	105,651	20.0	2.113	47%
2006 ²	107,238	19.0	2.035	42%

AREA 3A The charter Halibut GHL Adopted by the Council in February 2000 is 3.650 Million Pounds, Net weight

Year	No. Fish	Avg. Net Wt.	Biomass	Deviation from GHL
1999	131,726	19.2	2.533	-31%
2000	159,609	19.7	3.140	-14%
2001	163,349	19.2	3.133	-14%
2002	149,608	18.2	2.723	-25%
2003	163,629	20.7	3.382	-7%
2004	197,208	18.6	3.668	1%
2005	206,902	17.8	3.689	1%
2006 ¹	216,551	18.2	3.947	9%
2006 ²	225,798	17.6	3.968 ³	8%

¹Projected based on traditional method based on linear trends in SWHS estimates

²Projected based on extrapolation of reported logbook harvest through Aug. 15.

³an additional 0.469 M lb were harvested by skipper and crew.

With the new model and migratory assumptions affecting all areas significantly and the likelihood that the IPHC will impose restrictions on the charter boat fleet in 2C, I expect an old fashion rip snorter of a meeting. The good news is, at least we have something to fight over.

****NPFMC****

Charter Boats. One attendee suggested watching the Council work through this agenda item was like watching Secretary Rumsfield get out of Iraq. In 2000, the Council voted for a Guideline Harvest and an IFQ format for long-term allocation resolution between charter and commercial interests. That vote also included management tools to control charter boat overages, such as bag limits. The charter boat interests intervened in D.C. and got the Commerce Department to second guess the Council. We got a GHL with no regulatory mechanisms and the current Council members, by a slim majority, pulled the IFQ option off the table. Jack Knutsen was on the original Charter Boat Committee 13 years ago and testified that a solution is long overdue. All of that said, this year the Council found its non-managed charter boat fleet 47% over the 2C GHL and 9% over in 3A and with no means to do anything about it. The IPHC sent a letter to the Council offering to use IPHC's regulatory authority to assist until the Council puts into place a working management regime. It was obvious that the Chair of the Council was irritated at this offer of help as it put a big spotlight on 13 years of failure to problem solve. The majority of the Council finally seemed to understand as, Alaskan commercial interests, who hold 80% of the 2C quota, are being hurt badly. The Council members took the following actions to begin to readdress this issue. I believe the new governor would like this issue resolved earlier rather than later and that was a helpful backdrop. Actions to be taken in 2007:

- (1) The director of Fish & Game in Alaska committed to the State of Alaska restricting crew and skippers catches in 3A. It was suggested this would cover 3 to 4% of the 9% overage in 3A.

- (2) The director of Alaska Fish & Game will keep similar 2C skippers and crew restrictions in effect for 2007.
- (3) The Council will send a letter to IPHC, which is very lukewarm, on having the IPHC help out. The letter was originally opposed by the Chair and director of Fish & Game of Alaska. However, the letter may keep the door open for the IPHC to help the current 2C situation with some restrictions on charter vessels in 2007.
- (4) The Council restarted a management package which will take 12 to 18 months to implement so management tools may be available in the future for NMFS, such as bag limits, reduced seasons, etc.
- (5) The Council voted to look at a new GHL, using the 2005 year as a possible hard cap. Ed Rasmussen from Alaska suggested 20% of the halibut quota for the charter vessels in both 2C and 3A. This was not accepted, but could be on the table later. I expect a hard new allocation fight with the charter folks in order to come up with a hard CAP.
- (6) The State would like to have a halibut sports stamp of \$10 and use this money to transfer fishing opportunities from commercial to charter as part of a long-term allocation solution. This could be completed in 24 months.
- (7) There is a Charter Moratorium in the works but it is at least 4 seasons out.

Sablefish. The Council adopted the Plan Team's recommendations for Sablefish.

Apportionments are based on survey and fishery information	2006 ABC Percent	2006 Survey RPW	2005 Fishery RPW	2007 ABC Percent	2006 ABC	Authors 2007 ABC	Change
Total					21,000	20,100	-4%
Bering Sea	15%	16%	13%	15%	3,060	2,980	-3%
Aleutians	15%	13%	13%	14%	3,100	2,810	-9%
Gulf of Alaska	71%	71%	73%	71%	14,840	14,310	-4%
Western	18%	18%	15%	17%	2,670	2,470	-7%
Central	43%	45%	39%	43%	6,370	6,190	-3%
W. Yakutat	14%	15%	17%	15%	2,090	2,100	0%
E. Yakutat/Southeast	25%	23%	29%	25%	3,710	3,550	-4%

The 2006 survey resulted in better numbers than in past surveys. There was a new model this year and you took a 4% reduction in the Gulf. The old model would have raised the harvest by as much as 10%. The new model does suggest an upward trend for the spawning biomass through 2010. The resource looks steady and slightly upward trending for the next four years.

Two years ago, the Council voted on nine (9) amendments to the Halibut/Sablefish program. They will become effective for the 2007 season. The changes are (1) Bled Sablefish PRR, (2) Halibut Block amendment in 3B, (3) Block Limit Increase; (4) Class "D" can fish up on "C" in 3B and 4A, (5) Increased sweep-up levels, (6) S.E. class C can fish Class B, (7) Aleutian Island sablefish clearance with VMS, (8) 20% ownership must be complied with 12 months in advance; (9) minor administration changes.

Other Council Actions

Area	Species	2007	2008
Bering Sea	Pacific Cod	170,720 Mt	127,070 Mt.
Bering Sea	Pollock	1,394,000 Mt	1,318,000 Mt
Gulf of Alaska	Pacific Cod	52,264 Mt	54,194 Mt

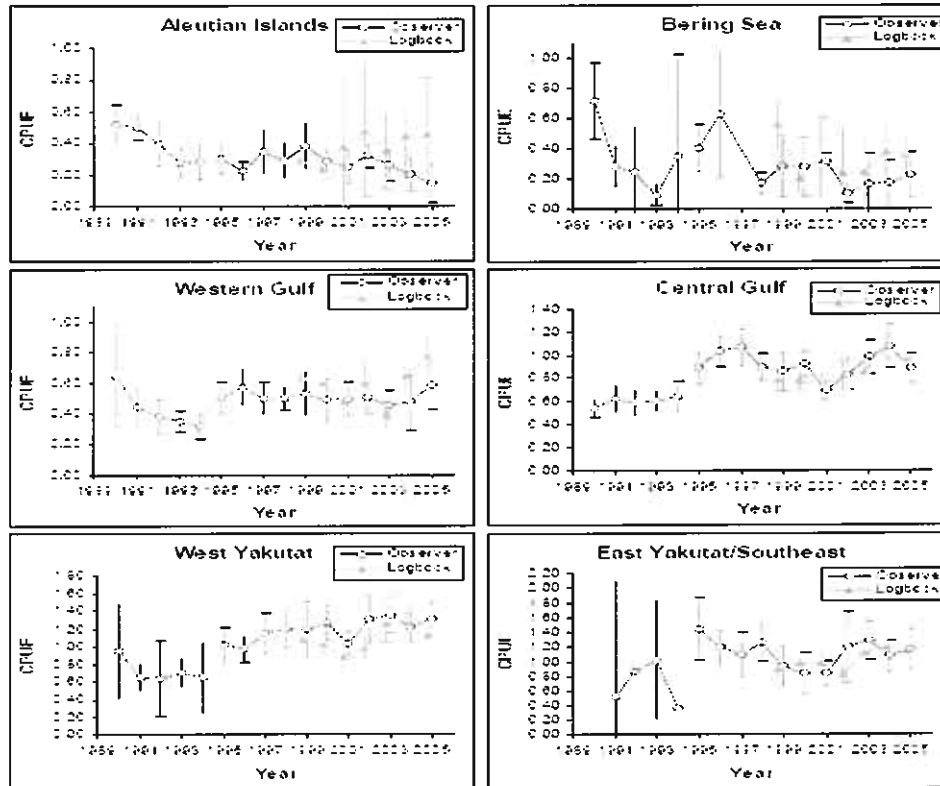


Figure 3.5 – Average fishery catch rate (pounds hook) and associated 95% confidence intervals by region and data source. The fishery switched from open-access to individual quota management in 1995.

The Council will have a new member in February, Jerry Merrigan, from Petersburg, Alaska. Congratulations Jerry! After June of 2007, there will likely be at least two more new Council members. The Director of Fisheries, the Chair, and the Kodiak representative are all up for consideration. I suspect Governor Palin is looking hard at the NPFMC. She inherits a 13 year mess on Charter Halibut from Knowles and Murkowski appointments, a mud pie on Gulf Rationalization, and a controversial re-look at Crab rationalization. Governor Palin seems to be about newness and it would not be surprising to see three new faces after June from Alaska on the Council.

John Crowley and Jack Knutsen testified on your behalf at the NPFMC. I think they had a good impact on the Council.

****Pacific Council****

Sablefish 2007. The 2007 harvest of sablefish will be cut 23% from the 2006 season based on a new model. We have hired Dr. Jack Tagart to review the stock assessment work. The Council is doing a new full assessment of the blackcod model and it will be completed this coming summer.

Halibut.(1) The Council is looking at some restructuring of the use of commercial halibut. Some of the longline fleet off Oregon have asked if a portion of the halibut quota could be taken with the Oregon sablefish operations.

(2) The proposed IPHC cut in 2A to 1.02 million pounds cuts directly into the 70,000 pounds allocated to the northern blackcod operations. The 1.02 million pounds will only give us about 20,000 pounds for bycatch with the sablefish fishery. The quota would have to be raised to 1.07 to get the 10 percent bycatch allotment we have had in the past.

I would like to thank John Crowley for over nine (9) years of participation on the Groundfish Advisory Panel to the Pacific Council. He represented your interests well.

****Markets****

North American markets improved for sablefish in 2006. Just about every buyer has noticed new domestic demand for sablefish. This has put an upward boost to the overall market dominated with sales to Japan. The overall harvest in Alaska is down about 4% in the Gulf and the lower coast quota is down 23%. The British Columbia harvest will be slightly higher in 2007. I expect slightly higher prices in 2007 due to a reduction in supply.

Halibut. The overall lower quotas will put upward pressure on prices in 2007. Area 2 is almost exclusively sold into the fresh market where quota will be reduced the most. I expect an overall higher average price in 2007 as the market is evolving to the higher end restaurant trade. Halibut prices in the retail stores have been at or above troll salmon prices the last three years. Tom Douglas has four high-end restaurants in Seattle and says, "I don't think it will top out. Just look at what consumers will pay for Copper River salmon, \$20/lb. or filet mignon at \$18-\$22/lb." "Halibuts share on the menu isn't going anywhere," says Laura Fleming from ASMI. "Halibut has established a priority place on the menu."

However, Bob Sullivan, a Chicago distributor, says buyers are backing off. Sullivan estimates his sales are down 20% due to price. With the MSC certification, it is almost politically incorrect not to have halibut on a West Coast menu.

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

We signed a formal certification contract with the MSC review team for halibut and sablefish. We received a lot of positive press for both Alaskan Sablefish and Pacific Halibut. We have 17 shorebased Alaskan processing companies that have signed up to be able to use the MSC as a marketing tool. Costco Japan announced they are ready to buy MSC sablefish from Alaska, and Kamewa Shoten, a Tokyo-based fish wholesaler, is now licensed to take our Alaska MSC sablefish.

Fish Farms. The President's national fish farm legislation has been changed to reflect the concerns we raised about EPA parity with the fishing industry, exemptions for Jones Act, and they must comply with U.S. wages and L & I standards. Senators Stevens, Snowe and Inouye all requested these changes.

Intra Fish Reports. Analyst Gorjan Nikolik said experts he interviewed generally put the total output of farmed cod at 100,000 metric tons by 2010, and between 300,000 and 500,000 metric tons by 2015. Of course, the growth is hypothetical. In 2005, just 12,000 metric tons of farmed cod were produced.

****Second Watch****

First Aid at Sea Course. January 24, 2007 at 9:00 am to 5:00 pm, Nordy Bldg, at Fishermen's Terminal. Cost: \$80. Contact Sarah Fiskens, Sea Grant, (206) 543-1225.

Alcohol Test Kits Required. You must have this kit on board when operating more than 2 hours from a shoreside testing facility. Deadline was June 2006. Test must be administered after a serious marine incident, death, injury, or vessel damage greater than \$100,000. We have eight different companies' phone numbers if you need them.

Free - Streamer Lines - Bird Lines. Due to budget problems, the federal government may not fund this. If interested, contact Seattle Marine & Fishing Supply or go to www.psmfc.org/streamers for an electronic request.

****Calendar of Events****

IPHC Annual Meeting	Delta Ocean Point Resort	January 15-19, 2007 Victoria, B.C.
NPFMC Meeting		Week of February 5, 2007 Portland, OR
PFMC Meeting	Doubletree Hotel Sacramento	March 4-9, 2007 Sacramento, CA
NPFMC Meeting	Anchorage Hilton	Week of March 26, 2007 Anchorage, AK
PFMC Meeting	Seattle Marriott Hotel, Sea Tac	April 1-6, 2007 Seattle, WA

***Fishing Vessel Owners' Association
4005 - 20th Ave. West, Room 232
Seattle, WA 98199-1290***



Happy New Year!