

The Wheel Watch

a newsletter of the

Fishing Vessel Owners= Association
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Thank you for your support!

Dear Longliner:

This newsletter will cover a review of Magnuson Act amendments, Pacific Council and North Pacific Council activities, and market dynamics in play. The staff here at FVOA hopes your summer was a safe and prosperous one.

****Magnuson Act Amendments****

The Senate amendments have been completed since spring. Senator Steven's office provided guidance to a well constructed set of amendments agreed to by both political parties. The *New York Times* endorsed these amendments found in S.B. 2012.

The companion bill in the House has become a problem. Congressman Richard Pombo, Chairman of Resources (R-CA) and Congressman Don Young (R-AK) have sponsored H.B. 5018. This bill has the liberal "R's," Saxton and Gilchrest aligning with the D's and the bill is stuck. From purely an Alaskan and West Coast perspective, FVOA is opposing this bill and endorsing the Senate Bill. We have been informed that Senator Stevens plans to finish the MSA amendment process this year regardless of the House. It appears that after the elections, there will be numerous Congressional actions not accomplished, such as several budget issues. We are expecting an omnibus Senate bill with multiple appropriation bills attached along with S.B. 2012. If this occurs, MSA amendments would be finished for another 3-5 years. The House Bill would die for non-action. This would be a positive outcome and we are encouraging Senator Stevens to take this action, should events unfold as now seems likely.

FVOA has the following problems with House Bill 5018 sponsored by Congressman Pombo and Congressman Young. We have presented these concerns to both Congressmen Young and Pombo without response.

- (1) **The NMFS 3% IFQ fee** – currently the items NMFS can charge for on this fee are limited. The House Bill expands on items that NMFS can charge for, hence, your fee, which has been more like 1.8 to 2.0%, will be maxed at 3%.
- (2) **Transfer fees** – this is a new tax and will be based on 1% of the exvessel price. It will go into the general treasury. Whenever you buy and sell quota, this tax will be owed.
- (3) **Observer fee** – this is a separate fee from any other fee. This fee was put into law specifically for the North Pacific Council in the 1990 amendments. This section of law has never been activated by the Council. The current observer program is based on pay as you go. It is not based on this section of law. The House Bill tries to make this a national observer program and proposes a 2% cap on fees or actual costs at the discretion of the Secretary. This option fails to provide an incentive to keep costs down. The reality of this proposal is that all other Councils that have observers have theirs paid from the federal treasury. The only area that will likely be affected by this amendment is the Gulf of Alaska. Based on NPFMC observer amendments being developed, this would affect halibut, sablefish, Pacific cod, Pollock, and flounder operations in the Gulf. The House bill will have you pay actual observer costs. The Senate Bill still has the fee capped at 2%.
- (4) **Initial Allocation Tax** – this new tax would affect the recently approved non-pollock Bering Sea quota/co-op programs, recipients of quota under Gulf

- Rationalization, and recipients of Whiting quota in the Pacific Council.
- (5) **Congressman Young** has helped prepare what is called ***Manager's Amendments*** to the House Bill that would allow cities in Alaska to compete with boat owners and crews for halibut and sablefish quota and set up single-market co-ops for Whiting in the Pacific Council. One of the main ideas of Republicanism has been the concept that the stakeholders in the geographic areas affected by regulations should make such decisions rather than the central government. Hence, we have regional management Councils. Washington, Oregon and California governors, yes, even the "terminator" governor, have written letters opposing this action and second guessing the Council process.
- (6) **CDQ quota, at one time, was supposed to pay the 3% IFQ NMFS fee.** Well, H.B. 5018 explicitly exempts CDQ quota from paying the 3% fee. Congress has exempted the CDQ companies from paying 1120 corporation taxes as well. By not paying corporate taxes and not paying the 3% NMFS fee, CDQ groups have at least 24% more competitive advantage in buying you up and competing against you.

It is difficult to understand why two West Coast congressmen would develop a bill that targets the West Coast quota programs for so many new taxes and leaves the East Coast, Gulf of Mexico, and Hawaii folks free of paying taxes. Wealth is harvested from these areas but this bill focuses new taxes and special exemptions only on the West Coast and Alaska based fisheries.

FVOA calculates that the West Coast fishermen and processors in time will pay the following fees annually, based on the House bill sponsored by Congressmen Pombo and Young.

North Pacific halibut/sablefish - \$9 million (3% of \$300 million ex-vessel value);
 Bering Sea/Aleutian Islands crab - \$4.2 million (3% of \$140 million ex-vessel value);
 Bering Sea Pollock - \$9.9 million (currently this fishery is not required to pay fees, but if they were, it would be 3% of \$330 million (10 cents per pound for 1.5 million mt));
 Bering Sea non-pollock rationalization - \$4.5 million (3% of \$140 million ex-vessel value);
Proposed Gulf of Alaska future rationalization - \$4.5 million (3% of \$140 million ex-vessel value);
Proposed Whiting - 3% of \$50 million (\$1.5 million average).

The annual cost to Alaska and West Coast fishing families will be \$33,600,000 annually or \$336,000,000 over the next 10 years, plus, initial allocation fees for Gulf Rationalization and West Coast whiting and new transfer fees for everyone who has IFQs.

At the time of writing this, it is our understanding that the Pollock co-op folks and the new non-pollock groundfish co-ops of the Bering Sea, believe they should not be included in paying the 3% fee because they are a co-ops. However, crab, halibut, and sablefish fishermen get the privilege of paying.

****North Pacific Council****

Past IFQ Amendments. The amendments passed almost a year-and-a-half ago that would require you to own 20% of a boat a year in advance before you can have a hired skipper and

the emergency health exceptions will go to the Federal Register soon and be implemented for the 2007 season. We will let you know when it reaches final NMFS approval. Many of you have asked about the drawing for unused IFQ for qualified crew. This was just passed by the NPFMC and will not happen for at least a year-and-a-half. There are no qualifying forms to fill out yet.

Seabird Avoidance. NMFS reported that out of 19,681 total sets which they observed, 6,812 were checked by observers for tory line usage in the Bering Sea and Gulf of Alaska with 96.1 compliance. Of the 4.9% that had no tory lines, 90% of those were due to weather. Very good numbers.

Economic Values for Fisheries off Alaska (in millions of \$). - NPFMC

Year	Shellfish	Salmon	Herring	Halibut	Groundfish	Total
2001	136.1	207.7	11.5	131.4	644.5	1,131.2
2002	161.3	140.8	9.9	139.8	671.4	1,123.2
2003	186.1	178.4	9.4	176.0	646.0	1,195.9
2004	170.5	232.3	14.1	173.9	644.5	1,235.4
2005	159.2	292.4	13.4	170.1	685.9	1,321.0

Halibut should break the \$200,000,000 mark this year and Alaskan sablefish as a groundfish, should break \$75 million by itself.

Alaskan Sablefish. The Plan Team for the NPFMC met in Seattle the week of September 18, 2006. Of note, the new sablefish review should include the following changes: an index of trawl recruitment (less than 200 m); with regards to aging, some length and age information may be contradictory to each other making large year classes less clear, incorporate migration results into the stock assessment model, use female spawning reference points instead of using male and female averages of maturity. The Plan Team will meet in November with their final recommendations.

Pacific Cod. The models suggest a drop in harvest from 195,000 mt to 148,000 to 175,000 mt for 2007/08. Poor recruitment is cited. There is much debate on this.

Note: Pollock index abundance is down 45%. The ABC may drop from 1,700,000 mt to 1,200,000 mt. Poor recruitment is cited.

****Pacific Council****

I want to thank John Crowley for attending the Advisory Panel on your behalf at the last Pacific Council meeting in mid-September.

The FVOA, along with a number of independent tiered permit holders, have hired Dr. Jack Tagart to review the sablefish model being completed during the next 18 months. Jack has attended several meetings to date. The sablefish quota will be reduced 23% for 2007 and possibly 2008. Jack will attend the STAR Panel next summer and a few other preparatory scientific meetings for us. We will keep you up-to-date on any reports.

The Council received a request from Port Orford to allow for a bycatch of halibut in their

sablefish fishery, similar to the fishery north of Point Chehalis. This would require some or the entire current directed halibut quota assigned for Oregon to be re-allocated. There was also a request to open more ground for the directed halibut fishery off of Westport. This would re-allocate halibut from Oregon as well. The Council will look at a variety of new options so stay tuned to the Wheel Watch. We will report on November developments from the next Council meeting.

The northern coast has had a series of upwellings without enough oomph to mix the deep water nutrients with surface water. This has resulted in oxygen-dead zones off of Washington and Oregon. Some Oregon crab have died off. I suspect this was not good for recruits of any species and small feed.

****Markets****

Halibut. FVOA prices were reported as follows in the month of September. *Dutch Harbor* – 40 ups - \$4.35; 20-40's - \$3.95; 10-20's - \$3.65. *Bellingham* – 40 ups - \$5.50; 20-40's - \$5.35; 10-20's - \$5.10. *Seward* – 40 ups - \$4.50, 20-40's - \$4.25, 10-20's - \$3.85, The comments from all buyers I have talked to is that halibut is in short supply and what is expected to be in the freezers is accounted for. The retailers and particularly, the chefs at major restaurants have aided in developing high demand particularly due to the MSC certification for Halibut. There is market resistance.

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	% Landed
2C	Halibut	2,636	9,094,471	10,630,000	1,535,529	86
3A	Halibut	2,215	21,176,896	25,200,000	4,023,104	84
3B	Halibut	627	9,324,364	10,860,000	1,535,636	87
4A	Halibut	229	2,701,470	3,350,000	648,530	83
4B	Halibut	67	1,332,760	1,336,000	222,333	83
4C	Halibut	99	107,310	805,000	697,690	14
4D	Halibut	40	1,332,760	1,127,000	-205,760	123
4E	Halibut	0	0	0	0	0
Total		5,913	44,850,938	53,308,000	8,457,062	

Catch rates reported from the fleet suggest a bit tougher fishing in areas 4D and 4A this year, while 4B improved and 3A seemed strong once again. 3B showed exactly what the Commission predicted, multiple year class strength and strong recruitment for the future. 2C has been steady.

Sablefish. FVOA Seward prices this September were 1-2's - \$3.20, 2-3's - \$3.20, 3-4's - \$3.60, 4-5's - \$3.80, 5-7's \$4.25 and 7 ups - \$4.55. While in D.C. this spring, several restaurants had printed menus featuring Alaskan Sablefish. Costco – Japan has expressed interest in the MSC label for Japan which has been a surprise.

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
AI	Sablefish	75	1,310,699	3,968,280	2,657,581	33
BS	Sablefish	92	1,115,723	2,486,780	1,371,066	47
CG	Sablefish	576	10,512,802	11,234,642	721,840	94
SE	Sablefish	589	6,318,835	7,760,192	1,441,357	82
WG	Sablefish	174	3,961,420	4,709,026	747,606	85
WY	Sablefish	239	4,096,816	4,387,154	290,338	95
Total		1,745	27,316,295	34,546,083	7,229,788	

The following sales were recorded for 2005 from the Commerce Department exports for sablefish.

	Kilos	Dollars
China	1,201,387	\$4,600,750
China - Hong Kong	777,346	4,329,621
Germany	226,851	772,912
Japan	9,323,226	57,377,218
Singapore	124,288	494,691
United Kingdom	110,896	633,266
Total (All Nations)	12,881,699	\$71,748,120

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

Eat on the Wild Side (EOWS) has signed up sixteen companies that are certified to sell MSC halibut and sablefish. North American chefs have helped stimulate demand for both Pacific halibut and Alaskan sablefish since both received their MSC certification.

Sablefish farming in British Columbia has had mixed results. The Salt Springs operations report that they sold 70,000 fingerlings but had 30,000 die off. They are focused on a 3 lb. dressed sale due to growth-rate problems. This sells for about \$3/lb. Farmed salmon sells for about \$4/lb and the fingerlings for salmon run a little over a dollar a fish while sablefish fingerlings run about \$3-\$4 a fingerling. It would appear, for a given investment, salmon farms will likely stay with salmon. - **Canadian Sablefish Association**

We found a report from Canada acknowledging their legal shooting of seals and sea lions in areas around their farm pens. We gave this information to a green group who are looking at a possible legal action under the Marine Mammal Act. They were very excited about the information. - **DFO**

BU researcher finds wild salmon delivers four times the benefit. A recent study by Michael Holick, a professor of medicine at Boston University, showed farmed-raised salmon only have 25% of the vitamin D of wild fish.

Canadian Halibut Inc. \$3.3 million is being invested by the Canadian government into the viability of raising halibut in underwater cages in the Bay of Fundy. From **IntraFish Media**.

From the Sacramento Bee. "When they're paying \$15 a pound or more, people buying wild salmon expect the real thing." Consumer Reports purchased 23 fillets from grocery stores in five (5) states last winter. All were labeled "wild." Laboratory tests found 13 were farmed.

Cooke Aquaculture. Cost of halibut juveniles \$8-\$10 each. Newfoundland has turned to Atlantic cod production (2003 / 80,000 pieces), (2004 / 100,000 pieces), (2005 / 230,000 pieces), (2006 / 500,000 pieces). Cod production forecasts coming out of Norway is 40,000 tons by 2008, 100,000 tons by 2013. Biggest concern is a disease called Nodavirus. Cod turn over fast, maturation by second year.

****VMS Requirements****

If you purchased a VMS system and want to be reimbursed, contact Pacific States Marine Fisheries Commission (PSMFC) at (503) 650-5300

VMS in Alaska. (a) If you fish for Pacific cod in the Gulf or Bering Sea, you have to have a VMS system; (b) If you fish for anything in the Aleutians, there are six (6) small coral gardens that you cannot fish in; hence, you will have to have a VMS for the Aleutians. It must be activated once you start your trip for the Aleutians. If you start in Kodiak, your VMS must be on until you finish your trip in the Aleutians. Once you finish and if you fish Halibut areas 4D or 4A, it can be turned off. If you leave it on, you do not need to clear any more while halibut fishing; (c) If you have a directed fishery for sablefish in the Aleutians, you must have a VMS on.

VMS off Washington. If you fish off Washington, Oregon or California, you must have a VMS. To log on, call (206) 526-6135. NMFS, Joe Albert. Example - you fish in May for your Washington Sablefish, then go to Alaska, come home in the fall and finish your lower coast fishing. You call the above number when leaving to go north. You can turn the VMS off when in Alaska. When you return, whether you fish or just moor for the winter, you have to log back in at the above number and turn your southern VMS back on. If not fishing, there is a sleep mode.

Fines for VMS's that are not turned on can run \$25,000 for a simple mistake. There is a case pending where the unit was intentionally turned off and fishing occurred inside 100 fathoms. This could cost \$200,000 plus forfeiture of the permit.

The Pacific Council will require all boats that deliver a single pound of groundfish to have a VMS on board. This will go into effect sometime the first quarter of 2007.

The NPFMC has released a study looking at requiring a VMS on all vessels that fish for anything in all areas off Alaska.

Future of IFQs Ballot
 From: Bob Alverson @ FVOA
 Fax: (206) 283-3341
 Email: robertalverson@msn.com

TO: ALL IFQ HOLDERS & ASSOCIATED CREWS

The Magnuson-Stevens Act is being amended in Congress this fall. Please fill out this ballot and fax it to FVOA with your choices circled, as Congress needs to hear from you.

Please circle your preferences.

Which Bill do you prefer?	Don Young/Richard Pombo sponsored H.B. 5018	Senator Steven's sponsored S.B 2012
I prefer to:		
Pay more taxes with Transfer fees!	Yes	No
Pay more taxes with initial IFQ allocations!	Yes	No
Pay unlimited observer costs as opposed to a 2% maximum cap	Unlimited Cost	2% CAP
Grandfather existing IFQs from litigation and amendments	No	Yes
Encourage fish buyer monopolies with single market co-ops	Yes	No
Encourage local governments to buy IFQs with tax-free money	Yes	No

Name _____

State _____

Return this ballot to the: Fishing Vessel Owners' Association
 4005 - 20th Ave. West, Room 232
 Seattle, WA 98199

(We will forward a copy of your ballot to the Washington and Alaskan congressional delegations as well as Congressman Richard Pombo of California.)

RICKEY AND ASSOCIATES



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****Calendar of Events****

Week of October 1, 2006	NPFMC Meeting	Dutch Harbor, AK
Week of October 1, 2006	Depredation Symposium	Poets Cove, Canada
October 10-12, 2006	UFA Meeting	Anchorage, AK
Week of November 12, 2006	PFMC Meeting	San Diego, CA
Week of December 3, 2006	NPFMC Meeting	Anchorage Hilton Anchorage, AK

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Welcome Home to the Fleet!