

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

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

The Seattle Fisheries Committee Chairperson, Senator Olympia Snowe, conducted a hearing on her proposed IFQ amendments to the Magnuson-Stevens Act. The main themes of her proposed legislation were (1) IFQs would have a five-year limitation; (2) IFQs would not be leaseable or saleable; (3) No mention of processor quotas or two-pie authorization; (4) A double referendum is required—first on the initial idea of an IFQ, and secondly, on the new IFQ program. It requires a 2/3 vote of approval.

Senator Snowe's amendments would affect those IFQ programs placed into effect after September 30, 2002. The new proposed amendments would not affect the existing halibut/sablefish program, the Pacific Coast sablefish stacking program, or the East Coast Clam IFQ.

The following are excerpts from the public testimony on the IFQ issues.

Mr. Patten White, Member of the Conservation Network

"In order for quota-based management to work socially or biologically, it must ensure that creating quota does not privatize a public resource, ensure that quotas are not transferable, ensure that any quota program protects social and economic fabric of coastal communities, establish an equitable system which considers historic participation, protects the diversity of the fleet and allows for new entrants."

"Under this program, quotas can be revoked or limited. This should help safeguard the fishery in the event the program is not working. I am pleased that the bill clearly states that individual quota shares may not be sold, transferred or leased. This language is essential to ensure that a small fisherman, who experiences a tough year, will not be bought out by large corporate interests."

Ms. Harlan K. Williams - Gulf Council member from industry

"...I believe that the IFQ should not expire in five years but should be reviewed by the councils and should require a two-thirds referendum vote as to whether or not the plan should expire by the affected individual shareholders. I believe the industry would support the two-thirds double referendum vote in the bill. A 50 percent income requirement from commercial fishing would bring some protection for the IFQ program as it would relate to shareholders."

"...That's why I feel that unless you do allow the transferability in the sale as far as it pertains in the Gulf of Mexico, we probably would not get a two-thirds vote. An IFQ would in fact stop the derby fishery but these men have already invested so much money into the licenses that they are under now, it would be extremely hard for them to accept something now that they can no longer transfer, sell, or lease. However, they are desperate. The one most very important item in the entire bill in my opinion is the double referendum requiring a two-thirds vote."

Ms. Linda Behnken - Fisherman - NPFMC Member - Director of ALFA

"...ALFA welcomes language included in the bill that speaks to minimizing impacts and coastal communities and providing a portion of the quota for entry level opportunities, small vessel

owners and crew members. We suggest that language also be included in the Bill that establishes a minimum goal for quarter share ownership by people actively participating in the fisheries as owner operator, fishers or crewmen.”

“...excluding processors from the list of eligible quarter shareholders. I know you have heard testimony from processors highlighting the disastrous effects of the halibut IFQ program on their operations. We have heard the same testimony, but have seen no evidence to support their claims.”

Mr. Joe Plesha - Trident Seafoods

“...I guess off the top of my head, I would think that one of the benefits of a quota based system is the economic efficiency that it would allow to develop. And that would be negatively impacted if you would not allow for the shares to be transferred and used in the most efficient manner.”

Ms. Harlan K. Williams

“...I think it should be left up to the fishermen, the people that will be involved, that will be under that system. They know best as to whether or not if they should be allowed to be transferred, sold, leased. You can build provisions in there that will help protect excessive shares owned by one individual or several individuals. You can put some type of requirement as I had suggested earlier as a 50 percent income requirements which we already require in the Gulf of Mexico.”

Mr. Don Giles - Icicle Seafoods

“...I think the Council is the right authority to determine excessive share caps, whether it is harvesting or processing or vertical integration or whatever the concerns were; to put some strong enforceable caps to make sure any one sector whether it's harvesting or processing or vertical integration does not grow to a level that is greater than what Congress wants to see happen.”

Senator Breaux on where IFQ decisions should be made.

“...But I support giving the greatest degree of flexibility to the Councils to manage the fisheries in their respective areas in a way that is best for the fishermen, the processors, and all of the interests involved in those areas. That is why we got eight Councils and not one. What is best in Alaska may not be best for the Gulf of Mexico.”

Ms. Linda Behnken

“...I am not convinced that there is a growing consensus in the industry in Alaska for processor shares.”

Mr. Don Giles

“...This halibut/sablefish program is on its seventh year and millions and millions of dollars has changed hands and it would not be practical now to change that.”

Senator Kerry

“...You know we shouldn’t, because one fishery has a particular set of interests and a particular notion of how to approach them, we shouldn’t I think, deprive another fishery of the opportunity to have an alternative one.”

“...Use of a referendum is perhaps one way to ensure that fishermen broadly support any IFQ program submitted to the Secretary but I am also interested in finding alternative ways of improving confidence in the fairness of Council decisions and insuring that IFQs or any other quota system contain protections against consolidation, improve the conservation record of our fisheries, and do not result in windfall profits at the expense of taxpayers. And so, maybe we should consider whether there should be an independent review board for IFQ allocation and fairness issues.”

Dr. Jon Sutinen - University of Rhode Island

“...the scientific evidence clearly shows that IFQs are potent, are a potent and valuable tool for fisheries management. Overall, they far out-perform other fishery management measures even in very complex fisheries such as multispecies fisheries. They conserve the resources better than others and they generate greater wealth. I agree with the NRC report.”

“...The available scientific evidence convinces me that a permanent ban on transfers would seriously weaken and devalue IFQ as a tool.”

Mr. Lee Crockett - Marine Fisheries Conservation Network

“...My specific comments are outlined by our proposal. First the network strongly believes that IFQ programs must acknowledge that fisheries are publicly owned; that IFQs not create compensable property rights and that IFQs are not to exceed five years after which time they may be renewed subject to satisfying defined criteria. Senator Snowe’s proposal relies on existing statutory language stating that IFQ programs don’t create compensable property rights and are revocable.”

“...Secondly, recommend that the panel establish, be established permanently and be charged with reviewing IFQ programs periodically. Finally, we suggest that only individuals with no financial interest in IFQ programs serve on the panel to ensure the panel’s independence.”

Senator Snowe, Chairperson

“...thank you Mr. Crockett you mentioned a national review panel, an independent review panel of the program. Are you seeking to exclude the fisherman from that panel, I mean would that be your intention?”

Mr. Lee Crockett

“...No, we are not seeking to exclude fishermen we are just seeking to exclude people who have a direct financial stake in IFQ programs so that they are independent.”

Senator Snowe

“...For example, as you heard previously, there is concern about the consolidation of interests in the hands of a few the concentration of it. And also, whether or not an IFQ is working. I mean,

to what extent can we have control over a program that may not be working well. So that was the concept behind the sunset in this legislation.”

Senator Stevens

“...Mr. Crockett, I am not sure I like what I am hearing. It seems to me that you are suggesting a nationalization of the regional councils, a permanent review before the IFQs go into affect, and a review of non – people that don’t have any interest in the IFQs as we go along. That is not the system, it’s not the Magnuson-Steven’s Act I’ll tell you. And I will totally oppose bringing it to Washington and to some national review board to control over regional council decisions. And I think you better back off. Because that is not what this is all about. This is about the independence of regions in terms of determining their own fate. And that is not – that is worse than bringing it back to the NSF. You might as well just repeal Magnuson-Stevens to follow your suggestions. No offense meant, but I just don’t agree with you.”

Senator Stevens to Dr. Sutinen

“Do you believe that the IFQ should have value? Should they really become certificate of value that can be transferred just for an investment purpose?”

Dr. Jon Sutinen

“With value good things happen. And as an economist, when I evaluate the economic performance of industry, sectors, etc., things that have value do get things. And it is for that reason that I think if an IFQ system allows for value to build up, in the form of shares and elsewhere, it’s going to do good things to our fishing communities.”

Senator Stevens with regards to AFA and pollock allocations

“That was a corporate approach, not an IFQ, it was a cooperative approach. And it has worked very well. It has protected the species. And we are coming back to a normal concept with regard to our ability to assure reproduction.

****North Pacific Council****

There are a number of important issues being debated in Alaska relative to fishing and the health of the coastal communities. For instance, intertwined in the crab rationalization debate is a request to guarantee a certain amount of raw product to be delivered into the Pribilofs. This concept has spilled over into the Gulf of Alaska relative to protecting coastal communities, processors, and/or fishermen by mandating that a certain amount of a product be delivered to ports based on some recent delivery concept.

This brings up some serious questions. Are such policies designed for the benefit of fishermen, the processor, or the communities? Is what is good for a community or processor the best for a fisherman and vice versa? If fishermen are not allowed to seek out the best price from other geographical areas, will this result in fishermen subsidizing communities and so-called rationalization? If halibut rationalization had been similarly designed, would there now be a buying station in Adak or would Homer have ever become the number one halibut port? Would 70% of the poundage be sold fresh? Is restricting delivery to certain ports the best

business way to maintain communities? These will be important issues of debate over the next couple of years. Harvesters need to be active in these debates and the ultimate compromises.

Can you imagine the philosophy of directing raw product deliveries in other industries in the U.S. Why should fish be different from trees, iron ore, or tomatoes? Would you expect in our free market economy to allow someone to dictate where trees should be delivered, iron ore, or tomatoes to be processed. This is what Russia tried to do. It is called a command economy as opposed to a market-driven economy. A command economy is based on the Marxist philosophy that the government owns the raw product, which in many cases it does, and the means of production, and knows best how to manage both. The trouble with this philosophy is that the “means of production” are people, and in our case they are the fishermen.

Here is an example of a command economy versus a market economy. Under a pure one-pie IFQ market economy for fishermen, say for Gulf Pacific Cod, with deliveries over a nine-month season, the fishermen’s price would begin to reflect a price based on fresh fish deliveries and the efficiency that time and consolidation give. The price to fishermen would be about 75 to 80 cents per pound. With a command economy with cod being dictated where to be delivered, or a derby fishery with no options for other deliveries, the fishermen would get 19 to 25 cents per pound or status quo prices. Of course, traditional landing patterns would likely change with an IFQ program and those communities currently at the center of deliveries may not be in the future. This is Alaska’s difficult dilemma. History shows that ultimately, command economies fail because the efficiency of labor and raw products are not allowed to reach their highest potentials. Ultimately, three robust communities are better than four starving communities. I expect the rationalization process to be very difficult over the next four years. No one wants to be the odd community out.

The big issue in June before the NPFMC for IFQ holders of halibut and sablefish will be the debate by the Council on certain special Gulf of Alaska communities being able to own and lease Halibut/Sablefish IFQs. This, in part, is stimulated due to the continuing failure of coastal communities in Alaska. The hard truth might be that fish cannot save some of the communities. It is evident that wild salmon cannot provide the wage level or employment level it once did even with healthy salmon runs. As halibut aquaculture progresses, the amount of wages halibut IFQs generate will fall as well. It is sad to see that all the federal subsidies that have gone into rural Alaska in recent years have not materially resulted in economic diversity for the communities.

Birds. The Council will take up streamer lines and possibly the weighting of gear at their September council meeting to address seabird interactions. A double tory line looks like the best alternative with no weighting. If you have a better idea, let me know. What’s your idea on a mandatory 20 lb. weight at the end of a tory line?

****Pacific Council****

The Council will meet the week of June 4, 2001, in San Francisco. If you ever go to San Francisco, you must eat at Scoma’s! The issues of concern will include the following:

- (1) NMFS review of the “stacking”/extended sablefish fishing season. NMFS goal is to provide for stacking for up to three permits per vessel, and a season from August 1 to October 31, 2001. I believe there could be a delay in the actual opening date but there will be an extended season through October 31 with stacking.
- (2) Some of you have asked what happened to the regulatory change that relaxes the rule of transferring your permit once in a calendar year. This should be completed by June. This reg change is in D.C. working its ways through the system.
- (3) The Council will take up an issue concerning those vessels that fished set-net gear for sablefish in 1984. There is one vessel that this affects, and its catch history for 1984. This would change one permit from a Tier 2 to a Tier 3. Some of you have asked me if this is a new allocation to a new group. It is not.
- (4) Finalization of the amount of halibut you can take north of Grays Harbor with your sablefish will be finalized at the upcoming meeting.
- (5) The Council will begin a summer project directing the trawl fleet to devise a stacking proposal in lieu of a federal buy-back program. There is some question if a coast buy-back or any buyback will be funded by the federal government.

Markets

Halibut. FVOA boats have been averaging \$2.07 to \$2.10 in Seward. Prices recently paid were, under 20's @ \$1.90, \$2.10 for 20-40's, and \$2.40 for over 60's. Twenty-seven percent of the quota is in from Alaska and cold storage holdings have significantly been reduced. With 27% in, this is just about right on schedule as two month or 25% of the season is also over. Overall, things are looking good.

Trident Seafoods is having success with its Clubhouse Battered Halibut. This product is getting high praises for quality. The product was developed in-house at Trident to take advantage of the frozen halibut market and one reason frozen inventories continue to move out.

Individual Fishing Quota (IFQ) Allocations and Landings

From 15-MAR-01 through 23-MAY-01

|----- TAC -----|

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
2C	halibut	904	3,207,875	8,780,000	5,572,125	37
3A	halibut	1,083	8,805,134	21,890,000	13,084,866	40
3B	halibut	225	3,534,707	16,530,000	12,995,293	21
4A	halibut	21	270,775	4,970,000	4,699,225	5
4B	halibut	9	178,639	3,928,000	3,749,361	5
4C	halibut	0	0	1,015,000	1,015,000	0

4D	halibut	0	0	1,421,000	1,421,000	0
4E	halibut	0	0	0	0	0
Total		2,242	15,997,130	58,534,000	42,536,870	27
AI	sablefish	13	330,523	3,306,900	2,976,377	10
BS	sablefish	19	135,759	1,375,670	1,239,911	10
CG	sablefish	334	4,613,666	9,541,509	4,927,843	48
SE	sablefish	307	3,007,454	7,407,456	4,400,002	41
WG	sablefish	28	839,502	3,544,997	2,705,495	24
WY	sablefish	153	2,331,891	3,944,029	1,612,138	59
Total		854	11,258,795	29,120,561	17,861,766	39

Sablefish. The market is holding. The yen versus the dollar has reached a stabilization point of about 123 yen to the dollar. This is about 15 percent weaker than last year. FVOA vessels report prices averaging over \$3.00/lb. with over 5 lbs. @ \$3.40 and under 3 lbs. @ \$2.40. There was a special in the New York Times featuring sablefish as the new yuppie seafood treat in the eastern United States. The fleet really turned up the heat last month delivering 28% of the quota for a total of 38%. Fishing seems good. The Chatham Strait fisheries will receive a 30% reduction this year and a 22% reduction the following year. This is tough news for Chatham Strait permit holders; however, the market will firm up a bit on that news as summer nears. The lower coast quotas are down about 24% as well.

****Second Watch****

Please welcome as a new **Sustaining Sponsor, Dana Besecker of Dana F. Besecker Co., Inc. of Mercer Island, Washington.** Thank you for your support Dana!

Per Odegaard and his schooner, F/V Vansee, took part in an exclusive story by author Bill McCloskey, which will appear in the Anchorage Daily on longlining for sablefish. They may also be part of a book Bill is writing featuring the longline fleet. Per let me strong-arm him into taking Bill for a sablefish trip. Thanks goes to Per and the crew of the Vansee.

The **F/V Peregrine**, an Associate member, got fleeced by the Canadians. Apparently, the F/V Peregrine was underway, transiting north, when Canadian Coast Guard pulled along side and inquired if the vessel had any rifles on board. A new Canadian law requires all rifles to be registered in Canada. The Peregrine was seized for rifles and a two hand guns. \$1700 later, they let the vessel go. Because of the new Canadian law on rifles, commercial fishing vessels will likely be targeted when transiting Canadian waters. No hand guns have been a long-standing rule. It is unknown how many other vessels have been harassed by Canada.

Enforcement. It was clarified to us that in the process of fishing, if you land sablefish with halibut at greater than a 1% bycatch level, you are generating observer days for groundfish fishing.

Jerry Merrigen will be leaving as manager and spokesman for Petersburg Vessel Owners. Jerry did a great job at the Council. He always had pages of statistics to support the causes. Thanks Jerry for your past support.

****Calendar of Events****

Week of June 4, 2001	North Pacific Council Meeting	Kodiak Best Western Kodiak, AK
Week of June 11, 2001	Pacific Council Meeting	Park Plaza Hotel Burlingame, CA
Week of Sept. 10, 2001	Pacific Council Meeting	Doubletree Hotel - Columbia River Portland, OR
September 15, 2001	13 th Annual Fishermen's Fall Festival	Fishermen's Terminal Seattle, WA
Week of Oct. 1, 2001	North Pacific Council Meeting	Doubletree Hotel - Airport Seattle, WA

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RICKEY AND ASSOCIATES

JUNEAU, ALASKA
P.O. BOX 20330
JUNEAU, ALASKA 99802

Phone: **(907) 586-2442** Fax: **(907) 364-2282**

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4005 - 20th Ave. West, Room 232
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