

# The Wheel Watch

a newsletter of the  
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Dear Longliner

There have been no Council meetings this summer to report on, and Congress has gone home in attempts to be re-elected, so there are no big changes in D.C. to report. There will be lots happening in September to report on.

I have written an essay for you to consider and included a market report. Warning! This essay could cause IFQ holders of halibut and sablefish to hyperventilate!

### \*\*If IFQs Never Happened...\*\*

What if certain environmental organizations, Members of Congress, and other nay-sayers against individual fishing quotas, had succeeded in stopping the Halibut/Sablefish IFQ program? Where would we be today?

In 1992, after receiving testimony from 105 members of the fishing and processor industry, and following 10 years of analysis and study on individual fishing quotas and other approaches to rationalizing the longline halibut and sablefish fisheries, the North Pacific Fishery Management Council voted 7-to-4 to disapprove the program. It is now the summer of 2002, a decade later and there still has been no rationalization of the halibut/sablefish fishery, nor any other major fishery in the country. Off Alaska, Washington, California and Oregon, the Magnuson-Stevens Act's Council system has New Englandized the fisheries, which are now a near-total disaster for the resources, the fishing industry, and the dependent coastal communities...

**Overcapitalization** - The natural market flow of buying and selling fishing privileges, allowing the longline fleet to reduce itself as envisioned by the 1992 Regulatory Impact Review never happened. The longline fleet, as accounted for in the RIR was 3600 vessels, has exploded to over 7000 in the succeeding ten years. The build-up of the fleet has been aggravated by the biological collapse of king and tanner crab fisheries, and the economic disaster that has overwhelmed the salmon industry. Congress has refused to assist in a buy-out of this fleet. Politicians fear such a precedent would stimulate renewed requests from all other overcapitalized fisheries in Alaska and the lower West Coast, despite the fact that the National Academy of Sciences review of buy-outs on the East Coast concluded that they had failed after \$150 million in taxpayer funds had been expended.

The halibut vessels and their crews do not operate under an 185-day season, which was part of the failed Council action in 1992. In order to allow 7000 participants to fish in this open entry fishery, the Halibut Commission has developed a series of 10-hour derbies.

**Lost gear and fish.** The vessels bait up about two-and-half times more gear than they actually need to harvest the assigned harvest limits, as there is no time to prospect where the fish actually are on the short 10-hour openings. When the season ends on the 10<sup>th</sup> hour, the gear is cut and the vessel returns to port; any fish left on the abandoned gear

sinks to the ocean bottom.

It is estimated that the lost potential harvest of the resource is at 15% of the total allowable catch in Alaska. At the time the Council voted in 1992, the Halibut Commission estimated that such losses were at 2 million pounds annually or 5 percent of the Alaskan harvest. The RIR suggested that lost and abandoned gear would cease to be a conservation problem, if the IFQ were approved. The amount of abandoned gear has begun to disrupt the natural habitat on the ocean floor. It is difficult to set new gear without becoming entangled in old gear from previous seasons.

**Enforcement and Management.** There has been a severe strain on enforcement and management to keep harvest levels in line with annual quotas. In 1992, the fleet was overharvesting most areas by 10 to 15 percent, due to the 24-hour openings. Even with 10-hour openings, the IPHC has trouble keeping harvesters from exceeding 20% of assigned harvest limits.

**Safety.** The Coast Guard, according to 1992 records, were averaging 34 search and rescue (SARs) attempts per 24-hour opening. Due to the Coast Guards time demands on safety during the current 10-hour derbies, there is no ability effectively to police the fishery; the Coast Guard is too busy responding to emergency calls. The fleet is averaging eight sinkings a year and three deaths per year, and 50 SARs per opening. Due to the perilous nature of this fishery and the recent loss of two Coast Guard lives during the last derby, the National Marine Fisheries Service has been formally requested to close the fishery, until a sane management system can be devised. This is causing severe political problems on Capitol Hill and in the Administration.

Due to the poor economics at the harvester level, the fleet shows signs of gross disrepair. It is obvious that maintenance has been forgone, due to the low revenues for both sablefish and halibut.

**Quality.** The race for fish produces low quality halibut. Testimony by fishermen in 1992 before the NPFMC described the landing of halibut following a 24-hour derby, as follows: halibut are stacked 10 feet high and left unprocessed in Kodiak for up to five days. Fish were often 4-to-5 days in the open, before processing took place in many ports throughout Alaska.

This practice has not changed, and in fact, it has gotten worse. The fleet used to dress the fish as they were caught, but due to the frantic nature of 10-hour openings, the fish are dressed at the dock, with large amounts of offal dumped overboard in the harbors. The fish are of poor quality largely because the stomach area is not being scraped and cleaned in a timely fashion.

There has been a recent study completed by an economist from Washington State University, under contract from the State of Alaska, significantly encouraged by the processing industry. The study concludes that processors are making good margins for frozen halibut. The study also recognizes that the fleet has reached a classic state of the

“tragedy of the commons.” The Scientific and Statistical Committee of the North Pacific Council determines that, when a situation like that occurs, there are no net benefits to the harvesters. Recent congressional testimony by processors have confirmed this is the case. A major Alaskan processor has admitted, before a congressional committee, to making \$20 million on the sale of frozen halibut. He declares that he sees no reason to change open access fishery management, as his margins maybe less under a rationalized system.

Hope dims further for wild fish halibut fishermen. Aquaculture has found a very nice market niche for fresh halibut; the same as it did for salmon. The only harvesters having any success against aquaculture halibut are the Canadians, who went to an IFQ format in 1989. They regularly received a \$1.30/lb. more than Alaska product in 1992 and continue to earn premium prices. This is due to 95% of the Canadian production going into the fresh, rather than the frozen, market. There is now fear within the Alaskan halibut fleet that its product may not even compete against frozen aquaculture product.

It was testified to in 1992 that Governor Hickel’s prestigious restaurant in Anchorage, Alaska, atop the Captain Cook Hotel, the “Crow’s Nest”, advertised fresh Canadian halibut, because he could not get fresh Alaskan halibut in a reliable time-frame or standard quality from local Alaskan ports. A decade later the Crow’s Nest still features fresh Canadian Halibut. Other Alaskan restaurants are featuring fresh aquacultured halibut.

**Bycatch.** The environmental impact statement in 1992 pointed out that due to the halibut bycatch occurring in the longline sablefish fleet, only 3/4 of the Gulf of Alaska sablefish quota was being harvested. The longline sablefish fishery had a directed bycatch of halibut and operated under a halibut cap that shut down the sablefish fishery.

That situation is worse, now, and the cap is still in place. The sablefish fleet was 1200 vessels in 1992, and now it is 2000. It is estimated that half of the sablefish available in the Gulf is unharvestable, due to the intense overcrowding of the sablefish grounds and the resulting high bycatch of halibut. If this problem could be avoided, it would mean another \$30 million in harvest value of sablefish to Alaska fishermen.

**Communities.** In 1992, Community Development Quotas (CDQs) were being discussed, as a method to help western Alaskan communities become a larger player in Alaskan fisheries. In 2002, the high investment cost, the personal and property risks of participating in a 10-hour opening, and the poor price for halibut and sablefish, have continued to preclude western Alaskan communities from investing in these two fisheries. Halibut and sablefish CDQs were not allowed, due to the negative vote in 1992.

In addition to this, there are no pollock CDQs, no crab CDQs, or groundfish CDQs because there was no prototype IFQ/CDQ program. In fact, the pollock fishery was never rationalized at all, as there was no precedent.

**Other Fisheries.** The pollock fishery is currently a two-and-a-half month race for fish, with many more factory trawlers than are required, many of which slipped through the Anti-

Reflagging Act. The inability to rationalize pollock has resulted in an increase in closures due to Sea lion interactions. The potential to increase product quality has never been realized, because there was no IFQ prototype.

The Bering Sea crab fleet is desperate for rationalization; the situation in the Gulf of Alaska groundfish fishery is perilous. There was no Halibut/Sablefish IFQ program established to serve as an example for pollock rationalization, and since pollock was never rationalized, the congressional mandate to move toward crab and the Gulf groundfish fisheries rationalization never materialized. The benefit of improved conservation, fleet reduction, and increased safety were never demonstrated by the halibut and sablefish fleets, so it was not credible to pursue rationalization on the IFQ or any similar model for the crab or other West Coast fleets.

The current embargo on IFQs may be lifted soon, however, the contemplated statutory restrictions on their use as a management tool make it unlikely they will ever be adopted. Powerful environmental groups underwritten by rich foundations and allied with certain Members of Congress continue to oppose IFQs.

Status quo fisheries management programs have precipitated 104 lawsuits and NMFS keeps 10% of the NMFS staff of 2500 working on them. The industry and the management structure are imploding on a national level. Fisheries shut downs are common place. Most commercial fishing is headed to economic annihilation within five years, if some effective, new management tool is not allowed to be utilized.

The reality, of course, is that the North Pacific Fishery Management Council did approve the Halibut/Sablefish IFQ program. The Commerce Department approved the program in January 1994, and implemented it in 1995. Since then, the halibut fleet has bought itself out, effectively removing harvesting capacity by 60%, without a government bail-out. The fleet operates under a 185-day season, instead of a couple of one-day or less openings.

IPHC accounts for lost fish to be less than 300,000 lbs. a year, or less than 1% of the Alaska quota. Harvest limits have not once been exceeded since the program was implemented. Lost gear is a non-issue.

Safety has never been better. The Coast Guard's SARs average less than seven a year for an entire 185 day fishing period. There has only been one heavy weather loss of life since 1995. The fishing is prosperous and the fleet is in good repair.

The quality and price of both halibut and sablefish are up; over 70% of the halibut now goes to the fresh fish market with very fine quality reports. The halibut fleets long season has enabled it to defend itself in the market from aquaculture competition. Governor Hickel's "Crow's Nest" serves fresh Alaskan halibut, not Canadian.

The halibut cap on sablefish was repealed, because it was no longer needed. This results in an additional \$30 million in harvest revenues to the sablefish fleet.

CDQs on halibut and sablefish have worked well, laid the ground for successful community quotas in major Bering Sea fisheries. Pollock rationalization has produced higher product

usage and lower bycatches.

The Council has responded to the congressional mandate to proceed with crab rationalization. Any fair-minded observer would agree that the success of the Halibut/Sablefish IFQ Program and its progeny has contributed to this mandate and the action taken on it.

However, there are, indeed, 104 lawsuits against NMFS, and the Service has 10% of all their employees working on them. Outside of the North Pacific, the Council system is melting down, not because of IFQ fisheries, but because of the inability of status quo management to address over-capitalization and the severe resource and economic consequences. Certain Members of Congress continue to propose onerous new requirements for IFQs, but fail to demand those same requirements on existing failed management regimes, particularly on the East Coast.

There was, in fact, a study by a professor from Washington State University that concluded that the processors made good margins during the halibut derby fisheries, and that the halibut/sablefish harvesters had found themselves confronted by the "tragedy of the commons". The National Academy of Sciences did two studies, not one. The first advised Congress to do away with the moratorium on IFQs, and the second found that buy-outs had failed their mission except in the case of the American Fisheries Act, under which the pollock industry and fisheries managers were provided an IFQ format.

A new management paradigm presented by IFQs has stimulated a debate that is not unlike that which erupted over the shape of the earth. It took a long time for flat earth advocates to emerge from their collective denial of reality. Of course, they hanged and burned a few round-earth folks, first. One cannot avoid the suspicion that some anti-IFQ'ers are among holdouts who secretly belong to the Flat Earth Society.

The unhappiest reality of all is that there will be many more human and resource casualties, before certain, key policy makers face up to the reality of a failed system of fishery management, and allow new IFQs to be established. As for the IFQ nay-sayers who will inevitably lose this fight, there will always be the Flat Earth Society.

## **\*\*Markets\*\***

**Halibut.** With 76% of the halibut in, the market is getting stronger. Prices in Bellingham are as high as \$2.70 to \$2.95 to FVOA vessels. The NMFS shows less than 25% of the quota available. Usually 4% is not harvested at all which leaves about 20% for the market between now and next March 2003. Inventories are currently at 2,319 million pounds or 50% less than last year. WOW!!

It is rumored that the survey vessels' catch has been down this year. I suspect generally lower quotas in Alaska next year. With short inventories this fall and any reduction in quotas for 2003, the 2003 spring price will likely be good to excellent You've heard it here first.

<b>Allocations and Landings</b>						
From 15-MAR-02 through 19-AUG-02						
----- TAC -----						
	<b>Vessel</b>	<b>Total Catch</b>	<b>Allocation</b>	<b>Remaining</b>	<b>Percent</b>	
<b>Area</b>	<b>Species</b>	<b>Landings</b>	<b>Pounds</b>	<b>Pounds</b>	<b>Pounds</b>	<b>Landed</b>
2C	halibut	1,885	6,694,157	8,500,000	1,805,843	79
3A	halibut	1,911	18,176,444	22,630,000	4,453,556	80
3B	halibut	679	13,168,999	17,130,000	3,961,001	77
4A	halibut	242	3,259,256	4,970,000	1,710,744	66
4B	halibut	120	2,392,925	3,344,000	951,075	72
4C	halibut	70	386,802	1,015,000	628,198	38
4D	halibut	29	789,106	1,421,000	631,894	56
<b>Total</b>		<b>4,936</b>	<b>44,867,689</b>	<b>59,010,000</b>	<b>14,142,311</b>	<b>76</b>

**Sablefish.** As predicted by The Wheel Watch, sablefish prices are moving up. The yen versus the dollar changed, which helped push prices up for FVOA fishermen, and now that summer is coming to an end, the market is discovering there just isn't as much product available. The Canadians dropped their harvest by 25%. I suspect those who hold frozen blackcod through fall will be blessed with even greater fortunes. Prices for 5 ups are near \$4.00/lb. iced.

<b>Individual Fishing Quota (IFQ)</b>						
<b>Allocations and Landings</b>						
From 15-MAR-02 through 19-AUG-02						
----- TAC -----						
	<b>Vessel</b>	<b>Total Catch</b>	<b>Allocation</b>	<b>Remaining</b>	<b>Percent</b>	
<b>Area</b>	<b>Species</b>	<b>Landings</b>	<b>Pounds</b>	<b>Pounds</b>	<b>Pounds</b>	<b>Landed</b>
AI	sablefish	84	1,219,915	3,373,920	2,154,005	36
BS	sablefish	88	772,851	1,701,951	929,100	45
CG	sablefish	515	8,631,526	9,576,782	945,256	90
SE	sablefish	532	5,280,868	7,076,766	1,795,898	75
WG	sablefish	102	2,932,940	3,950,643	1,017,703	74
WY	sablefish	191	3,196,660	3,708,137	511,477	86
<b>Total</b>		<b>1,512</b>	<b>22,034,760</b>	<b>29,388,199</b>	<b>7,353,439</b>	<b>75</b>

Sept. 14, 2002	Fishermen's Fall Festival	Fishermen's Terminal Seattle, WA 98199
Sept. 30-Oct. 6, 2002	North Pacific Council Meeting	Seattle, WA
Nov. 4-8, 2002	Pacific Council Meeting	San Francisco, CA
Dec. 2-7, 2002	North Pacific Council Meeting	Anchorage, AK

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