

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 bring you up-to-date on the 2006 IPHC proposed harvest limits, Pacific council, North Pacific Council, Magnuson Act, and market information.

****IPHC****

The preliminary recommendations of the commission for 2006 harvest levels are overall down 5.4% or 3.96 million pounds. The total harvest recommended will be 69.86 million pounds.

<i>Regulatory Area</i>	<i>2005 Catch Limit</i>	<i>2006 IPHC Recommendations</i>
<i>2A</i>	<i>1.33</i>	<i>1.38</i>
<i>2B</i>	<i>13.25</i>	<i>13.22</i>
<i>2C</i>	<i>10.93</i>	<i>10.63</i>
<i>3A</i>	<i>25.47</i>	<i>25.20</i>
<i>3B</i>	<i>13.15</i>	<i>10.86</i>
<i>4A</i>	<i>3.44</i>	<i>3.35</i>
<i>4B</i>	<i>2.26</i>	<i>1.67</i>
<i>4CDE</i>	<i>3.99</i>	<i>3.55</i>
<i>Totals</i>	<i>73.82</i>	<i>69.86</i>

Catch per unit effort (CPUE) in the 2005 commercial fishery was lower on a coast-wide basis, with the exceptions of Area 4A, which was stable, and Area 4B, which saw a modest increase. Area 4D showed a particularly sharp decline in commercial CPUE, dropping almost 29% from the 2004 value. Area 3B continued the decline from the peak values of the late 1990s.

In areas 2A, 2C, and 3A, the survey CPUE values were relatively stable from the previous year. Areas 2B, 3B, 4A and 4D all showed notable declines in survey CPUE, particularly Area 4D, which dropped by 47%. After declining almost continuously since the inception of surveys in 1997, the survey CPUE in Area 4B rebounded (18%) from the historic low seen in 2004.

The recruitment of the 1994 and 1995 year classes continues to appear relatively strong in most areas, particularly in Area 3B, although Area 4B is showing a notably low level of recruitment in comparison with other regulatory areas. The lack of tag returns in Area 4A is the issue of greatest concern to the staff.

For 2006, the IPHC has continued the use of a harvest rate of 22.5% as the baseline harvest rate for the central Gulf of Alaska and southward regulatory areas. For the western Gulf of Alaska (Area 3B) and Area 4A, we are maintaining a 20% exploitation rate due to concern about the long-term productivity of these areas. For area 4B, the continued decline in biomass, the lack of recruitment, and a new analysis of productivity, has prompted the staff to adopt a lower harvest rate of 15%. Similarly for Area 4CDE, the sharp decline in

survey and commercial catch rates has resulted in the adoption of the 15% harvest rate for this area as well.

The Annual Meeting will be January 17-20, 2006 at the Bellevue Westin Hotel, 600 Bellevue Way, Bellevue, Washington. Final harvest levels will be decided at that time.

****North Pacific Council****

Charter boat IFQ Action. Jack Knutsen and John Crowley accompanied me to Anchorage to take in the Council action on this subject and harvest specifications for 2006 and 2007. About 180 people signed up to testify and about 150 gave testimony. Council member, Ed Rasmussen, had requested to rescind the previous Council's actions on charter IFQs done in 2001. The rationale for the previous Council action in 2001 was to provide investment stability for the charter boat industry, a mechanism for charter boat owners to be managed within a sub-quota called a Guideline Harvest Limit (GHL); and provide for charter people to purchase commercial quota should they be short of quota in the future. This last option was to relieve future Councils from allocation battles as it let the open market decide allocation between the commercial and charter industry.

The state's director, McKie Campbell, made a 4-page motion following. In brief, his action does the following:

1. Reinstigate charter boat log books with a methodology to ensure accuracy, effective for 2006 (State of Alaska action required);
2. Introduce by the State of Alaska's Board of Fish a prohibition of retention or harvest of fish by a skipper and crew and limit the number of lines fished to the number of clients, to be enacted by 2006;
3. Develop two limited entry alternatives—one that will have charters operate within a GHL, look at local area management plans within 2C and 3A for charter, limit size of 2nd fish, a limited entry program for charter boats; and the second, a quota-based program;
4. Allow for an orderly and compensated shift from LL to charter, perhaps with a charter fee to collectively purchase commercial quota;
5. Charter pays for additional quota, looks at previous Council action, and gives quota to new entrants from those who have left the charter industry, and a moratorium with a control date.

Arne Fuglvog made a substitute motion to endorse the previous Council action and to look at balancing quota from those who left the charter industry since 2001 to those who have recently come in. Arne pointed out correctly that the State of Alaska recommended action was at least a three year process to complete. Arne's motion failed 6 to 5. He tried again with a similar motion. That failed 6 to 5. as well. In the end, the state's motion passed 8 to 3.

Notable Testimony. Mrs. Nichols of Sitka spoke for her son who purchased halibut quota in 2C. She pointed out he has a big loan for a young man and his state is pursuing fish policy that erodes his investment. Why is this being allowed to happen? Tammy Schroeder and Dave Whitmire from Homer gave similar testimony stressing the Council needs to resolve

the issue now, not five-years from now and stressed that economic stability was owed to both charter and commercial. There were many charter folks who supported the previous Council action as well.

The principle theme of the charter industry opposed to the IFQ for charters was, "I just got in," "I do not qualify for quota. Make the IFQ option go away," but oh, "I can support a limited entry program that keeps new people out and me in."

Past Council member, Bob Penny, who raises money for R's and D's, was concerned about paying a higher cost for going sports fishing. Mr. Penny and Ed Rasmussen are credited with politically delaying the previous council action and forcing the rescinded action. It was testified to that many who had invested recently had loans on vessels that would not qualify for quota, not a smart action on the part of some banks. That begs the question, did Mr. Rasmussen, whose family recently sold Bank of Alaska to Wells Fargo, have a direct conflict relative to these loans?

Arne did not get support from the Kodiak trawler, Doug Hodel, or Eric Olsen from the Bering Sea, or Bob Mace from Oregon. Arne did a great job but ultimately the State of Alaska reversed the previous action of the Council. People like Bob Ward, a longline charter operator pointed out, why should we participate in a system that takes 5-years to make a decision and then reverses that decision 4 years later. Chairwoman Stephanie Madsen's Councils credibility is clearly in the balance and depends on expeditious review and implementation of Campbell's proposals.

Here is part of a discussion that took place between Chairman Stephanie Madsen, John Crowley, Jack Knutsen, and Bob Alverson.

Chairwoman Madsen: I am having a little difficulty about protecting your investments. Your investments were made prior to IFQs. You knew that the amendment in the Magnuson-Steven's Act on IFQs makes them a privilege and they can be changed any time. Why should the Council consider your investment?

John Crowley: Well, before IFQs, our investments were in the thousands now they are in the many thousands and we invested based on the Council action in 1992 and Council's GHL and Charter IFQ actions in 2001. Reversals create instability in halibut and affect more Alaskans than non-Alaskans.

Jack Knutsen: All my quota is initial allocation. You should probably ask Mrs. Nichols from Sitka, whose son is purchasing fish for the first time.

Bob Alverson: IFQs under Magnuson do run that continuous risk as do crab processor shares.

Ms. Madsen: My point exactly.

Ms. Madsen is a processor's representative and Chair of the Council and did not help Arne Fuglvog. No processors spoke with the commercial fleet except for the Seafood Producers' Co-op who we thank for their testimony and efforts. HANA was present as well. I would hope

any council would support economic stability for all based on its past action.

Markets

Halibut. The market was hot all year. Prices in Bellingham pushed over \$4.00/lb. and more for some vessels. There has been some market resistance, but there does not appear to be any undue build-up of inventories. The Halibut Commission is recommending about a 4 million pound reduction in harvest limits, which should have some upward pressure on price. The market for 2006 looks very good.

Individual Fishing Quota (IFQ) Allocations and Landings From Feb. 27, 2005 through Dec. 28, 2005

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
2C	Halibut	2956	10,459,446	10,930,000	470,554	96
3A	Halibut	2650	25,053,063	25,470,000	416,937	98
3B	Halibut	845	13,003,916	13,150,000	146,084	99
4A	Halibut	313	3,323,997	3,440,000	116,003	97
4B	Halibut	93	1,595,682	1,808,000	212,318	88
4C	Halibut	10	78,361	907,500	829,139	9
4D	Halibut	44	1,678,464	1,270,500	-407,964	132
Total		6911	55,192,929	56,976,000	1,783,071	97

Individual Fishing Quota (IFQ) Allocations and Landings From Feb. 27, 2005 through Dec. 28, 2005

Area	Species	Vessel Landings	Total Catch Pounds	Allocation Pounds	Remaining Pounds	Percent Landed
AI	Sablefish	101	2,086,603	3,465,631	1,379,028	60
BS	Sablefish	137	1,227,693	2,151,690	923,997	57
CG	Sablefish	684	12,597,455	12,786,680	189,225	99
SE	Sablefish	701	7,796,182	7,870,422	74,240	99
WG	Sablefish	162	4,185,407	4,479,747	294,340	93
WY	Sablefish	256	4,984,406	5,011,056	26,650	99
Total		2041	32,877,746	35,765,226	2,887,480	92

The sablefish market will be somewhat better in 2006. Though harvest levels are similar in Alaska, the quota shifted to the Bering Sea and Aleutian Islands from the GOA and it is likely not all will be taken. The harvest from British Columbia and the lower Pacific Coast will be similar to 2005. However, the Pacific Council quota could be reduced by 20% in 2007. The market in China performed strongly this year. China, Singapore, and China's "Hong Kong" have accounted for over 3.3 million pounds of exports during 2005, up 100% from 2004. Sablefish sales to these three areas accounts for 15% of all U.S. Sablefish exports. Additionally, some U.S. restaurant chains have dropped Chilean Sea Bass for

sablefish. Japan is still the big market. The yen vs. the dollar has gone to 118 yen/\$, a 10% slide which would suggest lower prices, but that has not occurred. I suspect the additional U.S. and Chinese demand has helped keep the price strong. There is nothing to suggest that the late price rises through summer and fall will not be in play in March of 2006.

****Harvest Levels – 2006 & 2007****

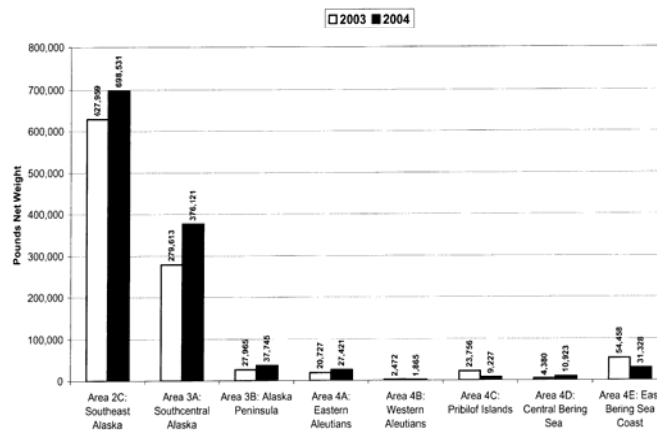
Sablefish harvest limits were basically adopted as recommended by the Plan Team. The concern for sablefish is the lack of new-year classes. However, the 2000 year class apparently has shown up in the Aleutians and Bering Sea area during this year's survey and seems to be better than average. It should recruit to the Gulf in one to two years. Additionally, the residents of S.E. claim this year's one-year olds were seen in the bays and seine fisheries. This is usually a sign of a good year class.

Cod and Pollock, in the Bering Sea and GOA, are dropping over the next two years. This fits with what is predicted from a shift in the Pacific Decadal Oscillation (PDO). During a 'cold water regime' which we apparently are in, midwater egg laying fish, such as cod, pollock, halibut tend to fade and for some reason, sablefish and crab seem to do better. Hey, that's the theory and theory has data to back it up!

Subsistence. This harvest has precedence over sports, charter, and commercial. The Council posted additional restrictions to slow up subsistence deliveries. That should be reflected in 2005 numbers, which will be reported next year. Subsistence is more than 5% of the area 2C commercial harvest in 2004 and is about 1.5% of the 3A harvest. Hopefully, curtailment that will go into affect in 2006 will result in some slowing of subsistence harvest.

		2005			2006		2007	
		ABC	TAC	Catch	ABC	TAC	ABC	TAC
Pacific Cod	W	20,916	15,687	12208	26,855	20,141	19,292	14,469
	C	33,117	25,086	21,241	37,873	28,405	27,206	20,405
	E	4,067	3,660	14	4,131	3,718	2,968	2,671
	Total	58,100	44,433	33,462	68,859	52,264	49,466	37,545
	BS/AI	206,000		183,020	194,000		148,000	
Sablefish	W	2,540	2,540	1,892	2,670	2,670	2,360	2,360
	C	7,250	7,250	5,502	6,370	6,370	5,630	5,630
	WYAK	2,580	2,580	1,825	2,280	2,280	2,014	2,014
	SEO	3,570	3,570	3,335	3,520	3,520	3,116	3,116
	Total	15,940	15,940	13,654	14,840	14,840	13,120	13,120
		BS	2,440	2,440	1,037	3,060	2,820	2,700
	AI	2,620	2,620	1,480	3,100	3,100	2,740	2,740

Figure 10. Estimated Subsistence Halibut Harvests, Pounds Net Weight, by Regulatory Area of Tribe and Rural Community, 2003 and 2004



Regulations in the pipeline. The IFQ changes that (1) allow for 3 blocks versus 2 blocks, (2) emergency health action, (3) allow Class B quota to sell to Class “C” vessels, (4) require ownership of a vessel for 12 months in order to hire a skipper, (5) blackcod 1% bleeding provision, and (6) sweep-up from 3000 lbs. to 5000 lbs will not be effective for 4 to 6 months, but will likely be effective mid-season 2006.

VMS. The requirement to have VMS in the Aleutians, because of 6 areas of habitat protection, will likely become effective in late spring. This would affect halibut and sablefish IFQ operations while a trip was being made. You will not need the VMS on when outside the Aleutian Islands; however, if you begin your Aleutian trip from Kodiak, the VMS needs to be on when you leave port until you are back in port.

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

Senate Version of Magnuson/Stevens. Specific to the Gulf of Mexico Council, due to a running battle between commercial and sports interest and southern states versus states, the bill requires this Council to have 5 sports and 5 commercial persons plus one knowledgeable in fish for the 11 appointed seats. This council has become a haven for sports only appointments with “red drum” IFQs at the center of fish struggles between sectors. Congress was forced to provide a balanced representation.

New IFQ Programs.

1. The Senate does not authorize processor shares, but clearly would allow a processor to receive IFQ even if that processor did not own a vessel that earned IFQs. A Council could authorize a % of the quota to certain processors.
2. The bill allows a corporation that may be 99% foreign controlled to receive IFQs. This was done with crab processor shares, for instance.
3. Require all fish harvested to be processed on a U.S. vessel or U.S. soil. This provision is thought to force product shoreside but there is an opt-out for historical forms of processing, so its functionality is suspect.

Anti-Trust. The bill requires review and provides information to the Federal Trade Commission and Dept. of Justice to defend if an illegal act of anti-trust, price collusion, and price-fixing has occurred with some regional fishery association's person receiving IFQs. This could be an issue for processors, but I believe it is to provide focus on fishermen holding IFQs. Many fishermen are unaware that they cannot talk price or discuss boycotting one processor regarding price unless they belong to a bona fide marketing association. This occurred off of Oregon and the processor won action against fishermen who did not belong to a market association. I can see where harvesters could have a greater liability and they should keep this new provision in mind. Anti-trust law would not discriminate between a new or old IFQ processor or harvester of IFQ.

Nothing in the Act shall be construed to nullify Anti-Trust laws.

Referendum. A Council can institute a study of an IFQ plan or if 50% of the permit holders petition for an IFQ plan, it can get studied. For the New England Council, an IFQ program cannot be approved unless 2/3 of the permit holders agree to the program and in the Gulf of Mexico Council, 51% approval for a program is required. Referendums are not required elsewhere.

Paid Fees are going up and will include management, data collection, analysis, and enforcement. These are capped at 3%. Halibut and sablefish fishermen have paid less than this but I suspect in the near future, the government will give you the privilege of paying the full meal deal of 3%. (This will affect crab, halibut, and sablefish IFQs.)

Grandfather Clause. Nothing in the act will force existing programs to be revised for reallocation of IFQs or processor shares approved before 2005. This action protects IFQs for halibut and sablefish, the sablefish-tiered program, Crab IFQs in the BS/AI, and the clam plan on the East Coast.

The Senate bill did not get into the 2005 final actions so it is not law. Magnuson-Steven's action will now focus on house amendments unless Senator Steven's puts his amendment on an early appropriations bill this spring.

****Second Watch****

Alaska Governor's Race. Governor Murkowski has been calling his close personal friends about running for Governor of Alaska for a second term. He has not committed to run. Mr. Binkley of Fairbanks, a "R", has filed to run. He is quite qualified! He was number 2 on Governor Murkowski's list for the Senate. Governor Murkowski recently came out against processor shares, which was not anticipated. It is thought an ambassadorship to Asia may be in the works for Governor Murkowski. Ex-governor Knowles is sniffing the governor's mansion again.

Continued on Page 10

Second Watch contd...

MSC. Marine Stewardship Certification is working its way through the final review process for halibut and sablefish. FVOA and DSFU will control the MSC certification rights through a nonprofit corporation called, Eat on the Wild Side! Our video on halibut and sablefish operations are progressing a bit faster through John Sabella.

AIS. According to the Coast Guard, the AIS requirements have gone into effect but in regards to fishing vessels, the requirement pertains to tendering and/or processing vessels over 65'.

Please accept our apology for leaving three Sustaining Sponsor names off the front of the last newsletter. I heard from two out of three of you!

****Calendar of Events****

January 17-20, 2006	IPHC Annual Meeting	Bellevue Westin Bellevue, WA
February 6-12, 2006	NPFMC Meeting	Seattle, WA
March 1-3, 2006	UFA Meeting	Juneau, AK
March 6-10, 2006	PFMC Meeting	Seattle Marriott Hotel Sea-Tac

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Happy New Year!

