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March 30, 2013

Mr. Dan Wolford, Chair
Pacific Fishery Management Council
7700 NE Ambassador Pl, Suite 101
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via email: pfmc.comments@noaa.gov

Dear Mr. Wolford and Council Members,

At the September 2012 and March 2013 Council meetings, discussion took place and testimony was heard from the Midwater Trawlers Cooperative to support HR 6362 legislation for refinancing the West Coast groundfish trawl fishery's buyback program's loan. The same industry request was made at a U.S. Representative Kurt Schrader town hall meeting March 21, 2013 in Newport, Oregon by the Midwater Trawlers Cooperative (see Newport News Times March 26, 2013 edition). Following directions from the Council, Executive Director Don McIsaac has written a letter in support of the proposed legislation. The principle support issue the Council asked to be addressed in the letter was to limit the loan payment terms to be a maximum of three percent groundfish fishery ex-vessel value instead of the current payment terms for five percent ex-vessel value. In parallel, the Council has asked NMFS to integrate the loan buyback payment requirements into the trawl rationalization program's cost recovery fee program.

Following the industry inspired buyback program of 2003, the Council has adopted the trawl rationalization program implemented in 2011. This individual quota share (QS), program was designed to make the industry more efficient. Early successes for this objective look promising with fewer vessels participating and discard mortality being reduced. The real efficiency progress will be the result of QS consolidations. The QS permanent transfers through purchases by willing sellers and buyers was to occur starting this year, but delays in developing and approving trailing amendments have pushed this feature out at least another year.

This catch-share program has created an immediate private capital windfall. QS transfer purchase amounts when they ensue in the future will be revealing as to the actual asset value. However, initial lease payments for quota pounds and theoretical calculations show the value is considerable. While other world catch-share programs

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require 100 percent funding by industry of science and management of fisheries, U.S. program objectives at least recognize that catch-share programs can be assessed for some of the management and research costs.

Being an economist, I am enthused that submitting economic behavior data (titled the Economic Data Collection or EDC program) is a mandatory requirement for catch-share program participating vessels and processors. The data should provide accurate (although submittals are not being audited) information for showing whether catch-share program objectives are being satisfied. Economists will also be able to use the EDC information to show indirect economic effects of this program's consistencies with MSA economic related national standards (economic impacts to communities, social welfare, fairness/equity, etc.).

It is coincident that the Council is wrestling with industry financial means (i.e. ability to absorb buyback program, cost recovery fees, and observer costs) while the SSC April 2013 meeting will be reviewing before-and-after catch-share program factual industry budgets. The Northwest Fisheries Science Center (NFSC) is using the first two years of EDC data to update their IO-Pac economic effects model. I am attaching to this letter Table 7 from Council April 2013 briefing book material for the SSC meeting. The table summarizes proprietorship gross profit for the several vessel types that participate in the onshore and offshore groundfish fishery. For example, the whiting trawlers vessel type has an annual 27.7 percent revenue return to proprietor. The calculation method for this statistic is the same as the above mentioned caps on cost recovery and buyback loan payment, i.e. it is the percent of ex-vessel revenue for the vessel type. Although vessels usually have a portfolio of fishery derived revenues, this particular vessel class revenue is dominated by the trawl groundfish fishery. Economists have methods to decompose a vessel operations fixed and variable costs into single fisheries if that information is warranted.

I am writing this letter to suggest that the above described Council and SSC agenda items be made coherent with each other. If the information used in the IO-Pac model is representative for revenue and cost flows of the trawl fishery vessel participants, then it would be apparent that the profit margins (proprietary income) are adequate to repay the buyback loan and ongoing management costs. The SSC could be tasked with providing advice not only on the adequacy of the economic effects model, but also on the industry cost absorption ability.

Thank you for your consideration,



Hans D. Radtke, Ph.D.

Encl.

cc: Rep. Kurt Schrader

Table 7. Percentage distribution of commercial fishing production functions by expenditure categories.

| Expenditure categories (table continued horizontally below) | Catcher processor | Mother-ship | Alaska | Pacific whiting trawler | Large groundfish trawler | Small groundfish trawler | Sablefish fixed gear | Other groundfish fixed gear | Migratory liner | Pelagic netter |
|--|--------------------------|--------------------|---------------|--------------------------------|---------------------------------|---------------------------------|-----------------------------|------------------------------------|------------------------|-----------------------|
| Captain | — | — | 13.4 | 12.3 | 17.5 | 17.5 | 21.6 | 18.3 | 16.6 | 16.6 |
| Crew | — | — | 19.6 | 17.8 | 21.6 | 21.6 | 23.7 | 21.5 | 18.1 | 18.1 |
| Fuel, lubricants | — | — | 13.2 | 12.8 | 16.8 | 16.8 | 7.4 | 7.5 | 8.3 | 8.3 |
| Food, crew provisions | — | — | 1.4 | 1.6 | 1.5 | 1.5 | 2.0 | 1.9 | 1.2 | 1.2 |
| Ice | — | — | 0.1 | 0.8 | 1.4 | 1.4 | 1.2 | 1.1 | 0.7 | 0.7 |
| Bait | — | — | 0.8 | 1.0 | 0.8 | 0.8 | 4.4 | 4.3 | 2.8 | 2.8 |
| Repair and maintenance: vessel, gear, equipment | — | — | 8.7 | 11.3 | 14.3 | 14.3 | 10.7 | 12.4 | 10.4 | 10.4 |
| Insurance | — | — | 3.2 | 5.4 | 4.6 | 4.6 | 2.8 | 5.9 | 3.6 | 3.6 |
| Interest and financial services | — | — | 0.4 | 1.7 | 1.1 | 1.1 | 2.1 | 1.8 | 1.1 | 1.1 |
| Purchases of permits | — | — | 1.7 | 0.1 | 0.5 | 0.5 | 0.5 | 2.6 | 0.9 | 0.9 |
| Leasing of permits | — | — | 0.6 | 0.0 | 0.5 | 0.5 | 2.1 | 0.2 | 0.5 | 0.5 |
| Moorage | — | — | 0.8 | 0.7 | 0.7 | 0.7 | 2.4 | 1.6 | 1.2 | 1.2 |
| Landings taxes | — | — | 0.7 | 4.3 | 4.4 | 4.4 | 0.1 | 0.0 | 1.1 | 1.1 |
| Enforcement | — | — | 0.5 | 1.1 | 0.4 | 0.4 | 1.1 | 0.7 | 0.4 | 0.4 |
| Dues | — | — | 0.1 | 0.3 | 0.9 | 0.9 | 0.3 | 0.0 | 0.3 | 0.3 |
| Freight Supplies | — | — | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 0.1 | 0.1 |
| Offloading | — | — | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 0.2 | 0.2 |
| Trucking | — | — | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 | 0.2 | 0.2 |
| Other miscellaneous | — | — | 1.1 | 1.1 | 2.8 | 2.8 | 2.4 | 6.7 | 4.7 | 4.7 |
| Proprietary income | — | — | 33.6 | 27.7 | 10.2 | 10.2 | 15.0 | 10.8 | 27.5 | 27.5 |
| Total (%) | | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Table 7 continued horizontally. Percentage distribution of commercial fishing production functions by expenditure categories

| Expenditure categories (column list repeated from above) | Migratory netter | Shrimper | Crabber | Salmon troller | Salmon netter | Other netter | Lobster | Diver | Other >15,000 | Other <15,000 |
|--|------------------|--------------|--------------|----------------|---------------|--------------|--------------|--------------|---------------|---------------|
| Captain | 16.6 | 20.8 | 21.4 | 7.5 | 19.0 | 16.6 | 16.6 | 16.6 | 16.6 | 17.9 |
| Crew | 18.1 | 17.7 | 21.6 | 17.2 | 8.2 | 18.1 | 18.1 | 18.1 | 18.1 | 13.3 |
| Fuel, lubricants | 8.3 | 2.3 | 6.9 | 9.9 | 1.4 | 8.3 | 8.3 | 8.3 | 8.3 | 17.6 |
| Food, crew provisions | 1.2 | 13.4 | 1.1 | 3.0 | 4.3 | 1.2 | 1.2 | 1.2 | 1.2 | 3.6 |
| Ice | 0.7 | 1.2 | 0.4 | 0.3 | 0.0 | 0.7 | 0.7 | 0.7 | 0.7 | 1.0 |
| Bait | 2.8 | 2.2 | 4.4 | 0.2 | 0.0 | 2.8 | 2.8 | 2.8 | 2.8 | 2.7 |
| Repair and maintenance: vessel, gear, and equipment | 10.4 | 7.5 | 11.3 | 15.6 | 17.7 | 10.4 | 10.4 | 10.4 | 10.4 | 27.0 |
| Insurance | 3.6 | 4.4 | 4.2 | 5.0 | 2.2 | 3.6 | 3.6 | 3.6 | 3.6 | 4.7 |
| Interest and financial services | 1.1 | 0.0 | 1.0 | 3.1 | 0.0 | 1.1 | 1.1 | 1.1 | 1.1 | 0.6 |
| Purchases of permits | 0.9 | 0.0 | 1.2 | 3.2 | 0.2 | 0.9 | 0.9 | 0.9 | 0.9 | 5.9 |
| Leasing of permits | 0.5 | 0.0 | 0.4 | 0.3 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.3 |
| Moorage | 1.2 | 3.0 | 1.2 | 3.2 | 0.8 | 1.2 | 1.2 | 1.2 | 1.2 | 8.4 |
| Landings taxes | 1.1 | 1.2 | 0.1 | 0.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 0.0 |
| Enforcement | 0.4 | 0.3 | 0.1 | 0.3 | 0.0 | 0.4 | 0.4 | 0.4 | 0.4 | 0.7 |
| Dues | 0.3 | 0.2 | 0.2 | 0.8 | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 0.8 |
| Freight Supplies | 0.1 | 0.4 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Offloading | 0.2 | 0.5 | 0.4 | 0.0 | 0.5 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 |
| Trucking | 0.2 | 0.0 | 0.2 | 0.6 | 1.7 | 0.2 | 0.2 | 0.2 | 0.2 | 1.1 |
| Other miscellaneous | 4.7 | 0.4 | 8.2 | 10.7 | 3.3 | 4.7 | 4.7 | 4.7 | 4.7 | 6.5 |
| Proprietary income | 27.5 | 24.4 | 15.6 | 19.1 | 38.9 | 27.5 | 27.5 | 27.5 | 27.5 | -12.1 |
| Total (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Percentages not shown due to confidentiality restrictions