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PFMC



May 7, 1999

To: Groundfish Trawl Limited Entry Permit Holders

From: Peter Leipzig, Executive Director

Re: Trawl Permit Buy-back

For the past couple of years, trawl industry representatives have been working toward the creation of a trawl permit buy-back program. The National Marine Fisheries Service recently published the proposed rules that would govern buy-back programs around the country. These rules are not yet final.

However before proceeding further, the Fisheries Service has asked for an indication that support for a buy-back program does exist within the Limited Entry trawl fleet. At the April meeting of the Pacific Fishery Management Council, I was asked if I would conduct a survey of all permit holders to determine the level of support. I agreed to undertake this project and this is the purpose of my letter.

I have enclosed a Statement and a Questionnaire along with a self-addressed return envelope. Each questionnaire has been given a unique number for the purpose of monitoring the returns. Your response will remain confidential and will not be released. The only public release of any information in this questionnaire will be in summary form, which will state the results of the survey.

Please take a moment and complete this questionnaire. The deadline for response is June 1, 1999.

If you have questions or concerns please feel free to give me a call.

BUY-BACK QUESTIONNAIRE

(NOTE: This is only a survey to gain a sense of interest in moving forward with a buyback program for groundfish trawl permits. This is not a ballot for casting votes on the issue. This is not a solicitation for bids to buy trawl permits. None of your answers are binding upon you in the future.)

Changes in the Magnuson Act in 1996 provide the authority to establish Federally governed fishing industry funded buy-back programs. The Federal Government would lend the fishing industry the money to purchase permits/vessels from willing sellers. The remaining participants in the fishery would be required to repay the loan. This would be done by imposing a fee that may not exceed 5% of the exvessel value of the fish sold, on the remaining fishermen. The life of the loan would be 20 years. Before this could occur, all permit holders would have an opportunity to approve the buy-back program in a referendum. The referendum would pass only if two-thirds of the votes were in favor of the buy-back program.

Industry representatives, working with the Pacific Fishery Management Council (PFMC) have developed a business plan for a Groundfish Trawl Permit Buy-back Program. An important feature to the business plan is that the groundfish species are allocated between user groups. This way, the relative amount of fish that the trawl fishery harvested in the past would be available to the remaining participants in the future. In other words the trawl slice of the pie would remain the same size but there would be fewer people sharing it. The Council is currently considering these allocations.

Preliminary analysis indicates that there would be a positive economic benefit to the remaining participants in the fishery if the buy-back were to occur. However, this analysis was based on educated guesses on which permit-holders would submit bids, and for how much. Clearly, if the cost of repaying the loan is greater than the economic return of having fewer fishermen, the buy-back program makes little sense. However, if the value of the fish made available to the remaining participants is greater than the repayment cost, a buy-back program may make good business sense.

For this reason, the regulations governing buy-back programs require that bids for the sale of permits occur prior to the referendum being held. This way permit holder's will know in advance what the value of the catch had been for the vessels that would be selling their permits if the referendum passes. Until bids are received it is impossible to know in advance exactly how much fish the boats that will be leaving the fishery caught.

Given the above:

- 1a If the Buy-back referendum were held today, and the benefits to the remaining participants were greater than the cost of repaying the loan, would you likely vote yes in favor of the buy-back? Yes _____ No _____

1b If yes, if the Council decided that allocations weren't necessary to a buyback program, would you still vote in favor of the buyback program? Yes ___ No ___

2a When the bids are being submitted, would you likely be submitting a bid to sell your permit? Yes _____ No _____

2b If so, how much would you likely sell your permit for? (Total cost, not dollars per point) \$ _____

2c If you intended to submit a bid to sell your permit in the buyback program, do you intend to use your vessel to continue fishing in other fisheries?
Yes ___ no ___

If yes, which fisheries would you continue in?

Pink Shrimp	_____
Dungeness Crab	_____
Albacore	_____
Prawns	_____
Swordfish	_____
Others	_____

2d If you intended to submit a bid to sell your permit in the buyback program, do you intend to use your vessel to start fishing in new fisheries?
Yes ___ no ___

If yes, which fisheries would you start operations in?

Pink Shrimp	_____
Dungeness Crab	_____
Albacore	_____
Prawns	_____
Swordfish	_____
Others	_____

3a If Individual Transferable Quota's (ITQ's) were allowed, do you support development of ITQ's for the groundfish fishery? Yes _____ No _____

3b If yes, do you think a buy-back program is necessary? Yes _____ No _____

Comments: _____
