



Pacific Fishery Management Council

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Philip Anderson, Chair | Charles A. Tracy, Executive Director

Council Staff Draft Letter Responding to Rep. Schrader Request on Appropriation for the Buyback Loan

September 8, 2018

The Honorable Kurt Schrader
2431 Rayburn House Office Bldg.
Washington, DC 20515

Dear Congressman Schrader:

Thank you for your request for comment regarding the debt accrued in the Pacific Coast groundfish fishery trawl buyback account and your desire to introduce an appropriation of \$10 million to reduce the outstanding loan amount.

As you know, after the Secretary of Commerce declared the West Coast groundfish fishery an economic disaster in 2000, Congress authorized a \$46 million buyout to retire one-third of the fishing fleet to reduce overcapacity. Approximately \$36 million was provided in the form of a Federal loan that the remaining fishing vessels agreed to repay over a 30-year term.

Due to delays by National Marine Fisheries Service (NMFS) in promulgating repayment regulations, over \$4 million in interest accrued before repayment even started. That interest has grown over time, and today the industry owes at least \$10 million more than it would if repayment had started immediately, as intended.

As of August 7, 2018, the groundfish trawl fleet had paid back \$34 million towards the loan—\$6 million more than that sector's initial portion. Despite this, they still owe more than \$22 million. This has been a considerable and unjust hardship for the members of the Pacific groundfish trawl fishery; yet it is not a situation that either the Pacific Fishery Management Council or fishermen can address.

The REFI Act—which would have refinanced the loan and lowered the burden on the trawl fleet—was signed into law in 2014, but was never implemented. It is likely that some groundfish fishery participants have gone out of business due to the unintended burden of the buyback loan and failure to enact REFI.

The costs of participating in the groundfish trawl fishery now include loan payments from the existing Federally-granted loan (currently 4.5 percent of gross revenues), cost recovery fee payments to NMFS for the trawl catch share program (three percent of gross sales when fish are landed), and the cost of mandatory observers that are required to guarantee conservation performance. Of 165 trawl permits, about 125 use human observers, which can cost \$10,000-\$50,000 annually per vessel. The remaining 40 use electronic monitoring, which also incurs a significant cost.

An appropriation of \$10 million to reduce the outstanding loan amount would represent a great relief to trawl permit owners, providing needed assistance and helping the trawl industry achieve economic stability. The reduction in interest would put the loan back on a financial track that was originally envisioned when the buyback program was implemented.

We strongly support and very much appreciate your efforts in this matter.

Sincerely,

Charles A. Tracy
Executive Director

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Cc: