

Red Snapper Talking Points

I **Eliminate the Entitlement / Ownership aspect of the Individual Fishing Quota (IFQ) in the National Marine Fisheries Management Program**

Current practices describe the individual fisherman in the commercial sector as a “share holder”. Re-stated each fisherman “owns or is entitled” to their individual number of pounds (IFQ) out of the 51% of the Total Allowable Catch (TAC). In the beginning, IFQ’s were based on each fisherman’s historic catch volumes. As the stocks have rebounded, IFQ’s have been increasing. As we push through the 10,000,000 pound Total Allowable Catch (TAC) figure, the 51% allocated to the commercial sector has created a surplus of un-harvested fish within that sector. These IFQ’s vary in size from one thousand pounds to in excess of a hundred thousand pounds of Red Snapper.

This situation has created two serious problems.

1. Entitlement / Ownership

The term “entitlement” is used far too often these days, however it truly describes the situation that the Department of Commerce and the National Marine Fisheries has perpetrated against the general sport fishing public in favor of a hand full of politically connected and well organized individuals. In the Gulf of Mexico from Brownsville, Texas to Key West, Florida the entire number of commercial fishing operations is fewer than 400, we will use the number of 350 for discussion purpose. As stated above these 350 entities control 51% of the TAC. When I say control, I mean “OWN” that volume of pounds of Red Snapper. As a businessman that believes that hard work, discipline and a little good luck along the way defines the pathway to success, everything about this program and its management screams fraud and negligence.

As the fishery continues to rebound and the surplus in the allocation continues to grow, NMFS either knowingly or unintentionally has created a commodity atmosphere by allowing these share holders to buy, sell or rent the surplus IFQ’s. This commodity has created a tax free balance sheet asset for these entities. Let me clarify the situation, The Federal Government, to the detriment of the sport fishing industry, has seized a public resource, redistributed that same resource in the form of an entitlement, on a very preferential and biased basis to a hand full of recipient and in so doing has created a tax free wind fall for the recipient of that entitlement.

Question: How is this any different than giving Yellowstone National Park to a hand full of developer types to construct improvements for resale on a tax free basis, in the name of conservation?

2. Not only is this entitlement corrupt, if not illegal, the Department of Commerce has created a Federally sponsored monopoly. With a moratorium on new permits and licenses to commercial fish, this marketplace and competition is restricted to those 350 current share holders. More accurately, roughly the 20 entities that currently own over 70% of the sectors IFQ. As the surplus continues to grow in the sector the trap is sprung. Many of the fishermen that originally

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received their IFQ's based on their historical landings have not wet a line in years. The sector quickly sorted the players from the want-to-bees. With the realization that as share holders they may or may not own that 10,000 pounds IFQ of the public's resource and with considerations such as when will someone figure out this scam, bad health, poor equipment condition or just a desire to take the money and run, the selling began. Sales transactions at a price of \$100 or more per pound for this public resource created the basis for the valuation of this tax free asset. At the same time shares were being bought up, the clever operators realized they had acquired more shares than they could catch and with no restriction on the use of the shares they were in a position to rent shares to people that had less or no IFQ. As always when there is free money on the table the best of people comes out and before you know it these operators have determined they could make more money by leasing their entire IFQ for \$3.50 per pound rather than under taking the expense of boat repairs, bait, ice or fuel to catch and sell these fish for \$5.00 pre pound. Currently these operators are pressing hard to continue to control the lion's share of the allocation and by doing so controlling the surplus. By controlling the surplus allocation they are positioning themselves as the gatekeeper to this marketplace for fisherman that are hungry and willing to rent the surplus quota and pay the expenses to actually catch the fish.

II Re-establish the Recreational Sector as the economic engine driven by Sport Fishing

1. Sport fishing Industry in the five states that form the Gulf Coast is a large and intertwined group of businesses and services. From fishing boats "for- hire" to marinas, restaurants, hotels, tackle manufacturing to homes sales to boat builders, all are impacted by the sport fishing here on the Gulf Coast. The numbers of participants involved in this industry called sport fishing can easily be established. With the help of the Coastal Conservation Assoc. and a quick analysis of Saltwater fishing licenses purchased, broken out by state it looks similar to this:

Texas	100,000+
Louisiana	100,000+
Mississippi	50,000
Alabama	50,000+
Florida	100,000 + (half on the Gulf of Mexico)
Approx.	400,000

This number doesn't include "out of state" licenses or "day trip" sales. This number doesn't include the licenses and permits acquired by the "for-hire" operators either. The combined

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number is probably closer to 500,000, but for our calculations we will use the number 450,000 licensed share holders in this public resource called the Gulf of Mexico Fishery.

In the June 2013 NMFS council meeting in Pensacola, FL. a great deal of conversation took place about the implication of the new economic impact study and how this would affect the long standing 51-49 split. Clearly, the significance of the sport fishing economic engine had been previously misinterpreted. Many people believe that the momentum for re-allocation, initiated by this new economic study, provoked the law suit brought by the 350 fishermen (excuse me the 20 commercial fishermen that own over 70% of the IFQ) that constitute the commercial sector, in a preemptive fashion. Interestingly, when the judge ruled on behalf of the commercial sector and found that the NMFS had been negligent in their management and oversight of the fishery, reallocation was specifically denied as an instrument to help create balance in the fishery.

Given a little background, some firsthand experience and a pinch of common sense, one cannot help but conclude that a tremendous amount of time, money and talent is being spent to benefit a very small number of interested individuals in this fishery.. We have created an upside down pyramid, where the enormous weight and financial strength of the federal government is bearing down to the detriment of many and the benefit of very few. Commercial fishermen have a right to catch fish, sell their product and make a living for themselves and their dependants, however with 350 entities in the commercial sector and 450,000 sport fishermen in the recreational sector, the question must be asked, is it correct, fair or moral that .077 of one percent of the interested individuals in the Gulf of Mexico Fishery should be entitled to 51% of the TAC.

2. Another way to look at this picture is by revenue generated or a pure dollars and cents developed by the two sectors. This is just one scenario and the economic study that launched the law suit is available for research still.

Assumptions:

- All commercial sector produced red snapper is sold to high end Restaurants
- 11,000,000 Lbs. TAC with 51-49 split
- Commercial allocation 5,610,000 Lbs.
- May 5, 2014 Wholesale price list indicates two products Whole fish \$6.75/# Fillet \$16.45/#
- Price to producer varies between \$4.00 and \$5.00 per pound
- Estimate wholesale to retail product split 50% whole fish, 50% fillets
- Saltwater license holders 450,000 TX., LA., MS., AL., FL.
- 350 entities engaged in commercial fishing constitute the commercial sector in the Gulf of Mexico

Whole fish calculation $2,805,000 \times \$6.75 = \$18,933,750$

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Fillets only Calculation $2,805,000 \times \$16.45 = \$46,142,250$

Total Revenue from the Wholesale to retail level \$65,100,000

Revenue at the boat or producer level \$22,000,000 to \$28,000,000

So, depending on whether you want to look at the revenue from the producer level or the wholesale level you are comparing either \$28,000,000 or \$60,000,000 to the revenue generated by the sport fishing matrix of businesses. At the wholesale level, if each saltwater licensee spends \$145.00 a year, the sport fishing / recreational sector would generate higher revenues than the wholesale effort. At the producer level, the revenue produced directly by the 350 entities that control 51% of the TAC, the saltwater license holder would need to spend \$63.00 a year sport fishing to exceed the revenue generated by the commercial sector producers. To bring this into perspective the current price of fuel at most marinas is \$4.50 per gallon. The purchase of thirty three gallons of fuel by each saltwater license holder during the 12 month period will exceed the annual revenue generated by either of the commercial sector comparisons. No bait, ice, beer, food, no new fishing poles for the trip, no overnight stay at the hotel or meal when you get back to the dock, no boat maintenance or slip rental for the boat, just fuel!

Simply put, the economic impact of the entire commercial fish industry in the Gulf of Mexico is the equivalent to each saltwater license holder buying somewhere between 15 and 33 gallons of gas in a year.

III Local / Regional Management and Oversight

In order for the sport fishing matrix of businesses to survive there must be some consistency and continuity in the fishery. Business owners must be able forecast and plan for headcount requirements, inventory levels and peak season durations. Obviously, this information is critical for financial and investment analysis. After 20+ years of what has recently been adjudicated to be “mismanagement and negligent oversight” by the National Marine Fisheries, the red snapper stocks continue to explode in both size and number. Here in Alabama, in order for tourism and sport fishing to flourish it is imperative that we take control of our coastal water, our reef fish management as well as the migratory and pelagic species that thrive in our waters.

To assure that our traditions and our coastal life style continues, we must promote a new state waters limit more in tune with our conservation goals. Our new state waters should extend to at least 20 fathoms of water or to a limit that includes both the near shore and off shore reef zones. In order to meet these goals and to effectively manage our own resources with our qualified state biologist, using the accurate data that we as sport fisherman provide, we must redesign the way we collect license fees.

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We will use these fees to hire and support the officers we need to ensure that licenses are purchased, limits and seasons are adhered to and that other fishermen respect the boundaries of our state waters. The fees will be used to hire analyst that will work with our biologist to develop the most cutting edge fishery management practices in the country. We will count ALL fish in our water not just the fish that are located on natural bottom. We recognize that habitat creates a fishery. We acknowledge that the retired school busses and surplus army tanks as well as abandoned oil rigs and sunken ships all look like natural bottom to a reef fish and as such is a great place to live.

With the new fee structure a fishing license will look more like a hunting license than the traditional fishing license. Saltwater Management Areas, Management Information Fees, Species Stamps, perhaps even Federal stamps like tuna permits or even ultra deep water zones for sword fish or marlin could become broken down for individual charges. Allowing for each type of fisherman to target what they want to catch and pay for the use of the resource they have chosen, rather than the all encompassing State of Alabama Saltwater Fishing License, State resident \$22.40 please. The new license would look something like this:

Annual Resident State Fishing License

Basic Fishing	8.00
Saltwater Basic	7.00 (to include Trout Croakers Drum Flounders Tripletail)
Near Shore Reef Area	5.00 (to include Blue fish Mackerel Cobia Pompano)
Off Shore Reef Area	20.00 (to include Snapper Grouper Trigger fish)
Amberjack Stamp	15.00
Ultra Deep Zone	5.00
Tuna Dolphin Wahoo	15.00
MIS FEE	4.50
Total License Charge	79.50

Just for conversation, this approach is personalized for each individual fisherman. This approach eliminates the tag purchase challenges. Most important this format represents a fair fee, in line with what the other states are receiving and broken down in a similar, consistent fashion. The fees are higher, however at this funding rate we will accomplish our independence, we will gain management of the resource with the funding to sustain the effort and create a program to be replicated by others.