



January 18, 2013

**Testimony of the Southeastern Fisheries Association concerning
the reallocation of Gulf of Mexico red snapper**

Southeastern Fisheries Association Inc. (SFA) is a 501 c 6 non-profit fisheries trade association founded in 1952 in Jacksonville, Florida. The association has over 350 companies and hundreds of fishermen associated with its organization as well as several other trade associations who participate under the SFA umbrella. SFA has active members in every fishery in the southeast and in every sector from harvesters, dockside facilities, processors, distributors and retailers. SFA's purpose is to preserve the fishing industry and its culture in a legal and ethical manner.

SFA proudly acknowledges every commercial fish harvested in Florida and most other Gulf States is required to be recorded on some type of a Trip Ticket showing species, date and location of catch, type of gear and other data points used to manage commercial fishermen. In addition to trip ticket requirements, all wholesale seafood dealers keep federal records showing who they bought the fish from and who they sold it to. It's called "one step forward and one step back" and was implemented under the 2001 Congressional Anti-terrorism Act in order to trace the food supply in the United States. When economists analyze data required from the commercial fishing sector they are using accurate, contemporaneous records to validate how many fish were caught, what they are worth at the dock and throughout the chain of distribution. The trip tickets and other required federal reports are not manipulated. These required records accurately describe the transactions of the harvesting and first receiver sectors of the seafood industry.

Conversely, there are not adequate or contemporaneous catch records for anglers. We are informed a new NOAA system to estimate angler caught fish might improve their database, but we do not believe it will provide adequate empirical data necessary to manage red snapper.

SFA recognizes efforts to reallocate Gulf of Mexico red snapper from the non-boating public, including young, old, male and female consumers who desire heart-healthy local fish and gift them to sport fishermen. Some might view a recent red snapper economic report by NOAA Southeast Science Center as justification for the Gulf Council to take red snapper from accountable fishermen and gift them to unaccountable fishermen. Such a biased, purely political action would be a disservice to fishermen, their communities, consumers and to the nation.

In the second sentence of the Abstract on page one of the Southeast Fisheries Science Center's report entitled, "*Is the 2012 allocation of red snapper in the Gulf of Mexico economically efficient?*" NOAA's Juan J. Agar and David W. Carter clearly write,

“THE MAGNITUDE OF THE REALLOCATION AND THE EXTENT TO WHICH NATIONAL ECONOMIC BENEFITS CAN BE INCREASED CAN ONLY BE CONFIDENTLY DETERMINED WITH ADDITIONAL RESEARCH, IMPROVEMENTS IN THE QUALITY OF EXISTING DATA COLLECTIONS AND NEW DATA COLLECTIONS.”
(emphasis added)

The authors honestly and clearly acknowledge that lack of additional data makes their Southeast Science Center report less than robust. One thing missing in the Science Center’s report is a discussion on how the questions were posed and recorded for their survey instrument. But even if that information becomes available; there is no way to validate the extent to which national benefits can be determined as affirmed by the authors on page one of Abstract of the report.

SFA hopes NOAA’s policy-makers in Washington, D.C. ask, “Why did the Southeast Science Center report only use dockside value for seafood when we all know the economic impact to the nation reaches its highest level when that seafood is sold several times increasing the value at every stage of the processing and distribution channels?” SFA asks, “What is the true economic value of Gulf of Mexico red snapper from the boat to the throat?”

Any Gulf of Mexico red snapper economic report that compares dockside value of commercially harvested red snapper with every penny an angler spends to catch a red snapper is fatally flawed. There may be economic models that do not use the value of commercial seafood all the way to the consumer, but all models pertaining to fish management must use the commercial value at least through the processing sector, which is still below final value. Using only dockside value to determine the total value of the Gulf of Mexico red snapper commercial fishing industry is disingenuous.

The Southeast Fisheries Science Center used the “willingness to pay (WTP)” methodology for analysis of the Gulf of Mexico red snapper resource. The WTP methodology has some economic basis except for the fact that economic researchers have never discovered how to separate fishing trips from fish caught or how to ensure that respondents are giving honest answers. There is no paper trail for anglers to compare with the paper trail of commercial red snapper harvest. It seems impossible to survey anglers and get a believable answer to the question, “How much are you willing to pay to catch a red snapper?”

A major issue that merits extensive discussion is matching "**ability to pay**" with "**willingness to pay**." WTP methods have been used to ask people about willingness to pay for something they don't plan to use - like a wilderness in Alaska or Fort Jefferson National Park. A big number would evolve if the researcher extrapolated to the entire population - even foreign tourists can provide numbers that get large in aggregate.

WTP methodology, to us, is like a puff of smoke. If people are asked what they would be willing to pay above current costs for another trip, they will reply with a number from zero to something positive. If the folks being surveyed figured out what was going on, the successive answers would probably get smaller.

Fishery economists should ask anglers, "How many red snapper need to be reserved for sport fishing in the Gulf of Mexico to keep you interested in the possibility of catching some?" Suppose that number is five million pounds. That amount is attainable within the near future. NOAA recognizes the red snapper stock is not overfished based on an updated reef fish stock benchmark analysis which should increase the quota. The increased in quota that the Council's Scientific and Statistical Committee allows, must be allocated on an equitable basis to the anglers, charter/party boat fishermen and the commercial sector who provides seafood to people who enjoy eating red snapper even if they have no desire or opportunity to catch one. Every increase in the total allowable catch provides significant economic benefits to the region and the nation.

Willingness to pay - should **not** be an acceptable methodology for gathering data, because it's subjective and not backed up by objective data. The key thing to focus on is how much spending related to sport fishing goes into worker's pockets, not the total amount of economic activity (because much of it can be passing through).

For instance, retail spending is a key sector related to sport fishing. One of the members of SFA's Economic Report Evaluation Committee using 2009 data estimated it takes roughly \$180,000 in retail spending to generate about \$28,000 worth of labor income for retail workers. Yet \$180,000 worth of commercial seafood (in ex-vessel terms) would result in roughly four times more labor income for somebody (fisherman, support sector, etc.) As the fish are sold to processors, distributors, retailers/restaurants and finally to consumers, there is much more value and labor income added. Is this aspect adequately addressed by the NOAA's Gulf of Mexico red snapper economic model? Is there a web site to review this element that SFA feels is critical in determining real value to the economy of the Gulf States?

There are three primary ways to increase the economic activity of a region.

1. Develop/exploit more regional resources.
2. Bring in more money from outside the region (i.e. export more),
3. Increase the multiplier of spending occurring within the region.

Selling fish outside the Gulf of Mexico region is an export which brings in new money. That is how commercial fishing brings in new money. Likewise, a nonresident coming to fish in the sport fishery is similar to an export in that it brings new money into the region. A lot of nonresidents come to the Gulf of Mexico, but how many come specifically to fish offshore? How does the Science Center's report deal with this?

Any assumption regarding a nonresident's intent for coming to the Gulf of Mexico is absolutely crucial. Would the person have still come if not for the fishing? Some come only for the fishing, but we believe most do it as part of a larger itinerary. If researchers make the assumption that most sportsmen come only to fish, and then they use all the travel/lodging/food expenses from their entire visit it greatly inflates the sport fishing expenditures. This leads to a much larger value per pound for sport-caught fish than can be quantified or justified.

Another key assumption is the purchase of a boat. Would that boat have been purchased if there were less fish or less of one particular species? Researchers could address that question by reviewing historical boat registration data from the Gulf States.

They could analyze the total number of sport boats categorized as “offshore sport fishing boats” and then compare that with historical sport fish harvest volume. We believe the number of boats is considerably higher over the past twenty year period, while the harvest volume per boat has gone down dramatically.

If the harvest of red snapper per boat is down while at the same time the number of sport fishing boats has increased: it calls into question the assumption that allocating more red snapper to sport fishermen would generate more boat sales. Sales of big ticket items like boats are important economic drivers, but the assumption that more red snapper for sport fishermen would result in more boat sales needs to be proved with quantifiable scientific data. Many other factors affect boat sales, such as average disposable income, mooring/storage costs, inventory and demographics.

There is a large amount of “leakage” associated with many sport fishing expenditures. It takes a lot of retail sales to generate one job, and the majority of the sport fishing sales likely comes from products imported from outside the region and from foreign nations. SFA suggests researchers investigate assumptions related to key support sectors (i.e. retail, lodging and travel) in economic models that estimate the sport fishing value per pound.

Researchers should investigate the nature of sport expenditures, and make adjustments that account for the magnitude of impact generated by spending assumptions they use in their models. Think about how the money is spent by sport fishermen versus commercial fishermen. What are the differences in terms of how much of the economic activity generated is retained by Gulf of Mexico residents and how much of the spending is “passing through” on previously purchased imported equipment.

One very important fact hardly ever discussed is that the commercial fleet must have a basic harvest volume to exist. There has to be a balance. More red snapper gifted to the sportfishing sector doesn’t mean a proportional increase in jobs. Any allocation decision must weigh the expected additional benefit to industries that benefit from the sport fishing sector that would occur with greater access to red snapper against the possible loss of the commercial red snapper fleet and all the sectors which depend upon it (if allocations are set below the breakeven point for the commercial fleet).

Any economic assessment of the commercial fishing industry should use the value of red snapper through the processing, distribution sector at the very least and preferably through the retail sector. There is significant economic merit in measuring the total retail value of an all American supply chain. This aspect relates to the third method of economic development stated previously: generating economic activity by increasing the economic multiplier. When U.S. consumers buy red snapper harvested from the Gulf of Mexico (instead of imported fish), they increase the economic multiplier. The commercial fishing sector’s economic impact is much larger than the ex-vessel value being used in the Science Center’s Report.

We must preserve and protect the commercial allocation of red snapper for the sake of the fleet and the net economic benefit to the nation.

There is an argument that it's easier to switch species as a sport fisherman than as a commercial fisherman. The costs involved in switching commercial fisheries are significant and access to other fisheries is often limited or not allowed because participation has been capped.

SFA believes economic models currently used are unable to arrive at a reliable assessment of the commercial fishing industry. This is because NOAA researchers are unable or unwilling to allow a price tag on many important aspects of commercial fishing such as cultural and traditional values, which together, affect and influence America's society as much or more than the sport fishing industry.

Imagine that tomorrow all commercial fishing in a given area is stopped. The nation loses the local fish supply to the retail market, fish shops, supermarkets, restaurants, etc. Consumers would have to buy more imported seafood. Such an action creates almost unsolvable social problems with unemployed fishermen – good people who don't render easily to shift to other trades, their families, communities, and many other negative occurrences. And what about all the infrastructure serving commercial fisheries: boat-building and repair, production and marketing of fishing gear, mechanical, electronic, and electric equipment, and more...? Lot of losses (costs) to the society. How many \$\$\$? Plenty.

Imagine that tomorrow all recreational fishing in a given area is stopped? We'll see a lot of angry and frustrated sport fishermen. Most people seeking recreational occupations could move to other water related businesses, but not without great angst and family disruptions. The individual sport fishermen, instead of spending money on fishing tackle and bait might spend it on underwater cameras, binoculars, and plenty of other equipment. They will still be headed to the seashore and all outdoors, staying at hotels and motels, finding other sport-type entertainment, and, as before, spend the money they can afford for recreation. No great loss to the society's purse, just a great loss to the honest businesses who currently serve sport fishing.

The two scenarios show aspects of red snapper reallocation that are easy to overlook or sweep under the table when NOAA and any fishery management council tries to solve complex socio-economic problems with bookkeeper's arithmetic.

SFA opposes both scenarios, but presents them as a hypothetical comparison.

SFA and most citizens believe the Gulf of Mexico red snapper resource belongs to nation, not to any sector that seeks all the red snapper for themselves. The allocation between user groups must be fair and equitable as mandated under the Magnuson-Stevens Act and the United States Constitution.

Sport fishing is an important and major economic driver in the Gulf States, but so is the commercial seafood industry. Southeastern Fisheries Association and the entire commercial fishing industry request a thorough investigation and explanation of key assumptions, primary data, and methods used in the Science Center's economic analysis.

Additionally the commercial fishing industry requests the analysis of commercial fishing in the Gulf of Mexico as well as the South Atlantic Council's region be extended to include the dealers, processors, distributors and retailers who benefit from selling commercially caught red snapper. Less red snapper allocated to the commercial fishing industry has a direct negative impact on these basic economic sectors and the allied industries that support them.

Finally, the southeastern commercial fishing industry requests the council investigate the impact of past allocation decisions on both the sport and commercial fleet. The council must understand that reallocating more red snapper to the sport fleet could have a disproportionately large negative impact on the commercial fleet: whereas the additional benefit to the sport fleet is likely to be marginal so long as other sport fish species are available.

Like other assumptions briefly discussed in this testimony, the expectation that allocation decisions affect the sport and commercial fleet in the same manner needs to be quantified in much more detail.

Respectfully submitted,

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