

September 30, 2003

Dear Groundfish Referendum Voter:

I enclose a ballot for your vote in the Pacific Coast groundfish buyback referendum. Our records indicate that you're the holder or owner of record of the fishing permit specified on the enclosed ballot, and this qualifies you to one vote.

The referendum determines whether voters approve or disapprove the post-buyback landing fees necessary to repay a \$36 million buyback loan financing about 78% of the buyback's \$46 million maximum cost (a \$10 million appropriation pays for the remainder).

Please note carefully:

- *You may not submit your vote to us before October 15, 2003.*
- *For your vote to be effective, you must complete the enclosed ballot and return it to us in the enclosed envelope in time for us to receive it not later than October 29, 2003.*

You may return the completed ballot to us by U.S. mail, overnight delivery, or any other method you choose. Whatever method you choose, please put the ballot in the enclosed envelope.

If you have more than one permit qualifying you to vote, you'll receive an additional ballot for each additional permit. We'll *separately* mail you one ballot for each permit qualifying you to vote. You're qualified to vote once for each of your groundfish trawl permits and once again for each of your California, Oregon, or Washington Dungeness crab or pink shrimp permits. We'll weight each vote as the table in item number twelve below indicates.

For further details about the referendum and related matters, please see the letter I sent you on July 30, 2003.

The remainder of this letter concerns the buyback bidding results, which may effect how you want to vote. The following summarizes the bidding results:

(1) How many bids in what amount did we receive?

108 bids totaling \$59,786,471.

(2) How many bids in what amount may we accept?

We may accept the lowest scoring bids until accepting the next lowest scoring bid would cause the buyback to exceed its maximum \$46 million cost. Consequently, there are 92 acceptable bids for \$45,752,471.

(3) How many vessels do the acceptable bids cause to be permanently removed from all fishing?

92 vessels.

(4) How many fishing permits do the acceptable bids cause to be relinquished, how many are in the seven fee paying fisheries, and what percentage of the total existing permits is this?

240 permits will be relinquished. 213 of these permits involve the seven fisheries subject to repaying the buyback loan (the other 27 involved other Federal fisheries other). The 213 permits are distributed among the seven fisheries fee paying fisheries as follows:

FISHERY	PERMITS IN EACH FISHERY		
	NUMBER	NUMBER RELINQUISHED	PERCENTAGE OF TOTAL EXISTING
Groundfish ¹	263	92	34.98%
CA crab	632	23	3.64%
CA shrimp	77	31	40.26%
OR crab	443	10	2.26%
OR shrimp	185	40	21.62%
WA crab	232	3	1.29%
WA shrimp	109	14	12.84%
Total	1,941	213	-

¹ CA, OR, and WA trawl fishery, excluding whiting catcher/processors (which were unqualified to bid).

(5) During the four years from 1998 through 2001, what was the *average*, annual, ex-vessel value of fish landed in each of the seven fisheries by the 92 vessels and 213 permits in the acceptable bids, and what percentage of the total value in each fishery is this?

FISHERY	AVERAGE ANNUAL VALUE IN EACH FISHERY		
	VALUE REMOVED	FISHERY'S TOTAL VALUE	PERCENTAGE OF TOTAL VALUE REMOVED
Groundfish:			
• <i>Excluding</i> whiting	\$15,561,899	\$33,800,713	46.04%
• <i>Including</i> whiting	\$15,972,354	\$43,799,118	36.47%
CA crab	\$1,302,847	\$14,955,003	8.71%
CA shrimp	\$376,288	\$1,267,120	29.70%
OR crab	\$763,259	\$19,657,008	3.88%
OR shrimp	\$1,243,970	\$7,628,189	16.31%
WA crab	\$206,185	\$18,228,037	1.13%
WA shrimp	\$144,777	\$1,374,177	10.54%
Total	\$20,009,680	-	-

(6) *Prospectively*, what portion of a nearly \$36 million buyback loan would each of the seven fisheries repay, and what percentage of the projected post-buyback landing value in each fishery would the *initial* loan repayment fee be?

FISHERY	LOAN PORTION	LANDING FEE PERCENTAGE
Groundfish	\$28,538,743	5.00%
CA crab	\$2,327,872	1.28%
CA shrimp	\$672,336	4.35%
OR crab	\$1,363,760	0.57%
OR shrimp	\$2,222,675	2.39%
WA crab	\$368,403	0.17%
WA shrimp	\$258,682	1.54%
Total	\$35,752,471	-

(7) *All other things being equal*, what's the relationship in each of the seven fisheries between the annual loan repayment expense and the extra average ex-vessel landing value *potentially* available each year to post-buyback vessels in each fishery?

FISHERY	TOTAL ANNUAL EXPENSE OF REPAYING LOAN	EXTRA AVERAGE ANNUAL EX-VESSEL LANDING VALUE AVAILABLE TO POST-BUYBACK VESSELS	EXTRA LANDING VALUE PER EACH \$1.00 OF LOAN EXPENSE
Groundfish	\$2,340,853	\$15,972,354	\$6.82
CA crab	\$190,941	\$1,302,847	\$6.82
CA shrimp	\$55,147	\$376,288	\$6.82
OR crab	\$111,861	\$763,259	\$6.82
OR shrimp	\$182,312	\$1,243,970	\$6.82
WA crab	\$30,218	\$206,185	\$6.82
WA shrimp	\$21,218	\$144,777	\$6.82
Total	\$2,932,550	\$20,009,680	\$6.82

(8) What's the average effect for each post-buyback permit holder?

All other things being equal, the bidding results mean greater ex-vessel revenues for fewer post-buyback permit owners. Using the average annual ex-vessel landing value in each of the seven fisheries from 1998 through 2001, the following tables illustrate the buyback's potential effect in each of the fisheries:

	GROUND FISH		
	BEFORE BUYBACK	AFTER BUYBACK	NET DIFFERENCE
Number of permits	263	171	92 less
Average, annual, total ex-vessel gross revenue	\$43.8 million	\$43.8 million	none
Average per permit	\$166,536	\$256,135	\$89,599 more
Minus 5% Fee	-	\$12,807	\$12,807
Net average per permit	-	\$243,328	\$76,792 more

	CA CRAB		
	BEFORE BUYBACK	AFTER BUYBACK	NET DIFFERENCE
Number of permits	632	609	23 less
Average, annual, total ex-vessel gross revenue	\$15.0 million	\$15.0 million	none
Average per permit	\$23,663	\$24,556	\$893 more
Minus 1.28% Fee	-	\$314	\$314
Net average per permit	-	\$24,242	\$579 more

	CA SHRIMP		
	BEFORE BUYBACK	AFTER BUYBACK	NET DIFFERENCE
Number of permits	77	31	46 less
<i>Average, annual, total ex-vessel gross revenue</i>	\$1.27 million	\$1.27 million	none
<i>Average per permit</i>	\$16,456	\$27,546	\$11,090 more
Minus 4.35% Fee	-	\$1,198	\$1,198
<i>Net average per permit</i>	-	\$26,348	\$9,892 more

	OR CRAB		
	BEFORE BUYBACK	AFTER BUYBACK	NET DIFFERENCE
Number of permits	443	433	10 less
<i>Average, annual, total ex-vessel gross revenue</i>	\$19.7 million	\$19.7 million	none
<i>Average per permit</i>	\$44,372	\$45,397	\$1,025 more
Minus 0.57% Fee	-	\$259	\$259
<i>Net average per permit</i>	-	\$45,138	\$766 more

	OR SHRIMP		
	BEFORE BUYBAC K	AFTER BUYBAC K	NET DIFFERENCE
Number of permits	185	145	40 less
Average, annual, total ex-vessel gross revenue	\$7.6 million	\$7.6 million	none
Average per permit	\$41,234	\$52,608	\$11,374 more
Minus 2.39% Fee	-	\$1,257	\$1,257
Net average per permit	-	\$51,351	\$10,117 more

	WA CRAB		
	BEFORE BUYBAC K	AFTER BUYBAC K	NET DIFFERENCE
Number of permits	232	229	3 less
Average, annual, total ex-vessel gross revenue	\$18.2 million	\$18.2 million	none
Average per permit	\$78,569	\$79,598	\$1,029 more
Minus 0.17% Fee	-	\$135	\$135
Net average per permit	-	\$79,463	\$894 more

	WA SHRIMP		
	BEFORE BUYBACK	AFTER BUYBACK	NET DIFFERENCE
Number of permits	109	95	14 less
Average, annual, total ex-vessel gross revenue	\$1.38 million	\$1.38 million	none
Average per permit	\$12,607	\$14,465	\$1,858 more
Minus 1.54% Fee	-	\$223	\$223
Net average per permit	-	\$14,242	\$1,635 more

(9) What's the practical effect?

If (a) each \$1 spent on buyback loan repayment fees results in \$6.82 of extra gross operating revenue and (b) the operating cost of producing the extra revenue doesn't increase, the practical effect would be \$5.82 earned for each \$1 spent. The fixed operating costs (for example, debt service and insurance) should remain the same with or without the buyback. Consequently, any potential increase in operating costs needed to produce the extra gross revenue should be limited to variable operating costs, and the degree to which this may reduce the \$5.82 gain may vary among permit holders and fisheries.

(10) Will the buyback loan repayment fees be tax deductible?

We believe the landing fees each post-buyback harvester pays will be deductible as an expense of doing business, but this is an Internal Revenue Service determination.

(11) Will the fee rates decrease in the future?

The thirty-year buyback loan is a *fixed* principal amount at a *fixed* interest rate, and ex-vessel prices will presumably inflate over the next 30 years. *All other things being equal*, if ex-vessel prices inflate over time, the fee rates will become a smaller percentage of landing values.

(12) How will we weight votes from each of the seven fisheries?

FISHERY	TOTAL EX-VESSEL VALUE, DURING 4 YEARS FROM 1998-2001, OF CAPACITY WHICH BUYBACK REMOVES		
	EACH OF 7 FISHERIES (DIVIDEND)	DIVIDED BY ALL 7 FISHERIES (DIVISOR)	EQUALS WEIGHTING PERCENTAGE FOR EACH OF 7 FISHERIES
Groundfish	\$63,889,417	\$80,038,721	79.82%
CA crab	\$5,211,386	same	6.51%
CA shrimp	\$1,505,152	same	1.88%
OR crab	\$3,053,036	same	3.82%
OR shrimp	\$4,975,881	same	6.22%
WA crab	\$824,741	same	1.03%
WA shrimp	\$579,108	same	0.72%
Total	\$80,038,721	same	100.00%

This concludes the buyback bidding summary.

After October 29, 2003 (*the last day for our receipts of votes*), we will notify all bidders and voters of the referendum results and publish a reduction payment tender notice in the Federal Register as soon as we possibly can.

Please note the following two corrections to the table on page No. 5 of my July 30, 2003, letter about the referendum:

- In the second column's heading, "2003" should be "2001", and
- The table should have indicated that the ex-vessel values in the second and third columns are those of the accepted bidders' buyback vessels.

Please do not hesitate to contact us, at the following numbers and addresses, if you need further referendum or buyback information of any kind:

PERSON	NUMBERS/ADDRESS	
	TELEPHONE (301) 713-2390	E-MAIL ADDRESS
Mike Sturtevant	Extension 212	michael.a.sturtevant@noaa.gov
Shawn Barry	Extension 186	shawn.barry@noaa.gov
Mike Grable	Extension 185	michael.grable@noaa.gov

We look forward to receiving your referendum ballot not later than October 29, 2003.

Sincerely,

Michael L. Grable, Chief
Financial Services Division

ENCLOSURE (one ballot for one permit)