

# Memorandum

To: Curtis Thayer, Deputy Commissioner

Wynetta Ayers, Director Division of Economic Development

From : Duncan Fields

Shoreside Consulting

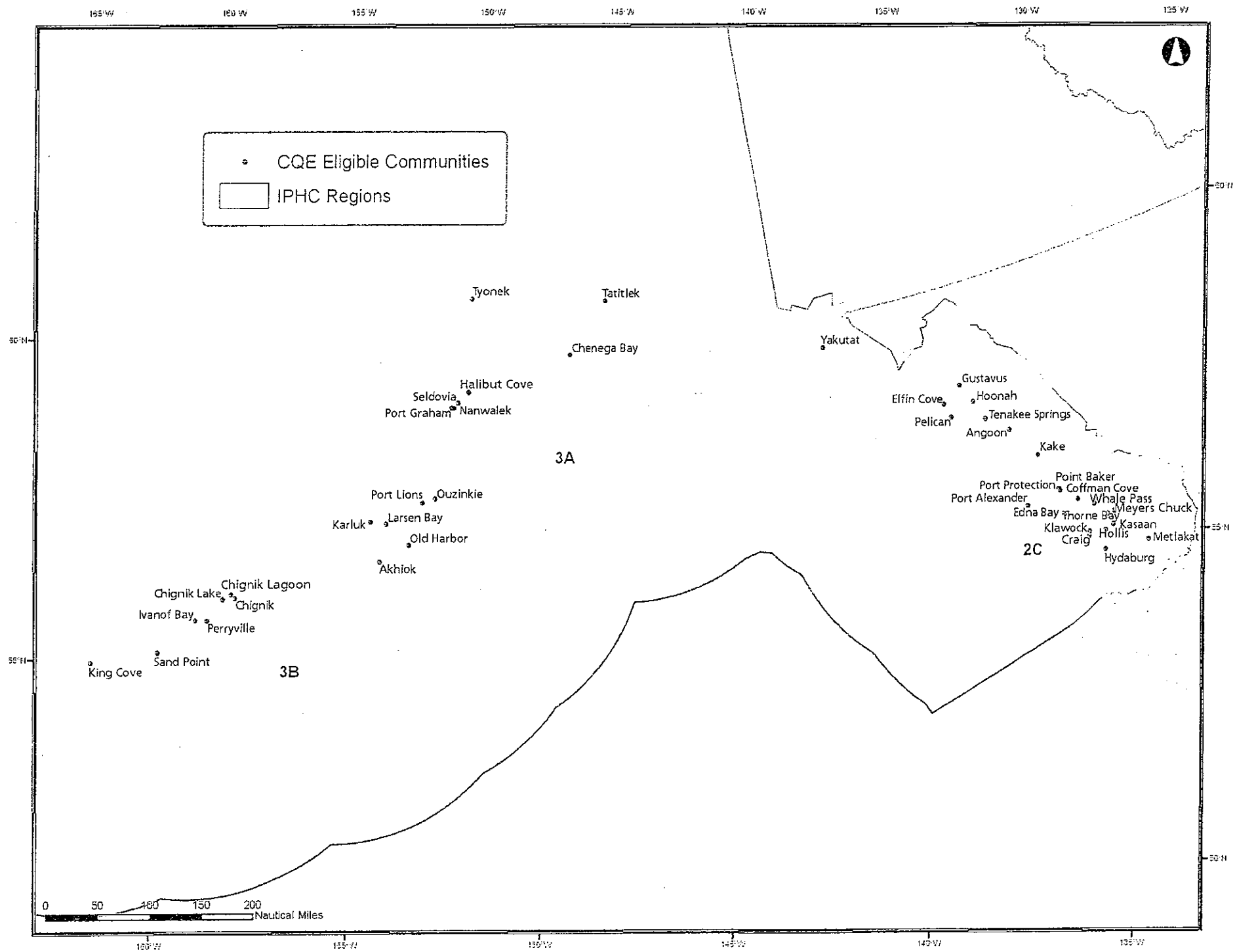
Date: February 17, 2011

**RE: Energizing the Community Quota Entity (CQE) Program**

In 2003 the North Pacific Fisheries Management Council recognized the need to increase fisheries access in smaller Gulf of Alaska fishery dependent communities -- those under 1,500 people and without road access. The Council understood that halibut and sablefish quota shares held in trust for community residents would have significant long term benefits. Consequently, the Council qualified 42 Gulf of Alaska communities to purchase and retain IFQ quota shares. Each qualified community needed to form a non-profit Community Quota Entity (CQE) for the acquisition and management of their quota.

About 15 communities have formed CQEs. However, the expected rural development benefits from the program have not been realized. The market costs of acquiring quota shares has increased significantly to about \$30.00 per pound for area 3A quota or a ratio of between 6 & 7 times the exvessel value. With the current State loan program, expected annual CQE returns from fishing quota share barely covers debt service and does not provide reserves for quota fluctuation. More importantly, current programs require 20% down or an 80% loan to value ratio. This type of down payment is simply beyond the capabilities of these smaller, economically depressed, Alaska communities. Competing purchasers are able to use income from other fisheries to finance their down payment and, if needed, meet debt service. However, CQE communities don't have "other" income.

The CQE community halibut and sablefish purchase program would "work" if these communities could obtain loans with a 5% down payment and lower interest loans that could be waived for a period of time to build up CQE reserves and for a term of 30 years. Remember, the purchased quota would remain in the community in perpetuity or, if sold, the loan\grant amount would be repaid. Consequently, the term of the loan is viewed differently by the CQE. This type of CQE quota share purchase loans will have significant long term economic benefits in these communities, benefits that could easily outlast other types of capital projects or State assisted Programs.



**Current Program  
20% down**

## HALIBUT "Q-Calc" - Community Based Entity Quota Calculator

Calculations are based on % of ex-vessel sales prices

### Quota Shares to Pounds Conversion

Quota Shares Purchased   
 QS:IFQ Ratio

Pound Equivalent

IPHC Region to be analyzed

Landed Price / Ex-vessel Sales Price \$\$ per pound

NMFS Management Fee %

Net Revenue per Quota Pounds Fished

### Community Quota Entity Input Field

Purchase cost of Quota per harvestable pound	\$ 30.00
Deferred interest and payments for # years	0
Down Payment on Quota Shares as X%	20.00%
Debt Svc / Financing Cost (Percentage/rate)	5.50%
Loan Amortization period (# years)	20
Total Annual Quota Debt Service / Financing Cost	\$65,132.77
Accumulated Deferred Financing	\$0.00
Administration costs (enter as % Revenue or \$,### Amt)	0.10
Projected Quota Harvest Decline (from Harvestdata worksheet)	

### Leasee (Fisherman) Quota revenue share

IFQ Holder Gross (all pounds fished)	\$ 89,187.26
Crew Share (all costs as a percentage of gross share)	10% \$ 26,756.18
Fuel	\$ 4,608.00
Provisions	\$ 1,440.00
Bait	\$ 7,500.00
<b>Net to Leasee / Fisherman w/boat</b>	<b>\$ 48,883.08</b>

### Community Quota Entity Share Returns

	%	
Community Quota Share (As a percent of landed/ex-vessel \$)	45%	\$ 72,971.40
Quota Leasee (Fisherman) Share	55%	\$ 89,187.26
<b>CQE Gross Quota Receipts</b>		<b>\$ 72,971.40</b>
Less:		
Community Quota Entity Admin/Overhead Cost		\$ 7,297.14
Total Annual Quota Debt Service / Financing Cost		\$ 65,132.77
<b>Community Quota Entity Net Profits</b>		<b>\$ 541.48</b>

### Assumptions for costs:

3 trips @ 10,000# per trip

Fuel: Each trip = 4 days @ 18 hours running, 4 gal for mains per hour, 1 gal for generator per hour at a cost of \$3.50 per gallon

Groceries: each trip = Crew of 4, 3 meals per day, 4 days per trip \$5.00 per per person per meal

Bait: 200# of halibut per scale = 50 scales per trip or 150 scales for @30,000#

20# bait per scale = 1,000# per trip x 3 trips = 3,000# @ a cost of \$2.50 per pound

# HALIBUT "Q-Calc" - Community Based Entity Quota Calculator

**No Deferred Interest**

Calculations are based on % of ex-vessel sales prices

## Quota Shares to Pounds Conversion

Quota Shares Purchased 300,000  
 QS:IFQ Ratio 9.2502

Pound Equivalent 32,432

IPHC Region to be analyzed 3A

Landed Price / Ex-vessel Sales Price \$\$ per pound \$ 5.00

NMFS Management Fee % 2%

Net Revenue per Quota Pounds Fished \$ 4.93

## Community Quota Entity Input Field

Purchase cost of Quota per harvestable pound	\$ 30.00
Deferred Interest and payments for # years	0
Down Payment on Quota Shares as X%	5.00%
Debt Svc / Financing Cost (Percentage/rate)	5.50%
Loan Amortization period (# years)	25
Total Annual Quota Debt Service / Financing Cost	\$68,906.29
Accumulated Deferred Financing	\$0.00
Administration costs (enter as % Revenue or \$,### Amt)	0.10
Projected Quota Harvest Decline (from Harvestdata worksheet)	

## Leasee (Fisherman) Quota revenue share

IFQ Holder Gross (all pounds fished)	\$ 89,187.26
Crew Share (all costs as a percentage of gross share)	10% \$ 26,756.18
Fuel	\$ 4,608.00
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<b>Net to Leasee / Fisherman w/boat</b>	<b>\$ 48,883.08</b>

## Community Quota Entity Share Returns

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Community Quota Share (As a percent of landed/ex-vessel \$)	45%	\$ 72,971.40
Quota Leasee (Fisherman) Share	55%	\$ 89,187.26
<b>CQE Gross Quota Receipts</b>		<b>\$ 72,971.40</b>
<b>Less:</b>		
Community Quota Entity Admin/Overhead Cost		\$ 7,297.14
Total Annual Quota Debt Service / Financing Cost		\$ 68,906.29
<b>Community Quota Entity Net Profits</b>		<b>\$ (3,232.03)</b>

## Assumptions for costs:

3 trips @ 10,000# per trip

Fuel: Each trip = 4 days @ 18 hours running, 4 gal for mains per hour, 1 gal for generator per hour at a cost of \$3.50 per gallon

Groceries: each trip = Crew of 4, 3 meals per day, 4 days per trip \$5.00 per person per meal

Bait: 200# of halibut per scate = 50 scates per trip or 150 scates for @30,000#

20# bait per scate = 1,000# per trip x 3 trips = 3,000# @ a cost of \$2.50 per pound

# **HALIBUT "Q-Calc" - Community Based Entity Quota Calculator**

**30 years**

Calculations are based on % of ex-vessel sales prices

## **Quota Shares to Pounds Conversion**

Quota Shares Purchased 300,000  
 QS:IFQ Ratio 9.2502

Pound Equivalent 32,432

IPHC Region to be analyzed 3A

Landed Price / Ex-vessel Sales Price \$\$ per pound \$ 5.00

NMFS Management Fee % 2%

Net Revenue per Quota Pounds Fished \$ 4.93

## **Community Quota Entity Input Field**

Purchase cost of Quota per harvestable pound \$ 30.00  
 Deferred Interest and payments for # years 0  
 Down Payment on Quota Shares as X% 5.00%  
 Debt Svc / Financing Cost (Percentage/rate) 5.50%  
 Loan Amortization period (# years) 30  
 Total Annual Quota Debt Service / Financing Cost \$63,597.12  
 Accumulated Deferred Financing \$0.00  
 Administration costs (enter as % Revenue or \$,### Amt) 0.10  
 Projected Quota Harvest Decline  
 (from Harvestdata worksheet)

## **Leasee (Fisherman) Quota revenue share**

IFQ Holder Gross (all pounds fished)	\$	89,187.26
Crew Share (all costs as a percentage of gross share)	10%	\$ 26,756.18
Fuel	\$	4,608.00
Provisions	\$	1,440.00
Bait	\$	7,500.00
<b>Net to Leasee / Fisherman w/boat</b>	<b>\$</b>	<b>48,883.08</b>

## **Community Quota Entity Share Returns**

	%	
Community Quota Share (As a percent of landed/ex-vessel \$)	45%	\$ 72,971.40
Quota Leasee (Fisherman) Share	55%	\$ 89,187.26
<b>CQE Gross Quota Receipts</b>		<b>\$ 72,971.40</b>
Less:		
Community Quota Entity Admin/Overhead Cost		\$ 7,297.14
Total Annual Quota Debt Service / Financing Cost		\$ 63,597.12
<b>Community Quota Entity Net Profits</b>		<b>\$ 2,077.14</b>

## **Assumptions for costs:**

3 trips @ 10,000# per trip

Fuel: Each trip = 4 days @ 18 hours running, 4 gal for mains per hour, 1 gal for generator per hour at a cost of \$3.50 per gallon

Groceries: each trip = Crew of 4, 3 meals per day, 4 days per trip \$5.00 per person per meal

Bait: 200# of halibut per scale = 50 scales per trip or 150 scales for @30,000#

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# **HALIBUT "Q-Calc" - Community Based Entity Quota Calculator**

Calculations are based on % of ex-vessel sales prices

*Prime plus 1%*

## **Quota Shares to Pounds Conversion**

Quota Shares Purchased	300,000
QS:IFQ Ratio	9.2502

Pound Equivalent	32,432
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IPHC Region to be analyzed	3A
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Landed Price / Ex-vessel Sales Price \$\$ per pound	\$ 5.00
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NMFS Management Fee %	2%
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Net Revenue per Quota Pounds Fished	\$ 4.93
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## **Community Quota Entity Input Field**

Purchase cost of Quota per harvestable pound	\$ 30.00
Deferred Interest and payments for # years	0
Down Payment on Quota Shares as X%	5.00%
Debt Svc / Financing Cost (Percentage/rate)	4.50%
Loan Amortization period (# years)	25
Total Annual Quota Debt Service / Financing Cost	\$62,334.19
Accumulated Deferred Financing	\$0.00
Administration costs (enter as % Revenue or \$#,### Amt)	0.10
Projected Quota Harvest Decline (from Harvestdata worksheet)	

## **Leasee (Fisherman) Quota revenue share**

IFQ Holder Gross (all pounds fished)	\$ 89,187.26
Crew Share (all costs as a percentage of gross share)	10% \$ 26,756.18
Fuel	\$ 4,608.00
Provisions	\$ 1,440.00
Bait	\$ 7,500.00
<b>Net to Leasee / Fisherman w/boat</b>	<b>\$ 48,883.08</b>

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Community Quota Share (As a percent of landed/ex-vessel \$)	45%	\$ 72,971.40
Quota Leasee (Fisherman) Share	55%	\$ 89,187.26
<b>CQE Gross Quota Receipts</b>		<b>\$ 72,971.40</b>
Less:		
Community Quota Entity Admin/Overhead Cost		\$ 7,297.14
Total Annual Quota Debt Service / Financing Cost		\$ 62,334.19
<b>Community Quota Entity Net Profits</b>		<b>\$ 3,340.07</b>

## **Assumptions for costs:**

3 trips @ 10,000# per trip

Fuel: Each trip = 4 days @ 18 hours running, 4 gal for mains per hour, 1 gal for generator per hour at a cost of \$3.50 per gallon

Groceries: each trip = Crew of 4, 3 meals per day, 4 days per trip \$5.00 per person per meal

Bait: 200# of halibut per scale = 50 scales per trip or 150 scales for @30,000#

20# bait per scale = 1,000# per trip x 3 trips = 3,000# @ a cost of \$2.50 per pound