Making Data Collection and Monitoring Financeable

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Cost, value and financing are closely related

Data Collection and Monitoring/ Catch Accounting:

- Imposes costs on both government and industry.
- Has value as a decision making tool for many different types of stakeholders.
- Requires financing for implementation.

Cost should be considered together with financing feasibility and value creation information.

Some key questions that will help determine Value and Financing Feasibility

1. WHAT is the nature of the cost to be financed?
2. WHEN is it going to be or need to be collected or paid for?
3. WHO benefits?
4. WHO pays?
5. WHO collects the payments?
6. WHO owns the items financed?

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What is the nature of the cost to be financed?

- Fixed Costs: One time costs needed to engage in fishing business (vessel, permits, insurance, dock fees, etc). **Low control.**
- Variable Costs: Recurring costs linked to the number of fishing trips or days at sea (fuel, food, labor, landings fees). **More control.**

Example:

A program requires vessels to carry EMS equipment. Will this be a fixed or variable cost?

As a fixed cost: Fishers are required to buy technology (EMS) and must pay in advance of the fishing season for this equipment. Those without cash or credit may not be able to comply.

As a variable cost: Fishers are offered equipment leases or credit to buy equipment, and repay loans as part of a landing fee or a % of EVV (Ex-vessel Value). Cost is accrued only when income is generated.

Cost may not be the barrier, if the financing mechanism to cover that cost is put in place at the same time.

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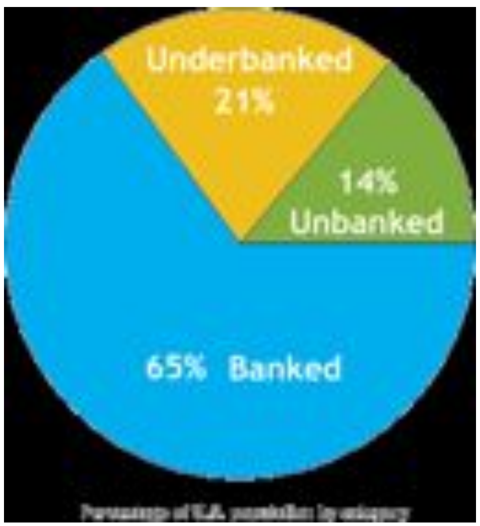
Nature of the cost: Do not assume access to capital

Access to capital may be a barrier to some financing options

- Fishers are often part of the under and un-banked communities. Even if a cost creates value and income, fishers may lack the capital to finance it up-front.
- Even small sums needed to purchase goods and equipment can present a challenge for those with no access to credit



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When is the fee going to be collected?

Section 304(d)(2) of MSA specifies the timing for cost recovery under LAP programs. Mandates that fees be collected in one of three ways.

1. Collection at time of landing → Requires fisher to have cash or credit to pay fee before sale of product.

2. Collection at Sale →Allows fisher to pay fee out of sales proceeds. Reduces available working capital. Can be implemented cooperatively with processors.

3. At end of year → Requires fishers to have savings/ planning capacity. Increases amount of working capital available to fishers during the season.

When a fee is collected will define financing feasibility for many.

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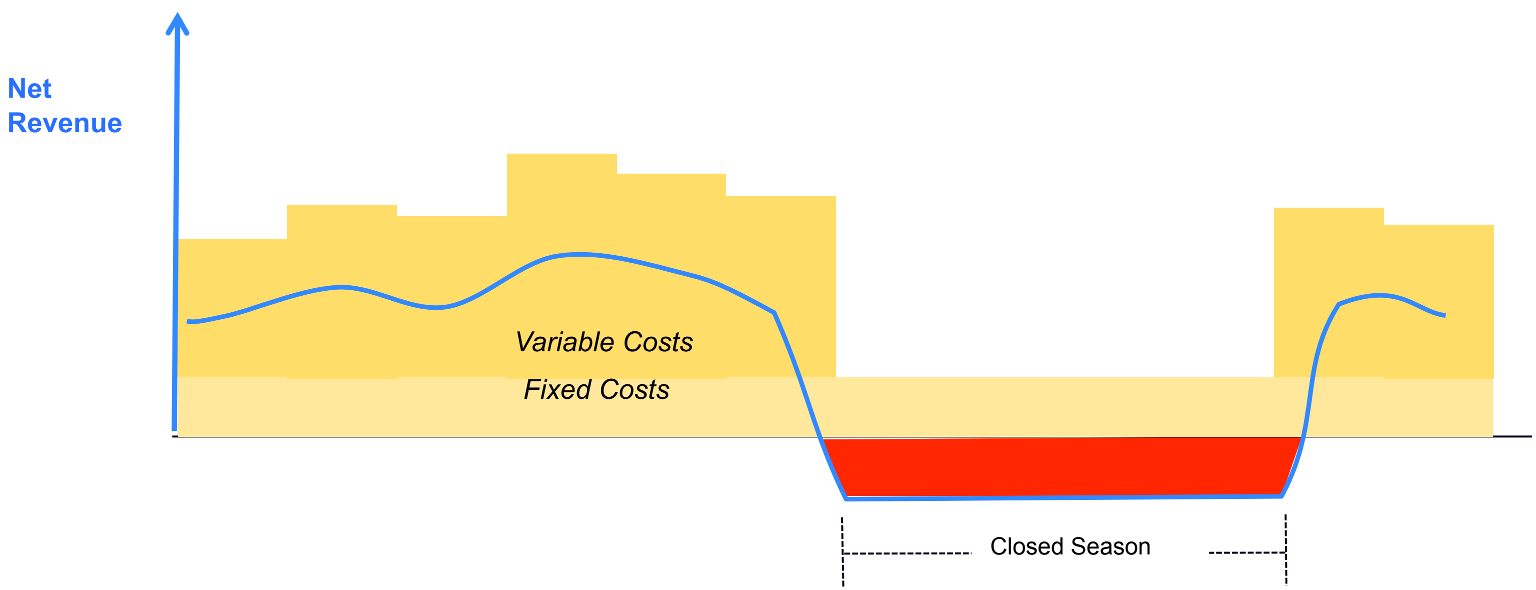
When is the fee going to be collected? (cont.)

In seasonal fisheries, costs that must be incurred during closed periods or just after openings are especially difficult to absorb.



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Who benefits?

Catch accounting supports a wide range of beneficiaries.

1. Who are the potential & actual beneficiaries of each type of cost or service?
2. Can the benefits to different groups be captured and communicated?

Who Benefits from DCM, *and how*	**Who Pays?**
• **Fisheries Management** (Local, Regional and Federal) – *Info for mgmt*	✓
• **Environmental Groups and Scientists** – *monitor environmental impacts*	✓
• **Fishermen** – *planning for future investments into businesses*	✓
• **Port infrastructure** operators & businesses- *planning future investments*	
• **City Planners /Authorities** – *Planning future infrastructure investments*	
• **Businesses in the supply chain** and buyers – *understanding long term supply availability and price changes associated with supply*	
• **Catch Accounting Service Providers** – *Make profits from providing required services*	

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Who pays the cost?

3 mechanisms for sharing IFQ management costs

1. User Fees → Payer depends on structure of fee. Collector is owner.
   - Can be structured in different ways with some legal limitations (i.e. which costs are recovered, how fees are assessed, is there recourse for non-payment)

2. Quota Set Asides→ All users pay indirectly.
   (includes RSA- Research Set Asides, Exempted Fishing Permits, and Quota Reallocation)
   - Requires that Quota be set aside for this purpose when the IFQ is established. Can be structured in different ways.
   - If Quota value is too low, this may not yield benefits.

3. Devolution of Services → Industry pays. Industry has ownership.
   - Responsibility for carrying out and paying for some management services is devolved to industry. Government will likely have an audit function and have to cover audit costs.

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Can we introduce new methods for broader cost sharing? e.g. Fisheries Conservation and Management Fund

- FCMF could be a platform for sharing costs more broadly thru public/private partnerships.

- Provides Councils with a financing tool for fisheries marketing, gear change transitions and data collection, research and monitoring.

- Donations might be gathered from corporate and private philanthropy.

- Can be funded by Quota Set Asides.

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Who collects the fee?
Will that impact supply chain relationships?

Fishery Supply Chain

Does the fisher have to create delivery arrangements with specific landing market wholesalers in exchange for fuel, ice etc. in order to have the cash for fees up front?

Does the need to collect the fee or data create a barrier for new entrants to the processing/ landing market?

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Who owns the item or data that is financed?

- Clearly defining ownership and responsibility for services can help define value and financing options.
- Payers generally retain ownership over the information collected.
  - Data required for compliance purposes will be shared with authorities, but ownership is not exclusive.
- Value can be created through private data collection, payment and ownership
  - Private data owners are less constrained than government in terms of data usage.
  - Can share data with others for their own benefit (e.g. Offer it to investors interested in supporting the fishery)

Think beyond Cost → Value and Financing Feasibility

Must be done in design phase of catch accounting program.

Cost, value and financing assessments must be integrated.

Value is created in options that:

1. Encourage participation among beneficiaries.
2. Are structured to meet financing realities.
3. Create alignment among payer – beneficiary – ownership.
4. Have timing and mechanics that meet the unique needs of each fishery.