April 30, 2008

The Honorable Arnold Schwarzenegger
Governor of California
Sacramento, CA 94102

Dear Governor Schwarzenegger:

Thank you for your letter requesting a disaster determination under the Interjurisdictional Fisheries Act of 1986 (IFA) and the Magnuson-Stevens Fishery Conservation and Management Act of 1976 (MSA).

I have determined a commercial fishery failure due to a fishery resource disaster exists for the ocean troll salmon fishery off the coasts of Washington, Oregon, and California in 2008 under Section 308(b) of the IFA and Section 312(a) of the MSA. With regard to the small commercial salmon fisheries conducted in the Klamath River and lower Columbia River, the available information is not sufficient to make a determination on a prospective basis that a commercial fishery failure has occurred. However, we will review the actual results at the end of this year’s fishing season and advise you at that time whether the facts available then justify such a determination.

The National Oceanic and Atmospheric Administration’s National Marine Fisheries Service has carefully analyzed the data regarding the West Coast salmon fisheries. The enclosed economic analysis reviewed trends in low salmon returns by region and stock. The Sacramento River fall Chinook, normally an abundant stock, is at a record low this year. This stock is targeted by the ocean commercial fishery off California and Oregon and is also caught to a small degree off Washington. In addition, coho stocks off the coast of Oregon and Washington are at very low levels. Ex-vessel revenue losses of 90 percent from a five-year norm and over 80 percent from last year are expected in 2008 for these fisheries covering California, Oregon, and Washington.

I appreciate your concern for the fishing communities in your State and your interest in recovery and restoration of the salmon populations along the West Coast. If you have further questions, please contact me or Nat Wienecke, Assistant Secretary for Legislative and Intergovernmental Affairs, at (202) 482-3663.

Sincerely,

Carlos M. Gutierrez

Enclosure
Enclosure

**Economic Analysis of the West Coast Salmon Fishery**

This analysis relies primarily upon analyses and forecasts of commercial ex-vessel revenues developed by the Pacific Fishery Management Council. In all instances, 2008 ex-vessel revenue projections are based on average 2007 ex-vessel prices. Ex-vessel losses reflect only the estimated economic value of the salmon at the point the fish would have been landed by commercial fishing vessels. Those estimates are determined by calculating the number of salmon that would have been caught in an average year, estimating an average weight for such fish, and then assigning an estimated per-pound price to that weight.

While this analysis is based on economic losses that have not yet occurred, those losses are extremely likely to occur because there are no other fisheries into which the salmon fleet could divert its fishing effort. While the remaining very limited fishery north of Falcon may benefit to some extent from higher prices, any price increase will do little to offset the impact of the drastically reduced fishery.

**South of Cape Falcon:** The loss is about $21 million in commercial ex-vessel revenues – a 100 percent decrease from a five year average. The projected commercial revenues are zero given the complete closure of the fishery.

**North of Cape Falcon:** The loss is about $1 million in commercial ex-vessel revenues – a 38 percent decrease from a five year average. Since this fishery is managed on a quota basis, the total number of fish available for catch has already been set and has been taken into account in these calculations. While the actual ex-vessel price may vary slightly from the forecast amount, the probable range of prices is not likely to substantially reduce the loss from the amount forecasted. Even if prices for Chinook should increase by two or three dollars per pound from 2007 levels of just over $5.00/lb, as they did in 2006 as result of Klamath closures, significant losses would still be seen in these fisheries.

**Total commercial fishing:** While the North of Cape Falcon and South of Cape Falcon estimates reasonably reflect the change in ex-vessel revenues for these fisheries, they do not necessarily reflect the proportionate impact on individual fishing vessels which customarily participate in those fisheries. Vessels which homeport North of Cape Falcon may be regular participants in the South of Cape Falcon fishery, and vessels which homeport South of Cape Falcon may be regular participants in the North of Cape Falcon fishery. For example, Washington estimates there will be about $2.5 million in losses to Washington residents who make landings South of Cape Falcon and the current North of Cape Falcon fishermen will lose about $400,000 as a result of South of Cape Falcon Oregon fishermen moving into the North of Cape Falcon fisheries. Therefore, it is appropriate to consider both North of Cape Falcon and South of Cape Falcon fisheries together for purposes of the determination.

The loss is estimated to be about $22 million in commercial ex-vessel revenues, a 90 percent decline from the five year average.
\textbf{Commercial and Recreational Impacts}

Sections 312(a) of the MSA and 308(b) of the IFA require a determination of commercial fishery failure be based on the effects on the commercial fishery. Once the determination has been made, assistance may be provided to restore the fishery or prevent a similar failure in the future. In addition, the economic and social effects of the commercial fishery failure on the fishing community can be taken into account when contemplating assistance under the MSA. Ex-vessel losses are a reasonable basis for making a determination that a commercial fishery failure has occurred and for comparing current revenues from commercial fishing to those of prior years. However, estimates of the ex-vessel value of commercial salmon landings do not take into account other economic losses resulting from the reduced commercial harvest, nor do they include the related economic effects of harvest reductions on the recreational fishery. Thus, by themselves, the ex-vessel losses substantially understate the overall economic impact of the reduced harvest levels and are not an adequate basis for determining the total amount of economic loss that will result to fishing communities.

In order to provide a more comprehensive picture of economic impacts, the National Oceanic and Atmospheric Administration’s National Marine Fisheries Service has included additional information compiled by the Council regarding this year’s reduced harvest levels. Over the 2003-2007 time period, West Coast commercial salmon fisheries (excluding the Columbia River) generated about $39 million per year in income to processing plant and vessel owners and their crews and to suppliers of harvesting and processing companies, (e.g. gear and ice). For 2008, about $3 million will be generated for a net loss of $36 million from the average year.

While the charter fleet and other recreational fisheries are not considered to be commercial fisheries within the definition of the MSA since they do not land fish for commercial resale, they are nonetheless important coastal businesses contributing significantly to the income of fishing communities. Over the 2003-2007 time period, West Coast recreational fisheries averaged 346,000 angler trips. The Council estimates 266,000 trips were taken during 2007 and projects for 2008 that 47,000 trips will be taken. When calculated in a manner similar to that used above for commercial fisheries, the average amount of annual personal income generated by those supporting recreational fishing was about $28 million. For 2008, this amount is forecast to be about $4 million for a net loss of $24 million.

In summary, we are projecting a loss of $60 million in personal income impacts associated with commercial processing and commercial and recreational trip expenditures from the loss of commercial and recreational harvest. These estimates do not reflect the effect the loss of the 2008 season will have on businesses providing major equipment to processors, major boat repair services, or who sell boats to recreational fishermen. No attempt has been made here to determine the extent to which retail sales will decline as a result of this year’s reduced harvest.