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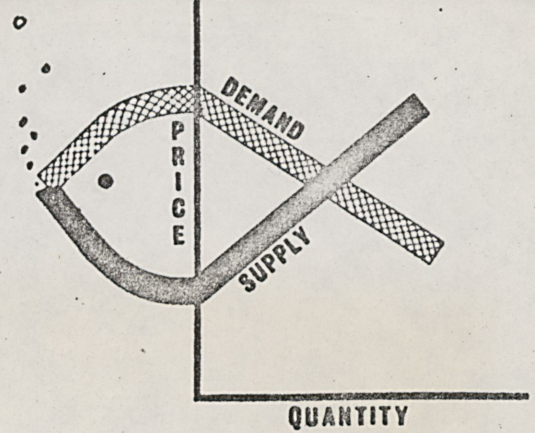
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ASSISTANCE PROGRAMS IN OVERCAPITALIZED
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BY DONALD P. CLEARY

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ABSTRACT

ASSISTANCE PROGRAMS IN FULLY CAPITALIZED
OR OVERCAPITALIZED FISHERIES

by
Donald P. Cleary

Most domestic and international fisheries pursued by United States fishermen are fully or overcapitalized. It is becoming increasingly recognized that fishery management programs should be aimed to balance the use of human and capital resources with available fishery resources and this may involve the elimination of redundant fishing effort.

At the same time, however, there is considerable pressure for the Federal Government to provide programs of assistance to help vessel owners meet both obstacles to economic well-being and proposed regulations on safety, pollution abatement and mandatory product inspection. This paper examines the conflict between financial assistance which would maintain or expand capacity and fishery management which would reduce the number of vessels in overcapitalized fisheries.

In the past, Federal financial assistance programs have stimulated vessel construction, conversions and repairs that have added to fleet harvesting capacity. Even though Federal financial assistance programs have affected only a portion of the net addition of vessels in various fleets, these programs are being carefully considered in light of the fishery management problem.

ASSISTANCE PROGRAMS IN FULLY CAPITALIZED
OR OVERCAPITALIZED FISHERIES

BY

DONALD P. CLEARY

This paper is to be presented at the OECD Symposium on Fisheries
Economics, Paris, France November 29 - December 3, 1971

Background

This paper deals with the problems and conflicts of tailoring direct financial assistance programs to the needs of a fishery management program. The United States fisheries are presently served by at least seven programs of financial assistance. Five programs are administered by the National Marine Fisheries Service (NMFS) within the National Oceanic and Atmospheric Administration (NOAA).

Assistance is also available from the Small Business Administration (SBA) and the Economic Development Administration (EDA). These last two agencies administer programs of which commercial fisheries play only a small part. Their programs are designed to achieve objectives not directly concerned with fishery management: promotion of small business enterprises; regional assistance in natural disasters; stimulation of local economies, and full employment.

The National Marine Fisheries Service, on the other hand, is responsible for managing the fishery resources in a manner which promotes the economic well-being of our fishing industry as well as serves general conservation objectives.

The NMFS is in the process of developing a program of coordination among the Federal and State governments to rationalize, on the basis of sound biological and economic criteria, the management of our living marine resources. Considerable effort will be required by fishery administrators, biologists and economists in the coming

years to develop and apply management techniques. NMFS has already begun to evaluate its varied programs of research and assistance to the fishing industry to determine how well these programs compliment the objective of rational fishery management.

It was found that most of the financial assistance monies have gone to fisheries which by the late 1960's, by gross estimates, are considered to be fully or overcapitalized.¹ In 1965 it has been deemed necessary to restrict construction loans to certain components of the Alaskan salmon fleet in recognition that net addition of capacity was prima-facie evidence of economic hardship or injury to efficient vessel operators already in that fishery. Loans have been considered, however, on vessels transferred within the fishery and for replacement of lost or demolished vessels.

In 1969 an advance was made in reaction to the expansion of the tuna purse seine fleet accompanied by a further shortening of the yellowfin tuna season proposed by the Inter-American Tropical Tuna Commission. With regard to the Fishing Vessel Mortgage and Loan Insurance program, it was officially declared: "...that it is not in the national interest to encourage the construction of more vessels in a specific fishery than are required to harvest the estimated maximum sustainable yield."² The replacement concept, utilized with restriction of loans to the salmon fishery, was retained

¹Here overcapitalized refers to the existence of a greater amount of harvesting capacity than the minimum amount of capacity necessary to harvest maximum sustainable yield (MSY) of the population.

²Federal Register, Vol. 34, No. 73--Thursday, April 17, 1969, p. 6623.

and assistance can be granted if at least an equivalent fishing effort is permanently removed from the fishery.

NMFS is now attempting to develop guidelines whereby financial assistance in all programs will be given only after consideration of the state of capitalization within the specific fishery. Additional considerations have, however, entered the picture. Federal legislation is being considered that would extend NMFS financial assistance responsibilities. Included are loan guarantees for assisting fishermen and processors to make changes in capital equipment in order to comply with proposed Federal regulations governing pollution abatement, mandatory product inspection, and vessel safety standards. There is also legislation proposed that would give financial aid to the fishing industry for environmental disaster losses, such as those related to contamination by heavy metals and pesticides.

Existing Programs

The five financial assistance programs currently administered by NMFS are the:

1. Fisheries Loan Fund;
2. Federal Fishing Vessel Mortgage and Loan Insurance Program;
3. Fishing Vessel Construction Differential Subsidy Program;
4. Fishermen's Protective Act, and
5. Capital Construction Fund.

Each of these five programs is designed to aid the fishing vessel operator and are not available to processors. These programs were each designed to provide financial assistance under different circumstances. Under the Fishermen's Protective Act, vessel owners pay premiums to a fund to cover administrative costs and one-third of the estimated claims resulting from foreign seizures of participating vessels. This program does not result in the addition of capacity and is outside the scope of fisheries management, thus the program will not be discussed. Under the Capital Construction Fund, NMFS began processing applications in October 1971. The experience of NMFS in financial assistance is, then, essentially limited to the three remaining programs. The history and objectives of these three programs and the objectives of the Capital Construction Fund Program will be briefly covered before turning to a more general discussion of the objectives and role of financial assistance in the U.S. situation.

In 1967, the latest year for which complete figures are available, there were 12,874 commercial fishing vessels of 5 net tons or more registered in the United States. In addition, there were 68,454 commercial fishing boats of under 5 net tons. About half of the vessels in 1967 were older than 20 years. The average age of vessels varied considerably by fishery. An idea of the diversity of the U.S. fishing and the relative size of various fleets can be gained from Table 1.

Table 1.--Distribution of U.S. Fishing Vessels in 1967 by Fishery and by Year Built; and U.S. Catch for 1967.

Fishery	Year Built		Total	Catch Thousand pounds
	1900-1949	1950-1967		
	Number of Vessels			
Shrimp	1,265	2,517	3,782	307,787
Salmon	1,783	1,012	2,795	218,233
Tuna:				
Purse Seiners ¹		132	132	247,398
Other	918	306	1,224	178,292
Groundfish, Otter Trawl:				
N. & Mid. Atlantic	597	210	897	214,256
Pacific	156	16	172	45,207
Oysters:				
Dredge	292	164	456	59,957
Tongs & Grabs	131	128	259	
Lobster:				
Northern	35	18	53	26,745
Spiny	73	69	142	4,868
Clams	164	77	241	71,500
Menhaden	54	84	138	1,163,708
Scallops	20	22	42	12,750
Halibut	223	68	291	40,071
Crab:				
Blue	297	281	578	148,676
Dungeness	36	16	52	42,437
King	174	61	235	127,716
Other	837	586	1,423	1,144,956
U.S. Total	7,153	5,669	12,874 ²	4,054,557

¹A large percentage of the tuna purse seiner fleet was older vessels that had been converted.

²There is a difference of 42 vessels between the sum of the individual fisheries and the total number of vessels in the U.S. fleet. Most of these 42 vessels were constructed before 1900.

Source: National Marine Fisheries Service, Statistics and Market News Division and Economic Research Division.

From the initial financial assistance program (the Fisheries Loan Fund) in 1956 through fiscal year 1970, a total of about \$83 million in assistance has been made available to about 1,500 vessels under the Fisheries Loan Fund, Fishing Vessel Mortgage and Loan Insurance, and the Fishing Vessel Construction Differential Subsidy Program. As of the end of fiscal year 1969, 115 vessels in the Pacific tuna fishery had received 40 percent of the assistance, 249 vessels in the Gulf and South Atlantic shrimp fishery received 18 percent, 93 vessels in the Atlantic groundfish received 13 percent. The Pacific groundfish and crab fisheries each received about 7 percent of the assistance. The Atlantic sea scallop and the Pacific salmon fishery each received about 5 percent of the assistance. Several other fisheries received 1 percent or less. The distribution of financial assistance among fisheries for the period July 1959 to July 1969 is given in Table 2.

Fisheries Loan Fund

The Fisheries Loan Fund, established by the Fish and Wildlife Act of 1956, was an outgrowth of both the general concern that the fisheries needed greater technical and financial assistance from the Federal Government and the extremely poor financial condition of many New England groundfish vessels in the mid-1950's. Under the Fisheries Loan Fund loans may be made for financing or refinancing the cost of purchasing, constructing, equipping, maintaining, repairing, or operating new or used commercial fishing vessels or gear.

Table 2.--Distribution of NMFS Financial Assistance by Program and by Fishery for the Period July 1959 to July 1969.

Fishery	Program							
	Fisheries Loan Fund		Fishing Vessel Mortgage and Loan Guarantee		Fishing Vessel Construction Subsidies		Total	
	1000 of Dollars	No. of Vessels ¹	1000 of Dollars	No. of Vessels	1000 of Dollars	No. of Vessels	1000 of Dollars	No. of Vessels
Tuna	5,561	88	11,228	16	9,614	11	26,402	115
Shrimp, Atlantic & Gulf of Mexico	3,397	101	8,571	148	-	-	11,969	249
Shrimp, Pacific	216	8	140	1	-	-	356	9
Groundfish, Atlantic	2,335	67	1,364	10	5,202	16	8,901	93
Groundfish, Pacific	618	21	500	2	3,624	3	4,741	26
Crabs--King & Dungeness	3,628	95	1,215	6	219	1	5,062	102
Scallops, Sea	537	8	908	7	1,527	9	2,971	24
Salmon	2,554	322	266	26	-	-	2,820	348
Halibut	849	45	-	-	-	-	849	45
Lobster, North Atlantic	138	36	-	-	64	1	202	37
Clams	27	2	-	-	-	-	27	2
Herring, Atlantic	10	1	-	-	-	-	10	1
Menhaden	-	-	-	-	344	1	344	1
Hake, Pacific	131	2	-	-	-	-	131	2
Trawl, Industrial	433	13	-	-	-	-	433	13
Great Lakes	90	7	-	-	-	-	90	7
Other Est. Fish.	744	52	8	1	-	-	751	53
Totals	21,267	868	24,199	217	20,593	42	66,058	1,127

¹Only a small percentage (11 percent) of loans were associated with the purchase of new vessels or conversion of existing vessels.

Source: National Marine Fisheries Service, Financial Assistance Division and Economic Research Division.

Latest data show that through fiscal year 1971 the Fisheries Loan Fund has extended about \$30 million in loans to commercial fishermen. Most loans have been for more than one purpose and generally involve refinancing of lienable debts as a necessary prerequisite to obtaining the needed security of a first preferred mortgage on the collateral vessel. Therefore, about 40 percent of the total loan dollars has been for refinancing existing debt. Financing of used vessel purchases has accounted for 29 percent. Loans for repairs, replacement of equipment or rebuilding of vessels account for 20 percent. Loans for purchasing of new vessels, vessel conversions, and operating expenses, account for the remaining 11 percent.

The main contribution of the Fund has been to promote financial stability for many vessel operators and to assist in the preservation of the quality of vessels and equipment.

Loans are made where private credit is not available and certain other criteria are met. Criteria for granting of a loan are:

1. unavailability of reasonable credit,
2. statutorily authorized purpose,
3. satisfactory security,
4. loan repayment reasonably assured,
5. ability, experience, resources and other qualifications to operate vessels or gear,
6. and for non-replacement purchase or construction loans, no economic injury to efficient vessel operators.

In the sense that these loans are not available at reasonable terms in the private capital market, there is an element of subsidy even though loans currently bear an interest rate of 8 percent. An excellent record of low defaults demonstrates the prudence that has been used in granting high risk loans. Loan terms are more liberal than those in the private market. The interest rate must cover the Government's cost of money plus a part of the administrative costs. Over time, the interest rate on these loans has been comparable to the rate commercial banks have charged preferred borrowers. Perhaps the most important concession is in the life of the loan which, with a maximum of 10 or 14 years, may be up to twice the life of a comparable loan in the private market.

Fishing Vessel Mortgage and Loan Insurance

The Fishing Vessel Mortgage and Loan Insurance Program, established in 1960, provides guarantees for the repayment to the lender of private credit extended to fishermen for the purpose of constructing, reconstructing or reconditioning fishing vessels of 5 net tons or over. Borrowers pay premiums of 1 percent of the average outstanding (where original mortgage is greater than 50 percent of vessel cost) principle amount of the mortgage for this insurance. From its inception through April 30, 1971, the program has approved 237 applications for approximately \$30 million in private loans. The management record of this program has been excellent. To date, there is only one contingent, bad debt loss to the Government for

\$13,000. Over \$800,000 collected in premiums has been deposited in the Federal ship mortgage insurance fund to cover losses among other things.

Use of this program has been fairly erratic over time and among fisheries. Well over half of the value of mortgages covered were insured in 1967 and 1968. Over 80 percent of the value of mortgages has been in the tuna and shrimp fisheries. The average value of mortgages covered in the tuna fleet, \$701,730, was much higher than was the average in the shrimp fleet, \$57,915, reflecting the much higher cost of a tuna vessel. Sixteen mortgages were insured in the tuna fishery and 148 mortgages were insured in the shrimp fishery.

Statutory authority for insuring mortgages and loans on fishing vessels spells out conditions under which mortgages may be insured.³ By 1969 it was obvious that additional mortgage guarantees for the U.S. tropical tuna fleet would be in conflict with the quota being imposed on yellowfin tuna in the area regulated by the ITTC. Due to increasing fishing pressure on the resource, this quota was being met in an increasingly shorter season. In 1969 it was determined that restrictions would be put on the use of the Fishing Vessel Mortgage Insurance Program in this obviously overcapitalized fishery.

³See United States Department of the Interior, Fish and Wildlife Service, Bureau of Commercial Fisheries, "Federal Fishing Vessel Mortgage and Loan Insurance," Fishery Leaflet 499, July 1960.

The need to adjust financial assistance to the requirements of fisheries management first received official recognition in the Federal Register, April 17, 1969.⁴ The Mortgage Insurance Program may now be used for vessels catching yellowfin tuna, in the area regulated by the ITCC, only if an amount of capacity at least equal to the new entry capacity is retired from the fishery.

Fishing Vessel Construction Differential Subsidy

For nearly two centuries U.S. fishermen have been, by law, prohibited from using foreign built vessels to land their catch at U.S. ports. This has resulted in a severe financial handicap for several fisheries using vessels that could be constructed in foreign yards at costs 40 to 50 percent lower than in American shipyards. Several of these fisheries have to compete for resources in international fisheries and their landings also must compete with lower cost imports. An attempt to correct those inequities was made in establishing the Fishing Vessel Construction Differential Subsidy Program in 1960.⁵ Subsidies cover the difference between actual U.S. construction cost and the estimated cost of construction in a representative foreign shipyard. These subsidies are in amounts up to 50 percent of the domestic cost.

⁴Op. cit. p. 6623.

⁵Authority for construction differential subsidies to fishing vessels was granted under Public Law 86-516 (46 U.S.C. 1401-13), approved June 12, 1960, amended by the United States Fishing Fleet Improvement Act (P.L. 88-498), approved August 30, 1964.

Since 1960, 45 vessels have been constructed with subsidies totaling over \$20 million. This program has been used mostly by the tropical tuna and the New England groundfish fleets. About \$10 million went to construct 11 modern high seas tuna seiners, and about \$6 million was used for the construction of two large factory freezer trawlers-- one for Atlantic and one for Pacific operations primarily for groundfish. Legislation extended the program in 1970 but funds have not been made available, and it is considered that the program is currently being phased out.

A major objective of the subsidy program was to improve technology in U.S. commercial fishing. Although only few vessels were built under subsidy, these have been of the most advanced design, demonstrating the usefulness of improved technologies. However, the overall impact of the program has been minimal as only a small number of vessels were constructed under this program. Interestingly the shrimp fleet, the largest U.S. fleet, has not used the subsidy program because of, among other things, the relatively favorable construction cost in U.S. boat yards. Also for various reasons, more tuna vessels have been built without subsidies than with subsidies.

Capital Construction Fund Program

The Capital Construction Fund Program is the most recent financial assistance program undertaken by NMFS. This program was authorized

by the Merchant Marine Act of 1970 and is the same that is available to the U.S. merchant marine fleet. The act extends tax deferral privileges to U.S. merchant and commercial fishing vessels to facilitate the accumulation of reserves for addition of new and replacement of old vessels.

Fishermen may contract to establish capital construction funds for the deposition of depreciation, capital gains from vessel sales, casualty proceeds, vessel earnings, and earnings of the funds themselves. Privileged withdrawals must be for either:

1. acquiring, constructing, or reconstructing fishing vessels,
or
2. paying the principle indebtedness incurred for those purposes.

Use of the fund essentially shifts certain current tax obligations to the future, thus allowing a more rapid accumulation of downpayment. The benefits available under this program will likely accrue primarily to profitable operators.

New Areas of Financial Assistance

In the future, compliance with Government-imposed regulations may prove to be the major focal point of Government financial assistance. Considerable capital expenditures will be required of many vessel and processing plant owners if they are to meet improved standards in the areas of vessel safety, pollution abatement, and fishery product inspection. The costs to individual owners of these standards could cause extensive financial distress especially if they do not have an adequate source of credit. If these improvements are to be made, it is anticipated that a significant number of fishery

enterprises will require some form of financial aid from the Federal Government. These enterprises include vessel operators and processors.

In the area of vessel safety, the U.S. Coast Guard is considering a program that would impose mandatory safety standards and inspection on fishing vessels. A program of this nature would require costly repairs and other construction work for large elements of the existing fleet. The Coast Guard has estimated that as many as 10 percent of the existing vessels are beyond economical repair and would be scrapped upon establishment of a safety standards program.⁶ Salvage value would be minimal, and losses would run into the millions. The cost of bringing the other 90 percent up to standards, it is estimated, would be in excess of \$20 million.

The need for safety regulations, however, is clear. Commercial fishing vessels have a poor safety record. The annual average in the fiscal years 1963 to 1967 was 83 accidental deaths, 156 vessels totally lost, and \$9.2 million in property damage including the value of the vessels lost; annual averages 1969/1970 were 95 accidental deaths, 171 vessels totally lost, and \$9.3 million in property damage.

Relative to the scale of commercial fishing operations, the industry accident figures are disproportionately high. A detailed study of the Boston Offshore Trawler Labor Force (1964) revealed the injury frequency rate in this fleet was 40.3 injuries per million man hours,

⁶Office of Merchant Marine Safety, U.S. Coast Guard, Washington, D.C.

compared with 11.9 in manufacturing industries.⁷ A more recent study in England shows that a commercial fisherman is 17 times more likely to die from an accident than workers in other industries.⁸

In another area, to meet pollution abatement standards being set by the Protection Agency (EPA), it will be necessary for most vessels and many processing plants to undertake capital improvements. For vessels, mechanisms for channeling wastes to local treatment facilities will have to be installed, including adequate toilets and waste-holding tanks.

Seafood processing plants likewise will be required to have effective hookups with municipal treatment facilities installed, or to have their own treatment facilities installed. Fish reduction plants are, in addition, involved with the control of air pollution. Precise estimates of capital improvement costs for the industry have not been developed but preliminary estimates indicate that the cost may go well over \$30 million.

Fishery product inspection standards will affect both processors and fishermen. Vessel operators will be subjected to improved fish handling practices and to providing an improved holding environment in the vessels' holds. Standards in processing plants will be more stringent

⁷Virgil J. Norton and Morton M. Miller, An Economic Study of the Boston Large Trawler Labor Force, U.S. Department of the Interior, Fish and Wildlife Service, Bureau of Commercial Fisheries, Circular 248, Washington, D. C., May 1966.

⁸Trawler Safety, final report of the Committee of Inquiry into Trawler Safety, Chairman Admiral Sir Deric Holland-Martin, July 1969, CMND 4414.

and owners of some plants will have difficulty meeting these standards short of a complete overhaul of existing facilities.

In recent years the fisheries have become vulnerable to product contamination stemming from the presence of residue from pesticides and heavy metals (most notably DDT and mercury) in the natural environment. In the future, the potential exists for the spread of environmental hazards among our fisheries. These include hazards which directly affect the condition of the fish stock itself, and those which present health hazards to humans.

Environmental hazards are frequently associated with the influence of man, and they have a direct impact on fisheries enterprises through Government regulations prohibiting the sale of fish or shellfish for health reasons, or through alterations of consumer acceptance of these products. The fishing industry has no control over most potential environmental hazards and closure or curtailment of a fishery could result in severe and widespread hardship within that fishery. Therefore, where Government action in these instances leads to financial losses for some fishermen, Government assistance to individuals for overcoming these losses can be justifiable on the basis of equity. Legislation has been introduced in the present Congress to authorize programs to indemnify commercial fishermen and fish processors and distributors against environmental losses already incurred and against future losses.

Discussions and Conclusions

There was a tendency in the past to assume that financial assistance would strengthen the fisheries economically through promotion of multiple objectives. The programs were designed to overcome various types of obstacles to economic well-being. Credit was made available to fisheries when worsening cash flow positions would have led to mortgage foreclosures; credit was made easier to obtain in anticipation that new vessel design and new gear would be adopted and older vessels would be upgraded. Vessel construction subsidies were made available because of increased competition for both resources and markets by foreign fishermen operating lower construction cost vessels.

A number of technologically advanced vessels have been built under one or another of the financial assistance programs. Also the financial burden of many fishing operations has been eased. The question should be asked, what additional hardships would have befallen the fisheries in the absence of financial assistance?

This question is particularly relevant in light of the fact that many fisheries in which U.S. fishermen were involved were fully or overcapitalized by the late 1960's and that the financial assistance programs have a tendency, which has not yet been precisely measured, to stimulate the growth of capacity or at least to retard exit of capacity.

The record would seem to indicate that the impact of financial assistance has been marginal in the sense that there would be little

difference for any fishery in total landings or in the cost and earnings positions of most operators. The New England groundfish fishery was the most in need of assistance. In spite of contributions of the financial assistance programs to an improved credit environment, and the introduction of a number of more profitable vessels of advanced design, the New England groundfish fleet, as a whole, has shown little improvement in technology used, average vessel age, and long-term profitability. The lack of adequate credit for many operators in the New England groundfish fishery is symptomatic of the more deeply rooted problems of overcapitalization on the international level and rapidly rising harvesting costs in the United States. There is also evidence that the more profitable tuna and shrimp fisheries, which together received well over one-half of the assistance, would have expanded almost as rapidly in the absence of financial assistance. Financial assistance is then, not a permanent answer to the economic viability of a fishery. Expensive new vessels require larger cash flows (depreciation plus return to the vessel) than do older vessels. This requires higher productivity for the new vessel. If maximum sustainable yield of a resource is already harvested, the introduction of more efficient vessels implies a necessity for a proportionate reduction in the number of vessels. Some control over the level of harvesting capacity is then necessary to assure that the productivity of individual operators is not driven downward to economically unfavorable levels by the development of an overcapacity situation.

Once financial assistance programs have been examined in relation to a scheme of rationalized fishery management, it is easier to see just when financial assistance to the fisheries is appropriate. Table 3 summarizes the objectives and impact on capacity of the ongoing and proposed financial assistance programs administered by NMFS. Generally, the ongoing programs have had limited impact on capacity, depending on the fishery.

Financial assistance is best used in three general situations. First, in natural or environmental disasters which cannot be reasonably predicted and thus, is not a calculable, and thereby insurable, cost of business; society by means of soft loans and limited grants, might share in the cost. Examples of such disasters would include closing of fisheries because of environmental pollution and extreme hurricane devastation. Second, when new Government regulations, such as product sanitation and vessel safety, impose large capital costs which cannot be covered through private credit sources, the Government may provide credit assistance to firms which show evidence in spite of an increased level of costs, of being viable in the long run. Third, any short-term resource and/or financial crisis which would cause widespread business failure in a fishery which shows promise of rectifying itself within several years might be covered by Federal financial assistance. Past experience has shown, however, the difficulty of recognizing and acknowledging the difference between the long run problems (one of the more

Table 3.--Summary of Financial Assistance and Its Contribution to Increasing Capacity in the Fisheries.

Program	Program Objectives	Should Financial Assistance Be Given?			
		Undercap- italized	Open Access Management Overcapitalized	Closed Access Management	
			Retire- ment Provision	No Re- tirement ¹ Provision	
--Ongoing--					
Fisheries Loan Fund	To provide direct loans to fishing operations where repayment is reasonably assured but credit with reasonable terms is not available from private market. Loans are made for a number of purposes which generally upgrades vessel or gear or improves ability to operate profitably.	Yes	Yes	Yes ²	Yes
Fishing Vessel Mortgage and Loan Guarantees	To increase the willingness of the private market, to provide mortgage money on new, reconstructed or reconditioned fishing vessels.	Yes	Yes	No	Yes
Fishing Vessel Construction Subsidies	To compensate the international disadvantage suffered by U.S. fishermen who, by law, are required to land their fish from U.S. Built vessels which may be less expensive if purchased from foreign shipyards.	Yes	Yes	No	Yes
Capital Construction Fund	To accelerate the construction of new vessels by means of higher reserve deposits through tax deferrals.	Yes	Yes	No	Yes

Table 3.--Summary of Financial Assistance and Its Contribution to Increasing Capacity in the Fisheries (Con't)

Program	Program Objectives	Should Financial Assistance Be Given?			
		Undercap- italized	Open Access Management		Closed Access Management
			Retire- ment Provision	No re- tirement Provision	
--Under Consideration--					
<u>Loan Guarantees for:</u>					
Vessel Safety	Loan guarantees or possibly direct loans to vessels and processing firms which cannot obtain private loans at reasonable terms, to make capital improvements necessary to meet new standards imposed in these three areas. Repayment must be reasonably assured and the firms must demonstrate an ability to survive under a higher cost structure.	Yes	Yes	Yes ²	Yes
Pollution Abatement	Loan guarantees or possibly direct loans to vessels and processing firms which cannot obtain private loans at reasonable terms, to make capital improvements necessary to meet new standards imposed in these three areas. Repayment must be reasonably assured and the firms must demonstrate an ability to survive under a higher cost structure.	Yes	Yes	Yes ²	Yes
Fishery Products Standards	Loan guarantees or possibly direct loans to vessels and processing firms which cannot obtain private loans at reasonable terms, to make capital improvements necessary to meet new standards imposed in these three areas. Repayment must be reasonably assured and the firms must demonstrate an ability to survive under a higher cost structure.	Yes	Yes	Yes ²	Yes
Environmental Disaster	Loan guarantees or direct loans to support the modification of vessels facilitate the transfer of vessels to other fisheries.	Yes	Yes	Yes ²	Yes

¹By requiring the retirement of an amount of harvesting capacity equal to or greater than any new capacity, originating from financial assistance, it is possible to assure that, at a minimum, financial assistance will not contribute to an overcapacity situation.

²In these instances loans may be given or guaranteed when vessels are modified, but there is no net addition to capacity.

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important being increasing overcapitalization) and the short run problems facing any fishery. Any attempt to solve basic long-run resource and economic problems through financial aid is destined to, at best, be ineffective and tends to run counter to the objective of controlling overcapacity in the fisheries.

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