

Testimony given by Mr. George Mannina

Testimony of the National Association of Charter Boat Operators

Before the Subcommittee on Fisheries and Oceans

December 15, 2005

Mr. Chairman, the National Association of Charterboat Operators (NACO) thanks you and the Committee for your kind invitation to present testimony on the critical issue of the impact of the 2005 hurricanes and tropical storms on the Gulf of Mexico fishing industry. Congress faces many difficult choices but also has many opportunities.

NACO is a non-profit 501(c)(6) association representing charter boat owners and operators across the United States. Sadly, we are acutely aware of the devastating impact of the tropical storms of 2005 on the Gulf of Mexico charter boat industry. Indeed, NACO received a contract from the National Marine Fisheries Service (NMFS) Southeast Fisheries Science Center (SEFSC) to collect economic and structural loss data on the Gulf of Mexico charter boat industry affected by the storm activity of 2005. Under this contract, we will attempt to determine the current status of the charter boat fleet, including the extent of damage to the fleet. This effort was initiated in October and the final report will be submitted by February 1, 2006. We would be pleased to provide your Committee with a copy of the full report when it is completed.

The problem with statistical damage assessments is that they cannot possibly communicate the human impact and suffering experienced by charter boat fishermen and all residents of the Gulf coast. Before getting into the history of the storms and the damage assessments, perhaps it would help the Committee to hear about the problems confronted by charter boat fishermen in their own words contained in responses to surveys distributed by NACO.

"It is impossible to operate a charter business. There is no fuel, no marinas left standing, and no accommodations for our customers to stay in."

"My normal annual gross income is approximately \$105,000. This year, it may hit \$15,000. Unless we receive assistance this winter, I will lose my boat and my business. It is a sinking feeling to know that my family is dependent on the decisions and generosity of others."

"My home has been destroyed. My boat is damaged and I lost my supply truck. Someone stole all of my equipment and tools. All I have left is the 4 sets of clothes I took with me when I left before the hurricane."

"My marina and the 33 boats docked there were totally destroyed."

"There are no hotels or other places for our customers to stay in. We are out of business until our community can rebuild."

"I filed an SBA disaster relief application on September 20. It is now November 7 and I have not heard a word from SBA."

"I have an SBA loan with an interest rate of 9.5%. To get this disaster loan, I had to put up my home, a rental home, my dad's home, and a boat as collateral on the \$54,000 loan."

"I am not looking for a free hand-out. All I'm looking for is an easy way to borrow money to get my business back on track. Most banks are unwilling to work with us for whatever reason. Our customers might come back but we don't have any accommodations for them. We also haven't been able to get any help from FEMA."

"FEMA is a four-letter word that begins with F."

"I lost my boat, trailer and equipment. My other income was based on selling boats and that job is now gone, too. I hope you can help me and my family. Thank you for reading this and trying to help."

"I lost my home and everything around it. My family and I are living on my damaged boat though we have no power on the boat and no shore power. We have no fuel or ice. We are surviving on charity and hand-outs."

The men and women who wrote these comments were successful small businessmen and women. They know how to work hard. They don't want hand-outs, they want a hand. Although the balance of this testimony will focus on the history of the storms and on damage assessments, please remember the words of the people whose lives have been so affected – for this is a story about people.

The damage from the storms of 2005 was historic and unprecedented. To assess that damage, NACO has made 18 on-site visits to affected coastal areas throughout the Gulf of Mexico. We will make an additional four on-site visits in south Florida. The information we are presenting today for the areas we are assessing is preliminary and the damage estimates are very conservative. However, because of the geographic limitations in the NMFS damage assessment contract, NACO is not collecting damage information for areas between Naples and St. Marks, Florida and between Corpus Christi and Brownsville, Texas. Nevertheless, we know there are approximately 900 charter boats in those areas and most of them have sustained some economic losses or damage from the total storm activity.

Although you requested that we testify on the effects of Hurricanes Katrina and Rita, the facts are the Gulf of Mexico charter boat fleet sustained physical and economic damage from all of the storms that have ravaged the Gulf coast between Key West, Florida and Brownsville, Texas. Indeed, the 2005 hurricane season was the worst in recorded history.

The Gulf of Mexico's first tropical storm, Arlene, hit the northeastern Gulf coast just west of Pensacola, Florida on June 11, 2005. This storm caused minor structural damage but initiated what became a cascading negative impact on the Gulf's charter boat fleet and local fishing communities. Arlene was extremely early in the season. That fact, coupled with predictions of a very active hurricane season by NOAA's weather service and other weather experts caused people to rethink their travel and vacation plans. The rapid onslaught of other and more severe storms caused thousands of tourists from across the country to cancel their trips to the Gulf region – and to cancel their charter boat reservations. People who once came to the Gulf to fish may not come back any time soon. But, Arlene was just the beginning.

Approximately four weeks after Arlene, Tropical Storm Cindy made landfall southwest of Grand Isle, Louisiana on July 6. Although classified as a tropical storm, Cindy was just barely below hurricane strength. A scant four days later, Hurricane Dennis exploded across the Gulf making landfall as a category 3 hurricane near Navarre Beach, Florida. With its enormous storm tidal surge, Hurricane Dennis caused extensive damage to the west coast of Florida. The high seas and flooding resulting from Dennis seriously affected the people of that area at the peak of their charter boat season.

Just as the Gulf was beginning to recover from Dennis, Hurricane Katrina arrived. According to the National Hurricane Center, Katrina will be recorded as the worst natural disaster in the history of the United States. This catastrophic storm made its first landfall as a category 1 hurricane on August 25 along the Miami-Dade county line of Florida. Katrina then crossed Florida, entered the Gulf, and strengthened to a category 5 hurricane. Katrina made her second landfall just south of Buras, Louisiana as a category 4 hurricane on August 29. She made a third landfall near the Mississippi/Louisiana border as a category 3 storm. Put simply, Katrina wiped out the coast from Bayou La Batre, Alabama to Fourchon, Louisiana. More than 500 charter fishing vessels operate from that area. Katrina decimated those vessels and their infrastructure.

After the body blow delivered by Katrina, Hurricane Rita roared into the Gulf. Hurricane Rita's center moved through the Florida straits about 50 miles south of Key West as a category 2 storm. It then proceeded to the Louisiana/Texas border making landfall as a category 3 hurricane on September 24 just east of the area between Sabine Pass, Texas and Johnson's Bayou, Louisiana. After Rita passed through the Florida straits, and before making landfall, she reached category 5 status and recorded the third lowest pressure of any storm on record. During this time, Hurricane Rita caused more storm surge flooding in areas of New Orleans already inundated by Katrina. Rita completely flooded lower Louisiana and parts of southeast Texas, causing widespread devastation.

The destruction continued as Hurricane Wilma entered the Gulf on October 23 as a category 2 storm after causing major damage to the Yucatan Peninsular of Mexico. Wilma made landfall as a category 3 hurricane near Cape Romano, Florida on October 24, 2005. She then moved across Florida in less than five hours and emerged into the Atlantic just north of Palm Beach, Florida as a category 2 hurricane. Wilma was the third storm to affect the Florida Keys and was by far the worst of the season for that area.

Never in history have so many storms caused so much damage in one season and in one geographic area. Secretary of Commerce Carlos Gutierrez declared a fishery disaster for the Gulf of Mexico on September 9, 2005 for the Florida Keys and for the area from Pensacola, Florida to the Louisiana/Texas border. On October 4, the Secretary extended that fishery disaster declaration to include all coastal areas of Louisiana and Texas. Residents of the Gulf region have experienced hurricanes and tropical storms for many years, but never before have the storms been so severe. Never before has a fishery disaster been declared for any area of the Gulf coast.

The disaster visited on the Gulf is one of unimaginable proportions. From the perspective of the charter boat industry, the facts are that the total destruction of the coastal areas in Mississippi, Louisiana, Alabama and parts of Texas and Florida, the displacement of families and of business, and the region wide fuel shortages resulted in a complete shutdown of tourist activity along the Gulf coast. No fuel, no housing, no support infrastructure, and no boats resulted in the worst season ever recorded for the charter boat industry. And all of this at a time when the charter boat industry in Alabama and the panhandle of Florida was still recovering from the effects of Hurricane Ivan which ravaged the Gulf area in September, 2004.

In 2005, the Gulf coast charter boat industry sustained social, economic, and physical damage the likes of which we have never before seen. Charter boat fishermen are small businessmen and women. Many of these small family-owned enterprises now face the total loss of their business. Many more have suffered such severe economic damage they may never be able to recover. Most charter boat businesses operate on limited budgets and depend on a constant flow of revenue in order to keep their businesses operational. Now, not only are our boats damaged or destroyed and our support infrastructure decimated, but the tourists on whom we depend won't come back.

NACO's efforts to gather data for NMFS and for this hearing have been hampered by the fact that many people are still displaced and we have no idea how to contact them. It is that bad. Nevertheless, as of December 7, NACO has surveyed 85% of the fleet from Alabama, 95% from Mississippi, and 39% from Louisiana. Information for Florida and Texas is currently being compiled. Based on the surveys received to date, over 49% of the charter boats in Alabama, Mississippi, and Louisiana are either totally destroyed or severely damaged. These charter boats have also lost 17,932 trips to date. The short-term direct economic revenue losses in these three states are \$24,669,798 based on the survey responses received so far. Unfortunately, we expect these estimates to increase substantially as more data are collected. Not only do these numbers only include the past two months, but given the multiplier effects from the direct losses, the total and cumulative losses will be huge. For example, the Louisiana Department of Wildlife and Fisheries estimates the twelve month retail value of lost sales resulting from the potential disruption of recreational fishing activities in Louisiana alone could approximate \$200 million. Given that the recreational fishery contributes over \$8 billion annually to the Gulf coast economy, we can expect very significant economic losses when all the data are in.

The situation in Mississippi is equally bad. According to Mississippi State University, over 26% of recreational anglers fishing in Mississippi come from out of State. Recent surveys show that Mississippi anglers spend over \$50 million annually on food and beverages, over \$9 million on lodging, over \$19 million on bait and ice, over \$15 million on boat fuel, and over \$57 million on fishing tackle. There are 32 processing plants and 22 wholesale operations in Mississippi employing approximately 1,300 people. All of these people, and all of that revenue, has been and will be impacted by the storms of 2005.

Compounding the problems of destroyed and damaged vessels, lost customers, and no income is the fact that many charter boats are under insured due to the high cost of marine hull insurance. The prohibitive costs of insurance only create more problems.

NACO staff has personally seen the destruction. The infrastructure where charter boats operate is destroyed in Mississippi and Louisiana and is severely damaged in parts of Alabama, Texas and Florida. It will be several years before the infrastructure returns to normal. Thus, the charter fleet will continue to suffer losses for the next several years. The loss of charter boat activity will also cause significant revenue losses in local fishing communities.

The direct and indirect economic damage to the charter boat fleet and its supporting infrastructure is compounded by the damage to the resource. For example, adult red snapper, a key recreational fish, are typically found in submarine gullies and depressions, over coral reefs, rock outcrops, and gravel bottoms, and are associated with oil rigs and other artificial structures. Juvenile red snapper are common on mud bottoms in the northern Gulf of Mexico, particularly from Texas to Alabama. Some juvenile snappers, including red snapper, have been documented in inshore sea grass beds, mangrove estuaries, lagoons, and larger bay systems. All of these habitat areas have been adversely affected by the storms of 2005. For example, the impact of Hurricane Katrina on Mississippi's estuarine ecosystems significantly reduced their functions and acreage. Some experts have estimated the cost of restoring these estuarine ecosystems at over \$2 billion.

Moreover, it is unknown what effect the pollutant runoff caused by the hurricanes may have on fishery stocks. In-shore nursery areas could have suffered significant disruption. The size and location of the Gulf of Mexico dead zone off the mouth of the Mississippi River may also have been changed due to the hurricanes and their associated increased river discharges. It is conceivable that contaminants from runoff and from hydrocarbon spills will cause significant fish kills in near-shore areas. Reported contaminant sources include seven major oil spills from refineries or tank farms totaling 6.7 million gallons, releases from 25 major sewage treatment centers, and runoff from numerous industrial chemical storage areas. Exacerbating all of these impacts are the increased nutrients in storm water runoff that have the potential to stimulate significant harmful algae blooms in off-shore waters.

Not only does the resource need help, but the men and women of the charter boat industry desperately need help to rebuild

their businesses and to assist them in maintaining their households. We need assistance now, not in a year. Captains have reported to us that neither FEMA nor SBA have been as helpful as we would have hoped. SBA loans are complex, time consuming and require everything you own as collateral. Charter boat fishermen are small businesses operating on marginal profits. They cannot wait 4-6 months for operating capital. If these fishermen could get loans or working capital equal to just 20% of their lost income, they could probably survive, but we can't even get that minimal help so far. Local fishing communities also need assistance to rebuild marinas, boat ramps, and accommodations so tourists will return. Tourism is crucial to the survival of these communities, and a viable charter boat industry is central to attracting tourists.

For those charter boat owners who can remain in the industry, NMFS needs to be flexible in fishery permitting and renewals and should waive renewal fees for the next three years. In addition, the U.S. Coast Guard should be flexible and understanding in their regulatory processes for the affected areas.

NMFS also needs to develop a vessel and permit buyout plan with provisions for retraining participating fishermen so that those unable to return to their profession can find new forms of employment. Congress' disaster response should be coupled with a voluntary buyout program to address the overcapitalization issues plaguing commercial and recreational fisheries such as the red snapper fishery. Indeed, as the September 2005 Public Hearing draft for Amendment 26 to the Gulf of Mexico Reef Fish Fishery Management Plan states: "The rapid growth and overcapitalization of the red snapper fishery have intensified the race for fish. The harvesting and processing capacity in the red snapper fishery exceeds the amount necessary to efficiently prosecute the fishery. The race for fish and shortened seasons have resulted in other resource conservation and management issues. . . . Excess capacity and the race for fish have resulted in economic instability and reduced earnings for affected harvesters and processors. These problems have threatened the Council's ability to achieve OY in the red snapper fishery from economic, biological, and social perspectives."

The sad reality is that the hurricanes of 2005 have created a circumstance in which we should now consider how to best assist fishermen and the resource. Some fishermen face such devastating losses that they may want to leave the fishery. Thus, in considering how to respond to the storms and hurricanes of 2005, Congress should also consider how to respond to the existing fishery management issues by establishing a voluntary buyout program for vessels and permits in certain fisheries.

Regardless of what Congress does to address the resource damage issues and overcapitalization issues discussed above, the facts are that without significant assistance to respond to the hurricane damage wrought in 2005, fishing communities and the charter boat industry will be in jeopardy of losing their economic viability.