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'Snapper barons' raking in riches from public resource

Lee Zurik, Tom Wright

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GRAND ISLE, LA (WVUE) - On the tip of Louisiana's coast, Dean Blanchard built his seafood business from nothing.

"It's what made America great, is hard-working, good people," Blanchard says.

But, he tells us, a few miles away from Grand Isle - on waters owned by taxpayers - a multi-million-dollar government handout functions like the opposite of the capitalism that helps put food on his table.

"When Russia and China just let certain people do certain things, what do we call them? We call them communists. I mean, I don't see no difference."

Blanchard is criticizing a federal program, unknown to most taxpayers, that allows a handful of businesses and fishermen to make millions off a government resource - creating what some fishermen call "Lords of the Sea."

Blanchard says they "took a natural resource that belongs to everybody in the United States and just gave it to a few, and told them you're the only ones who can do it."

Each Gulf state controls the waters out to nine miles. Beyond that are federal waters, where this program comes into play.

In 2007, the government handed over shares of the annual red snapper commercial harvest to a select group of fishermen. The government divvied up the snapper shares; the number of shares was determined by the number of fish caught in prior years.

“Sea lords, snapper barons, whatever you want to call it - it's people that are becoming enriched by sitting back and doing nothing off a public resource,” says U.S. Representative Garret Graves (R-Louisiana).

Unlike oil or timber, the government doesn't auction off the shares and gets nothing in return from these fishermen.

“You hear people complain about folks who are living off of government programs, different welfare programs,” Graves tells us, pointing to some of our documentation during an interview. “Look at that. I mean, you want to talk about egregious? That's sickening, that is sickening. And here we have a national debt that's approaching \$20 trillion, and you're giving away money like that?”

The largest shareholder, Russell Underwood of Lynn Haven, Florida, can gross \$1.6 million a year.

We spoke with Galveston's Buddy Guindon, third on the list, who can make \$1.4 million.

“It's a great asset,” he tells us. “I mean, it's probably the only thing that's been making 10 percent in the country, except for gambling - the IFQ system, in Grouper-Tilefish. You know, it's lucrative as far as a product, your money invested versus your return.”

“It is like the government determining who is going to be a millionaire and who is not,” Graves says.

Russell Underwood has 5.55 percent of the shares. This year, the government set the quota at 6 million total pounds. So, Underwood can catch 330,000 pounds of fish. At the dock he can sell it for an average of \$4.85 a pound, grossing him that \$1.6 million.

“It's a great deal if you can get it,” Graves tells us. “But the reality is that 99.999 percent of the world, percent of the country, doesn't have a sweetheart deal.”

But there's more.

Many of the shareholders don't even fish.

The government allows the shareholders to sell their snapper allocation. They can make hundreds of thousands of dollars a year without ever touching the water. They essentially can take what the government gives them for free, sell it to a fisherman, and profit from that transaction.

"It's an entitlement program," Blanchard says. "The government gave it to you; you don't have to work no more. I mean, you just sit at home and don't work and the money just keeps coming in."

Graves says they're "literally getting paid to do nothing."

And federal guidelines allow these fishermen to pass down their shares of this government resource from generation to generation. They can gift it to anyone.

"I think it's absolutely fair to be able to pass your family heritage onto your children," Guindon insists, "even if they don't fish."

"Most of these guys that got these permits, they deserve them," Blanchard acknowledges. "They were really fishermen. But they're going to die off. Their kids are going to inherit. I mean, it's like being the Queen of England, it just keeps going down the line."

We ask Guindon what he invested when he initially got his shares. "My investment was about 40 years of fishing," he says.

As for people who simply sell their shares, he asks, "Are they sitting at home, not fishing now, or are they running a business where they allow others to harvest their fish? Like their brothers, or their sons... It's a public resource. And actually, we're part of the public."

Determining who makes money without fishing proved to be difficult. The government told us they have no record of who is fishing and who is not.

But we found a way to figure it out. To catch red snapper in federal waters, a fisherman must have a Gulf Reef Permit. So, we cross-referenced that list of permits with the list of shareholders, and determined that about 120 people - roughly 37 percent of the shareholders - don't fish.

"I know one that bounces back," fro place to place, Blanchard says. "You have two or three yachts. You might be in Florida, Key West one week, might be in Costa Rica the next week. No telling where they're at. It's a hard time to find him to send him the check."

One Pascagoula, Mississippi shareholder, operating under the business Tampico, can make \$604,000 a year without ever dropping a line in the water.

We received a response from the ex-wife of Kenny Johnson, a commercial fisherman from Florida. Johnson makes about \$150,000 a year selling his allocation every year. His ex-wife called to tell us he hasn't fished in six years.

But he passed away in August. Johnson's ex-wife says they plan to transfer those shares to their son. The son doesn't live in Florida - he lives in Texas, where he's not a commercial fisherman but a chef.

The ex-wife says her son will likely stop cooking. He won't have to fish, though; he plans to sell the shares each year.

He won't work but he'll make more than the governors of Florida, Alabama, Mississippi, Louisiana and Texas each year. That's more than \$100,000 from inherited catch shares, without ever catching a fish.

Tommy Williams owns a sliver of commercial shares, just 0.07 percent. To make his business work, the Slidell commercial fisherman buys the right to catch more fish from other shareholders.

"The system seems to be flip-flopped," Williams tells us.

Williams buys his allocation for about \$3 a pound. At the dock, he can sell it for \$5.50; Williams makes \$2.50 a pound. And the guy at home, selling the government resource, makes \$3.

"Doesn't make sense, but that's the way the system's set up," Williams says. "I can't change that."

And the seller doesn't have to spend money on a boat, gear or a fishing license. Williams estimates he spends \$80,000 a year, "on stuff, on the boat."

Williams says the system overall works well and has the right intentions. "It's a great thing," he says. "There would not be the resource out there now, for everybody, for recreational as well as commercial, if there was not an IFQ system."

But he thinks a few of the rules need to be tweaked.

Even some critics of the program say it was started for the right reasons. Experts at the time warned the red snapper allocation was depleted. And every January 1, fishermen would race to catch as many fish as they could before reaching the full quota.

Before 2007, catch shares were not assigned to fishermen - they could catch as much as they could until the overall quota was reached. This had the effect of creating a race to the finish at sea, where rushed performance and simple mistakes could spell doom.

"The goals were to reduce capacity, first of all, to reduce the amount of people out there on the water, fishing,," Guindon tells us. "To rebuild the stocks, to give fishermen better businesses. And all those things have happened. Too, safety at sea was one of the goals, to allow fishermen to decide when they were going to go fishing, rather than the government deciding when to go fishing... The marketability of the product, OK? So before, we were doing every 10 days; now we have fish 365 days a year. And restaurants like Brennan's, here in New Orleans, could put it on their menu and have it all year round."

The [Alabama news site AL.com](#) conducted a probe of IFQ's, and reported last year that "roughly \$60 million has been earned since 2007 by this small number of fishermen whose boats never left port."

An LSU survey of the program found the overall satisfaction to be tepid. Most shareholders say it was hard for others to enter the fishery, and said the program created a new class of sea lords who live off the profits of trading red snapper allocation, not fishing.

"Is it fair? I think it is absolutely fair," Guindon repeats. "There's many, many businesses that are passed down. And, you know, you talk about a public resource. And the oil industry, they drill a hole in the ground. That's public resource."

“That's not their asset,” Graves insists. “That's a public asset. It's just like water or oil or the gold at Fort Knox, it's a public asset; it's not theirs.”

Yet some shareholders still are making six figures, doing nothing.

Proponents of the program say it accomplished its goal, reducing how much red snapper people may fish in order to rebuild the stock, improving safety at sea, and allowing snapper to be sold to restaurants year-round.

Dean Blanchard had red snapper shares. But he says, after the BP oil spill, he forgot to file some paperwork. They kicked a vocal opponent out of the program.

“To tell the truth, I could have fought for it, but I never believed in it,” he tells us. “I don't think it's right. And so, I just let it go. I don't need it.”

But he estimates, “I would have collected probably between \$40,000 and \$70,000 for the rest of my life, every year, where I could have sold them to somebody, sat at my house and collected a check off the government the rest of my life.”

As Blanchard puts it, he's no longer part of a program in which the government determines who makes it and who doesn't - a program that Blanchard says no other profession would allow, as he told a lawyer friend recently.

“I said, ‘Look, I just come from Washington and they said they've got too many lawyers,’ he recalls. “So, what they're going to do is, if you were a lawyer between this year and this year and had so many cases, you kept your license. If you didn't, they're going to take your license away and you could only have a license if you buy it from another lawyer.’ the lawyer tells me, ‘Well, that's illegal.’ Ah, it's illegal to do it to lawyers but not fishermen – because that's exactly what they did to us.”

NOAA Fisheries, the federal agency that oversees marine resources in the Gulf, receives \$900,000 a year from the program. The money is collected to pay for administration and enforcement.

But the fishermen aren't the ones paying. Instead, the dealers who purchase the fish are responsible for collecting and submitting the fee.