

Definition of Variable Costs

This section applies to business that did not fish or operate in 2020 and who choose to use their actual replace the estimated costs with their actual costs.

The spend plan reduces claims for applicants that did not fish or operate during the claim period because those businesses did not experience the same costs as those who did. The spend plan bases the percentage reductions on estimated variable costs in the different sectors. These estimates are expressed as a percentage of gross revenues. For example, the 55% used for the Commercial Fishing sector means that the business spent 55% of its gross revenues each year on variable expenses. If the business only spent 40% of its gross revenues on variable costs on average over 2015-2019 then it would be beneficial to the application to use that figure instead.

Those electing to share any CARES Act payment received from the Washington spend plan with crew have a lower deduction because crew pay makes up a large portion of variable costs in the Charter and Commercial Fishing sectors. The state does not want to discourage businesses from sharing assistance with crew. For example, the reduction is lowered to 20% if a Commercial Fishing sector business elects to share because it estimated that the typical operation pays out that much of its gross revenues to crew.

The spend plan also recognizes that these estimates of variable costs may be higher than the applicant's actual costs. The spend plan therefore allows applicants to use their actual costs in lieu of the estimates. The definitions and information given here are intended to help those who choose to do so.

Applicants should only factor in their variable costs and exclude fixed costs. A fixed cost is one that the business experiences regardless of the level of activity such as moorage or loan payments. They should be excluded because the costs would have been incurred even if the business did not fish or operate in 2020. A variable cost, in contrast, is one that the business would have incurred. For instance, fuel is estimated to be one of the largest variable costs for the Commercial Fishing sector. Someone that did not fish in 2020 would not have experienced fuel costs. Table 4 categorizes costs into variable and fixed costs based on the definitions used by the NOAA Fisheries' Northwest Fisheries Science Center's Economic Data Collection program.

The following text box outlines the steps for making the calculation of how to calculate variable costs as a percentage of gross revenues.

ELECTS TO SHARE WITH CREW	DOES NOT ELECT TO SHARE WITH CREW
<ol style="list-style-type: none">1. Categorize costs as fixed or variable.2. Sum all variable costs excluding crew pay, 2015-2019.3. Take the result from step 3 and divide by total gross revenues, 2015-2019.4. The result from step 4 is the percentage of non-crew variable costs. If it is lower than 20%, then it would reduce the applicant's payment less.	<ol style="list-style-type: none">1. Categorize costs as fixed or variable.2. Sum all variable costs including crew pay, 2015-2019.3. Take the result from step 3 and divide by total gross revenues, 2015-2019.4. The result from step 4 is the percentage of non-crew variable costs. If it is lower than 40% for the Charter Sector or 55% for the Commercial Fishing Sector, then it would reduce the applicant's payment less.

Table 3. Illustrative categories of variable costs (“VC”) and fixed costs (“FC”). The sector categories shown in the columns apply to the Pacific Fishery Management Council’s groundfish individual fishing quota and whiting cooperative fisheries yet should be illustrative for other sectors as well.

Source: <https://dataexplorer.northwestscience.fisheries.noaa.gov/fisheye/PerformanceMetrics/>

	Catcher Vessel	Catcher Processor	Mothership	First Receiver and Shorebased Processor
<i>Cost categories shown in FISHEyE</i>				
Additives				VC
Buyback fees*	VC			
Buildings				FC
Cost recovery fees	VC	VC		
Electricity				VC
Equipment (on-board/processing)	FC	FC	FC	FC
Fish purchases			VC	VC
Fishing gear	FC	FC	FC	
Freight				VC
Fuel	VC	VC	VC	
Labor (captain/crew/labor)	VC	VC	VC	VC
Observers & monitoring	VC	VC	VC	VC
Offloading				VC
Off-site freezing & storage				VC
Packing materials				VC
Production supplies				VC
Taxes				VC
Utilities: Electricity				VC
Utilities: Gas				VC
Utilities: Waste & byproduct removal				VC
Utilities: Water				VC
<i>Cost categories included as ‘Other’ in FISHEyE</i>				
Cleaning and custodial supplies				VC
Communication	VC	VC	VC	VC
Custom processing				VC
Fees and taxes	VC	VC	VC	
Food	VC	VC	VC	
Freight	VC	VC	VC	
Insurance	FC	FC	FC	FC
Lease payments	FC	FC	FC	FC
Moorage	FC	FC	FC	
Offloading	VC	VC	VC	
Packing materials		VC	VC	
Repair and maintenance**				FC
Supplies	VC	VC	VC	
Travel	VC	VC	VC	

*Buyback fees paid for the mothership sector are reported in the catcher vessel sector

**Included in the fishing gear and equipment categories for vessels