

## DISCUSSION

### **Mergers and Investment Session**

Discussion Leader: T. H. Shepard

Discussion Panel: Gordon Campleman, J. R. Clegg, Clifford Varin

#### **Comments on Economic and Financial Aspects , of the Gulf Fisheries**

A. H. Kantner

- Q. Clegg:* Don't you find that fishing companies need longer term vessel financing than in previous years?
- A. Kantner:* They probably need up to 10 years under present conditions. Generally, experienced fishermen and boatmen need longer terms for items such as boats, because the costs are so much higher now. Interest rates are not as satisfactory as we would like.
- Q. Styron:* With such variation in the prime interest rate, will it level off in the future or will money rates still go up and down?
- A. Kantner:* Yes, rates will fluctuate. Considering the highly developed part of the world, investments have a good basis for pay out. We are getting more tightly tied into the world money market. Interest rates over the world are inter-related. Rates are currently going down, the prime rate is down to 7.5 percent and I believe there will be a further reduction which could bring it back to 4.0 or 5.0 percent.

## Why Merge?

J. Saliba

- Q. Varin:* What benefits, if any, do conglomerates contribute to the general business climate?
- A. Saliba:* Conglomerate is probably the most abused word in business, for it encompasses too much. Very few businesses can escape being classified as conglomerates; for example, a good fishing operation will have a net shop, a processing plant, a repair yard and so forth. These are all related or conglomerate functions that help make this fishing operation a more efficient enterprise. Although we are basically engaged in the function of operating a railroad, we nevertheless have a number of diversified subsidiaries that historically have helped our railroad as other railroads such as the North-western, the Santa Fe and the Illinois Central have been helped by their non-railroad operations. In the long run these railroads have ended far ahead because of these diversified operations. In my judgement the best chance for a railroad to prosper and survive will be through such diversification.
- Q. Campleman:* Do you believe that through internal growth and improvements you can get the same advantage as by merging?
- A. Saliba:* I agree in part, but merging can enable one to add product lines and therefore greatly speed up this process of improvement, and I gave examples as above where railroads were helped by such consolidation. Furthermore, I indicated that in many cases people merge because of estate or other personal requirements. I also added that when a major company acquires a small personally-held company, such mergers can only succeed if the acquirer allows the company that is acquired to function along the lines that assured it of success in the past.
- Q. Ripley:* Do you have any idea when you might consider overseas investments?
- A. Saliba:* I believe that any major company should have overseas investments. We do not have overseas investments because our tax-loss carry forward is not applicable to earnings from overseas investments, and consequently there would be very little advantage to our having such investments. I did add one final word of caution, however, an American company should not attempt to work anywhere in any overseas area without good strong local connections. Many concerns have floundered because of their inability to understand foreign customs and regulations.

**Optimal Investment and Financial Strategies  
in Shrimp Fishing**

R. R. Wilson

- Q. Clegg:* What rate of interest was used for boat payments in your example of a boat costing \$100,000 with a down payment of 25 percent?
- A. Wilson:* Eight and one-half percent based on a boat purchased in 1968 with payments continuing through 1978.
- Q. Campleman:* Success in operating fishing vessels is largely in selling them before maintenance and operating costs become excessive. This condition usually occurs in less than 10 years, while payments are still being made in your model. What criteria are used to make the decision to sell vessels?
- A. Wilson:* We have considered including in our model the sale of boats at the time major maintenance problems commence. We have not refined the model to this extent yet, but hope to obtain information permitting this during the coming year.