

Inquiry into Commercial Fishing in New South Wales

Questions on notice and additional information: Cartwright, I and Sen, S. pp 31-30, Draft Transcript.

1. Landings of fish to NSW Cooperatives

Following enquiries to DPI and Sydney Fish Markets, it was not possible to obtain figures for landings of fish to NSW Cooperatives. We could not find any such relevant summary. A senior fisheries bureaucrat from DPI indicated that around 60-80% of fish landed in NSW pass through cooperatives. For general comment on the status of coops and the potential impacts of the Business Adjustment Programme, please refer to the GHD Report on Cooperatives.¹

2. Potential use of technology to improved fisheries management

Most states in Australia have introduced e-technology to improve fisheries management, including in relatively small-scale fisheries similar to those in New South Wales. The evolution of smart phones and software for catch recording has the potential to make many improvements, which would be of benefit to both the fishery as a whole as well as individual fishers.

The most commonly suggested e-data system comes under the brand of 'Deckhand' and has been used extensively in South Australia. There are plans to roll out e-reporting in that state in all fisheries within the next three years. Industry in that state considers that e-reporting adds value to the business (all data available to fishers, selected data available to the Fisheries Department), removes data entry problems and increases accuracy, and improves compliance.

The ease of data entry makes it simple for the user to enter multiple variables in a fraction of the time it would take to record manually. Most fishermen find they can collect significantly more fine-scale data with far less effort than the paper-based systems they have been using for years.

A smartphone and the relevant software will allow fishers to get a running balance of the effort or kilos of quota left to be caught on a licence and, subject to government integration, this balance can be verified by the regulator. A frequently asked question is, 'what happens when I go out of cellular coverage?'. The answer is simple: the phone and associated software continues to record all catch and GPS data on the device when out of coverage. It then syncs all the stored data back to the server as soon as connection is re-established. A smartphone or tablet can collect and store many months of activity while a vessel remains out of mobile coverage.

3. Definition of an active fisher

An active fisher under the Business Adjustment Program is defined as any fisher who has caught at least one kilo of fish (or has filed a nil return i.e. they fished, but caught nothing, hence nothing to record) in the last five years.

4. Small scale fisheries management in other jurisdictions

4.1 General Comments

There is little doubt that NSW is not alone in experiencing challenges in small scale fisheries. All states in Australia are moving to improve the management of these fisheries, to address profitably, sustainability, social license and resource sharing (e.g., with recreational fishers)

¹ NSW Fishing Cooperative Viability Study Final Report May 2014

issues. A workshop involving senior fisheries officials from all state and territory jurisdictions and the Commonwealth was held in Adelaide in 2014² and drew a number of conclusions about small scale fisheries in Australia, the challenges with managing them and some possible solutions. Key observations and suggested actions from the workshop relevant to NSW included:

Overcapacity. Most small-scale fisheries suffer from excess capacity and an assortment of, at times, inefficient and ineffective input controls. This overcapacity tends to erode profitability and create a range of management problems (erosion of rent/profitability, compliance, ability to meet costs of management, etc.). There is a need to explore ways to strip off the unnecessary regulatory burden that has built up in some of these fisheries. Effort expended on developing cost-recovery for marginal fisheries, where excess capacity exists, may be better spent focusing on means to reduce capacity to return a fishery to profitability and therefore better able to meet management costs.

Latent effort arising from an excess of licences/vessels in many small scale fisheries.

Resource sharing and security of access. Note that before resource sharing can occur, better definition of the commercial access right is required. Allocation issues between sectors remain a source of friction in most jurisdictions and inter-sectoral resource sharing debates are on-going. The nature of these debates, and the processes proposed to resolve them, can be more or less explicit, i.e. by allocating catch shares between commercial, recreational and indigenous sectors (explicit) or the creation of marine parks or recreational fishing-only areas (implicit). Identifying and engaging all stakeholders, understanding their various values and then seeking agreement and building support for resource sharing options is the preferred approach.

Ineffective controls on catch as most small scale fisheries are managed by input controls; these controls may not be effective in controlling catch if latent effort is activated, resulting in potential sustainability issues (NB this issue is particularly relevant to NSW).

Economic efficiency is constrained as excess effort erodes the benefits from intermittent productive seasons, leading to low profitability and limited opportunities to find individual efficiencies.

Lack of certainty in future fisheries management measures – i.e. fishers know something needs to be done, but are unsure how, when and what may occur.

Poorly defined property rights leading to little incentive to display stewardship. Challenges include:

Creating incentives to change through:

- *Buy outs and exit grants* (noting decision required on who pays – government or industry – i.e. self-funded).
- *Implementation of cost recovery* to prevent cross subsidy and to encourage those holding unused access rights to sell.
- *Autonomous market adjustments*, which may be difficult in fisheries where excess capacity is large (NB in NSW this issue will be addressed through the business adjustment programme).

² AFMF Fisheries Management Workshop Adelaide 26th and 27th March 2014

- *Securing the political* will to reform a fishery and reduce capacity—linked to the authorising environment and can be unrelated to the fishery and more related to marginal seats and the degree of voter ‘noise’.

The above indicates that NSW is very much in step with the thinking of other jurisdictions in Australia, most of which have moved further and faster in addressing inshore fisheries challenges. The Business Adjustment Programme, if introduced effectively and in a timely fashion will place NSW at the forefront of coastal fisheries management. The sections below provide additional information on three other states and how they have addressed or are addressing similar challenges to those faced in NSW. We would make the observation that unlike NSW, there has been no explicit consideration of additional funding to ease the transition in these states and it appears unlikely that any funds will be forthcoming in the foreseeable future.

4.2 Tasmania

Tasmania has a complex scalefish fishery, which shares many of the challenges facing NSW, including the small scale of most operators, some of which are part time, interaction with the recreational sector, excess capacity (which has been addressed to some extent, for some species) and low profitability.

To address some of these issues, the Department of Primary Industry, Parks and the Environment (DPIPWE) has introduced a number of mechanisms to restrict to effort and catch. These include:

- One species (banded morwong), most of which was formally caught along with other scale fish on the East Coast, came under a limited licensing regime and quota in October 2008. Allocation was made based on catch history
- The restriction of catch of four other species (wrasse, Australian salmon, calamari and octopus) by limiting access by species licence. Note that species licences can also limit access by area as is the case for a fishing licence (octopus) and fishing licence (southern calamari) or gear type as is the case for a fishing licence (octopus), fishing licence (automatic squid jig) or fishing licence (Australian salmon).

While not as comprehensive as the Business Adjustment Programme in NSW, these management changes have resulted in improvements in profitability and sustainability, as well as social licence. The process to achieve improved outcome for inshore fisheries in Tasmania is more a process of evolution rather than revolution and is ongoing.

4.3 South Australia

Overview of Marine Scalefish Fishery

- Gross value of production is \$25.2 million
- Aging workforce: 30% of active fishers over 55 years old
- Total contribution to gross state product is \$42 million
- Direct fishery employment is 263 full time equivalent (fte)
- Total employment impact is 484 fte jobs state-wide
- Average rate of return to total capital investment is 1.0%
- Economic rent is -\$6.8 million
- Ageing workforce: 30% of active fishers over 55 years old

Current issues facing the industry

- Too many fishing licences to manage the fishery in a sustainable and economically viable way
- Excess latent and active fishing effort, and effort shifting influenced by a range of factors, e.g. advances in technology, economic forces, and fish stock variations
- Constant adjustment to management arrangements to meet sustainability objectives - usually achieved through controls on fishing effort
- Constant regulatory changes result in uncertainty for fishers in the long-term direction of the fishery
- Restrictions on fishing effort generally result in less efficient operators and reduced economic viability
- Poor profitability and economic returns
- Cumbersome and complicated regulatory system

The MSF was South Australia's (SA) first commercial fishery, having evolved from the collective knowledge and expertise of the early settlers, who had migrated from a diversity of European countries that had built strong economies from their fishing industries. From its humble beginnings in the 19th Century, the MSF is now the State's most complex fishery with the highest number of operators. It currently has a Gross Value of Production of \$25.2 million, directly employs 263 people with 30% of active fishers over 55 years old. The average rate of return to total capital investment is 1.0% and economic rent has been estimated at -\$6.8 million (Econsearch, 2016)

There are currently 309 MSF licences and 6 Restricted MSF licences with State-wide access, with a further 180 Southern Rock Lobster, 63 Northern Rock Lobster and 36 Lakes and Coorong Fishery licences with commercial access to marine scalefish species. This fleet can use up to 28 different registered gear types (including long lines, hand lines, hauling nets and fish traps), and target in excess of 60 species through a variety of licence conditions (PIRSA 2013). Each licence is potentially unique with respect to the gear types endorsed, which further complicates the overall management of the fishery. The heterogeneous mixture of participants, fishing devices and licence conditions, makes the task of efficiently managing this fishery complex.

Although the fleet has the capacity to target a variety of species of finfish, molluscs, crustaceans, annelids (worms) and sharks, most fishers target the four primary species of King George Whiting, Southern Garfish, Snapper and Southern Calamari). In some regions

within the State there has been significant fishing pressure on these species that has resulted in less than favourable levels of stock status (Fowler et al. 2014, Lyle et al. 2014, Steer et al. 2015, Fowler et al 2016) and have consequently required additional restrictive management arrangements to ensure their long-term sustainability (Table 1)

Table 1. Stock Status of the primary Marine Scalefish Fishery species.

COMMON NAME	STOCK/MANAGEMENT UNIT	STATUS
SOUTHERN CALAMARY (2014)	South Australia	Sustainable
KING GEORGE WHITING (2014)	Spencer Gulf	Transitional-depleting
	Gulf St Vincent/Kangaroo Island	Transitional-depleting
	West Coast	Sustainable
SNAPPER (2016)	Western Victorian	Sustainable
	Gulf St. Vincent	Sustainable
	Spencer Gulf/West coast	Transitional-depleting
SOUTHERN GARFISH (2015)	West Coast	Undefined
	Northern Spencer Gulf	Transitional-recovering
	Southern Spencer Gulf	Sustainable
	Northern Gulf St. Vincent	Overfished
	Southern Gulf St. Vincent	Sustainable
	South East	Undefined

Over time these inherent complexities have contributed to creating a number of fishery-wide issues, including:

- excess fishing capacity which compromises the sustainability and economic viability of the State's marine scalefish resources;
- a highly dynamic fishing fleet that is capable of shifting/activating effort amongst species and regions which alters the emphasis of the fishery's overall management;
- constantly improving fishing capacity through advancing technologies, knowledge, and economic conditions;
- reactive regulatory adjustments that create uncertainty regarding the long-term direction of the fishery, and contribute to a complicated and cumbersome system;
- poor profitability and economic returns;
- lack of community support for the commercial sector;
- increased conflict both within and between fishing sectors (i.e. commercial and recreational).

Various management strategies have been implemented to address some of these issues but they have varied in their level of effectiveness. Strategies have included numerous reviews over the last 50 years; the introduction of the Licence Amalgamation Scheme in 1995; and the restructure of the commercial net sector which included voluntary buy-backs. Collectively these two initiatives reduced the number of licences within MSF by 40% over 20 years.

Given these issues and the current management framework, in 2014 the Marine Scalefish Fishery Strategic Review Working Group was established following a request from the Marine Fishers Association (MFA) in response to these ongoing strategic challenges and explore how structural reform could be implemented.

The working group has discussed various options for structural reform centred around ways in which to reduce the number of licences in the fishery prior to implementation of new management arrangements. New management arrangements may include the introduction of

ITQs or ITEs, regional or zonal management and reviewing of existing controls which impede efficiency.

With regard to structural reform, industry is exploring options to for funding the removal of licences, likely to be funded by an industry levy with a hope that the South Australian government would consider a co-contribution or provision of a low interest loan. Whatever the eventual funding mechanism agreed, it is unlikely that the South Australian government will provide the majority of the funding for the reform program.

4.4 Queensland

Queensland is currently in the process of fisheries reform and a Green Paper on the topic was released for public comment on Thursday 21 July 2016. The public comment period is now closed. The Green Paper notes:

Without broad reforms it will be increasingly difficult for government to ensure and demonstrate sustainability. The profitability and social acceptability of fishing will continue to decline and competition for shared resources between sectors will increase with no clear process to resolve issues.

There is mention of a commitment to maximise economic and social value from fisheries resources and need to allocate explicit access shares to resource users through the adoption of a process of a stable and predictable access and allocation approach.

The reform proposed under the Green paper has as a priority for the commercial sector:

to review fishery management arrangements with a view to further limiting total catch and effort. This may necessitate a restructure within many commercial fisheries that will likely lead to fewer operators fishing with more business certainty and higher profitability.

Without these reforms it is suggested that:

these fisheries will continue to decline in economic viability and ability to demonstrate environmental sustainability.

The proposed reform is expected to result in

fewer operators with increasing profitability and lower catch, achieving the vision of a stable number of operators, high catch rates, profitable commercial businesses and secure access.

5. Conclusion

It is clear to us that NSW small scale fisheries are not alone in facing the challenges of over allocation/capacity, poorly defined property rights and threats to economic viability, sustainability and social licence. The Business Adjustment Programme is also in accordance with efforts within other jurisdictions to deal with these challenges. What makes NSW stand out is the Government commitment to substantial funding and support for a range of other measures to assist with the transition process. In addition, the Total Allowable Catch (TAC) Committee offers an independent and effective means of setting catch and effort levels, subject to the provision of sufficient support for the collection and analysis of accurate catch, effort and spatial data.

Delaying fisheries management reform can and will create additional uncertainty. Our experience has shown that drawing out reform process, while appearing attractive, can lead to much poorer outcomes than in those cases where decisions are taken and implemented in a timely manner.

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